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The Multidimensional Effects of Financialization on the Growth of Income Inequality: New Empirical Evidence for 97 Countries

Onur ÖZDEMİR*

Abstract

Increasing financial relations and transactions, which constitute one of the important components of income inequality, is the leading factor that should be considered in analyzing the transformations of internal dynamics of current economies. In this sense, the linkage of the changes in financial sector, which is examined under the concept of financialization, with income inequality is the basis of this study. The financialization-income inequality nexus deals with the period of 1991-2014 for 97 countries by way of analyzing with the fixed effects method. According to the empirical results, which include labor market variables as well as economic variables, there is a positive correlation between financialization and income inequality. In other words, increasing the scale of financial relations and transactions has a positive effect on income inequality. The empirical outputs point out that this fact mainly depends on the current transformation in the labor markets. The reduction in the bargaining power of labor is assumed to have an increasing effect on the level of income inequality within the framework of financialization.

Keywords: Financialization, Income Inequality, Bargaining Power, Labor Markets, Globalization

JEL Classification: F65, D31, C33

Finansallaşmanın Gelir Eşitsizliği Artışı Üzerine Çok Boyutlu Etkileri: 97 Ülke İçin Yeni Ampirik Kanıtlar

Öz

Gelir eşitsizliği olgusunun önemli bileşenlerinden birini oluşturan artan finansal ilişkiler ve işlemler mevcut ekonomilerin iç yapısında yaşanan dönüşümlerin analiz edilmesinde göz önünde bulundurulması gereken faktörlerin başında gelmektedir. Bu çerçevede, finansallaşma kavramı altında incelenen finans sektöründe yaşanan değişimlerin gelir eşitsizliği ile olan bağlantısı mevcut çalışmanın temelini oluşturmaktadır. Sabit etkiler yöntemine bağlı olarak incelenecek olan finansallaşma-gelir eşitsizliği bağıntısı 97 ülke için 1991-2014 yılları arasını ele almaktadır. İktisadi

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* Asst. Prof., Istanbul Gelisim University, Faculty of Economics, Administrative and Social Sciences, Department of International Trade (English), Istanbul, Turkey, E-mail: onozdemir@gelisim.edu.tr
ORCID https://orcid.org/0000-0002-3804-0062

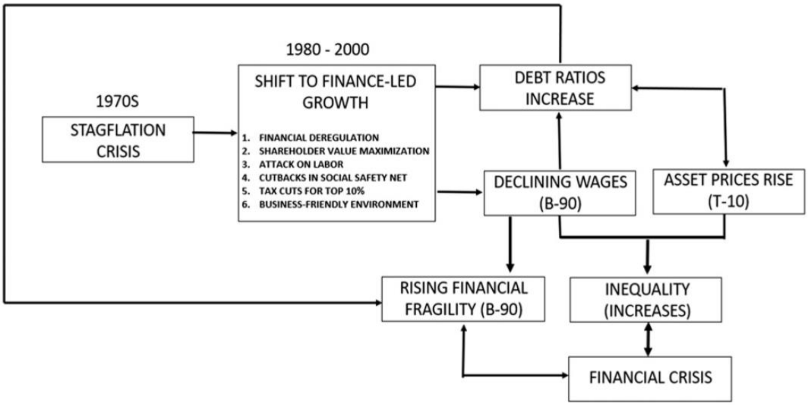
değişkenlerin yanı sıra emek piyasası değişkenlerinin de içerildiği ampirik sonuçlara göre finansallaşma ile gelir eşitsizliği arasında pozitif bir korelasyon bulunmaktadır. Diğer bir deyişle, artan finansal ilişkilerin ve işlemlerin gelir eşitsizliğini artırıcı bir etkisi bulunmaktadır. Ampirik çıktılar bu durumun temel olarak emek piyasalarında yaşanan dönüşüme bağlı olduğuna işaret etmektedir. Emeğin pazarlık gücündeki düşüşün finansallaşma çerçevesinde gelir eşitsizliğini artırıcı bir etkide bulunduğu varsayılmaktadır.

Anahtar Kelimeler: Finansallaşma, Gelir Eşitsizliği, Pazarlık Gücü, Emek Piyasaları, Küreselleşme

JEL Kodları: F65, D31, C33

1. Introduction

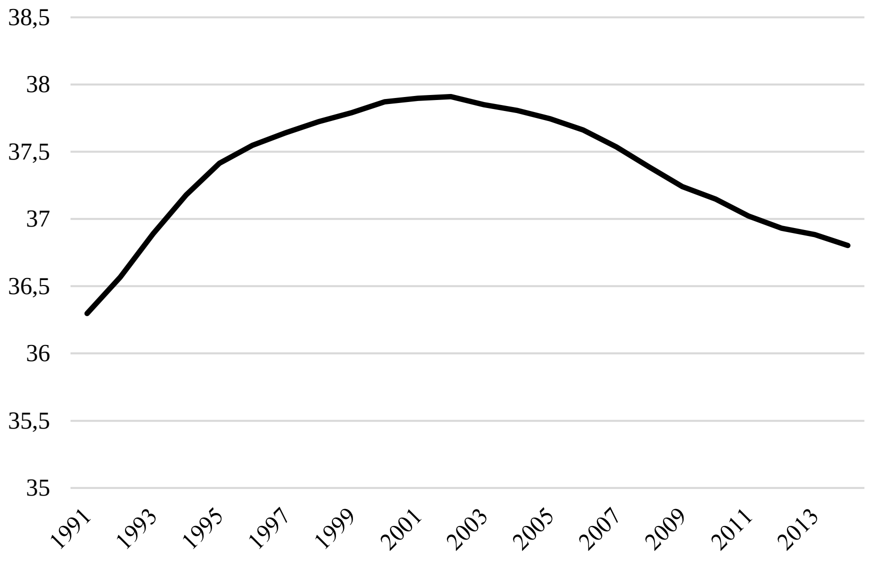
The financialization-income inequality nexus gains significant attention during recent years, especially after the post-crisis period of 2007/2008. Indeed, the growth of income inequality along with the increasing scale of financial relations and transactions has been analyzed through different sources in which the topic was pointed to various channels in the economic discipline since the late 1980s. Therefore, the relationship between financialization and income inequality has been positioned as a conflicting interest area in the existing literature associated with different fields such as economics, politics, and culture as well. In this sense, the prior issue for the investigation of both theoretical and practical dimensions of a given link among these two topics needs to solve different problems in the methodological framework. For instance, the financialization term has still no common explanations in the literature. In consideration of this enigma, the examination of positive and negative aspects of that concept hinges on the limits of the totality to a large extent in the literature. Therefore, this study basically focuses on the economic side of the relationship between financialization and income inequality in order to statistically indicate that increasing the scale of financial relations and transactions over the different economic units leads to more uneven development in income distribution over time. Figure 1 shows the linkage between finance-led growth and income inequality from the beginning of the 1970s, by considering the fact of economic crises.



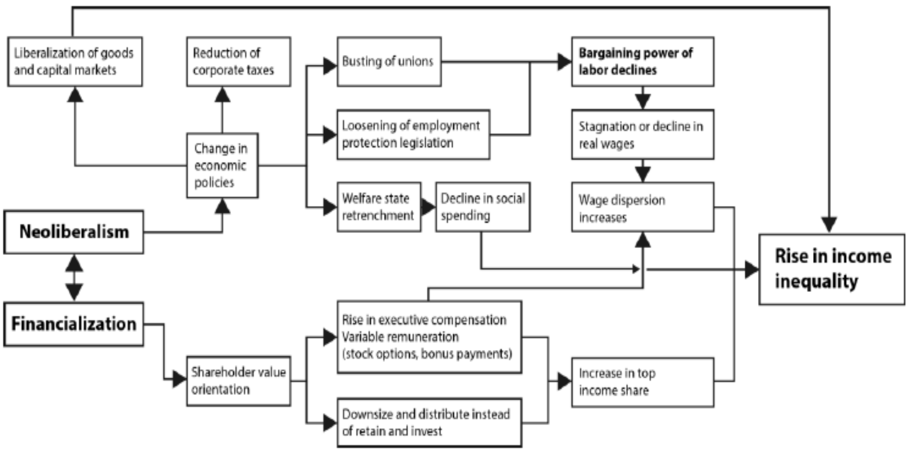
Source: Balder (2018)
Figure 1: The Process of Finance-Led Growth and the Increasing Income Inequality

The economic policies formed in the historical process differ on the basis of the changes in productive forces and thus each of these policies is in a constant renewal to adapt to the course of the capitalist system. Whereas they are integrated with each other, the main assumption of the economic-political framework, however, carries the ingredients of specific factors, which are to a large extent related to the changes in socio-political and cultural themes. Therefore, in case of that the ownership structure remains constant, it is imperative that the particular elements of the historical periods should be analyzed in coherence with differing economic policies of distributional issues and also should be comparatively examined with given determinants within the framework of this integrity, which is necessary to obtain reliable outcomes from the prediction of future problems in economic structure.

