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## Feldstein–Horioka Puzzle: Wavelets Approach

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### Abstract

This paper performs time-frequency domain analysis in exploiting the dynamics of saving-investment comovement for nine countries from 1885 to 1992. The main findings are summarized as follows. First, in large economies such as the US and Italy, high correlations between saving and investment rates are more observable than middle-sized and small countries. Second, in large economies we also observe a U-shaped pattern of capital mobility: with correlation changes from low to high, and finally to low values. Third, population growth, output growth, and fiscal balances for each country are closely related to the positive saving-investment correlations. Fourth, global factors commonly affect the correlations both at business cycle frequencies and in the long run.

**Keywords:** Feldstein-Horioka puzzle; Saving-investment correlation; International capital mobility; Wavelets

**JEL classification:** C32; F21; F32