

Baker Bloom And Davis Economic Policy Uncertainty Index

The October 2012 World Economic Outlook (WEO) assesses the prospects for the global recovery in light of such risks as the ongoing euro area crisis and the "fiscal cliff" facing U.S. policymakers. Reducing the risks to the medium-term outlook implies reducing public debt in the major advanced economies, and Chapter 3 explores 100 years of history of dealing with public debt overhangs. In emerging market and developing economies, activity has been slowed by policy tightening in response to capacity constraints, weaker demand from advanced economies, and country-specific factors, but policy improvements have raised these economies' resilience to shocks, an issue explored in depth in Chapter 4.

The IMF's 2012 Annual Report chronicles the response of the Fund's Executive Board and staff to the global financial crisis and other events during financial year 2012, which covers the period from May 1, 2011, through April 30, 2012. The print version of the Report is available in eight languages (Arabic, Chinese, English, French, German, Japanese, Russian, and Spanish), along with a CD-ROM (available in English only) that includes the Report text and ancillary materials, including the Fund's Financial Statements for FY2012.

This book examines the reasons for the unprecedented weak recovery following the recent US recession and explores the possibility that government economic policy is the problem. Drawing on empirical research that looks at issues from policy uncertainty to increased regulation, the volume offers a broad-based assessment of how government policies are slowing economic growth and provides a framework for understanding how those policies should change to restore prosperity in

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America.

There is no consensus on how strongly the Tax Cuts and Jobs Act (TCJA) has stimulated U.S. private fixed investment. Some argue that the business tax provisions spurred investment by cutting the cost of capital. Others see the TCJA primarily as a windfall for shareholders. We find that U.S. business investment since 2017 has grown strongly compared to pre-TCJA forecasts and that the overriding factor driving it has been the strength of expected aggregate demand. Investment has, so far, fallen short of predictions based on the postwar relation with tax cuts. Model simulations and firm-level data suggest that much of this weaker response reflects a lower sensitivity of investment to tax policy changes in the current environment of greater corporate market power. Economic policy uncertainty in 2018 played a relatively small role in dampening investment growth.

Economic Policy Uncertainty Index Extension and Optimization of Scott R. Baker, Nicholas Bloom and Steven J. Davis's Search Term

The number one textbook for intermediate macroeconomics courses since its first edition, this title is known for conveying the cutting edge in macroeconomics theory, research, and policy to the classroom, explaining complex concepts with exceptional clarity. This new edition addresses emerging macro topics such as income inequality and macroprudential regulation. Frontline empirical research studies are also featured, including Bloom and Van Reened's research on management practices, Nakamura and Steinsson's research on fiscal policy multipliers and Baker and Bloom and Davis's research on the effects of policy uncertainty. The book also improves on its already exemplary focus on teaching students to apply the analytical tools of macroeconomics to current events and policies. This comprehensive text is the ideal

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accompaniment to undergraduate courses in Macroeconomics.

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signaled a more accommodative monetary policy stance and markets became more optimistic about a US–China trade deal, but they remain slightly more restrictive than in the fall. This book is based on the International Conference on Decision Economics (DECON 2019). Highlighting the fact that important decision-making takes place in a range of critical subject areas and research fields, including economics, finance, information systems, psychology, small and international business, management, operations, and production, the book focuses on analytics as an emerging synthesis of sophisticated methodology and large data systems used to guide economic decision-making in an increasingly complex business environment. DECON 2019 was organised by the University of Chieti-Pescara (Italy), the

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National Chengchi University of Taipei (Taiwan), and the University of Salamanca (Spain), and was held at the Escuela politécnica Superior de Ávila, Spain, from 26th to 28th June, 2019. Sponsored by IEEE Systems Man and Cybernetics Society, Spain Section Chapter, and IEEE Spain Section (Technical Co-Sponsor), IBM, Indra, Viewnext, Global Exchange, AEPIA-and-APPIA, with the funding supporting of the Junta de Castilla y León, Spain (ID: SA267P18-Project co-financed with FEDER funds)

This book presents both methodological papers on and examples of applying behavioral predictive models to specific economic problems, with a focus on how to take into account people's behavior when making economic predictions. This is an important issue, since traditional economic models assumed that people make wise economic decisions based on a detailed rational analysis of all the relevant aspects. However, in reality – as Nobel Prize-winning research has shown – people have a limited ability to process information and, as a result, their decisions are not always optimal. Discussing the need for prediction-oriented statistical techniques, since many statistical methods currently used in economics focus more on model fitting and do not always lead to good predictions, the book is a valuable resource for researchers and students interested in the latest results and challenges and for practitioners wanting to learn how to use state-of-the-art techniques.

