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Impact of financial crises on social equality among countries: A systematic review

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Abstract

The study aims to assess the impact of the financial crisis on social equality in terms of income and wealth distribution across countries. Specifically, it covers the implications of the great depression and the global financial crisis on developing and developed nations. A qualitative research approach was adopted to synthesize the relevant literature to collect the secondary data. Furthermore, semi-structured interviews were used to gather the primary data and were analyzed using thematic content analysis. Study findings indicate that numerous variables, which vary from country to country, affect how the global financial crisis has affected the distribution of income and wealth among nations. The wealth gap between the rich and poor in developed economies has reached its most prominent point lately. Despite significant disparities in access to resources like money, healthcare, and education, inequality has lessened in some of these nations and is more diversified in developing ones. Developed and developing countries suffer when trade, commerce, and government spending are slashed during financial crises. Millions of jobs are lost as a result, and this occurs globally and disproportionately. Furthermore, a conceptual framework has emerged upon the concise review of the existing literature to draw attention to the consequent effects of the global financial crisis on social equality among countries. The study also provides various results that add to the corpus of knowledge and have significant policy implications for reducing the consequent effects of financial crises among countries.

Keywords: Economic crisis, Income, Wealth distribution, Social inequalities, Inflation, Scarcity

INTRODUCTION

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A crisis is a potentially deadly scenario that affects everyone. Epidemics, natural disasters, poor management, terrorism, warfare, and scarcity are just a few of the crises that might occur (Hertati et al., 2020). The economy never grows smoothly; any country's economy can enjoy several years of remarkable growth and prosperity, but this can only last for a while (Franko, 2021). A recession, depression, or financial crisis might follow it. In turn, this contributes to a decline in national output, profits, and income as the prices of goods and services become unstable, and unemployment rates climb to uncomfortably high levels, after which the economy reaches its lowest point, and recovery begins. Such fluctuations are called "Business Cycle Fluctuations" (Franko, 2021).

In addition, economists can pinpoint the danger signs that could herald a financial crisis and then track the emergence of conditions likely to cause one in the future. According to Carata et al. (2019), while troubles are caused by black swan events, which happen every 8 to 10 years in economic cycles, they can also be unanticipated or predicted. As a result, this study aims to assess how the global financial crisis has impacted social equality, i.e., the distribution of income and wealth among nations.

Literature Review

Trade wars, recessions, institutional distrust, and the consequences of political unrest on the global business environment have all raised the demand for empirical studies on economic systems instability (CarataÈ, 2019). Consequently, several studies have been conducted to examine the state of the economy worldwide, the causes of financial crises, potential remedies for preventing problems, and ways for preparing for such events (Anghel et al., 2018; CarataÈ, 2019; Colciago et al., 2019; De Lucia, 2022; Fuller et all, 2019; Hertati et all, 2020; Illés & Kincses, 2020; ;ixiao, 2020;).

Anghel et al. (2018) studied wage, income, consumption, and wealth inequality in Spain and how it has changed throughout the last crisis and the early stages of the current recovery. Despite a high degree of per capita income inequality throughout the crisis years, the data shows that Spain has less pay dispersion than other comparable economies. Furthermore, the study found that when total gross household income is analyzed, inequality in Spain is moderate, declining throughout the crisis due to pensions performing better than other sources of income, in connection with young people deferring starting a family. Moreover, per capita consumption disparity grew as low-income households spent less on consumer durables during the crisis. Tridico (2018), on the other hand, highlighted the causes of rising income disparity in OECD countries during the last two decades. According to this study, financialization, increased labor flexibility, the weakening of trade unions, and the contraction of the welfare state are all contributing to rising inequality.

Fuller et al. (2019) went even further, looking at how economic, political, and institutional processes influence wealth-to-income ratios in Western European and OECD countries. The researchers discovered that the political and institutional factors that affect income inequality had neither short- or long-term effects on the wealth-to-income ratio. Rising property prices and price fluctuations in other financial assets are the drivers of the increase in wealth-to-income ratios, not homeownership or national savings rates.

The study continues by looking at how shifting house price dynamics and wealth inequality will shape the intergenerational and class-based political conflict in Western Europe.

Carata (2019), focuses on indicators of an impending economic or financial disaster to establish preventative measures and procedures for dealing with such catastrophes and assess whether the financial crisis may be predicted.

On the other hand, Colciago et al. (2019) review the body of research on the relationship between central bank actions and inequality. It is now possible to do joint research on how inequality affects macroeconomic aggregates and how macroeconomic shocks and policies affect inequality thanks to a new paradigm that considers sticky pricing, imperfect markets, and household heterogeneity. Numerous routes for distributing monetary policy are included in the new paradigm.

As a result, most of the empirical research examined looks into each potential redistribution channel independently. Thus, it has been suggested that the empirical research on the effects of conventional monetary policy on income and wealth inequality yields inconsistent results. However, there appears to be widespread agreement that increasing inflation at least above a certain level worsens inequality. Contrary to popular belief, the influence of unconventional monetary policy on inequality still needs to be understood.

Illés & Kincses (2020), extended the economic crisis literature by quantifying the socio-demographic (gender, age, and family status) consequences of the crisis on international circulators. Initially, the study characterized circulation as a continuum of transnationalism and translocalism inside a conceptual framework. Accordingly, an extensive literature review was carried out on circulation definitions, followed by international migration and economic circumstances.

Hertati et al. (2020) also looked into the consequences of the economic crisis on business finance, specifically the financial statements of small and medium-sized businesses. The data that involved 400 Indonesian enterprises were analyzed using the structural equation modeling technique. The findings reveal that the economic crisis significantly impacted the financial statements of Indonesian small and medium businesses.

Pfeffer et al. (2021) have recently paved the path for novel explanations of cross-national disparities in wealth inequality by linking them to the impact of various wealth components. This study proposed that home equity should be the core building block of the comparative examination of wealth inequality based on the literature on financialization and housing. The findings show no link between national income levels, wealth inequality, and concentration, based on harmonized data from 15 countries in the Luxembourg Wealth Study (LWS). Furthermore, using decomposition approaches, the researcher looked at how cross-national inequalities in wealth portfolios and the distribution of specific asset components are related to national wealth inequality and concentration levels.

