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Time Irreversibility and Business Cycle Asymmetry

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Abstract

The problem of business cycle symmetry is usefully addressed within the context of time reversibility. To this effect, we introduce a time domain test of time reversibility, the TR test. In an application we show that time irreversibility is the rule rather than the exception for two well-known representative macroeconomic datasets. This shows that business cycle fluctuations are asymmetric.

Keywords

Time Reversibility, Asymmetry, Nonlinearity, TR Test

JEL Categories

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