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Finance and Inequality: Theory and Evidence

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ABSTRACT

KEY WORDS

- INTRODUCTION (/DOI/FULL/10.1146/ANNUREV.FINANCIAL.050808.114334#_I2)
- FINANCE IN THEORIES OF PERSISTENT INEQUALITY (/DOI/FULL/10.1146/ANNUREV.FINANCIAL.050808.114334#_I3)
- EVIDENCE (/DOI/FULL/10.1146/ANNUREV.FINANCIAL.050808.114334#_I17)
- CONCLUSION (/DOI/FULL/10.1146/ANNUREV.FINANCIAL.050808.114334#_I30)
- DISCLOSURE STATEMENT (/DOI/FULL/10.1146/ANNUREV.FINANCIAL.050808.114334#_I31)

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This website stores data such as cookies to enable essential site functionality, as well as this paper, we critically review the literature. Finance plays a crucial role in the preponderance of theories of persistent inequality. Unsurprisingly, therefore, economic theory provides a rich set of predictions concerning both the impact of finance on inequality and about the relevant mechanisms. While subject to ample qualifications, the bulk of empirical research

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suggests that improvements in financial contracts, markets, and intermediaries expand economic opportunities and reduce inequality. Yet, there is a shortage of theoretical and empirical research on the potentially enormous impact of formal financial sector policies, such as bank regulations and securities law, on persistent inequality. Furthermore, we lack a conceptual framework for considering the joint and endogenous evolution of finance, inequality, and economic growth.

Keywords

income distribution (/keyword/Income+Distribution), development (/keyword/Development), growth (/keyword/Growth), banks (/keyword/Banks), capital markets (/keyword/Capital+Markets), regulation (/keyword/Regulation)

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