One of the common mistakes of the recent literature for the financialization-income inequality nexus is the lack of determining the multidimensional linkage among different fields. In particular, the economic structure of the post-1980s neglects to determine the reasons behind the changes in the labor share of income accruing in aggregate income and also ignores the rules that are influential in the determination of income distribution between capital and labor. Figure 2 represents the changes in income inequality from 1991 to 2014. Moreover, Figure 3 shows the potential determinants of financialization on the effects of the changes in income inequality.



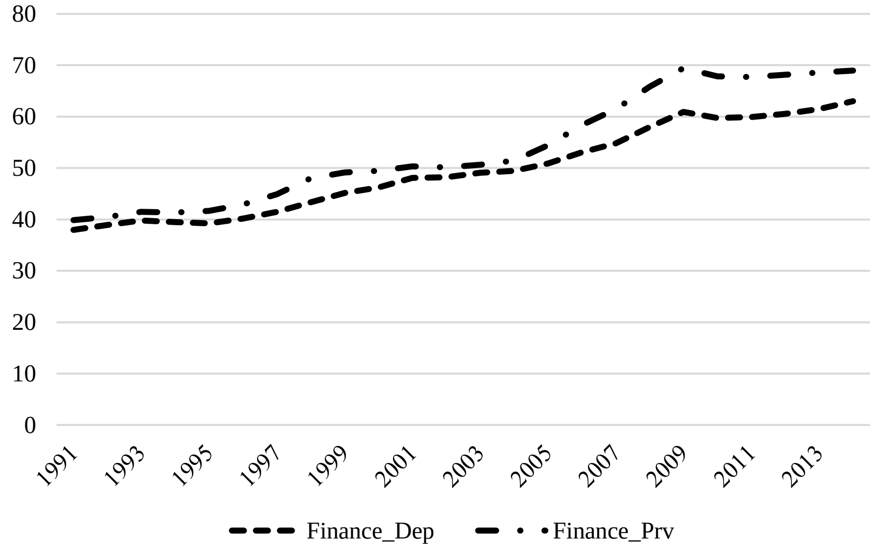
Source: Solt (2019), Author's Own Representation
Figure 2: The Change in Income Inequality over the 1991-2014 Period



Source: Dünhaupt (2014: 8)
Figure 3: Hypothesized Relationship Between Financialization and Income Inequality

The traditional wisdom implies that one of the most efficient ways to provide an equal distribution of income among capital and labor basically depends on the smooth functioning of free-market economy and the proper implementation of interventions within private and public sectors, which are substantially influential for the changes in productive forces and thereby the production system. The whole set of rules that determine the equal distribution of an aggregate income among factors of production depends on the harmony of the operation with the distribution of resources along with the independence of the economic units from any kind of intervention. The intensity of thought in this direction is prevailing for the determinants of an aggregate economic system. Although the mainstream arguments have a mild explanation through the changes in income distribution in terms of the changes in financial relations and transactions, the recent literature also extends these initial arguments and empirical findings on the basis of heterodox views, in which the counter-arguments for the development of financial system and specifically for the term of financialization are analyzed through the context of an integration of socio-political ingredients. For instance, one of the critical points of these counter-arguments focuses on the effect of an increasing scale of capital accumulation in the financial system where the profit-making process has been substantially generated by a higher level of transactions in the financial sector. This also directs us to argue that the capital has been centralized and concentrated in the financial markets, in contrast to the productive sectors.

In consideration of this practical background, this study investigates the link between a heavily concentrated financial system and an increasing level of income inequality for 97 countries, covering both developed and developing economies from different regions. The major hypothesis of this paper depends on the fact that an increasing scale of financial sector and the integration of financial system over time has negatively affected the distribution of income for labor. In other words, the increasing hegemony of financial capital has to a large extent transferred a huge amount of revenues from the changing conditions of economic mechanism. For instance, the downward pressure on the wage level of workers for the post-1980s period has led them to borrow from the financial system to fix their reducing purchasing power. Therefore, the profits in the financial sector have been exacerbated by the transfer of incomes of that part of the workers who confronted with the reduction in their wage level. In particular, the lowest income segment of the worker heavily indebted by the financial system, especially by the banks, over time and increasingly adhered to the financial relations and transactions. Figure 4 shows the recent trends in financialization in terms of two commonly using indicators in the recent literature: (i) Financial System Deposits to GDP (%) (i.e., finance_dep) and (ii) Private Credit by Deposit Money Banks and Other Financial Institutions to GDP (%) (i.e., finance_prv).



Source: Financial Structure Database, Author's Own Representation
Figure 4: The Change in Financialization Over Time

The handicap of this study is the lack of having long-term data for measuring income inequality, which is proxied by the Gini coefficient. Therefore, the sample period is restricted by the time interval for 1991-2014[1] to provide balanced data, which is imperative for the method that the study uses in the empirical part. If this condition does not hold, the regression results may possibly be inconsistent to obtain a true vision for the financialization-income inequality nexus. Whereas this shows one of the technical needs for the estimation of the given linkage among the variables, there is also another reason for using this time interval. Some of the selected countries from the aggregate pool were formerly integrated into the Soviet economic system. Therefore, the economic functions of these countries were totally different than the other countries, which were controlled by the capitalist components. The beginning of the sample period thus leads to get rid of these kinds of time-based problems since these former Soviet countries were increasingly integrated into the market system following the early-1990s.

[1] The same restriction on the basis of time interval is mentioned in Özdemir (2019), which investigated the partial relationship between financialization and income inequality along with using different empirical methodologies such as pooled OLS, fixed-effects, generalized methods of moments (GMM) and IV method, which finds that each financialization variable has a negative effect on the Gini coefficient.

This is very crucial to point the case that the measurement of financialization is technically complicated since there is no common agreement to define the term in the literature. Therefore, the scale of financialization, of course, exceeds the limits of this paper because the integrity of financialization may possibly be done by including several economic, social, political, and cultural factors into the analysis. However, in order to minimize this problem and to provide a sound background for the existing literature, the study will benefit from different types of additional variables, which are substantially associated with the financialization phenomenon. In particular, the selection of this sample countries grounds on the fact that the financial sector should be well-developed in terms of both institutions and markets. For instance, those selected countries have financially integrated and their stock markets are to a large extent active in the economic relations. To avoid the estimation problems for the financialization variable, the study uses basic financial system data in the empirical part, which are financial system deposits and private credit by deposit money banks and other financial institutions. The major reason for why the study uses these variables is that both of them include different sub-items covering the financial determinants and thus includes various sub-determinants. In consideration of integrating these financialization variables into the regression analysis, the dynamism and the inter-related facts of given nexus will be provided for the whole process of the study.

Following the above-mentioned methodological and practical factors, three hypotheses on the financialization and income inequality linkage emerge, in which the study will be empirically analyzed them in the subsequent sections:

Hypothesis 1

There is a long-run positive relationship between financialization and income inequality.

Hypothesis 2

There is a long-run positive relationship between openness indicators – namely financial openness and adjusted trade openness – and income inequality.

Hypothesis 3

There is a positive link between a higher level of economic globalization and a higher level of income inequality.

The rest of the paper is organized as follows. The second part reviews the literature on the basis of the theoretical significance of financialization and answers the following question: why does financialization matter? The third part elaborates on a detail explanation of the dataset and estimation method. The fourth part presents the empirical findings. The last part concludes.

