

## There is no pension crisis, but there is a political cr...

Published: January 15, 2026, 8:34 am

---

The [FT has published an article](#) with the headline:

*Can Europe still afford its generous state pensions?*

At the core of the argument the piece presents is this quote, reproduced in it:

*“The root of the problem is: how do we fund increased spending on defence, the energy transition and new technologies, while spending so much on pensions? ... If we want to keep spending so much on pensions then we have to raise taxes.”*

That comment is not unusual. It represents what has become the default story of our time. The suggestion is that Europe is ageing, pensions cost more, and therefore the state has less room to act, meaning that the public must accept that something has to give.

What interests me is how quickly this sequence of claims is presented as if it were a simple fact. It is not. It is a political framing, and it is doing a great deal of ideological work in the background.

Of course, European societies are ageing. Of course, that changes the arithmetic within pay-as-you-go pension systems of the sort most European countries, the UK included, have. And of course, governments that have spent decades weakening their own tax bases, privatising social provision, and encouraging rent extraction now find themselves with rising costs and too little apparent capacity to manage them.

But it does not follow that pensions are the problem. On the contrary, state pensions are one of the defining achievements of the modern welfare state. Invented by Bismarck, of all people, they are a promise that old age will not mean destitution, dependency, or fear. And they were never meant to function only when the demography is convenient. They were meant to exist precisely because human lives do not run to the demands of Treasury spreadsheets.

The more important point to note is this. When the Financial Times implies that if we

want to keep pension spending high then we have to raise taxes, it slips in an assumption that is almost never made explicit. It implies that the only way to manage pension spending is either to cut it or to increase the tax burden on those who work. It also implies, by omission, that wealth, and the huge unearned incomes it generates, are largely untouchable in this and any other debate on the contributions to be made by way of taxation to managing the finances of the state.

That is the real issue here. Pension reform has become code for telling ordinary people to work longer, accept less security, and shoulder more risk, while the owners of property and financial assets continue to accumulate returns with remarkably little obligation to the societies from which those returns are extracted, and yet it is not pensions that have undermined Europe's capacity to cope with ageing. What has undermined it is chronic underinvestment, weak wage growth, and a housing system that facilitates rent extraction while the state refuses to act as a builder of productive and social capacity. If the economy cannot support its pensioners, it is not because pensioners exist. It is because too much of the economy has been structured to serve wealth rather than wellbeing.

If European states want pension systems that endure, the answer is not austerity by demography. It is to rebuild real economic capacity, and to tax income and gains from wealth, and even wealth itself, properly. That is not an extreme position. It is what a serious society would do. The trouble is, we do not live in a society that is seriously tackling the issues we face. We live in one that spends its time trying to evade them and their consequences. That is what has to change, not pensions.