

From Gerontocracy to Gerontonomia: The Politics of Economic Stagnation in Ageing Democracies

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Abstract

One in five people in the EU and nearly one in ten in the world are now aged 65 and over. This demographic transformation is one of the great successes of the twentieth century and has profoundly altered the composition of electorates in many democracies. This article explores whether and how this population ageing reshapes the relationship between democracy and capitalism. I argue that ageing changes the economic and policy priorities of a growing share of democracies' electorates in ways that incentivise elected governments to prioritise certain social policies and economic outcomes, such as pensions and low inflation, at the expense of others, most notably greater social investments and pursuing economic growth. As a result, gerontocracies increasingly lead to what I call a 'gerontonomia' characterised by democratically sustained economic stagnation.

Keywords: ageing, grey voters, gerontonomia, gerontocracy, economic stagnation, growth

FOR THE FIRST TIME in history, the elderly out-number children under five in the world, and by 2050 they will outnumber both adolescent and youth between 15 and 24. Around 18 per cent of European and North American populations are now 65 years or over and this share is projected to rise to nearly 30 per cent by 2100. The phenomenon is widespread across a wide range of democracies, including most western European countries, the US, Australia, Canada and New Zealand, as well as Japan. This demographic transformation is one of the great successes of the twentieth century and has, in no small part, been driven by economic progress and advances in health-care, two developments to be celebrated in their own right.¹

Ageing has profoundly altered the composition of electorates in many democracies. The extent of population ageing underestimates the true weight of the elderly in the electorates

of most developed democracies since older individuals tend to be more politically active. This phenomenon will likely not stay confined to affluent democracies, as the comparatively younger populations of emerging economies also start ageing. As a result, economic policy making in many democracies will be, and in many cases already is, increasingly becoming dominated by 'grey' voters. Despite this substantial ageing of democracies' electorates and the scholarly attention to the politics and economics of ageing, we still lack a theoretical framework to conceptualise and analyse the political consequences of ageing on economic performance.²

This article focuses on the impact of the growing influence of elderly voters, often referred to as 'grey power', on the ability and willingness of democratic governments to pursue economically beneficial policies. Specifically, I explore the implications of this fundamental restructuring of the demographic

¹European Commission, *The 2015 Ageing Report Underlying Assumptions and Projection Methodologies*, Brussels, 2003; S. Harper, 'Economic and social implications of aging societies', *Science*, vol. 346, no. 6209, 2014, pp. 587–591; UN Population Division, United Nations Department of Economic and Social Affairs, 2020; <https://www.un.org/development/desa/pd/>

²S. Nishiyama and K. Smetters, 'Financing old age dependency', *Annual Review of Economics*, no. 6, 2014, pp. 53–76; T. Vlandas, D. McArthur and M. Ganslmeier, 'Ageing and the economy: a literature review of political and policy mechanisms', *Political Research Exchange*, vol. 3, no. 1, 2021.

composition of our societies for the relationship between democracy and capitalism, which has been the focus of a large and influential literature.³ I analyse how the growing political influence of ageing electorates on government policies affects the economic performance of advanced democracies, and argue that ageing democracies pursue less efficient economic policies, not necessarily (or only) as a result of problems in political representations, but also because democratic institutions perform well in representing the changing composition of the electorates—their policy preferences and economic priorities—over time. In a democracy dominated by grey voters (gerontocracy), electorally viable policies lead to an economy that is reorganised to prioritise the socioeconomic needs of the elderly. I call this this new stagnating political economy a ‘gerontonomia’—this neologism combines the Greek words for old ‘γέρων’ and for economy ‘οικονομία’.

As voters age, the electoral centre of gravity in democracies shifts: existing studies show that elderly voters care a lot about pensions, healthcare and inflation, but less about unemployment, growth and social investments. These different policy and economic preferences translate in a distinct political behaviour for elderly individuals. Grey voters are much more likely to penalise governments for high inflation and pension retrenchment, but are relatively indifferent to unemployment, low growth and insufficient social investments, for instance, education and family policy. As a result, governments in ageing countries over time spend more on pensions, but less on education and family policies. These shifting policy priorities lead to a negative association between ageing and economic growth.

