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EXPLORING THE NEW COLLECTIVISM: 
PENSION FUNDS AND SOCIAL PROTECTION

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It is increasingly clear that arguments over pension provision are central to contemporary politics in all those states which are players in the economics of globalisation, whether we look at Europe or the United States, China or Brazil, Japan or Mexico.

The neo-liberal approach to the topic argues for reforms which are pre-funded, individualised and entrusted to the financial services industry. It is stressed that we will be able to afford pensions for future generations only if we each commit ourselves to making large and regular cash contributions to the banks and money managers. The World Bank Report Averting the Old Age Crisis published in 1994 was the locus classicus of this approach and the financial services industry itself represents a powerful lobby pressing the case for funding.

Paradoxically, however, the discourse of pension reform raises issues which are antithetical to the individualism and faith in the market which are integral to the neo-liberal view of society. The proposed pension regime will only come into being thanks to the initiative of the state and if it is given lavish fiscal favours. Devising such schemes involves quite extensive social planning and a recourse to a form of ownership, that of the pension fund, which has, as we will see, a collectivist twist. Finally it involves the public authorities taking some responsibility for regulating funds which own, or will come own, decisive economic sectors.

In fact the funding of pension entitlements could follow a logic very different from that so insistently recommended to us, namely a logic of ‘complex socialisation’. Social struggles over the nature of pension provision offer extraordinary opportunities to social movements and trade unions - but only if the state empowers them by ensuring principles of accountability, social responsibility and universality. And only if tax subsidies are denied to rapacious and irresponsible money managers.

The choice of pension regime always possessed great significance. Indeed the pre-funding of retirement income could present greater system-sensitive implications than struggles over wages or the labour process. The funding of pension entitlements probably always contained within it the potential for challenging the mechanisms of reproduction of capitalist class relations, rooted as they are in monopolistic control by the owners of the means of production over access to remunerated labour. Where the labour movement has demanded that pensions be guaranteed by the ownership of assets this has invariably been resisted by employers and by the parties and commentators most zealous in defending their interests. This was true for example even in Sweden, the classic country of welfare reformism, in the 1950s when the funding of public pensions provision was in dispute and again a very similar controversy arose in the eighties at the time of the conflict over the so-called ‘wage-earner funds’ devised by the trade union economist Rudolf Meidner. On both these occasions what are called, in Swedish political parlance, the bourgeois parties mobilised strongly against the setting up of activist investment funds to be controlled by the wage-earners. The compromise reached in Sweden
and in many other western countries usually had two components. Firstly the size of the fund was to be reduced by relying on pay-as-you-go mechanisms and secondly such funds as developed were to be under the control of the state or the employers or trustees who were institutionally set part from the wage-earners and debarred from pursuing an interventionist role as owners. In this way the employees demand for pensions became normalised and bureaucratised, and embodied in public promises and tax-subsidised arrangements between employers and employees in ways that carefully protected the dominant property system.

Some believe that it is enough to defend the outcome of the social battles of the mid-twentieth century. They believe that pension entitlements do not need to be supported by anything more than, firstly, the public commitment of political parties and, secondly, a willingness of social movements to resist any change in public commitments with direct action. In France such an approach seemed to win signal victories in the years after the big strikes of November-December 1995. The impressive mobilisations of that year checked the Juppé government and set the scene for its removal. Jospin has tried to wriggle but has not been able to liquidate the historic entitlements expressed in French pension arrangements.

In my view the defence of historic pension entitlements in France - and for that matter in Italy and Germany as well - is without doubt a cause which is important for the future of society as a whole. But I would also argue that the right to adequate pensions will remain very precarious so long as they are not reinforced by new funding arrangements. So long as pension commitments are funded only on a Pay-As-You-Go basis, that is to say funded out of current taxation, they will, I believe, be vulnerable to the inherent pressures of a capitalist economy. Social movements and trade union action will be able episodically to defend such commitments. But if these movements fail to find the path to more durable institutional guarantees then there will always be the risk of weariness and distraction, or of a failure constantly to resist the erosion of popular conquests in this area by the persistent, sapping pressure of capitalist structures and interests. What is meant by describing a society as capitalist is that in it the owners of productive assets have a claim on the future streams of income which those assets will generate. It draws our attention to the fact that those who do not command such productive assets will find that they have to sell their labour power to feed themselves and their families. Of course the state will be able to offer employment to some but the economic power of the state will be reduced by its own limited command of productive assets and powers of taxation.

