

From “Aged Care” to “Aging Well”: An Integrative Framework for High-Quality Development in the Silver Economy—An Economic Analysis of Demand, Supply, and Institutional Interactions

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Abstract

The accelerating process of population aging in China and the rise of the “new elderly” group (those born after the 1960s and 1970s) are driving a profound transformation of the silver economy from “basic elderly care” to “high-quality enjoyment of old age”. However, existing studies often adopt a single perspective, lacking a systematic analysis of the interactive mechanisms among the demand side, supply side, and institutional side. This paper constructs an integrated analytical framework encompassing demand, supply, and institutional aspects, revealing the interactive mechanisms among these three dimensions and their impact pathways on the high-quality development of the silver economy. The research finds that demand drives supply via scale, structure, and price effects; supply feeds back to demand by creating scenarios, reducing costs, and enhancing experience; and institutions regulate supply-demand matching by correcting market failures, providing incentives, and standardizing order. Furthermore, this paper applies the proposed framework from a dynamic evolutionary perspective to outline the developmental pathways of the silver economy. This research provides an integrated theoretical tool for understanding the intrinsic logic of the silver economy and offers an analytical framework for precise policy formulation and strategic corporate planning.

Keywords

silver economy, new elderly, demand side, high-quality development, institutional side

1. Introduction

1.1 Background and Research Issue

Population aging is a global structural transformation trend in the 21st century. In the case of China, this process is particularly rapid. According to data from the National Bureau of Statistics, by the end of 2025, the population aged 60 and above in China had reached 323 million [1]. According to projections from the State Council's report on aging work, by 2035, this figure will increase to approximately 420 million [2]. Accompanying this demographic shift is a generational change in the primary consumer base: the “new elderly”

cohort, represented by individuals born after the 1960s and 1970s, exhibits consumption concepts and behavioral patterns that differ significantly from those of traditional elderly groups. This shift is driving a profound transformation of the silver economy from “basic elderly care” to “quality aging enjoyment”.

In line with this direction, the State Council's “Opinions on Developing the Silver Economy and Enhancing the Well-being of the Elderly” explicitly calls for cultivating “high-quality service models” to enable older adults to “enjoy a happy old age”, while systematically promoting areas such as travel-based elderly care and anti-aging industries [3]. This marks the silver economy's elevation to a strategic economic growth point at the national level. According to estimates by the Chinese Center for Geriatric Research, the domestic market scale of the silver economy is projected to reach approximately 30 trillion RMB by 2035 [4]. This provides a broad market space and development support for the implementation of the core directive, laying a solid foundation for older adults to share development outcomes and enjoy a happy old age.

Against this backdrop, a fundamental economic question urgently demands an answer: How do the interactions among demand structure upgrades, supply system evolution, and changes in the institutional environment collectively drive the silver economy's leap from “elderly care” to “enjoying old age”? Existing research has conducted in-depth explorations from the perspectives of the demand side, supply side, and institutional side, respectively. However, there is a lack of systematic analysis of the interaction mechanisms among these three aspects. This research gap limits our comprehensive understanding of the intrinsic logic behind the high-quality development of the silver economy.

1.2 Research Significance and Objective

This paper aims to construct an integrated analytical framework encompassing the demand side, supply side, and institutional side. The theoretical significance lies in integrating consumption economics, industrial organization theory, and institutional economics to construct an analytical framework that elucidates the interaction mechanisms among the three dimensions. The practical significance resides in providing an analytical framework for policymakers to design incentive-compatible policy systems and for business managers to formulate strategic layouts.

Thus, in the context of the silver economy, this paper expects to achieve the following research objectives:

Research Objective 1: To reveal how the demand side drives the evolution of the supply side.

Research Objective 2: To reveal how the supply side provides feedback to the demand side.

Research Objective 3: To reveal how the institutional side regulates the matching of supply and demand.

2. Theoretical Background

In order to deeply evaluate the above research objectives, the author systematically summarizes the key theories underpinning the analytical framework.

Adam Smith's (1776) theorem that “market size limits division of labor” provides a classic basis for understanding the impact of demand scale on supply differentiation [5]. The expansion of market size makes specialized production profitable, thereby promoting deeper division of labor. This theory directly supports the demand scale effect in the proposed framework.

Coase (1937) and Williamson's (1975) transaction cost theory provides a perspective for understanding industrial chain integration. Firms exist because internal organization can reduce market transaction costs [6, 7]. In the field of aging-friendly renovation, one-stop services ranging from assessment and design to construction and maintenance are precisely an embodiment of reducing consumers' search and coordination costs through internalization. This theory thus underpins the transaction cost reduction effect in the proposed framework.