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

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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

This 2015 Article IV Consultation highlights that after six years of persistent recession, Croatia's economy is showing first signs of recovery. Robust retail sales and value-added tax receipts suggest that private consumption has bottomed out. Employment has stabilized and corporate profits are recovering. Tailwinds from a favorable external environment have helped, notably lower energy prices, stronger euro area growth, and ample domestic and external liquidity that contain debt servicing costs. For 2015, the economy is projected to grow by 0.5 percent. Net exports are expected to make a modest positive contribution to growth.

We develop a new index of economic policy uncertainty (EPU) based on newspaper coverage frequency. Several types of evidence -- including human readings of 12,000 newspaper articles -- indicate that our index proxies for movements in policy-related economic uncertainty. Our US index spikes near tight presidential elections, Gulf Wars I and II, the 9/11 attacks, the failure of Lehman Brothers, the 2011 debt-ceiling dispute and other major battles over fiscal policy. Using firm-level data, we find that policy uncertainty raises

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stock price volatility and reduces investment and employment in policy-sensitive sectors like defense, healthcare, and infrastructure construction. At the macro level, policy uncertainty innovations foreshadow declines in investment, output, and employment in the United States and, in a panel VAR setting, for 12 major economies. Extending our US index back to 1900, EPU rose dramatically in the 1930s (from late 1931) and has drifted upwards since the 1960s.

The 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

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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.

"The events of the past decade and a half are the story of two mistakes, one triumph, with the real possibility either of another mistake. Prior to the global financial crisis of 2007-9 many central bankers were dismissive about the need to worry about financial instability. The connection between finance and the real economy was severed. The decades since the 1980s saw several financial crises around the world with little lasting impact on the global economy. The second mistake was a failure to adequately appreciate how interconnected the world's financial system had become. The fact that the crisis originated in the advanced world only increased the effect it had on the global economy. The triumph was the widespread acceptance by central banks, governments, and the public, that price stability is a desirable objective. Whether the desire to pursue low and stable inflation is cause or consequence of economic performance during the two decades that preceded the crisis remains hotly debated. There is also the prospect of another shock to come given the strategies adopted by central banks in the advanced economies. Whether it will be a positive one, or presage another major crisis, remains to be seen. The latter is more likely since the outlook at the end of 2016 is clouded by two

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sets of opposing forces. On the domestic front key advanced economies face a difficult exit from ultra-loose monetary policies. At the international tensions between central banks and the governments they are directly accountable to have heightened considerably. The book tells this story and provides some ideas about where to go from here in the area of central banking"--

This 2013 Article IV Consultation highlights that Germany's economic rebound of 2010–11 gave way to weakening momentum during the course of 2012. Although exports to non-European trading partners began to recover by mid-2012, in line with improved prospects in the United States and emerging economies, exports to the rest of the euro area continued to decline as the recession in the region continued. Consumption grew robustly as German unemployment remained near post-reunification lows. The outlook for the remainder of 2013 and 2014 is heavily dependent on a gradual recovery in the rest of the euro area and a sustained reduction in uncertainty.

The World Economic Outlook (WEO) presents the IMF's leading economists' analyses of global economic developments during the near and medium terms. It is a respected, one-stop, trusted resource offering remarkable insight, balance, and perspective to decision makers and policymakers worldwide. Published twice yearly, the World Economic Outlook presents the outlook for growth, inflation, trade, employment, and other economic developments in a clear, practical format. Each WEO considers the issues affecting advanced, emerging market, and developing economies. Central bankers, economists, Financial institutions, business leaders, governments, think tanks, and researchers eagerly await this unique investigation of what's happening and what's ahead.

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Times of crisis are unexpected and they bring diverse challenges and opportunities for companies, financial markets, and the economy. On one hand, more risk and uncertainties appear, yet on the other hand, it is an opportunity to reorganize and reinvent the company. It is important for businesses to understand ways to deal with uncertainty and risk in times of economic downturn and what financial strategies and tools can be used to eliminate or reduce the potential negative effects. These effects can reach the company's financial performance, capital structure, as well as cause financial debt and the availability of cash-flow to companies. However, different financial instruments can sustain the business and deal with the difficulties of payment when sales reduce and uncertainty increases; thus, research is essential in this critical area. When economic downturn affects the financial markets, the role of banks, country dynamics, the economy, and many other facets of the business world, financial management becomes the key for business recovery. The Handbook of Research on Financial Management During Economic Downturn and Recovery shares relevant knowledge on challenges and opportunities caused by crises, such as the pandemic, and the effects on economic and financial arenas. The chapters cover topics such as business models to understand how companies react to pandemic and crises situations, as well as how they

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change their management and way of conducting business. Other important topics include sustainable development, international financial markets, capital structure changes, uncertainty and risk, and governance and leadership. This book is ideal for shareholders, directors and managers, economists, researchers, academics, practitioners, stakeholders, researchers, academicians, and students interested in knowledge on topics about challenges in the way that companies, financial markets, financial institutions, and governments respond to risk and uncertainty.

