ECONOMIC RESILIENCE AND MACROECONOMIC IMBALANCES: THE IMPACT OF STRUCTURAL POLICY

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Abstract. *Currently, global transformation processes are intensifying, causing increased uncertainty and volatility in economic dynamics. Under these conditions, there is an increasing need to raise economic resilience, which is a condition for maintaining stable growth dynamics, and is considered the ability of the economic system to absorb shocks and quickly adapt to changes in external and internal conditions. The most important condition for ensuring economic resilience is maintaining macroeconomic balance and counteracting the growth of excessive imbalances. The purpose of this research is to identify factors and mechanisms for the formation of macroeconomic imbalances, establish their relationship with economic resilience, and determine general approaches to economic policy for the adjustment of imbalances. The methods used in this research are analysis, synthesis, comparison, and generalization. Some of the conclusions that emerged from the research are as follows. Macroeconomic imbalances manifest themselves not only in the disruption of foreign economic equilibrium, but also in a slowdown in economic growth, internal recession, increased inflation, and a decrease in the global competitiveness of the economy. In most economies, external and internal imbalances are stable, and chronic, and attempts to combat them can lead to their transformation, but do not eliminate them. Constant macroeconomic imbalances are caused by inertial factors: the specifics of the development model of the national economy, structural disproportions, and the fight against which regular macroeconomic policy (monetary, fiscal) is ineffective. An effective tool for adjusting macroeconomic and structural imbalances is structural policy. It has been established that the influence of structural policy on macroeconomic balance and resilience is realized through the following channels: increasing the efficiency and competitiveness of production, raising mobility of production factors and reallocation of resources; and improvement of self-regulation mechanisms of the economic system.*
Keywords: *economic resilience, economic growth, structural imbalances, structural disproportions, structural policy*
JEL: *D50, E61, O40*
UDC: *338.2*

Introduction. Currently, the global economy is going through a stage of transformation and reconfiguration of its structure, which is accompanied by instability and fragmentation of global value chains, changes in global production and financial architecture, and the formation of new regional trade and economic blocks that determine the prospects for future growth of the world economy. These processes cause an increase in economic uncertainty and development turbulence, strengthen the volatility of economic dynamics, contribute to the formation and accumulation of excessive macroeconomic imbalances, and also directly affect the state of economic stability and growth rate. In these conditions, the most important direction of the state's activity is the search for measures and instruments of economic policy that ensure the adaptation of the economic system to the changed conditions of development and counteract new challenges and threats. That's why the purpose of this research is to identify factors and mechanisms for the formation of macroeconomic imbalances, establish their relationship with economic resilience, and determine general approaches to economic policy for the adjustment of imbalances and increasing economic resilience.

Literature review. The problem of economic resilience and ensuring balanced economic development the formation of macroeconomic imbalances is well covered in domestic and foreign literature. During the global financial crisis of 2008–2009, these questions were at the forefront of academic economic research. Foreign literature mainly examined the financial and international economic reasons for the formation of macroeconomic imbalances (global imbalances), as well as conceptual approaches and directions for resolving imbalances, including those based on the Macroeconomic Imbalance Procedure (MIP) (Obstfield & Rogoff, 2009; Essl & Stiglbauer, 2011; Fogli & Perri, 2015).

In the domestic literature, issues of sustainable growth and macroeconomic imbalances are considered, taking into account the specifics of the Belarusian economy. Thus, the problem of macroeconomic imbalances in Belarus is aggravated by the presence of chronic structural imbalances and market distortion, which increase the state of economic disequilibrium (Levkovich, 2020; Rozhkovskaya, 2022), which makes it necessary to solve these two problems simultaneously and requires the development of measures and directions to combat macroeconomic and structural imbalances (Luchenok, 2015; Razhkouskaya, 2023).

Research methodology. This study used methods of systemic and comparative analysis, abstraction, synthesis and analogy, structural analogy, and others.

