

FIRING LINE NEWSLETTER



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"CHILE AND A NOVEL APPROACH TO SOCIAL SECURITY"

Guest: Jose Pinera

Examiner: Mark Green

#1738 for air on PBS the week of May 20, 1988

Interest: Social security and the development of democracy

Rating: Public Interest **
Performance ***
Entertainment *

"If there's any untouchable in America, it seems to be the social security system."--William F. Buckley Jr.

Comment:

This discussion is at least as much about Chile's struggle toward democracy as it is about social security. The key to the hour is Mr. Pinera's persuasive charm. He describes his hopes for his country's political and economic future with eager confidence, and it is easy to see how he convinced a government that must have been dubious at best to try something new and daring. Mr. Green tries hard to burst Mr. Pinera's bubble. His efforts yield more interesting information on the Chilean economy, but ultimately fail to undercut Mr. Pinera's optimistic projections.

Mr. Buckley's Introduction:

Everybody knows that the Chile governed by General Pinochet is a dictatorship. But it ought to be possible to examine phenomena of universal interest going on under the tents of any country, even as, say, we would be interested to explore any new means for treating cancer in the Soviet Union. An exciting development in Chile is its novel treatment of social security. The new approach has been administered by the system's godfather, Jose Pinera, who at age 29, in 1978, served as minister of labor and social security and, then, proposed the idea.

Jose Pinera graduated from the Catholic University of Chile. He went then to Harvard where he took first an MA and then a Ph.D. in economics. For a while he taught at Boston University, but then returned to Chile and accepted the portfolio of minister of labor. In that capacity he launched his radical new system of social security which we will discuss. Later on he was appointed minister of mines. In 1985 Mr. Pinera went to the private sector where he serves as chairman of an investment banking firm, chairman of an electricity distribution company, a member of the Latin American Advisory Board of IBM, a professor at the Catholic University of Chile, and editor and publisher of Economia y Sociedad, a monthly magazine.

* Poor

** Fair

*** Good

**** Excellent

Our examiner today is Mr. Mark Green, the chairman of the Democracy Project, well known to viewers of this program. More about Mr. Green in due course.

I should like to begin by asking Mr. Pinera whether the accent he puts on the free market doesn't endanger the political hegemony of President Pinochet.

Excerpts:

PINERA: The general framework [of U.S. social security]...is pay-as-you-go. I do not believe in that kind of system. I believe that kind of system is a system of the past; it is not a system of the future. With demographic changes, all pay-as-you-go systems will have problems, because the day when the birth rate comes down you will not have enough active workers to finance the people who are retired, so the people who will retire in the future will have to pray for the birth rate not to go down very much, because otherwise the system will go bankrupt...

BUCKLEY: The money that is paid into social security under the new system is money that's invested in every aspect of the Chilean economic activity. So it is a part of a capital pool and therefore to be distinguished from payments made by social security in the United States, which simply go into current expenditures. Has that pool affected...the availability of much-needed capital for Chilean economic development? **PINERA:** Yes. That is a crucial element of the system. You see, the system, besides providing better pensions for the workers, has created this medium- and long-term capital pool that is financing economic development in Chile...

PINERA: The project is to first create the basis of a free-market economy, and then that will create in turn the forces that will bring about democracy...

PINERA: We are having in the next two years a transition from the military regime to a democratic regime. Chile is a very unusual case, in which the military have decided voluntarily to hand out power to a civilian society. In Latin America when that has happened it was because the Argentinian general lost a war, the Uruguayan general lost a plebiscite, the Peruvian general made a mess of the economy, the Brazilian generals lost faith in their project. In the case of Chile, we have not lost a war, not lost a plebiscite, the economy is booming, and yet the military are saying: Okay, we will go to elections...

PINERA: Basically what the military have said is: Look, in 1973 there was this Marxist government; they were violating the constitution. It was like a tiger going around creating problems. People asked us to mount the tiger. We have mounted the tiger. We have dominated the tiger. Now we ride to decide how to dismount the tiger without being eaten by the tiger...

