

Project Update

publications generated while funded by CERF

None

seminars, conference presentations, press releases and other academic activities

96th International Atlantic Economic Conference, Philadelphia, PA, USA. Discussant and presenter for my work on 'Tying yourself to the Mast: Painful Debt as a Commitment Device in Self-Fulfilling Debt Crises'.

Presented at the Cambridge University Faculty of Economics' Macro PhD Workshops.

Presented at the Cambridge Endowment for Research in Finance Monday Lunch & Talks series.

Presenting at the CERF End of Term Staff & Student Lunch with Talk.

Non-Technical Summary

In my first-year PhD chapter, I am investigating recent sovereign debt trajectories in emerging markets. Over the past decade, a lot of these countries have concerningly taken on larger and larger debt portfolios that have become increasingly painful to default on. With the latest rise in interest rates, this has caught many of the poorest countries in the world between a rock and a hard place: They can either try to keep servicing their fast-growing interest repayments, or incur large economic penalties when attempting to restructure their debt. My research aims to better explain what makes countries end up at such a disadvantageous point of high debt and high economic costs of default and how to prevent a repeat of this spiral in the future. In my work, I propose that short-sighted governments may figuratively "tie themselves to the mast" by deliberately issuing debt contracts that increase the economic cost of sovereign default, as this commits the government to repay. While this reduces the probability of a liquidity crisis and allows governments to sustain higher debt levels in normal times, it also makes the sovereign very vulnerable to large unanticipated economic shocks, as was the case with COVID-19. Global frameworks that further regulate different kinds of sovereign borrowing could help dampen this spiral in the future.