In the immediate postwar world the economic capacity of the state seemed considerable and had a tendency to grow. It furnished one of the guarantees of prevailing welfare arrangements, including pension entitlements. Yet since the late seventies or early eighties there has been a constant erosion of the economic power of the state notwithstanding heroic rear-guard battles by public sector workers. Nationalisation plans were diluted or abandoned, austerity programmes introduced, entitlements whittled down and finally large scale privatisation programmes successfully introduced in one country after another throughout the whole world. In the early or mid nineties it seemed that some of North Western Europe or parts of South East Asia might successfully resist the advance of privatisation, social cut-backs and market de-regulation. But from the perspective of the year 2000 things look very different and it is now clear that globalisation is a challenge that requires a new response.

A major force helping to constitute globalisation has been the rise of pension funds run by the major banks, money managers and insurance houses. These funds have been used by fund
managers who have become notorious for 'short-termism' and the 'herd instinct'. The phenomenon of the pension funds represents a massive alienation of social property. Indeed policy holders often find their own savings being used in ways which damage their own communities for the sake of speculative investment in distant and strange locales. It should also always be remembered that the private pension funds have benefited from large-scale tax relief. This buoyant world of the subsided private pension funds has tended to undermine and eclipse the world of public pension provision.

So far pension entitlements, though somewhat diluted, still remain in something like their old form in many advanced countries. But the state's command of assets and ability to levy taxation has been much reduced and it is this which is the writing on the wall for historic levels of pension provision. A public power which commands surplus-generating economic assets and large fiscal capacities can deliver its welfare promises. It may still require vigilant popular movements to make sure that there is no slippage but at least the potential resources will be there.

There has been much debate as to the sources of the vulnerability of the old welfare regime and I will just mention a few factors here. The postwar Keynesian welfare state was weakened by its bureaucratic and paternalist features which tended to foster passivity and clientelism. Of course these features of the 'welfare state' had often themselves been imposed by state-oriented reformism, on the one hand, and by respect for capitalist prerogatives, on the other. Even where the public sector was large it was usually required to play second fiddle to the more dynamic private sector. In fact the public sector was usually organised on a state capitalist basis. This does not mean that this public sector did not, within limits, act as a defence of a some popular conquests but it does mean that it did so within the general hegemony of capitalist institutions. In some cases particular public sector enterprises or facilities made a significant contribution to economic growth; in these cases they were able to offer some relative protection to the popular gains they represent. I have the impression that public programmes supported by the regional and municipal authorities in Emilio-Romagna remain in place partly for this reason. In Britain the public health system, the NHS, is in great difficulties but was not actually wound up despite seventeen years of Conservative government; this was partly due to popular support and partly to the fact that Britain's large pharmaceutical concerns benefit from the public research contracts which the NHS sustains. Likewise in the United States there is considerable public support for higher education. Again this is partly because widespread access to college education is popular and also because the higher education complex plugs into the burgeoning new technology sector. When we look at the 'new economy' in the US, whether bio-tech, communications or computers, it is striking how large was the contribution of publicly-funded research via universities and the Defense Department. The money managers played a negligible role in this development.

I maintain that funded pension provision could be transformed into a means to buttress future entitlement and to restore economic leverage to public authorities and social movements. This will mean both giving public programmes of pension provision the added clout of command of economic assets and an insistence that all tax-subsidised retirement programmes and pension funds should conform to social and ethical criteria when they make their investments. Pension funds should earn their tax breaks by demonstrating a sense of social responsibility. Likewise concerns which are in receipt of investment from tax-subsidised pension funds should undergo a regular social audit. The perspective I am advocating would
prefer the control of pension funds to be in the hands of public authorities or not-for-profit, independent and democratically-accountable social bodies. But it also proposes measures to render accountable all tax-subsidised funds and to prise them lose from capitalist control. Essentially it sees fully- or partially-socialised pension funds as (1) a way of asserting a claim to future streams of income from the productive assets concerned and (2) pushing today's accumulation process in socially-desirable directions.

