

## Feral finance is crashing the pension system as well as...

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Brexit is an [example of feral finance at work](#). But it is not the only one. Neil Woodford's now failed activities in the funds management 'industry' is another one. As the [Observer](#) has reported:

*The implosion of former star stock picker Neil Woodford's investment empire — which has left hundreds of thousands of pensioners and small investors nursing big losses — has plunged rival fund managers into crisis mode as they try to salvage the reputation of an industry that finds itself under the scrutiny of regulators and politicians.*

They added:

*The fear among stockbrokers is that the demise of Woodford — who once managed £30bn of savings and was referred to as “Britain's answer to Warren Buffet” — was a near-fatal blow to the public's confidence in the star fund manager investment model and could lead people to stop investing for their retirement entirely.*

What they entirely miss is the systemic point, which is that people should have no confidence in the fund management model or, come to that, the vast majority of the assets that they are forced to put their pension funds in.

I first wrote about this in 2003 with Colin Hines and Alan Simpson, then a Labour MP. We suggested that there was an alert active form of pension investing that respected that we called 'the fundamental pension contract'. This idea was developed further in 2010 [when I said](#):

*This is that one generation, the older one, will through its own efforts create capital assets and infrastructure in both the state and private sectors which the following younger generation can use in the course of their work. In exchange for their subsequent use of these assets for their own benefit that succeeding younger generation will, in effect, meet the income needs of the older generation when they are in retirement. Unless this fundamental compact that underpins all pensions is honoured any pension system will fail.*

As I then argued of private pensions:

*This compact is ignored in the existing pension system that does not even recognise that it exists. Our state subsidised saving for pensions makes no link between that activity and the necessary investment in new capital goods, infrastructure, job creation and skills that we need as a country. As a result state subsidy is being given with no return to the state appearing to arise as a consequence, precisely because this is a subsidy for saving which does not generate any new wealth. This is the fundamental economic problem and malaise in our current pension arrangement.*

Long ago I linked this idea to the Green New Deal. That initiative would reflect that fundamental pension contract: each generation would, if the Green New Deal was to be in operation, be responsible for building the capital that the next generation needs so that those in work can afford to sustain those now in retirement - which is how all pensions are actually paid, whatever the financial form that they might take suggests.

The existing pension arrangements we have are instead a giant Ponzi scheme. Month in, month out, money pours into the stock market from pension contributions because they have nowhere else to go. And the result is the massive disconnect we have seen over the last decade where stock market values have risen when overall there has been poor (or worse) economic performance, at best. That's a financial bubble in the making, created by feral financiers who know that they are selling a myth that there is anything like the value that they claim exists in the assets that they are promoting.

Now Neil Woodford, one of the prime architects of the myth, has crashed.

The rest of the market is worried that they too might be rumbled.

That will happen. The existing business models of the businesses in which pensions are invested, from banks, to airlines, to the extractive industries, to carbon exploiting consumer products, are all unsustainable. They cannot underpin the value people want in old age - because the business in which their pensions are invested are dedicated to producing enough carbon to make sure there will be no planet most of us can live on by the time we reach old age.

That's why we need a Green New Deal.

That's why tax reliefs on pensions need to be reformed to support a Green New Deal.

Feral finance needs to be constrained not just in the political sphere, but in the financial one too.

To say that we need a revolution based on sound politics, sound finance, sound economics and sound ecology is to state the obvious.

And no revolution will ever be so unthreatening. Unless you're a feral financier, of course. And they will fight.