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Government Policies and the Delayed Economic Recovery World Health Organization
This paper analyzes the effects of several policy and other macro-economic variables on the ratio of private investment to GDP in developing countries. Using data for a sample of 23 developing countries over the period 1975-87, the econometric evidence indicates that the rate of private investment is positively related to the real growth rate of GDP, public sector investment, and to a lesser extent the level of per capita GDP, while it is negatively related to domestic inflation, the debt service ratio, the debt-to-GDP ratio, and high real interest rates. There is also some indication that all but the last of these variables had a greater impact before the onset of the debt crisis in 1982, while the debt-to-GDP ratio (a measure of a country ' s debt overhang) has become more important since then.

Global Economic Prospects, June 2021 Academic Press
Assessing the economic impact of the COVID-19 pandemic is essential for policymakers, but challenging because the crisis has unfolded with extreme speed. We identify three indicators - stock market volatility, newspaper-based economic uncertainty, and subjective uncertainty in business expectation surveys - that provide real-time forward-looking uncertainty measures. We use these indicators to document and quantify the enormous increase in economic uncertainty in the past several weeks. We also illustrate how these forward-looking measures can be used to assess the macroeconomic impact of the COVID-19 crisis. Specifically, we feed COVID-induced first-moment and uncertainty shocks into an estimated model of disaster effects developed by Baker, Bloom and Terry (2020). Our illustrative exercise implies a year-on-year contraction in U.S. real GDP of nearly 11 percent as of 2020 Q4, with a 90 percent confidence interval extending to a nearly 20 percent contraction. The exercise says that about half of the forecasted output contraction reflects a negative effect of COVID-induced uncertainty.

Economic Policy Uncertainty and Equity Markets Princeton University Press
Motivated by the literature on the capital asset pricing model, we decompose the uncertainty of a typical forecaster into common and idiosyncratic uncertainty. Using individual survey data from the Consensus Forecasts over the period of 1989-2014, we develop monthly measures of macroeconomic uncertainty covering 45 countries and construct a measure of global uncertainty as the weighted average of country-specific uncertainties. Our measure captures perceived uncertainty of market participants and derives from two components that are shown to exhibit strikingly different behavior. Common uncertainty shocks produce the large and persistent negative response in real economic activity, whereas the contributions of idiosyncratic uncertainty shocks are negligible.

Policy Uncertainty in Japan International Monetary Fund
This paper studies how the Baker, Bloom and Davis (2013) new measure capturing economic policy uncertainty (EPU) is related to stock market performance in the United States. We use a variety of methods to estimate different specifications. We find that an increase in the EPU index negatively affects the S&P500 returns and raises its implied volatility. However, there is no evidence to support that an increase in the EPU has a significant influence on dividend growth. Furthermore, the component of the EPU that has the strongest explanatory power is that based on newspaper coverage of policy uncertainty, while the other three components lack statistical significance. These findings suggest that the news information is an economically important risk factor for a financial market. This study also provides some further discussion on characteristics portfolio and predictability of cash flow and discount rate. Governments should try to maintain policy stability and sustainability, so that investors can make reasonable predictions about policy changes and arrange their investment planning accordingly. Moreover, investors should also pay attention to expectations of policy change and adjust their portfolios based on policy uncertainty exposure.

Policy Uncertainty in Japan International Monetary Fund
"This resource book discusses the economic arguments that could (and could not) be put forth to support the case for investing in the social determinants of health on average and in the reduction in socially determined health inequalities. It provides an overview and introduction into how economists would approach the assessment of the economic motivation to invest in the social determinants of health and socially determined health inequities, including what the major challenges are in this assessment. It illustrates the extent to which an economic argument can be made in favour of investment in 3 major social determinants of health areas: education, social protection, and urban development and infrastructure. It describes whether education policy, social protection, and urban development, housing and transport policy can act as health policy"--

The Future of Productivity International Monetary Fund
Economic policy uncertainty (EPU) increases the cost of raising equity capital, especially when the economy is weak. A one standard deviation increase in the EPU index developed by Baker, Bloom, and Davis (2016) is associated with a 43 basis point increase in the price discount of seasoned equity offerings (SEOs) during the recent 2000-2014 period. The cross-sectional analysis shows that the EPU effect on SEO discounts is stronger for firms with greater dependence on government spending, less informative stock price, or a smaller EPU beta. Moreover, there are fewer SEO activities in periods when there is a high degree of policy uncertainty.

