

4 Conclusion

We find clear evidence that regional business cycles in Italy in the period 1950-2000 cannot be seen as similar. Given the political discussion, one would expect an obvious difference between cycles in the North and cycles in the South. However, this is not the case: the regional clustering of cyclical characteristics is not in-line with the geographical division into North-Centre and Mezzogiorno. The intra-national transmission of the business cycle shows some variation over time: we find a strong interaction in the 50s, while during the 60s and 70s, the relationship becomes weaker. Since the beginning of the 80s, the relationship between the cycles in the North and the South increases again. Despite this increase, the cycles are out of phase.

The description of the correlation between business cycles in Italian regions and how these co-fluctuations are linked with policies allows drawing some conclusion about the validity of exogenous and endogenous optimum currency area theories. Our result supports the endogenous version: common policies lead to a synchronisation of the cycle, which characterises an optimum currency area.