

The German government is going to splash €200 billion...

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The FT reports this morning that:

Germany to create €200bn fund to support strained pension system

[The story says:](#)

The German government will invest billions of euros in capital markets and use the proceeds to shore up the country's embattled pension system, according to a draft law unveiled on Tuesday.

The legislation will see the creation of a fund for investing in stocks, backed by loans taken out by the federal government, that is forecast to be worth at least €200bn by the mid-2030s.

And the reason for this? They say:

Proceeds from the investments will be used to keep the pension system stable and ensure that payments remain at 48 per cent of an average wage until the end of the next decade while avoiding steep increases in social security contributions.

I have in my time read some really crass ideas, but this one takes some beating.

A government that cannot run deficits according to its own state law is about to create money out of thin air to undertake what are, in effect, off-balance-sheet transactions to pump up the Ponzi scheme that all financial markets represent.

That is because that government very obviously realises that a tipping point has been reached where the demand for pension withdrawals from newly retired people might sufficiently match or even outstrip the inflow of new funds from pension savers. This then means that the whole basis of market valuations, which are entirely dependent upon new funds continuing to flow in at rates bigger than outflows so that demand for a fixed (or declining) quantity of shares is ever-growing, will fail, and a market crash is

likely. Rather than face the reality of this, the German government is willing to risk losing €200bn to pump up the markets.

You have been warned, is what I will say: the whole edifice of market-based pension saving is at risk, is what this plan is saying.

In reality, it cannot be saved: the crash can only be deferred.

But like all cowardly politicians, the German government is not facing up to the tough decisions it should be facing and is instead creating an even bigger nightmare for some new government a few years hence when the current officeholders hope to be enjoying their own pensions.

Gross foolishness to the point of knavery is rarely announced with more money attached to it than is happening in the case of this plan. I feel sorry for the Germans involved.

But, the real question is, how long will it be before Rachel Reeves announces something similar?