Pine and Gilmore's (1998) experience economy theory emphasizes that creating unique experiences for consumers can generate premium value [8]. This has important implications for understanding experience-based consumption, such as health and wellness elderly care tourism, and cultural elderly care. Consumers purchase not only the service itself, but also unforgettable physical and mental experiences.

3. Literature Review

3.1 Demand-Side Theory: Explanations of Consumption Behavior in the Economics of Aging

Lancaster's (1966) characteristics approach argues that consumers derive utility from the attributes of goods rather than from the goods themselves [9]. Thus, shifts in demand structure prompt firms to optimize their product portfolios in terms of attribute combinations. When the “new elderly” shift their focus from “subsistence-oriented” attributes toward “development-oriented” and “enjoyment-oriented” attributes, corresponding industrial differentiation inevitably occurs on the supply side. This theory directly supports the demand structure effect in the proposed framework.

3.2 Institutional Theory: Market Failure and Government Intervention

Pigou's (1920) externality theory points out that positive externalities lead to private benefits being lower than social benefits, causing market supply insufficiency [10]. Aging-friendly renovation exhibits typical positive externalities—not only benefiting the elderly themselves, but also reducing family caregiving burdens and social medical expenditures. Without government intervention, market supply will fall below the socially optimal level.

Akerlof's (1970) “lemons market” theory reveals how information asymmetry leads to adverse selection [11]. In elderly care services and healthcare, service quality is difficult to judge in advance, and the elderly are often informationally disadvantaged groups, making it easy for the “bad money drives out good” phenomenon to occur.

Hurwicz's (1972) incentive compatibility theory emphasizes that institutional design should enable participants to achieve the designer's objectives while pursuing their own interests [12]. This provides methodological guidance for policy design—good policy is not about opposing the self-interested motives of market actors, but about guiding these motives to serve overall social goals.

Together, these three institutional theories underpin the market failure correction mechanism, institutional incentive provision mechanism, and market order standardization mechanism in the proposed framework.

4. Key Finding

4.1 Logic of the Integrated Analytical Framework

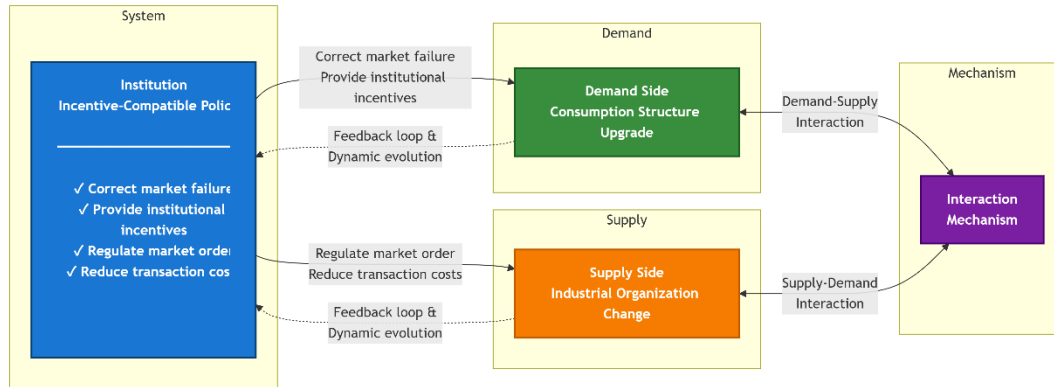
The aforementioned theories reveal the operational laws of the silver economy from different perspectives: demand-side theory explains how shifts in consumer preferences drive industrial differentiation [9]; supply-side theories reveal how market scale [5], transaction costs [6, 7], and experience creation [8] shape industrial evolution; and institutional side theories clarify the theoretical basis for government intervention in correcting market failures [10, 11] and providing incentives [12]. However, these theories have long been in a “fragmented” state, lacking a systematic integration of the interactive mechanisms among the three dimensions. This is precisely the logical starting point for this paper to construct an integrated analytical framework—organically integrating the three-dimensional theories to reveal the interactive mechanisms among the demand side, supply side, and institutional side, as well as their impact paths on the high-quality development of the silver economy.

Based on the above theoretical foundation, this paper constructs an integrated analytical framework encompassing the demand side, supply side, and institutional side to reveal the interactive mechanisms among the three. The overall logic of the framework is illustrated in Figure 1.

