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Economic Uncertainty and the Influence of Monetary Policy<sup>☆</sup>

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**Abstract**

This paper explores if economic uncertainty alters the macroeconomic influence of monetary policy. We use several measures of U.S. economic uncertainty, and estimate their interaction with monetary policy shocks as identified through structural vector autoregressions. We find that U.S. monetary policy shocks affect economic activity less when uncertainty is high, in line with “real-option” effects from theory. Holding uncertainty constant, the effect on investment is approximately halved when uncertainty is in its top instead of its bottom decile.

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**JEL-codes:** E30, E32, E37, E52**Keywords:** Uncertainty, Monetary Policy, Structural VAR

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