Finance and Synchronization  
(Jean Imbs joint with Ambrogio Cesa-Bianchi and Jumana Saleheen)  

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 Kalemli-Ozcan, Papaioannou, and Peydro (2013) corresponds to permanent responses to common shocks.  

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