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-

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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.

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.

This book is a collection of feature articles published in *Risks* in 2020. They were all written by experts in their respective fields. In these articles, they all develop and present new aspects and insights that can help us to understand and cope with the different and ever-changing aspects of risks. In some of the feature articles the probabilistic risk modeling is the central focus, whereas impact and innovation, in the context of financial economics and actuarial science, is somewhat retained and left for future research. In other articles it is the other way around.

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Ideas and perceptions in financial markets are the driving force of the research but they do not necessarily rely on innovation in the underlying risk models. Together, they are state-of-the-art, expert-led, up-to-date contributions, demonstrating what Risks is and what Risks has to offer: articles that focus on the central aspects of insurance and financial risk management, that detail progress and paths of further development in understanding and dealing with...risks. Asking the same type of questions (which risk allocation and mitigation should be provided, and why?) creates value from three different perspectives: the normative perspective of market regulator; the existential perspective of the financial institution; the phenomenological perspective of the individual consumer or policy holder.

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improvements have raised these economies' resilience to shocks, an issue explored in depth in Chapter 4.

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.

This book is a collection of papers for the Special Issue "Quantitative Methods for Economics and Finance" of the journal *Mathematics*. This Special Issue reflects on the latest developments in different fields of economics and finance where mathematics plays a significant role. The book gathers 19 papers on topics such as volatility clusters and volatility dynamic, forecasting, stocks, indexes, cryptocurrencies and commodities, trade agreements, the relationship between volume and price, trading strategies, efficiency, regression, utility

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models, fraud prediction, or intertemporal choice. Global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and a 0.3 percentage point downgrade from the April 2019 World Economic Outlook.

This book examines the macroeconomic and regulatory impact of domestic and international shocks on the South African economy resulting from the 2009 financial crisis. It also assesses the impact of the US economy's eventual recovery from the crisis and the prospect of higher US interest rates in future. Told in three parts, the book explores associations between economic growth, policy uncertainty and the key domestic and international transmission channels, and transmission effects, of global financial regulatory and domestic macro-economic uncertainties on subdued and volatile economic recovery, financial channels, lending rate margins, and credit growth. The book concludes by extending its focus to the role of US monetary policy, capital flows and rand/US dollar volatility on the South African economy. High uncertainty in general, and high policy uncertainty more specifically, can have important impact on global investment and output growth. Much of the recent policy uncertainty emanated from the United States and Europe—the world's two largest economies. Spillovers from policy uncertainty can occur through several channels. Trade can be affected if increased policy uncertainty adversely affects economic activity and import demand in the United States and Europe. Policy uncertainty could also raise global risk aversion, resulting in sharp corrections in financial markets and capital

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outflows from emerging markets. This background note attempts to quantify the impact of U.S. and European policy uncertainty on other regions. Specifically, it addresses the following questions: What do we mean by policy uncertainty? How well can we measure it? How has policy uncertainty in the United States and Europe evolved during the past several decades? And how large are the spillovers to economic activity in other regions? The analysis suggests that sharp increases in U.S. and European policy uncertainty in the past have temporarily lowered investment and output in other regions to varying degrees. It also suggests that a marked decrease in policy uncertainty in the United States and Europe in the near term could help boost global investment and output.

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

For the latest thinking about the international financial system, monetary policy, economic development, poverty reduction, and other critical issues, subscribe to Finance & Development (F&D). This lively quarterly magazine brings you in-depth analyses of these and other subjects by the IMF's own staff as well as by prominent international experts. Articles are written for

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lay readers who want to enrich their understanding of the workings of the global economy and the policies and activities of the IMF.

The IMF's 2013 Annual Report chronicles the response of the institution's Executive Board and staff to the global financial crisis and other events during financial year 2013, which covers the period from May 1, 2012, through April 30, 2013. The print version of the report is available in eight languages (Arabic, Chinese, English, French, German, Japanese, Russian, and Spanish), along with a CD-ROM (available in English only) that includes the report text and ancillary materials, including the IMF's Financial Statements for FY2013.

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 recent decision to defer a consumption tax hike. Our uncertainty indices for fiscal, monetary, trade and exchange rate policy co-vary positively but also display distinct dynamics. VAR models imply that upward EPU innovations foreshadow deteriorations in Japan's

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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.

