

# Lessons from Latin America

Health Care and Pensions



# PRIVATIZING SOCIAL SECURITY

The Great Transformation  
Lessons from Latin America

# CHILE EXAMPLE



- Privatized in 1981
- Herman Cain, Jose Piñera (brother of current president), George Bush all praise system
- But Cain went much further, at least three times in debates calling for "The Chilean Model" to replace Social Security, bringing the idea to as many as 15 million viewers. Chile's system, enacted in 1981, took government out of the pension business altogether and replaced it with a system of personal retirement accounts. It's one of most successful fiscal reforms in history. It outperforms Social Security on returns, yielding about 9.23% compounded annual returns over 30 years under private management. **That means Chilean retirees take home pension checks four times what they would have gotten if they had remained in their old Social Security system."**

# CHILE EXAMPLE ?

- World Bank, NYTimes, Federal Reserve Bank and others found the retirees were doing worse. “Dagoberto Saez, a 66-year-old laboratory technician who, though earning \$950 a month and contributing to the system for 24 years, would only receive only \$315 per month in retirement. Had Mr. Saez stayed in the public system, he would receive 120% more each month, or about \$700. Indeed, most retirees who opted to stay in the public system were receiving monthly retirement annuities double those of retirees who switched to the private system.” Why the disparity?

# FINANCIAL LITERACY

- Low in all countries
- In Latin America, privatized systems charged commissions of approximately 3%, but not 3% of contribution, but 3% of total salary. If you contribute 10% of salary, you pay 3% of salary in commission, or 30% of contribution!

# SPREAD, PLUS ARGENTINA

Country	Employee (%)	Employer (%)	Recognition of accrued rights under PAYG
<b>Bolivia</b>	10	None	Yes
<b>Chile</b>	10	Voluntary	Yes
<b>Colombia</b>	3.85	11.625	Yes
<b>Costa Rica</b>	1	3.25	PAYG remains a first pillar
<b>Dom. Rep</b>	2.87	7.1	Yes
<b>El Salv.</b>	6.25	4.05	Yes
<b>Mexico</b>	1.125	5.15	At retirement, choice of PAYG or <u>indiv. retirement</u>
<b>Panama</b>	8.5 above \$490	4 above \$490	PAYG remains a first pillar
<b>Peru</b>	10	None	Yes
<b>Uruguay</b>	15 above \$974	None	PAYG remains a first pillar

# ARGENTINA

- Under Menem privatized everything including pensions.
- Huge commissions. In crisis, workers contributed 5% of salary to pensions, but paid 3% of salary in commissions, so commissions were 60% of contributions!
- State seized pensions, runs them today as individual accounts.

# CHILE REFORM OF REFORMS

- Gender changes to boost women. Privatizing pensions is brutal on women.
- larger guaranteed pension and top off of pension, which along with military and other public pensions plus subsidizing youth savings means that Chile pays a higher percentage of GDP of tax money (6%) on pensions than the USA with Social Security (5%). Privatizing pensions is not cheap.
- increase financial literacy and limit fees and commissions

# PRIVATE PENSIONS

- Positive elements: creates capital markets and savings and cheaper borrowing, limits exposure but not cost to state, can enhance financial literacy.

Venom: your monologues, your colorless speeches, you don't see that we AREN'T alone, millions from pole to pole!

To the sound of a single chorus, we will march with the tone, with the conviction that THE THIEVING STOPS!!

Your state of control, your corrupt throne of gold, your politics and your wealth, and your treasure, no.

The hour has struck, the hour has struck We will allow NO MORE, no more your doctrine of shock

The hour has struck, the hour has struck (doctrine of shock)

The hour has struck, the hour has struck (doctrine of shock)

The hour has struck, the hour has struck (doctrine of shock)

The hour has struck, the hour has struck NO nations, only corporations, who has more, more actions, fat slices, powerful decisions for very little.

Pinochetan^ constitution, opus dei rights, fascist books.

Guerilla disguised as a pardoned elitist, the drop falls, the stocks fall, the occupation takes the broken machine.

the street doesn't keep quiet, the street scratches the street doesn't keep quiet, as wide as it is. T

hey take everything, sell everything, make a profit from everything, life, death, it's all business.

I eat you all, seed, methods and choruses.

*Chile teaches young people how to make a movement last*

*Camila Vallejo*

*Ana Bijoux*