2. Why Does Financialization Matter?

The existing literature about the financialization has always been complicated and challenging in terms of the definition and its determinants. However, especially for the post-1990s period, the scope of the studies on financialization has proceeded to diversify to a large extent. In that vein, in order to analyze the theoretical background of financialization and thus to find answers for why financialization matters, there is a need for some classifications about this term. Those classifications should also reflect the reasons behind an increasing scale of financial relations and transactions across countries. For instance, some critical issues associated with an increasing scale of financialization depend on the following factors, which of those have substantially reviewed by several studies in the literature: (i) an increase in debt level, (ii) a change in the structure of capital accumulation, (iii) a transformation of financial sector in terms of efficiency, (iv) an increase in monopolization in different sectors, (v) an increase in the trend of centralization and concentration of capital, (vi) a change in the world economic system, (vii) a boost in transactions in stock markets, (viii) an integration to the neoliberal components, (ix) the ongoing economic crises, (x) an increase in international capital flows, and (xi) a progress in technical innovations in financial sector.

By taking account of these above-mentioned factors, the recent literature on the importance of financialization in socio-political and economic structures has produced a bulk of new directions to get a comprehensive outlook for this term. For instance, one of the outstanding papers for the explanation of financialization produced by Epstein (2005). According to Epstein (2005), financialization should be defined as an increasing role of financial motives, financial markets, financial actors and financial institutions in the functioning of international economics[2]. Those kinds of roles related to the financial system should also consider the ongoing changes in neoliberalism and globalization phenomena, as well as the changes in various economic systems. The major reason why do these factors should be mutually evaluated depends on the fact that the motives for getting more profits were strongly linked to the development of financial conduits rather than the development of production conduits in trade sector and goods market. For instance, Krippner (2004) attributes the development process of financialization phenomenon to the case of exacerbated financial relations and transactions over time. Therefore, the arguments of both Krippner (2004) and Epstein (2005) led to the emergence of a new point of view for the channels of capital accumulation process, in which those channels induce to the generalization of financialization term along with the changing structure of trade sector and goods market.

In consideration of these initial arguments produced by Krippner (2004), Krippner (2005) also extends this given framework for financialization phenomenon by way of including some new insights on the basis of empirical analyses including both financial and non-financial dimensions of profits, each of which indicates that the financialization process of capital accumulation can be deeply understood by analyzing the roles of firms and institutions, which are to a large extent interacted with the use of foreign resources in order to make a higher level of profits. Two basic characteristics of mentioned firms and institutions are determined by their following attitudes in an aggregate economy: (i) the demise of their commercial dues to the financial firms and (ii) the transfer of their resources into the financial system. Hence the structural transformation of profit-making process was basically shifted to the financial sector, where the aspects for capital accumulation were substantially focused on financial conduits in contrast to trade and the production system of goods (Krippner, 2011). This is actually represented in the historical records of trends in the sectors covering both finance, insurance, and real estate – namely the FIRE sector – to the detriment of the share of the manufacturing industry in total share of the aggregate economy[3]. The major reasons behind this stylized fact depend on two critical phenomena: (i) the management

[2] Epstein (2005) follows the same definition for financialization provided by Epstein (2001). Therefore, it should be noted that the same paradigms are relevant for financialization over time.

[3] This is what Foster (2010) and Smith (2012) further developed that case by pointing to the other dimensions of increasing scale of FIRE sector. For instance, according to Smith (2012), financialization implies an increase in the total profits of FIRE sector in total share of the economy. Foster (2010), on the other hand, focuses on the growth rates of FIRE sector over time and thus argues that the financialization phenomenon depends on different factors.

of modern firms and/or institutions and (ii) the role of globalization on the decadence of government autonomy (Krippner, 2005: 176).

Similar to those mentioned definitions on financialization, Palley (2007) also defines that term as a process in which it provides a way to financial markets, financial institutions and financial elites for getting a more hegemony in determining the economic policies and outputs. However, the cost side of the financialization is to a large extent much different than its positive side since a growing scale of financialization leads to an increase in the divergence of real and financial sectors, the stimulation of income transfers from real sector to financial sector, and the growth in the level of income inequality. Therefore, the financialization may have a strong effect on the changing economic policies over time and across countries. First, it changes the functioning of the financial system. Second, it diverges the economic behavior of non-financial firms. Third, it transforms the economic policies. In order to get a comprehensive outlook on the financialization on the basis of these factors, there should be made some generalization for its different dimensions. First, a growing hegemony upon the economic policies is the basis of providing control over the financial markets. Second, the paradigm of neoliberal economic policies strengthened through financialization requires questioning. Third, firms should be sensitive to the financial interests of their shareholders, as well as the financial markets. Finally, the political side of the current system needs reform to reduce the power of firms and wealthy elites in economic processes.

Foster (2007), on the other hand, supposes that the changes for the post-1980s period were basically linked to three specific fields – namely neoliberalism, financialization, and globalization – which were mutually integrated with each other over time and across countries. One of the main reasons we have to get an information on those fields depends on the fact that the financialization, for instance, cannot be easily understood by ignoring the neoliberalism and/or globalization phenomena since many of the firms are characterized by the monopolistic ingredients and thus the pricing of goods and services is subjected to the imperfect competition in markets. Therefore, Foster (2007) suggests that this period should be named as monopoly capitalism similar to that of Sweezy (1997) because he qualifies the financialization phenomenon as a response to the stagnation status of the capitalist system[4]. In order to find out the differences in the production system of various countries, the dynamics of the capitalist system should be analyzed associated with financialization and the limits of a mode of production should be investigated in consideration of class dynamics and the context of imperialism. The origins of financialization along with the class dynamics and imperial implications can be classified under the following factors[5]. First, financialization is an ongoing process of certain financial bubbles. Second, monopoly-finance capital has a qualitatively different structure from the concept of finance capital. Third, the ownership of financial assets is the major determinant of the membership of the capitalist class. Fourth, one central aspect of stagnation-financialization dynamics is the speculation on housing. Fifth, a decrease in the importance of nation-states is basically linked to a growing scale of financial globalization across countries. Sixth, the ideological counterpart of monopoly-finance capital can be reflected by the neoliberalism. Seventh, the increasing effect of financialization in the world economic system is reinforced by neoliberal globalization

[4] According to Sweezy (1997), in macroeconomic dimension, the financialization depends on three different characteristics, which are decreasing rate of overall growth, increasing hegemony of monopolies and oligopolistic firms in an aggregate economy, and financialization of capital accumulation process.

[5] The same factors are also mentioned in Foster (2015) along with different dimensions related to the financialization phenomenon.

policies and leads to an increase in the imperial power and financial dependence in least-developed countries. Finally, the unbounded process of financialization leads to uncontrolled development in an aggregate economic system.

The theoretical discussion about the argument of Foster (2007) leads us to focus on the emergence of crises in the capitalist system in case of an increasing degree of financial relations and transactions. For instance, Milios and Sotiropoulos (2009) imply that the source of the crisis basically depends on the mutual relationship between the financialization and the neoliberal model. Additionally, they put forward an explanation on the basis of the fact that the inner dynamics of financialization should be approached together with the components of current neoliberal model. According to this case, the labor market policies are changed by way of implementing the deregulation policies which of those limit for more demand towards a higher level of wages and better employment conditions. All these factors also lead to a decrease in the bargaining power of workers. Moreover, the use of neoliberal policies basically needs to implement more unregulated financial system, which then tends capital to highly engage in international trade and thus to benefit from foreign resources. This is very crucial for the whole economic structure since those kinds of policies are also led to a change in the government sector, where the government institutions are to a large extent subject to the privatization strategies and the composition of public activities is largely transformed through the needs of the private sector. As part of the sectoral changes in government structure and finance, the potential sources of the economic system have been varied along with a change in the behaviors of the economic actors. For instance, pursuant to an increase in uneven distribution of income across many countries, the financial sources are directed to a part of the people who faced with negative pressure on their incomes. Therefore, the financial system as a whole has stimulated new ways for those people to access cheap loans under the assurance of the neoliberal model.

Many of these facts lead us to assess the financialization phenomenon interactively with the basic elements of neoliberalism and globalization, which are strictly supposed to deal with different aspects of socio-economic and political environment. According to Dumenil and Lévy (2011), financialization has a duality in the context of its meaning[6]. On the one hand, the term is related to the investigation of new types of innovations emerging in financial markets and institutions. On the other hand, it indicates that the administrative facts should be dealt with more for the case of a growing amount of financial value accruing by shareholders. In that vein, the increasing scale of the financial sector and the differential methods of exploration for the profits should be based on a combination of these aspects. Therefore, the change in the determinants of financial management should be mutually integrated to the definitions of the financialization phenomenon, which includes both increasing degree of income of financial managers and the integrity of financial and non-financial firms[7].