This argument differs from both pessimistic and optimistic accounts of the relationship between democracy and economic performance. On the one hand, pessimist accounts anticipate tensions between a well-functioning democracy and market efficiency. For some, capitalism is inevitably undermined by democratic choices to tax and spend excessively, whereas for others, it is capitalism which

damages democracies that increasingly represent the interests of the rich and capital. On the other hand, more optimistic accounts posit a symbiotic relationship between democracy and capitalism, because the built-in incentives of democracies to represent the interests of the (educated) middle classes increase economic efficiency. By contrast, one corollary of my argument is that this symbiotic relationship between democracy and capitalism can indeed hold, but under rapidly disappearing conditions: powerful voting blocs must be directly affected by key economic developments, such as economic growth and unemployment, for democracies to promote efficient economic outcomes. With ageing, this condition is gradually compromised because grey voters are—to a much larger extent than the working age population—insulated from *certain* forms of poor economic performance and mismanagement as well as *specific* types of under-investment.

My argument has important broader policy implications and consequences for our understanding of ageing political economies. First, ageing fundamentally reshapes the structure of the welfare state away from public and social investments and towards certain types of consumption policies. Second, my argument suggests that the long-term economic development of capitalism is crucially shaped by slow, but over time profound, demographic changes in the electorates.⁴ Third, the relationship between democracy and capitalism is neither necessarily reinforcing, nor always self-undermining, but instead depends on the demographic composition of democracies. Finally, in the longer run, this paradoxical relationship between democracy, ageing and the economy may end up undermining popular support for democracy as young and middle-aged individuals who are suffering economically cannot find suitable political representation in democracies dominated by grey voters.

In the rest of this article, I first examine the political behaviour, economic priorities and policy preferences of grey voters. I then discuss how governments react to ageing electorates and explain why ageing changes democracies in ways that undermine economic

³T. Iversen and D. Soskice, *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century*, Princeton NJ, Princeton University Press, 2019.

⁴For a version of this argument in the case of monetarism, see B. Hancke and T. Vlandas, ‘The politics of disinflation’, *LSE Europe in Question Discussion Paper Series*, 2017.

performance. The final section concludes with some wider implications for the relationship between democracy, ageing and capitalism.

Grey voters: policy preferences and economic priorities

Grey voters can be defined as individuals who are politically active as well as old and retired. Their crucial characteristic, for the argument I seek to advance here, is not so much their membership of a different generation, nor their different position in a life cycle, although both characteristics could certainly also influence their political behaviour and policy preferences. Instead, for my purpose, their crucial characteristic stems from their fundamentally distinct position in the economic structure of advanced democracies. In contrast to young and middle-aged individuals, grey voters are out of the labour market, they are mostly reliant on pensions from the state and/or income streams from assets, whether in the form of housing or private funds, and they have a lower remaining lifespan to benefit from the potential gains of public and social investments in the economy. Thus, the way that economic developments and policies affect most grey voters is very different from the rest of the population, even if we allow for other well-researched class, asset and wealth differences.

I argue that the different position of the elderly in the economy leads them to have distinct policy preferences and economic priorities. Note that this argument does not necessarily imply that individuals are entirely and exclusively motivated by material and/or selfish motivations, nor does it rule out other well-known intergenerational, sociotropic or fairness considerations. All that is assumed here is that most individuals are at least partly driven by self-interested and material considerations and that the latter are to some extent determined independently of prevailing ideas and norms. These policy differences in turn matter because grey voters are growing in number and are politically active. As a result, the elderly wield substantial political influence, henceforth referred to as 'grey power'. Expecting grey power to matter does not automatically assume that individuals are perfectly

rational and perfectly informed utility maximisers, nor that they have entirely homogeneous and symmetric preferences as a group. Indeed, even a less demanding, more bounded rationality perspective with limited information would in principle allow certain individuals to penalise the elected government in response to certain developments, *ceteris paribus*, for instance via so-called retrospective pocketbook voting. Individuals may notice that they are worse off, whether because of policy changes or economic developments, and vote accordingly, even if they are not perfectly informed utility maximisers.

