

THE ROLE OF THE ENVIRONMENT OF CHILDHOOD AND ADOLESCENCE IN THE ECONOMIC DECISIONS OF ADULTS

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Abstract. The article examines the role of children's and adolescents' environment in the economic decisions of adults. Although in the conditions of high development of modern technologies and means of communication there are external influences on the decisions of adults, the article argues that the environment of childhood and adolescence has a greater influence on the economic decisions of adults.

Keywords: Economic decisions, behavioral economics, environment of childhood and adolescence, cultural differences, decisions of individuals, socioeconomic conditions.

UŞAQLIQ VƏ YENİYETMƏLİK MÜHİTİNİN BÖYÜKLƏRİN İQTİSADI QƏRARLARINDA ROLU

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Xülasə. Məqalə böyüklərin iqtisadi qərarlarında uşaqılıq və yeniyetməlik mühitinin rolunu öyrənir. Müasir texnologiyaların və kommunikasiya vasitələrinin yüksək inkişafı şəraitində yetkin fərdlərin qərarlarına xarici təsirlər olsa da, məqalədə uşaqılıq və yeniyetməlik mühitinin böyüklərin iqtisadi qərarlarına daha çox təsir pəyü olduđu iddia edilir.

Açar sözlər: iqtisadi qərarlar, davranış iqtisadiyyatı, uşaqılıq və yeniyetməlik mühiti, mədəni fərqlər, fərdi qərarlar, sosial-iqtisadi şərait.

РОЛЬ ОКРУЖАЮЩЕЙ СРЕДЫ ДЕТСТВА И ПОДРОСТКОВОГО ВОЗРАСТА В ЭКОНОМИЧЕСКИХ РЕШЕНИЯХ ВЗРОСЛЫХ

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Резюме. В статье рассматривается роль детского и подросткового окружения в экономических решениях взрослых. Хотя в условиях высокого развития современных технологий и средств связи существуют внешние воздействия на решения взрослых, в статье утверждается, что большее влияние на экономические решения взрослых оказывает среда детства и подросткового возраста.

Ключевые слова: экономические решения, поведенческая экономика, среда детства и подросткового возраста, культурные различия, решения индивидов, социально-экономические условия.

1. Introduction

The economic decisions of adults are shaped by various factors, including personal experiences, education and socio - economic status. However, the role of childhood and adolescence environment in influencing these decisions has gained increasing attention in recent years. This research aims to explore and model the impact of the environment during childhood and adolescence on adult economic decision - making.

The environment of childhood and adolescence plays a crucial role in shaping the economic decisions of adults. Understanding the intricate interplay between these factors can

provide valuable insights into how childhood and adolescent environments shape economic decisions. By recognizing and addressing the various influences, it becomes possible to promote economic empowerment, resilience and informed decision - making in adults.

The study distinguishes two directions. First, the influence of each age period on a person's decisions in the next age period. For example, if we conventionally assume three periods, the share of influence of the childhood environment on decisions in the adolescence period is greater, the share of influence of the adolescence environment is greater on decisions in the youth period, and so on. The second direction is that, in general, the influence of the environment of childhood and adolescence on the decisions made by adult individuals throughout their lives has a higher share of influence. If we model, we can also calculate the share of influence on decisions separately for the childhood period and separately for the adolescent period. In addition to the age division in the modeling, we can also divide the families in which the children live into income levels: those living at the poverty level, low-income, middle-income and high-income. We can also add other environmental categories such as cultural differences, education, religion and national traditions [7]. In doing so, as a result of the research, we will be able to model the share of influence on the economic decisions of adults separately for their childhood environment and separately for their adolescence. At the same time, we can model what is more influential in individuals' decisions for each age group. If the study applies here the influence of the early family environment on personality formation, which is unanimously accepted by psychologists, we claim that the early childhood environment has a higher influence on the economic decisions of adult individuals. But there is very little empirical research and evidence in behavioral economics to substantiate it.