The core logic of the framework is as follows: structural upgrading on the demand side drives the evolution of the supply side through the demand scale effect, demand structure effect, and demand price effect; technological innovation and industrial convergence on the supply side reversely shape and stimulate new consumer demand through the scenario creation effect, transaction cost reduction effect, and consumption experience enhancement effect; the institutional side regulates the efficiency of supply-demand matching

through the market failure correction mechanism, institutional incentive provision mechanism, and market order standardization mechanism. The three form a feedback loop, driving the dynamic evolution of the silver economy from “elderly care” to “elderly-oriented well-being”.

Figure 1: Integrated Analysis Framework of “Demand Side-Supply Side-Institutional” Side



4.2 Mechanism of Demand-Side Driving the Supply Side

4.2.1 Demand Scale Effect

The “new elderly” population is large in scale (exceeding 400 million by 2035), and the release of their consumption capacity has created a huge market scale, providing a market foundation for enterprises to achieve economies of scale. According to Smith's theorem [5], the expansion of market scale promotes the deepening of division of labor and specialized production. In the field of the silver economy, the scale effect is manifested as follows: the large elderly population base reduces the marginal cost of specialized elderly care services, giving rise to chain-operated and branded elderly care service institutions; the large-scale demand supports the fixed-cost investment in age-friendly product R&D, driving the formation of segmented markets such as age-friendly renovations and assistive devices for the elderly. This mechanism acts directly on the market structure of the supply side from the demand side—the expansion of scale makes specialized production profitable, thereby changing the entry barriers and firm size distribution of the industry.

4.2.2 Demand Structure Effect

The consumption structure of the “new elderly” has shifted from survival-oriented to development-oriented and enjoyment-oriented, placing higher demands on product differentiation and service quality. According to Lancaster's (1966) theory of characteristics demand [9], consumers derive utility from the characteristics of goods rather than the goods themselves. As the demand structure upgrades, consumers' preferences for product characteristic combinations change, forcing enterprises to adjust product characteristics to adapt to market demand. This effect is specifically manifested as follows: a shift from the single demand for “basic subsistence” to a composite demand for “health + culture + social interaction + experience”; a shift from homogeneous basic services to differentiated high-quality services; and a shift from passive acceptance to active participation and personalized customization.

The demand structure effect drives enterprises to meet diversified needs through product innovation and model innovation, promoting industrial differentiation and value chain upgrading. The emergence of emerging tracks such as health and wellness elderly care tourism and cultural elderly care is a direct outcome of the demand structure effect.

4.2.3 Demand Price Effect

The “new elderly” group has a high level of wealth accumulation and stable income sources (including pensions, property income, etc.), resulting in relatively low demand price elasticity and increased acceptance of high-quality, high-premium products. This provides profit space and incentives for enterprises to invest in R&D and improve quality. The economic significance of the demand price effect lies in that it breaks the low-

level equilibrium trap of “price competition” and creates conditions for the market mechanism of “high quality and high price”. This effect is particularly prominent in fields such as health and wellness tourism, high-end elderly care communities, and smart age-friendly products.

The demand price effect directly influences the conduct of enterprises on the supply side—the predictable profit space incentivizes enterprises to pursue quality improvement and brand building, rather than falling into the vicious cycle of price wars.

4.3 Mechanisms of Supply Side Feeding Back to the Demand Side

4.3.1 Scene Creation Effect

Technological innovation and industrial integration create new consumption scenarios, stimulating potential demand. Smart home technology makes “aging in place” more convenient and safer, transforming scenarios that originally required institutional care into home-based care scenarios; telemedicine enables high-quality medical resources to transcend geographical limitations, creating a new scenario of “consulting renowned doctors without leaving home”; virtual reality technology provides elderly individuals with limited mobility with immersive “cloud tourism” experiences. The scene creation effect not only satisfies existing demand but, more importantly, activates potential demand that consumers themselves were not aware of—as Pine and Gilmore (1998) argued [8], enterprises in the experience economy era need to create memorable consumption experiences. Through supply-side innovation, this mechanism expands the boundaries of demand, achieving a higher-level equilibrium between supply and demand.

4.3.2 Transaction Cost Reduction Effect

Technological progress and the development of platform economies reduce consumers' information search costs, decision-making costs, and transaction costs [6, 7]. Internet platforms enable elderly individuals to conveniently compare prices, quality, and user reviews of different elderly care services; one-stop solutions (such as the full-process “assessment-design-construction-maintenance” service for aging-friendly home modifications) reduce consumers' coordination costs; the widespread adoption of standardized contracts reduces transaction uncertainty. The reduction in transaction costs releases demand that was previously suppressed due to excessively high search costs and information asymmetry. Through supply-side optimization, this mechanism lowers the threshold for demand realization, transforming potential demand into effective demand.