Conversly, De Lucia C. et al. (2022) bring together contributions from experts in economics, planning, regional science, and engineering to address the emerging agenda of managing unpredictable events such as; drought risk prediction, property price variations following an earthquake or landslide event, agricultural damages caused by invasive species, and immigrant flows due to emergencies. According to study findings, these events could be averted by setting an effective institutional structure. However, precise forecasting of complex systems like weather, economy, or financial markets crash may seem impossible.

In conclusion, several studies have looked into the financial crisis from diverse perspectives and techniques. However, a significant research gap has been identified, as no literature review has yet been published on the effects of the Great Depression (1929-1939) and the recent financial crisis (2007- 2008) on social equality, i.e., income and wealth distribution among countries, alongside their implication's for developing countries such as Sudan. Instead, it has focused on discussing the global economic crisis in general, with emphasis either on the great depression or the recent financial crisis, with a focus on specific dimensions such as socioeconomic effects, crisis impact on business finance, and assess wealth inequality determinants. (Illés & Kincses, 2020, Hertati et al., 2020, Pfeffer et al., 2021). Because the causes and consequences of the Great Depression and the contemporary financial crisis differ in severity, it is necessary to have a study combining both types of crises to distinguish among their consequent effects. In view of that, this study contributes significantly to the existing literature by developing a cohesive conceptual framework, which will provide a more detailed analysis of the crisis's impact on income and wealth distribution. Consequently, the study raises awareness of this attractive research field and provides a path for future research. Thus, this study seeks to answer the following questions:

• Did the Great Depression affects social equality among countries?
• Has the recent financial crisis impacted social equality among countries?
• What are the implications of the global financial crisis for developing countries?

The Great Depression (1929-1939) and Global Financial Crisis (2007- 2008)

The Great Depression was the worst downturn in recent industrial history, lasting from 1929 to 1939. The stock market crash in October 1929 set off a chain of events that sent Wall Street into a frenzy and cost millions of investors their money. Over the following few years, there was a decline in consumer spending and investment, which in turn caused a severe decrease in industrial output and employment as a result of failing businesses and job losses.

In 1933, when the Great Depression was at its worst, more than half of the American banks were insolvent (Eigner & Umlauft,2015).

However, the global financial crisis served as the fuel for the property market bubble, which first appeared in 2007. Low-interest mortgage rates provided by banks and other lending institutions led many homeowners to take out loans they needed help to afford. Lenders created new financial products known as mortgage-backed securities (MBS) as a result of the increase in mortgages. Specifically, its mortgages that have been combined and that, because they are backed by credit default swaps (CDS), might be offered as securities with no risk. Any of which might make it simple for lenders to pass on the mortgages and all associated risks to their clients. On the other side, the government intervened to support banks. Using an expansionary monetary strategy, the American Recovery and Reinvestment Act of 2009 (CarataÈ, 2019).

Theoretical Background

The effects of the financial crisis can be explained by different theories, such as the business cycle theory, Keynes's theory of consumption, Modern economic theory, the Classical economic theory of supply demand, the Quantity theory of money, and the Debt deflation theory. A screening of the research articles and the studies included in the literature review, revealed that there is no financial crisis theory that can explain the effects of the Great Depression on income and wealth distribution. On the other hand, the relevant literature emphasized the prevalent use of business cycle theory (Lanchimba, et al. 2020; Eigner & Umlauft, 2015; Gevorkyan, 2015). Therefore, this study relies on the Business cycle theory and Keynes's theory of consumption (due to its relevance to this study). The following sections discuss these theories and their relationship to this research.

Business Cycle Theory

This study aims to determine how the financial crisis has impacted income and wealth distribution among countries. As a result, this research depends on the business cycle theory that explains how crises or random shocks can cause oscillations in any economy. Business

Cycle Theory was developed based on contributions to macroeconomics research set principally by Lucas and Prescott (1971) and Kydland and Prescott (1982). It explains why macroeconomic indicators fluctuate, in a similar pattern, over time due to unplanned events or economic shocks. In this regard, Gevorkyan, (2015) stated, “Exogenous shocks affect the real economy and interrupt the business cycle. Specifically, the external shocks come from productivity disruptions, sudden technological advances, supply-side shocks (e.g., oil price variations), and crises. In turn, these affect agents' consumption and investment decisions."

Keynes Consumption Theory

Keynes (1936) stated that "A downward redistribution of income exerts downward pressure on aggregate demand,” Because the top echelons of the income distribution have a lower propensity to consume, consumption is likely to fall. This theory underpins the current study because it explains income distribution among individuals and its relationship to their consumption. Given that, the study shows how income distribution is affected due to the financial crisis.

Methods

Study Design

This study synthesized the literature on economic crises, including the Great Depression and the global financial crisis, using an analytical approach. Such an approach has been used in the relevant literature.

Target Population

In order to conduct the interviews and collect the data related to Sudan’s economy, the study targets professionals, i.e., financial analysts from the Ministry of Finance and Economic Planning and the Central Bank of Sudan. Most of these groups are located in Khartoum, the Capital of Sudan, where they perform all their operations and financial transactions.

Data Collection

A combination of secondary and primary sources were used to collect the data.

Secondary Data

- *Examine Identification Search Techniques*

A thorough search for English-language scientific literature was conducted using Scopus, Ovid, Crossref, Science Direct, Google Scholar, Hinari, Web of Science, CINAHL, and Academic Search Premiere. To avoid inconsistencies that might result from references that are too old, date search parameters were restricted to years between 2012 and 2022.

- *Requirements for Studies Inclusion*

Studies that have examined the effect of Great Depression and the global financial crisis on income and wealth were included. All types of research were taken into account, including original publications, qualitative/interview studies, quantitative studies, cohort studies, focus group debates, and observational research.

- *Criteria for Excluding Studies*

The current review should have included abstracts, case series, case reports, and short communications and reports.