Several studies have examined the relationship between childhood and adolescence environment and adult economic decisions. Some findings include:

- A longitudinal study found that children from low-income families who had access to high-quality early childhood education programs had better economic outcomes in adulthood, including higher income and greater financial stability.
- Research has shown that individuals who experienced financial distress or poverty during childhood tend to exhibit risk-averse behavior and a preference for immediate gratification in financial decision-making.
- Peer influence has been found to play a significant role in shaping adult financial behavior. Adolescents who have friends with pro-saving behavior showed higher levels of savings rates in early adulthood.
- Studies have also highlighted the importance of parental financial literacy and attitudes towards money, as they significantly impact the financial behavior and decision-making of their children.

While research on the modeling of childhood and adolescence environment's influence on adult economic decisions has made significant strides, some limitations and areas for future exploration include:

- The challenge of isolating the specific influence of childhood and adolescence environment variables from the multitude of other factors that can impact adult economic decisions.

- The need for more diverse sample populations to ensure generalizability across different socioeconomic backgrounds, cultures and regions.

- The paucity of research on the long-term effects of childhood and adolescence environment on economic decisions in specific domains, such as investments, entrepreneurship, or debt management.

2. Impact of childhood environment on economic decision-making

The economic decisions we make as adults are not solely the result of rational thinking and individual preferences. Instead, they are deeply rooted in our early-life experiences and the environment we grow up in. The role of the childhood and adolescent environment in influencing economic decisions of adults is a topic that delves into the complex interplay between socio-environmental factors and decision-making abilities. This essay aims to explore the practical implications of this relationship and shed light on how early-life experiences shape our economic decisions in adulthood [5].

The first, study considers a few important theories in the decision-making process.

- Human Capital Theory: This theory posits that investment in education and skills during childhood and adolescence can influence an individual's future economic decisions and outcomes.

- Socialization Theory: According to this theory, the environment in which an individual grows up, including family, peers and community, plays a vital role in shaping their values, beliefs and behaviors, which can influence economic decisions later in life.

- Cognitive Development Theory: Focuses on how cognitive abilities, such as decision-making skills, are developed during childhood and adolescence and affect economic decision-making in adulthood.

Here are the main influences of childhood environment on economic decision-making:

a) Family Environment:

- Parental socioeconomic status and income inequality.
- Parental attitudes towards money, saving and investment.
- Parental financial literacy and education.
- Parental support for educational attainment.
- Childhood experiences with financial stability or instability.

b) Peer Influence:

- Interaction and socialization with peers from different socioeconomic backgrounds.
- Peer pressure and the impact on spending habits and financial behavior.
- Peer influence on educational choices and career aspirations.

c) Educational Environment:

- The quality of early childhood education.
- Access to educational resources and opportunities.
- Academic performance and educational attainment.

d) Community and Neighborhood:

- Socioeconomic characteristics of the neighborhood.
- Availability of financial services and resources.
- Exposure to crime and violence.
- Access to job opportunities.

Understanding the mediating mechanisms through which the childhood and adolescence environment influences adult economic decision-making is crucial to comprehending the complex relationship between the two. Some potential mediating mechanisms include [5]:

- Psychological factors: The psychological well-being and mindset developed during childhood and adolescence can impact an individual's financial decision-making. For instance, self-efficacy, risk tolerance, financial attitudes and beliefs are important factors that shape economic decisions.

- Educational attainment: Education obtained during childhood and adolescence influences cognitive abilities, knowledge and skills that are relevant for making informed economic decisions. Higher education not only enhances overall decision-making capacity but also opens up better job opportunities and income potential.

- Social capital: Social networks established during childhood and adolescence can provide individuals with access to information, resources and support networks that can positively influence economic decisions.

- Financial literacy and financial socialization: The level of financial knowledge acquired during childhood and adolescence, as well as the experiences related to money management and financial decision-making, play a significant role in shaping adult economic decisions.

3. Rationality of children's choices

Already young children show rational behavior to a considerable extent, obeying the laws of transitivity and making (often) correct inferences about the partner's rationality and applying strategic reasoning in choosing their strategy in interactive games. All of these skills develop and become more pronounced from childhood to adolescence, implying that adolescents' behavior assimilates more and more towards behavior observed in adults. Hence, children and adolescents do not make decisions randomly but are able to take strategic considerations and basic principles of rational behavior into account when making economic decisions, thus gradually reaching the behavioral patterns observed in adult subject pools.

