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Economics and Management of Cooperation and Development

The Role of Financial Crises in Altering Wealth and Growth Patterns in South America

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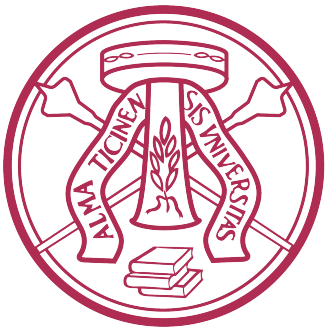

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Abstract

This research examines how different types of financial crises have shaped growth and income distribution in Latin America from 1970 to 2020, using WDI, WID and IMF-based crisis data. Results show that banking, currency and debt crises trigger output drops of about 3 percentage points on impact, with only partial medium-run recovery. Distributionally, crises leave the top 1 percent largely protected while eroding the income share of the bottom 50 percent, especially after banking and debt shocks. These findings support viewing crises as events relevant for inequality.

1 Introduction

Financial crises are recurrent features of Latin American economies, disrupting macroeconomic stability and generating substantial social costs that extend well beyond short-run losses in output and employment. They also have profound distributional consequences, altering the evolution of income and wealth inequality in ways that are central for the design of crisis-prevention and recovery strategies in a region historically exposed to external shocks and volatile capital flows.

Recent work suggests that these distributional effects are not neutral. Bodea et al. (2021a) show that financial crises systematically raise income inequality and leave persistent "scarring effects" even after aggregate indicators have recovered, a pattern that is especially salient in Latin America, where high initial inequality, large informal labor markets, and constrained social protection systems magnify household vulnerability. The region is also characterized by recurrent "sudden stops" in foreign capital inflows that trigger deep recessions and asset-price collapses through balance-sheet effects, as highlighted by Mendoza (2010), implying that the channels through which crises reach households may differ from those operating in advanced economies.

To study these mechanisms systematically, this paper adopts the identification framework developed by Nguyen et al. (2022), which distinguishes single crisis episodes from more complex "twin" and "triple" events (Kaminsky and Reinhart, 1999) and provides harmonized dating for currency, sovereign debt, and systemic banking crises. Leveraging this multidimensional database makes it possible to isolate the effects of specific crisis typologies and their interactions, and to quantify how they have reshaped the income distribution across Latin American countries over recent decades. The next section reviews the theoretical and empirical literature on financial crises and inequality, laying out the main transmission channels through which aggregate shocks affect household welfare.

2 Literature Review

The relationship between macroeconomic instability and income distribution is a structural feature of Latin American economic history. The region has long been characterized by high volatility, where frequent financial crises act as "inequality amplifiers." This chapter reviews the theoretical definitions of financial crises, identifies the transmission mechanisms through which aggregate shocks impact household welfare, and provides a historical taxonomy of crises in the region from the 1980s to the post-COVID-19 era.

2.1 Conceptual Framework

Types of Financial Crises

Financial crises are multifaceted events that manifest in distinct forms, each with specific implications for the real economy. Claessens and Kose (2013) classify them into four primary types:

- *Currency Crises*: Sharp depreciations or collapses of exchange rate regimes.
- *Banking Crises*: Systemic bank runs and failures requiring government intervention.
- *Sovereign Debt Crises*: Defaults or restructuring of government obligations.
- *Sudden Stops*: Abrupt falls in international capital inflows or reversals in aggregate capital flows.

In the Latin American context, Mendoza (2010) emphasizes the critical role of **Sudden Stops**. These abrupt reversals in capital inflows trigger severe recessions because emerging markets face binding collateral constraints that restrict their ability to smooth shocks. These episodes often precipitate "twin" or "triple" crises—simultaneous banking, currency, and debt collapses—which deepen economic contractions and complicate recovery (Nguyen et al., 2022).

Transmission Mechanisms to Inequality

Macroeconomic shocks transmit to household inequality through three main channels:

First, the *labor market channel* is the dominant mechanism. Messina and Silva (2018) demonstrate that crises disproportionately impact low-skilled and informal workers through unemployment and real wage declines. Bodea et al. (2021a) confirm that these shocks lead to **persistent** increases in inequality due to the "scarring effects" on future earnings.

Second, the *wealth channel* operates through asset prices. While Shchepeleva et al. (2022) find that asset price collapses can temporarily reduce top-tier wealth, high inflation typically erodes the cash savings of lower-income households. Conversely, wealthier agents often possess financial instruments to hedge against devaluation, ultimately widening the wealth gap.

Third, the *policy channel* involves the state's response. Lustig et al. (2023) argues that historically, austerity measures adopted to satisfy external creditors reduced social spending when it was most needed. Although recent crises have seen more countercyclical responses, post-crisis policies often favor financial sector bailouts over social transfers, further skewing distribution (Bodea et al., 2021a).

2.2 Historical Evolution

From the Lost Decade to the Golden Era

The 1980s "Lost Decade," triggered by the debt crisis, established a pattern of regressive adjustment. Devlin and Ffrench-Davis (1995) document how hyperinflation and austerity disproportionately impacted the working class, embedding structural inequality that took decades to reverse. The 1990s shifted toward market liberalization, yet volatility persisted through recurrent Sudden Stops (Calvo et al., 2003). Gains from modernization largely accrued to skilled labor, while crises wiped out progress for the poor, as exemplified by Argentina's collapse where wealth redistribution favored protected financial sectors (Gasparini et al., 2009).

