

Ibero-Americans Tell Of Their Privatized Social Security Horror

On March 12, the weekly Internet broadcast of “The LaRouche Show” was dedicated to an extraordinary series of interviews with six social security specialists and trade union leaders from four countries of Ibero-America, who reported on the disastrous results of social security privatization in their respective countries, and urged the United States not to make the same mistake, and to reject the Bush Administration’s plan to privatize Social Security along the fascist model of Pinochet’s Chile.

The program was hosted by EIR’s Marcia Merry Baker with guest moderator Cynthia Rush of EIR’s Ibero-America desk, and included an interview with LaRouche Youth Movement activist David Nance. The program was extended to 90 minutes and was webcast, including live video feeds from Ibero-America, with simultaneous translation provided by EIR.

The full show is archived in video and audio, in both English and Spanish, at http://www.larouchepub.com/radio/archive_2005.html.

Marcia Merry Baker: Good afternoon, everyone, and welcome to The LaRouche Show. Today is March 12, 2005. I will be the co-host today; I’m Marcia Merry Baker. And due to the importance of the topic, due to the many guests—I’m very glad to say, we have live from four nations in Mexico and South America—we hope to run longer than our usual hour. And the topic of extreme importance is organizing to stop the fascist drive we see in the effort to privatize—to privatize—the Social Security system of the United States, which is just part of a broader effort to have these kinds of “steal and kill” solutions to the international financial crisis.

Our in-studio guest today for this special broadcast, from the LaRouche Youth Movement in Washington, D.C., is David Nance. My co-host Cynthia Rush will be moderating with our guests from South America and Mexico.

Our plan for today is, we are going to get firsthand accounts of the record of the imposition of privatizing social security in over seven nations in South America and in Mexico: how the stealing went on, how it’s been imposed under political lies, first in Chile, and then later elsewhere; and how it’s resulted in poverty, done all this harm—and it’s made a *bundle* for a certain international banking network.

The people we will hear from, I’d like to identify now, and we will be in



LaRouche movement activists helped mobilize a rally in Omaha, Nebraska in February, outside one of George Bush's stump speeches, called to push Social Security privatization. Americans are not buying the fascist lies Bush is parroting. Above: The LaRouche Show co-hosts (from left): LaRouche Youth Movement organizer David Nance, EIR Economics Editor Marcia Merry Baker, and Cynthia Rush.

dialogue with them directly.

From Chile, we will have Isabel Márquez Lizana, who is the Project Chief of the Individual Accounts Division of the Institute for Social Security Normalization, and she is also a Researcher with the Social Sciences Department of University of Chile.

In Mexico, we're very pleased to have three people from the state of Querétaro, Mexico, and they will be: Professor Marco Antonio Rubio Abonce, who is General Secretary of the Union of Academic Personnel of the Autonomous University of Querétaro, and co-President of the National Workers' Union of Querétaro; we will also have with him, Professor José Alfredo Zepeda, who is the former President of the Autonomous University of Querétaro; and joining them will be Javier Armando Jiménez, the Research Director of the Education Workers Union of the state of Querétaro.

In Peru, we have on standby Professor Alejandro Apaza Retamozo, who is President of the Service Cooperative of the Education Workers of Peru, and a founding member of the Teachers' Union of Peru.

And finally, in Argentina we will be speaking with Dr. Julio González, who, among other things, is the former Technical Secretary of the Presidency of the Nation in the 1970s; he is Professor of Economic Structures of Argentina at the Buenos Aires University and the National University of Lomas de Zamora.

Bush's Snake-Oil Roadshow

So with these guests on standby, let me just begin with a few short updates about the situation we face here in the United States. We've got the President of our country loose on a roadshow. It's a little like the old-fashioned snake-oil

roadshows, where he says, "Step right up, have I got a deal for you"—and namely, it's to privatize Social Security, which is just stealing.

Now, a warroom has been set up in the Treasury Department of the United States. And Dick Cheney, the Vice President, is going to be touring the country; the Treasury Secretary Mr. Snow is touring. They've announced a 60-day period of this kind of stuff.

That's the visible aspect. But, behind the scenes, we have characters that you'll hear more about, namely, George Shultz, based in California who, for decades—he was former Secretary of State, among other things, coming out of the University of Chicago, and has a predecessor pedigree of outright Nazism—has been backing swindles like this privatization in the Americas and around the world. He's also the economic advisor to Arnold Schwarzenegger, along with Warren Buffett.

So, we're in a very strategic kind of fight here, not just on one issue. We've got those who are demanding privatization—including deregulation or globalization of economic activity—to the point of outright fascism, as "solutions" to the economic breakdown that we see: outright fascism. I'm talking about the backers of these roadshows (I don't know what President Bush knows—that's a different matter). They're just saying: "We're going to do it. We're doing evil. We're going to intimidate you, and you're going to take it." And that's what we're going to stop. We're going to stop that kind of evil.

The context in which this is occurring—besides the fact that they're evil people—is that the financial system is in breakdown. And this gang wants to take what they can get, and do it with jackboot methods.

The opposite of this kind of fascist response to the breakdown, is what Lyndon LaRouche and collaborators, especially the LaRouche Youth Movement in the United States and internationally, have been working on. They've been putting forward the idea that you can reorganize the financial system, have a new system like after the Second World War with a New Bretton Woods. And we can look ahead to restoring sovereign nations, functioning economies.

I want to take this opportunity to announce—you won't be able to see it so well—but I have the cover that's being printed of Mr. LaRouche's new book that will be out in ten days, called *Earth's Next Fifty Years*, which contains how to change your thinking about how we can bring forth development and hope in the world again. On the cover of this new book, is the installation of the nuclear power plant in Angra in Brazil, near Rio de Janeiro. And that says a lot about the kind of world we can look forward to, once we defeat this evil crowd of the Schwarzenazis and so forth.

So, it's a showdown time. Let's just stress that the financial breakdown process can be seen in many ways. One aspect is the dollar! We've had two runs on the dollar in the last two weeks. They were stopped a bit. But after South Korea and then, a few days ago, Japan, had officials saying, "we are going to start to ease out of holdings in the dollar, because we're losing too much money," the whole system shook. We have even bigger seismic shakes domestically in the United States, where General Motors, and the whole complex of the automaker and the financial GMAC end of General Motors, has a debt of some \$250 billion—that's practically bigger than Brazil and Argentina's much-vaunted official foreign debt. And that is ready to blow, and unpayable.