Main results. Research shows that the speed of adaptation of the economic system to new operating conditions and the effects of systemic shocks depend on the resilience of the economy. As the experience of many countries in recent years shows, systemic shocks have a cascading effect and can lead to the destruction of the economic system or disruption of the functioning of its individual components. Economic resilience reflects the ability of the economy to quickly adapt to changes, absorb shocks, withstand numerous risks and threats, and, in conditions of disturbing influences, maintain the normal functioning of the economic system, preserving its basic properties and characteristics.

Resilience is ensured mainly by the ability of the economy to maintain the dynamic stability of the economic system and maintain its ability to develop even in the face of shocks. This is implemented on the basis of rapid regrouping of resources, using the reserve capabilities of the economy, and enhancing its flexibility and viability. World experience shows that maintaining the economy's ability to grow sustainably is a more important prerequisite for long-term economic growth than a high growth rate.

The most important condition for ensuring economic resilience is maintaining macroeconomic balance and counteracting the accumulation of excessive imbalances. Macroeconomic balance in its most general form involves achieving dynamic and structural balance in the most important sectors of the economy: the market for goods and services, the money market, and the financial sector. A more rigorous definition of macroeconomic balance involves simultaneously achieving internal and external balances. Internal equilibrium is a situation in which real output is close to its potential level with low inflation and full employment. External balance implies the equilibrium state (or close to it) of the current account of the balance of payments.

The emergence of macroeconomic imbalances can be achieved through external and internal sources.

External sources can be caused by external shocks, foreign economic conditions on world markets, the speed and direction of the processes of globalization (deglobalization) and financial and economic integration, as well as circumstances of force majeure (shocks of catastrophes)—pandemics, climatic, geophysical, and man-made disasters, natural disasters, and armed conflicts—which demonstrate exponential growth in dynamics (Mirkin, 2020).

Internal factors causing imbalances lie mainly in the area of imprudent economic policies (for example, expansionary measures of monetary and fiscal regulation and policies to stimulate domestic demand and economic growth). Institutional factors are also identified, such as trust, corruption, favorable conditions for business, government efficiency, sociocultural factors, etc., which determine the propensity of economic agents to consume and save and form balances between saving and investments on this basis. In addition, factors such as economic volatility and uncertainty can themselves create imbalances, acting through the channel of expectations and changing the investment behavior of economic agents.

However, perhaps the most important factor in macroeconomic imbalances is structural imbalances: demographic disproportions (reduction in the birth rate and processes of depopulation and population aging), sectoral imbalances (maintaining a high share of production with a low degree of processing and low complexity), inefficient structure of the economy and foreign trade, high level of import consumption and import dependence of the economy, as well as market distortions (excessive public sector, weak competitive relations, excessive government intervention, weakness of market mechanisms, etc.), which are constantly reproduced and form stable, chronic macroeconomic imbalances. The set of sources and factors causing macroeconomic imbalances is presented in Figure 1.