The 2000s marked a turning point driven by the commodities boom and improved macro-fiscal frameworks. Lustig et al. (2012) documents the decline in inequality during this period, while Shchepeleva et al. (2022) suggest that the region's resilience during the 2008 Global Financial Crisis helped mitigate wealth shocks. However, the post-2010 growth deceleration revealed that many social gains remained fragile and dependent on commodity cycles.

2.3 Recent Developments and COVID-19

The Pandemic and Silent Crises

The COVID-19 crisis presented a unique simultaneous supply and demand shock. Busso and Messina (2020) highlight that unlike typical recessions, the pandemic hit the informal sector hardest. Governments responded with unprecedented transfer programs that successfully dampened the immediate rise in poverty, showcasing significantly improved state capacity compared to the 1980s (Lustig et al., 2023). Chile's fiscal capacity, for instance, allowed for substantial countercyclical spending without compromising long-term sustainability (Fuentes et al., 2020).

However, current macroeconomic stresses threaten the sustainability of these transfers. Be-

yond immediate income shocks, ECLAC (2024) warn of a "silent crisis" in human capital. Prolonged school closures and unequal access to remote learning are projected to reduce secondary completion rates among the poor, potentially locking in higher inequality for the next generation by widening the skills gap (Lustig et al., 2023).

3 Empirical Evidence

The impact of financial crises on economic growth and income distribution has generated substantial investigation, yet evidence remains fragmented. Past research often focuses on single crisis types or fails to address causal inference threats like reverse causality and measurement error (Bodea et al., 2021b; Nguyen, 2022). This chapter utilizes data from the World Bank, World Inequality Database, and IMF Systemic Banking Crises Database to examine these dynamics in Latin America (1970–2020), revealing regional heterogeneity in crisis impacts.

3.1 Descriptive Evidence

This subsection examines the relationship between crises and development indicators, establishing baseline patterns of regional exposure and performance.

GDP Growth Dynamics and Crisis Periods

Figure 1 displays average annual GDP growth in Latin America by crisis type (Banking, Currency, Debt).

The data reveals distinct patterns: *Banking crises* are concentrated in the early 1980s and 2008-2009, causing severe contractions; *Currency crises* are more dispersed throughout the 1990s and 2010s; and *Debt crises* appear as a constant source of distress. These align with Laeven and Valencia (2013) and the "twin" or "triple" crisis concept of Kaminsky and Reinhart (1999). Consistent with Saxena and Cerra (2005), who estimate output losses of 15% for twin crises, debt crises in our data often overlap with other types, leading to prolonged below-trend growth.

Subregional Dynamics

We analyze three subregions based on proximity and institutions: **The Caribbean** (Central America/Mexico/Islands), **Andes & Amazons** (Northern South America/Brazil), and **The South Cone** (Southern South America). Figure 2 illustrates their growth trajectories.

The **South Cone** exhibits the highest volatility, with deep contractions in the early 1980s and 2001–2002. The **Caribbean** is comparatively stable but suffered during the 1980s, while the **Andes & Amazons** show intermediate volatility, impacted by commodity shocks. The "lost decade" of the 1980s is visible across all regions, reflecting the "asymmetric adjustment" described by Devlin and Ffrench-Davis (1995), where regional per capita output declined by 7%.

Figure 3 tracks income shares for the top 1% and bottom 50%.

A widening divergence is evident across all regions, particularly following crises. In the **Caribbean**, the top 1% share rose from 19% to over 23% by 2010. The **Andes & Amazons** shows the highest inequality, with a 15% gap persisting since the 1980s. The **South Cone** shows a moderate but steady concentration of top income. These trends support Bodea et al. (2021b), who find that crises increase inequality significantly in the long run, often taking decades to materialize. Nguyen (2022) similarly note that twin/triple crises exacerbate these gaps most severely.

Finally, regarding fiscal sustainability, Figure 4 presents central government debt ratios.

The Andes & Amazons peaked above 150% debt-to-GDP in the early 1990s, while *The South Cone* spiked during the 2001 Argentine crisis. This illustrates the fiscal channel described by Bodea et al. (2021a): crises erode revenues and force welfare retrenchment, worsening inequality during consolidation phases.

3.2 Synthesis and Implications

The empirical evidence establishes that:

1. GDP growth is highly volatile, with crises causing severe, prolonged contractions.

2. Income inequality persistently widens during and after crises across all subregions.

3. Debt crises cause the most prolonged disruption, though regional heterogeneity exists (e.g., South Cone volatility vs. Andes inequality).

These patterns underpin the analysis of transmission mechanisms in subsequent sections.

4 Empirical Strategy

4.1 Indicators and Variables

Independent Variables: Financial Crisis Indicators

We utilize the comprehensive crisis typology from Nguyen et al. (2022), which covers 151 global episodes from 1970-2019. Each crisis type is coded as a binary indicator (1 = crisis year, 0 = otherwise). We will be analysing 4 different crisis type: banking, currency, sovereign/external debt and twin crisis.

Figure 5 illustrates the evolution of these crises across sample countries.