Resources Needed for the Fight

So, you have a world of huge amounts of unpayable debt. That's the backdrop to the idea: Are we going to reorganize that debt on behalf of people? Or are we going to pay a network of thieves, saying that they're bankers, who are trying to do this looting?

So, to awake citizens of all the nations of the Americas is a big job. And here in the United States, that has very much been done by a pamphlet that many of you are familiar with. Close to a million copies have now been distributed around this country in only the past few months, on "Bush's Social Security Fraud: Stop George Shultz's Drive Towards Fascism." We have been getting calls from California, from the LaRouche Youth Movement there, saying: "We can get out a million more. Get us a million more." That would bring it up to 2 million. The only issue is resources; people should be distributing this.

And not just resources for that. I will also stress—there's an old tradition in the United States and Mexico and elsewhere—of subscriptions to LaRouche's new book. So anyone who wants to advance order *Earth's Next Fifty Years*, don't hold back!

The LaRouche PAC put out this pamphlet about George Shultz and Social Security privatization also in Spanish; there's at least 50,000 copies of that. And I heard that in Mexico, there is another pamphlet waiting for the resources to go on the presses—

Cynthia Rush: Right, 50,000 copies.

Baker: Fifty thousand of a special pamphlet for Mexico and for South America.

So, we have a tremendous situation. I conclude with an update for everyone. I want to report on a bandit—his name is José Piñera, and he's been around for too many decades. He's a Chilean national, to begin with, but was trained at the University of Chicago—George Shultz—and Harvard. And so, in the 1970s, José Piñera was in on the ground floor of the coup and the Augusto Pinochet dictatorship in Chile, the military coup in 1973. And then Mr. Piñera designed the privatizing of social security in Chile. We will hear about that.

Besides going to many other countries in the intervening decades, Mr. Piñera in the last few years was based in Washington, at an outfit called the Cato Institute, where he co-chairs a committee to privatize Social Security here in the United States. In recent months, before this pamphlet went out, Piñera—who has a big ego and a big website—was promising to be everywhere from Milwaukee to Boston. But, now he's gone underground! We don't like to make fun of our national anthem, but we might say, "José can you see?" because you cannot see him in the last few weeks. Only earlier this month, on March 4, did the *Wall Street Journal* manage to get this guy to reappear in public. He was interviewed in Santiago, Chile, talking about how great it is to privatize social security and have ownership—well, of poverty. The other backers of these kinds of policies can be forced into cages. We can do it with Arnold Schwarzenegger.

And therefore, we are so glad that we have today our guests on standby, and Cynthia Rush, will moderate our discussion, which as you know is in Spanish and English, translated simultaneously; it is in video and audio.

LYM Organizing on Capitol Hill

But, just before we turn things over to Cynthia and begin with our guests, we have a chance to hear from David Nance of the LaRouche Youth Movement, who's been in Washington, D.C. most recently. I think you've been on Capitol Hill and Congress: What's going on in the halls of Congress?

David Nance: Well, it's been relatively interesting. There's been a pretty open response to what we've been doing, something unlike anything we've seen before, in terms of the Democratic Party as a whole opening their doors, and essentially saying: "We know you guys have been leading this fight against Social Security privatization on the ground. And we're fighting this thing from an institutional standpoint. But we need a certain degree of insight into how to fight this thing in a more potent way."

We are seeing this in a number of offices, in which we've had representatives, who are looking at various aspects of this problem. For example, the question of the influence of people like Alan Keyes and this private committee he's got—BAPAC—in the African-American community, which is a big concern among Democrats: The fact is that, I think approximately 51% of African-Americans still support Social Security privatization, which is one of the weak links in this effort. So they realize that there's a necessity for the LaRouche Youth Movement to intervene and take more leadership in terms of educating the population and doing these kinds of things.

And they've assured us on numerous occasions—because we've been going into offices and essentially telling them that they have to stay the course. They have to stay the course on the question of FDR; they have to go after the fascist roots of this policy. And while some of them do resist the idea of using the “F” word, the vast majority of them have been responding on the question of FDR.

Roosevelt Method vs. Fascism

Baker: They say, you can't say “fascism.” On the pamphlet, it says “fascism.”

Nance: Yes, yes. Well, they enjoy—they swallow up the pamphlet. But then they'll turn around and say, “You can't say that publicly.”

But, by and large, they've been moving on the FDR question. We have to do an educational job, in terms of giving them a sense of who FDR was, as opposed to name-dropping “FDR.” We have to add more substance to it, which is by and large, what we've been trying to do: Educate them more on the question.

Baker: If you're talking about Senators and Congressmen, they've had a chance to see you and your colleagues in action, organizing the general population on the street, and in these town meetings. I think some 300 more town meetings have been called for by the Democrats. How's that going?

Nance: Oh, it's going great! We've been doing these interventions. By and large, the population loves what we're doing. The Senators tend to be put on the spot, and sometimes they don't exactly know how to respond to what we're doing, since there is a certain formulaic way they typically deal with these things—and we typically throw the whole rules of the game out of the window, so to speak.

But by and large, the population loves what we're doing. They love the upfront approach on the question of Social Security. And I think, by and large, they'd like to see more of that out of the Democratic Party—and we're trying to give them the courage to fight on a more principled basis.

Baker: And some of the young people, it's a question of becoming more active, whereas the older generation, especially if they're over 80, they already stand with you?

Nance: They're already there. In principle, they're there with Roosevelt. I mean, there's a problem in terms of education, which is a bigger issue, and I think the new LaRouche book will go a long way in terms of addressing that issue. But the youth, by and large, still have questions. We've been on the college campuses and so forth, really knocking heads on this question of Social Security, and giving our generation a sense that it's not just a program for the elderly, or the disabled or whatever. But that this program is representative of where they're going to be in the next 50 years. Because, I think this idea of what Lyn is discussing in terms of the world over the next 50 years, is also relevant in terms of our generation: In 50 years, a young guy like myself—

Baker: You'll be young!

Nance: Yes, exactly! [laughing]

José Piñera's Privatization Dictatorships

Baker: Well, thank you very much. We're now going to proceed, country by country, with some questions, beginning with Chile, then to Mexico, then to Peru, and to Argentina. We'll proceed now with Cynthia introducing our guests.

