regime which took away not only pensions and labor rights, but any possibility of an existence defined by a defense of the general welfare. In the 1981 privatization, the free marketeers simply stole a $22 billion state-run pension fund to keep an expanding debt bubble afloat, while savagely looting the state sector and any other productive economic activity in the name of "economic freedom."

Chilean Congressman Carlos Montes, who heads up the commission investigating the privatization of state companies under the Pinochet regime, has begun to unearth the sordid details on how this financial looting was carried out. Pinochet and his "Chicago Boys" ministers, some of whom ended up running the private pension funds (AFPs) or were handed control of privatized companies, made millions off this process, likely laundered through Riggs Bank, according to ongoing criminal investigations. Pinochet and several of his government ministers have had multimillion-dollar accounts at Riggs at one time or another.

Montes is probing the business activities of 38 of the dictator's relatives, in connection with money-laundering and tax evasion, and as these details emerge, they will most likely be the basis for future indictments. Pinochet's son-in-law Julio César Ponce Lerou, today one of Chile's wealthiest businessmen, was president of the government agency that supervised the privatization of all state-owned companies.

It is instructive that the same rapacious financial interests that have bought up the bulk of Ibero-America's privatized state companies, including most particularly Chile's, now also control 96% of the Assets Under Management (AUM) of the country's private pension funds. Chief among these interests, with $11.3 billion, or one-third of the $35.5-billion total, is Spain's Banco Bilbao Vizcaya Argentaria (BBVA), which *EIR* has exposed for its historic links to drug-money-laundering. Spain's Banco Santander, Citibank, and Canada's Sun Life are among the other leading owners.

Interview: Arturo Martínez

Chile Labor Leader: No To Fascist Pension Plan

If you had the opportunity to speak before a committee of the U.S. Congress about Chile's privatized pension system, what would you tell them? This was the question posed by EIR *to Arturo Martínez, president of Chile's largest labor federation, the Unified Labor Federation (Central Unitaria de Trabajadores, or CUT) on Dec. 14. His answer was blunt:*

"I would tell them that they cannot repeat the failure of Chile; the system has failed. In Chile, we are replacing this system, because it collapsed. *And the United States cannot try to implement a system which was imposed by blood and fire by Pinochet, who finally imposed it by force. The United States, at least, will have to debate with its people, what it is that they want to do for the future of pensions in that country, but they can't copy a fascist model, a model of individual capitalization, which only serves for the investors to make money. The money of the workers is being invested, and the investors are making a lot of money from it, but the workers don't benefit."*

Martínez's dramatic warning was made at the conclusion of an interview he gave EIR *by phone from Santiago on Dec. 14. A labor leader who was imprisoned for more than eight years under the regime of Gen. Augusto Pinochet (1973-90), Martínez was elected president of the CUT in 2000, and in August 2003, he organized the first national strike in the country in nearly 20 years, against new efforts to deepen the destruction of labor and social protections—efforts for which the "Chilean economic model" is infamous. The rest of the interview follows.*

EIR: Could you say how the CUT views Chile's privatized pension plan? How has it affected labor?

Martínez: This is 23 years old, this privatization of the pensions. And in 23 years, a very concrete evaluation can be made. First, it has a great problem when it comes to coverage. In our country, 6.4 million workers have entered this system, and 2.9 million normally continue to pay into it.

EIR: When you say, continue to make payments, do you mean monthly?

Martínez: Each month: Some enter, some leave. Therefore, the question is—first, there is no total coverage; that is, coverage is very weak. Coverage does not extend to 50% of the labor force. This is so, because work in Chile is sporadic; workers get seasonal work.

The second problem is the level of adequacy: The rate of return which those who are paying into the system are going to get, is not going to reach the level of a minimum pension. Fifty-eight percent of the 2.9 million are not going to get the funds to meet a minimum pension. And the state is going to have to cover the difference—as long as these people have paid into the system for 20 years.

EIR: And the others?

Martínez: The difference is not covered for those who haven't participated for 20 years, which is many, many people. Here enters the question of the temporary workers who work for three months, four months, and then leave employment; they are unemployed for four, five months, and they then seek a job again. That lasts three months, and they enter again. So there is a lot of labor force mobility.

EIR: Do you have an estimate of how many people live under these conditions?
Martínez: Approximately 3.8 million workers work for an employer, and of these, 2.6 million hold temporary jobs, hired job by job, for fixed periods—without social security benefits, much less a pension. That is, the great majority of Chile's workers have no social security.

EIR: And in Chile, this includes the health system also?
Martínez: Exactly. So all these people become a burden on the state, because it looks after them as indigents. The weight of this for the state is a tremendous responsibility, because the health system looks after them as indigents, and then when they reach old age, it has to look after them again as indigents for their pensions, giving them welfare pensions.

This system is good for those who have a high income. But it is very bad for people who have a middle or low income. And it is bad also for the people who have temporary, occasional, and transitory work.

EIR: Which are the majority, it appears.
Martínez: Which are the majority. The situation is such that in January of next year, 2005, the debate over the reform of pensions in Chile is to begin.

EIR: Where will this take place? In the Congress?
Martínez: First the government is going to raise the issue, and the government has to present a bill for a new pension system in Chile. Because the new labor reality which we face does not take into account this situation. When this system was set up 23 years ago, there was not such great labor mobility. We have a collapsed system, at a tremendous cost to the state. And in addition to that, it is deficient in its benefits and deficient in coverage.

EIR: This question of "labor mobility" is the World Bank's plan.
Martínez: It is savagery. And the World Bank has come to Chile to say that it wants even more mobility, more labor flexibility. We just stopped the system of flexibility, at least from here until the change in government. We don't know what government there will be. We had to call a general strike.

EIR: When was that?
Martínez: On Aug. 23, 2003. And we are now preparing ourselves for next year, because they are again insisting on the issue of labor flexibility. Chile is the country with the greatest labor flexibility.

EIR: And look at the results. This is very important for the United States. For other countries also, but it is important that this be understood in the United States, because it is an entire system, not only social security.
Martínez: It is a system which was implemented here, but which has been increasing in other countries. Not with the savagery with which it has been implemented here, but it is always the same line. What we are proposing, is that this system be reformed; that a public AFP [pension fund—ed.] be created, with solidarity as a pillar, and one in which the employer and the state also contribute, to ensure a sufficient level, to ensure adequacy, because individual capitalization does not work for the workers, especially those with low income.

EIR: Do you have a written proposal on this?
Martínez: Yes. We have a written proposal which we are going to release to the public on Jan. 10.

EIR: It is very interesting that today, Chile—just as Bush plans to run his great campaign for the Chilean model—
Martínez: It has collapsed! We are debating how to reform pensions, because the model has collapsed. And I don't understand how Bush could want to implement it in his country.

EIR: He thinks he is God now. . . .

Chile: Private Pensions A Quarter Century On

by Manuel Riesco

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December 2004: The privatization of pensions in Chile during the Pinochet dictatorship has been hailed worldwide as a success story, and President Bush recently said that it was "a great example" for Social Security reform in the United States. Its champions continue to repeat the arguments on which it has been presented since its inception. Some of these arguments are strictly ideological: It is a better system because it depends on property, free choice, and personal responsibility; and it links individual contributions with benefits, personal effort with their reward. Other arguments were based in financial and actuarial calculations, which proved that, at 4% yearly rates of return, saving 10% of salaries throughout an active lifetime would afford pensions in the order of 70% of salaries at retirement. The cost of transition—due to the fact that social security contributions are funnelled into the new system, while the state continues to provide financing for the old pay-