The political consequences of ageing are compounded by the often higher political participation of older people across a number of salient dimensions. A voluminous scholarship explores the connection between age and political participation. For instance, older people in Europe have a higher likelihood of voting and of being members of a political party. In contrast to those aged 50 to 59, those in the 60 to 69 age range are also most likely to be union members.⁵ In the US, older people have significant political influence, because they are more likely than any other age group to vote and to do so in all elections, are better informed about politics and are a more significant source of campaign donations. Up to 22 per cent of voters in the 2012 presidential election in the US were over the age of 60. In the UK, a combination of the larger numbers, higher registration and higher voter turnout of older individuals is likely to contribute to significant political power of the old.⁶

The growing number and influence of grey voters matters, because they have different policy preferences, the most obvious example

⁵A. Goerres, *The Political Participation of Older People in Europe*, Basingstoke, Palgrave Macmillan, 2009.

⁶J. Chrisp and N. Pierce, 'Grey power: towards a political economy of older voters in the UK', *The Political Quarterly*, vol. 90, no. 4, 2019, pp. 743–756; S. MacManus, *Targeting Senior Voters: Campaign Outreach to Elders and Others with Special Needs*, Lanham MD, Rowman & Littlefield, 2000; T. File, *Young-Adult Voting: An Analysis of Presidential Elections, 1964–2012*, Washington DC, U.S. Census Bureau, 2014; C. Berry, 'Young people and the ageing electorate: breaking the unwritten rule of representative democracy', *Parliamentary Affairs*, vol. 67, no. 3, 2014, pp. 708–25.

being pensions. Whereas the young care about education and future labour market prospects, and middle-aged individuals care about wages, working conditions and job security, family as well as childcare policies, the elderly are most directly affected by the generosity of pension benefits, social care provisions and (parts of) healthcare. While the political science literature exploring age and policy attitudes is growing and diverse, these expectations are largely borne out by existing evidence.

With respect to pensions, Fernandez and Jaime-Castillo find that older people are more opposed to lowering pensions.⁷ Similarly, Busemeyer, et al. show that age is positively correlated with support for pensions in nearly all countries, with some heterogeneity in the size of the effect.⁸ In an analysis of the Life in Transition Survey across thirty-four countries in Europe and Central Asia, recent research documents higher support among grey voters for pension expenditures.⁹ When faced with an explicit choice between pensions and labour market policies, age differences in the trade-offs can also be observed: in a survey of France, Germany, Italy and Spain, older individuals were more likely to oppose a reallocation of pensions transfers towards unemployment insurance and support for young job seekers.¹⁰ Studies that use data from a single country confirm these results. Older people are generally more supportive of age-related spending in, for example, the US, Finland, Sweden and Norway.¹¹ In the UK,

older people are more likely to support pension increases, even if average wages and prices are not going up, regardless of whether they are renters or house owners, although the age effect is stronger for the latter.¹²

Most older people no longer have any school-aged children and therefore have very little indirect self-interested reasons to support spending on education. Many studies on age and support for education spending examine how support varies across contexts, compared with other policy areas, and the extent to which age differences are driven by self-interest considerations. Overall, there is evidence that, across twelve OECD countries the elderly generally exhibit lower support for education. The age cleavage is substantively and statistically significant since it is larger than the income cleavage in most countries. It is also a larger cleavage than for many other kinds of public spending, although there is substantial cross-national heterogeneity in cleavage size.¹³ In addition, Sørensen demonstrates that older people are less supportive of education spending, even after adjustment for cohort effects.¹⁴ This lower support for education and childcare among older people does not necessarily rule out a moderating role for intergenerational solidarity and interactions, such as contact with grandchildren, nor does it imply that ideas and norms are entirely unimportant.¹⁵

⁷J. Fernández and A. Jaime-Castillo, 'Positive or negative policy feedbacks? Explaining popular attitudes towards pragmatic pension policy reforms', *European Sociological Review*, vol. 29, no. 4, 2013, pp. 803–15.