The South Asia Economic Focus is a biannual economic update presenting recent economic developments and a near term economic outlook for South Asia. It includes a Focus section presenting more in depth analysis of an economic topic of relevance for stability, growth and prosperity in the region as well as country briefs covering Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It concludes with a data section providing key economic indicators for South Asia "at a glance". Overall, it aims at providing important background information and timely analysis of key indicators and economic and financial developments of relevance to World Bank Group operations and interaction with counterparts in the region, particularly during annual and spring meeting.

"Truth Decay" refers to a diminishing reliance on facts and analysis observed in contemporary U.S. society, and especially its political discourse. This report explores the causes and effects of Truth Decay and proposes strategies for further action.

Today's investors need to understand geopolitical trends as a main driving force of markets. This book provides just that: an understanding of the interplay between geopolitics and economics, and of the impact of that dynamic on financial markets. To me, geo-

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economics is the study of how geopolitics and economics interact in international relations. Plenty of books on geopolitics have been written by eminent experts in politics and international affairs. This book is not one of them. First, I am neither a political scientist nor an expert in international affairs. I am an economist and an investment strategist who has been fascinated by geopolitics for many years. And this fascination has led me to the realization that almost all books and articles written on geopolitics are useless for investors. Political scientists are not trained to think like investors, and they are not typically trained in quantitative methods. Instead, they engage in developing narratives for geopolitical events and processes that pose risks and opportunities for investors. My main problem with these narratives is that they usually do not pass the “so what?” test.

Geopolitical risks are important, but how am I to assess which risks are important for my portfolio and which ones are simply noise? Because geopolitics experts focus on politics, they do not provide an answer to this crucial question for investors. What could be important for a geopolitics expert and for global politics could be totally irrelevant for investors. For example, the US wars in Iraq and Afghanistan have been going on for almost two decades now and have been an important influence on the political discussion in the United States. But for investors, the war in Afghanistan was a total nonevent, and the war in Iraq had only a fleeting influence, when it started in 2003. Geopolitics experts cannot answer the question of which geopolitical events matter for investors and which do not. Unfortunately, some experts thus

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claim that all geopolitical risks matter and that these risks cannot be quantified but only assessed qualitatively. Nothing could be further from the truth. In the chapters that follow, I discuss geopolitical and geo-economic events from the viewpoint of an investor and show that they can be quantified and introduced as part of a traditional risk management process. I do this in two parts. The first part of this book focuses on geopolitics that matters to investors. It reviews the literature on a range of geopolitical events and shows which events have a material economic effect and which do not. The second part of this book puts the insights from those first chapters into practice by applying them to current geopolitical trends. In this second part, I stick my head out and examine the impact the geopolitical trends have on the economy and financial markets today and their likely development in the coming years. —Joachim Klement, CFA

Global growth for 2018–19 is projected to remain steady at its 2017 level, but its pace is less vigorous than projected in April and it has become less balanced. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded. Global growth is projected at 3.7 percent for 2018–19—0.2 percentage point lower for both years than forecast in April. The downward revision reflects surprises that suppressed activity in early 2018 in some major advanced economies, the negative effects of the trade measures implemented or approved between April and mid-September, as well as a weaker outlook for some key emerging market and developing economies

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arising from country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. The balance of risks to the global growth forecast has shifted to the downside in a context of elevated policy uncertainty. Several of the downside risks highlighted in the April 2018 World Economic Outlook (WEO)—such as rising trade barriers and a reversal of capital flows to emerging market economies with weaker fundamentals and higher political risk—have become more pronounced or have partially materialized. Meanwhile, the potential for upside surprises has receded, given the tightening of financial conditions in some parts of the world, higher trade costs, slow implementation of reforms recommended in the past, and waning growth momentum.

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.

This book aims to provide researchers from basic

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disciplines of the economics fields such as consumer behavior and public economy with a variety of distinctive perspectives in today's world where the behavior and preferences of economic actors have changed completely, and the economic policies of countries have been redrafted.

Productivity growth—the key driver of living standards—fell sharply following the global financial crisis and has remained sluggish since, adding to a slowdown already in train before. Building on new research, this note finds that the productivity slowdown reflects both crisis legacies and structural headwinds. In advanced economies, the global financial crisis has led to “productivity hysteresis”—persistent productivity losses from a seemingly temporary shock. Behind this are balance sheet vulnerabilities, protracted weak demand and elevated uncertainty, which jointly triggered an adverse feedback loop of weak investment, weak productivity and bleak income prospects. Structural headwinds—already blowing before the crisis—include a waning ICT boom and slowing technology diffusion, partly reflecting an aging workforce, slowing global trade and weaker human capital accumulation. Reviving productivity growth requires addressing remaining crisis legacies in the short run while pressing ahead with structural reforms to tackle longer-term headwinds.

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