Dependent Variables: Income Inequality

We employ income inequality data from the World Inequality Database (Alvaredo et al., 2024), specifically pre-tax income shares for adults (20+). Pre-tax income captures the "market" distribution resulting from economic disruptions before fiscal redistribution, allowing us to isolate transmission mechanisms like labor market and wealth shocks.

- `top1_share`: Pre-tax income share of the top 1%. This captures concentration among elites whose income derives from capital and high-skilled labor, sources highly exposed to financial volatility.
- `lower50_share`: Pre-tax income share of the bottom 50%. This reflects dynamics affecting the vulnerable majority, particularly relevant given Latin America's large informal sector (Busso and Messina, 2020).

Dependent Variables: Growth Rates

To assess whether crises produce temporary losses or persistent structural changes, we also examine economic growth:

- `gdp_growth`: Annual growth rate of real GDP (%).

GDP growth offers a complementary outcome variable with greater temporal consistency than inequality measures, which can suffer from data discontinuities during crises (Alvaredo et al., 2024).

Control Variables

Following the framework established by Bodea et al. (2021b); Nguyen et al. (2022), we include a set of macro-structural controls to capture key differences in countries' exposure and adjustment to crises. Drawing upon the World Bank's World Development Indicators, the controls in our baseline specification are Trade (as a % of GDP in a given country-year), Log of GDP per capita and Secondary school enrollment (% of gross).

4.2 Methodology

We employ a panel data framework with two way fixed effects to isolate the impact of crisis episodes on inequality and growth, controlling for time-invariant country characteristics (Nguyen et al., 2022; Bodea et al., 2021b).

Estimation Strategy

Our baseline specification includes lagged crisis variables to capture intertemporal effects and the persistence of financial distress:

$$Y_{it} = \beta_0 \text{Crisis}_{it} + \sum_{k=1}^{3} \beta_k \text{Crisis}_{it-k} + \alpha_i + \varepsilon_{it} \quad (1)$$

Where Y_{it} is the outcome variable (bottom 50% share, top 1% share, or GDP growth) for country i in year t. Crisis_{it} is the binary crisis indicator. α_i denotes country fixed effects. Separate regressions are estimated for each crisis type to allow for heterogeneous effects.

To address potential confounders, we estimate an augmented specification including the vector of control variables $\mathbf{X}_{it}$:

$$Y_{it} = \beta_0 \text{Crisis}_{it} + \sum_{k=1}^{3} \beta_k \text{Crisis}_{it-k} + \gamma' \mathbf{X}_{it} + \alpha_i + \varepsilon_{it} \quad (2)$$

5 Results and Discussion

The first set of regressions corresponds to equation (1), where GDP growth is regressed on current and lagged crisis dummies without controls. Table 1 (Appendix B) shows that banking, currency, and debt crises are all associated with sharp contemporaneous output losses of roughly 3 percentage points, followed by a partial rebound two to three years later. The limited R^2 suggests that, although crises clearly matter for growth, they explain only a fraction of the within-country variation over time.

Subregional estimates in Table 2 (Appendix B) confirm this pattern but reveal important heterogeneity. Impact losses tend to be larger in the South Cone and in the Andes & Amazons, where twin crises can reduce growth by well over 10 percentage points on impact, while the Caribbean region experiences smaller but still significant contractions. Even where some overshooting appears in later years, the magnitude of the initial collapse implies that most crisis episodes leave a net medium-run output loss.

Turning to distributional outcomes, Tables 3 and 4 (Appendix B) report the same naïve specification with pre-tax income shares of the top 1% and bottom 50% as dependent variables. For the top 1%, coefficients are very small and rarely significant, indicating that crises do not systematically shift the income share of the richest percentile in the short run. By contrast, the bottom 50% experiences modest but statistically significant losses in income share during banking and debt crises—on the order of 0.4–0.5 percentage points on impact—with some evidence of persistence over three years. This pattern is consistent with broader cross-country evidence that crisis-induced inequality operates mainly via losses at the lower end of the distribution rather than gains at the very top. [file:2]

The specification with controls in equation (2) refines these patterns. Table 5 (Appendix B) shows that, once trade openness, secondary schooling, and GDP per capita are included, currency crises emerge as the most damaging for growth, with an average fall of more than 4 percentage points in the crisis year and a continued drag one year later before a modest recovery. The signs of the controls align with priors: trade openness is generally associated with higher growth, while rapid expansions in schooling appear to entail short-run adjustment costs.

For inequality with controls, Tables 6 and 7 (Appendix B) confirm that annual crisis indicators have limited explanatory power for top 1% income shares, whereas bottom 50% shares are more tightly linked to structural variables like GDP per capita and education. Crisis coefficients remain small in magnitude, suggesting that in this annual, within-country framework, crises act as one among several forces shaping distribution, with their most visible short-run effect being small declines in the income share of poorer households rather than dramatic shifts in elite income concentration. All detailed coefficient estimates are reported in the (Appendix B).

5.1 Discussion

The empirical results provide a nuanced view of the economic and distributional consequences of financial crises in Latin America. The naïve regressions confirm that all major crisis types are followed by sharp and statistically significant contractions in GDP growth, with an immediate loss of around 3 percentage points at the regional level and even larger impacts in specific subregions. In the Andes & Amazons, for example, twin crises are associated with output drops exceeding 10–14%, while banking and currency crises in the South Cone also produce particularly large contractions. Although the models reveal some rebound two to three years after crisis onset, the magnitude of this recovery appears insufficient to fully reverse the initial decline, implying that crises leave a lasting downward shift in the region's growth path and that local structures and policy frameworks critically shape the depth of the shock.