⁸M. Busemeyer, A. Goerres and S. Weschle, 'Attitudes towards redistributive spending in an era of demographic ageing: the rival pressures from age and income in 14 OECD countries', *Journal of European Social Policy*, vol. 19, no. 3, 2009, pp. 195–212.

⁹L. de Mello, S. Schotte, E. Tiongson and H. Winkler, 'Greying the budget: ageing and preferences over public policies', Policy Research Working Paper, no. 7555, Washington DC, World Bank, 2016.

¹⁰T. Boeri, 'Would you like to shrink the welfare state? A survey of European citizens', *Economic Policy*, vol. 16, no. 32, 2001, p. 36.

¹¹J. Quadagno and J. Pederson, 'Has support for social security declined? Attitudes toward the

public pension scheme in the USA, 2000 and 2010', *International Journal of Social Welfare*, vol. 21, 2012, pp. 88–100; S. Svallfors, 'The generational contract in Sweden: age-specific attitudes to age-related policies', *Policy and Politics*, no. 36, vol. 3, 2008, pp. 381–96; J. Rattsø and R. Sørensen, 'Grey power and public budgets: family altruism helps children, but not the elderly', *European Journal of Political Economy*, vol. 26, no. 2, 2010, pp. 222–34.

¹²Chrisp and Pierce, 'Grey power'.

¹³Busemeyer, Goerres and Weschle, 'Attitudes towards redistributive spending'.

¹⁴R. Sørensen, 'Does aging affect preferences for welfare spending? A study of peoples' spending preferences in 22 countries, 1985–2006', *European Journal of Political Economy*, vol. 29, no. 1, pp. 259–71.

¹⁵A. Goerres and M. Tepe, 'Age-based self-interest, intergenerational solidarity and the welfare state: a comparative analysis of older people's attitudes towards public childcare in 12 OECD countries', *European Journal of Political Research*, vol. 49, no. 6, 2010, pp. 818–51.

Instead, all it suggests is that elderly individuals are at least partly motivated by self-interested material considerations in their policy preferences.

These findings have been replicated across a wide range of single country case studies.¹⁶ Thus for instance, in Switzerland, older people are less keen on raising education expenditure as well as less willing to pay taxes to do so, and tend instead to prioritise health and social security spending. In Norway, older people are more supportive of spending on care for the elderly than the young, and less supportive of childcare and school spending. In the US, older white people are less likely to support education spending, especially at state level and when the share of children from minority backgrounds is higher.

However, elderly voters are not just different in terms of their preferred policies. They also have distinct economic priorities. Older people have an incentive to favour lower inflation, even at the expense of higher unemployment, because they derive income from savings or other financial assets rather than labour income.¹⁷ In addition to favouring lower inflation, the elderly are also less directly affected by lower economic growth and recessions. Unlike younger and middle-aged individuals who rely on work-related

earnings as their main source of income, and hence can be negatively affected by recessions' effects on wages and unemployment, the elderly depend more on pensions and income from other assets.

Although many countries have increasingly complemented their public pensions with private pension funds that might be more reliant on stock market performance, the elderly nevertheless remain less exposed to recessions than the rest of the population. This is for three main reasons.¹⁸ First, the majority of elderly in most advanced economies continue to be covered by public pensions that in many cases remain relatively generous. Second, stock market performance and economic growth have increasingly become delinked as the returns on capital exceed the average growth rate, so that pension fund returns might not be fully and automatically affected by higher unemployment and stagnant wages. Third, retrenching public pensions remains electorally perilous, regardless of whether the elderly also rely on other income sources.

The suboptimal policy implications of grey power

In this section, I argue that the growing political power of grey voters influences government policy choices. Governments facing ageing electorates tend to spend more on pensions and certain types of healthcare that matter a lot to grey voters, but much less on education and childcare, because the latter benefit younger and middle-aged individuals more.

