

Discussion on:

“Coping with Disasters: Two centuries
of International Official Lending”

Tito Cordella

The World Bank

Sovereign Debt Virtual Workshop, August 2020

A very important research agenda

- ✓ we knew very little about debt, private, and official capital flows

- ✓ and we are learning more and more
 - ✓ Reinhard, Rogoff, and Savastano (2003)
 - ✓ Reinhard and Rogoff (2009)
 - ✓ Reinhard, Reinhard, and Trebesh (2019)
 - ✓ Meyer, Reinhard, and Trebesh (2019)
 - ✓ Horn, Reinhard, and Trebesh (2019)

- ✓ and this paper, which provides a very comprehensive account of two centuries of international official lending

Back to the archives...



- ✓ big data are relatively easy to collect if...they can be downloaded
- ✓ collecting them from old chartaceous documents is... a pain
- ✓ thank you for doing the hard job and...
- ✓ please let us free ride and download them soon!

I really enjoyed the paper

- ✓ VERY serious data collection (230,000 obs.)
- ✓ compelling narrative
- ✓ trends are well presented
- ✓ the empirical analysis is quite convincing
- ✓ and I learned a lot...

A clear big picture...

- ✓ official lending is not a new phenomenon
- ✓ private and official capital flows are “substitutes”
- ✓ in the XIX century, official lending was concentrated in war periods, but it also addressed financial crises
- ✓ after WWI it dried up (except for central bank lending), after WWII it spiked
- ✓ multilateral lending is a post WWII/decolonization phenomenon, and so is developmental lending
- ✓ the official lending that followed the GFC and Covid-19 crisis is (almost) unprecedented in times of peace

My “discussion”

- ✓ some suggestions on how to present the database
- ✓ and, of course, for some additional work...
- ✓ why the empirical analysis just looks at disasters?
- ✓ and why it bundles all disasters together?

Who's who?

- ✓ who the lenders are?
- ✓ the paper tells us about multilateral, bilateral, central banks
- ✓ but not who the main bilaterals are/were
- ✓ and what about the concentration of lending (HH index)?
- ✓ what is the rationale of scaling on UK and US GDP and not on world GDP?

And I would like to (easier said than done)

- ✓ know more about the lending terms
- ✓ have the characteristics of official lending (terms, interest rates, currency denomination) changed overtime?
- ✓ but what I would really love to know is the story of official lending repayments
- ✓ can we extend Schlegl, Trebesh, and Wright (2019) to... encompass the French revolution (I know...)
- ✓ have seniority roles changed overtime?

Empirical analysis

- ✓ better explain why to just focus on disasters
- ✓ when they account for 0.7% of the # of observations
- ✓ (how much of the total amounts?)
- ✓ are the determinants of official lending during disasters and normal times different?
- ✓ and are all types of disasters equal?
- ✓ are they all equally “exogenous”?

There are disasters and disasters

✓ acts of god



✓ acts of go(l)d



✓ acts of men



There are disasters and disasters

- ✓ natural disasters are
 - ✓ exogenous
 - ✓ externalities are limited
 - ✓ solidarity

- ✓ financial crisis are
 - ✓ often unexpected
 - ✓ externalities can be massive
 - ✓ economic self-interest

- ✓ wars
 - ✓ expected or unexpected but are started by men
 - ✓ externalities can be massive
 - ✓ but official lending is often a war weapon

Official lending is often a war weapon

Spanish Civil War	1936	Spain	Germany, Italy, Soviet Union	\$ 12.5 bn 11 % of GDP 256 % of imports
World War II	1939 – 1945	UK, Germany, Soviet Union	USA	\$ 800 bn
Vietnam War	1956 – 1975	South Vietnam	USA	\$ 150 bn

- ✓ hence it may requires a different kind of analysis
- ✓ we may not want to a gravity model of wars...
- ✓ why not run separate regressions for the different kinds of disasters
- ✓ or interact some of the variables with a disaster-type dummy?

Summing up...

- ✓ this is a very important paper
 - ✓ part of a very important research agenda
 - ✓ producing new datasets
 - ✓ that we all want to use
 -  share soon!
- ✓ that provides new insight on the role of official finance in the last two centuries
- ✓ and (especially being a paper on data) is really enjoyable to read
-  continue with your great work and...let us know
- ✓ what the next chapter will be