Distributional results show a pronounced asymmetry across income groups. The income share of the top 1% is largely unaffected in the short run, with coefficients close to zero and rarely significant, suggesting that high-income groups are able to hedge or diversify their exposure to financial shocks, often through capital income and foreign or diversified asset holdings (Lewis, 2010). By contrast, the bottom 50% experiences small but statistically significant losses in income share

during banking and debt crises, and these losses persist for several years, pointing to an increase in inequality that is driven by labor-market disruptions, weakened social protection, and crisis-induced fiscal tightening (Gasparini et al., 2009). While our preferred direction of analysis runs from crises to inequality, the bidirectional nature of the relationship remains important: rising inequality can itself contribute to financial fragility through leverage and credit dynamics (Treeck, 2014). A more granular, micro-level analysis of these transmission channels—particularly how different household types adjust to shocks—would help inform more effective social protection and macroprudential policies in the Latin American context.

6 Conclusion

Financial crises in Latin America emerge from this analysis as episodes that generate sharp and often long-lasting output losses, alongside markedly asymmetric distributional effects: GDP growth falls steeply and only partially recovers, the income share of the top 1% remains largely insulated, and the bottom 50% consistently loses income share—especially around banking and debt crises—with these losses persisting beyond the immediate shock. Even after conditioning on macroeconomic controls, crises continue to depress growth, while structural factors such as trade openness, education, and the level of development shape the speed and extent of recovery; at the same time, the welfare of poorer households proves far more sensitive to macroeconomic fluctuations than the fortunes of the rich. Taken together, the results support the view that **crises in Latin America primarily operate as mechanisms that deepen pre-existing inequalities rather than fundamentally reshaping income concentration at the top**, and they point to the need for crisis-response and social protection policies explicitly designed to shield the majority of the population, as well as for future research on the bidirectional links between inequality and crises and on the micro-level transmission channels through which aggregate shocks are transmitted across the income distribution.