Studies on individual policy preferences and economic voting highlight that there are good reasons to expect individuals to support political parties who align with their policy preferences and to penalise elected governments that do not perform well economically. Government responsiveness to the policy preferences and economic priorities of their core electorates, therefore, can be expected to occur through two

¹⁶A. Cattaneo and S. Wolter, 'Are the elderly a threat to educational expenditures?', *European Journal of Political Economy*, vol. 25, no. 2, 2009, pp. 225–36; P. Pettersen, 'Welfare state legitimacy: ranking, rating, paying: the popularity and support for Norwegian welfare programmes in the mid-1990s', *Scandinavian Political Studies*, vol. 24, no. 1, 2001, pp. 27–49; K. Tedin, R. Matland and G. Weiher, 'Age, race, self-interest, and financing public schools through referenda', *Journal of Politics*, vol. 63, no. 1, 2001, pp. 270–294; E. Brunner and E. Balsdon, 'Intergenerational conflict and the political economy of school spending', *Journal of Urban Economics*, vol. 56, no. 2, 2004, pp. 369–88.

¹⁷T. Vlandas, 'Grey power and the economy: aging and inflation across advanced economies', *Comparative Political Studies*, vol. 51, no. 4, 2018, pp. 514–52; P. Gajewski, 'Is ageing deflationary? Some evidence from OECD countries', *Applied Economics Letters*, vol. 22, no. 11, 2015, pp. 916–19; K. Scheve, 'Public inflation aversion and the political economy of macroeconomic policymaking', *International Organization*, no. 58, 2004, pp. 1–34; T. Vlandas, 'The political effects of ageing on inflation', *Intereconomics*, vol. 51, no. 5, pp. 266–271.

¹⁸L. Scruggs, J. Detlef and K. Kuitto, *Comparative Welfare Entitlements Data Set 2*; <http://cwed2.org/>; T. Piketty, *Capital in the Twenty-First Century*, Cambridge MA, Harvard University Press, 2014; P. Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, Cambridge, Cambridge University Press, 1994.

acute in countries where family policies are less well-developed and institutionalised.

From gerontocracy to gerontonomia

Grey voters combine a low exposure to unemployment and growth, and relatively lower preferences for more spending on education and childcare, with higher concerns about inflation and house prices, as well as stronger support for pensions. As ageing proceeds, the 'electoral centre of gravity' shifts towards grey voters and this shift can in turn be expected to have deleterious political effects on the economy through three distinct channels.

The first is a crowding out channel that undermines the supply side sources of economic growth. Ageing populations push governments to spend more on policies with low (or even negative) growth implications, while lowering expenditures on policies that have been shown to matter for growth, most notably social investments in education and family policies. While previous studies on ageing and public policy have analysed crowding out in some policy areas, they tend to neglect the economic consequences of such dynamics. The supply side institutions of the economy, both in the labour market and in other policy domains such as training and education, play a crucial role in shaping economic competitiveness and performance. In knowledge economies, social and public investments in education and skills become particularly central to overall economic efficiency and the long-term development of different growth regimes.²³

The second contractionary channel arises because governments increasingly prioritise

low inflation at the expense of containing unemployment, with deleterious effects for aggregate demand in the economy. Recent works on growth regime underline the importance of demand side factors in shaping growth outcomes. Yet, many governments have delegated monetary policy to independent central banks, in no small part because of ageing electorates, alongside the growing power of finance and monetarist ideas. The remaining fiscal policy lever to address output gaps is often limited by debt constraints, but also by the excessive focus on low inflation generated by an ageing electorate intent on protecting the real value of their pensions, while being unaffected by rising unemployment. The elderly also tend to have more assets, especially housing, which allows them to lower their demand for welfare state insurance.²⁴

The third unaccountability channel turns the standard economic voting argument that poor economic performance is penalised electorally on its head: economically failing governments become less likely to be voted out of office for low economic growth in ageing societies. With the introduction of employment protection legislation in the 1960s and 1970s, a large part of the labour market—the insiders in permanent contracts—is increasingly insulated from unemployment risks linked to the output gap.²⁵ As countries'