4.3.3 Consumption Experience Enhancement Effect

Quality improvements and model innovations on the supply side enhance consumer marginal utility by improving the consumption experience, thereby incentivizing repeat consumption and word-of-mouth dissemination. The satisfaction derived from high-quality services, the convenience brought by smart products, and the sense of belonging fostered by community activities collectively constitute a positive consumption experience cycle. The consumption experience enhancement effect not only increases the frequency and amount of consumption for individual consumers, but, more importantly, expands market boundaries through word-of-mouth effects, forming a virtuous cycle. Through supply-side improvements, this mechanism enhances the intensity and breadth of demand, transforming consumption from “one-time” to “sustained” and from “individual” to “social.”

4.4 The Mechanism for Regulating the Supply-demand Match from the Institutional Side

4.4.1 Market Failure Correction Mechanism

There are two typical market failures in the silver economy sector: one is positive externality, such as the renovation of facilities for the elderly, which not only benefits the elderly themselves but also reduces the burden of family care and social medical expenditures. However, the private benefits are lower than the social benefits, resulting in insufficient supply [10]; the other is information asymmetry, as the quality of elderly care services and medical services is difficult to be judged in advance, and the elderly are often in a disadvantaged position regarding information, which leads to adverse selection and “bad money driving out good money” [11]. For positive externalities, the Pigou subsidy mechanism (such as subsidies for elderly facility renovations)

makes private benefits converge with social benefits; for information asymmetry, information disclosure and certification mechanisms (such as star ratings for elderly care services and certification of elderly-friendly products) alleviate the problem of adverse selection. This mechanism corrects market failures through institutional intervention, enabling supply and demand to match at a level closer to the social optimum.

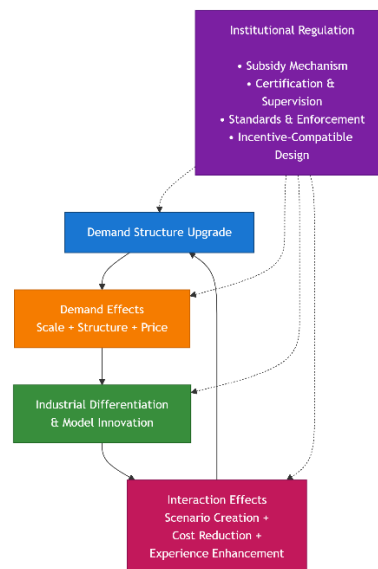
4.4.2 Institutional Incentive Provision Mechanism

Incentive-compatible policy design guides the behavioral choices of market entities and promotes a higher-level matching of supply and demand [12]. Specifically, it includes providing differentiated subsidies for high-quality services to motivate the improvement of supply quality; offering tax incentives for adaptive aging renovations to reduce the investment costs for families; and providing land policy support for health care and leisure projects to encourage integrated industrial development. The core of institutional incentives is to align the pursuit of self-interest by market entities with the overall goals of society. This mechanism guides behavioral choices through institutional design, enabling the evolution of supply-demand matching towards a higher-quality direction.

4.4.3 Market Order Regulation Mechanism

The institutional arrangements such as industry standards, qualification certifications, regulatory enforcement, etc., reduce transaction uncertainties, enhance consumer confidence, and create space for high-quality supply. Adaptation to aging needs unified technical standards, health care and leisure travel require qualified medical service qualifications, and silver-haired technology products need strict quality supervision. A standardized market order protects consumers' rights and also creates a fair competitive environment for compliant enterprises, avoiding the “bad currency driving out good currency” phenomenon. This mechanism reduces transaction costs and enhances market trust through institutional construction, creating a favorable institutional environment for matching supply and demand.

Figure 2: Comprehensive Model of Interaction Mechanism



This model reveals the interactive relationship among the demand side, supply side, and institutional side. The demand side drives the evolution of the supply side through three effects, each effect acting on a specific dimension of the supply side (market structure, industry differentiation, and enterprise behavior). The supply side feeds back to the demand side through three effects, each effect acting on different levels of demand (demand boundary, demand threshold, and demand intensity). The institutional side regulates the matching of supply and demand through three mechanisms, each mechanism addressing a specific institutional issue (market failure, insufficient incentives, and lack of order). The three sides form a dynamic cycle, promoting the continuous evolution of the silver-haired economy towards a high-quality development direction.

