

If pension funds had invested in social need in 2003 we...

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One of the FT's early morning emails includes this headline:

Ebay is to spin off PayPal which accounts for as much as half of its \$65bn stock market value, in a further unravelling of one of the few remaining successes from the dotcom era of internet companies.

The [story is here](#), but the detail does not concern me; it's that contextual comment that does.

What the FT is saying is that in little more than a decade most of the supposed value created in the dot.com era has now dissipated.

Back in 2003 I co-authored my first activist paper* (I was a late developer, not getting going until I was 44). [It was entitled 'People's Pensions'](#). My co-authors were Colin Hines and then MP Alan Simpson.

In the paper we argued:

This paper proposes an entirely new arrangement for the provision of second pensions [Ed: i.e. those beyond the basic state pension] in the 21st century. This is called the "People's Pension". It is not a mere tinkering with the rules (as, for example, stakeholder pensions were). The People's Pension is different because it looks at the pension crisis as one part of a range of problems affecting the UK economy, and creates a solution that solves both the pension crisis and many of those other problems as well. And, as fundamental elements in that solution:

1. It includes the explicit assumption that the basic state old age pension must be sufficient for a person to live on with dignity and without the need for means testing, and releases finance to assist this. It also incorporates the assumption that this pension will increase in line with earnings.

2. It provides a way to substantially improve the State Second Pension which means that this scheme will be much more attractive than it has been .

3. It creates an entirely new investment framework, completely free of the stock market, to provide a secure and safe place in which an individual or company pension scheme can invest to provide for a pension in retirement.

We argued that this was possible because:

People's Pension will be backed by People's Pension Funds. These entirely new funds will be created to provide a way in which pension contributions can be invested in the building of new public infrastructure projects such as:

- schools and universities
- hospitals and other health facilities
- transport systems (including railways, trams and bus networks)
- sustainable energy systems

The 'value' created in the dot.com era has faded and passed, and the result has been, at least in part, a **0.7% annual decline in the value of pension funds since the turn of the century**. **The value in all those assets we suggested pension funds should invest in has remained intact for society at large, if undermined in too many specific cases by PFI.**

It is often said that the state should not pick winners and losers. I tend to agree. Market sentiment almost invariably over backs losers. And yet if the government ignored market sentiment entirely and backed social and fundamental economic need the state can hardly lose. As it would not have done if pension funds had been invested as we suggested in 2003.

Despite that the state is still backing the picking of winners and losers by state subsidising the casino that is the stock exchange by making pension funds that use it the foundation for most second pensions in this country. That's a fundamental error.

I still await the day when we will get the pension reform we really need. I am beginning to doubt I will have time to invest in it but for the sake of others I will keep making the argument.

PS: * I realise I got this wrong: country-by-country reporting beat People's Pensions by a month. I've been on both themes ever since