²⁴M. Blyth, J. Pontusson and L. Baccaro, *Diminishing Returns: The New Politics of Growth and Stagnation*, Oxford, Oxford University Press, 2022; Vlandas, 'Grey power and the economy'; A. Posen, 'Declarations are not enough: financial sector sources of central bank independence', in B. Bernanke and J. Rotemberg, eds., *NBER Macroeconomics Annual*, Cambridge MA, MIT Press, 1995; K. McNamara, *The Currency of Ideas*, Ithaca NY, Cornell University Press, 1998; B. Ansell, 'The political economy of ownership: housing markets and the welfare state', *American Political Science Review*, vol. 108, no. 2, 2014, pp. 383–402.

²⁵T. Vlandas, 'The political consequences of labor market dualization: labor market status, occupational unemployment and policy preferences', *Political Science Research and Methods*, vol. 8, no. 2, 2020, pp. 362–368; M. Simoni and T. Vlandas, 'Labour market liberalization and the rise of dualism in Europe as the interplay between governments, trade unions and the economy', *Social Policy and Administration*, no. 55, 2021, pp. 637–658.

²³J. Garritzmann, S. Häusermann and B. Palier, *The World Politics of Social Investment: Welfare States in the Knowledge Economy*, Oxford and New York, Oxford University Press, 2022; B. Hancke, *Debating Varieties of Capitalism: A Reader*, Oxford, Oxford University Press, 2009; T. Iversen and D. Soskice, 'Democratic limits to redistribution: inclusionary versus exclusionary coalitions in the knowledge economy', *World Politics*, vol. 67, no. 2, 2015, pp. 185–225; A. Hassel and B. Palier, *Growth and Welfare in Advanced Capitalist Economies: How Have Growth Regimes Evolved?*, Oxford, Oxford University Press, 2020; L. Baccaro and J. Pontusson, 'Rethinking comparative political economy: the growth model perspective', *Politics and Society*, vol. 44, no. 2, 2016, pp. 175–207.

electorates have aged, the insiders have been joined by a group even more insulated from the vagaries of the labour market: pensioners. The latter essentially have no (self-interested) reasons to worry in the short to medium term about low growth, so long as their pensions continue to be paid and inflation remains low. This greater unaccountability makes low or even negative growth more electorally viable as grey power help re-elect governments with poor economic track record, so long as the real value of their pensions and (housing) assets are protected.

The stagnating political economy of ageing democracies

Ageing crowds out necessary social and public investments, produces an excessive focus on low inflation, and reduces electoral accountability for overall economic mismanagement. Consistent with these three political channels linking ageing to the economy, there is growing evidence that countries with older populations tend to exhibit both lower inflation, characteristic of what has been termed the ‘great moderation’, and lower economic growth, or in other words, a ‘great stagnation’.

Elsewhere, I have analysed more systematically the relationship between the share of the elderly population and inflation.²⁶ Using a wide range of empirical evidence, I show that ageing is negatively associated with inflation, especially in countries with well-functioning democratic institutions. Crucially, the causal chain linking ageing to low inflation operates via the greater inflation aversion of elderly voters: ageing leads to political parties adopting more economically orthodox party manifestos and a greater likelihood of delegating monetary policy to independent conservative central banks.

The consequences of ageing for economic growth are the focus of a growing literature in economics, with many studies analysing the dynamics in OECD countries: the share of working age population is associated with higher growth, while an ageing population has adverse effects on economic performance. Figure 2 plots real GDP growth against the share of population over 65, across thirty

countries on average since the 1960s (left-hand side) and over time for the average of the same thirty countries (right-hand side). There is a negative correlation between ageing and economic growth, both across countries and over time. While valuable, these studies focus on economic mechanisms, while neglecting political effects of ageing on the economic operating via democratic channels. In more recent work focusing on the political economy of ageing democracies, I have empirically documented political mechanisms linking ageing to certain government policy choices, and in turn to lower economic performance.²⁷

