Elderly Care and Multiple Monies

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Abstract

This paper uses an overlapping generations model to show that separating fiat money for elderly care from fiat money for the other types of goods and services achieves the optimal sharing of elderly-care risk in the economy under a certain condition. The model features relatively young people in their retirement ages as the potential suppliers of caregivers; thus it experiments the enhancement of intergenerational transfers between people in similar ages. This feature of the model is motivated by the severe aging problem in Japan, which is making it more and more difficult to rely on the working-age population for the provision of services to the senior population in the country.

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