- *The term Headings of Search Strategy*

The search keywords included “Great Depression” AND “Financial Crisis” OR “Economic Crisis” AND “Income” AND “Wealth”.

- *Procedures for screening and eligibility*

Full-text articles were downloaded and validated for inclusion in the list of evaluated articles using the criteria outlined above. The initial electronic database search yielded 523 abstracted titles. After uploading all of the gathered papers into Mendeley, duplicated articles have been eliminated. There were 464 articles, four of which had nothing to do with the consequences of the global economic crisis on income and wealth distribution (460 left). Furthermore, the search criteria were narrowed to the subject area of the effects of the Great Depression and the global financial crisis on income and wealth distribution, omitting publications that did not focus on these (397 were omitted). As a result, 63 articles were considered eligible for full-text screening. Of these, 40 articles were downloaded, carefully examined, and included in the final qualitative and quantitative analysis, as shown in Figure 1 below.

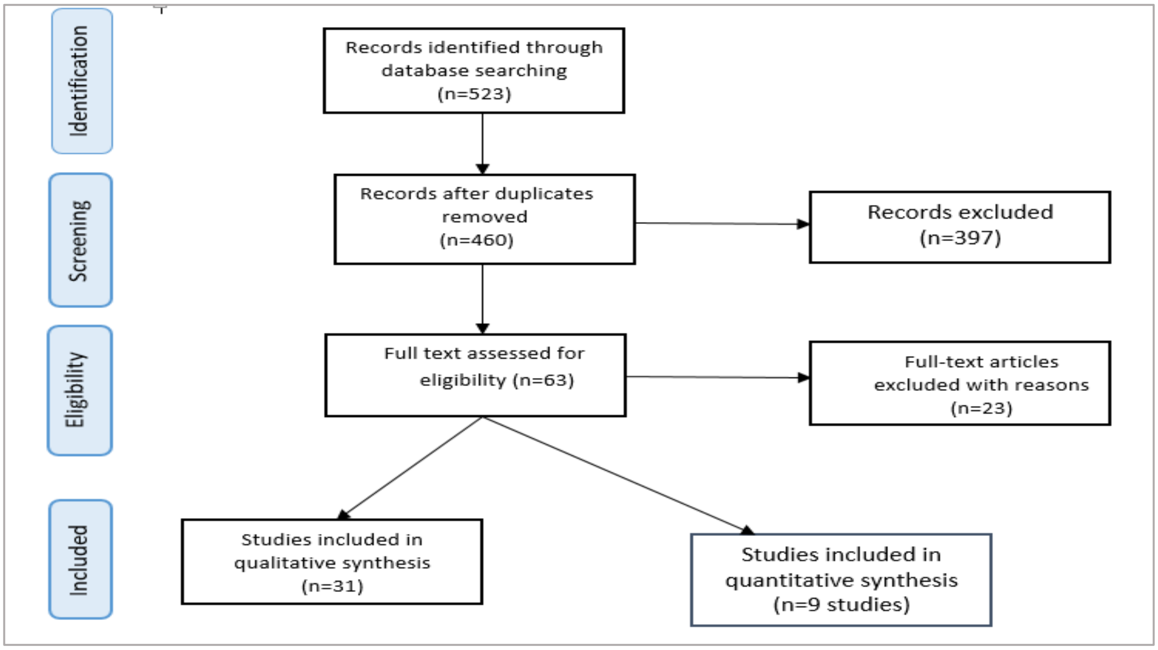

Figure 1: *Flow Chart of the Systematic Review*
Source: Prepared by Researcher

Primary Data

Semi-structured interviews with open-ended questions were undertaken to collect the qualitative data.

Sampling Technique

Purposive/judgmental sampling was used to choose respondents who participated in the interview. Uma Sekaran (2016, p.95) defined such a sampling technique as a "Non-probability sampling technique in which the sample is drawn from that part of the population that is close to hand." Hence, judgment was considered in selecting interviewees depending on their experience, along with their level of education in order to ensure that different participants were chosen. Moreover, open-ended questions with phrases like "Why", "How", and "Tell me" were used to extract as much information as possible concerning the consequent effects of the global financial crisis on Sudan's economy.

Data Analysis Technique

Thematic content analysis was applied in order to analyze the qualitative data obtained from targeted respondent interviews. On this basis, Braun et al. (2012), defined this technique as "A method for systematically identifying, organizing, and offering insight into patterns of meaning, themes, across a dataset". Moreover, it identified six phases for a successful thematic analysis of the qualitative dataset (Braun & Clarke, 2006).

Such phases consist of (1) "Read the transcripts," (2) "Annotate the Transcripts," (3) "Conceptualize the Data", (4) "Segment the Data", (5) "Analyze the Segments", (6) "Write the Results".

FINDINGS

According to a thorough literature assessment, the impact of the global financial crisis on income and wealth distribution within countries is affected by different factors. While past archival research on this subject matter has grown more appealing in recent years, there are numerous methodological and content-based research gaps (Explained in the following sections). Table 1 summarizes the findings of the included studies in this systematic review. Furthermore, the context, design, and methodological specifications were detailed in-depth.

Table 1

Summarizes the characteristics of the included studies (by author, country, purpose of the study, study design, and key findings) sorted by adopted technique

