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Dynamics of Global Business Cycles Interdependence*

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Abstract

In this paper, we provide a comprehensive analysis of the time-varying interdependence among the economic cycles of the major world economies during the post-Great Moderation period. We document a significant increase in the global business cycles interdependence occurred in the early 2000s. Such increase is mainly attributed to the emerging market economies, since their business cycles became more synchronized with the rest of the world around that time. Moreover, we find that the increase in global interdependence is highly related to decreasing differences in sectoral composition among countries.

JEL Classification Numbers: C34, C45, E32.

Keywords: Business Cycles, Markov-Switching, Network Analysis, Model Uncertainty.

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