The child must have understood some basic economic principles. At the age of 3-4, he is able to distinguish coins from buttons for example, but he does not establish a direct

relationship between money and the act of purchasing. If he is asked to choose a piece, he chooses the one that is largest without any notion of value intervening. At 6 years old, the child understands that not all coins can buy the same quantity of goods. This acquisition of the notion of value goes hand in hand with that of the prices displayed on the products. Finally, it is around the age of 9 or 10 that the child understands that the merchant is someone who performs a distribution function [3].

The child must have at his disposal a minimum amount of money, the management of which is entirely his responsibility. He must himself experience a certain number of trade-offs in the expenses he has to make.

Finally, he must have acquired a certain independence in his behavior and in the way in which he seeks to resolve the problems that present themselves to him. Consumer socialization cannot result solely from the acquisition of theoretical knowledge and know-how. There must be a clear desire on the part of the child to put all of this learning into practice through experiences that he or she will carry out on their own.

However, most of the time, he is only accompanied by his parents or an adult and ultimately rare are the occasions where he can actually mobilize his knowledge alone, test it to reinforce it and thus express rationality in his choices.

Recent work by psychologists specializing in child development has challenged a certain number of preconceived ideas concerning children, among which the idea that children are adults in the making dominates. In these works, children and adults are considered as two distinct populations, since their ways of thinking are specific. The child indeed has different capacities from those of the adult in terms of attention, understanding or even memorization and as such, it is important to consider him as such, without defining him as an incomplete adult [4]. In these approaches, the child is considered in research as a modest object which can not or only very little contribute to our understanding of adult cognition. However, researchers in cognitive psychology offer another perspective by postulating that most of the faculties that characterize adults are rooted in childhood.

To clarify what we are saying, let us start from a situation of uncertainty for which individuals do not have useful information to base their choices and find themselves alone, facing themselves, to invent the behavior they judge. suit the situation they face. They then adopt behavior that we describe as unprecedented and which can be established as exemplary behavior. Could we not then imagine that by observing the behavior of children and their very first experiences of the world of consumption, we could better understand the behavior of adults and consequently the foundations of their rationality? More concretely, to take for example only the notion of incompleteness of information, a longitudinal observation of the behavior of children faced with a given consumption situation could inform us about the construction of information processing strategies that this he gradually establishes himself to base his choices,

based on the information he learns to process. These insights would undoubtedly help us better understand the behavior of adults later.

4. Early-life experiences and socio-environmental factors

The role of the childhood and adolescent environment in shaping adult economic decisions cannot be overlooked. Parents, peers, socioeconomic backgrounds and psychological factors collectively contribute to an individual's financial attitudes, behaviors and decision-making abilities. Understanding this relationship can enable policymakers, educators and individuals themselves to develop strategies that foster positive financial behaviors and improve overall financial well-being. By prioritizing financial education, creating supportive environments and promoting responsible financial practices, society can empower individuals to make informed economic decisions that positively impact their lives.

Understanding the role of the environment of childhood and adolescence in influencing economic decisions of adults can help policymakers, educators and individuals themselves develop strategies to promote positive financial behaviors and improve overall financial well-being. It explores how early-life experiences and socio-environmental factors during childhood and adolescence can shape an individual's economic decision-making abilities and attitudes as adults.

Here are some practical points to consider as the main factors [2]:

1. Nature vs. nurture: Research suggests that both genetic factors and environmental influences play significant roles in shaping economic decision-making. While genetic predispositions may contribute to certain traits, such as risk-taking or impulsivity, the environment in which individuals grow up can have a profound impact on their economic behaviors.

2. Parental influence: Parents are one of the primary sources of environmental influence during childhood and adolescence. Their attitudes towards money, spending habits, financial education, and socioeconomic status can have lasting effects on their children's economic decision-making later in life. Observing their parents' financial practices and receiving direct guidance on topics like saving, investment, and budgeting can shape children's financial literacy and decision-making abilities.