Pension funds are, of course, a form of capitalist property, albeit a rather strange one, and could remain so even when 'socially regulated'. It might seem to some of the defenders of the welfare state that such funds should simply be abolished and replaced by state provision. But about half of the permanent workforce in the UK and US have a stake in these pension funds. While they might welcome reform they could not support abolition. The package of measures I believe that we should explore would aim to establish a quite new pension fund regime, one utterly distinct from that associated with pension funds as we know them today, whether in the UK, the US, Chile or the Netherlands. In these countries, and a widening circle of imitators, pension funds pursue the narrowest commercial objectives and ignore both policy-holders and any wider notion of the public interest.

Pension funds have great weight within the global capitalist order. Some are inclined to underestimate the phenomenon, pointing to the fact that in the United States those covered by personal or occupational schemes are a declining proportion of the workforce. This is true but not because the absolute numbers of those covered by such schemes are in decline. The recent expansion of employment in the US has mainly swelled the ranks of temporary, part-time or short-term contract employees who do not qualify for occupational pensions and whose modest earnings do not furnish them with the resources to take out personal pension plans. The numbers of employees participating in occupational pension plans based on 'defined benefits' has dipped from slightly over to slightly under 40 million, while those in so-called 'defined contribution' or 'money purchase' schemes has risen from 40 to 45 million over the last decade.1

The 'defined benefit' type of pension, with its guaranteed link to salary levels, has fallen out of favour with employers and they have sought to replace such schemes with so-called 'defined contribution' or 'money purchase' pensions which only pay the contributor whatever their 'pot' of contributions will buy as an annuity at retirement. The trend away from 'defined benefits' should probably be seen as a gain to employers though it may also reflect the fact that the 'defined contribution' or 'money purchase' approach is more easily linked to job mobility. But it remains the case that funded provision as a whole is hugely important. White collar and managerial strata do well out of such schemes, of course, but so do most public employees and union members. The majority of such workers are covered by occupational schemes and their trade unions would strongly resist any plan to wind them up. On the other hand proposals that gave policy-holders and their representatives a real say in the running of the schemes, and which rewarded funds which comply with wider social objectives, could be attractive to this constituency as well as to social movements.

In Britain Margaret Thatcher introduced legislation in 1986 which encouraged employees to take out personal pension plans and to desert both occupational schemes and the State Earnings Related Pension Scheme (SERPS). The financial services industry launched a

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massive marketing campaign to which millions responded in the years 1987-95. The result was a now-notorious 'mis-selling scandal', claiming one and a half million victims, afflicting those who had contracted out of good schemes and into bad ones. Eventually compensation settlements arising from this scandal have obliged the private pension funds to pay out £4 billion, with many unsettled cases in the pipeline. This experience itself demonstrated the need for far-reaching reform and played a part in discrediting the Conservative government. But note that the victims were those who had bought an individual plan not those joining occupational schemes; indeed they had been tempted to desert the latter for the former. The bad personal schemes are bad because of the heavy administrative charges and marketing costs associated with them, and not because they invest in equities. The generality of occupational schemes also invest in equities.

Critics of funded pension provision are often paradoxical or contradictory. On the one hand it is objected that funded provision is the preserve of the more privileged; on the other, it is warned that it would be wrong to bring the excluded into such arrangements, since they are supposedly expensive and risky. While many schemes could indeed be improved the holders of occupational pension funds of all types find them generally a good investment. Middle class and professional people generally take good care to enrol themselves in such occupational pension schemes; this would be perverse behaviour if the idea of pensions invested in equities were really as dubious as their critics claim. Social movements, more reasonably, tend to object to specific equity investments but not to the very notion of such investment as such.

Paradoxically - and this time it is a paradox embraced by my own approach - it could well be that it is only when all employees acquire a collective stake in capitalist private property through retirement provision that they will find themselves probing the limits of capitalism as a social regime. What I envisage here is, of course, not a smooth escalator to social responsibility and justice but a new dimension of social and class struggle over the nature of the regulations and institutions which dominate and define the regime of accumulation. This new dimension does not supplant more traditional forms of political mobilisation and social agitation but it does potentially re-inforce and extend them.

