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HIGHER EDUCATION DEBATE

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"USS' multibillion-pound deficit could leave staff footing the bill (URL=http://www.timeshighereducation.co.uk/news/uss-deficit-could-mean-all-have-to-pay-more/2008572.article) " (News, 31 October) reported allegations of a "black hole" in the Universities Superannuation Scheme and quoted the view that it might be a "massive Ponzi scheme".

The author of these allegations, John Ralfe, Boots' former finance director, left the firm in 2002: was this linked to the firm's pension scheme adopting the same ideas that Ralfe now wants to foist on the USS?

A pension scheme is a form of social security that allows pensioners to maintain their standard of living in retirement. Its basis is a principle of intergenerational solidarity whereby the income of one generation is guaranteed by those who follow. It is both fair and sustainable because each generation supports the next - just as parents provide for their children (and as their parents provided for them). In families there is no attempt at an exact monetary calculation aimed at equalising transactions between generations. It is the same with pensions: they are a natural part of a caring society. Pensions are linked to salaries and therefore ultimately economic growth.

Viewed on the cash-in, cash-out principle, the USS is in good shape. Last year all its pension costs (£1.4 billion) were covered by contributions (£1.6 billion), with healthy growth in the return on investment (£4.6 billion) to cover future commitments.

That is the social model. Neoliberals such as Ralfe, whose philosophy was expressed by Margaret Thatcher when she told us "there is no such thing as society", want to marketise everything in the belief that markets are efficient. They believe they can ignore the future, as long as every pension scheme is fully funded. But the calculations required to do this are highly problematic. Besides, markets are not efficient and cannot allow for fundamental uncertainty such as demographic change. They are no substitute for society.

Dennis Leech
Professor of Economics
University of Warwick