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A Figures

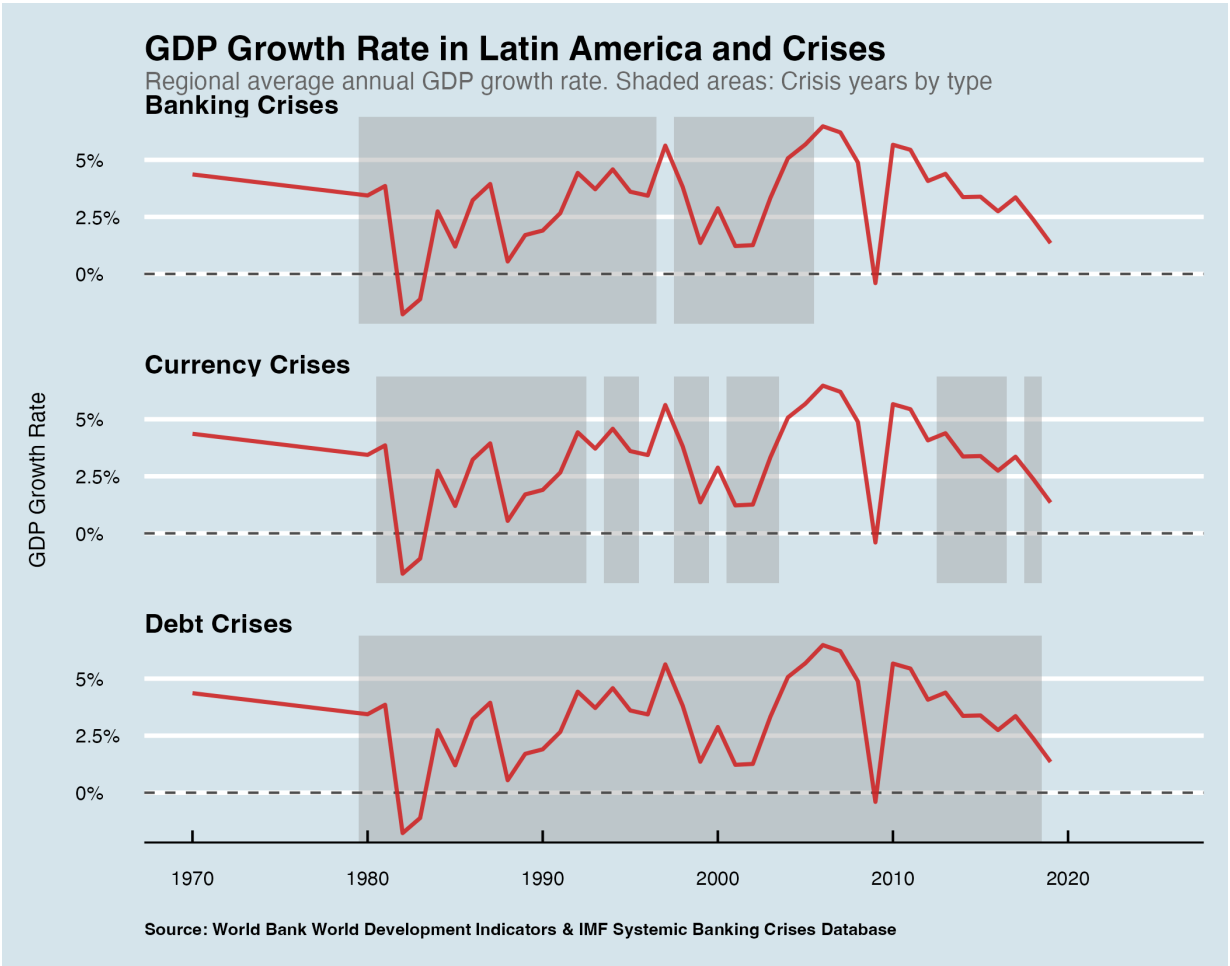

Figure 1: Average GDP Growth Rate in Latin America by Crisis Type, 1970–2020.

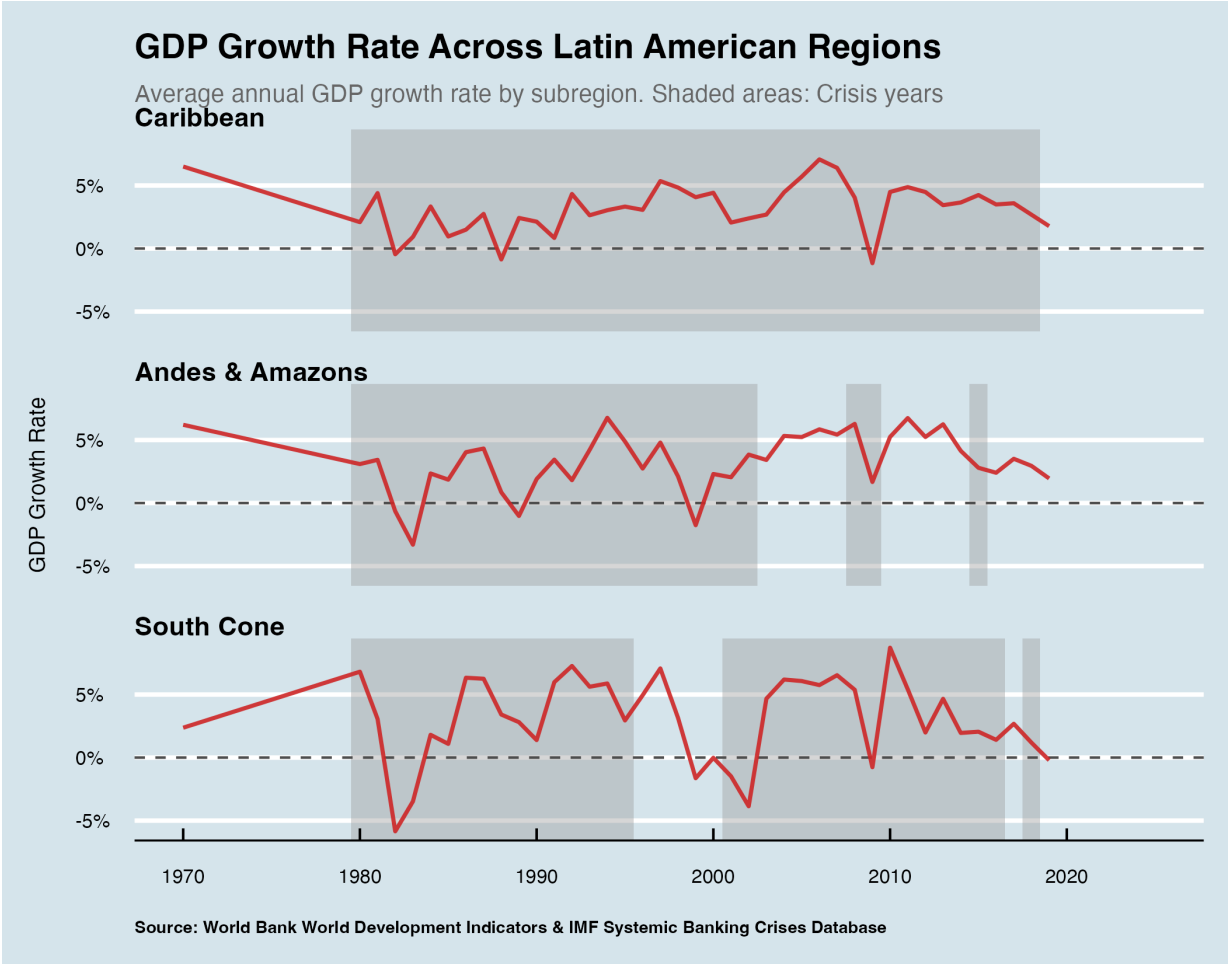

Figure 2: GDP Growth Rate Across Latin American Subregions, 1970–2020.