Policy Externalities And International Trade Agreements International Monetary Fund
Prominent economists present detailed analyses of the conditions that made Greece vulnerable to economic crisis and offer policy recommendations for comprehensive and radical change. More than eight years after the global financial crisis began, the economy of Greece shows little sign of recovery, and its position in the eurozone seems tenuous. Between 2008 and 2014, incomes in Greece shrank by more than 25 percent, homes lost more than a third of their value, and the unemployment rate reached 27 percent. Most articles on Greece in the media focus on the effects of austerity, repayment of its debt, and its future in the eurozone. In Beyond Austerity: Reforming the Greek Economy, leading Greek economists from institutions both within and outside Greece, take a broader and deeper view of the Greek crisis, examining the pathologies that made Greece vulnerable to the crisis and the implications for the entire eurozone. Each chapter takes on a specific policy area, examining it in terms of Greece's economic reality and offering possible directions for policy. The topics range from macroeconomic issues to markets and their regulation to finance to the public sector. Individual chapters address the costs and benefits of participation in the eurozone, Greece's international competitiveness, taxation, pensions, the labor market, privatization, product markets, finance, education, healthcare, corruption, the justice system, and public administration. The contributors argue that Greek institutions require a deep overhaul rather than quick fixes to enable long-term growth and prosperity.

Unequal We Stand OECD Publishing
Policymakers and business practitioners are eager to gain access to reliable information on the state of the economy for timely decision making. More so now than ever. Traditional economic indicators have been criticized for delayed reporting, out-of-date methodology, and neglecting some aspects of the economy. Recent advances in economic theory, econometrics, and information technology have fueled research in building broader, more accurate, and higher-frequency economic indicators. This volume contains contributions from a group of prominent economists who address alternative economic indicators, including indicators in the financial market, indicators for business cycles, and indicators of economic uncertainty.

Economic Policy Uncertainty in Turkey International Monetary Fund
We study the role of uncertainty shocks in explaining unemployment dynamics, separating out the role of aggregate and sectoral channels. Using S&P500 data from the first quarter of 1957 to third quarter of 2014, we construct separate indices to measure aggregate and sectoral uncertainty and compare their effects on the unemployment rate in a standard macroeconomic vector autoregressive (VAR) model. We find that aggregate uncertainty leads to an immediate increase in unemployment, with the impact dissipating within a year. In contrast, sectoral uncertainty has a long-lived impact on unemployment, with the peak impact occurring after two years. The results are consistent with a view that the impact of aggregate uncertainty occurs through a " wait-and-see " mechanism while increased sectoral uncertainty raises unemployment by requiring greater reallocation across sectors.

International Monetary Fund Annual Report 2012 International Monetary Fund
We study the trading behavior of short sellers in the presence of economic policy uncertainty (EPU). Daily short selling activity at either the aggregate level or the individual stock level is increasing in the EPU index (Baker, Bloom and Davis, 2016). EPU has great explanatory power for short trading. Cross-sectional tests show that the increase in short interest under high political uncertainty is from shorting stocks characterized by higher mispricing, greater policy sensitivity, higher illiquidity, greater volatility or analyst dispersion. Short sellers earn abnormal profits by trading on public information related to EPU.

How Economic Policy Uncertainty Affects the Cost of Raising Equity Capital Brookings Institution Press
This book addresses the rising productivity gap between the global frontier and other firms, and identifies a number of structural impediments constraining business start-ups, knowledge diffusion and resource allocation (such as barriers to up-scaling and relatively high rates of skill mismatch).

Measuring Economic Policy Uncertainty World Scientific
The authors conducted a systematic empirical study of cross-sectional inequality in the U.S., integrating data from various surveys. The authors follow the mapping suggested by the household budget constraint from individual wages to individual earnings, to household earnings, to disposable income, and, ultimately, to consumption and wealth. They document a continuous and sizable increase in wage inequality over the sample period. Changes in the distribution of hours worked sharpen the rise in earnings inequality before 1982, but mitigate its increase thereafter. Taxes and transfers compress the level of income inequality, especially at the bottom of the distribution, but have little effect on the overall trend. Charts and tables. This is a print-on-demand publication; it is not an original.

