

# Inequality of Opportunity in South Korea

Discussant: Biung-Ghi Ju

April 27, 2017

# Summary

- ▶ Determinants of Inequality: effort, circumstances, natural lottery, pure luck
- ▶ Inequality due to circumstances is crucial from normative perspectives. Opportunity inequality in the current paper is the inequality that results from differences in circumstances.
- ▶ This paper is the first attempt using Korean data to quantify opportunity inequality by identifying the degrees of inequality in three individual achievements (income, education, health) that are due to differential circumstances.

## Comments (1/3)

- ▶ “Inequality due to effort” should be understood throughout the paper as “Inequality due to effort, other circumstances, natural lottery, or pure luck”. It is better to use a different name. Anyway, this is the residual part and the key part in the paper is how much inequality is due to the differences in circumstances.
- ▶ Many related papers investigate the same issue for different countries and regions. They use different circumstance variables which make it difficult to make a cross-country comparison.
- ▶ Circumstance variables of the current paper are quite different from the other papers. It will be useful to consider alternative sets of circumstance variables that will make it easier to compare results for other countries.
- ▶ Also trying with different sets of circumstance variables and checking whether the result is robust with regard to this change will improve the paper.

## Comments (2/3)

- ▶ The authors distinguish age variable into two parts, age-effort and age-circumstance. The first part is the effect of age upon wage independent from education level and the second part is the effect of age upon wage through education. Whether the effect is through education or not, I think that it is true that age is not a factor that can be chosen by the individual at the time her wage is determined. So I am not quite sure about the division.
- ▶ It is not clear why the second part is associated with effort choice. Age as a circumstance may affect wage differently depending on education levels. Should this be also considered as a circumstance effect?
- ▶ Two important variables for BMI, income and education, are missing in the specification for BMI regression. It seems that the effect of circumstances on BMI via these two variables is not taken into account in the current analysis that reports extremely minor contribution of circumstances such as farther's education.

## Comments (3/3)

- ▶ Shapley-value decomposition: the degree of inequality that can be accounted for by a circumstance is measured using how much this circumstance contributes for increasing inequality.
- ▶ I agree that this is a useful method but still it needs some justification when there are two circumstances that are highly correlated. How such a correlation affects the decomposition?
- ▶ The paper explains Shapley-value decomposition for decomposing income inequality into inequalities of different sources of income. This has to be rewritten considering the current model and the exact way of using the regression model in the decomposition should be outlined for better instruction for readers.