Rush: I think what I'd like to do, very briefly, before we get to our guests, is make a few introductory remarks about what this privatization process has been in Ibero-America, and what it means for the populations. As Marcia said, we know the Chile case, the 1981 privatization, overseen by this character, José Piñera. But this was done under the aegis of the University of Chicago economics team, which actually was planning the Chile policy well before the 1973 Pinochet coup. And then, subsequently, seven other nations across Ibero-America were forced to accept this same policy.

I think it's important to point out that José Piñera states explicitly on his website, that this was never just about Social Security—he's very open about that. He states that his policy was part of a package deal of radical free-market reforms, that were designed to affect every facet of the economic and social existence of the Chilean nation. The argument was that the privatization policy would provide people with “ownership”—we've heard that term from George Bush—that every worker could become a capitalist; and that everyone would be happy, with larger pensions, and more benefits, and more employment, etc.

Let's look at what really happened. These same free-market, International Monetary Fund, fascist policies, were applied throughout the continent at the same time. Some were under the aegis of dictatorships, as in the case of Argentina, Bolivia, Brazil; others were not dictatorships, but nonetheless these policies were applied, with tremendous brutality and blackmail and thuggery. And, let's just be clear: We're talking here about the theft and confiscation of tens of billions of dollars in pension funds from the old pay-as-you-go systems, which had existed in Ibero-America, into these private pension funds, known most often by the acronym AFP, or some

variant of that.

I think it's really important, also, for people to understand, that historically in Ibero-America, the constitutions of almost all of these nations—which were in fact modelled on the U.S. Constitution—contain articles and clauses that state explicitly that the governments are mandated, by law, to defend the general welfare of the population, and include provisions for broadly based social security, health care, preventive medicine, etc. So, this was a very strong tradition in Ibero-America.

Today, “ownership”—the only thing that workers own in Ibero-America, is their own poverty, and their own misery and unemployment. The beneficiaries are the financial predators that we've identified: the banks, the insurance companies, the speculators who have appropriated these funds. What supposedly was going to go into social development, job creation, benefits of other kinds, went purely into speculation and financial trickery. And the interests that have historically been involved in looting the productive resources of Ibero-America, are the same interests that control the pension funds today, and control the foreign banks. You have the Spanish bank Banco Santander, you have the Spanish bank BBVA, and Citibank of the U.S. These are the top three owners of pension funds in Ibero-America today.

So, with that as a backdrop, I would like to proceed now to our first guest, whom we are very honored to have with us, Isabel Márquez Lizana from Santiago, Chile. As Marcia mentioned, she is the Project Chief of the Individual Accounts Division at the Chilean state agency, the Institute for Social Security Normalization. But, she is also an expert in the issue of Social Security privatization. She's written extensively, documenting the disaster that this has meant for the Chilean population. She works at the University of Chile, and also has written for the United Nations Development Program. And she lived in Chile, of course, throughout this entire 24-year period, and so, she has first-hand experience in what this has meant for the population.

Isabel, you have written about this very strong tradition of protection for workers in Chile, which goes back to the early 1920s, and in fact, Chile was a pioneer in launching social security in Ibero-America, and subsequently that was picked up by other nations. After 1973, there was a dramatic shift. The University of Chicago, José Piñera came in, and you had this dramatic free-market policy imposed. Could you please tell us, what this change meant, in terms of the Chilean labor force? What happened to the labor force as a result of the change in this policy?

Chile: Millions Forced into Extreme Poverty

Isabel Márquez Lizana: First of all, before 1981, when the social security reform as such came about, there were preparations that were made in terms of labor legislation, to carry out the kinds of radical reforms which José Piñera has talked about. Because, all of the protective measures that ex-

isted for the labor force had to be removed. Because, before then it was not possible to simply lay off a person without cause; there were certain requirements that had to be met first. So, there was a whole preparation before the fact, in terms of the labor force, to be able to implement, subsequently, the social security reforms.

To introduce those reforms, they would criticize the previous social security system, which was a kind of pay-as-you-go system, based on the principles of social security which existed worldwide, principles that were expanded on by the International Labor Organization.

So, in 1981, a reform was carried out in Chile without opposition, because Chile lived under a dictatorship. There was no possibility whatsoever for debate or opposition to this. The reforms that were carried out on the labor front, were designed precisely to destroy any protection of the labor force. So much so, that today there are few measures remaining that protect the labor force. Today they are much less protected than they were back in 1973.

For example, I myself am a public employee, but I have a contract which has to be renewed every year, year by year. And they don't even have to present a reason for firing me, should they decide to do so, although I've been in the same institution for 13 years. I don't have a longstanding contract. This is the case across the board.

So, all of these reforms were carried out to wreck labor rights. And then afterwards, in 1981, when there was no possibility of opposition, the social security reform was implemented. In fact, it was very dramatic, because, there was a lot of pressure placed on people. There was a lot of fear—people were scared of losing their jobs. They were afraid of losing not only their jobs, but their lives! So, it was rather difficult to oppose these kinds of policies.

So, most of the government employees were transferred over to the privatized system. A certain period of time was given to people to switch over voluntarily to the privatized system. In that brief period, people were pressured—and the majority in fact did switch. Those who were not convinced that they should join the private system, were switched over regardless. They were pressured, and they were switched over—the directors of companies, the employees, were all just switched over. So, the majority of the population ended up in the private pension funds.

Some were convinced that this would be a good system. José Piñera talked about how this would be advantageous, because supposedly this would fix the problems in the old system, and there would be benefits, so that's how the privatized system in Chile got under way.

And so, what happened is that the funds were then handed over to the privatized administrators. Today, a very small percentage of the labor force is actually covered by the privatized system, but the amount of money that the private fund administrators get is enormous. The administrators take a lot by way of commissions. And the costs of the transition were

picked up by the government. And that, in a nutshell, is the way in which this policy was implemented in Chile.

Rush: Thank you. And let's keep in mind, also, that during this period José Piñera was the Labor Minister. And he carried out draconian reforms—destruction of the labor force; trade unions were eliminated, no collective bargaining; the rights of workers were just trampled on completely.

There is a Chilean private think-tank, called Cenda, which has written on the subject of social security as well, and they note that the private pension funds, the AFPs, are the most protected entities in Chilean society—that is, they took the money, they ran, and they left the state holding the bag with a responsibility to somehow try to cover people's minimum pensions. You have workers today with no stable employment, they can't make the required number of deposits in the private accounts over a 20-year period, which is 240 payments.