Lapavitsas (2009) argues that increasing level of financial relations and transactions in an aggregate economic structure leads to an emergence of downward pressure on a higher level of capital accumulation, in which it intensifies with the economic crises. Therefore, according to Lapavitsas (2009), the link between economic crises and excessive capital accumulation should be also considered the outstanding effects of financialization. In order to make a clear distinction for the economic components of financialization, there is a need for the case of investigation towards the

[6] This mutuality for the definition of financialization is also valid for defining the globalization phenomenon.

[7] For more information about the historical development of financialization, please see Dumenil and Lévy (2004a, 2004b).

dynamics of transformation between industrial entrepreneurship, financial firms, and the labor market. The major determinant behind this tripartite relationship is substantially based on the expansion of financial sector. Lapavitsas (2009) particularly focuses on that point where the industrial entrepreneurship has been highly engaged in the financial sector along with the use of resources from foreign financial markets and thus has accelerated the financialization process of productive capital due to increasing global competition and expanding financial networks.

Lapavitsas (2010) also extends his above-mentioned arguments to grasp the underlying trends of financialization in the context of three fundamental topics. First, large corporations have financed their investment largely out of retained profits, while being able to borrow from the foreign financial resources in open markets. Second, banks have basically transformed their lending methods by incorporating investment banking into their usual commercial banking activities and thus have changed their visions toward individuals rather than corporations to obtain fees and commissions. Third, associated with these two factors, workers have largely been driven into the financial sector since the real wages have significantly reduced or have been stagnant across many countries, especially across mature capitalist countries, for decades. In particular, the finance-based transformation of public provisions in pensions, housing, education, and health along with the reduction of real wages led people to be a part of the actor for private provision, which is mostly mediated by banks and several financial institutions.

Moreover, Dore (2002) initially syncretized different views on financialization in order to classify its effects on corporate change just before Lapavitsas (2009, 2010). Therefore, Dore (2002) keenly implied that the institutional fragmentations for the post-1980s should consider the effects of financialization process and thus needs to interact with different socio-economic and political indicators. For instance, some of them can be ranged as follows: (i) the change in centuries-long process of 'disembedding' of the economy from society, (ii) the change in the behaviors of individuals and the corporate groups through the maximization of self-interest, (iii) the increasing dominance of the finance industry as a share of total economic activity, (iv) the increasing hegemony of financial controllers in the management of corporations, (v) the increasing share of financial assets among total assets, (vi) the increasing share of marketed securities and equities among financial assets, (vii) the increasing dominance of the stock market as a market for corporate control in determining corporate strategies, and (viii) the increasing scale of fluctuations in the stock market as a major factor of business cycles.

Wade (2005), on the other hand, points to the effects of financialization on various economic indicators in consideration of mutual dependence between the real sector and the financial sector[8]. One of the major outputs of the current period is an increasing hegemony of the real sector upon the financial sector and thus has a crucial impact on the distributional issues, which are managed by the following factors. First, there is an increasing trend towards more tightened institutional interlock and normative congruence in case of the interests of wealth holders. Second, the national income is redistributed in favor of capital-owners and thereby at the expense of workers. Third, the national income is redistributed largely towards the highest segment of income groups, covering 10% and 1% households.

However, Glyn (2006) implies that even if the financial sector has become the leading sector in total economic activity, this was basically done through the development process of financial liberalization and the distinguishing innovations emerged in

[8] For more information about the mutual dependence of real and financial sectors, please see Stockhammer (2004). Yeldan (2010) also notes that the primary way to accumulate capital has largely shifted from real sector to financial sector.

telecommunicating services, which was stimulated by the growing impact of globalization movements all over the world. Glyn (2006) particularly points to the privileged position of finance in an aggregate economy by considering the fact that the financial sector has substantially effective on the change of aggregate demand and firm behaviors. Therefore, by taking into account these facts, consumers can easily adapt their potentials to economic decisions, in which they are subjected to a limited budget. Additionally, the role of newly updated financial markets within the frame of globalization policies depend on three specific factors, each of which has a potential effect on the change of socio-economic and political ingredients: (i) increasing control over the management of corporations, (ii) increasing forces for the reduction of costs, and (iii) increasing potentials to maximize their short-term profits.

According to Paincheira (2009), all of these factors are also prevailing for developing countries, as well as developed countries. In particular, a growing scale of international capital flows can be considered as the major determinant of the financialization process. Therefore, by considering this fact, the financialization process can easily be divided into two periods. While the first period is resulted with high rates of current account deficit and financial and exchange rate crises, the second period is designed by the change in international reserves that many of the developing countries are highly depended on these reserves to avoid the problems of capital outflows. Related to the second case, the major determinants, for which the increases in the volume of international reserves depends, are basically faced to a growing scale of interventionism, and wide-spreading effects of real depreciation of exchange rates. Actually, the main stimulate of developing countries towards having a higher level of reserve accumulation depends on their increasing effort for integration to the global financial markets. This reveals one of the important case that the accumulation of reserves directs the capital transfer from developing countries to developed countries, which leads to debt increases in the public sector. On the basis of this given context, the financialization phenomenon has crucial importance since that those countries equipped with an excess amount of reserves control the economic mechanism for funding and thus have a crucial role in the development of financial relations.

Finally, Albo et al. (2010) investigate the financialization phenomenon on the grounds of the relationship between the globalization of capital and the economic crises. The main rationale behind this linkage is to show the important role of the government sector. In particular, the functioning of the law of value and the existing forms of national currencies depends on the fact that the protection of the capitalist interests and of the property have national characteristics and thus subjects to national components of the state. The functions of financialization into that context are basically imposed externally by the autonomous international markets and thereby strengthen the national dependency on a growing degree of financial relations and transactions across the countries. Additionally, those functions of financialization have both the internalized relations existing in national units and political norms.

3. Data and Empirical Method

The financialization phenomenon does not only include the economic components in itself but also covers different types of factors which are political, social and cultural as well. Therefore, this study comprises various indicators in the regression analysis, each of which has a substantial impact on income inequality and is also directly and indirectly associated with the financialization variables. First, the income inequality data is obtained from the Standardized World Income Inequality Database (SWIID) provided by Solt (2019), which covers the Gini coefficient. The major advantage of this database for estimating the Gini coefficient is to have balanced data for many years and in many countries. It should be noted that the difficulties in obtaining the Gini coefficient restrict a bulk of empirical studies and thus narrows the scope of many others, which of those are estimating the effects of several economic, political, social and cultural factors on income distribution over time and across countries. In particular, the existence of getting balanced data for the Gini coefficient has led many researchers to focus on industrialized and high-middle income countries in order to evaluate the changes in income distribution since the data is very limited for least-developed countries. This is a very crucial point for that study because the number of groups in the models is also captured the least-developed countries. The dataset produced by Solt (2019) provides a new opportunity to get rid of excluding the least-developed countries into the regression analysis, and therefore, it is of great importance in terms of enabling low-income countries to participate in this study. Basically, Solt (2019) classifies the Gini coefficient into two different cases such as pre-tax, pre-transfer and post-tax, post-transfer. By considering these differences in calculating the Gini coefficient, this study will be based on using the post-tax and the post-transfer Gini coefficient, which is also called as “Gini_Net” in the estimation procedure. According to Solt (2019), the Standardized World Income Inequality Database maximizes the comparison of available income inequality data, based on the highest possible number of country groups and time series. However, it should be noted that the current problems are still prevailing to compare the level of income inequality among various countries and thus they sometimes reach a point where they are very important in the empirical framework. The ongoing comparison problems for income inequalities across countries arise in the standard errors of the estimates of SWIID and encourage researches to address such uncertainties when they make cross-country analyses (Solt, 2009; 2016; 2019).