Paradoxically, many of the problems of ageing for economic productivity and innovation documented in economics, and for the fiscal sustainability of the welfare state discussed in social policy, are compounded by the ‘electoral straightjacket’ of grey power for governments in democracies. Faced with an ageing electorate, governments under-invest in social and human capital and keep aggregate demand at suboptimal levels while pursuing low inflation, sometimes at (unnecessarily) high costs in terms of stagnant wages and rising unemployment. Where labour markets become increasingly inefficient and where governments fail to achieve economic growth, they are less likely to be voted out of office by grey voters intent on protecting their pensions and keeping inflation low. Thus, the political economy of ageing makes the economic problems associated with ageing both more acute and harder to address in democratic systems.

The experience of the UK in the last two decades partly illustrates this conundrum: economic performance has overall been disappointing and social investments insufficient, but pensions have been largely protected through the so-called ‘triple lock’, while the

²⁷C. An and S. Hoon Jeon, ‘Demographic change and economic growth: an inverted-u shape relationship’, *Economics Letters*, vol. 92, no. 3, 2006, pp. 447–54; J. Feyrer, ‘Demographics and productivity’, *Review of Economics and Statistics*, vol. 89, no. 1, 2007, pp. 100–109; Y. Aksoy, H. S. Basso, R. P. Smith and T. Grasl, ‘Demographic structure and macroeconomic trends’, *American Economic Journal: Macroeconomics*, vol. 11, no. 1, 2019, pp. 193–222; T. Vlandas, ‘Grey power and economic performance’, Nuffield politics working paper series, 2022; <https://osf.io/preprints/socarxiv/d3ybr/>

²⁶Vlandas, ‘Grey power and the economy’.

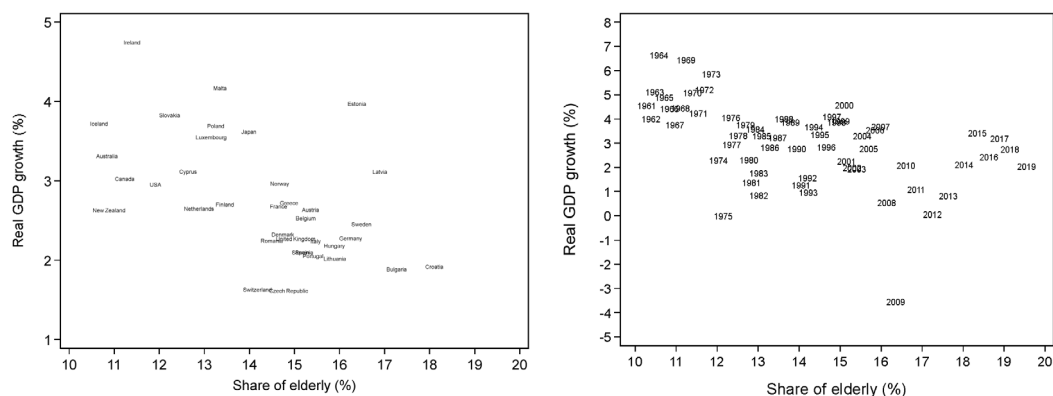


Figure 2: Ageing and economic growth across countries (left-hand side) and time (right-hand side)

housing market has been a booming sector of the economy.²⁸ Yet, the incumbent Conservative Party has maintained a strong hold on government, largely through a reliance on grey voters. While 56 per cent of those between 18 and 24 voted for Labour in the 2019 general election, nearly 70 per cent of people older than 70 voted for the Conservative Party. In the 60–69 age group, 57 per cent voted for the Conservatives, whereas over three-quarters of the 25–29 group chose another political party.²⁹ Crucially, this age-related partisan cleavage has been growing continuously in the last few years and can be observed both among degree holders and those with no qualifications.³⁰ With 22 per cent of the UK

population aged 60 and over, the electoral weight of grey voters for the parties they choose to support becomes greater thereby insulating to some extent this party from electoral penalties for poor economic performance.

