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Public Debt Overhangs: Advanced-Economy Episodes since 1800

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Abstract

We identify the major public debt overhang episodes in the advanced economies since the early 1800s, characterized by public debt to GDP levels exceeding 90 percent for at least five years. Consistent with Reinhart and Rogoff (2010) and most of the more

recent research, we find that public debt overhang episodes are associated with lower growth than during other periods. The duration of the average debt overhang episode is 10.6 years, the most striking feature. Among the 20 episodes we identify, 15 lasted more than 5 years. Our analysis suggests that the correlation is caused mainly by debt buildups during business cycle recessions. The long duration also implies that the cumulative shortfall in output from debt overhang is potentially massive. These growth-reducing effects of high public debt are apparently not transmitted exclusively

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through high real interest rates, as in eleven of the episodes, interest rates are not materially higher.

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Additional Materials

[Data Appendix \(Updated 9/12/2013\) \(716.97 KB\)](#)

[Online Appendix \(26.11 KB\)](#)

JEL Classification

E23 Macroeconomics: Production

H63 National Debt; Debt Management; Sovereign Debt

N10 Economic History: Macroeconomics and Monetary Economics; Growth and Fluctuations: General, International, or Comparative

N40 Economic History: Government, War, Law, International Relations, and Regulation: General, International, or Comparative

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