This article is related to:

Peña (2022): "The Effects of the Finance-Inequality Nexus on Economic and Banking Activity", *mimeo*

"The dependent variable is the logarithm of the gross domestic product (GDP) in differences, the *dlngdp* variable, […] The *gini* variable is the measure of income inequality measured by the Gini Index from the World Bank, and *fsize* is the logarithm of the percentage of the value added of the financial services over the total value added of the economy lagged one period, from the OECD database. These are the target variables, while $X_{i,t}$ is the set of control variables.

Furthermore, probit and logit models with the *bcrisis* variable of systemic banking crises from Laeven and Valencia (2013), taken from the World Bank, is used, with the end of the data on 2011 as the reason for the temporal limit of the exercise in order to be homogenous with the economic growth determinants. For additionally checking the robustness of the interaction term, two alternative specifications for the inequality-finance nexus have been checked: the *topincome* variable comes from the top 1% income indicator of the World Inequality Database and the credit variable from the World Bank that reflects the percentage of private credit over total GDP.

The variable of interest *fsize* is lagged one period, also in the interaction, in order to avoid simultaneous and endogeneity issues, as usual in System GMM (Roodman, 2009). The measure employed to include the income inequality on the model is the Gini index, which

reflects the way the distribution of income (or, consumption expenditure) among persons within a country deviates from an equal distribution.

The control variables of this model are the main targets of public policy and are the following: *deviation*, which is the deviation between the inflation and the optimal inflation, measured as the difference between the inflation rate and the desirable inflation, which is considered to be 2% (OECD database). This variable takes into account the target of monetary policy. The public expenditure, *pexp*, is measured by the expenditure of the public sector over the total of the GDP and considers the public sector affairs. These variables have been constructed from the World Bank. The variable *fix* considers the international influence, and is a binary dummy that reflects the presence of a fix exchange rate system in the country (1), or otherwise is 0; *eurozone* measures whether the country is included in the European Monetary Union, to reflect monetary areas."