Eleven percent of Chile marches against for-profit pension scheme

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On March 26, approximately two million Chileans—over 11 percent of the country's total population—took to the streets around the country to participate in a national day of protest against the system of privatized pension funds, known as Pension Fund Administrators (Administradoras de Fondos de Pensiones, AFP). AFPs, similar to 401k investment schemes in the US, are a cornerstone of the free-market measures imposed by the US-backed fascist dictatorship of General Augusto Pinochet, which ran Chile from 1973 to 1990.

According to the organizers, 800,000 marched in the capital Santiago, while the police gave a far lower estimate, with over a million demonstrating elsewhere across the country. The wide turnout is a reflection of the opposition and anger towards not only the current Michelle Bachelet government (whose approval rating is 22 percent), but the maintenance of the Pinochet-era framework.

The march followed three other mass demonstrations late last year that attracted mostly young people who are clearly concerned over the news that those who gave contributions to AFPs in their youth are getting a pension equivalent to only 22 percent of their wages during their last decade of work, according to the Fundacion Sol NGO.

Though last month's march was peaceful, the November 2016 demonstration expressed the anger towards Bachelet´s socialist-led government's refusal to comply with the Chilean people's demand to scrap Pinochet´s AFPs, going beyond the cosmetic changes she implemented in the past trying to appease the frustration of AFP beneficiaries.

The November demonstration was marked by violent confrontations with the police, who responded by using tear gas and water cannon. Students occupied schools, and two buses were burnt by the demonstrators who also set up road blocks in Santiago and several other Chilean cities. The Santiago subway suspended service for several hours affecting the transport of millions of people.

Santiago and Valparaiso were the centers of the most violent acts, which have been increasing in size over several years of confrontations between students, workers and Chileans economically affected by the still prevailing Pinochet policies.

In spite of having a relatively high annual per capita income of US$ 22,000, Chile remains one of the most economic unequal countries in the region.

After violently overthrowing the bourgeois regime of Salvador Allende with the help of the CIA, Pinochet's reign of terror served as a testing ground for imperialism's free market measures that, in the following decades, would be implemented in other countries in the region.

As with most of the economic measures enacted by Pinochet on behalf of his imperialist patrons, no government after the "transition to democracy" has had any serious intention of reforming, let alone eliminating, the AFP system. It is a major source of revenue for the Chilean bourgeoisie and, as one of the march organizers described it as, "covert banks for the wealthy and the multinationals so that they can expand their investments (…) and build real monopolies on assorted economic sectors."

Luis Mesina, leader of the largest organization behind the marches, which is known as No+AFPs (No more AFPs), made statements regarding a possible alternative to the existing privatized AFPs. Mesina declared that No+AFPs – which orbits around the Nueva Mayoria coalition of Bachelet – would not support any candidate in the coming November elections that does not address the AFP problem. Other members of No+AFPs have voiced their support for a return to the pre-Pinochet system of state pensions that lasted until 1981.

"The demand is to turn towards a 'Solidarity-based Sharing System' with tripartite contributions, that is, with money from workers, the employers and the state, leaving behind the model of individual capitalization imposed by Finance Minister Jose Piñera and the "Chicago Boys"—followers of Milton Friedman—during the dictatorship," declared Mesina.

The Spanish daily *El País* cited Fundacion Sol's findings on the present status of the AFP business: "In the century's last quarter AFPs paid in pensions just a third of its earnings (...) while in 2015, their earnings rose 68 percent."

How do AFPs function?

Chileans deposit 10 percent of their monthly earnings into an AFP of their choice, in addition to paying an administrative cost. The amount workers will receive at retirement will depend on how well AFPs investment did in the national and world financial markets.

Under the pre-Pinochet system, workers made contributions deducted from their monthly pay to finance the pensions of retirees. The monthly pensions were constant and guaranteed. Today, retirement payments are at the mercy of the capitalist world finance markets, mainly stocks and bonds.

In 2015 Chileans savings in the AFP system were more than US$ 160 billion, most of which were reinvested in the national financial markets. In essence, the original idea was to use the savings of the Chilean workers and employees to fuel the so-called "Chilean miracle."

Today, the system has 10 million beneficiaries, a very large number for a country with a population of 17.6 million – that is, an astonishing 60 percent of Chileans have their retirement money in the hands of AFP financial speculators. The military—which played a role in writing the law under the dictatorship of Pinochet—exempted itself and state officers from being forced onto the AFP scheme in 1981 when the law was enacted.

The modest returns to beneficiaries, meanwhile, are at risk due to Chile subservient position as a commodity exporter on the world market. With the recent drop of commodity prices in world markets, as well as transnational mining shares trending downward, AFP returns on investment are diminishing.

At retirement, the military today receive generous pensions, which are quite near to their monthly earnings while on active duty. In contrast, an unskilled worker on an AFP receives US$ 233 per month, just over half the US$ 400 minimum wage, while the companies in AFP portfolios are reaping large profits. According to researcher Gonzalo Duran of Fundacion Sol, AFP year-on-year profits grew by 71.4 percent in the first nine months of 2015.

The Bachelet government seeks to protect the Pinochet-era scheme and the Chilean stock market. With lower share returns due to the economic downturn, raising the retirement pay above the minimum wage would force the AFP to sell assets. As most portfolio assets are invested in the Chilean stock market, which by international standards is small, thus lacking the necessary liquidity, these assets would be sold at a heavy discount. The result is that AFP returns would collapse—with results not too different from those of the US housing bubble crash in 2008.

This could massively hurt the share value of Chilean companies, an outcome that goes against the purpose for which the AFPs were created in the first place. The "Chilean miracle" was established by draining the retirement savings of the Chilean workers through the AFPs to transfer billions of dollars to the Chilean capitalists.