How many people are we talking about, who cannot even qualify to receive the minimum pension guaranteed by the state? Out of the labor force of 6 million people, what are we talking about in figures?

Márquez: We're talking about more than 3 million people! The people who are today affiliated with the private system are about 6.5 million. But of those 6.5 million, half are not going to qualify *even* to have the minimum pension specified by law. And that pension is, in fact, very low here in Chile. We're talking about 75,000 Chilean pesos, so we're talking about just a little over \$100 a month. So, that's what millions of people are not even going to be able to get.

One of the most crucial provisions which existed under the old system, is that a large number of people at least got minimum coverage. But, if we look at the situation we have today under this privatized system, millions of affiliates won't even get a minimum pension. So, they're going to live in complete misery. Because, unlike most developed countries, to qualify for welfare provisions in Chile you have to be in a condition of *extreme poverty*. It's not only that these people don't have the right to the minimum pension, and so they then immediately get some sort of welfare—no, no! People have to qualify for that, by being indigent, in a condition of *extreme poverty*. That means, they can't have hot water; they can't have a TV set; they can't have any kind of basic commodity or necessity of life. So, they can't even have an income of, say, \$50 or less, of the minimum wage. If they get that much, they don't qualify for welfare.

So, what this means is, that many, many people in Chile are not going to even get the minimum pension. And since these people are not living in conditions of extreme poverty—they are just workers who get the minimum wage—they don't get welfare either.

So, I have to tell you: Today, in Chile, the labor force is basically employed in seasonal jobs, not permanent jobs. So people only contribute to the social security system half the

year! Why? Because there is a lack of protection of the labor force. People are hired for three months; then, they're fired after three months; then, they're hired again. And in general, what has been calculated, is that people at the lower skill levels take three to four months to find another job.

This has been the case for professionals as well. So, what we're talking about is that, even being a professional does not mean that you have a steady, stable job. You may have a decent job at some point, but it will last only for a few months, and you're going to be in the same situation and unprotected, because they can fire you at any time.

So, we have a labor market on the one hand, and a social security system which is completely inappropriate to this labor situation. Why? Because, to have a social security system, you need to have someone who is paying in regularly for 40 years, and with a salary which is higher than the minimum wage. Those are the minimum requirements here; and that's what the AFP system means. So, it's impossible to survive under those conditions.

I would imagine this is the case in most countries around the world. Today, globalization of the world, and globalization of the labor market, have created a situation where, worldwide, labor is very unstable. Given what the globalized economy looks like, exports are encouraged and national industry is not allowed to develop. This happened here in Chile. There are a lot of industries that used to be famous, but have simply shut down. For example, the shoe industry, which used to employ a lot workers; today, we import shoes into Chile at a very low price, and the quality is lower. But people think they should buy the imports, because their income is so low. So they buy shoes that are cheaper. The same thing with the textile industry. Today, in Chile, there are no longer any of the big industries that used to hire people, who had protected jobs, long-term jobs.

So, given that reality of the labor force in Chile, the current social security system, which is obligatory and is privatized—you can't switch out of the system, because there is no freedom to choose different systems. You cannot choose between the public and private systems; you can only choose among the seven different, private fund administrators. And that's the only thing that people can do. So, there is no actual freedom of social security. When they said that this was designed to create more freedom for the individual, it's not true. People are not able to choose today, between a state system and a private system. There is no such thing.

Call Piñera to Account for His Crimes

Rush: I would like to ask one more quick question of Isabel, which I think gets to the heart of the matter. We've talked about José Piñera being in hiding, but of course for years he has been paraded around the U.S. to promote Chile as the real model for this privatized system that Bush is pushing. I would like to ask you, Isabel: If you had Mr. Piñera standing in front of you, what you would say to him about his

great plan? And also, what message would you send to the Congressmen of the United States, in terms of telling them what the experience has been in your country and what they need to know?

Márquez: I would *really* like to have José Piñera in front of me! Because I would ask him, to give a basic accounting of what he promised when the system was privatized *with blood and bullets*. Can he tell us what has happened? He promised there would be full employment. Full employment, in Chile? Today, the level of unemployment is greater than 10%; furthermore, it never went down as a result of the social security reform, as he had promised. Because he told us, that businessmen would be so happy about this privatization, since they would no longer have to pay their share into the social security system (as occurred under the old system), that since they would be so happy, they would hire more people in Chile. And therefore, he said, we'll have full employment.



Isabel Márquez Lizana

He also said there would be economic development, fabulous economic development in the country. To some degree there was some sort of development, but *not* what he promised.

And he also told us—and this was the most important point—he said, that the social security system, whose major purpose is to provide a dignified pension for people, would pay out much better pensions than before. And today, what we're seeing—as shown by all of the studies that have been done, and there are more and more studies being done—we see that people today, the great majority of people, are going to receive a pension which is *one-third* of what they are currently making as their wage.

I would ask Mr. Piñera to explain this. Please explain to us, both in macro- and micro-economic terms, where are all of these promises? Where are they now? Because, when you make promises like he did, as a major leader of our country, you somehow have to be accountable to the population, and to the country, to the people who have been damaged by this, about these problems.

I would really like to have him in front of me, to ask him for an accounting of this.

And, my message to the U.S. population: Do not be fooled by this! You have a tremendous advantage: You have the possibility of opposing these policies, which is something we could not do here in Chile. So therefore, it would be a real mistake, a really unfortunate thing, if you did not take advantage of your opportunity to oppose Social Security privatization.

Social security is a benefit, it's part of people's human



Chile's privatizer José Piñera, now being trotted around by the Cato Institute in Washington to bring Pinochet's fascism to the United States. Chilean patriot Isabel Márquez warns, "My message to the U.S. population: Do not be fooled by this!"

rights. To be protected in this fashion in your old age, under conditions of sickness—that is part of human rights. Don't let them take this away from you! This is not something that should produce a profit. Social security need not provide profits for anyone! It's wrong to think of it that way. It's a cost, and a necessary cost, for a state which protects its population, such as once existed in Latin America, and also in the United States, and in other countries of the world.

That would be my message: Please do not be fooled, because there will be great masses of people left in poverty, and that would be unfortunate. That would be my message.

Mexico: Saddled with Huge Liability

Rush: Thank you so much, Isabel, for joining us today.