Policy Uncertainty and Stock Market Behaviour World Bank Publications
Containment measures are crucial to halt the spread of the 2019 COVID-19 pandemic but entail large short-term economic costs. This paper tries to quantify these effects using daily global data on real-time containment measures and indicators of economic activity such as Nitrogen Dioxide (NO2) emissions, flights, energy consumption, maritime trade, and mobility indices. Results suggest that containment measures have had, on average, a very large impact on economic activity--equivalent to a loss of about 15 percent in industrial production over a 30-day period following their implementation. Using novel data on fiscal and monetary policy measures used in response to the crisis, we find that these policy measures were effective in mitigating some of these economic costs. We also find that while workplace closures and stay-at-home orders are more effective in curbing infections, they are associated with the largest economic costs. Finally, while easing of containment measures has led to a pickup in economic activity, the effect has been lower (in absolute value) than that from the tightening of measures.

Beyond Austerity World Bank Publications
We develop new economic policy uncertainty (EPU) indices for Japan from January 1987 onwards, building on the approach of Baker, Bloom and Davis (2016). Each index reflects the frequency of newspaper articles that contain certain terms pertaining to the economy, policy matters, and uncertainty. Our overall EPU index co-varies positively with implied volatilities for Japanese equities, exchange rates and interest rates and with a survey-based measure of political uncertainty. The EPU index rises around contested national elections and major leadership transitions in Japan, during the Asian financial crisis and in reaction to

the Lehman Brothers failure, U.S. debt downgrade in 2011, Brexit referendum, and Japan's deferral of a consumption tax hike. Our uncertainty indices for fiscal, monetary, trade, and exchange rate policy co-vary positively but also display distinct dynamics. For example, our trade policy uncertainty (TPU) index rocketed upwards when the U.S. withdrew from the Trans-Pacific Partnership in January 2017. VAR models imply that upward EPU innovations foreshadow deteriorations in Japan's macroeconomic performance, as reflected by impulse response functions for investment, employment and output. Our study adds to evidence that credible policy plans and strong policy frameworks can favorably influence macroeconomic performance by, in part, reducing policy uncertainty.

Bank Liquidity Creation and Financial Crises Economic Policy Uncertainty IndexThe current coronavirus pandemic is a recent example of how an unpredictable event can cause uncertainty and affect people, markets and economies worldwide. Economic indicators like the well-known and frequently cited Economic Policy Uncertainty Index, developed by the three economists Scott R. Baker, Nicholas Bloom and Steven J. Davis, try to capture perceptions of uncertainty and use them to generate predictions for the economic future. The index is based on a search term that is employed to select relevant elements from a population of articles. However, previous research contributions criticize the composition of the search term for being too broad and restricted to specific policy areas, thereby missing detections of new or unforeseen sources of economic uncertainty. This research note aims to modify the economists' search term in three different ways. The author introduces the term and concept of "risk", which is not considered in the original search term, adds further policy areas that can cause economic uncertainty, and extends the term "uncertainty" by including related terms and synonyms. In order to evaluate the success of the optimized search terms in selecting relevant articles from a population of articles, all search terms are applied to two randomly drawn samples, derived from an original corpus of 2,723,049 articles and a pre-filtered corpus of 514,297 articles from the German daily newspapers Handelsblatt and Süddeutsche Zeitung. The investigation period ranges from January 1994 to March 2020. For comparison, both samples are also filtered using Baker, Bloom and Davis's original search term. The different selection results are evaluated with the help of the parameters recall and precision. The results are preliminary, but encouraging. In both samples, only around every tenth relevant article is selected when Baker, Bloom and Davis's search term is applied. By modifying the original search term, the recall could be increased considerably with little disadvantages in terms of precision. The research process shows that economic uncertainties can be related to other concepts and policy areas that are not captured by the economists' original search term.Has Economic Policy Uncertainty Hampered the Recovery?The U.S. economy hit bottom in June 2009. Thirty months later, output growth remains sluggish and unemployment still hovers above 8%. A critical question is why. One view attributes the weak recovery, at least in part, to high levels of uncertainty about economic policy. This view entails two claims: First, that policy uncertainty is unusually high in recent years. Second, that high levels of policy uncertainty caused households and businesses to hold back significantly on spending, investment and hiring. We take a look at both claims in this article. We start by considering an index of economic policy uncertainty developed in Baker, Bloom and Davis (2012). Figure 1, which plots our index, indicates that economic policy uncertainty fluctuates strongly over time. The index shows historically high levels of economic policy uncertainty in the last four years. It reached an all-time peak in August 2011.As discussed below, we also find evidence that policy concerns account for an unusually high share of overall economic uncertainty in recent years. Moreover, short-term movements in overall economic uncertainty more closely track movements in policy-related uncertainty in the past decade than earlier. In short, our analysis provides considerable support for the first claim of the policy uncertainty view.The second claim is harder to assess because it raises difficult issues of what causes what. We do not provide a definitive analysis of the second claim. Nevertheless, our evidence suggests that policy uncertainty can damage the economy, and that high levels of policy uncertainty have been an important factor hampering the recovery. We find evidence that increases in economic policy uncertainty foreshadow declines in output, employment and investment. While we cannot say that economic policy uncertainty necessarily causes these negative developments - since many factors move together in the economy - we can say with some confidence that high levels of policy uncertainty are associated with weaker growth prospects.Policy Uncertainty in Japan

