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Monetary Policy and the Top One Percent: Evidence from a Century of Modern Economic History

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This paper examines the distributional implications of monetary policy from a long-run perspective with data spanning a century of modern economic history in 12 advanced economies between 1920 and 2015. We employ two complementary empirical methodologies for estimating the dynamic responses of the top 1% income share to a monetary policy shock: vector auto-regressions and local projections. We notably exploit the implications of the macroeconomic policy trilemma to identify exogenous variations in monetary conditions. The obtained results indicate that expansionary monetary policy strongly increases the share of national income held by the top one percent. Our findings also suggest that this effect is arguably driven by higher asset prices, and holds irrespective of the state of the economy.

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