

Accepted Manuscript

Title: Towards more resilient economies: the role of well-functioning economic structures

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PII: S0161-8938(18)30002-4

DOI: <https://doi.org/10.1016/j.jpolmod.2018.01.002>

Reference: JPO 6402

To appear in: *Journal of Policy Modeling*

Received date: 25-7-2017

Revised date: 12-11-2017

Accepted date: 15-12-2017

Please cite this article as: & Sondermann, David., Towards more resilient economies: the role of well-functioning economic structures. *Journal of Policy Modeling* <https://doi.org/10.1016/j.jpolmod.2018.01.002>

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Towards more resilient economies: the role of well-functioning economic structures*

David Sondermann**

*Many thanks to Edmund Moshhammer and Macro Langiulli for valuable research assistance. Many thanks as well as to Beatrice Pierluigi, Isabel Vansteenkiste as well as to anonymous referees of the Journal of Policy Modeling and of the ECB and CEPS Working Paper series for helpful comments and suggestions. This paper presents the author's personal opinion and does not necessarily reflect the views of the European Central Bank

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Abstract

Resilience is essential to better withstand adverse shocks and reduce the economic costs associated with them. We link resilience to the quality of countries' economic structures. The paper finds robust evidence that sound labour and product markets and conditions for doing business increase the resilience towards adverse shocks and reduce the incidence of crises more generally. In the presence of a common shock, a country with weak economic structures can on average suffer up to twice the output loss in a given year compared to a more adaptable economy. From a policy perspective, this implies the need to push forward structural policies in countries with lower quality economic structures to increase resilience in case of future shocks. We also suggest how a monitoring process towards more resilient economic structures could look like.

Keywords: economic resilience, shocks, economic structures, institutions.

JEL classification: E32, L50, J21.

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