I would now like to move on to our next guests in Mexico, where we have—as Marcia mentioned—Prof. Marco Antonio Rubio Abonce; Prof. José Alfredo Zepeda; and Mr. Javier Armando Jiménez.

By way of introduction on the Mexican case: The privatization of Mexico's pension system, its partial privatization, occurred in 1997, under the government of President Ernesto Zedillo, of the PRI party. It made it mandatory for private-sector employees who were affiliated with the Mexican Social Security Institute (IMSS) to invest their pensions in private funds, which are known as "Afores"—retirement fund administrators—instead of in the pay-as-you-go state system which had existed. What is still not privatized, is the social security system for state-sector workers, known by the acronym ISSSTE. But there is, however, enormous pressure right now to privatize that as well, and there's a huge brawl going on inside Mexico.

José Piñera has also been skulking around Mexico at various times in the past. The LaRouche Youth Movement in Mexico is about to publish a 50,000-run of a pamphlet under the provocative title of “Don’t Let Pinochet’s Chile Screw You.” (You can draw your own conclusions from that title.) So we are deeply involved in this fight against social security privatization.

Now, I would like to pose my first question to Prof. Marco Antonio Rubio. Professor Rubio, welcome. Since you are an active trade unionist, what does this privatization of the pension system mean to you, and to organized workers? And if it were fully privatized, what would that mean?

Marco Antonio Rubio Abonce: I would like to ask Prof. Alfredo Zepeda to answer this question. He’s not only the former president of the Autonomous University of Querétaro, he’s also a distinguished activist in our trade union, and he has been very active politically. He’s a member of the PRI party, and he’s involved in some of these activities, so I would like to have him respond to this first question to give a broader response to this question.

Rush: Okay, well then, we’d like to hear from Professor Zepeda.

José Alfredo Zepeda: Yes, it’s my pleasure to say hello to you this afternoon.

I think the relevant point here, is to note the very special circumstances which Mexico is living through. In fact, President Ernesto Zedillo of the PRI party took it upon himself to make certain adjustments to the social security law, by creating the Afores system in Mexico. This has not, so far, meant eliminating services, provided either by IMSS or the ISSSTE, which are the institutions which basically maintain the pension system in Mexico.

What you can see, however, is a tendency to look to schemes that gradually replace the main institutions, which are in the social interest of the country, such as the IMSS or the ISSSTE. They’re trying to gradually replace them.

I think it’s very important to clarify that, in Mexico, you have a very grave situation, a very delicate situation, because, in fact, the economic funds don’t exist, the financial support doesn’t exist for the workers affiliated with these institutions. This means, that in Mexico, there is a huge liability of the social security system, which is over 1.3 times the GNP of the country. We’re talking about an amount which is greater than \$800 billion, and these are funds which simply don’t exist. That’s what the liability is.

So, in Mexico, you have a very delicate situation. Although it is the case, as can be seen in the United States, that there is a voracious appetite to get hold of the pension funds; in Mexico that’s not exactly the way it’s working, because the state, the government of Mexico, is trying to gradually reduce its own obligations with regard to the pension system. The government of Ernesto Zedillo strongly promoted a series of reforms, which the current President,

Vicente Fox, has tried to carry forward.

These reforms involve various different ways of dealing with the economic situation. They’re called “structural reforms.” This involves the energy sector; this involves the labor area; this also sometimes tries to privatize everything that’s at hand. And unfortunately, Ernesto Zedillo—who was President of Mexico and who came from the ranks of the PRI—was not actually acting according to the principles of the ideology of the PRI party. That is to say, he did not work

“I would really like to have José Piñera in front of me . . . to just give a basic accounting of what he promised when the system was privatized with blood and bullets. . . . To be protected in your old age, under conditions of sickness—that is part of human rights. Don’t let them take this away from you!”
—Isabel Márquez Lizana of Chile

under those conceptions. In fact, he was working for different purposes, for those that the International Monetary Fund and World Bank were trying to impose on Mexico. And Zedillo is now an excellent employee of those institutions.

50 Million Mexicans Have No Future

Rush: Thank you. I would like to direct another question to Professor Rubio, if I may. The Mexican economy is not in good shape. There are dramatic statistics regarding the percentage of the Mexican workforce that don’t receive a pension or will not receive a minimum pension. Furthermore, there is a large number of people in what’s called the “informal economy” or the “underground economy,” who don’t work “on the books.” Can you say something about the current state of the Mexican labor force, in terms of who gets covered, who doesn’t get covered in the current partially privatized system?

Rubio: Well, with regard to the informal economy, it’s hard to quantify, but we can speak of, perhaps, 50 million people who *don’t* have access to *anything* in terms of social security. We saw, in the case of Chile, that for those who lived in extreme poverty there was some welfare. Here there’s nothing whatsoever for the extremely poor.

The labor structure is fairly well established, when we’re talking about state sector employment, or people who are employed in the formal economy—those who do pay taxes and get some services from the private sector. But, what’s

really worrisome are those 50 million Mexicans who have no future.

Rush: So the real issue is one of real economic development, and real productive jobs that have to be made for people. Some of those who back privatization argue that the issue is “demographics,” which is of course an argument we hear here in the U.S.—that there aren’t going to be enough young workers in the future to support the pensioners, or retirees. But isn’t the issue really, what is the actual state of the Mexican economy? As you just said, there are 50 million people who have nothing. How do you provide coverage for those people? Is the issue demographics?

Rubio: No. As I said before, we see no way in which an economic system of this sort can solve this kind of problem of poverty. Because, in the final analysis, the kinds of employment which exist in Mexico, are jobs which are provided either in the *maquiladora* sector, or seasonal employment, and of course provide no kind of security in terms of social security coverage or otherwise.

Rush: Thank you so much, Professor Rubio.

I have a question that I would like to direct to Mr. Javier Armando Jiménez, who, as we mentioned earlier is research director at the Education Workers Union of the State of Querétaro: As part of the broader IMF policy that has been imposed on Mexico over the past decades, there are some sectors that are saying that they want to extend the privatization beyond social security, and go into other areas of the economy such as the energy sector. Can you tell us something about this?

Javier Armando Jiménez: Sure, be glad to. In fact, we have been fighting hard here in Querétaro, and also nationally, on the question of the possible privatization of not only social security in Mexico, but also the privatization—and there’s a real danger of this—of the whole public sector, which was created with the foundation of our Republic, and that grew under the protection of our 1917 Constitution. Today, the way that these people have been trying to create the circumstances in which they can privatize the entire economy, is by imposing a draconian austerity policy here in Mexico.

