1. Paper: “The great reversals: the politics of financial development in the twentieth century”

* has good proxies for how to measure financial development.
* good statistics on financial markets development historically.
* good theory on how competitive financial markets oppose rent seeking activities and allow entrance of new firms in the market.
* both trade and capital flows puts restriction on the government and the financial markets to allocate capital only to conglomerates.
* the decision to open the system to capital flows depends on the political interest of the country but also on the global financial development trends (increase in capital flows after 1980s).
* country’s domestic financial development is positively correlated with trade openness at a time when the world is open to cross-border capital flows.
* results suggest that positive correlation between openness and financial development re-emerged, and became stronger, in the last two decades of the Twentieth Century, in concert with the increased cross-border capital mobility.
* in the 1930s after the Great Depression, due to the gold standard, financial liberalization halted, which resulted in pressure on political interest groups by not being able to provide social welfare the citizens.
* if capital were allowed to flow freely, it would hamper the ability of governments to provide various kinds of insurance that was being expected of them by their citizens i.e. the role of the government in the economy would be diminishing. Keynes was one of the architects of the Bretton-Wood agreement, who said: “Not merely as a feature of the transition but as a permanent arrangement, the plan accords every member government the explicit right to control all capital movements. What used to be heresy is now endorsed as orthodoxy.”
* by the end of the 1980s, the Bretton Wood system seized to exist, and controls on capital flows were being removed

1. Paper: “Capital account liberalization and income inequality”

* uses financial depth as a proxy for the effect of capital account liberalization on income inequality.
* more foreign capital inflow in the banks would decrease the wedge between interest rates on deposits and loans, which would result in more investment opportunities for different agents in the economy via increased competition and bank efficiency.
* in countries with high financial depth, interest rate elasticity of loan demand is high, financial liberalization policy reduces interest rates, which would increase the demand for loans, and hence in order to achieve equilibrium the interest rates on deposits are going to increase, which would increase the income from holding deposits in the banks, and additionally more opportunities with loans.
* GMM (generalized method of moments) cross-country estimations
* “the main implication of our analysis is that in countries where financial depth is low, liberalizing the capital account will probably increase in income inequality.”
* theoretical model that matches the conclusions in the previous paper, with regards to how domestic firms would prefer more foreign funds given that they are offered at higher interest rates
* controls: inflation, trade openness, secondary school enrolment, the age structure of the population, population growth and real per capita GDP growth.
* good explanations on the control variables in the model with REFERENCES!

1. Paper: Capital Account Liberalization and Income Inequality: A Panel Study of 28 European Countries

* similarly to above uses the GMM estimator on cross-country analysis.
* the paper McKinnon & Shaw (1973) introduced the term of financial liberalization.
* this study found that capital account liberalization is positively correlated to income inequality.
* also it finds that capital account liberalization and financial depth has positive correlation to income inequality.
* it studies three channels: financial liberalization on risk sharing, liberalization on financial crisis, and increased FDI.
* 28 European countries divided in two groups according to their level of income
* Income inequality measured by market SWIID indicators (to avoid redistribution policies), financial openness measured by de jure (easing of capital flows restrictions obtained from Chinn & Ito Index (KAOPEN)) and de facto (capital flows into a country), institutional quality (IQ) measured by International Country Risk Guide, financial depth by private credits/GDP, and labor income share by dividing total compensation by national income with data from PWT (Penn World Table).
* empirical mode that could be potentially used. very well done test on serial correlation with Sargan test.
* interactive variables: institutional quality and capital account liberalization (to understand the role of institutional quality as conditioning variable upon the implementation of capital liberalization), and financial depth and capital account liberalization (to understand the role of financial depth on financial liberalization). The first coefficient of the variable is negative, which means that the government should consider the role of the development of financial institutions before adjusting the capital account properties.
* good idea is to understand the relationship between financial depth/financial liberalization and income inequality.

