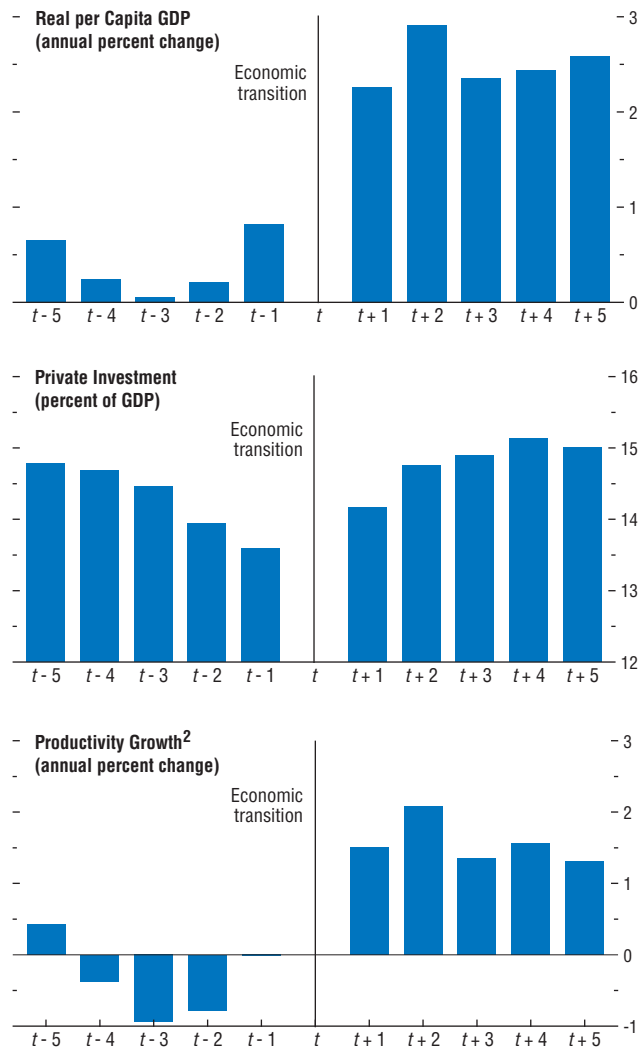


Figure 3.4. Developing Economies: Impact of Economic Transitions on Output Growth, Private Investment, and Productivity Growth¹
(Economic transition at time t)

Institutional transitions lead to substantial improvements in GDP growth, private investment, and productivity growth.



Sources: Gwartney and Lawson (2004); Klenow and Rodríguez-Clare (2004); Penn World Table Version 6.1; World Bank, *World Development Indicators* (2005); and IMF staff calculations.

¹Only the countries that experienced institutional transition during 1970–2004 are included in the sample. All variables are expressed as three-year moving averages. See Appendix 3.1 for further details.

²Total factor productivity growth.