Economic Policy Uncertainty Index

Economic Uncertainty Before and During the COVID-19 Pandemic Worth

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The Impact of Foreign and Country-Specific Economic Policy Uncertainty on the Local Momentum Effect International Monetary Fund

Abstract: Building on Baker, Bloom and Davis (2016), I construct a monthly index of Global Economic Policy Uncertainty (GEPU) from January 1997. The GEPU Index is a GDP-weighted average of national EPU indices for 16 countries that account for two-thirds of global output. Each national EPU index reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy, uncertainty and policy-related matters. The GEPU Index rises sharply in reaction to the Asian Financial Crisis, the 9/11 terrorist attacks, the U.S.-led invasion of Iraq in 2003, the Global Financial Crisis in 2008-09, the European immigration crisis, concerns about the Chinese economy in late 2015, and the Brexit referendum in June 2016. It fluctuates around consistently high levels from mid 2011 to early 2013, a period characterized by recurring sovereign debt and banking crises in the Eurozone, intense partisan battles over fiscal and healthcare policies in the United States, and a generational leadership transition in China. The average value of the GEPU Index is 60 percent higher from July 2011 to August 2016 than in the previous fourteen and one-half years and 22 percent higher than in 2008-09

Private Investment in Developing Countries Hoover Press

We examine patterns of economic policy uncertainty (EPU) around national elections in 23 countries. Uncertainty shows a clear tendency to rise in the months leading up to elections. Average EPU values are 13% higher in the month of and the month prior to an election than in other months of the same national election cycle, conditional on country effects, time effects, and country-specific time trends. In a closer examination of U.S. data, EPU rises by 28% in the month of presidential elections that are close and polarized, as compared to elections that are neither. This pattern suggests that the 2020 US Presidential Election could see a large rise in economic policy uncertainty. It also suggests larger spikes in uncertainty around future elections in other countries that have experienced rising polarization in recent years.

The New Direction in American Politics World Scientific

The world economy is experiencing a very strong but uneven recovery, with many emerging market and developing economies facing obstacles to vaccination. The global outlook remains uncertain, with major risks around the path of the pandemic and the possibility of financial stress amid large debt loads. Policy makers face a difficult balancing act as they seek to nurture the recovery while safeguarding price stability and fiscal sustainability. A comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances environmental sustainability, ultimately putting economies on a path of green, resilient, and inclusive development. Prominent among the necessary policies are efforts to lower trade costs so that trade can once again become a robust engine of growth. This year marks the 30th anniversary of the Global Economic Prospects. The Global Economic Prospects is a World Bank Group Flagship Report that examines global economic developments and prospects, with a special focus on emerging market and developing economies, on a semiannual basis (in January and June). Each edition includes analytical pieces on topical policy challenges faced by these economies.

The Asset Pricing Implications of Government Economic Policy Uncertainty DIANE Publishing

Global economic prospects have improved again, but the bumpy recovery and skewed macroeconomic policy mix in advanced economies are complicating policymaking in emerging market economies. Chapter 3 examines the prospects for inflation, particularly because inflation was remarkably stable in the wake of the Great Recession and, in fact, has become less responsive to cyclical conditions. Chapter 4 examines whether today ’ s fast-growing, dynamic low-income countries are likely to maintain their momentum and avoid the reversals that afflicted many such countries in the past.