1. Paper: “The distributional effects of capital account liberalization”

* three channels investigated:
* 1. risk sharing (foster international risk-sharing and domestic consumption smoothing). In countries where financial institutions are strong, there should be more consumption smoothing and lower volatility. In countries with weak financial institutions, liberalization may bias financial access to only those who are better off.
* 2. financial crises. may reduce inequality as bankruptcies will result in lower asset values and hence make the owners of these assets worse off. may increase inequality by hurting the poor.
* 3. Bargaining power of labor. reallocation of production abroad.
* autoregressive distributed lag model (ARDL), estimated by both OLS and GMM, local projection method of Jorda.
* the level of financial development and inclusion and the occurrence of crises plays a key role in shaping the response of inequality to financial globalization.
* de jure indicator of financial globalization (less sensitive to reverse causality issues in panel regressions), SWIID income inequality indicator, top incomes share from Atkinson et al.
* good empirical setup and I believe well explained.
* quite complicated empirical approach but good very good ideas for robustness checks
* channel that is examined: financial development! good indicators for financial development, definitely take a look!

1. Impact of Financial Liberalization on Income Inequality: A PVAR Approach

* 162 countries over the period 1980-2015
* method of panel vector autoregression (PVAR). Includes main components of the process of financial globalization: capital account liberalization, financial development, financial globalization
* good literature review.
* first difference of the logarithm of Gini Coefficients (noted DLGINI) as dependent variable, KAOPEN to reflect the capital account liberalization, financial development index based on K. Svirydzenka, KOF Index of Globalization to reflect globalization (measures economic, social, and political dimensions of globalization).
* additional variables introduced to check whether financial crisis and development of financial sector has an impact. Hence new variables are created following the work of Furceri and Loungani.
* good ideas on control variables and good explanation on their effect.
* good and simple empirical model, could be potentially used!
* first the authors look at the whole sample of countries, then they separate them according to their income groups. Then they also spit the periods from 1980 to 1990 and 1991-2015.
* results show that financial liberalization has a positive effect on income inequality, reason similar to the first paper I read, allocation of credit goes more towards the the ones that are better off. Also due to the increase in FDI and higher demand for skilled labor.
* very good results interpretations with good sources to follow!
* confusing view on the effect of financial liberalization via financial development on income inequality – it increases inequality in those countries where financial development is already high.
* “Taken in the entirety of the sample of 162 countries, the liberalization of the capital account as well as the financial development have a positive impact on income inequalities.”

1. Paper – Channel that investigates Financial Liberalization on Risk Sharing: “Does financial globalization promote risk sharing?”

* developing countries have been shut off from the benefit of international financial risk sharing. The same is the case with emerging market economies.
* the dependance of bank loans as an indicator of financial development points towards the fact that the economy is less financial developed (other financial capital markets are underdeveloped) and hence financial globalization cannot help them in risk sharing.
* good data sources, Penn World Tables 6.2, de jure capital account openness and de facto (gross stocks of external assets and liabilities as ratios to GDP from External Wealth of Nations Database)
* complicated empirical model! not preferable for usage!

1. Paper: “Capital Account Liberalization and Inequality. IMF Working Paper.”

* studies all of the channels: 1. international financial market risk sharing, 2. likelihood of financial crisis, 3. foreign direct investments (FDI), 4. labor share income
* large unbalanced data set on 149 countries from 1970 to 2010.
* reference for within country analysis of this question.
* outcome variable SWIID, de jure indicator for financial globalization (Chinn and Ito database, alternatives also mentioned)
* clever way to capture capital account liberalization stages with the KAOPEN indicator and standard deviations. Good way to compare the Gini coefficient before and after the beginning of these liberalization episodes. Good for comparing the indicators.
* univariate autoregressive inequality equation, impulse response functions, WLS using as analytical weights
* good and simple empirical setup, please take a look!
* good way of capturing financial development, similar to a paper above, I am not sure which.
* good paper overall, could be considered for replicating some parts

1. Paper: “Does the impact of financial liberalization on income inequality depend on financial development Some new evidence”

* decent literature review in the introduction.
* good conclusion on the Bumann and Lensink theorem.
* panel fixed effects model for large sample of countries covering 1975-2005, focusing on within-country developments of income inequality.
* good measurements of capital account openness
* very simple and nice model – interaction terms between financial development and income inequality
* nice and simple paper that could be copied, good idea to interact financial liberalization and financial development!
* comments made based on the Burmann and Lensink theoretical paper.