

We investigate how long an insolvent debtor can avoid default when survival is beneficial to creditors collectively, but individual creditors gain by forcing early repayment. Theory predicts that the debt is not rolled over and default is immediate. With 23 experimental sessions, default is never immediate, with or without secondary debt markets. With markets, prices do not reveal survival length but correlate with payoffs. Creditors are better off with markets, but markets exacerbate wealth inequality. Survival length is reduced upon repetition with the same cohort. When new creditors are introduced, survival length remains constant, even with access to default history.