

## Hernando de Soto and The Economic Hit Men

In 2005, the Cato Institute, the leading U.S. mouthpiece of the Mont Pelerin Society—which has José Piñera as the co-president of its Project on Social Security Privatization—gave its annual award to Hernando de Soto, president of the Institute for Freedom and Democracy (ILD), and George Bush, Sr.'s favorite “Third Worldist” economist. The award ceremony boasted as its star none other than George Shultz, the economic hit man who did the most to destroy the original Bretton Woods system, and godfather of the Pinochet Model. In the past 25 years, the ILD has been one of the closest allies and beneficiaries of the networks of neo-conservative synarchist financiers.

In the 1980s and 1990s, the ILD received massive funding from Project Democracy, the same apparatus which, through the Iran-Contra operation, filled U.S. cities with crack cocaine. With the support of the National Endowment for Democracy and of the Hudson Institute (especially when it was run by Elliott Abrams, and of private foundations linked to the Cato Institute, such as Smith Richardson), the ILD organized its economic hits to discredit and intimidate opponents in electoral and other campaigns.

If it was Pedro Beltrán who brought the Mont Pelerin Society's Ludwig von Mises to Peru for the first time in 1950, it was the ILD which brought Milton Friedman to Peru in 1981, together with Elliot Richardson, David Becker (also of the Cato Institute), Javier Pérez de Cuéllar,

Mario Vargas Llosa, and top Peruvian oligarch and businessman Manuel Ulloa, among others. This was the same Ulloa who (unsuccessfully) sued Peruvian LaRouche associates to try to stop the sale of the Spanish-language edition of the book *Dope, Inc.* and who, as Economics Minister in the 1960s, put Carlos Rodríguez Pastor and Pedro Pablo Kuczynski in the Central Bank.

De Soto, together with Rodríguez Pastor and Pérez de Cuéllar, not only organized Peru's “reinsertion” into the IMF, but proposed putting Peru's main coca-growing valley under an Autonomous Authority of the Upper Huallaga which, according to press accounts, de Soto hoped to head. The Autonomous Authority's policy was the same as that of Gen. Alberto Arciniega, the political-military chief of the Upper Huallaga zone: Make a deal with the drug traffickers, supposedly so that they would stop financing the Shining Path and MRTA terrorists. When Alberto Fujimori refused to give the Autonomous Authority a green light, De Soto openly broke with him.

Boloña refers to De Soto's role in his book: “The developments of April 5, 1992 [when Fujimori shut down the Peruvian Congress] threatened the reinsertion. We were on the verge of becoming political pariahs. We nonetheless managed to avoid this, thanks to Fujimori's commitment, made May 18, 1992 in the Bahamas, with regard to the election of the Constituent Congress, an idea whose formulation I shared with Hernando De Soto. This commitment (with the Bush, Sr. government) enabled us to keep open the doors of reinsertion until Dec. 30, 1992, a period during which Boloña imposed the reform, including the privatization of pensions, through 745 legislative decrees.”

—Manuel Hidalgo

of those applying for state-run minimum pensions—which will be a real social time-bomb, when it hits in.

The government has done everything possible to prop up the AFPs, which are assured of multi-millions in risk-free profits. For example, retirement age was raised, and the state committed itself to providing a minimum pension for those workers who have not paid in their full quota to the AFPs by their retirement. The social debt resulting from the state's earlier spending of the funds accruing to the social security pension fund, which were paid in by workers and employers over the years, has reached \$36 billion. When Pedro Pablo Kuczynski, Peru's current Economics Minister and friend of Rodríguez Pastor, was asked about this social debt, he said blithely that it would not be paid!

Furthermore, even the already reduced public system pensions have continued to shrink—although, to accomplish this, the government has resorted to changing the Constitution itself. The current regime of Alejandro Toledo and his minister

Kuczynski, took a step that even Boloña had not dared: They got the Congress to annul the cost-of-living adjustment of pensions that Law 20530 had given to a group of pensioners, by first annulling the Constitutional protection that was based on considering pensions an “acquired right” of the retiree. Today, pay-outs are not a “right,” but are subject to so-called financial “sustainability”—that is, the system is now subject to the arbitrary whim of the bankers. The group of pensioners previously protected by Law 20530 was the only one with some form of cost-of-living protection. This latest pension reform was approved on Nov. 12, 2004, and the pensioners' federations, CONUPEP and CENAPP, have begun a campaign to force the courts to overturn the decree as unconstitutional.

### Boloña, Buchi, and Piñera

Carlos Boloña, a rabid supporter of the Chile model, used public funds to promote the private pension system, and spon-