Gerontonomia and the politics of advanced capitalism

In this article, I have argued that ageing changes the nature of the relationship between democracy and the economy: a gerontocracy dominated by grey voters leads to a ‘gerontonomia’, understood as a stagnating political economy that increasingly prioritises the socioeconomic needs of the elderly at the expense of future economic performance. This argument opens up a substantial research agenda focussed on a new era of democratic economic policy making in ageing democracies. Three wider implications can be delineated.

First, linking ageing to democratic dynamics and economic performance over the longer run suggests that grey voters may at least partly shape the long-term economic development of democracies. The neglect of political channels by the economics literature debating the relationship between ageing and economy is therefore problematic. The direct economic effects of ageing on the economy that operate solely through the changed behaviour of private economic agents should, to some extent, depend on the wider policy context. Governments influence these effects by choosing whether, and how much, to invest in human and

²⁸On education, see P. Bolton, ‘Education spending in the UK’, Research Briefing, *House of Commons Library*, 2021. For more on insufficient productivity and economic performance, see Economic snapshot on the UK, Organisation for Economic Cooperation and Development, 2022; <https://www.oecd.org/economy/united-kingdom-economic-snapshot/>; on housing, see B. Ansell and D. Adler, ‘Brexit and the politics of housing in Britain’, *The Political Quarterly*, vol. 90, no. 2, 2019, pp. 105–116; T. Bell, ‘Britain’s older electorate can live with low GDP. It’s high inflation they abhor’, *The Guardian*, 12 March 2023; <https://www.theguardian.com/commentisfree/2023/mar/12/britain-older-electorate-live-low-gdp-high-inflation-they-abhor>

²⁹A. McDonnell and C. Curtis, ‘How Britain voted in the 2019 general election’, YouGov, 17 December 2019; <https://yougov.co.uk/topics/politics/articles-reports/2019/12/17/how-britain-voted-2019-general-election>

³⁰Chrip and Pierce, ‘Grey power’, Figures 1 and 2.

physical capital as well as how to arbitrate the trade-offs between different economic priorities such as unemployment and inflation, when setting fiscal and monetary policy.

Second, ageing is fundamentally restructuring the welfare state: it raises pension expenditures and constrains social investment, just as it reduces the taxable base from which to fund welfare states, partly by already heightening the tax burden on economically active individuals and partly by changing the ratio of active to inactive people. However, the problem is likely worse than anticipated, since grey power also undermines the investments and policies needed to sustain the long-term economic growth that would have improved the sustainability of the welfare state.

Third, we are witnessing the emergence of democratically sustained economic stagnation. This new political economy equilibrium is unstable and risks unravelling the symbiotic relationship between capitalism and democracy. To the extent that there ever was a positive feedback mechanism between regulated capitalism's ability to deliver material prosperity to the middle classes supporting democratic institutions and electoral support for capitalism in advanced democracies, this depended crucially on the presence of powerful voting blocs having the right economic

incentives. Ageing reduces governments' incentives to pursue economic growth, because the growing share of grey voters in the electorates of many democracies takes political precedence over the younger and middle-aged working and middle classes—themselves already increasingly divided and polarised across a growing number of dimensions. As large parts of the electorates become disillusioned with the ability of democratic governments to address their concerns, their distrust of democracies grows, and in some cases, they turn to radical and extreme right parties.³¹ As a result, the slow transformation of gerontocracies into gerontonomias, characterised by democratically sustained economic stagnation, may end up undermining both democracy and capitalism.

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³¹Iversen and Soskice, *Democracy and Prosperity*. D. Halikiopoulou and T. Vlandas, 'The Rise of the Far Right in Debtor and Creditor European Countries: The Case of European Parliament Elections', *The Political Quarterly*, no 86, 2015, pp. 279–288. T. Vlandas and D. Halikiopoulou 'Welfare state policies and far right party support: moderating 'insecurity effects' among different social groups', *West European Politics*, vol. 45, no 1, 2022, pp. 24–49.