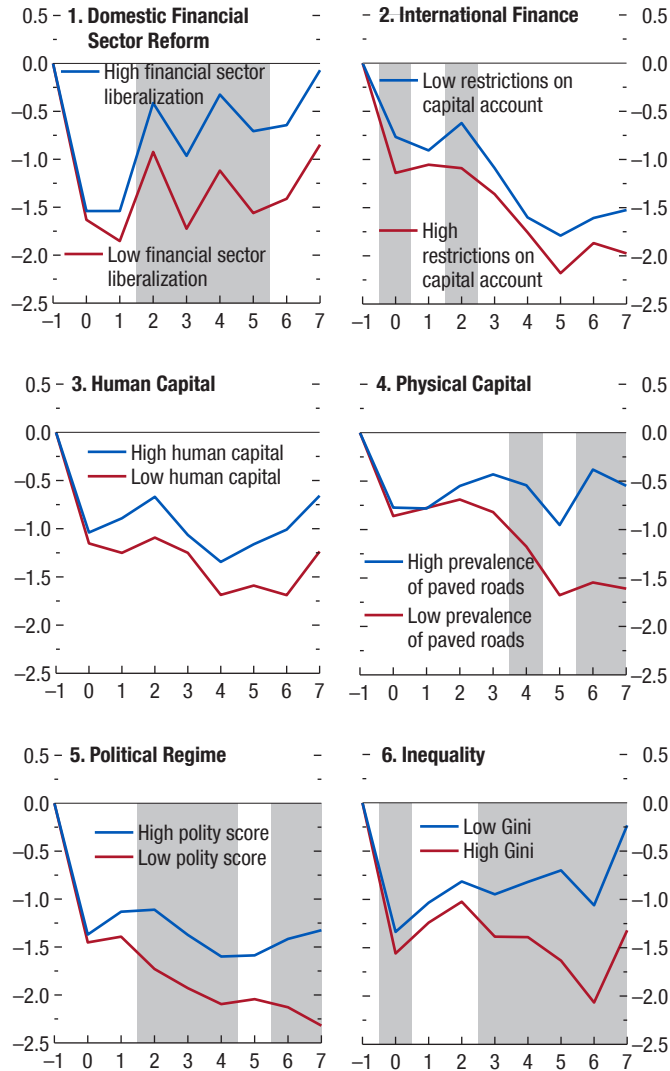


**Figure 3.14. The Role of Structural Policies and Institutions**  
*(Percent; years on x-axis)*

There is some suggestive evidence that the medium-term effect of an increase in temperature on per capita output is marginally lower in countries with better-regulated financial markets, greater physical capital, more democratic institutions, and lower income inequality.



Source: IMF staff calculations.

Note: The panels depict how the effect of a 1°C increase in temperature on per capita output in the sample of countries with average temperature exceeding 15°C varies with the empirical proxies of structural policies and institutional settings. Horizon 0 is the year of the shock. Gray areas indicate that the blue and red lines are significantly different from each other at the 15 percent level. See Annex 3.3 for the exact definition of policy variables.