8 Appendix

8.0.1 One-wedge off economies

1983 recession

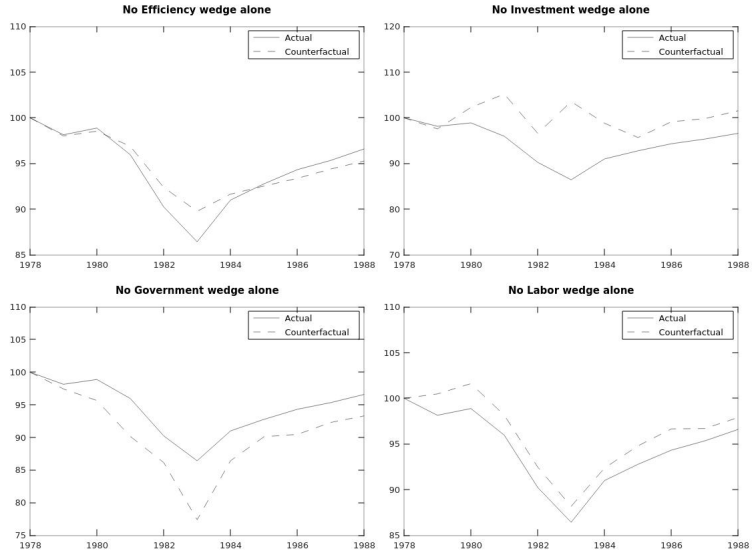

Fig. 13 One-wedge off economies - 1983 recession

2009 expansion

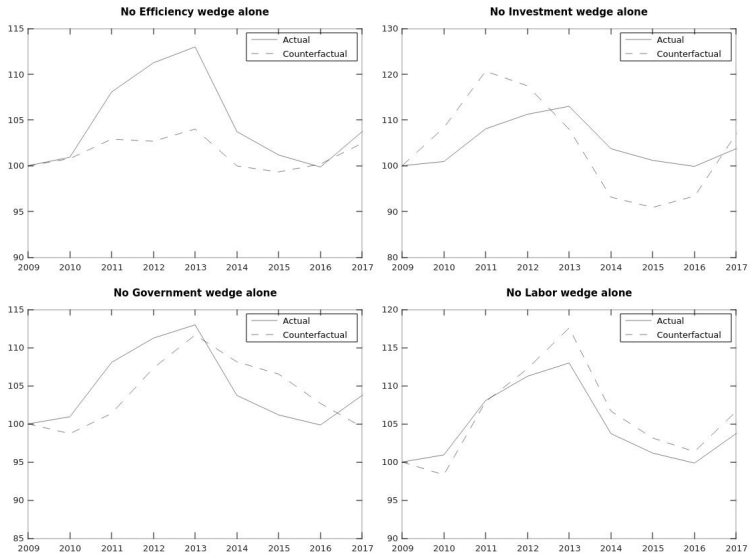

Fig. 14 One-wedge off economies - 2009 expansion

8.0.2 Full sample (HP-filtered)

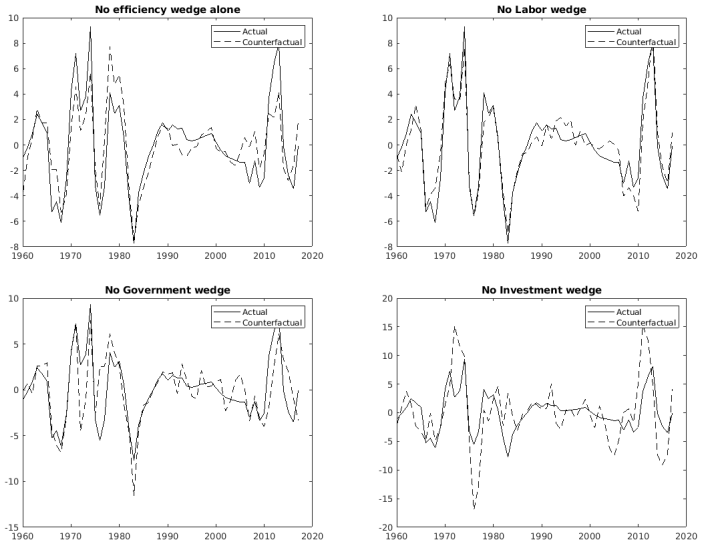

Fig. 15 One-wedge off economies - full sample

The results below suggest that prior to the mid-1980s, external factors (manifesting as government consumption wedges in the prototype BCA model) played an even smaller role in the fluctuations of the business cycle. The correlation coefficient between the predicted output (using just the government consumption wedge) and observed output for the period 1960-1984 is only about 0.065697.

Standard Deviations				Correlations			
σ_{Y_A}/σ_Y	$\sigma_{Y_{\tau_l}}$ / σ_Y	$\sigma_{Y_{\tau_x}}$ / σ_Y	σ_{Y_g}/σ_Y	$\rho_{Y_A,Y}$	$\rho_{Y_{\tau_l},Y}$	$\rho_{Y_{\tau_x},Y}$	$\rho_{Y_g,Y}$
