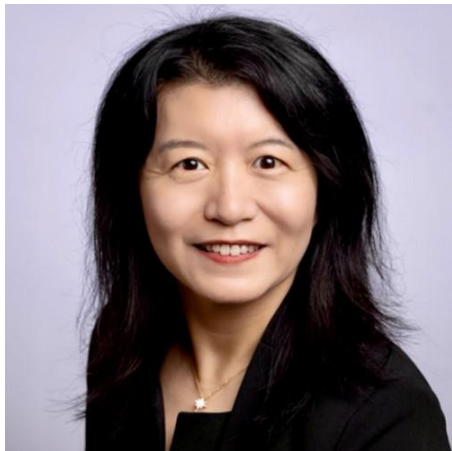


Department of Economics
2024-2025
Seminar Series



Monday, April 21, 2025
12:30 PM-1:50 PM
SBS, Room N603

Vivian Yue

Samuel Candler Dobbs Professor of Economics
Emory University

A Theory of International Official Lending

Abstract: We examine international official lending using a repeated game model of sovereign debt in the presence of two frictions: limited enforcement and moral hazard. First, the sovereign country can renege on their debt obligation. Second, lenders cannot perfectly observe whether the sovereign uses the borrowed funds for consumption or export production. The constrained optimal allocation (COA) prescribes imperfect insurance and employs dynamic incentives in designing optimal contract. We show that the COA can be implemented as a competitive equilibrium featuring official lending and private lending. Quantitative analysis demonstrates that official debt is countercyclical, while private debt is procyclical, consistent with empirical evidence. Our finding accounts for the endogenous composition of creditors and highlights the role of international official lending in sovereign debt markets. With Qing Liu & Zanhui Liu.

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: stonybrook.edu/economics.

Stony Brook University/SUNY is an affirmative action, equal opportunity educator and employer.