

Referee Report:

"Equity Market Liberalization, Credit Constraints and Income Inequality"

This paper examines the impact of equity market liberalization on inequality by using data of 72 countries during the period 1980-2006. It employs the difference-in-difference approach and the methodology introduced in Blundell and Bond (1998).

The different methodologies used in Tables 4-6 should be explained properly in the text.

"We use a..to analysis...": (page 11, 1st line of paragraph 2): it should read: We use ..to analyse...

In equation (1) the coefficients are denoted by  $\lambda$  whereas in page 12 are denoted by  $\beta$ .

In equation (1) it should be explained what  $\theta_i$ ,  $\nu_t$ ,  $e_{it}$  and  $\text{Contl}_{i,t}$  are.

"which is an important determinate..." (page 12, 3rd line from the top) should be corrected.

Section 3 is difficult to read.

Tables 2 and 3 should be skipped.

"we can clearly find that initial income inequality and education enter as the same as our expectation" (page 14, 7th line from the bottom). This should be changed.

"In Table 4 there are the regression results using the..." (page 14, 2nd line from the bottom). It should read: Table 4 presents....

"Both initial inequality and credit constraints play the role in above equation as the same as our expectation"

(page 15, 2nd line from the top). This should be rewritten.

In Table 4 there are a number of variables (i.e., openness, investment share, population, etc..) that are not discussed in the text.

"The results are robust in Table 5 to using the fixed effect stalemating method..." (page 16, 2nd line from the top) should be rewritten.

"However, in column B3 and C3..." (page 17, 4th line from the top) should read: However, in columns...

In Table 5 there are a number of variables (i.e., openness, investment share, population, etc..) that are not discussed in the text.

In Tables 4 and 5 in the first column the coefficients should be added as well. For example: Initial gini:  $I_{gini}$ .

In Tables 4, 5 and 6 notes should be included.

In Table 6 the line EquLib\*L.FinCrd and the next one should be corrected.

In page 17th, first line: first-sigh... whereas in Table 6: fist sign... these typos should be corrected.

Section 4.2 is very difficult to read. It should be rewritten in an appropriate way.

$\beta_{mkt1crd1} < 0$ : there is no  $\beta_{mkt1crd1}$  in equation (2).

Equation (2) should be explained in a proper way.

Table 8 should be written in a proper way. For example, the stars in the second line should be in the first line.

The title of Section 4.3: "Empirical results analysis" is not the appropriate one.

Page 26, line 15: first sigh: should read first sign.

There should be some notes in figure 1 in page 28.

There are a number of references in the text that are missing from the reference list.