Abstract

The understanding of the drivers of wealth inequality is still relatively limited, which is due to the hitherto rather scarce available data on wealth. In the wealth inequality theory, saving is a crucial determinant of wealth inequality, and therefore my thesis emphasizes saving, which I approximate by financial development.

Through a relatively new wealth panel dataset, I dispose of data on the Gini coefficient of wealth for 129 countries over the period 2000 to 2018. I identify the likely most influential variables on wealth inequality from a broad pool of possible explanatory variables by employing lasso for fixed effects and subsequently quantify their effect through fixed effects modelling.

I obtain robust results that globalisation and a business-friendly regulatory environment are associated with higher wealth inequality, while a higher labour force participation rate and stronger control of corruption are linked to lower inequality. Moreover, but slightly less robustly, I find that a greater depth of financial markets is associated with higher wealth inequality.

Thus, I do not find clear empirical support for the prominent role of saving for wealth inequality which it is attributed in theory. Instead, non-financial variables appear to be more relevant.

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