

State-contingent government debt: a new database

Gonçalo Pina*

Abstract

State-contingent government debt has been proposed as a way to reduce costly debt crisis. However, markets for this type of debt remain very limited, for reasons that are not yet fully understood. This paper describes a new database covering state-contingent government debt issued between 1863 and 2020. Based on these data, this paper shows stylized facts regarding the main design features, and market performance, of state-contingent government debt. It also provides a brief history of state-contingent government borrowing, which is contextualized with a simple theoretical model of state-contingent debt. The results show that there have been several small, heterogeneous, issuances of state-contingent debt, which resemble pilot runs in this new asset class. The paper concludes with some common challenges associated to state-contingent government debt.

Keywords: State-contingent debt, GDP-linked bonds, Public Debt

JEL Classification: G1, N2, H63

* Prof. Dr. Gonçalo Pina, ESCP Business School, Chair of International Economics, Heubnerweg 8-10, 14059 Berlin, gpina@escp.eu.

Acknowledgements: I am grateful for the valuable comments from an anonymous reviewer. This work was funded by the FFMS – Fundação Francisco Manuel dos Santos as part of the project “GDP-Linked Bonds in the Portuguese Economy”.