

Data Sources for Persistent Gaps and Default Traps

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Pre-World War II data

Our pre-WWII sample spans 32 countries: Australia, India, Japan, and New Zealand; Egypt; Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Uruguay; Canada and the US; Austria (including the Austro-Hungarian Empire before 1914), Belgium, Denmark, Finland, France, Germany, Greece, Hungary (after WWI), Italy, Netherlands, Norway, Portugal, Spain, Russia, Serbia, Sweden, United Kingdom, and Turkey.

Sovereign Bond Yields and Spreads. Bond yields on long-maturity sterling denominated bonds were taken from Obstfeld and Taylor (2003) for all countries except for Peru, Venezuela, Hungary, and Yugoslavia. Pre-WWI data for Peru and Venezuela are from Kelly, Trish “Ability and Willingness

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to Pay in the Age of Pax Britannica, 1890-1914," *Explorations in Economic History*, 1998, 35, 31-58, and were kindly provided by the author. Interwar data for all four countries were compiled from the League of Nations, *Statistical Yearbook*, Geneva, several issues. Country spreads calculated as the difference between the respective country's bond yields and the yield on UK consols, the latter taken from Holmer, S. and Sillas, R., 1996, *A History of Interest Rates*, Rutgers. From the latter source also come our two measures of the short-term world interest rate used in the regressions (the UK discount rate on short-term commercial paper and the US short-bond rate) which we deflated by the UK wholesale price index provided in Mitchell, B., 2005, *International Historical Statistics: Europe*, London.

Real GDP data are from Maddison, A., *The World Economy: Historical Statistics*, Paris, 2003 except in the following cases: For Argentina, Brazil, Chile and Mexico: from Aiolfi et al. (2006), who show that their estimates are superior to those provided by Maddison. For Greece: new estimates provided by G. Kostelenos, based on his earlier research (*Money and Output in Modern Greece, 1858-1938*, Athens, 1995). For Russia: the net national product estimate from Paul Gregory, *Russian National Income, 1885-1913*, Cambridge University Press, 1983. For Spain: Prados de la Escosura, Leandro 2003, *El Progreso Economico de España, 1850-2000* (Madrid: Fundacin BBVA). For Venezuela: Baptista, Asdrúbal, 1997, *Bases Cuantitativas de la Economía Venezolana, 1830-1995*, Caracas. The world output growth series (used in the instrumental regressions of Table 3) was constructed as weighted average of real GDP in Australia, Canada, France, Germany, Italy, UK and the US, in 1999 US dollars, as provided in Maddison (2003).

Nominal GDP are from Obsfeld and Taylor (2003) except for New Zealand (from Rankin, K., 1992, *New Zealand's Gross National Product, Review of Income and Wealth*, 38(1), 49-6), and for Hungary and Yugoslavia (from Mitchell, B., 2003, *International Historical Statistics: Europe*, New York).

Public Debt data is from Obstfeld and Taylor (2003), Flandreau and Zumer (2004), and the League of Nations, op. cit., except for the following. For Argentina, Brazil, Chile and Mexico: from Aiolfi et al. (2006). For Peru and Venezuela: Kelly (1998) and League of Nations, op. cit. For Greece: Lazaretou, S., 1993, "Monetary and Fiscal Policies in Greece: 1833-1914", *Journal of European Economic History*, 22 (2), 285-312. For Venezuela: Baptista, 1997, op cit.

Foreign Trade. Export values from B. Mitchell's *International Historical Statistics: The Americas, Asia and Oceania, and Europe*. Terms of Trade from Blattman, C, Hwang, J., Williamson, J. 2006, "How do trade and financial integration affect the relationship between growth and volatility", *Journal of International Economics*, 69, data provided by the authors. For Argentina, Brazil, Chile and Mexico from Aiolfi et al. (2006).

Post-World War II data

Our post-WWII sample includes all countries of the pre-WWII sample except Serbia, and adds the following 29 countries: Botswana, Gabon, Jordan, Morocco, Oman, South Africa, China, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Thailand, Bolivia, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Jamaica, Panama, Paraguay,

Bulgaria, Czech Republic, Poland, Romania, Iceland, and Switzerland.

Sovereign Bond Yields and Spreads. JP Morgan Emerging Market Bond Index (EMBI). Our measure of the world risk-free interest rate, r_f , is the 3-month US T-Bill rate taken from IMF's International Financial Statistics (IFS) and deflated by the US WPI provided in the same source.

GDP. IMF's International Financial Statistics (IFS).

Public Debt and other Fiscal Data. Catão, L., Terrones, M. 2005, Fiscal deficits and inflation, *Journal of Monetary Economics*, 52, 529-554. Updated through 2005 using data from the IFS, IMF's World Economic Outlook (WEO), and the World Bank's Global Development database (GDD).

Foreign Trade, International Reserves, Real Exchange Rates, and Monetary Aggregates. IFS, WEO, and GDD.