

Table 5: Mimic Model of Institutional Change: Parameter Estimates

	Structural Equation γ	Measurement Equation R^2
		Indicators
No. years with inflation < 30% and budget deficit < 5% of GDP	0.130 (0.039)	Governance and Enterprise Restructuring 0.395
Years with small scale privatisation	0.102 (0.037)	Competition Policy 0.291
Years with price liberalisation	0.081 (0.038)	Banking Reform and Interest Rate Liberalisation 0.302
Average score for political factors	-0.185 (0.043)	Securities Markets and Non-bank Financial Institutions 0.373
Lag of exports to EU as a share of total exports	0.082 (0.038)	Legal Transition Indicators 0.416
Lag of the share of employment in industry respect to a market economy benchmark	0.078 (0.039)	Covariance Parameters Θ_ε (Gov.Ent.Rec,Bank.Ref.) 0.267 (0.096)
Initial conditions 95	-0.139 (0.038)	
Initial conditions 96	-0.058 (0.037)	
Initial conditions 97	-0.080 (0.036)	
Initial conditions 98	-0.079 (0.039)	
Government expenditure to GDP	0.183 (0.041)	
$R^2 = 0.814$		
Numbers in parenthesis denote standard errors		