



starts, debt-to-output rises from 35% to 40%, in the middle of the episode debt reaches an even larger ratio of 47%, and debt falls to 36% towards the end of the default episode. We also find that partial default is systematically correlated with other outcomes of the debt crisis. During small defaults (those belonging in the bottom quartile of the distribution) sovereign governments miss on average 3% of payments, interest rate spreads are about 7%, debt-to-output ratios are about 37%, and output is at trend. During large defaults (those in the top quartile) in contrast, governments miss about 82% of their payments, face interest rate spreads of about 15%, debt-to-output ratios are 63%, and output is about 6% below trend. Large defaults are also associated with longer default