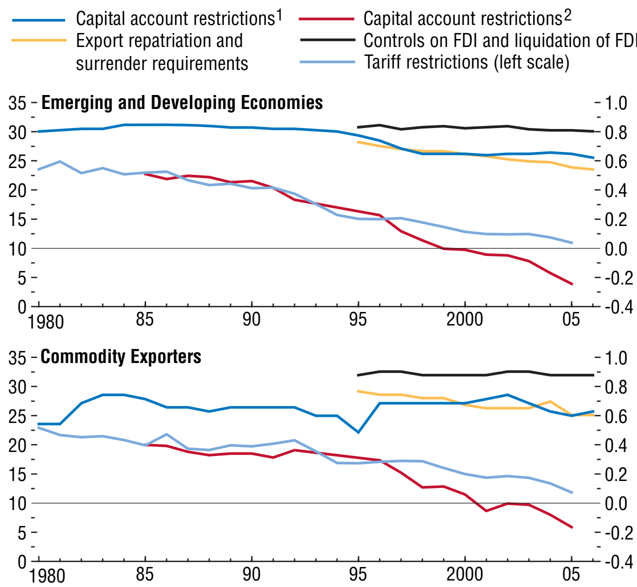
Figure 5.9. Policy and Institutional Environment

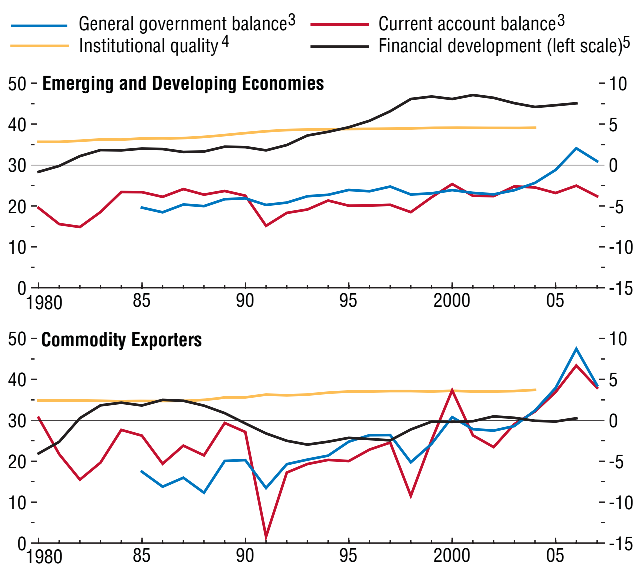
(Mean; all variables on right scale unless indicated otherwise)

Developing economies have pursued external liberalization by reducing trade tariffs and restrictions on current and capital account transactions. Macroeconomic policies have also improved, with fewer large government and current account deficits, stronger overall institutions, and deeper financial systems.

Policy Barriers to Globalization



Institutions and Macro Policies



Sources: Beck,Demirgüç-Kunt, and Levine (2007); Chinn and Ito (2006); Grilli and Milesi-Ferretti (1995); Marshall, Jaggers, and Gurr (2004); World Bank, World Development Indicators database; and IMF staff calculations.

[1]Grilli and Milesi-Ferretti measure.

[2]Chinn and Ito measure; 1993–95 data interpolated owing to irregularities in the underlying data.

[3]Percent of GDP.

[4]Institutional quality is measured by the Marshall, Jaggers, and Gurr "executive constraints" variable (see Appendix 5.1 for details).

[5]Financial development is measured using the ratio of private sector credit by banks and other financial institutions to GDP (see Appendix 5.1 for details).