Finance and Wealth Inequality*

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Abstract

Using a global sample, this paper investigates the determinants of wealth inequality capturing various economic, financial, political, institutional, and geographical indicators. Using instrumental variable Bayesian model averaging, it reveals that only a handful of indicators robustly matters and finance plays a key role. It reports that while financial depth increases wealth inequality, efficiency and access to finance reduce inequality. In addition, redistribution and education are associated with lower inequality whereas wars and openness to international trade contribute to greater wealth inequality.

Keywords: Income inequality, finance, Bayesian model averaging

JEL Codes: D31, E21

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1 Introduction

2 Related literature

Piketty and Zucman (2014)

3 Data

4 Methodology

5 Results

6 Concluding Remarks

References

Piketty, T. and G. Zucman (2014). Capital is back: Wealth-income ratios in rich countries 1700–2010. *The Quarterly Journal of Economics 129*(3), 1255–1310.

A Appendix