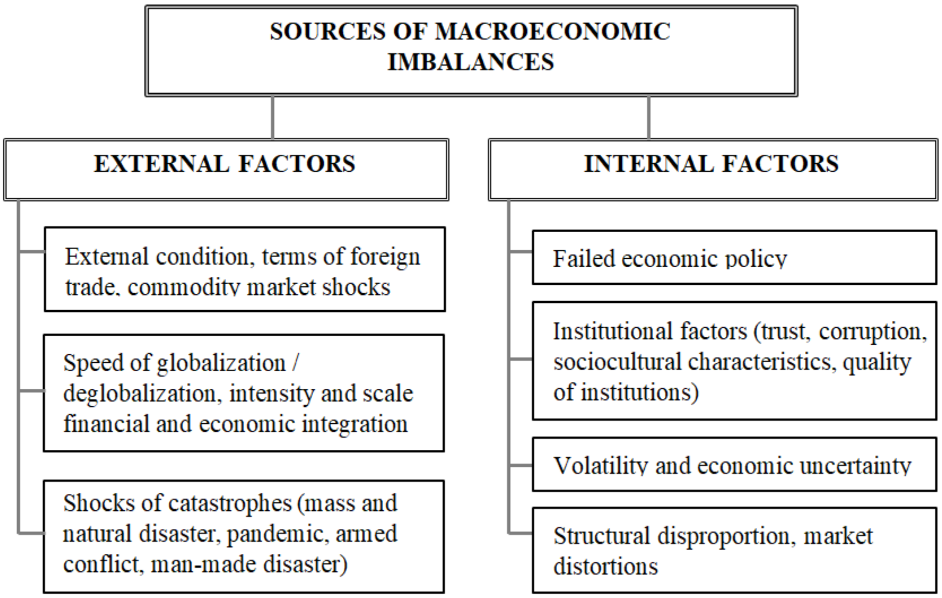

Figure 1. **Sources and factors of macroeconomic imbalances**
Source: the author's self-development.

Macroeconomic imbalances manifest themselves not only in the disruption of foreign economic equilibrium but also in a slowdown in economic growth, an internal recession, increased inflation, and a decrease in the global competitiveness of the economy. Table 1 shows possible combinations of macroeconomic imbalances.

Table 1. **Possible combinations of macroeconomic imbalances**

Type of imbalances	**Countries characterized by corresponding imbalances**
Excessive domestic demand and high inflation rates with a current account deficit	Most of the countries that received IMF loans under the Stand-By program, including Republic of Belarus in 2000 – 2013
Declining domestic demand, internal recession, current account deficit	Great Britain in the late 1980-s – early1990-s, from 2007 to the present; Portugal in the mid 2000-s; Ireland, Cyprus at the turn of the 2010-s; Republic of Belarus in 2014 – 2020.
High inflation and excessive domestic demand, current account surplus	Some oil-producing countries, including Russia in the 2000-s, China in the first half of the 1990-s and mid-2000-s.
Slower economic growth (internal recession) and current account surplus	Japan 1992 г. to the present

Source: (Khan, Nsouli, Wong, 2002; Luchenok, 2015; Razhkouskaya, 2023)

Experience shows that economic policies aimed at resolving macroeconomic imbalances often do not lead to the elimination of imbalances but cause their degeneration and transformation into a new type of imbalance. For example, the experience of the Greek economy shows that the settlement of macroeconomic imbalances using austerity methods (cutting government spending, freezing wages) led to a transformation of the type of imbalance—an increase in internal recession and a slowdown in economic growth. That is, the reduction in imbalances occurred due to the transition of the economy to a lower level of development.

Thus, in most economies, external and internal imbalances are stable and chronic, and attempts to combat them can lead to their transformation but do not eliminate them. Constant macroeconomic imbalances are caused by inertial factors: the specifics of the development model of the national economy, structural disproportions, and the fight against which regular macroeconomic policy (monetary and fiscal) is ineffective. Figure 2 presents a system of interactions between structural imbalances and macroeconomic imbalances.

