

Research Proposal

Marco Brianti

Boston College

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Uncertainty as a theoretical concept

- Frank Knight in 1921 defined **uncertainty** as people's inability to forecast the likelihood of events happening.
- Since Bloom (2009) uncertainty is formally thought as a **second-moment shock**.
- Jurado et al. (2015) formalizes that uncertainty is represented by the volatility of a variable controlling for the **forecastable component**.

Uncertainty as an empirical measure

- Uncertainty cannot be directly observed
- A series of different proxies
- Jurado et al. (2015) provided a generalized measure of macro uncertainty which is consistent with its theoretical concept.