Interview: Yasmir Fariña Morales

Say 'No' to Privatized Pensions, Chilean Unionist Advises U.S.

In this interview, Ms. Fariña, president of the Chilean Public Employees' Group to Redress Social Security Harm, describes a lesser-known aspect of Chile's 1981 social security privatization, the same model that George Bush has tried to ram down the throats of the American people: the brutal way in which tens of thousands of state-sector workers were forced by Augusto Pinochet's military dictatorship and "Chicago Boy" economics team to switch from the U.S.-style state-run "pay as you go" system to the privatized AFP system, or else face the likelihood of losing their jobs.

This gives the lie to the public relations line that was put out at the time—and that President Bush repeats today—that these state workers had the "choice" of whether or not to join the new system. In most cases, those who resisted the threats and stuck with the old system, did lose their jobs and were the victims of political persecution as well. Those who did switch, were swindled out of their rightful pensions because of the government's fraudulent way of calculating them, such that thousands of retirement-age Chilean state employees today cannot afford to retire, because the pension awaiting them is no more than 19 percent of their current salary.

Ms. Fariña, who resides in Santiago, was interviewed by Cynthia Rush on July 18.

EIR: In the United States, Lyndon LaRouche's political movement mobilized to expose the "Chilean model" behind George Bush's proposal to privatize social security. In fact, José Piñera was here in Washington advising Bush along with George Shultz, one of the architects of the 1973 Pinochet coup in Chile. Because of what we did, we can say that the privatization isn't going to happen.

For some time your organization, which represents 157,000 state sector employees, has been fighting an aspect of the 1981 pension privatization.

Fariña: Yes, we are 157,000 public employees who belonged to the old state social security system and were forced to switch to the private system by the military government. If we wanted to keep our jobs, we had to leave the old system.

EIR: I know there has been a huge injustice as the result of that 1981 privatization. Tell us about your group and the fight you've been waging.

Fariña: The State Employees Group to Redress Social Security Harm includes 178,637 employees of the centralized and decentralized public sectors, including state universities, the state and municipal health sector, and so on. Today, there are 30,000 public employees who simply cannot retire because their pensions in the private Pension Fund Administrators, or AFP system, won't even amount to 30 per cent of their salary. All of those employees contributed to the old state social security system, to any of the various funds established for different job categories.

At that time, the military government imposed the private system, and in the case of public employees, they just told them that the old system was ending, and that they had to switch to the new AFP system—despite the fact that they could supposedly choose "voluntarily" to join—otherwise they would find themselves out of a job at the end of the year. So the personnel managers or top bosses, many of them named by the military, started forcing state employees to switch over in massive numbers. In May of 1981, people were herded into classrooms and auditoriums, given a "talk" and forced to sign on to the new private system.

You know that under the military jackboot, the average civil servant who depends on his wage to survive, could do practically nothing, only hold onto the hope that someday democracy would return and the injustice would be redressed at that time. Some people refused to change to the private system, in open defiance of the military, and they paid the price. They were fired and persecuted, and a significant percentage had to leave the public sector. Those who couldn't get their pensions at that time through the state social security fund, lost everything.

The government did a calculation and created what were called Recognition Bonds, which were supposed to take into account all the years people had contributed to the old system and compensate them for it. But in reality, the Recognition Bonds didn't do that, and instead were calculated only on the basis of the period from 1975 to 1981. So, people who had worked much longer than that basically lost everything they had paid into the old system, and the older you are today, the more you have been victimized by this system.

Because of the way the calculations were done, these state employees today receive pensions amounting to only

19% of their total salary.

In addition, under the military government, Chilean wages were frozen because of the severe economic crisis that occurred at that time (1981-1982).

EIR: They froze wages, but didn't they also cut them?

Fariña: Yes. For example, in private companies there was a drastic reduction in wages, but in the state sector they froze them and couldn't really cut them because the state sector has the lowest wages of the whole system. And then 10% of that extremely low wage was paid into the private system, disregarding all the years that people had paid into the old system. They just ignored people who came from the old system who might have had just a few years left before they were scheduled to retire—10, 15, or 20 years.

So these people have suffered an enormous wrong. We had studies done by the CENDA think-tank, which showed in two very concrete cases the injustice which had been committed. One study involving 10,415 public employees showed that, on average, in the best of cases, people were getting pensions no higher than 30% of their salary.

For example, if an employee obtained his pension through the Institute for Pension Normalization (INP), which includes all of the different funds from the old system [which were supposed to eventually disappear—ed.], he would have received a pension of 439,504 pesos; and if that same person were contributing to the private system, his pension would have been 274,087 pesos, a difference of 165,417 pesos. Keeping in mind that wages were frozen, and that pensions were calculated using a small base salary, the state owes these individuals an average of 18 million pesos for their unpaid pensions.

