

You are kindly invited to attend the Joint Macroeconomic Seminar co-organised by the National Bank of Belgium and the Belgian universities (KU Leuven, UAntwerpen, UCLouvain, UGent, ULB, ULiège, UNamur and VUB).

by

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on

Expenditure Consolidation and Sovereign Debt Restructurings: Front- or Back-loaded

(co-authored with Hyungseok Joo)

Abstract

Sovereigns implement expenditure consolidation prior to debt crisis—“front-loaded”. We compile data on strategies of expenditure consolidation and restructurings in 1975–2020. We find that (i) expenditure consolidation precedes—front-loaded—preemptive restructuring, while occurs upon post-default restructurings—back-loaded—; and (ii) public investment and restructuring duration differ between preemptive and post-default restructurings. We construct a theoretical sovereign debt model that embeds endogenous choice of preemptive and post-default renegotiations, public capital accumulation, and expenditure composition. The model quantitatively shows the sovereign’s choice of front-loaded expenditure consolidation and preemptive restructuring results in quick debt settlement and public investment recovery. Data support theoretical predictions.

The seminar will take place on **Tuesday, December 6th** from **16:30** until **18:00** in **Conference Room Lamfalussy, entrance: rue de Berlaimont 14**, 1000 Brussels *and will also be able to be followed via a [Microsoft Teams meeting](#).*

Please reply by email to nbbmacro.seminar@nbb.be if you wish to participate to this seminar or if you want to have an appointment with the speaker.

Please let us know if you will be physically present or will follow online. After registration and if you have indicated that you want to join online you will receive a confirmation email with *the link to the seminar*.

In case you want to access the NBB Parking (rue Montagne aux Herbes potagères 41), please also provide us with your name and the license plate of your car.

Kind regards,

Pierrick Clerc (ULiège), Ferre De Graeve (KU Leuven), Romain Houssa (UNamur), Robert Kollmann (ULB), Yasin Kursat Önder (UGent), Luca Pensieroso (UCLouvain) and Raf Wouters (NBB)