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Social Security Reorganization In Panama Is a 'Death Plan'

by Carlos Wesley

The government of Panamanian President Martín Torrijos rammed through a package of fascist "reforms" of Panama's national Social Security system in a matter of just days in May, despite the overwhelming rejection of the plan by most of the population. Days of mass protests by teachers, students, doctors, tens of thousands of others in a general strike, and violent clashes with the police which caused scores of injuries and led to many arrests, were to no avail in stopping the Torrijos-controlled National Legislative Assembly from voting in favor of, among other things, raising the retirement age, increasing the number of monthly installments a person must pay to qualify for Social Security benefits, and handing over a chunk of the system's financial resources to private banks.

As Panamanian attorney and former labor leader Eduardo Ríos notes in the interview below, the later retirement age and the increase in monthly contributions, mean that some workers in the private sector will have to work up to 40 years to pay in enough to the system to qualify for a benefits. As a result, most people *will never qualify* for benefits, even though they will pay into the system through the mandatory deductions; this is aggravated by the fact that most people are now hired as temporary contract workers, instead of employees, which is also the case increasingly in the United States.

Moreover, since the 1989 U.S. invasion ordered by the senior George Bush, life expectancy in Panama has been decreasing, one of five countries in the Americas where this key demographic indicator is dropping (the Dominican Republic, Guatemala, Honduras and Peru are the others). Although during the late 1980s, life expectancy in Panama was on a par with the United States, according to Panamanian Social Security actuaries at that time, from 2000 to 2004, life expectancy dropped from 75.47 years to 72.14, a decrease of 4.4%, *that is, a little more than 1% per year.*

That's the average life expectancy for men and women combined. Broken down by sex, the expected life span for men is 69.67 years, which means that by raising their minimum retirement age to 60, in the best of cases they will only enjoy 9 years of retirement, on average, instead of the 12 years they used to have. As Ríos explains, teachers, policemen, and certain other professions, which were entitled by law to retire after a certain number of years of service (28 in the case of teachers), regardless of age, will now have to wait until they reach retirement age to begin to collect on their Social Security benefits. The question is, what do they live on between the time they retire, and that when their Social Security benefits kick in?

There will also be cutbacks in health services, for which Social Security is largely responsible, since it is Panama's largest provider of health insurance and health services, with a network of modern hospitals and clinics throughout the country. In addition, the system had been mandated to invest a part of its surplus in building rental housing, and in providing mortgage loans, which allowed large numbers of Panama's working class and middle class to become home-owners. That is also being further curtailed by the recent "reforms," demanded by the International Monetary Fund and the World Bank from the Torrijos Administration. This is in exchange for the promise of financing Panama's planned expansion of the interoceanic canal, whose locks are too small for the new generation of vessels, as reported in the *New York Times* on May 26.

Implications for the Financiers

All these factors mean that people who started retiring last year are now dying off, "which means that virtually within five or six years, the generation that retired, having fulfilled the required 21 years of labor in the public sector [during the military governments, up to and including that of Manuel Noriega's], will cease to exist, and [the bankers] will then end up with those billions of dollars to enjoy, because no one from the existing generation will be able to retire," explains Ríos. He is a founding member of the Schiller Institute's Ibero-American Labor Committee, and a signatory of Helga Zepp-LaRouche's renewed call for a New Bretton Woods, who has written three books on the Panamanian Social Security System.

As is now the case in the United States, Mexico, and the other places where privatization is being pushed, the Panamanian government tried to sell the plan by creating a false sense of crisis, by insisting that Social Security was on the verge of bankruptcy due to corruption, an aging population, and so on. They also attempted to pit one group of workers against another, and one generation against the other. And, as Ríos notes in his books, the attempt was made to replace the notion of *solidarity,* on which Panama's Social Security system has been based since its founding in 1941, with the selfish—and

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economically imbecilic—notion that each person should carry his or her own weight.