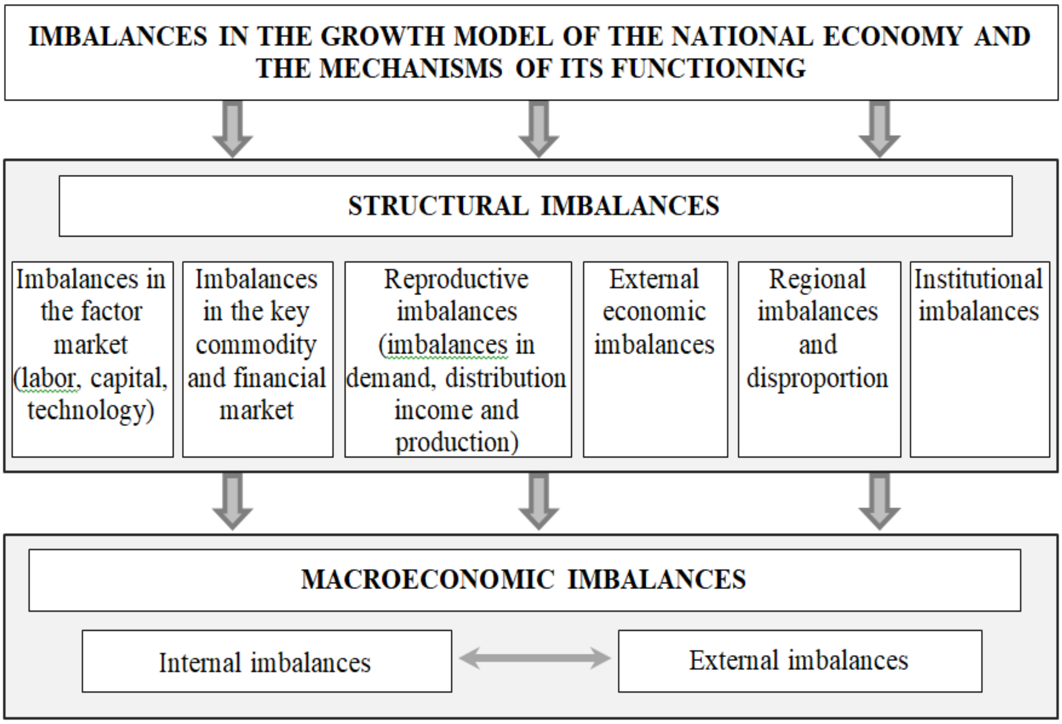

Figure 2. **Relationship between structural and macroeconomic imbalances**
Source: (Razhkouskaya, 2023)

According to the figure, each economy has development features that are historically inherited, caused, for example, by geographical location, climatic conditions, reserves of resources and raw materials, etc. These factors largely determine the main characteristics of the national economy and the mechanisms of its growth and functioning model, which may also have distortions (for example, the paradox of Dutch disease, the resource curse or paradox of plenty, high import intensity, etc.).

Imbalances in the economic development model cause the formation of structural imbalances, for example, in the labor market (outflow of personal abroad), sectoral imbalances (high share of industries with low productivity and low added value, low level of use of technology), and reproductive imbalances (ineffectiveness of income redistribution, low level of payment labor, faster growth of imports compared to exports). Structural imbalances cause the formation of external and internal imbalances—a gap between supply and demand, between exports and domestic demand, between exports and imports, high inflation rates, unemployment, exchange rate instability, etc.—which affect the stability of economic dynamics.

Of course, it is not possible to correct this «vicious circle» between structural and macroeconomic imbalances only through measures of current (regular) macroeconomic policy. It is possible to correct failures in the system of economic functioning by correcting the mechanisms of its operation, which should lead to the elimination of structural imbalances in the economy and, consequently, to a reduction in macroeconomic imbalances.

An effective tool for adjusting macroeconomic and structural imbalances is structural policy. Structural policy is the main tool for adapting the economy to numerous shocks and threats and changing external and internal development conditions. The main goal of structural policy is to correct the mechanisms of economic functioning, smooth out imbalances of a sectoral, reproductive, and regional nature that hinder the possibilities of economic development, ensure structural balance of the reproductive process, modernize, and/or form a more efficient economic structure that meets long-term strategic development goals. As a result, structural policy, through the concentration of capital and resources (labor, material, and financial) in priority sectors, contributes to the growth of labor productivity in them, ensuring sustainable economic growth and increasing its competitiveness.

From a methodological point of view, the development of structural policy involves solving an interrelated set of problems. First, identify the key goals of structural reforms—resolving macroeconomic imbalances, leveling out imbalances, increasing labor productivity, or overall growth in economic efficiency—which, in fact, determine the choice of instruments and specific mechanisms for policy implementation. Secondly, a quantitative assessment of planned activities allows one to calculate their macroeconomic consequences and assess the effectiveness of structural policy measures. Thirdly, the formation of a general concept and the development of a strategy for structural transformations, including a coordinated and interconnected set of measures in certain areas of the economy—transformations of the sectoral structure of the economy, macroeconomic, investment, and industrial policies, settlement of imbalances, equalization of regional imbalances, institutional transformations, etc. Fourth, monitoring and adjustment of structural policy measures aimed at eliminating possible inconsistencies and deviations from the trajectory planned by the plan.