First Author, Year,and Country	Purpose	Participants	Design and Sampling Method	Main Findings
De Lucia (2022), UK	To provide an integrated view of the management of unpredictable events incorporating three major perspectives: economic management, environmental planning, and engineering models.	Economists, Engineers	Qualitative Study Purposive sampling	It's impossible to easily predict unforeseen events from complex systems such as weather, economies, or financial markets. However, the widespread of new technologies has assisted stakeholders in predicting events.
Calogero (2022), Netherland	To analyze individual-level private-label shares measured in household scanner data as a function of income and wealth, both from a linked administrative database in the Netherlands in the period 2011 to 2018.	Netherland Households	Time series analysis	Researchers find that relying on within-household variation in surveyed income data significantly attenuates income effects relative to using that from administrative data. In addition, changes in wealth have at most an economically small effect on private-label shares.
Nerijus et al. (2022), Lithuania	To model the household disposable income distribution in Lithuania and explore the drivers of the increase in income inequality between 2007 and 2015.	Lithuania Households	Qualitative approach	Findings show that tax and benefit system changes cushioned a rapid rise in market income inequality because of the global financial crisis during 2007–2011. But failed to do so during the subsequent years of economic expansion, when rising returns in the labor and capital markets significantly increased disposable income inequality.
Branko Milanovic (2022), USA	To analyze the changes in the global income distribution between 2008 and 2013.	Households	Time series analysis	The study shows that global inequality continued to decline, largely due to China's and India's high growth rates, which explain about two-thirds of the global Gini decrease between 2008 and 2013.
Pfeffer et al. (2021), USA	To estimate the degree to which national levels of wealth inequality and concentration relate to cross-national differences in wealth portfolios and the distribution of specific asset components.	Working Household in 15 countries	Decomposition approach	Considering the role of housing equity, financial assets, non-housing real assets, and non-housing debt, the study showss that the distribution of housing equity centrally determines cross-national variation in wealth inequality and concentration.
Sayed & Peng (2021),China	The study examines the effects of pandemics on income inequality, specifically those pandemics that claimed more than 100,000 lives.	4 countries	Panel Data Methods Using data spanning over the last 100 years (1915– 2017)	The ultimate effects of the pandemic on inequality remain unclear. However, pandemics could result in reduction in consumption, the possibility of savings, high unemployment rates, and high public debt ratios.
Franko (2021), USA	This study examines how state government responses to economic crisis, in the form of unexpected changes in state fiscal policy, influence income inequality.	State Government	Time-series data from (1987 to 2012) and cross- sectional data.	The study demonstrates that income inequality increases when states respond to economic crisis by relying on unexpected spending cuts.
Bodea et al. (2021),USA	To investigate the impact of economic crises on income inequality.	185 observations on 66 countries	The generalized method of moments between (1960 and 2009)	The evidence on whether crises are linked to divergent incomes is weak. However, there is strong evidence that currency, banking, inflation and debt crises increase inequality, particularly in the long run.
Deaton et al. (2021),UK	To analyze the changes in the global income distribution between 2008 and 2013.	Household income data from 130 countries	Time Series Analysis (2008-2013)	The study show that global inequality continued to decline, largely due to China's and India's high growth rates that explain about two-thirds of the global Gini decrease between 2008 and 2013.
Kuhn & Schularick (2020),USA	To study household income and wealth distribution in postwar America by exposing the central importance of portfolio composition and asset prices for wealth dynamics.	US population based on census information	Qualitative approach Probability Sampling	Asset prices shift the wealth distribution due to systematic differences in household portfolios along the wealth distribution. Middle-class portfolios are dominated by housing, while rich households predominantly own business equity.
Hertati et al. (2020), Indonesia	To examine the effects of economic crisis on the financial statements of small and medium size enterprises.	162 employees	Survey, Structural equation modeling technique	The financial statements of SMEs were hit adversely due to uncertainties in the external environment, as a result of the economic crisis.
Sakellaropoulos (2019), Greece	The study spotlight on the Greek crisis i.e. It should not be disconnected from the international financial crisis. Furthermore, it has proposed ways to deal with the causes and the form of the	Developed Countries affected by USA crisis	Qualitative approach	The crisis was dealt with by the European economic elites was to afflict Greece in particular, this country for a number of internal reasons being destined to become the weak link of the European and the

	global crisis that started in the United States, and then expanded into Europe and the rest of the world.			international economy.
Gokmen & Morin (2019),Sweden	To analyze income inequality in the aftermath of the financial crises (2007-2008).	70 countries	Empirical Analysis for the countries over the period (1973–2006)	In the aftermath of financial crises, income inequality exhibits no general pattern of change. However, by breaking down the analysis by crisis types, the study show that after stock market crises, inequality goes down in advanced countries.
Fuller et al. (2019), Europe	To examine how economic, political and institutional dynamics shape wealth-to-income ratios.	Western European & OECD countries.	Qualitative approach	Political and institutional determinants that affect income inequality have no short- or long-run effects on the wealth-to-income ratio. Rather, the rise in wealth-to-income ratios is driven by rising housing prices, as well as price changes in other financial assets.
CarataÈ (2019), Romania	The study highlights the warning signals of the slowing down economy and triggers of financial crises.	Economists	Qualitative approach	Study findings reveals that the financial crisis are not easily predictable, but different protective measures can be set to avoid any crisis in the future.
Colciago et al. (2019),Italy	The study reviews recent research on the relationship between central bank policies and inequality.	Household in OECD countries	Empirical analysis	The review suggests that empirical research on the effects of conventional monetary policy on income and wealth inequality yields mixed findings. Although there seems to be a consensus that higher inflation, at least above some threshold, increases inequality.
Caminada et al. (2018),Europe	To analyze fiscal redistribution after the Great Recession.	Households	Empirical analysis using LIS datasets for 47 countries in Europe	The study found that social transfers and income taxes reduce the Gini by 31%. In most countries, pensions are a dominant factor.
Tridico, (2018),OECD	To identify the determinants of the increase in income inequality that OECD countries have experienced over the past two decades.	25 high income OECD countries	Empirical analysis using data from the period (1990- 2013)	Inequality increased because labor flexibility intensified, labor market institutions weakened as trade unions lost power, and public social spending started to retrench and did not compensate for the vulnerabilities created by the globalization process.
Anghel et al. (2018),Spain	To analyze the level of inequality in Spain, and how it evolved over the course of the past crisis and the early stages of the current recovery.	Households	Empirical analysis using Survey of Household Finances data set (2008-2014)	The analysis shows less wage dispersion, high level of inequality in per capita income, and increase in Inequality per capita consumption. Furthermore, wealth inequality exceeds income inequality, as a result of financial assets outperforming real assets.
Arestis (2016), USA	To assess the implications of income inequality and the economic policies to tackle it with particular emphasis in USA.	Households	Qualitative approach	The financial crisis adversely results in income inequality among households. Thus, economic policies to tackle it should be coordination of fiscal and monetary policies, without forgetting pro-labor distributional policies.
Baeten (2016), USA	The study empirically examines the long-run relationship between financial crises and income inequality. Financial crises are subdivided into banking crises, currency crises and twin crises.	Households	Panel Data Method of 24 countries	Banking crises and twin crises have an increasing effect on income inequality in the pre-World War 1 and post-World War 2 periods, but are associated with narrowing income inequality in the Interwar period. Currency crises increase inequality in the first two periods under analysis.

