

Does a North American Business Cycle Really Exist? Discussant Comments

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Brief Summary

Context: NA Monetary Union (NAMU) Debate

Q: Is there a NA business cycle?

A: Qualified Yes (Mexico)

Contribution: Needed, rigorous empirical paper

Arguments Against NAMU

- *Current regime working well*
 - Various BoC papers
- *Transactions costs are small*
 - Robson & Laidler (2004)
- *Country-specific shocks still matter*
 - Cardelli and Kose (2004)
 - Simple VAR variance decomps & IRFs

Methodology & Interpretation

Does examining float *really* tell us about fixed regime? Frankel and Rose (1998)

Endogenous $X\Delta$ rate movements which partially buffer shocks can themselves be destabilizing

No cointegration, yet common cycles

Correlations actually low (50% to negative)

Unsupported conclusion: same dv|pt \Rightarrow same cycle

Suggestions

- Shorten & focus the paper
- Examine possible changes since CUSFTA/NAFTA
- Brief mention of policy considerations

Overall Assessment: Thorough contribution