Finance and Income Inequality Revisited
J. de Haan & J-E. Sturm

Comments
P.L. Siklos
Main Findings

• The positive impact of financial development is higher on inequality is financial development is higher

• Better political institutions reduce income inequality

• Results do not suggest that the impact of finance on inequality is conditioned by the quality of economic institutions
Main (?) Objective

• “...shed some light on the reasons why studies reach different conclusions.”
  – Maybe but left out in conclusions so we don’t really know.
Back to the Beginning: Theory

• Confusing or confused?
  – Information, transactions costs, regulation highlighted at first
  – Quality of institutions comes later
  – Initial conditions? Unclear (and none in the empirical work)
  – Is theory always about inequality or something else?

• Is any inequality bad? How much is bad enough? Is there a threshold? A Trend effect?
Back to the Beginning: Empirics

• Even more confusing
  – Literature, for the most part, fairly recent (no surprise here)
  – Literature cited has very different samples, country groupings, conditioning variables, sampling frequency
  – Good news? Econometric technique (panel) generally the same (estimation method differs of course)
Comments I: Not in order of Importance

• Crises (but only banking?) play an important role and causal relationship with inequality discussed more than once but...no real attempt to sort out this issue here. Why? Separate paper? Not possible?

• “The crisis dates enumerated by each source are quite different.”
  – The use of a dummy is a rather blunt instrument
Comments II:
Missing Variables? Information?

• Deposit insurance?
Deposit Insurance

Figure 2. Explicit Deposit Insurance by Region, 2013

Deposit Insurance Database

Asli Demirgüç-Kunt, Edward Kane, and Luc Laeven
Comments II:
Missing Variables? Information?

• Deposit insurance?
• What samples matter? Why?
• Not just inequality *levels* but the speed of change
Average of Real Per Capita GDP Growth

Both GLOBAL
But recoveries different

AUGUST 2014
Comments II:
Missing Variables? Information?

• Deposit insurance?
• What samples matter? Why?
• Not just inequality *levels* but the speed of change
• Are the estimates different in different parts of the world?
• Why just banking crises?
Full sample
47 economies

Advanced

AUSTERITY AND RECOVERY:
EXCHANGE RATE REGIME CHOICE, ECONOMIC GROWTH
AND FINANCIAL CRISSES

Martin T. Bohl *, Philip Michaelis *, and Pierre L. Siklos **
AUGUST 2014
Comments II: Missing Variables? Information?

• Deposit insurance?
• What samples matter? Why?
• Not just inequality *levels* but the speed of change
• Are the estimates different in different parts of the world?
• Why just banking crises?
• Financial openness seems to matter little: why buried in a footnote?
  – Would seem at odds with financial development in EME in recent decade
  – Exchange rate regimes instead?
AUSTERITY AND RECOVERY: EXCHANGE RATE REGIME CHOICE, ECONOMIC GROWTH AND FINANCIAL CRISES

Martin T. Bohl *, Philip Michaelis *, and Pierre L. Siklos **
Economic Modelling (2015)