Table 1: Simulation Moments Comparison

Moment	Baseline ($\theta = 1$)	Med θ ($\theta = 10$)	High θ ($\theta = 100$)
Mean Debt/GDP	7.646	5.520	2.695
Std Debt/GDP	1.301	0.864	0.754
Mean Spread (ann.)	2.028	2.762	4.153
Std Spread (ann.)	0.804	0.496	0.592
Std log C	3.580	3.586	3.464
Std log GDP	3.164	3.236	3.236
Corr(Sp,GDP)	-0.336	-0.802	-0.894
Corr(TB/GDP,GDP)	-0.003	-0.284	-0.259
Mean TB/GDP	0.268	0.320	0.177
Std TB/GDP	0.835	0.437	0.326
Corr(Debt/GDP,GDP)	0.697	0.858	0.839
Default Rate	3.947	0.000	0.000