Second, the measurement of financialization and the issue on which data should be used to get full information about the financialization is another important channel in which the study investigates it on the basis of two aspects. However, as it was mentioned in the previous section that there is no widely accepted definition about the financialization, the same theoretical problem is prevailing in the empirical side of the literature. Therefore, there is a large number of studies, which of those use different types of variables for estimating financialization. Indeed, the empirical results should be thus interpreted on the basis of the lack of a single definition of financialization. In consideration of these facts, the financialization variables are obtained from the Financial Development and Structure Dataset provided by Beck et al. (2000; 2009) and Čihák et al. (2012). These variables are twofold and can be ranged as follows: (i) Private Credit by Deposit Money Banks and Other Financial Institutions to GDP (%) and (ii) Financial System Deposits to GDP (%).

Third, the relationship between financialization and income inequality is estimated by including different macroeconomic and finance-based variables in the model. For instance, one of the most important variables is the globalization index. The data are basically divided into three categories, which are obtained from the KOF Globalization Database (Gygli et al., 2019). In other words, globalization data consist of indicators formed by taking the weighted average of the variables affecting both economic, social, and political fields. In that vein, the sub-variables of economic globalization that concern us consist essentially of four variables: (i) capital account openness, (ii) trade openness, (iii) foreign direct investment, inflows, and (iv) foreign direct investment, outflows. Although economic globalization is the main component of the relationship between financialization and income inequality, the exclusion of globalization phenomenon from its social and political contexts may lead to produce partial results. Therefore, the average globalization index will be used in the regression analysis, which includes both economic, social, and political globalization indicators.

Fourth, in addition to the globalization variable, the labor market indicators that are likely to explain the change in income distribution over time are included in the model because of the fact that each variable may have a considerable effect of wages and profits and may also have an indirect effect on income inequality. The labor market variables, which will be used in the regression analysis, can be ranged as follows: (i) the logarithm of total employment, (ii) logarithm of labor productivity, and (iii) human capital index. The importance of labor market data stems from the fact that workers always try to protect their bargaining powers against the capitalists in the production system. The bargaining power of labor declines when the capital is strong, and thus the share of total national income increases in favor of capital. In particular, this phenomenon, which has great importance especially in the context of the functional income distribution, needs to be examined in terms of its power to affect income inequality indirectly.

All in all, Table 1 summarizes the data, abbreviations, and sources used in the regression analysis. In addition, Table A1 ranges the list of sample countries on the basis of their income categories and Table A2 presents the summary statistics of the variables used in the models. Considering the data as a whole, it is important to note that having different theoretical meanings of variables and having their potential effects on income inequality in various ways consist of the main subjects of that study. In that vein, a comprehensive dataset is tried to be obtained in order to understand several dimensions of financialization-income inequality nexus.

Abbreviations	**Data**	**No. of observations**	**No. of countries**
gini_disp	Income Inequality Index	2328	97
finance_prv	Private Credit by Deposit Money Banks and Other Financial Institutions (% of GDP)	2328	97
finance_dep	Financial System Deposits (% of GDP)	2280	95
overall_glob	Overall Globalization Index	2328	97
fin_dev	Financial System Development Index	2328	97
log(emp)	Total Number of Employment (Logarithmic Scale)	2328	97
gov_share	Government Expenditure (% of GDP)	2328	97
log(prod)	Labor Productivity (Logarithmic Scale)	2328	97
log(gdp)	GDP per Capita (Logarithmic Scale)	2328	97
human_cap	Human Capital Index	2232	93
tfp	Welfare-Relevant Total Factor Productivity Index	2088	87
tfp*log(emp)	Interaction Term	2088	87
econ_glob	Economic Globalization Index	2328	97
depbank_asset	Deposit Bank Assets (%)	2304	96
fin_open	Financial Openness Index	2304	96
adj_tradeopen	(Adjusted) Trade Openness	2328	97
inw_fdi	Foreign Direct Investment, Inflows (% of GDP)	2328	97
ex_rate	Exchange Rate Stability Index	2304	96
mon_indep	Monetary Independence Index	2304	96
crisis	Crisis Dummy (Pre-Crisis=0 ve Post-Crisis=1)	2328	97

Table 1: Variables and Abbreviations

The aim of this study is to test three hypotheses ranged in the introduction on the basis of the relationship between financialization and income inequality over the 1991-2014 period for the sample includes 97 countries, covering both developed and developing economies. To estimate this relationship, the regression analysis considers the panel data model in Eq. (1) as follows:

$$INEQ_{it} = \beta_0 + \beta_1 FINANCE_{1it} + \beta_2 GLOB_{2it} + \beta_3 LABOR_{3it} + \beta_4 X_{4it} + \alpha_i + u_{it} \quad (1)$$

where i represents the country and t represents the year. In Eq. (1), $INEQ_{it}$ shows the Gini coefficient which is adjusted from taxes and transfers; $FINANCE_{it}$ includes the financialization variables; $GLOB_{it}$ shows the globalization indicators; $LABOR_{it}$ shows the labor market indicators; X_{it} refers to the set of other macroeconomic and structural variables. The model is estimated by the fixed-effects method since there might a possible econometric problem related to the omitted variables, which change across units but do not vary over time. Additionally, the fixed effects method also controls the bias problem, which affects the coefficients of the explanatory variables. In that vein, by using the fixed-effects method, the net effects of given explanatory variables can easily be deduced from the estimation since the time-invariant effects are eliminated. Each unit has n different intercepts representing by a set of explanatory variables, each of which has a statistical power to change the estimation results of the outcome variable.

The fixed effects regression model representing by Eq. (1) estimates the unit-fixed effects, which is represented by α_i. In particular, the existence of omitted variables leads to a change in the unit fixed-effects that vary across the number of groups but are constant over time. For instance, in order to get rid of the unit fixed-effects, the first-differencing method can be used as an alternative statistical way in the estimation. Additionally, another way is based on some certain assumptions and is called as the fixed effects (within) transformation. In consideration of this latter technical way, the unobserved effects are removed from the estimation. In that vein, the econometric findings are produced by the fixed-effects linear regression model estimated by Driscoll and Kraay (1998) method using time-series cross-sectional data. The major reason for using this method depends on the fact that the panel data series may be characterized by complex error structures which means that the disturbances are likely to be heteroskedastic and contemporaneously correlated across panels. In order to adjust these kinds of diagnostic problems, the method is based on the Newey-West type of correction for the average cross-section series. Since the standard error estimators are corrected by this method, the consistency of the covariance matrix estimators is substantially provided in the regression analysis, which is independent of the cross-sectional dimension of the sample. Therefore, the covariance matrix estimators are consistent even if the standard errors are suffered from heteroskedasticity and thus are adjusted in the analysis along with the production of robust standard errors when there is a spatial and cross-sectional dependence.

4. Empirical Findings

Table 2 and Table 3 present the empirical results produced by the fixed-effects method of Driscoll and Kraay (1998), in which the variables are in levels. The relationship between financialization and income inequality is approached separately within each specification. However, the estimates in each model, including Table 2 and Table 3, differ based on the measurement of financialization variables. Therefore, the models presenting in Table 2 and Table 3 follow each other and their structures do not change for the case of including several variables. Each model includes both time-fixed effects and country-specific effects. It should be noted that since some data may follow a non-stationary trend in unit-root tests, the IPS test produced by Im et al. (2003) is used to determine whether the series is stationary. Thus, the empirical findings to be obtained in terms of the reliability of the estimation results leads to effective assumptions.

First, the overall globalization variable (i.e., overall_glob) has a positive effect on income inequality within the framework of a given hypothesis. In that vein, it should be noted that the empirical results are obtained along with the effects of the weighted average of sub-determinants, which are included both economic, social, and political indicators. Therefore, the significance level of the estimation results in each model supports the main view of this paper where social and political factors, as well as economic factors, are considered in the analysis on the basis of income inequality. The more limited aspect of globalization is examined within the framework of considering economic variables as proxy variables. They can be ranged as follows: adjusted trade openness (i.e., adj_tradeopen), financial openness (i.e., fin_open), foreign direct investment, inflows (i.e., inw_fdi), the stability of exchange rates (i.e., ex_rate), and monetary independence (i.e., mon_indep). Moreover, in Model 7, a more comprehensive economic globalization (i.e., econ_glob) data is used as a proxy variable to produce a specific result.