In the United States Clinton proposed in his State of the Union message in January 1999 that the publicly-run Social Security system should be pre-funded by devoting to it two thirds of the budget surplus. He further proposed that fifteen per cent of the fund should be invested in the stock market. Milton Friedman and Allan Greenspan expressed alarm at what they saw as a government threat to the autonomy of the business world. Of course the new regime we should seek to construct would be very different from the Clinton plan. Clinton strenuously insisted that the $700 billion to be invested in equities under his scheme would be entrusted to conventional financial managers without any 'political interference' so that there could be no question of making tax breaks conditional upon meeting minimum criteria for social responsibility in the making of investments.

In an article in the New York Times entitled 'Social Security Socialism', Milton Friedman explained that his nightmare had always been that some demagogue would persuade Congress 'to (1) fully fund obligations under Social Security (i.e. pensions) and (2) invest the accumulated reserve in the capital market by purchasing equity interests in domestic corporations.'\footnote{Milton Friedman, ‘Social Security Socialism’, Wall Street Journal, 29 January 1999.} Friedman calculated that if the US system had been fully-funded from the beginning
(1937) and if those funds had been invested in the equities market then the US economy today would be wholly socially-owned. The New York Times elaborated on what might happen if the Clinton plan was adopted: 'The danger is that Congress will meddle, for example steering funds into environmentally friendly companies rather than, say, tobacco companies.'

Clinton risked such attacks because the inclusion of an equity stake in the publicly-run fund enabled him to project greater returns and to demonstrate that, on reasonable assumptions, Social Security was viable down to at least 2054. The proposal to devote two thirds of the budget surplus to salvaging the Social Security retirement scheme proved popular and was taken up by the Democratic presidential candidate, Al Gore. But Gore, unwilling to clash with Greenspan, subsequently stepped back from that aspect of the Clinton plan which involved putting social security funds into shares. Bush, the Republican contender, proposed that employees be allowed to divert a proportion of the payroll tax which finances Social Security to an individual fund which they can invest in equities, thus achieving a higher rate of return. Gore had difficulty meeting this appeal to younger workers because (1) he was unwilling to draw attention to the stock market bubble, since this was part of the economic record he was proud of and (2) he had backed off from investing the social security trust fund in the stock market because of the opposition of the Federal Reserve Chairman and conservative financial interests.

The intellectual climate of today is not the same as that of the eighties and early nineties, and this may have helped Clinton to advocate salvaging Social Security rather than scrapping it, as happened with other welfare programmes. Seven members of the Council of Advisors which examined the future of Social Security in 1994-6 advised Clinton that Social Security benefits could be maintained by devoting two thirds of the budget surplus to this end and also by placing some of the trust fund into the stock market. A similar approach, highly critical of the privatising message of the World Bank’s 1994 report, Averting the Old Age Crisis, was submitted in September 1999 by Peter Orszag and Joseph Stiglitz (at this time Stiglitz was himself Chief Economist at the World Bank). The paper, which comprehensively demolished the arguments of Averting the Old Age Crisis may still be consulted on the World Bank web site though Stiglitz resigned his post earlier this year.

Stiglitz’s paper favours the public organisation of pensions because of its built-in cost-advantage over private provision. Indeed there is a bias towards collective provision in pensions because of the expense of marketing and administering millions of individualised schemes. Within the commercial pension sector occupational schemes applying to a large number of workers generally achieve scale economies, and consequently yield a much better return, than personal schemes tailored to an individual. And many occupational schemes are not run by commercial concerns and thus save a further element of commercial profit by undertaking their own fund management. In the United States the large pension funds run by public sector workers manage their own funds and, in contrast to most private money managers, pursue a policy of so-called shareholder activism. The returns achieved by CALPERS, the Californian public employees’ fund, and by TIAA-CREF, the teachers’ pension fund have been well above those available from the purely commercial sector of private pension provision. In these occupational schemes employers absorb much of the administrative costs and the more people in the scheme the lower the charges. In Britain in the eighties people in

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an occupational scheme were almost bound to lose out if they were sold membership of a personal pension plan. Indeed Britain’s mis-selling scandal is likely to be repeated in continental Europe if the privatisers have their way.

State-run schemes share the cost advantages of occupational schemes. Interestingly state pension schemes based on a fund invariably have much lower costs than private schemes: thus administration and marketing soaks up 2 per cent of the asset value each year of Chile’s famous private pensions funds, the AFPs, while it only accounts for 0.2 per cent of the assets of the publicly-run Singapore Central Provident Fund.

