Fair pensions debate - why trust beats contract

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I have been reflecting further on the Fair Pensions debate on fiduciary duty yesterday evening.

One speaker - and I do not have his name and it's too early to ask anyone - had the good fortune to follow an appalling speech by Ed Davey MP who showed a complete lack of grasp of all the issues - despite having ministerial responsibility for them. Maybe that's why I was so inclined to hear what this person had to say, but it was profoundly interesting.

As he pointed out, in the Netherlands a person of 25 with identical earnings and an identical pensions savings pattern to a person in the UK is likely to end up with 50% more pension. Why? Because the state pooled fiduciary duty driven fund is so much more efficient than the UK contract based pension system that fails to recognise fiduciary duty at far too many stages in the pension process and that, in the name of choice, eats pension return at cost to the consumer. Or to put it another way, the market is hopelessly inefficient.

And as another speaker said, that is inevitable. When contract beats fiduciary duty everyone is always defensive and that means that everything is monetised to eliminate all risk of judgement that cannot be defended on the basis of apparent cash flow.

And yet monetisation creates harm: it applauds tax not paid but all pensioners rely on the state and to some degree state pensions (well, I made that point); monetisiation means we ignore the environment and other externalities and so destroy the future we're saving for; monetisation prevents the exercise of best judgement.

And the result of this neoliberal madness? Worse pensions for all, of course.

Put simply - markets have failed us.