In 1982, when Miguel de la Madrid was inaugurated as President, he promised us that there would be only two years of austerity, but we now have been going on for some three decades with nothing but austerity. And the austerity was designed to complete destroy the physical and the human infrastructure of the country, which had been created by the public institutions, the public sector of the economy. In this regard, I should also mention that they went about reducing that part of the GNP which was focussed on the productive areas of the economy.

Lately, there has also been a real growth of corruption in Mexico, in many different ways. A lot of the money which could have been invested in improvements was used instead for other purposes. That’s really been a scandal over the last



Marco Antonio Rubio Abonce: There are 50 million Mexicans “who don’t have access to anything in terms of social security,” because there are few productive, full-time jobs.

three decades.

Another idea that has created these circumstances, are programs such as so-called “voluntary retirement” imposed upon people. So what you had was a growth of demand for services and social security; but, on the other hand, the personnel that provide these services have not increased. There have been job losses as a result of this. So, you’ve created negative conditions for the population, which are then used to try to convince them to accept privatization: privatize public education, privatize the energy sector, privatize the social security system.

This is the problem that we’re facing here. And this goes along with a program of a kind of a brainwashing of the population which is being carried out, where the main mass media have carried out a campaign to get the population to fall for these lies. So, we here are trying to show that these ideas are wrong.

For example, we’ve been told that the problem in our public institutions such as social security, which is endangered, is because the “population pyramid” has been inverted, meaning that there are more and more people going into retirement. This has grown too much, they say, because we’re a population which is growing progressively older. And the employed population, the youth, the labor force, are dropping. But, these are the same people who can’t get a job! And if they can’t get a job, they cannot pay into the social security system. They don’t pay taxes, which could be invested productively; and they are not providing any funding for these services.

So, all of these conditions are being used as a weapon to force through privatization. We have taken upon ourselves the task of saying that we have to unite all the different trade unions, to say that this is a lie. Four years ago, we began a fight on this in the state of Querétaro, in defense of public education, because we saw how this was being destroyed and



Peru's Prof. Alejandro Apaza Retamozo: "Financial interests [aim] to steal the funds representing 45 years of workers' wages, and seize not only their pensions, but the new contributions to social security . . . and de-industrialize our country."

spurious, illegitimate. And they passed laws in Peru which froze the pension level provided for all pensioners.

I want to come back to what was said at the beginning by Isabel Márquez from Chile. I had the opportunity to go, a year and a half ago, to a meeting of retired workers in Chile, at the offices of the UN Economic Commission for Latin America (ECLA) in Chile, and there, the teachers of Chile were explaining that those who had retired in 1980 in Chile had \$100 a month as a pension, but after 15 or 20 years of the private social security system in Chile, teachers got less. So what is happening is against the interests of the workers in Chile, and also Peru, and all over Latin America. As our Mexican colleague referenced as well, this policy is absolutely disastrous. This policy of the big capitalist interests, has simply privatized, before the fact, the future wages of the currently employed workers, and also the low pensions of retired workers all around the world.

In the second Bush Administration, he wants to do the same thing inside the United States, with his reform of Social Security. About three days ago, I received a call from a family member who lives in the United States and who is retired. And he told me how disastrous he thinks the Bush policy is going to be in the United States, if it goes through.

Peru has about 28 million inhabitants, with over 6 million retirees. This is a growing number, because there isn't full employment in the economy, and people are retiring early. The cooperative which I represent, has created a committee to promote job creation, because many of us are going to have to keep working. It's what you are forced to do, given the economic liberalism which the oligarchy has imposed—not only in the United States, but in Europe, as well as Japan and other countries. The oligarchy has

imposed this around the world.

We need to be very clear. We have to be very courageous all across Latin America: that, fortunately, we do have the right to a pension, no matter how small it is. We are facing a big offensive, because this is the best deal in the world for the financial interests which steal the funds representing 45 years of workers' wages, and seize not only their pensions, but the new contributions to social security as well. And that's what they're trying to do with the privatized pension funds, the owners of which are, in fact, the large banks, as you mentioned earlier on this program. In this way they want to get their hands on funds to invest it, reproduce their financial capital, and de-industrialize our country, as happened in Chile with the textile and the shoe wear industry. The same thing is happening here in Peru.

We also don't think the Peruvian government should sign the Free Trade Agreement with the United States, because this is a way that small economies are eaten up by the big ones.

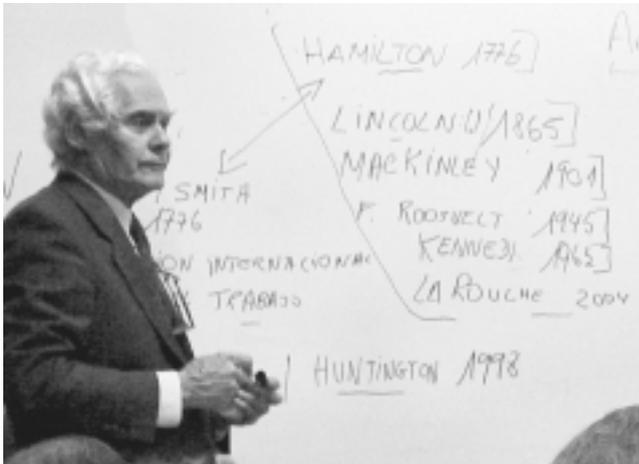
LaRouche Youth, Pensioners Take Up Fight

Rush: Professor Apaza, I know that there's a great deal of ferment in Peru, and organizing in opposition to this privatization, by pensioners, miners, electrical workers. What kind of organizing are you doing in opposition to this, to bring about a change in this policy? And the LaRouche Youth Movement is also organizing there.

Apaza: You're right. In the city of Arequipa there have been activities. This is the second largest city in Peru, and it's a city which has the best organization of pensioners, both in the teachers sector and also in the health sector. And every Thursday, they carry out a public mobilization in the central plaza of the city, and they have burned effigies of this privatization policy. This involves the entire south of the country. Pensioners have established the Conupep, the National Confederation of Retirees, that you mentioned, which has presented draft legislation that says that the proposed additional privatization laws are un-Constitutional, and demands that the current Toledo government withdraw these laws, because they're un-Constitutional, and we're convinced that the Supreme Court will rule against them. And if they do not do that, we will take this to the international court in Costa Rica, because there are precedents for this.