In the UK the charges levied on personal schemes can easily absorb a third of contributions in the early years. British and American personal pension schemes would, in fact, be completely unviable without the large tax subsidy they enjoy. In Britain as in the US the pension and insurance funds which now dominate the capital market are heavily dependent on state funding - taking the disguised form of tax breaks. According to a recent official estimate the cost of pension-related tax breaks to the UK Treasury is £17 billion a year. In the United States the cost of tax relief - or the so-called ‘tax expenditure’ - on pension schemes like the 401 (k) was $109 billion in 1999. Here we meet a species of weak collectivism, in the shape of pension and insurance funds enjoying huge public subsidies but encouraged to display no sense of responsibility to either policy-holders or to society at large.

Another collective feature of pension funds is briefly worth mentioning, that connected with the nature of the fund itself. Notwithstanding the financial salesman’s talk about the individual’s ‘pot’ of contributions, even the personal funds do not ear-mark particular assets to a particular individual since this would be prohibitively expensive. And once your claim on the personal fund expires - i.e. when you or your partner die - then the assets that have been used to pay your pension do not pass to your heirs but are re-absorbed back into the general fund for all members. This further collectivist twist is needed to raise pension payments to all contributors.

I have been stressing some technical advantages of social and public provision as against private and individual provision. While these are important they by no means ensure that even public or social funds will be run in a socially responsible way. Many of the British and American occupational funds have shared the vices of the private funds and have exhibited the same ‘short-termism’ and herd instinct as the commercial money managers. The responsibility for this state of affairs lies with the legal status of pension fund trustees and the obligations it lays on them. Under the antique provisions of trustee law in the UK and US policy-holders are deemed to be as lacking in rights as the women or minors of the eighteenth century. The policies followed by the pension scheme cannot be determined individually or collectively by the scheme’s beneficiaries. Instead they must respect a curious financial orthodoxy, stating that the funds must be invested according to the criteria of ‘prudent experts’ in the financial services industry. If trustees chose to invest in, for example, the development of their own region, then they could find themselves the target of legal action. In consequence the trustees find themselves obliged to ignore the needs of the communities lived in by their members.

Hayek and von Mises were not wrong about everything. They argued that in the absence of responsible links between agents (managers) and principals (owners) there would be scope for every type of feckless and self-interested mis-management. Today the financial institutions which, with government encouragement and subsidy, own more than a half of all British companies, constitute a looming grey cloud of unanchored property rights, blown this way and
that by every puff of speculation and vulnerable to the electronic storms of globalisation. Since most of this money is in pension funds it is doubly appropriate to dub this 'grey capitalism' and to point out that it is at the beck and call of managers who, even if capable of better things, are structurally condemned to the dictates of short termism and the herd instinct.

Karl Marx coined the term 'alienation' to describe the fate of employees who lost control of the economic fruits of their labour. Today's pension fund is a species of re-doubled alienation since the policy-holder can easily find his or her savings being used to speculate against their own livelihood, or to condemn the area where they live to decay, while the funds are invested in overseas real estate. At home British pension funds are notorious for passivity, including passively supporting corporate management no matter how weak its performance. Over half all employees have a stake in a private pension scheme, either occupational or personal, and the pension and insurance funds own a half of the shares in publiclyquoted companies. The proportion of employees covered by funded pensions rises to over sixty per cent for full-time employees. Those who are covered include most trade union members and nearly all public sector workers, so we are not talking about a purely ‘middle class’ constituency. But at present the policy-holders have no say in the way the funds are run. The funds have failed to nurture British manufacturing and have indulged managements with a deplorable record for neglecting R and D while receiving lavish pay rises. About a third of assets are held overseas, often in real estate in countries such as Belgium and the US.

For all pension funds, as for the commercial houses, the question remains of why they deserve the generous tax treatment they receive. In my view a reformed pension fund regime should require of all funds that they achieve a publicly-audited social investment grade before enjoying tax breaks. Among the features of a fund which would earn it a social investment grade rating would be that (1) it is egalitarian in its internal structuring, (2) gives formal representation to its members (3) accepts a code of practice based on social priorities and (4) commits to holding most of their assets for, say, five years. Such arrangements would be an example of using social property to act as a lighting rod to earth the otherwise menacing storm clouds of speculative capital. And the element of public subsidy would be designed to ensure that those funds shouldering the burden of social investment were not penalised by lower returns.