Second, the coefficient of adjusted trade openness is positive and statistically significant in models for each financialization variable. The same conclusion can be made for the financial openness variable. These empirical results lead us to put forward contradictory assumptions with the orthodox view, which supports the expansion of trade and financial channels of countries. However, it is not possible to reach the same conclusions for inflows of foreign direct investment, exchange rate stability, and monetary independence, which of those are effective on economic globalization. No statistically significant results were obtained for all three coefficients in the regression analysis. One reason for this case may depend on the fact that countries whose exchange rate stability and monetary independence are not still at the desired point. Another reason is that most of the countries are still in transition. On the other hand, the economic globalization variable, which includes more comprehensive sub-indicators, has statistically significant and positive effects on income inequality. The estimation results obtained in Model 7 allow us to make arguments contrary to traditional views, which is led by introducing the economic globalization variable. Although the spread of globalization and the disappearance of its borders constitute the basis of the orthodox view, which advocates the effectiveness in the distribution of total income, the economic globalization is still one of the most important pillars of view. Therefore, the current results need to be carefully considered and rethought over traditional arguments.

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Dependent variable: gini_disp								
finance_prv	0.018***	0.014***	0.010***	0.010***	0.011***	0.012***	0.009***	0.012***
	(0.002)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
fin_dev			1.573*	1.748*	1.633**	0.985	0.585	
			(0.878)	(0.889)	(0.722)	(0.699)	(0.813)	
overall_glob		0.075***	0.060**	0.052**	0.040	0.059**		
		(0.024)	(0.026)	(0.025)	(0.030)	(0.028)		
log(emp)			-7.808***	-6.034***	-8.023***	-13.844***	-6.516***	-6.417***
			(0.825)	(1.108)	(1.017)	(1.656)	(0.852)	(1.020)
gov_share			-0.641	-0.442	-3.121*	-2.723*	-0.863	-1.847
			(1.642)	(1.473)	(1.743)	(1.464)	(1.690)	(2.133)
log(prod)			7.993***	9.580***	11.488***	5.972*	8.558***	8.980***
			(2.255)	(2.737)	(2.758)	(2.897)	(2.174)	(2.827)
log(gdp)			-4.368	-5.293	-3.218	0.880	-4.843*	-3.122
			(2.876)	(3.164)	(2.966)	(3.154)	(2.579)	(3.231)
depbank_asset								-0.011
								(0.007)
fin_open								0.831**
								(0.312)
adj_tradeopen								1.261**
								(0.462)
inw_fdi								-0.002
								(0.007)
ex_rate								-0.133
								(0.276)
mon_indep								0.396
								(0.289)
human_cap				-0.578				
				(0.846)				
tfp					-4.188***	-32.024***		
					(0.500)	(4.065)		
tfp*log(emp)						4.230***		
						(0.616)		
econ_glob							0.065***	
							(0.018)	
crisis	-0.731***	-1.303***	-0.839***	-0.843***	-0.738***	-0.773***	-0.718***	-0.980***
	(0.241)	(0.263)	(0.187)	(0.201)	(0.181)	(0.182)	(0.183)	(0.256)
constant	36.636***	32.359***	67.849***	54.649***	54.237***	99.738***	59.036***	53.854***
	(0.167)	(1.341)	(6.545)	(9.568)	(8.966)	(13.411)	(5.412)	(8.444)
Within R^2	0.0329	0.0684	0.1508	0.1300	0.1748	0.2084	0.1665	0.1602
No. of obs.	2328	2328	2328	2232	2088	2088	2328	2256
No. of groups	97	97	97	93	87	87	97	94

Note: Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1
Table 2: The Estimation Results of Fixed-Effects Method
(Financialization Variable: finance_prv)

Third, the investigation of the relationship between financialization and income inequality also stipulates the determination of the control variables. In that sense, for instance, the labor market indicators will provide a piece of distinguishing information about the given nexus. The major reason for why the labor market variables should be included in the regression analysis depends on the fact that the bargaining power measures may have potential effects on the changing income shares of households, and on the total income distributed among capital and labor. For instance, within the models, four basic variables are used to understand the impact of changes in the labor market on income inequality. These variables can be ranged as follows: (i) the logarithm of total employment (i.e., log_emp), (ii) welfare-relevant total factor productivity (i.e., tfp), (iii) human capital index (i.e., human_cap), and (iv) interaction term of tfp with log_emp (i.e., tfp*log_emp). First, the regression results show that the increase in the amount of employment has a decreasing effect on income inequality. This empirical result, which can be evaluated by the case of labor demand, is in harmony with the traditional views. An increase in the demand for labor leads to an equal distribution of national income for labor since it increases the bargaining power of labor. Therefore, this leads to reduce differences in income inequality among various income groups and encourages the emergence of equal conditions in the distribution of social income. Second, the regression results, based on the welfare-relevant total factor productivity variable, statistically confirm the traditional point of view. Technological development increases the real purchasing power of the society as a whole by decreasing the unit costs of products and increases the demand for labor by encouraging investors to invest more in the economy. This phenomenon thus increases the bargaining power of labor and has a slowing and/or lowering effect on income inequality, which directly increases total national income. However, the causality between these two variables needs to be considered as a different factor in the regression analysis since it represents a separate aspect of the given estimation results. In this context, the interaction term of the logarithm of total employment and welfare-relevant total factor productivity is regressed in Model 6 as an additional variable in the case of each financialization indicator. The results show that there is a conditional situation between the two variables. The coefficient of interaction variable indicates that it has an increasing effect on income inequality at a high level of significance. In other words, the empirical results show that the reduction in income inequality is conditional on welfare-relevant total factor productivity since the former one has a positive effect on a higher level of employment in the economy. In other words, to provide a more equal income distribution among individuals, technological progress should lead to stimulate a higher level of employment. The consequence of technological development that will cause current employment to shift to the unemployed category may adversely affect the income distribution, leading to an increase in income inequality. Third, as another labor market variable, the human capital index is included in the model and its correlation with income inequality is regressed in the analysis. However, the estimation results show that the coefficient of the human capital index is negative, though it is statistically insignificant.

Finally, as another important pillar of the financialization, the variable measuring the degree of financial development as a control variable is included in the estimation, which may have the potentials to affect income inequality. The overall financial development index has an increasing effect on income inequality and the coefficients are statistically significant in most of the regressions. The estimation results provided from those models need to be considered to a large extent since financial development is one of the factors that positively affect the income distribution according to the orthodox finance theory. However, the estimation results open up a discussion on the theoretical validity of traditional views.

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Dependent variable: gini_disp								
finance_dep	0.018***	0.011**	0.011***	0.010**	0.005	0.007*	0.010***	0.007
	(0.003)	(0.005)	(0.003)	(0.004)	(0.004)	(0.003)	(0.003)	(0.004)
fin_dev			2.131**	2.356**	2.451***	1.940**	1.051	
			(0.844)	(0.896)	(0.752)	(0.779)	(0.798)	
overall_glob		0.075***	0.055**	0.046*	0.035	0.057**		
		(0.024)	(0.025)	(0.025)	(0.027)	(0.024)		
log(emp)			-7.914***	-6.046***	-8.234***	-14.365***	-6.599***	-6.048***
			(0.677)	(0.821)	(0.920)	(1.519)	(0.718)	(0.824)
gov_share			0.829	1.246	-0.266	0.278	0.730	-0.057
			(1.747)	(1.470)	(1.976)	(1.738)	(1.730)	(2.181)
log(prod)			10.022***	11.888***	14.326***	8.467***	10.698***	11.687***
			(2.020)	(2.439)	(2.599)	(2.279)	(1.936)	(2.624)
log(gdp)			-5.669*	-6.694**	-4.030	0.188	-6.443**	-4.614
			(2.758)	(3.088)	(2.838)	(2.873)	(2.463)	(3.314)
depbank_asset								-0.016**
								(0.006)
fin_open								0.958***
								(0.328)
adj_tradeopen								1.519***
								(0.406)
inw_fdi								-0.001
								(0.007)
ex_rate								-0.248
								(0.270)
mon_indep								0.330
								(0.306)
human_cap				-0.546				
				(0.769)				
tfp					-4.995***	-33.601***		
					(0.657)	(4.315)		
tfp*log(emp)						4.341***		
						(0.580)		
econ_glob							0.065***	
							(0.017)	
crisis	-0.677**	-1.241***	-0.873***	-0.881***	-0.756***	-0.782***	-0.765***	-1.018***
	(0.250)	(0.257)	(0.192)	(0.212)	(0.184)	(0.188)	(0.185)	(0.249)
constant	36.685***	32.479***	64.638***	49.972***	46.779***	95.229***	56.082***	45.689***
	(0.125)	(1.325)	(5.505)	(7.074)	(8.033)	(11.237)	(4.662)	(6.813)
Within R^2	0.0223	0.0583	0.1577	0.1386	0.1926	0.2280	0.1761	0.1684
No. of obs.	2280	2280	2280	2184	2040	2040	2280	2208
No. of groups	95	95	95	91	85	85	95	92

