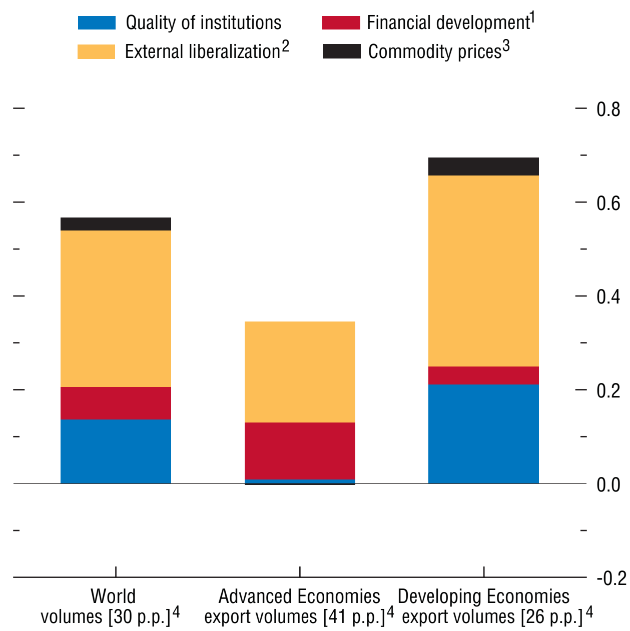
Figure 5.12. Explaining the Increase in Integration from the 1980s to the 2000s

(Dependent variable and total difference in percentage points on the x-axis; share of total difference on the y-axis; based on panel regressions)

Most of the explained variation over time reflects the impact of institutions, financial development, policy distortions, and exogenous factors such as geography, rather than the direct impact of commodity prices. Institutions and financial development accounted for almost one-quarter of the overall increase.



Sources: Beck, Demirgüç-Kunt, and Levine (2007); Heston, Summers, and Aten (2006); Marshall, Jaggers, and Gurr (2004); Reinhart and Rogoff (2004); Wacziarg and Welch (2003); World Bank, World Development Indicators database; and IMF staff calculations (see Appendix 5.1 for details).

[1] Combines contributions of financial development and its square.

[2] Combines contributions of trade openness, exchange restrictions, and overvaluation.

[3] Combines contributions of commodity export prices and import prices.

[4] Throughout, export volumes are deflated by a real GDP index; p.p. = percentage points.