Goda & Stockhammer (2016), Europe	To analysis income inequality and wealth concentration.	Households	Qualitative approach	The increase of income inequality and global wealth concentration was an important driver for the financial and Eurozone crisis. The high levels of income inequality resulted in balance of payment imbalances, and growing debt levels.
Domanski & Zabai (2016),Europe	The study explores the recent evolution of household wealth inequality in advanced economies by looking at valuation effects on household assets and liabilities.	Households	Simulation 6 countries	Wealth inequality has risen since the Great Financial Crisis. While low interest rates and rising bond prices have had a negligible impact on wealth inequality, rising equity prices have been a key driver of inequality.
Parisi et al. (2016), Italy	To analyze the determinants of unequal income distribution across macro-regions in Italy, and whether the latest economic crisis has had an effect on income inequality within or between regions.	Households	Survey Simple Random Sampling	Inequality between individuals and between families appears greatest in the south, and the crisis has exacerbated this phenomenon.
Eigner & Umlauft (2015),USA	The study provides a comparative analysis of the Great Depression (1929-1933) and the Great Financial Crisis (2007-2009) by contrasting the crises' main driving forces, and how they relate to each other with respect to the United States.	USA Population	Empirical Observations	The analysis reveals striking parallels between the Great Depression and the Great Financial Crisis. Causal factors in both crises were a flawed design of the banking system, a real estate boom, and high debt burdens of both households and financial institutions, as well as pronounced economic inequality.
Kumhof et al. (2015),USA	The study examines how high household leverage and crises can be caused by changes in the income distribution.	Households	Calibration methodology	Empirically, the periods 1920–1929 and 1983–2008 both exhibited a large increase in the income share of high-income households, a large increase in debt leverage of low- and middle-income households, and an eventual financial and real crisis.
Stockhammer & Wildauer (2015), OECD	The study investigates the effects of changes in the distribution of income and wealth on aggregate demand and its components. The model of Bhaduri and Marglin is extended to include personal income inequality as well as asset prices and debt.	18 OECD countries	Panel data method covering the period (1980–2013)	The study fail to find effects of personal inequality, but do find strong effects of debt and property prices, which have been the main drivers of aggregate demand in the decade prior to the 2007 crisis.
Magoulios et al. (2015),Greece	To investigate the impact on income from the economic crisis of 2008, especially in the case of Greece.	Greece Households database	Qualitative approach	The economic crisis has negatively affected income distribution among households in Greece.
Grabka (2015), Germany	The study Focus on the short-term distributional effects of income in Germany, as this country was one of the OECD countries which had been hit hardest—as measured by a decline in GDP—by the Great Recession in 2008/2009.	Private households in Germany	Longitudinal survey	The main finding is that the study didn't find any significant distributional changes during the Great Recession. However, the Great Recession temporary froze the income structure while afterwards income mobility tries to make up leeway.
Belabed (2014),Berlin	The study discuss the rise of top-end inequality and its effects on household consumption, saving, and debt for the 1920s.	Households	Qualitative approach	The study show that income inequality is linked to the increase of household consumption, and the simultaneous decline of household savings as well as rapidly increasing household debt.
Greenglass et al. (2014), USA	This study synthesizes the thoughts expressed during an interdisciplinary discussion held in July 2013 among economists and psychologists from a variety of countries about the causes and effects of the financial crisis.	125 Economists& psychologists	Qualitative approach Synthesis	Countries across the globe vary in the extent to which they have been affected by the recent financial crisis. There was a consensus among the panelists that despite signs of economic recovery, income inequality remains a concern.
Fukuda-parr & Heintz (2014),	The study brings together various strands of analysis about the causes, consequences, and policy ramifications of economic crises, with a specific focus on distributional dynamics.	Feminist economists & Scholars	Qualitative approach	The study underscores the long-run effects of the 2008 crisis on well-being, highlighted in feminist economists' research on social reproduction and often missed in the macroeconomics literature.
NIKOLIĆ et al.(2013),Balkans	To assess the effects of the global economic crisis in the Western Balkan countries.	Balkans Households	Empirical analysis	Global crisis has worsened already complex economic reality of the Balkan countries. The crisis recession has emerged. The consequences are the most pronounced in the leading economies, Croatia and Serbia.

Stockhammer (2013), USA	The study assesses rising inequality as a cause of the present crisis.	Households	Qualitative approach	The study argues that the economic imbalances that caused the present crisis should be thought of as the outcome of the interaction of the effects of financial deregulation with the macroeconomic effects of rising inequality. In this sense, rising inequality should be regarded as a root cause of the present crisis.
Treeck (2013), USA	The study investigated whether inequality cause the US financial crisis.	USA Households	Empirical analysis	The study argues that many low- and middle-income consumers have reduced their saving and increased debt since income inequality started to soar in the United States in the early 1980s.
Bordo & Meissner (2012),	The study aims to answer this question "Does inequality lead to a financial crisis?"	14 advanced countries	Panel data method covering the period (1920–2000)	The results indicated that rising inequality led to a credit boom and eventually to a financial crisis in the US in the first decade of the 21st century as it did in the 1920s.
Holt & Greenwood, (2012),USA	The study focus on negative externalities from inequality that make financial well-being decline more rapidly than real income measures indicate.	Households database	Qualitative approach	Housing, with its relatively inelastic supply, relationship to local public goods, role in establishing status and dependence on mortgage finance were used to illustrate the negative trickle-down effect.