And this was the case for people who had less than five years of paying into the old system. What about those who had paid into the old system for more than ten years, and were forced to switch? Another study we did showed that on average, a person with a specific salary would have received a pension of 500,660 pesos. For that same person, a pension from the AFP system amounted to 187,837 pesos—a difference of 312,169 pesos. That's a 62 percent deficit, and the per capita pension debt owed amounts to 48 million pesos.

Let me give you a concrete example of an employee at Chile's internal revenue service, María Bustos, who worked for 34 years as an accountant-auditor. Her average liquid income was 1,400,000 pesos. But when she retired on Dec. 31, 2004, the pension she received from the AFP system amounted to 271,141 pesos.

This is an enormous theft. She is getting 19% of her salary. We argue that the Chilean state has a responsibility here. We even went to the AFP Association, to the owners of the AFPs, and asked them to analyze the problem in good conscience to determine whether it were as bad as we said. And the AFP owners said yes, an enormous injustice has been done here.

Yasmir Fariña Morales: "We must think of the common good, and understand that all of humanity must live better."

In fact, their report said that the state owes money to the public employees who switched to the AFP system, but whose pension was calculated based only on a small part of their actual wage, undervaluing the Recognition Bond.

We have been fighting now for five years to right this wrong. This system was imposed by a dictatorship, a de facto government in which the working class, the trade unions, and public opinion had no voice, and the population has paid a terrible price.

EIR: That leads me to another point that I think it would be important to explain. Here in the United States and internationally, there's been an attempt to sell the "Chilean model" as a huge success. The argument is that under Pinochet, of course some "bad" things were done—repression, persecution, disappearances—but that the economic policy was good, that it works fine, and they keep pushing this same policy. What do you say to that?

Fariña: Look, a country has to grow both in economic as well as in human terms. If a large percentage of people who inhabit a country are becoming poorer, and a few are getting rich, that country is no success.

It's true that each month the AFP system produces fresh funds for the economy, but this has enriched an oligopolic group. The state itself uses a percentage of those funds for its investments.

The population and the workers haven't gained anything from this system, so there is a huge lie here. The country may grow economically, but its workers, who are the ones that put in the money month after month, discover when they retire, "Oh, how terrible—our 'golden years' don't exist." And we've shown this reality with some really shocking examples.

We have 7 million people working in the country. Of those, 2,900,000 are women and 4,500,000 are men. Of the women, 64% aren't going to qualify for a pension, because they will not have made the 240 monthly payments over a 20-

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year period; 36% will get some kind of pension. Of the men, 34% of the enrollees won't qualify for a pension, and 66% will.

Here in Chile, women suffer the most because the assumption is that we're going to live longer than men. In large part, women work in the informal sector, and for a significant portion of their lives they make no payments into any system, even if they work in companies. They're kept on the honorarium system [which is temporary job status providing no benefits and no pension—ed.]. On average, 50% of women won't qualify for even a minimum state-guaranteed pension.

And if we say that the system here inside Chile has to be changed, then you can't try to sell it abroad. That's irresponsible. If you hear an old wives' tale about how people here are getting a good pension, remind them of this. The minimum state-pension is 76,000 pesos a year. The dollar stands at 570 pesos, so 76,000 is nothing.

In order to maintain the private accounts, each worker has to pay a fixed as well as a variable commission, so the system is very expensive. And when the AFPs make money, no percentage is distributed among its enrollees; it just goes to the AFP. But when there are losses, the workers assume them. Workers aren't represented in the system, only the owners and families who invest.

EIR: And there are huge financial interests, banks, insurances companies, etc. behind the AFPs.

Fariña: Yes, it's an oligopoly. Today there are only six AFPs and they're all tied to each other, so there isn't even any competition among them.

EIR: And competition was supposedly the reason why the AFPs were set up in the first place, wasn't it, to offer "choice?"

Fariña: Look, we were sold a system that was supposed to be excellent. The money would be managed in the capital markets, and would generate such big profits that we would have pensions far larger than in the old system. The money wouldn't be used by the politicians but by the workers, to allow for the growth of the Chilean work force and population.

But today, the small and medium-sized businesses (known as Pymes) can't even get bank loans, and the AFPs don't invest in those small companies, which are the only ones offering jobs. So this is the big lie—these are the peddlers of lies. It is irresponsible to sell a system that has proven to be a failure. Today in Chile, we have the first disastrous results in the public employees' situation, where the state has a huge responsibility and enormous debt to be paid to its workers.

EIR: In addition to the private pension system, a large number of other state companies were also privatized. What was left of Chile's productive economy?