Note: Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1
Table 3: The Estimation Results of Fixed-Effects Method
(Financialization Variable: finance_dep)

Along with the explanation of the reasons behind these results, the measurement of financial development index should be discussed in detail. The financial development index used in the models reflects the weighted average of two main sub-components within itself: (i) financial markets development index and (ii) financial institutions development index. In addition, both of these sub-components are measured based on the weighted average of three indicators: (i) financial depth, (ii) financial efficiency, and (iii) financial access. In particular, the increase in income inequality level provided in regression results depends primarily on the trend of these sub-components in given sample countries. In this context, the structure of financial markets and financial institutions in those countries should be explained in detail. All these structural features affect the level of financial development in various aspects and differentiate the dimensions of income inequality among countries. Therefore, the deposit money bank assets to (deposit money + central) bank assets (%), which measures the depth in financial markets as a proxy variable, were used separately in regression analysis. The regression results provided by this variable are different from the estimation results of the variable for the overall financial development index. While the estimates are statistically significant and negative in Table 3, the same conclusion cannot be done for the regression results obtained in Table 2. Although the coefficient for depbank_asset in Table 2 is negative, it is not statistically significant. All in all, these estimation results show that fin_dev variable should be discussed in caution for the case of analyzing its effect on income inequality due to its multidimensional structure.

5. Concluding Remarks

The increasing level of income inequality in the post-1980 period has eventually demonstrated that inequality is not an illusion across countries. Indeed, many things have gone wrong with contemporary capitalism. While a growing scale of inequality effect on living standards have changed many dimensions of the economic system, this was exacerbated by the changes in social and political aspects. For instance, in many countries social mobility was reduced; the capital accumulation was highly centralized and concentrated within a small number of firms and the political ingredients became more complicated. What followed was an explosion of study into the causes and reasons for a surge in income inequality across many different economies. In consideration of the bulk of studies on income inequality, this study focused on a more specific field for investigating the financial-side effects on income distribution. Therefore, in this paper, the financialization-income inequality nexus is analyzed by way of using 97 countries, including developed and developing countries, in the estimation process for the period between 1991 and 2014.

The existing literature has a lack of examining the effects of financial development in the social structure and a lack of determining the components of the change in income inequality. Therefore, there is a need to fill the current gaps in traditional wisdom to analyze the relationship between finance and income inequality. In that vein, this study investigates the finance-income inequality nexus within the framework of the financialization term in order to contribute to existing literature along with including several social, macroeconomic and structural variables. The estimation results show that the given issue should be addressed on a different basis, which contradicts with the perspective of traditional finance theory on income inequality.

First and foremost, it should be noted that there is a positive relationship between financialization and income inequality. Based on the regression results, both indicators used to measure financialization have an increasing effect on income inequality. Although the level-effects of each variable are different, it is not possible to reject the causality linkage among the variables. Therefore, the empirical investigation of income inequality requires a multidimensional analysis that prioritizes the financialization phenomenon. To this end, the components of the financial sector must be considered separately, and then must be subjected to a thorough analysis. Each indicator may have its own specific effects in the models, as well as its significant effect on income inequality for the case of aggregate analysis.

Although this study statistically shows that there is a positive correlation between financialization and income inequality, it also reveals that the nexus between these two indicators is also prevailing in control of several explanatory variables that may have potential effects on the change of income inequality. One of the striking results in the regression analysis is that the globalization variables are negatively correlated with income inequality. In consideration of the overall globalization variable as a whole, which deals with economic, social, and political factors, both its sub-component of economic globalization variable and more specifically the openness indicators of the economic globalization, have positively correlated with the income inequality. In other words, both the economic globalization variable and its sub-indicators increase income inequality over time. Therefore, each estimation result has its own economic meaning related to the growth of income inequality. One of the most important reasons for this case depends on the fact that traditional wisdom rejects the above-mentioned positive correlation between income inequality and globalization. According to the mainstream arguments, globalization phenomena have their own dynamics to stimulate higher growth rates and more equal distribution of income along with several reasons, covering both economic, social, and political dimensions. However, contrary to the traditional perspective that the coefficients of financial openness and trade openness indicators are positively correlated with the income distribution indicators, the current estimation results show that the opposite facts exist in empirical findings.

The scope of this study provides an advantage to analyze the relationship between financialization and income inequality in a multidimensional framework. In that vein, in addition to the globalization variables, the labor market variables and macro-scale indicators have been included in the regression analysis in order to obtain a broad definition for the nexus between these two variables. However, even if this study benefits from different indicators to extend the financialization-income inequality nexus, the dimension of financialization exceeds the limits of specified points in the article. Therefore, it is certain that more rigorous and comprehensive analyses are needed in order to obtain more information about the changes in income inequality over time and across countries, along with the changes in the financialization phenomenon.

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Table A1: Sample of Countries on the Basis of Their Income Categories

High-Income Countries		**Upper-Middle Income Countries**		**Lower-Middle and Low Income Countries**	
Argentina	Lithuania	Armenia	Turkey	Bolivia	Sri Lanka
Australia	Luxembourg	Belarus	Venezuela	Ivory Coast	Tajikistan
Austria	Holland	Brazil		Egypt	Tanzania
Belgium	New Zealand	Bulgaria		El Salvador	Tunisia
Canada	Norway	China		Georgia	Uganda
Chile	Panama	Colombia		Ghana	Ukraine
Croatia	Poland	Costa Rica		Guinea	
Cyprus	Portugal	Dominic Republic		Honduras	
Czech Republic	Singapore	Ecuador		India	
Denmark	Slovakia	Guatemala		Indonesia	
Estonia	Slovenia	Iran		Kirgizstan	
Finland	Spain	Jordan		Lao	
France	Sweden	Kazakhstan		Madagascar	
Germany	Switzerland	Macedonia		Malawi	
Greece	United Kingdom	Malaysia		Moldova	
Hong Kong	United States	Mauritius		Morocco	
Hungary	Uruguay	Mexico		Nicaragua	
Iceland		Namibia		Niger	
Ireland		Paraguay		Nigeria	
Israel		Peru		Pakistan	
Italy		Romania		Philippines	
Japan		Russia		Ruanda	
Korea Republic		South Africa		Senegal	
Latvia		Thailand		Sierra Leone	

Table A2: Summary Statistics

Data	***No. of Observations***	***Mean***	***Standard Error***	***Minimum***	***Maximum***
Income Inequality Index	2328	37.36451	8.685152	18.67	59.46
Financial System Deposits (% of GDP)	2280	49.54689	49.00324	0.0663199	472.049
Private Credit by Deposit Money Banks and Other Financial Institutions (% of GDP)	2328	53.86653	46.79041	0.8656644	263.268
Overall Globalization Index	2328	62.67402	15.25855	26.16459	90.6673
Financial System Development Index	2328	0.3718873	0.2370618	0.0298885	1
Total Number of Employment (Logarithmic Scale)	2328	6.748674	0.6566474	5.138213	8.902203
Government Expenditure (% of GDP)	2328	0.1842271	0.0857162	0.0166282	0.9199508
Labor Productivity (Logarithmic Scale)	2328	4.414232	0.4595794	3.004321	5.360639

GDP per Capita (Logarithmic Scale)	2328	4.021648	0.4706656	2.662758	4.927037
Human Capital Index	2232	2.583987	0.657294	1.062905	3.734285
Welfare-Relevant Total Factor Productivity Index	2088	0.9326604	0.1563533	0.2168888	1.58497
Economic Globalization Index	2328	56.87669	16.9579	14.79545	93.72647
Deposit Bank Assets (%)	2304	85.80854	18.42975	6.09714	100
Financial Openness Index	2304	0.5776339	0.364187	0	1
(Adjusted) Trade Openness Index	2328	0.4912196	0.6051242	0.0268336	7.040422
Foreign Direct Investment, Inflows (% of GDP)	2328	3.750191	8.47329	-58.32587	252.3081
Exchange Rate Stability Index	2304	0.5618778	0.3120865	0.0083561	1
Monetary Independence Index	2304	0.4174934	0.2254694	0	1

