

'Wait-and-see' effect not always caused by economic uncertainty, research shows

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(PhysOrg.com) -- Business uncertainty leads to quick drops in economic activity, according to a long-held belief in economics. New research from the University of Notre Dame casts doubt on that assumption.

Published recently by the *National Bureau of [Economic Research](#)*, research by Notre Dame economist Eric Sims and colleagues from the University of Michigan and the University of Munich found no evidence that increases in uncertainty cause a wait-and-see effect, or slowing of [economic activity](#).

“We wanted to tackle the question of whether surprise increases in business uncertainty lead to large and quick drops in economic activity,” Sims says.

“Our main finding is that increases in business uncertainty are associated with prolonged declines in economic activity, but that it takes a long time to play out. Uncertainty seems to be more of a consequence of recessions, not a cause of recessions,” Sims says.

One of the implications of this research is the message to policy makers that talking about the need to end [uncertainty](#) makes no difference; instead, only an increased demand will have an [economic impact](#).

A member of the Notre Dame faculty since 2009, Sims specializes in macroeconomics.

Provided by University of Notre Dame

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