European social democrats have missed the opportunity presented by the launching of the euro to impose a socially-progressive logic on European development. A European-wide funded pension standard could offer a powerful new lever of macro-management. Essentially such a fund would operate in ways analogous to the ‘deferred pay’ scheme proposed by Keynes in his famous essay on ‘How to Pay for the War’ (1940) and like that scheme could be organised to help maintain macro-balances. Such a scheme could have helped to stabilise the value of the euro. Instead the passivity of the European Social democrats has given dangerous openings to the private pension lobby which is now insistently claiming that unfunded pension entitlements in Europe can only be met by allowing huge scope to the commercial sector. The truth is that the funding of these entitlements should be undertaken by the public and social bodies mandated by the European authorities. This would furnish a fund that could stimulate investment-led growth and would furnish a tool of macro-economic management peculiarly adapted to conditions of globalisation.

Critics rightly reject the demographic fear so often retailed to by proponents of pension privatisation. In societies that are still afflicted by unemployment they try to make our flesh
creep at the idea that there will not be enough workers to do the jobs available. And in countries with restrictive immigration codes they neglect the ease with which more generous policies towards immigrants could make up for any eventual shortfall. But such arguments should not lead us to neglect the advantages of foresight and planning. Thus China should certainly ponder the implications of a future demographic structure in which the proportion of older people is rising steeply while that of younger people shrinks. And almost everywhere socially-regulated investment funds would help to reduce the burden of public debt on future generations while fostering a more progressive and sustainable economic pattern.

In the West the combination of a demographic shift and a commercialisation of pension provision could aggravate economic shocks, in ways that are quite ignored by the proponents of pension privatisation. The rise of pensions funds sets in motion huge tidal waves of cash into and out of the funds, with hugely distorting effects on equity valuations. In one demographic phase the surplus of contributions over payments is likely to foster a runaway equity bubble. But once the baby-boomers begin reaching retirement age the fund managers will need to become net sellers to finance their pension commitments. In other words, unless vigorous and enlightened steps are made to counter-act this automatism demographic shocks will be fed into the financial system, adding a new layer of instability. This danger has been pointed out by an experienced former fund manager at this prospect. More recently Jan Toporovski has explored the institutional underpinnings of today’s ‘bubble’ economics and found that pension funds have notably contributed to the logic of ‘ponzi finance’ in the capital markets, with speculative bubbles similar to that of a pyramid selling scheme. There is also now a considerable literature tracking evidence for a clear link between demographics and stock market prices, mediated by the pension funds. Thus Michael Mosebach and Mohammed Najand estimate that in February 1997 65 per cent of all US full-time employees participated in a 401 (k) plan or its equivalent, and that this implied a total investment of some $266 billion annually with penalties for any early withdrawal, a level at which there was a significant inflationary impact on share prices.

The approach I am sketching has some similarities to that advocated by Michel Aglietta. What interests me in Aglietta’s argument was that he thought it realistic to propose new principles which might structure the market as a whole while not being subordinate to its logic. As it happens the measures I propose are more far-reaching than those any actually specified by Aglietta and they are not bound, as perhaps his are, by an insistence that capitalist institutions are now impregnable and can only be counter-acted rather than replaced. The institutional innovation required would be considerable so I am similarly encouraged by the fact that an authority such as Peter Self has proposed that ‘superannuation funds’ should be made available for ‘longer-term investments which would yield environmental benefits (such as more durable products or energy savings), or which would make a socially-informed use of the many new and disturbing inventions (such as genetic engineering) which would otherwise

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be left to commercial exploitation. Any reform of pension funds aimed at making them engines of social self-management should take heed of the experiences of each country and in particular of the different historic form of social conquests. It would be absurd to introduce Anglo-Saxon-style individualised pension plans to a country where they were unknown only to reform towards a more collective model. One of the strengths of Meidner's famous plan for wage-earner funds was that it grew out of Swedish conditions. It is usually not difficult to see the ways in which the funded approach to retirement provision can be used to strengthen existing public or social systems of administration. These issues were sharply posed in France when the employers announced that they are withdrawing from a system of retirement provision which they had jointly administered with the trade unions since 1945. The French trade unions will certainly wish to defend the gains represented by this system. But if the joint commissions had the backing of an accumulated social fund with its own pattern of investments this would surely strengthen their ability to withstand future threats from the employers.

