Stock Market Developments, Income Inequality, Wealth Inequality

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Abstract : This paper examines the possible effects of stock market developments by channels on income and wealth inequality. We use the Bayesian Multilevel Model with the explanatory variables of the market's channels, such as accessibility, efficiency, and market health in six selected countries: the US, UK, Japan, Vietnam, Thailand, and Malaysia. We found that generally, the improvements in the stock market alleviate income inequality. However, stock market expansions in higher-income countries are likely to trigger income inequality. We also found that while enhancing the quality of channels of the stock market has counter-effects on wealth equality distributions, open accessibilities help reduce wealth inequality distributions within the scope of the study. In addition, the inverted U-shaped hypothesis seems not to be valid in six selected countries between the period from 2006 to 2020.
Keywords : Bayesian multilevel model, income inequality, inverted u-shaped hypothesis, stock market development, wealth inequality
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