Fariña: It is very painful for us to say that it is dying, if not dead. This globalized system just destroyed the production of leather and shoes, and shut down their factories. The textile factories, which were huge in Chile and employed many people, have long since died. Only a very few small craft-related ones survived.

Today everything is imported, which has caused enormous unemployment in the country. Auto production is gone. Chile is a country of services, not a producer. Only the agricultural sector which exports fruit abroad, and tourism, are important. Today we have a lot of professionals who are self-employed, forced to offer their services independently, and that has made short-shrift of the pension system.

Let me read you what the head of the AFP Association said, since he looked at the problem realistically: "The AFPs cannot be the pension system of all Chileans as long as the current levels of unemployment, informality, and poverty exist in the country. Guillermo Arthur, April 24, 2005."

So even Don Guillermo Arthur recognizes that the AFP system *is not a pension system.* The private system might work as an adjunct, but the state *cannot abandon* its social obligation in a small and poor country like Chile. The state cannot leave everything in private hands.

EIR: Lyndon LaRouche proposes to create a new international monetary system, a New Bretton Woods, to guarantee industrial development to all nations and offer cheap credits to finance it. In Ibero-America in particular, he's emphasized the need for building large infrastructure projects. In May of this year, the Presidents of Colombia, Venezuela, Brazil and the Spanish Premier Rodríguez Zapatero met in Venezuela to discuss this issue, and they defined a number of projects for the region.

How do you see Chile's participation in this process of continental integration, and what are its needs for infrastructure development?

Fariña: The policy of the Chilean government today is a neoliberal one, which prioritizes international free-trade agreements. It is open to any type of treaty or alternative to generate revenue, but is not oriented toward industrialization. Since these agreements have certain parameters, I see no way that Chile will support the textile or automobile industries, or production of computers. No. Existing treaties with Japan, the United States, and Europe make us a services country. The model encouraged by President Ricardo Lagos is strictly neoliberal, and tremendously open to the market.

EIR: So, there really hasn't been a change from the model imposed on the country in 1973, by Pinochet and the University of Chicago?

Fariña: No. What we have today is the model that Pinochet's government left behind. It's the same thing, perhaps a little less harsh than an openly right-wing government. But it's the same thing. They've gone a little slower, but other than that, they keep defending the same policy.

Go back to the AFPs. As I said, there are six of them which alone represent 56% of Gross Domestic Product (GDP). Imagine that: 50% of what a country produces! That's very high. Just as a historical note, in the United States there are laws that prohibit monopoly control of this magnitude, because it threatens principles of national security expressed in the Constitution. Remember the case of [Microsoft head] Bill Gates—it's the same thing here.

Chile needs a lot of infrastructure. Its small businesses need a lot of help, because they are languishing. They can't get machinery. The privatizations continue, now with the Spanish and other foreign companies. They're coming to make money, and obviously our population isn't going to grow. We have impressive growth rates, but there is no "trickle-down effect" to the population, which neoliberalism promised.

The AFPs manage $63 billion dollars, an astronomical sum!

EIR: If you could speak with the American people, who are also suffering from an economic crisis, shutdown of factores, unemployment, a destruction of our industrial capabilities, and degradation of living conditions, what would you say to them, as a Chilean who has lived through your country's crisis?

Fariña: I would tell them the same thing I tell my countrymen. We must be conscious of the leaders we elect. We can't elect bad leaders, because they will ruin the future for our children and grandchildren. We can't just think of ourselves, but of future generations.

We must elect people who are centered—not half-crazy like Bush—and we must not be so individualistic, but think of the common good, and understand that all of humanity must live better. If the United States is in bad shape, then the rest of the world will be three and four times worse, as in Africa, where people are dying of hunger. There's a domino effect in all this.

If the American people are bad off, and U.S. industries shutting down, this has an effect on Latin America, and the worst effect will be in those countries of Africa where people have no hope at all for the future. So the American people have to become more conscious of electing good representatives, and not see things from the standpoint of fantasy, but live in the real world, and really see what is happening and become involved in others' problems. We have to fight together, because we have the same problems.

The world is sinking in this extreme neoliberalism and globalization. So let's not lose our bearings or forget about what is really important—that wealth is to be enjoyed by human beings, not just by a small group. We need a more human world, in which we are all united.

And so, to Americans, I say: Please, don't accept privatized pensions. For the American people and future generations, this would mean the poverty of your professionals and misery for the rest of the working population. Here we are living through this with anguish, and sometime soon, this could even bring us into a bloody revolution, which we can't permit because we are rational beings.

You Americans who hold high the banner of freedom, can't back down on the issue of social security. If you do, then the whole world will come down around us.