When faced with direct challenges to today's pension provision it may seem a luxury to dream up schemes for pension funds which will only deliver in the medium or long term. But actually the tying together of pension funds, social objectives and tax policy has a logic that facilitates the honouring of pension pledges and the provision of decent pensions to all citizens. Obviously state pensions should be paid at proper rates - say at least 60 per cent of average earnings - to all those over 65 or 70, regardless of their contributions. But henceforth contributions should be placed in a special fund and not diverted, as is presently the case in both the UK and the US, to general government expenditure. Since such contributions would then count as savings they would leave room in the public finances for more generous treatment of today's pensioners. And while expanding current options they would simultaneously reduce the claims on future streams of wealth exercised by rentiers and capitalists. Thus the redistribution of capital would be brought in to buttress the redistribution of income. This does not mean neglecting the sphere of production. Instead what it means is recognising that in the era of globalisation the sphere of production is mortgaged to that of global finance. The implication is that without a socialisation of investment mechanisms there can be no socialisation of production.

The scheme of complex socialisation would aim to encourage the development and recognition of a general interest. In this way it would be different from previous notions that the solution lay in workers self-management or workers control. The difficulty with such approaches is that they lacked a principle to check the egoism of the various collectives. The development of a range of social funds would enable the balanced recognition of the interests of citizens, consumers and producers. Incipiently such principles could also begin to be extended internationally, with an obligation on funds to devote some resources to development overseas.

The advocates of private pensions like to claim that only funded provision can avert the stark horror of the demographic revolution as multiplying millions of oldies have to be kept by dwindling numbers of active workers. The truth is that the income of future pensioners will have to be met out of future production, whether this is done from public revenue or the

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income generated by the funds. But there are indeed real advantages in building up a social fund for paying pensions. Firstly, such a fund offsets the burden of the national debt imposed on successive generations; by reducing the payment of interest to rentiers it makes it easier to pay decent pensions. Secondly, regulation of pension funds could foster a more healthy and sustainable pattern of growth if they were encouraged to respect social priorities when making investments.

This is why putting aside more for future pension provision and paying today's pensioners a decent income are quite complementary objectives from a macro-economic, and well as social justice, standpoint. Contributions to pension funds count as saving, leaving more scope for spending on other priorities, whether social investment or social expenditure.

What is really needed is a comprehensive and radical scheme to supply secondary pensions to all, with the government making contributions for carers and the unemployed. The most generous tax concessions should be available only to socially or mutually-owned schemes which give some direct representation to benefit holders, qualify as social or ethical funds and allow for a modicum of re-distribution from those with higher lifetime earnings to those with lower lifetime earnings. Even under prevailing legislation the pension funds have to satisfy certain minimum criteria when making their investments. In the UK there is a shortage of gilt-edged securities because funds are required to hold a minimum of this type of asset. The principle here should be extended to favour social investment, something which would have to be monitored by an independent regulatory agency. The social criteria could be construed to favour the bonds of companies making long-term investments, contributing to sustainable methods of production and conducting high levels of Research and Development.

A nation-wide system of social pension funds based on occupation, trade union, affinity group, region and so forth could give a choice of social saving to the contributors. To offset risk people could be required to have at least three such accounts. University departments could be engaged, for a standard fee, to act as advisers to such funds. Even with the best advice there will be winners and losers, though these need only be relatively small deviations from the average. The danger of market shocks and slumps should be tackled to fostering long term relations between enterprises and financial institutions. Money invested in pension funds is, above all, money invested for the long term and several techniques are available to spread risk over time so that only a long term slump would cause real damage. Indeed the enhanced social control over investment and accumulation that would be the result of such a collectivist reform of pensions would itself furnish the means to tackle fundamental problems of under performance and incipiently pose a challenge to remaining capitalist forms of property. I believe that the reforms I have outlined could lead to complex socialisation though everything would depend on the social and class struggles which ensued. My plea here is simply that this is the terrain on which we have to fight, one which poses new dangers but also new opportunities.¹⁰

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¹⁰ I have more on the working principles of such a reform in, 'Grey Capitalism and Pension Reform', *New Left Review*, 233, January-February 1999.