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# Asset-Building Policy in Korea: Innovation for Social Development

By Michael Sherraden

**EDITOR'S NOTE:** This Perspective is adapted from Michael Sherraden's keynote address given during the "Ceremony Commemorating the 20th Anniversary of Self-Sufficiency & Welfare Policy and 10th Anniversary of Asset-Building Policy" in Korea. The Perspective is presented through a partnership between the Center for Social Development, the Korean Ministry of Health & Welfare, and the Korea Development Institute for Self-Sufficiency & Welfare.

Thanks to the government and people of Korea for inviting me to participate in this celebration. I wish I were with you in person to enjoy our international friendship.

Also, thanks to Professor Han Chang-Keun, my former doctoral student, who will comment on this presentation. He is very informed and insightful and will not defer too much to his old professor—which will result in a productive discussion.

In these remarks, I will emphasize asset-building as a policy innovation for social investment. The goal of asset building is to enable all people to reach their potential, and to contribute to the economy and society.

Why asset building?

Most of what we call "social policy" in advanced economies consists of some form of income support, typically "means tested" payments to the poor and social insurance. Income policies were designed for the industrial era and have been largely successful in supporting industrial societies. But the world is

changing. As we move into the information age, labor incomes (and social policies to augment those incomes) are increasingly strained. If households are to remain stable—and raise their children successfully—a larger view of financial security will be necessary. One major policy option is to support not only income but also assets.

Assets are the stock of wealth. Assets can supplement insufficient or uneven income flows, enable investments for household development, and provide long-term security.

In most advanced economies today, we already have large asset-building policies, but mostly for the non-poor. These policies typically operate through the tax system, with tax benefits for achieving homeownership, retirement accounts, business property, and so on. The policies are regressive; public subsidies go to the non-poor.

So let us ask: Why not asset-building policy that includes everyone? This would be more effective and more fair as public policy. Also, a growing body of evidence finds that asset-building policy is not just about the money—it has positive impacts on outlooks and behaviors of families. In short, people have better lives when they have some assets to help build their achievements and security. This is not too surprising, but until recently assessing asset effects was not a part of research and innovation in social policy.

In 1991, I wrote a book entitled *Assets and the Poor* that initiated this new policy discussion, and we have been busy ever since. Research evidence now provides a



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stronger foundation, and asset-based policies are emerging in the United States, Korea, and many other countries.

Discussion of asset-building policy began in Korea in 2004, at a conference entitled “Toward a New Paradigm in Social Policy: The Potential of Child Development Accounts in Asset-Based Social Policy,” which was organized by the Korean Labor Institute and Chung Ang University.

In March 2007, Mr. Rhyu Simin, then head of the Korean Ministry of Health and Welfare, delivered a keynote address entitled, “Learning from Korea: Innovative social investment strategies for future generations” to American policymakers and experts in Washington, DC. This speech included a policy recommendation for Child Development Accounts (CDAs).

Since that time, a growing number of asset-based programs have been implemented at both national and city levels in Korea. Prior research and policy design in the United States somewhat informed these in initiatives, yet Korean policymakers made distinctive decisions to fit the context, challenges, and goals of Korea.

Asset-building policies in Korea have included innovations in:

- **Child Development Accounts**, which were started by Korean Government in 2007, aimed to build assets for the most vulnerable children and to reduce intergenerational transmission of poverty. The first applications were with institutionalized children in the child welfare system, with a goal of someday serving about 50% (the economic bottom half) of Korean children.
- **Individual Development Accounts (IDAs)**, for working poor adults, were implemented in several major cities, for which the Seoul Welfare Foundation won the United Nations Public Service Award in 2010. As with CDAs, the focus has been on the most disadvantaged households. IDAs have been implemented in many forms, with research showing positive impacts.

These two types of policy applications—CDAs and IDAs—have been implemented in Korea in several variations, with different participants, usually with forward-looking names, such as Hope Building Accounts 1 & 2, Tomorrow Building Accounts, Youth Hope Building Accounts, and Youth Saving Accounts.

There is even an asset-building account for North Korean defectors. As part of the North Korean Defectors Resettlement Act the Korean Ministry of Unification launched in 2014 a program to open Future Happiness Accounts. While this may be a small policy application today, there is always the potential that the Korean Peninsula will someday be reunified, which will of course be a massive economic and social challenge. Asset-building could play a central role in developing the North Korean population. Imagine what might happen if every Korean child—both North and South—had an account for her or his future. Holding assets could be a core policy strategy for achieving a sense of security, pride, education, and commitment in a renewed Korea.

Looking to the future, the various asset-building policies and programs in Korea have created a strong foundation for a comprehensive social investment policy. Policy features have been defined, and institutional arrangements have been put in place. Asset-building policy in Korea is now ready for expansion into a larger role in Korean social policy.

What would this policy be? In my view, policy expansion can and should continue toward social investment, and include the whole population.

How should Korea accomplish this? I suggest three policy principles: universal (everyone is included), progressive (more support for the disadvantaged), and lifelong (from birth to death).

To put this another way, I am suggesting that asset-building policy should move beyond the idea of helping the poor and toward the idea of developing the whole society. These goals are not mutually exclusive, yet they are not quite the same.

Where might Korea look for policy examples?

Probably the most advanced example of an inclusive asset-based policy today is in Singapore. Many Koreans will know this policy well (this includes Professor Han, who will comment on this presentation). Singapore's policy is not perfect—no policy is—but Singapore today probably has the least unequal advanced society in terms of asset holding. Singapore has used asset-based policy explicitly for nation-building, to create citizens who identify with Singapore. In this regard, it is an example that merits attention in terms of goals, structure, resource flows, and policy trade-offs.

Koreans must decide and follow their own direction, a direction that will fit the Korean context and challenges ahead. The challenges will include maintaining a vibrant economy, distributing resources to the whole society, raising the next generation successfully, and in the longer term perhaps reunification with North Korea.

Other nations will be very interested in what Korea does. Your economy, society, and political institutions have come a very long way. Personally, I have long admired not only your economic progress, but also your strong commitment to democracy, with students and others protesting in the streets—which has resulted over time in more representative government and stronger social institutions. Indeed, the last time I was in Seoul, the streets were packed in peaceful protest against a corrupt leader, ensuring her transition out of office. Such engaged citizens! Such effective politics! Koreans have learned, as well as any people on the planet, how to build and sustain a democratic nation.

Yet democracy and development are always evolving, and never complete. There will be more work to do, more policy ideas to test, and more social and economic innovations to put in place.

In closing, the question that I ask you today is: Should universal, progressive, and lifelong asset building take its place in Korean social policy in the 21st century?

Thank you very much for listening. Congratulations to you all! I look forward to the discussion.

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