

# An Analytical Inquiry into the Growth-Uncertainty Nexus

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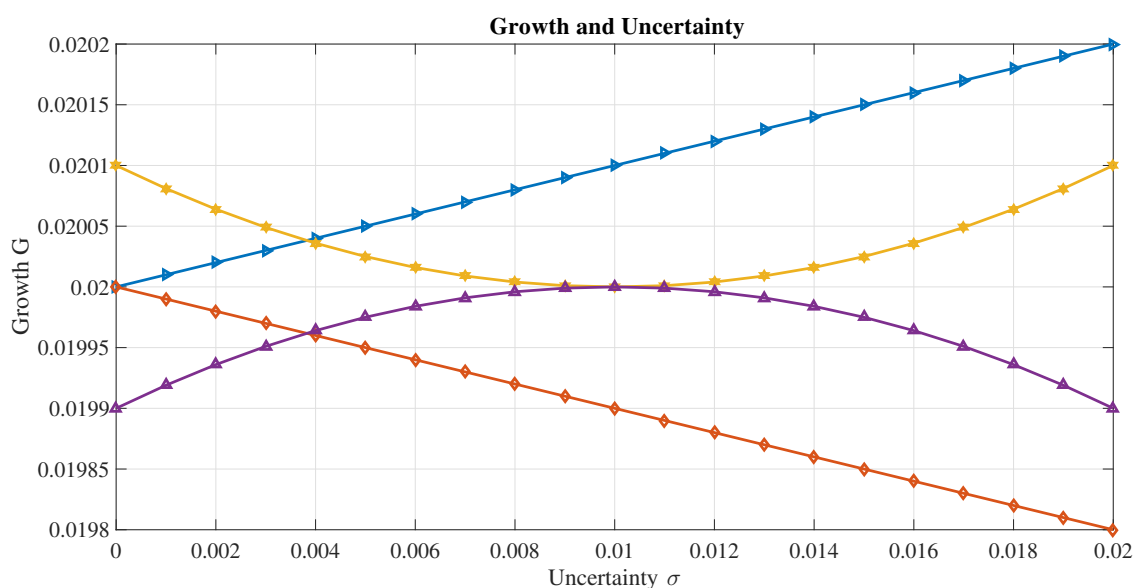
## Abstract

Will higher uncertainty speed up or slow down growth? Empirical studies suggest four links between growth and uncertainty – their relationship is (i) positive (ii) negative (iii) U-shaped (iv) inverted U-shaped. To account for these conflicting facts, I analytically analyze a two-sector stochastic endogenous growth model. I show that the model can replicate all four patterns; hence shedding analytical light on divergent empirical evidence on the growth-uncertainty nexus.

*Keywords:* Human Capital, Stochastic Growth, Welfare, Analytical Solution

*JEL:* I31, J24, O41

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The current version of this paper, slides, and the computer programs are available upon request. My academic webpage is at <https://sites.google.com/view/mizukitsuboi/home-page>.

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*Preprint submitted to Japanese Economic Association*

*April 3, 2019*