5. Discussion

5.1 Dynamic Evolution--The Stage Path for Silver Economy Development

Based on the interactive mechanism, the transformation of the silver economy from “pension” to “enjoyment of old age” exhibits a phased evolutionary characteristic:

Phase One: Demand Awakening and Market Emergence. The consumption concepts of “new elders” began to change, and high-quality demands gradually emerged, but the supply response was insufficient. The market presented “fragmentation” and “low-end” characteristics. No systematic policy support had been formed on the institutional side. The key tasks were to identify specific demands, cultivate market entities, and build infrastructure.

Phase Two: Supply Response and Industry Differentiation. Market entities began to respond to emerging demands, and various tracks gradually differentiated and formed. The industrial organization evolved from “fragmentation” to “specialization”. Tracks such as health care tourism, adaptive aging renovation, and silver-age technology began to form differentiated development paths. The key tasks were to improve industrial policies, establish basic industry standards, and promote the initial integration of the industrial chain.

Phase Three: System Improvement and Market Regulation. As the market size expanded, market failure problems gradually emerged (information asymmetry led to “bad money driving out good money”, positive externalities led to insufficient supply), the institutional side deeply intervened to correct failures and regulate order, and the survival of the fittest mechanism began to take effect. The key tasks were to correct market failures, establish a trust mechanism, and protect consumer rights. Li and Lin B et al. pointed out, institutional construction is a key link for the silver economy to shift from high-speed growth to high-quality development [13, 14].

Phase Four: Interaction Deepening and High-Quality Development. A positive interaction cycle was formed among the demand side, supply side, and institutional side. The market mechanism matured, innovation was active, and quality continued to improve. The demand side's continuous upgrading led to innovation in the supply side, which in turn stimulated new demands, and the institutional side dynamically optimized to ensure the healthy operation of the market. The key tasks were to encourage continuous innovation, cultivate brand ecosystems, and promote international competition.

5.2 Policy Implications

For the demand side: Establish a dynamic monitoring system for elderly consumption, and track the changing trends of the consumption structure of “new elders”. Improve the income security system for the elderly, enhance their consumption capacity. Strengthen elderly consumption education to guide the concept of quality consumption. Build a consumption information platform to reduce the cost of information search.

For the supply side: Lower the market entry threshold and encourage social capital to enter. Support the integration of the industrial chain and cultivate platform enterprises. Encourage technological innovation and model innovation, and establish a silver economy innovation fund. Improve the quality of supply and establish a quality grading and brand cultivation mechanism.

For the institutional side: Implement differentiated subsidies for positive externalities (such as subsidies based on income levels for adaptive aging renovations). Establish an information disclosure and certification supervision system (such as public announcements of senior care service star ratings). Dynamically adjust policy priorities based on the development stage, with emphasis on market cultivation in stage two, market regulation in stage three, and innovation incentives in stage four. Lin from the UN Population Fund's China Representative Office pointed out that the narrative of aging should be reformed, the “longevity dividend” should be explored, and inclusive development of an aging society should be promoted [15]. The prosperity of the silver economy must be based on inclusiveness and equality.

For the interaction mechanism: Build a platform for matching supply and demand, promote the symmetry of supply and demand information. Encourage cross-border integration innovation, break industry boundaries.

Establish a policy evaluation and feedback mechanism, dynamically optimize policies based on interaction effects. Promote regional collaboration and standard mutual recognition to break market segmentation.

6. Conclusion

This paper constructs an integrated analytical framework of “demand side-supply side-institutional side”, systematically revealing the interaction mechanisms among the three and the paths of influence on the high-quality development of the silver economy.

The silver economy's high-quality development follows a phased evolution from demand awakening to supply response and institutional improvement, driven by three core mechanisms: demand-side effects (scale, structure, price) that upgrade supply, supply-side responses (scenario creation, cost reduction, experience enhancement) that stimulate new demand, and institutional regulations that correct market failures and optimize supply-demand matching. Policy priorities must dynamically adjust across stages to avoid a low-level equilibrium trap.

This research provides an integrated theoretical tool for understanding the internal logic of the silver economy and an analytical framework for precise policy implementation and corporate strategic planning. Future research can conduct empirical tests and case deepening based on this article, select typical tracks or regions for quantitative research to test the specific effects of the interaction mechanisms; it can also deeply compare international experiences and explore suitable development paths for the silver economy in line with China's national conditions.

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Conflicts of Interest

The authors declare no conflict of interest.

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