RESULTS

Review Results

A systematic review of the literature demonstrated that financial crisis has hit the globe for years, and is largely due to various macroeconomic indicators. In general, it shows that the recent Financial Crisis (2007- 2008) is related to the Great Depression (1929-1933) in a way that both originated in the USA, and have damaged the global economy on a frightful scale. During the review, 40 studies were identified in the last ten years that examined the impact of the global economic crisis on income and wealth distribution within countries.

The empirical evidence of the reviewed studies show that the Great Depression and the recent Financial Crisis didn't affect income and wealth distribution directly, but they have affected various macroeconomic indicators which resulted in income and wealth inequality within counties (Sakellaropoulos,2019). Overall, it's well-articulated that during crisis periods countries suffered from a sharp downfall in productivity and real GDP. Consequently, many producers need no more labor force, and this was followed by layoffs and higher unemployment. All of which has adversely affected business sustainability, consumers' preference and consumption, remittance inflows, and resulted in mass poverty in rural areas. These have contributed to unequal income distribution among households, and increased the gap between lower/middle class and rich people. Similarly, wealth distribution varied according to household portfolios (Arestis et al., 2016, DINC et al., 2011). All of which reflects Keynes Consumption theory, and changes in macroeconomic indicators were explained by Business Cycle theory. The next sections discuss, in details, the effects of the great depression and recent financial crisis on income and wealth distribution within countries.

Global Financial Crisis Effects on Income and Wealth Distribution

According to the study, after the 1929 crash of the New York Stock Exchange, consumer spending decreased, inventories of unsold goods grew, and factory output slowed. As a result, the American economy entered a recession. However, stock prices kept rising, reaching unsustainable levels by the fall of that year that could not be justified by expected future earnings. Additionally, the economy's agriculture sector was experiencing drought and falling food prices, wages were low at the time, consumer debt was pervasive, and banks had an excess of large loans that couldn't be repaid.(Arestis et al., 2016).

Furthermore, the current study proposes that additional variables may have had a significant impact on how wages were distributed across nations during the Great Depression, including changes in fiscal policy, labor market institutions, and more generally, social norms about pay disparity. Each of these factors could have widened the wealth and income difference between households. A number of macroeconomic metrics (including changes in the Gross Domestic Product, capital stock, and productivity) have been steadily declining worldwide as a result of the US housing bubble of 2007–2008. Such impacts are given below in Tables 2 and 3.

Table 2.

Rates of Change of GDP Per Capita, Developed Economies, 1970-2011

	1970–1980	1980–1990	1990–2000	2001–2011	2005–2011
United States	2.35	2.66	2.48	0.63	−0.40
Japan	2.82	3.89	0.76	0.64	−0.41
United Kingdom	1.92	3.14	2.60	0.80	−0.51
France	2.98	1.65	1.45	0.52	−0.09
Germany	2.82	2.00	1.22	1.14	1.11
Italy	3.28	2.42	1.51	−0.52	−1.27
Greece	3.42	0.25	1.37	1.20	−1.36
Europe	2.66	2.15	1.85	0.96	0.11
Developed economies	2.58	2.61	1.97	0.83	−0.07

Source: Maniatis (2013: 44)

Table 3.

Rates of Change in Private Real Nonresidential Capital Stock & Total Economy Labor Productivity

Private real nonresidential capital stock (plant and equipment)					
United States	3.9	3.7	3.0	2.9	1.8
Japan	12.5[a]	9.4	6.1	2.9	1.1[b]
Germany	6.7	5.2	3.3	2.4	1.2
Industrial	5.0	4.2	3.1	3.3	2.1
Total economy labour productivity (GDP/worker)					
United States	2.3	1.2	1.3	1.7	1.7
Japan	8.6	3.7	3.0	1.1	1.8
Germany	4.2	2.5	1.3	2.5	1.5
Euro12	5.1	2.9	1.8	1.9	0.9
G7	4.8 (60–73)	2.8 (73–79)	2.6	1.9	1.0

Source: Brenner (2009: 7)
[a]Gross stock
[b]2006

It is observed that in all three variables (gross domestic product [GDP]change, capital stock, productivity), the trajectory is one of steady decline in all countries, leading to the conclusion that a major problem is emerging in the modern capitalist organization of production. This problem does not seem to be solvable, either, by adoption of low wages or curbs on private consumption as shown in Table 4.

Table 4.

Real personal consumption expenditure

	1960–1969	1969–1979	1979–1990	1990–2000	2000–2007
United States	4.4	3.2	3.5	3.5	2.9
Japan	9.0	4.7	3.7	1.6	1.4
Germany	5.1	3.4	2.1	2.2	0.3
EU-12	5.6	3.7	2.3	2.1	1.6

Source: Brenner (2009: 7)

The figures in Table 4, shows that private consumption are indeed steadily declining within countries throughout the period of the crisis.

Fundamentally, the outcome of the recent financial crisis is clearly evident within countries. The extent to which the financial crisis affects country's income and wealth distribution, varies based on the institutional characteristics of each country.

In this regard, study findings shows that developed economies were severely affected by the global economic crisis (Sakellaropoulos, 2019).

Interviews Results

Effects of the Global Financial Crisis on Developing Countries

Following the Great Depression and the financial crisis that broke in the US and other Western economies in late 2008, there has been a serious concern about its impact on developing countries. However, few studies have examined the impact of these crisis on income and wealth distribution within the context of developing countries, specifically Sudan. Therefore, one of the major contributions of this study is related to examine the impact of the global economic crisis on emerging economies.

In this regard, interviewed economists agreed that as far as the developing countries are concerned, including Sudan, a bit more optimism may be warranted. Accordingly, they have identified the following three major reasons for a more upbeat prognosis for developing countries.

First, the epicenter of the crisis is in the developed countries.

Second, the financial sector of developing countries have not been as directly affected. For instance, Naudé (2009) argued that most developing-country's banks were only marginally exposed to the US subprime crisis, so that a direct impact on their banking systems has been largely avoided.

