

## Johnson is right to think pension funds have a role in ...

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The FT [includes an article today](#) in which it is said that:

*Boris Johnson has called on British pension funds to plough more retirement savers' cash into UK assets to spark an "investment big bang" to support the economic recovery.*

Johnson has apparently written to pension funds and other institutions using them to "seize the moment" and use their "hundreds of billions of pounds" to invest in infrastructure. Suggestions include bridges, roads and wind farms.

First of all, Johnson has the scale of pension funds wrong. There is more than £5 trillion of pension wealth in the UK according to the Office for National Statistics. The available resources do, therefore, exceed a few hundred billion.

Second, Johnson is right to suggest that pension funds are inappropriately investing in equities: there is no evidence that they have anything like the worth now given to them by markets. It is only the impact of quantitative easing, and the resulting suppression in interest rates that is suggesting that they have anything like the value that they now enjoy.

Third though, I very much doubt that the UK want more private roads or bridges. They neither appreciate tolls and nor do they want another equivalent of PFI. Johnson's suggestions appear flawed from the outset.

Fourth, Johnson ignores that all the available funds that are required for infrastructure investment are readily available to the government at the lowest available possible cost, since UK government interest rates are still at exceptionally low levels. The refusal by him and Sunak to use this opportunity to invest right now is an economic crime. Their suggestion that there is a shortage of funds unless pension funds cooperate in investment is incorrect: at least in theory the government could create all the required money whenever it wishes, and markets are keen to own debt if it wished to issue it in association with that funding, although that again is not a pre-requisite of it happening.

Fifth, if Johnson really wants to change pension fund investment he really does not have to beg or plead. With Colin Hines [I have suggested the solution](#). All he has to do is change the rules on pension fund investment so that in exchange for tax relief on new pension contributions, which amount to well in excess of £100 billion a year, 25% of that new money has to be invested in new UK infrastructure that creates jobs in this country. It's really not hard to do. I have solved his whole problem with that one idea.

Sixth, why won't he do this? It's a question to be asked. I wish the Opposition was asking it. But they have still to adopt this position, so no wonder the government does not feel under pressure to do so.

And finally, it is conceptually very hard to work out why any government has a problem thinking that the tax reliefs that it gives should not be aligned with the social and economic goals it has, and yet there appears to be a massive problem with governments making this connection. Why is that?