Funding the Future

All mandatory pension scheme contributions should be ca…

Published: January 14, 2026, 12:03 pm

As I am writing stock markets in London have opened and are 5% down on Friday’s closing prices.ï¿¼ The tumble goes on. The awareness that markets are failing and that large parts of the economy will not survive this crisisï¿¼ is growingï¿¼. I have already made it clear that I think that conditions must be attached to the bailouts that will inevitably follow, but this blog is about something elseï¿¼.

Despite the market now very obviously failing the government has not stopped the mandatory requirement that most employees in this country contribute to their pension fund this month, even though the contributions that they will be making from now and for a long time to come will probably simply be making good the funds lost over the last few weeksï¿¼.

I have long opposed the mandatory imposition of support for the City of London and its financial markets at cost to most employees in this countryï¿¼, which is what enforced pension enrolment has represented. Because pension funds have almost no imagination on how to save the funds entrusted to them, most still goes into shares, with smaller parts going into corporate bonds (which are also suffering), government bonds (which are overall sustaining themselves) and property (which is bound to crash sometime soon at current rates of progress).ï¿¼ The unfortunate point to note is that government bonds have for some time represented a very small part of most normal pension portfoliosï¿¼. The result is that right across this country the retirement income of tens of millions of people is being threatened by this downturn.

The most immediate, and obvious thing to the government to do at this moment is to protect the cash flow of companies and workers by immediately stopping the enforced payment of contributions into mandatory pension funds: this is not the time for good money to be thrown after bad. The sooner this is announced, the better.ï¿¼

But then there is an absolute obligation on the government to consider how pensions will be funded in future. One of the many parts of the economy that will require fundamental review following the exposure of the fundamental weaknesses that this coronavirus crisis has made clear will be the funding of peoples incomes in old-age in the futureï¿¼.

About ten years ago I wrote a paper on this issue with Colin Hines, my partner in the Green New Deal Group and Finance for the Futureï¿¼. This was called Making Pensions Work. In it we wrote about what we called theï¿¼ 'fundamental pension contractï¿¼ï¿¼':ï¿¼

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 we 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.

Nothing has changed my mind on this issue since then: I believe that it is this contract which our future provision for pensions must respect. In other words, saving in the secondhand shares of companies, which provides no direct benefit to those companies, and which delivers no investment of any real sort at all, and which does not createï¿¼ a single job as a consequence, is a wholly futile exercise at the macroeconomic level, at which this issue has to be considered if the well-being of society as a whole is to be our priority, which it should beï¿¼.

I am not going to discuss details for future pension arrangements now: that is for another time. But what I will say is that we must never again force people to put their money into the casino-style lottery of the City of London Ponzi scheme called the stock market and then tell them that this will guarantee them a secure retirement, with nothing could be further from the truth.

That's why all mandatory pension scheme contributions should be cancelled now.

NB: I have no idea why there are bugs in this post and I will try to sort them out