I would like to end with a brief anecdote. I was in a meeting of pensioners in the city of Ica, and a retired worker from Marcona Mining, which produces iron ore, said to one of the speakers: "I'm a pensioner, for the last five years. Before I was laid off, for 25 years I paid in to the state pension system. But then after that, I was switched over to a private company, the whole pension was passed over to a private AFP. Today, I just get 500 soles. Do I have any rights? Can I get them to give me what I would have gotten under the old state system?"

And the answer the speaker gave him was: "Your current pension would have been, before privatization, six times what it is today. But because you went into the private system, you now can't do anything."



A longtime friend of the LaRouche movement in Argentina, Julio González, is shown here giving a class at the University of Lomas de Zamora in 2004. He told *The LaRouche Show* how the privatization policies of President Carlos Menem continued the devastation and genocide carried out during the military dictatorship of 1976-83.

That worker wanted to cry. He didn't know what to do—he was an old man, an old miner. So, that gives you, in a very palpable fashion, the immorality of this system of privatized pensions, which is not going to continue here in Peru.

This is all a dirty deal, which has been struck. And this has got to be put to an end. We workers are organizing; we are carrying out actions, both on the legal front, and also in terms of popular mobilizations, vigils, demonstrations, to clarify to people that we have to be active in this struggle against privatization.

Argentina: Not Living on \$83 a Month

Rush: I'd like to move on to our final guest, from Argentina: Dr. Julio González. Dr. González is an old friend of EIR and Lyndon LaRouche. We've known him for many years. He is the former Technical Secretary of the Presidency of the Nation under President Isabel Perón, from 1973-1976. He is also Professor of Economics at the University of Lomas de Zamora and the University of Buenos Aires, where he has been teaching from 1965 to the present. I should also mention that he is a noted historian, who has documented the plunder of the Argentine economy going back to the early period of independence. He has just published a new book that further discusses that topic—so we're looking forward to seeing that.

The privatization of Argentina's pension system occurred in 1993, under President Carlos Menem. And I understand that you, Dr. González, had an opportunity, in that period, to get a firsthand report from certain financial sectors, that this planned privatization in fact had nothing to do with benefitting the population of Argentina, but was purely for the purpose of benefitting financial interests and speculators.

Julio González: Yes, you're absolutely right. The Argentine Republic on March 24, 1976 underwent a terrible

coup d'état, which had two objectives: to carry out a genocide and an economic devastation of the country, and to bring about a total de-industrialization of the country. The genocide which occurred from 1976 to 1983, is seen in the following statistics: 30,000 people murdered; through 1980, some 2,400,000 émigrés, and 18,000 industrial companies shut down.

But the demographic and economic devastation, that began there, continued for the ten years of the government of President Carlos Menem, who was promoted as an acolyte and continuer of the military tyranny of the 1976-83 period. Menem begins the policy of privatization. He privatized all of the state-sector companies; all of the state entities, such as ports and airports, the mining capabilities of the country, and the oil sector, as well. That is, the entire patrimony of the Argentine state.

The value of what was privatized? \$1 trillion. The price received by Argentina? 2.6% of that value, just \$26 billion which was not even paid in cash, but rather in government bonds held by the new private owners, bonds, which on July 8, 1989, when Menem came into office, were valued at only 14% of their face value. And these were given in payment for this *entire* patrimony.

In 1993—carrying out policies in the same direction as things in Chile, or in Peru, and what afterwards occurred in Mexico, and is now planned in the United States—Menem privatized the social security system of Argentina. Through Law 24241, the entire system of social security was privatized.

It's very important that the entire continent be made aware of the fact, that the destination of the resources held by the newly privatized AFPs was not money that went to productive investments. It was not to provide tangible, physical output. I have the law in front of me here, Law 24241, which says in its Article #74, that the objective of these changes is to purchase public bonds issued by the government, by the provinces, also negotiable bonds issued by private companies, and also bonds issued by foreign states. Similarly, there were to be investments in foreign financial instruments, mortgages, and similar financial investments.

All of this is stated, explicitly, in the privatization law. That law then says, almost as an afterthought, that the funds could be used for social security, as well. But the main purpose was to have the funds go into the *financial* sector, to cover its own insolvency. The money was for the financial sector.

Rush: I think it would be interesting for our listeners to know how this privatization might have fed into Argentina's debt crisis, which was evolving at that time, and became far worse after that?

González: Argentina was left without any physical resources, and was left with a gigantic foreign debt, which in 1999 was \$145 billion. This is public foreign debt, without counting other public debts that the municipalities and provinces had. So, the social security system of Argentina was left



Chile's dictator Augusto Pinochet (left) with former Argentina President Carlos Menem, whom Dr. González called an "acolyte of the military tyranny of the 1976-83 period."

without any possibility whatsoever of providing for the needs of anybody. The current population of Argentina is 37 million. There are 14 million employed; 10 million are either unemployed, and living in poverty, or hold seasonal jobs only. The poverty level in Argentina is a mere \$83 per month. And then you have the indigent unemployed: 12 million in total, who are even worse off.

So, definitely, we can say that in Argentina, there are 22 million people who don't know, when they get up in the morning, if they're going to be able to keep working, or even keep living.

In terms of most pensioners, they currently receive 300 pesos a month, which is about \$100 a month. It's a very low level. In the future, with the privatized pension system, out of every ten people, only three will be able to retire with some level of pension.

So this is mass genocide of the population, who will die as a result of lack of medicine and lack of food. This is the *real* Argentina, that, despite the efforts of President Kirchner to avoid it, has nothing to do with the Argentina that the media internationally portray.

Rush: Thank you so much, Julio.

I'd like to thank all of our guests in Ibero-America, and hand things back over to Marcia or to David for any additional questions.

Baker: Well, David has one general question, and maybe Cynthia can direct the question more specifically to our guests.

Organizing Youth for Real Economic Reform

Nance: I wanted to ask what your approach has been to organizing youth, in your respective nations, not only around the question of social security—obviously, to stopping the social security privatization—but also organizing them

around the necessary economic reforms that must be implemented if your respective nations, and our nation as well, is to survive the current crisis? So, that's my general question.

Rush: All right—I don't know if there is anyone specifically, in perhaps Mexico, or Peru, where the LaRouche Youth Movement has been deeply involved in addressing both the broader issues, as well as the privatization.