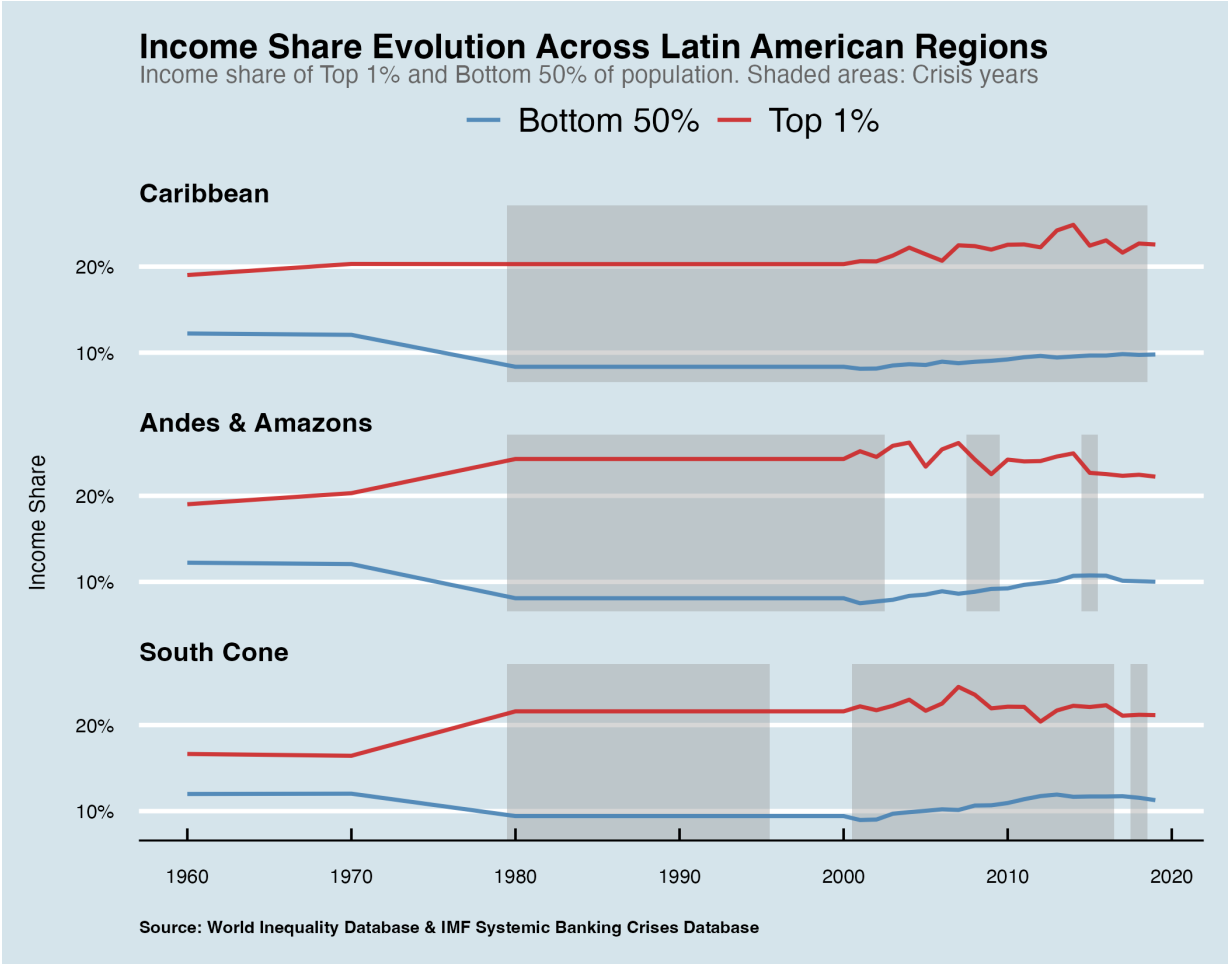

Figure 3: Income Share Evolution Across Latin American Regions, 1960–2020.

