Abstract

Financial crises affect many aspects of modern society, first of all, the welfare of the population. However, in modern academic literature, the effect of financial crises on wealth inequality is not given enough attention, and empirical evidence of such a relationship is weakly studied. Therefore, we investigate the effect of financial crises on wealth inequality and examine the effect of the level of financial development on wealth inequality. We use panel data of the top 1 % and top 10 % shares of the richest layers of the population for the period from 2000 to 2019 inclusive for 119 countries, including a split between developed and developing country groups. As regressors, in addition to financial crises, we consider indicators that comprehensively characterize financial development, as well as a number of non-financial variables. Using a fixed effects model, we estimate their effect on wealth inequality. Based on our results, we cannot unambiguously confirm the association of financial crises with an increase in wealth inequality. We discover that, depending on the level of economic development of countries, not all crises are significant for wealth inequality. We obtain strong evidence of a significant effect of countries' level of financial development on wealth inequality and find that more developed financial systems contribute to lower wealth inequality. We also find that for each economic group of countries, financial crises affect the top 1 % and top 10 % wealthiest segments of the population differently.

JEL Classification	C33, E21, G01
Keywords	wealth inequality, financial crises, financial development, top 1 % share, top 10 % share
Title	The Effect of Financial Crises on Wealth Inequality