The Economic and Political Impact of Business Cycle Reporting

Abstract: By convention, a recession is said to take place when two successive quarters of negative economic growth occur. We exploit the arbitrary cutoff implied by this convention to show that the announcement of a recession has a negative impact on subsequent economic growth and other key indicators, conditional on actual economic fundamentals, in OECD countries from 1990 to 2013. This finding lends support to the view that economic actors are only partially attentive to economic conditions and indicates that these information constraints play an important role in the transmission of economic shocks.