Reform at time $t$ (i.e., change in the structural indicator between $t$ and $t-1$)

Figure 3.11. An Empirical Model of Reforms: Convergence Toward a Target

Note: The negatively sloped reform path ensures a convergence of structural conditions toward the targeted level $T$. A country initially located at point $A$ would carry out pro-competitive reforms, starting at $B$ until it reaches $T$. A positively sloped reform path would suggest that policymakers want to liberalize (regulate) even beyond the most market-friendly (rigid) regime (no convergence).