0.57109	0.65966	1.2880	2.3926	0.95828	0.34679	0.30832	0.065697

Table 11 Standard deviations and correlations between predicted output (from the one-wedge on economies) and observed output (1960-1984)

Standard Deviations				Correlations			
σ_{Y_A}/σ_Y	$\sigma_{Y_{\tau_l}}$ / σ_Y	$\sigma_{Y_{\tau_x}}$ / σ_Y	σ_{Y_g}/σ_Y	$\rho_{Y_A,Y}$	$\rho_{Y_{\tau_l},Y}$	$\rho_{Y_{\tau_x},Y}$	$\rho_{Y_g,Y}$
0.58622	1.2964	1.5744	2.4703	0.95448	-0.20210	-0.00456	0.29712

Table 12 Standard deviations and correlations between predicted output (from the one-wedge on economies) and observed output (1985-2017)

8.0.3 Shocks

	ε_t^z	$\varepsilon_t^{\tau_x}$	$\varepsilon_t^{\tau_l}$	ε_t^g
ε_t^z	1			
$\varepsilon_t^{\tau_x}$	-0.0184	1		
$\varepsilon_t^{\tau_l}$	-0.1654	0.4976	1	
ε_t^g	0.5009	0.3649	0.2119	1

Table 13 Correlation matrix for structural shocks

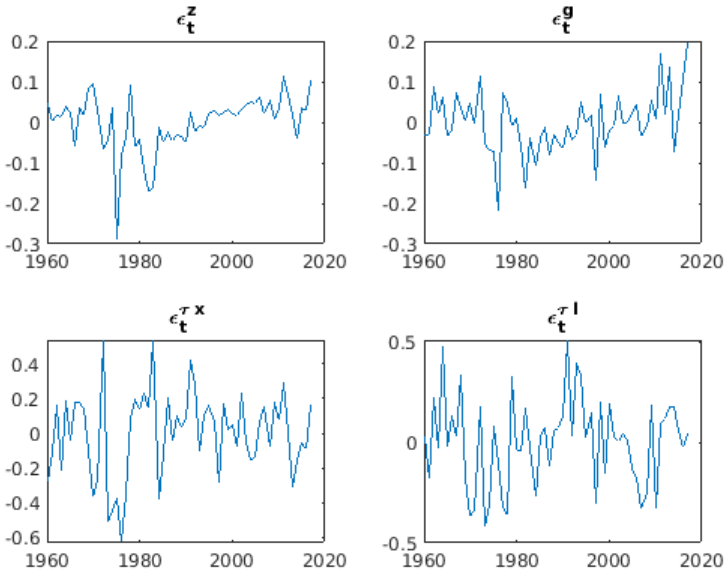

Fig. 16 Estimated shocks