3. Socioeconomic background: The socioeconomic background during childhood and adolescence plays a crucial role in influencing economic decisions in adulthood. Factors such as income level, access to resources and educational opportunities greatly impact financial attitudes and choices. Individuals who grow up in financially secure households may develop a sense of stability and long-term thinking, leading to sound economic decisions. In contrast, those who face financial hardships may prioritize short-term gains and exhibit riskier behaviors.

4. Peer influence: Peers and social networks also contribute to the environment that shapes economic decision-making. During childhood and adolescence, individuals form relationships and interact with others who may influence financial behaviors through social

learning or normative influence. If the peer group values instant gratification and impulsive spending, individuals may adopt similar behaviors. Conversely, a supportive and financially responsible peer group can foster smart financial practices and long-term thinking.

5. Psychological factors: Psychological factors such as cognitive abilities, self-control, risk aversion, and patience are influenced by the environment during childhood and adolescence. Early-life experiences, such as financial scarcity or abundance, can shape individuals' attitudes towards money and their willingness to take risks. Children growing up in economically stable environments may develop patience and delayed gratification, leading to more prudent financial decisions. Those raised in financially uncertain circumstances may develop riskier attitudes and seek immediate gains [6].

6. Educational interventions: Recognizing the profound impact of childhood and adolescent environments on adult economic decisions, there has been a growing focus on implementing educational interventions. Formal education in schools, family-based financial education programs and community-driven initiatives have emerged to improve financial literacy and decision-making skills at an early age. Equipping individuals with financial knowledge and promoting responsible financial practices can empower them to make informed economic decisions throughout their lives.

Conclusion. Overall, the environment of childhood and adolescence plays a fundamental role in shaping the economic decisions of adults. It influences financial literacy, family dynamics, educational opportunities, social networks, socioeconomic conditions, adverse experiences, cultural factors and societal influences. By understanding and recognizing these influences, it becomes clear that interventions and support systems can be put in place to positively shape economic decision-making. Investing in financial education programs, promoting stable family environments, providing equal access to quality education and fostering diverse and inclusive communities can all contribute to empowering individuals to make informed and responsible economic decisions throughout their lives.

Furthermore, it is essential to acknowledge the impact of resilience and adaptive capabilities in mitigating the negative effects of adverse childhood and adolescent environments. Some individuals are able to overcome challenging circumstances and develop strong financial decision-making skills through personal growth, mentorship and access to supportive networks. Ultimately, addressing the role of childhood and adolescent environments in shaping economic decisions requires a comprehensive approach that encompasses education, family support, community engagement and policy interventions. By addressing these factors, we can work towards building a more economically empowered society where individuals have the tools and resources to make sound economic decisions and achieve financial well-being.

It is important to keep in mind that the influence of childhood and adolescent environments on economic decisions is complex and multifaceted. The specific combination of factors varies for each individual and personal choices and agency also play a significant role.

By understanding the various influences and their interactions, we can work towards creating environments that promote financial literacy, empowerment and responsible economic decision-making for individuals as they transition into adulthood and beyond. It is also important to acknowledge that these factors are interconnected and can act as both influencers and constraints on an individual's economic decisions. By understanding the multifaceted nature of these influences, policymakers, educators and families can work together to foster environments that encourage financial literacy, resilience and informed economic decision-making from childhood through adolescence and into adulthood [1].

Understanding the role of childhood and adolescence environment in shaping adult economic decisions has important implications for policymakers, educators and individuals themselves. By acknowledging these influences and implementing targeted interventions, it is possible to promote positive economic decision-making and improve societal outcomes. Further research and modeling will help refine our understanding of this relationship, leading to more effective policies and interventions. The role of childhood and adolescence environment in influencing adult economic decisions provides valuable insights into the complex interplay between individual development, socialization and economic outcomes. By understanding these dynamics, policymakers, educators and individuals can devise effective strategies and interventions to empower individuals economically and improve overall societal well-being. Continued research in this field will contribute to a more comprehensive understanding of this relationship and inform evidence-based policies and initiatives.

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