Third, there has been a measure of decoupling of growth rates between developing and developed countries before and upon the emergence of 2008 crisis (Naudé, 2009). In this regard, Figure 2 below shows GDP growth in developing and high-income countries between 1981 and 2007.

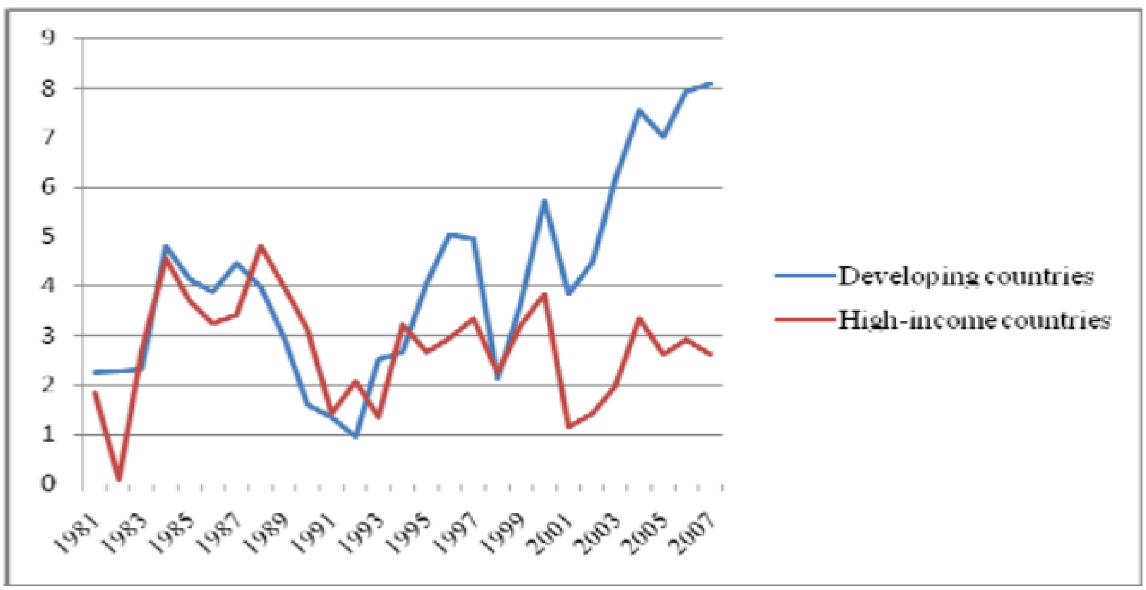

Figure 2: *GDP growth in developing and high-income countries in between 1981-2007*

Source: Naudé, Wim calculations based on World Bank Development Indicators (2009)

Figure 2 shows that since the 1990s, there has been a decoupling of growth rates between developing countries and high-income countries. It also shows that by 2007, the growth rate of developing countries as a group reached 8%—a historical high—after an almost uninterrupted acceleration since 2001. Although the total growth rate does not give an indication of individual countries' growth rates, it is also true that growth in some of the poorest countries, most notably of those in Sub-Saharan Africa, also accelerated over this period. Although the financial crisis and the recession in the rich countries has slowed this growth momentum, but it didn't stop growth and that a full-out recession in the developing countries has been avoided in general. Accordingly, the World Bank's Global Economic Prospects indicated that the growth rate in developing countries to average around 4.5% in 2009 (Naudé, 2009).

On other note, interviewed economists indicated that as developing countries were not directly affected by the global crisis, they face other different challenges which may adversely hit their macroeconomic indicators i.e. high unemployment, currency crisis, high inflation rate, poverty etc. Thus, the extent to which emerging economies is affected, depends on their vulnerability to a particular crisis.

In this regard, interviewees indicated that Sudan's economy has sunk into a deep economic crisis in 2018. They revealed that at the start of 2018, the economic situation severely worsened due to a set of economic restructuring reforms to access foreign exchange and governmental funds as recommended by the International Monetary Fund (IMF).

Among other changes, the government cut wheat and fuel subsidies, and devalued the Sudanese Pound (SDG) several time. Thus restricting foreign trade even further. Moreover, the shortage of hard currency intensified, adding to rising inflation rates, which reached 72.9% in December 2018, a severe increase compared to 25% in 2017(Ghandour, D, 2021). In sum, high inflation rates combined with high external debts, declining national GDP, and the rapid depreciation of hard currency decreased the private sector's and the government's ability to import necessary commodities such as fuel, wheat, and medicines.

Additionally, until the money in the ATMs runs out, bank machines only dispense little cash—about $40 for the fortunate few. Everyone is expressing dissatisfaction that the Central Bank has not sent money to the retail banks, which has prevented clients from accessing their money. A long-term and more complicated economic issue linked to the loss of foreign currency has also fueled this currency crisis. As a result, when the country's South seceded in 2011, Sudan lost 75% of its oil production. At the end of 2018, living costs were at an all-time high, diminishing purchasing power. Since 2012, there have been no adjustments to public pay in this area, which has left many households struggling to satisfy even the most basic needs. Overall, the 2018 crisis has severely affected Sudan's population as the country's economic situation worsened throughout the following years.

Recently, on 15 April 2023, a conflict began between rapid support forces and Sudan armed Forces in the middle of Khartoum residential areas. The clashes erupted in the middle of April amid an apparent power struggle between the two main factions of the military regime. Such a power struggle has its roots in the years before a 2019 uprising that ousted the dictatorial ruler Omar al-Bashir, who built up formidable security forces that he deliberately set against one another.

Such a conflict has exaggerated its consequent effects, resulting in a severe war in the country. Consequently, it has a huge impact on the Sudanese people and Sudan's economy. In this regard, UNHCR (2023) declared, "Due to the violent outbreak, about 334,000 people are estimated to have been newly displaced within Sudan, and over 120,000 people have fled to neighboring countries". Sarmad Khan (2023) indicated that Port Sudan had become an evacuation hub on the eastern Red Sea coast, with thousands desperately waiting to board ferries or planes leaving for Jeddah. Many are walking hundreds of kilometers to Sudan's borders.

