

## **Finance and Synchronization**

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### **Abstract**

Financial integration exacerbates the contagion of idiosyncratic shocks between countries. This result rests on a distinction between country-specific shocks and common shocks with country-specific effects. The well-known negative association between financial linkages and cycle synchronization, documented in Kalemlı-Ozcan, Papaıoannou, and Peydro (2013) corresponds to permanent responses to common shocks.

Keywords: Financial linkages, Business cycles synchronization, Contagion, Common Shocks, Idiosyncratic Shocks.

JEL Codes: E32, F15, F36, G21, G28.