Özet

Artan finansal ilişkilerin ve işlemlerin gelir eşitsizliği üzerindeki etkilerinin incelenmesi bu çalışmanın temel amacını oluşturmaktadır. Finansallaşma kavramı altında incelenecek olan finans değişkenlerinin gelir eşitsizliği ile arasındaki ilişki gelişmiş ve gelişmekte olan seçili 97 ülke örneği temelinde 1991-2014 yılları arası dönem itibarıyla sabit etkili panel veri analizi ile test edilmektedir. Çalışmanın temel hipotezi artan finansallaşma ölçeğinde gelir eşitsizliğinin belirli ekonomik ve sosyal faktörlere bağlı olarak pozitif yönde etkilendiği üzerine kuruludur. Diğer bir deyişle, ülkelerin finansallaşma olgusunu daha ileri düzeyde benimsemeleri dolayısıyla bölüşümün üst ve alt gelir grupları düzeyinde olumsuz yönde bozulduğu çalışmanın temel varsayımıdır.

Belirtilen bu iki temel değişkenin ardındaki en önemli faktörlerden birini ise emek kesiminin pazarlık gücündeki değişimler oluşturmaktadır. Emek ve sermaye arasındaki pazarlık gücü farklılıkları gelir bölüşümünün finansallaşma ölçeğinde emek aleyhine bozulmasını beraberinde getirmektedir. Bu varsayım potansiyel olarak dört ana alt başlıkta detaylandırılabilir. İlk olarak, emek kesiminin pazarlık gücündeki azalma dolayısıyla ücret oranlarında düşüş yaşaması bu kesimin alım gücünü sabit tutabilmek amacıyla daha fazla finans sektörü ile entegre olmasını beraberinde getirebilir. İkinci olarak, emek piyasasının mevcut durumu ve özellikle istihdam alanında yaşanan süreç çalışanların ekonomik davranışlarını değiştirme gücüne sahip bulunmaktadır. İşsizliğin artan bir eğilime sahip olması veya yüksek düzeylerde bulunması çalışanların ücretleri üzerinde negatif yönlü baskı oluşturarak finans sektörüne yönlenmelerine neden olabilmektedir. Üçüncü olarak, daha ileri bir küreselleşme düzeyine sahip olan ülkeler veya bu eğilime yönelen ülkeler özellikle finans alanlarındaki serbestleşme politikalarını benimsemeleri nedeniyle sosyal boyuttaki dinamiklerin daha hızlı bozulmasına yol açmaktadır. Finansal işlemlerdeki yoğunlaşma, özellikle telekomünikasyon alanındaki gelişmeler çerçevesinde, herhangi bir sorun anında finansal sermayenin ülkeler arasında geçiş yapmalarını kolaylaştırması ve çıkış yaptıkları ülkeleri finansal açıdan baskı altına sokmaları nedeniyle toplam ulusal gelirin bölüşüm yapısını farklılaştırabilmektir. Son olarak, finansal alanda tüketici temelindeki yenilikler, mevcut kesimin finansal işlemlere gönüllü olarak dahil edilmesi ve daha ileri finansal ilişkiler ölçeğinde ekonomik bir aktör olarak tanımlanmasına yol açabilmektedir. Belirtilen tüm bu faktörler makalede belirtilen finansallaşma-gelir eşitsizliği arasındaki pozitif ilişkinin ardındaki nedenlerin temelini oluşturmaktadır.

Panel veri analizinde, 97 ülke için elde edilen regresyon sonuçları Driscoll ve Kraay (1998) tarafından üretilen sabit etkiler yöntemi ile elde edilmektedir. Bu yöntemi kullanmanın temel nedeni serilerin değişen varyans, otokorelasyon ve yatay kesit bağımlılığı

gibi diagnostik sorunlara sahip olması ve bu sorunların belirtilen yöntem altında düzeltilmesidir. Oluşturulan modellerin temel mantığı dört ana kategori altında meydana gelmektedir. İlk olarak, her iki finansallaşma değişkeni için yapılan analizlerde de finansallaşma değişkenleri ile gelir eşitsizliği arasında pozitif bir korelasyon bulunmaktadır. Diğer bir deyişle, her iki finansallaşma değişkeni de gelir eşitsizliğini artırıcı bir etkiye sahiptir. İkinci olarak, mevcut finansallaşma-gelir eşitsizliği bağıntısı küreselleşme değişkenlerinin dahil edildiği modeller altında sınanmaktadır. Ekonomik küreselleşme değişkeni ve hem ekonomik hem de sosyal ve politik küreselleşme değişkenlerinin ağırlıklı ortalaması alınarak elde edilen ortalama küreselleşme değişkeni regresyon analizlerine ayrı ayrı dahil edilerek çok boyutlu bir sonuç elde edilmeye çalışılmıştır. Elde edilen ampirik çıktılar, her iki küreselleşme değişkeninin gelir eşitsizliğini arttırdığına işaret etmektedir. Bu değişkenlere ek olarak, ekonomik küreselleşme değişkeninin alt bileşenlerinden reel ticari açıklık, finansal açıklık ve doğrudan yabancı yatırım (iç akışı) değişkenleri modelleme içerisine dahil edilerek test edilmiştir. Temel küreselleşme değişkenleri ile uyumlu olarak, özellikle reel ticari açıklık ve finansal açıklık değişkenlerinin gelir eşitsizliğini artırdığı sonucuna ulaşılmıştır. Üçüncü olarak, makro ölçekli değişkenler analize içerilmiş olup genel bir analize ulaşılmaya çalışılmıştır. Özellikle toplam faktör verimliliği değişkeninin regresyon analizlerine dahil edilmesi ile ulaşılan sonuçlar çalışmanın arka planında yatan teorik dinamikleri anlamlandırmada önemli ipuçları sağlamaktadır. Elde edilen ampirik sonuçlar teknolojik ilerlemelerin gelir eşitsizliğini azalttığını ancak toplam istihdam ile bağlantısı çerçevesinde etkileşim değişkeninin gelir eşitsizliğini arttırdığı görülmektedir. Bunun en önemli nedeni, eğer teknolojik gelişmeler istihdam yaratıcı bir özelliğe sahip bulunmuyorsa gelir eşitsizliğini arttırıcı dinamikleri ortaya çıkarmaktadır olarak yorumlanabilir. Son olarak, emek piyasası değişkenlerinin dahil edilmesi ölçeğinde pazarlık gücü temelinde mevcut bağıntının incelenmesi, çıkan ampirik sonuçların ardındaki ilişkileri sınıflandırmak adına önemli ipuçları sağlamaktadır. Özellikle emek piyasalarında yaşanan sorunların, çalışan kesimin sermaye karşısındaki pazarlık gücünü azaltması sonucunda bireysel düzeydeki gelir dağılımına yansımaları olumsuz bir etkiye sahip bulunmaktadır. Diğer bir deyişle, çalışan kesimin pazarlık gücünde sermaye karşısında yaşadığı sorunlar ve bu sorunlardan kaynaklanan ekonomik dönüşümler çalışanların satın alma güçlerinde yaşanan olumsuz yönlü farklılaşmalar dolayısıyla bireysel ölçekte gelir dağılımını bozmakta ve bu nedenle gelir eşitsizliğini artırmaktadır. Buradaki temel varsayım ise çalışan kesimin pazarlık gücünde yaşadıkları sorunlar dolayısıyla ücret düzeylerindeki olumsuz baskıyı hafifletmek amacıyla finans sektörüne yönelmeleri ve alım güçlerini finansal kanal aracılığıyla dengelemek istemelerdir. Emek piyasasına yönelik kullanılan değişkenlerin dahil edildiği modellerin çoğunluğunda finansallaşma ile gelir eşitsizliği arasındaki pozitif korelasyonun istatistiksel olarak anlamlı çıktığı ve emek piyasası değişkenlerinin ise gelir eşitsizliğini artırıcı etkisinin bulunduğu görülmektedir.