

Referee Report on
‘Equity Market Liberalization, Credit Constraints and
Income Inequality’

Summary: This paper finds that equity market liberalizations deliver smaller income inequality.

General remarks:

1. The introduction is somewhat chatty, especially the first page of manuscript. The introduction should be shortened and more focused. I do not understand the meaning of several sentences in the introduction such as: *“In this paper, our research attempts to loosen the credit constraints through opening financial markets, and investigate various impacts of which on inequality.”* All in all, the introduction does not seem to be well prepared. In fact, the whole paper is chatty, the same/similar sentences repeat several times in the main text.
2. The paper is not well organized. Why do we find the subsection “Theoretical background” in the section called “Data”?
3. I do not buy the following statement: *“Private credit is a comparatively comprehensive measure of the credit constraints, which will be a lower value if the credit constraint is tight, otherwise it will be a higher value.”* It seems that in the following section, the authors use private credit as the measure of credit constraints. Not only I have strong doubts about interpreting the private credit as the measure of financial constraints, I could not find anywhere in the text whether it is private credit in USD or private credit growth or something else.
4. Figure 1 is not described. You have to search in the text to find out what is on the axis y.
5. The authors report the GMM estimates without mentioning any specification tests. It is standard to report the first and second order autocorrelation. How many observations in the regressions?

All in all, I am afraid that the manuscript is so badly prepared that it should be rejected.

Minor issue:

The English should definitively be improved. For example, consider the abstract:” Finally, it is proved that foreign equity flows benefit the initially less active stock markets more than the active ones, which is important evidence that foreign equity flows act as a substitute for the domestic financial market.” The word “prove” is inadequate in this concern.