Independent study title	HOUSEHOLD DEBT AND BUSINESS CYCLES IN ADVANCED VS EMERGING ECONOMIES
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ABSTRACT

Theoretically, credits help boost economic growth by raising the intensity of efficient capital usage increasing productivity in the economy. Credit has expanded rapidly since 1970 in both advanced and emerging economies. However, many studies found that instead of boosting the economy, credit expansion lowers future GDP growth in the medium run. The factor that mainly influences the fall in future GDP growth is household debt. Will the result remain the same under different economic contexts? Or can the difference in economies produce other results from the previous studies? However, few researchers have studied the comparison views in types of economies. This paper used the data from BIS total credit statistics study 27 advanced and 16 emerging economies. Recursive vector autoregression model (VAR) estimation with impulse response function and panel data model are employed in this study. The empirical results showed that the rise in household debt in emerging economies predicts a more profound and extended recession than in advanced economies. However, we also proved whether the estimated results in emerging and advanced economies are significantly different from each other using an interaction dummy. The result showed no significant differences when the debt booms happened in different economies.

Keywords: Household debt, Firm debt, Output fluctuation, Business cycles.