Baker: I think we might begin with Mexico.

Zepeda: Yes. I would like to add one of the concerns that we have, when I mentioned the liabilities that exist in the entire Mexican system, with regard to the payments of pensions to workers. The reality is that, in Mexico, we don't have the money to be able to pay those pensions. In the case of the IMSS, the situation is so bad, that every day there is less money available to buy the medicine and supplies necessary for medical care, which is covered under the Mexican social security system. So these resources don't exist. And since there is no federal government budget line to cover this, payments to pensioners are taken from the funds allocated for medical care, since both are part of the IMSS system. This is a real threat. In the case of the universities, the necessary resources also don't exist.

So, I think it's a very dangerous situation that we have here in Mexico. I see a contrast with the situation in the United States, where there is the intention of privatizing Social Security so that the government of the United States, President Bush, can have resources available to finance the deficit, including all of those commitments such as the war in Iraq, and so on.

I think the United States is facing a very interesting situation right now, to be able to stop this from happening. I understand that in the U.S. Congress, both Democrats as well as some Republicans are aware of the meaning of these privatization proposals which President Bush is proposing.

In the case of Mexico, there are those who propose to privatize other things in the country, such as the energy sector. This would be very damaging. The people who present these ideas to the public, actually confuse people, and people come to believe that we somehow have to privatize everything, so that things will work. They argue that supposedly everything in the public sector is not profitable and doesn't work. That's really not true.

My belief is, that in Mexico in the next few years, we are going to see a serious economic problem, because the government is going to have to somehow cover its obligations, and there aren't enough resources available to cover the universities, social security, or Pemex, the oil sector company. Pemex doesn't even have the resources which it itself generates, because they're taken into the general budget of the government.

The fact is that Mexico's oil is not going to last forever; it's only going to last a number of years more. And these oil funds are going to end sooner or later. And Mexico is going to have to figure out how to cover all of our obligations.

And the answer is *not* to privatize.

We don't have Mexican banks any more. We've lost all of our banks. The entire Mexican banking system has been turned over to foreigners. Just a while ago, Banamex was handed over to Citibank.

We Mexicans are aware of these things. The political parties have not really known what's going on, and they say that privatization is good. And there are just a few individuals, such as Sen. Manuel Bartlett, who oppose this.

Rush: I want to ask if Professor Apaza from Peru might have something to say, to address the question that was raised by David Nance.

Apaza: Sure. The Conupep is going to carry out a whole series of activities, first, with regard to the un-Constitutionality of the social security reform proposal which has been presented. We are quite sure that we will win this in the courts. We want to revoke the laws that I mentioned. And we are also organizing for a new social security system, which would be based on solidarity and would be advantageous to workers, and would reverse the privatization of the social security system as well. Many of the former Presidents of Peru, and the current one as well, were involved in activities that curtailed the rights of pensioners in Peru. And many illegal laws were passed as well. Likewise, the multinational companies should pay the taxes that they owe the government of Peru, which they evaded, especially under the Fujimori government. That's basically what I can tell you.

Form an International Alliance

Baker: Well, thank you very much to everyone participating. I'd like to conclude by noting that we've had two things today: A very powerful, firsthand report from throughout South America and North America on the broadest dimensions of the devastation of our hemisphere in the last 30 or 40 years of globalization, deregulation, and privatization, including social security. And we know that, it's not just a single-issue fight—I'm addressing my colleagues here in the United States, my fellow citizens, my fellow patriots. We can win this. We can beat back the drive to steal Social Security in the United States. And this will create an opportunity to roll back the devastation in other countries, as we've just had reports on.

I'd like to pick up, in conclusion, on one of the issues mentioned both by our friends in Querétaro, Mexico, who were talking about "well one day, oil might be depleted," or Mrs. Márquez who said, "we've lost traditional industries." As you know, Chile's copper mines can be depleted; or in Argentina, you can have depletion.

This raises the concept of where we're going, not just for the next few days and months. Here in the United States we're committed to defeat this Social Security monster that George Shultz's fascism is behind. And what that means is, we can look forward to the next 50 years, and that's the title, *Earth's*

Next Fifty Years of Lyndon LaRouche's new book. I hope it will be out in Spanish, too, as soon as possible, but in ten days, it will be out in English.

The point is, as noted in the foreword to the book, which Mr. LaRouche just wrote a few days ago, called "Economics and Ideas," that what we encounter all the time, is, we hear about 40 or 50 years of destruction, and then someone might say, "Yes, but. . . there's nothing you can do, it's too late." Or, in the halls of Congress, you'll mention the word "fascism," and some Senator will say, "Yes, but. . . you can't say that."

We get that: "*Sí, pero. . .* this and that. You can't do this."

We *can* do it. And I thank all of our collaborators today, both for their firsthand reports and for their commitment that we are going to change this. And I know that, in the LaRouche Youth Movement, the banners are being held high, in Peru, in Mexico, in Argentina, and many other places, promoting of the kinds of projects that we should have been doing for the last 50 years, and we can do in the next 50 years: for railway building, for nuclear power, for safe water. And I leave everyone with that, as part of the commitment we have to fight to defeat this privatizing of Social Security.

Rush: I would like to thank all of our invited guests from Chile, especially, who gave us that firsthand report, of how they are fighting this system throughout the continent. It's been a real eye-opener for all of us.

Baker: And thanks to David Nance in the LaRouche Youth Movement. I believe we have a final comment from Mexico.

Jiménez: Yes, here in Querétaro, I want to send a message to our sister-nations, so that together we jointly wage this battle, this battle of our entire population to say "No!" to privatization of social security; to say "No!" to any privatization that is an attack, an assault, on our populations, against our energy resources, against our education systems.

We here have, as an objective, to form a national front, a united front both nationally and internationally in this battle. We have fellow workers from other trade unions here who are joining us, because jointly we are working to build a battle plan.

We want to circulate a pamphlet about this battle, which was sent to us from the United States, on the battle against the privatization of Social Security in the United States and worldwide. We want to publish 50,000 copies of this pamphlet that the LaRouche movement initiated. So that people in the cities and in the streets know about this. And in this regard, I want to wish you all the best, and that we jointly be able to lead this battle with the entire population at our side, to have a total victory, against these evil, Satanic forces that want to destroy our nations.

Thank you very much.

Baker: Thank you for speaking. All of us thank you for those parting words. Thank you very much.