Ríos adds that the banks that are the main beneficiaries of this looting operation—as they were of an earlier round of privatization in 1997—are Spain's Banco Bilbao Vizcaya Argentaria (BBVA), and the American Citibank. "From the banks' standpoint, this is even better than the Chilean scheme: Instead of individual accounts, they get the whole thing in one fell swoop. They don't have to bother with administering anyone's pension—the government does it for them—and all they have to pay is minimum interest, if that," Ríos said in an earlier conversation with *EIR*.

Not by coincidence, BBVA and Citibank, along with the Spanish Banco Santander, control the lion's share of Ibero-America's privatized pensions and banks, notably Chile's pension plans, which were privatized by the fascist dictatorship of Augusto Pinochet, at the behest of former U.S. Secretary of State George Shultz, by officials who had been Shultz's disciples at the University of Chicago.

Leading the effort to privatize Chile's Social Security was Pinochet's Labor Minister, José Piñera, who boasts that Shultz asked him to draft a similar plan for the United States, and who now co-chairs the Cato Institute's committee, which provides the ideological underpinning for the Bush Administration's push to privatize Social Security.

The Role of George Shultz

As Lyndon LaRouche noted in a Dec. 16, 2004, interview, cited in the LaRouche PAC pamphlet *Bush Social Security Privatization: A Foot in the Door for Fascism,* the financiers' goal is to impose the Chilean model in the U.S. and elsewhere—as was just done in Panama—to try to save the bankers. "The entire financial system is collapsing. We're on the verge of a collapse, any time now, for a major financial blowout of the U.S. and the international markets. At this point, they are counting on looting Social Security, or having proof that they *can* loot Social Security, as a way of putting more capital into a depressed U.S. financial market, to try to bail out the gambling side of the financial-market system.

"Now, George Shultz and company, of course, who was one of the original authors of the Pinochet operation down there, is also behind the Bush campaign. And he typifies these big interests, which are behind both," said LaRouche.

Shultz, an advocate of drug legalization and one of the "economic hit men" identified by John Perkins in his eponymous book, was also one of the architects of the 1989 invasion, which was carried out to get rid of Panama's Gen. Manuel Noriega, purportedly for his complicity in drug-trafficking. It was Nicolás Ardito Barletta, one of Shultz's disciples at the University of Chicago, who created the legislation that transformed Panama into the drug-money-laundering center which it is to this day, a condition demanded by Wall Street in exchange for the U.S. signing of the Carter-Torrijos Treaties, which granted Panama control of the Canal in 2000.

But, as is now increasingly apparent, the Bechtel Corp.'s Shultz and company never intended for this control to be permanent, but rather a step in the transition towards the privatization of the Canal, a transition in which the just-imposed "reforms" of Panama's Social Security plays a key role, as Ríos explains in the following interview.

Interview: Eduardo Ríos

The Banks Will Make Billions from This

Mr. Ríos is a Panamanian lawyer, author, and former trade union leader. He was one of the signers of the founding declaration of the Schiller Institute, and a founding member of the Schiller Institute Trade Union Commission. Although the Commission is no longer in existence, the Schiller Institute remains active.

Carlos Wesley interviewed Ríos on June 6. The discussion has been translated from Spanish.

EIR: A bill has just been approved in Panama which reforms Social Security. Can you explain what this reform involves?

Ríos: The key aspect of the reform is the increase in the retirement age from 57 to 60 for women, and from 62 to 65 for men. In addition to age, the number of monthly contributions that are required has been raised to 300. That is, previously it was 180, but it has now been raised to a minimum of 300.

EIR: Can you explain this business of contributions?

Ríos: Here in Panama, one retires after paying 15 years' worth of contributions during your working life. Contributions are paid monthly, and they are mandatory, paid by direct deductions made by the boss or the company for which one works. It can also be done independently.

EIR: The worker pays part and the employer another part?

Ríos: Yes. The monthly contribution is a payment which combines a sum of money equivalent to 7.25% of gross pay, which is deducted from the worker's wage, plus an amount paid monthly by the employer, which is 10.75% of the salary. So, in general terms, approximately 18% is paid. This contribution is now being raised to 9% from the workers and 13.25%