

This paper deals with the issue of sovereign default and the role of foreign investors for a government's decision to default or not to default. Unfortunately, the author does not properly state what the research question and what the particular contribution of the paper are. The title and the introduction cause more confusion than clarity, I therefore propose to completely re-write these parts of the paper.

An issue that goes through the entire paper is the definition of alpha. The definition provided in the introduction ("the weight assigned to the average lender by the borrowing government") is hard to grasp. This weighting applies to what? In equation (2) on p.5 it enters as a term multiplied with the debt repaid from last period. Like this it is simply the fraction of debt being repaid to domestic households. In contrast, a "weight" attached by the government I would understand as a weight attached to the government's objective and this is the utility function of the domestic household. I recommend to clearly define alpha in the beginning, then stick to this definition and only in the end discuss alternative interpretations.

Regarding the effects of alpha, the statement on p.11 that it "has not yet been extensively studied in the literature" is irritating. There are papers that do deal with the fraction of debt held by foreigners (if this is the true definition of alpha), e.g. Engler and Große Steffen (2014) have a model where both foreign investors and domestic banks hold domestic sovereign debt. In that paper, variants of Theorems 1-3 can be found. And there are almost certainly more papers in the pipeline right now that also discuss this issue. They should be discussed.

The model sections 2 and 3 could be streamlined by merging them into one section. Currently, in section 2 a model is introduced while section 3 presents two other models which are nested into the one of section 2. This is somewhat irritating. With a unified notation, a merged description of these model variations would certainly make following the exposition much easier for readers. And thereby it would be easier for the author to clearly show what the contribution of the paper is. In the current set-up one gets a bit lost.

Overall, the paper would be easier to comprehend if it had a clearer separation between a) the motivation and outline of the paper, b) a description of the model, c) a separate, focused discussion of the results derived from the model and d) conclusions and discussion of further issues. If the main results are the three theorems, it is hard to see what the contribution is as there are other papers in the literature which make very similar points.