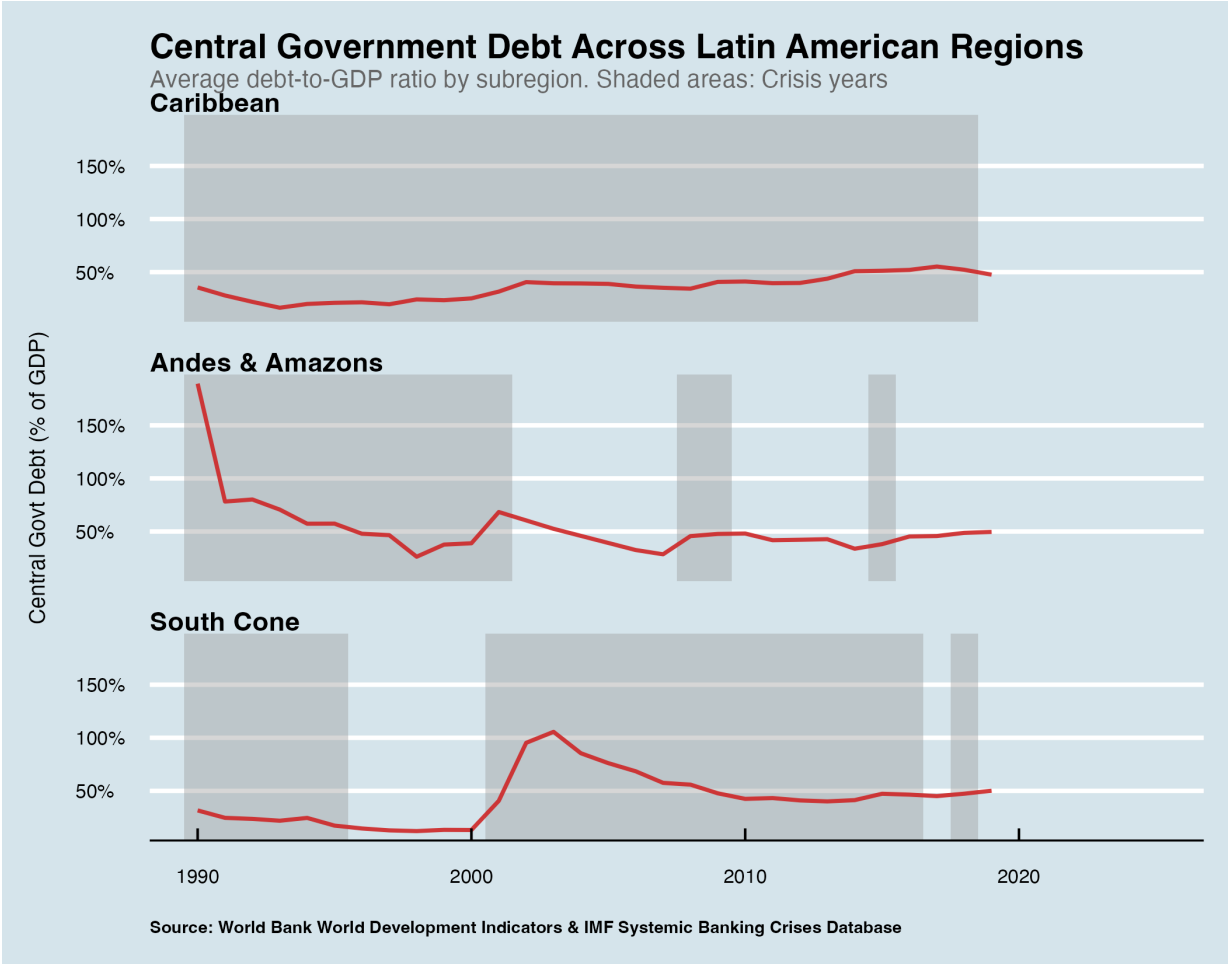

Figure 4: Central Government Debt Across Latin American Regions, 1990–2020.

Figure 5: Financial Crises in South and Central American Countries (Post 1950)

B Appendix B: Regression Tables

Table 1: Comparison of Financial Crisis Types on Growth

	Banking	Currency	Debt	Twin
Crisis (t)	−3.190***	−3.439***	−2.923***	−1.616
	(0.594)	(0.443)	(0.604)	(1.081)
Crisis (t-1)	−0.180	−2.324***	1.803**	0.191
	(0.690)	(0.434)	(0.738)	(1.165)
Crisis (t-2)	1.510**	1.174***	1.357*	0.697
	(0.673)	(0.428)	(0.706)	(1.110)
Crisis (t-3)	1.413**	0.727*	−0.425	2.538**
	(0.554)	(0.416)	(0.551)	(1.029)
Num.Obs.	666	629	664	666
R2	0.088	0.162	0.040	0.017
R2 Adj.	0.058	0.134	0.008	−0.015

* p <0.1, ** p <0.05, *** p <0.01
Dependent variable: GDP growth (annual %)

Table 2: Effect of Financial Crisis Types on GDP Growth by Subregion

	Caribbean				**Andes & Amazons**				**South Cone**			
	Banking	Currency	Debt	Twin	Banking	Currency	Debt	Twin	Banking	Currency	Debt	Twin
Crisis(t)	-2.418^{**}	-3.715^{***}	-2.533^{**}	-1.990	-2.987^{***}	-2.550^{***}	-2.044^{*}	-13.906^{***}	-5.277^{***}	-4.097^{***}	-3.287^{***}	2.200
Crisis(t−1)	0.221	-1.851^{**}	1.533	-0.678	-0.959	-3.824^{***}	-0.384	0.111	0.077	-2.029^{**}	2.930^{**}	-0.888
Crisis(t−2)	0.404	1.511^{**}	1.013	1.496	0.901	-0.227	1.663	-1.437	3.611^{***}	2.254^{**}	2.114	0.459
Crisis(t−3)	2.038^{**}	-0.043	-0.342	2.680^{**}	0.964	0.979	-1.342	5.928^{*}	0.711	1.572^{*}	0.497	1.468
Observations	333	296	331	333	148	148	148	148	148	148	148	148
R^2	0.053	0.113	0.019	0.031	0.092	0.301	0.087	0.137	0.196	0.193	0.134	0.014
Adj. R^2	0.017	0.079	−0.018	−0.005	0.046	0.266	0.041	0.094	0.156	0.153	0.091	−0.036

Note: $^{*}p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$. Panel FE regressions.