Furthermore, Moody's analysts, led by John Walsh, said in their April 25 report, "The fighting has caused significant damage to major infrastructure in Khartoum, such as the international airport, hospitals, and schools. This has forced most economic activity and government business to halt as civilians shelter in their homes". Specifically, the conflict shaking Sudan has disrupted internal trade routes, threatening imports and triggering a cash crunch, among other consequent effects.

Proposed Conceptual Framework

The current review indicated that the global economic crisis in the great depression and the 2008 financial crisis have adversely affected various macroeconomic indicators within countries. In turn, this has contributed to unequal income and wealth distribution. The following conceptual framework, Figure 3, emerged upon concisely reviewing the existing literature.

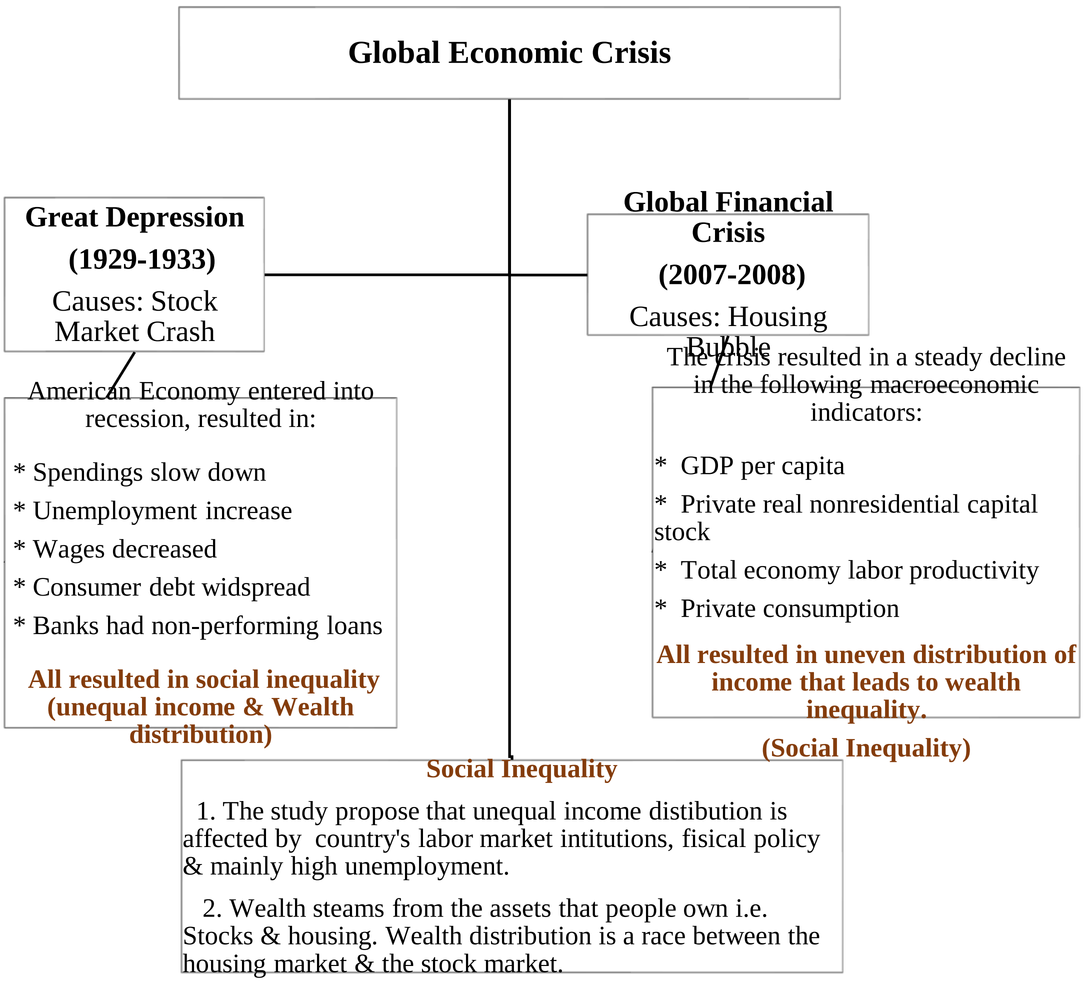

Figure 3: *Conceptual Framework of Global Financial Crises*
Source: Prepared by Researcher

CONCLUSIONS & RECOMMENDATIONS FOR FUTURE RESEARCH

The review of the 40 archival studies indicates a broad literature dealing with the USA about the consequences of the financial crisis on income inequality. Furthermore, the existing literature includes some studies that have assessed the effects of the financial crisis in general, regardless of its triggers. However, some studies have classified financial situations according to their types, i.e., Inflation, currency, banking, and stock market crises (Baeten, 2016; Gokmen & Morin, 2019).

On the other hand, several limitations were considered in the existing literature. Specifically, there is scarce empirical evidence regarding the effects of the financial crisis on income and wealth distribution within countries. The majority of the studies have used a qualitative research approach. Thus, this limitation was overcome by collecting country-based macro and microeconomic indicators from the websites of various international organizations, such as the World Bank and IMF. Furthermore, most of the studies were conducted in advanced economies, with very few on emerging economies. Therefore, future studies should consider these limitations in depth.

Research on wealth distribution within nations needs to catch up to that of income distribution. In this regard, the literature contains few studies that look at wealth-to-income ratios, and those that only focus on Western Europe and OECD countries (Tridico, 2018, Domanski & Zabai, 2016). Additionally, no studies that look at the combined effects of the Great Depression and the 2008 financial crisis on the distribution of wealth and income among countries are included in the body of research. It is considering how they primarily affect developing countries like Sudan. Each of these has been examined in this review.

The study has main implications for economists and policymakers. For economists, this is related to reflecting the consequent effects of the global financial crisis on social inequality, i.e., income and wealth distribution. Furthermore, the study revealed that the world economy is more dependent and interrelated due to globalization. All of which could help economists set protective measures for any unforeseen catastrophe. For policymakers, the study provides a wide range of findings that can assist them in finding ways to reduce the gap between people experiencing poverty and the middle-class households.

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