



# Seminarios de Macroeconomía y Finanzas

## What Do Sectoral Dynamics Tell Us About the Origins of Business Cycles?

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Sala de Conferencias, Agustinas 1180, piso 3

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Los Seminarios de Macroeconomía y Finanzas tienen como objetivo difundir investigación académica y aplicada de investigaciones del Banco y externos.

### Abstract

We use economic theory to rank the impact of structural shocks across sectors. This ranking helps us to identify the origins of U.S. business cycles. To do this, we introduce a Hierarchical Vector Auto-Regressive model, encompassing aggregate and sectoral variables. We find that shocks whose impact originate in the “demand” side (monetary, household and government consumption) account for 43 percent more of the variance of U.S. GDP growth at business cycle frequencies than identified shocks originating in the “supply” side (technology and energy). Furthermore, corporate financial shocks, which theory suggests propagate to large extent through demand channels, account for an amount of the variance equal to an additional 82 percent of the fraction explained by these supply shocks