Table 3: Effects of different Financial Crisis Types on Highest 1% of Income Share

	Banking	Currency	Debt	Twin
Crisis (t)	−0.003	−0.005	−0.005	−0.012
	(0.005)	(0.004)	(0.005)	(0.008)
Crisis (t-1)	0.001	−0.005	−0.001	−0.007
	(0.005)	(0.004)	(0.006)	(0.009)
Crisis (t-2)	−0.001	−0.004	−0.004	−0.007
	(0.005)	(0.004)	(0.005)	(0.008)
Crisis (t-3)	−0.005	−0.006*	−0.003	−0.012
	(0.004)	(0.004)	(0.004)	(0.008)
Num.Obs.	666	629	664	666
R2	0.007	0.024	0.038	0.017
R2 Adj.	−0.026	−0.008	0.007	−0.015

* p <0.1, ** p <0.05, *** p <0.01
Dependent variable: Pre-tax income share, top 1% (adults 20+)

Table 4: Effects of different Financial Crisis Types on lowest 50% of Income Share

	Banking	Currency	Debt	Twin
Crisis (t)	−0.005***	−0.001	−0.004**	−0.003
	(0.002)	(0.001)	(0.002)	(0.003)
Crisis (t-1)	−0.002	−0.002	−0.002	−0.002
	(0.002)	(0.001)	(0.002)	(0.003)
Crisis (t-2)	−0.001	−0.002	0.001	−0.002
	(0.002)	(0.001)	(0.002)	(0.003)
Crisis (t-3)	−0.004**	−0.002*	−0.002	−0.003
	(0.002)	(0.001)	(0.002)	(0.003)
Num.Obs.	666	629	664	666
R2	0.065	0.027	0.070	0.007
R2 Adj.	0.034	−0.005	0.039	−0.025

* p <0.1, ** p <0.05, *** p <0.01
Dependent variable: Pre-tax income share, bottom 50% (adults 20+)

Table 5: Effects of Financial Crises on GDP Growth (with Controls)

	Banking	Currency	Debt	Twin
Crisis (t)	−2.8695***	−4.4192***	−1.6256*	−1.3533
	(0.9323)	(0.6885)	(0.8723)	(1.4260)
Crisis (t-1)	1.0524	−2.3792***	1.1853	0.2912
	(1.0226)	(0.6353)	(1.0275)	(1.5252)
Crisis (t-2)	2.5568***	1.4738**	1.7814*	1.5653
	(0.9723)	(0.6475)	(0.9606)	(1.4996)
Crisis (t-3)	1.7310**	0.4597	−0.8789	2.5132*
	(0.8353)	(0.6255)	(0.7406)	(1.4811)
Trade openness	0.0484***	0.0554***	0.0465***	0.0493***
	(0.0116)	(0.0114)	(0.0122)	(0.0121)
School enrollment	−0.0422**	−0.0659***	−0.0549***	−0.0508***
	(0.0183)	(0.0173)	(0.0192)	(0.0193)
Log of GDP per capita	5.3360***	4.8529***	5.5894***	5.2325***
	(1.1500)	(1.1299)	(1.1948)	(1.1461)
Num.Obs.	430	394	429	430
R2	0.169	0.237	0.114	0.108
R2 Adj.	0.120	0.190	0.061	0.055

* p <0.1, ** p <0.05, *** p <0.01
Dependent variable: GDP growth (annual %)

Table 6: Effects of Financial Crises on Income Inequality (with Controls)

	Banking	Currency	Debt	Twin
Crisis (t)	0.0046	−0.0060	−0.0055	0.0034
	(0.0067)	(0.0057)	(0.0061)	(0.0101)
Crisis (t-1)	0.0028	−0.0031	−0.0003	−0.0034
	(0.0074)	(0.0053)	(0.0071)	(0.0108)
Crisis (t-2)	0.0079	0.0013	−0.0065	−0.0006
	(0.0070)	(0.0054)	(0.0067)	(0.0106)
Crisis (t-3)	0.0093	−0.0035	−0.0050	−0.0002
	(0.0060)	(0.0052)	(0.0051)	(0.0104)
Trade openness	0.0003***	0.0003***	0.0004***	0.0003***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)
School enrollment	0.0004***	0.0002	0.0002*	0.0003**
	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Log of GDP per capita	−0.0128	−0.0094	−0.0262***	−0.0179**
	(0.0083)	(0.0094)	(0.0083)	(0.0081)
Num.Obs.	430	394	429	430
R2	0.086	0.064	0.096	0.063
R2 Adj.	0.032	0.006	0.043	0.008

* p <0.1, ** p <0.05, *** p <0.01
Dependent variable: Pre-tax income share, top 1% (adults 20+)

Table 7: Effects of Financial Crises on Income Inequality (with Controls)

	Banking	Currency	Debt	Twin
Crisis (t)	−0.0039*	0.0036*	0.0026	0.0037
	(0.0023)	(0.0019)	(0.0021)	(0.0034)
Crisis (t-1)	−0.0021	0.0030*	−0.0013	0.0033
	(0.0025)	(0.0017)	(0.0024)	(0.0037)
Crisis (t-2)	−0.0005	0.0012	0.0033	0.0019
	(0.0024)	(0.0018)	(0.0023)	(0.0036)
Crisis (t-3)	−0.0048**	0.0012	0.0025	0.0011
	(0.0021)	(0.0017)	(0.0017)	(0.0036)
Trade openness	0.0000	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
School enrollment	0.0001*	0.0001***	0.0001***	0.0001**
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Log of GDP per capita	0.0307***	0.0303***	0.0368***	0.0333***
	(0.0028)	(0.0031)	(0.0028)	(0.0028)
Num.Obs.	430	394	429	430
R2	0.463	0.413	0.469	0.447
R2 Adj.	0.431	0.376	0.437	0.414

* p <0.1, ** p <0.05, *** p <0.01
Pre-tax income share, bottom 50% (adults 20+)