

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
DIVISIONS OF INTERNATIONAL FINANCE AND RESEARCH AND STATISTICS

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**Date:** September 14, 2018  
**To:** Federal Open Market Committee  
**From:** Steven B. Kamin and David W. Wilcox  
**Subject:** Trade Policy Uncertainty

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Attached is a memo titled “Trade Policy Uncertainty and the U.S. Economy.” The memo documents the recent increase in trade policy uncertainty and looks for evidence that this increase is affecting economic activity in the United States. Although the memo finds little sign that investment or hiring has been depressed, it could be that other developments, including recent changes in tax policy, are obscuring the negative effects of increased uncertainty. Accordingly, the memo examines the historical relationship between uncertainty and investment to assess the potential effect. Looking across various methodologies, the memo finds that the recent increase in uncertainty might be expected to depress the level of aggregate investment by around 1 to 2 percent, which would imply a fairly small drag on overall GDP of up to ¼ percent.