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## Foreign bond investors and market discipline

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**Table 2. Bond Spreads and Fiscal Consolidation in Advanced Economies (1981-2008)**

Variables	Model (1)		Model (2)	
	Spread	Consolidation	Spread	Consolidation
<i>Lagged dep variable</i>	.678*** (7.02)	0.258*** (3.84)	0.542*** (7.28)	0.214*** (3.23)
<i>Consolidation</i>	-0.006 (-0.02)		0.654*** (2.69)	
<i>Spread</i>		0.173*** (3.81)		0.076 (0.87)
<i>Debt<sub>(t-1)</sub></i>	0.007* (1.73)	0.007*** (2.60)	0.003 (0.90)	0.007*** (2.73)
<i>ΔRisk</i>	4.927*** (2.06)		5.939** (2.21)	
<i>Short<sub>(t-1)</sub></i>	0.003 (0.34)	0.013 (1.25)	-0.005 (-0.54)	0.021 ** (2.02)
<i>Liquidity</i>	-0.462 (-1.09)		-0.694 (-1.51)	
<i>CAO</i>	-0.072 (-0.69)		-0.048 (-0.47)	
<i>Marketable</i>	-0.004 (-0.37)		-0.006 (-0.53)	
<i>ΔGDP</i>		-0.038 (-1.33)		0.013 (0.46)
<i>Concentration</i>		-0.085 (-0.82)		-0.062 (-0.62)
<i>Election</i>		-0.178** (-2.11)		-0.172** (-2.08)
<i>Ideology</i>		0.07 (0.46)		0.04 (0.28)
<i>Foreign</i>	0.000558 (0.12)	0.001 (0.27)	-0.006 (-0.64)	0.001 (0.17)
<i>Interaction term</i>			0.0001 (0.52)	0.005* (1.75)
<i>Constant</i>	2.42 (1.20)	-0.242 (-0.74)	3.931 ** (2.00)	-0.633*** (-1.94)

R2	.945	.939
N	184	184

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Note: 3SLS estimations. Country fixed effects and year effects are controlled with unit and year dummies, coefficient estimates are not shown. p values are in parentheses. \*\*\*, \*\*, and \* denote significance at 1%, 5%, and 10%, respectively. Interaction term is *Foreign \* Debt<sub>(t-1)</sub>* in column 3 and *Foreign \* Spread* in column 4.