Structural policy influences the economy through supply-side factors, allowing an increase in potential output and creating opportunities for economic development without relying on external financing. The influence of structural policy on macroeconomic balance and economic sustainability is realized through several channels. The first is through increasing output and diversifying the production structure, which allows for internal balance by expanding supply and stimulating long-term growth, thereby creating the opportunity, through growing economic income, to compensate for the potential impact of shocks and the emergence of imbalances.

(*Figure 3*).

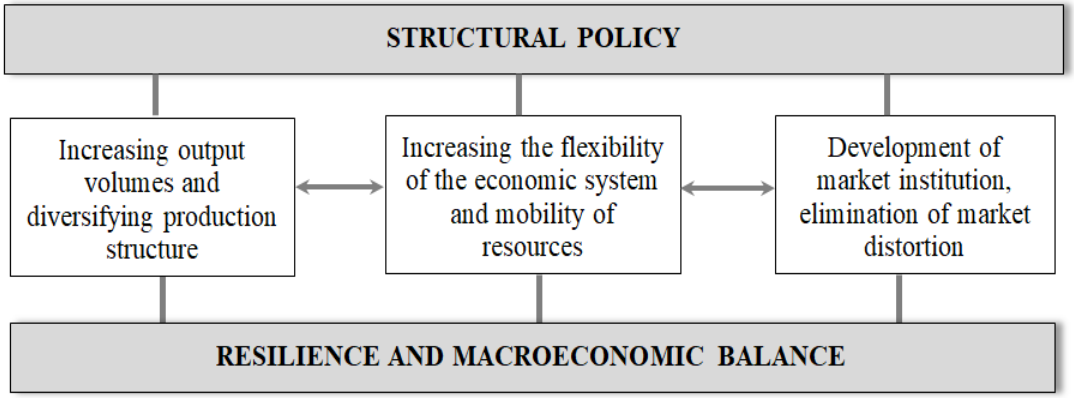

Figure 3. **The mechanism of influence of structural policy on economic resilience and macroeconomic balance**

Source: (Razhkouskaya, 2023)

The second channel describes the impact of structural policy on macroeconomic stability and balance through increasing economic flexibility and improving distribution mechanisms in the economic system. Eliminating the rigidity of individual markets by reducing regulatory, institutional barriers, and tax distortions helps increase factor productivity. The third channel reflects the influence of structural policy on macroeconomic balance through the action of market mechanisms and institutions that act as built-in elements of self-regulation of the economic system, such as free pricing and flexible exchange rates, and take part in the process of automatic correction of imbalances, preventing their excessive accumulation and resolution in the form of a crisis. Improving the mechanisms of self-regulation of the economy, along with its flexibility and mobility of production factors, determines the resilience of the economic system, that is, its ability, through the recombination of resources and growth factors, to maintain the normal functioning of the economy and ensure stability and adaptation to shocks (Smorodinskaya, Katukov, 2021).

Discussion and conclusions. The study showed that one of the conditions for sustainable economic growth is to ensure macroeconomic balance. Excessive and persistent macroeconomic imbalances can increase the instability and volatility of economic dynamics and lead to increased vulnerability of the economy.

Macroeconomic imbalances are caused by external and internal factors: market shocks, foreign trade conditions, the speed of globalization and integration, institutional features of the economy, and the quality of economic policy. But the determining factors for sustainable macroeconomic imbalances are the structural imbalances of the national economy, which constantly reproduce the potential of an unbalanced economy.

Experience shows that the fight against persistent imbalances with macroeconomic policy measures is ineffective and requires deep influences based on the correction of the functioning mechanisms of the economy. The main tool for adjusting structural and macroeconomic imbalances is structural policy. Structural policy influences the macroeconomic imbalances and resilience of the economy through three main channels: through an increase in potential output and supply through an increasing the flexibility of the economy by eliminating regulatory and institutional barriers; through the mechanisms of market self-regulation of the economic system.

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