Research Plan: “The Elderly Economy”

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Abstract

As the demographic structure has been changing in most countries, aging emerged as a crucial issue, and an important matter of collective organization. Even though the urgency of the debate and of scientific work on the subject is generally acknowledged, we are still far from untangling the challenges posed to us. As a consequence, we observe and experience a paradoxical coexistence of contradictory aspirations – “long life” and “eternal youth”.

Part of the difficulty in advancing towards a more satisfactory understanding of the aging challenge is due to a bias in the traditional economic approach. This approach tends to focus only on the supposedly increasing “financial burden” imposed by elderly populations on younger generations (Folbre et al, 2005) and their lost of productive capacity. The contribution of the elderly for welfare of younger generations, through varied productive activities, is thus simply ignored.

We believe that the transformation in the age structure compels us to rethink contemporary societies, requiring the development of a more pluralistic economic approach - one which is opened to contributions from other social sciences such as Political Science, Sociology, Psychology, Antropology and Gerontology.

Our aim is to explore the “elderly economy”. We intend to articulate aging and the current challenges to the welfare systems from the stand point (hypothesis) that “The elderly are not a weight on society - although aging is pressuring the existent welfare systems, elderly people are also (perhaps increasingly) part of a safety net which is accommodating the impact of the welfare crises”.

At first we will investigate the limits of the neoclassic economics’ approach on aging. The three main features of this approach are: (i) Methodological Individualism, (ii) the Maximization Hypothesis and (iii) the Rationalist Conception of Action.

The neoclassical image of the individual – *Homo Economicus* – is a descendent of Jeremy Bentham’s pleasure maximizer, he knows what he wants, calculates the costs and benefits of different means of achieving his ends, and acts consistently to pursue these ends according to their relative importance to him, constrained only by the resources and given range of alternatives at his disposal, his preferences are exogenous, and he is “naturally” self-interested (Meagher and Nelson, 2004).

Mainstream economics views all relations as market-based interactions, where markets are presumed to be the location of exchanges between utility maximizing consumers, and profit maximizing firms. Value, is exchange value, and value creation is production for the market. Nonetheless, many life-sustaining goods and services are obviously not produced by firms and exchanged in markets (Meagher e Nelson 2004). Many of elderly activities, as care, house-holding and babysitting, are not measurable in market terms, and thus not taken into account in the mainstream approach. Besides those activities are not necessarily driven by the pecuniary and self-centered motivation usually assumed.

Situations where reality does not match up neoclassic theory, are generally accounted by, either market failures, or abnormal behavioural biases. Supposedly the mismatch can be solved by better institutions or agent learning, excluding, the possibility of solving the mistake with a better or alternative theory.

In face of the inadequacy of mainstream approach we believe that alternative paradigms in economics, like feminist, economics may provide valuable inspiration for the understanding of the elderly economy. Feminist economics has indeed been looking for an alternative to *homo economicus* which they criticise as a dualistic and androcentric concept, opposing reason to emotion. Feminist economics refuses the idea of the agent as a completely self-intersected autonomous entity, and the denial of altruism, empathy and the impact of social environment on preferences. It suggests instead a relational approach that recognises interdependency (Meagher e Nelson 2004).

Behavioural Economics may be another important source of inspiration for the understanding of the elderly economy. Many of our common actions would be seen as anomalies by mainstream economics. How do people deal with uncertainties of life cycle? Why do they save money? How do consumers behave in face of health services or drugs consume? Many decisions of the young in respect to the future, and many decision by the elderly could not be explained under the neoclassic motivational paradigm which is circumscribed to the market and based on pecuniary incentives (ver. Bowles, 2004, Fehr 2000, Frey, 2001, Kahneman, 1986).