

Baby-Boomers' Investment in Social Capital: Evidence from the Korean Longitudinal Study of Ageing

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Paper Abstract:

Existing literature has explored the role of social capital in individuals' accumulation of human capital and other economic decisions throughout their life, and the consequences of social capital for economic or health outcomes and reported life satisfaction. Recognizing that social capital is both an input and an output of individuals' economic choices, and that relatively little is known about capital investment and disinvestment in people's later stages in life, we focus on a narrow question: How much investment in social capital does the Korean baby-boom generation do, and what are the determinants? In answering this question, we describe the distribution of social capital, and put figures on the degree of inequality in social capital across individuals, and across groups such as men vs. women, and urban vs. rural residents. We also investigate how accumulated social capital and decisions to invest in it differ across individuals with different household roles, such as gender, marital status and status as household head. Finally, we attempt to distinguish private, within-family, and public investments in social capital to comment on the role and effectiveness of public policy toward the elderly. We use a standard theoretical capital-accumulation model to formulate hypotheses about the cost, expected benefit, depreciation and preexisting level of social capital. We use principal component analysis to generate measures of individuals' social network and trust in public and social institutions; linear regressions with panel-data methods to identify the determinants of social-capital accumulation among the elderly, and its implications for individuals' life satisfaction; and finally developmental trajectory models to put emphasis on the dynamic aspects of individuals' social-capital investment. Korean Longitudinal Study of Ageing, with four bi-annual waves of 9,000 individuals over the age of 45 each, provides necessary information on individuals' social networks, trust, financial interactions with friends and family, life-expectancy, mental health and personality, as well as economic circumstances in which individuals live and individuals' economic engagement. Implications for public policy toward the elderly and particularly toward one-person and female elderly households are derived.