

Weapons for Pensions

How social security became national security

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A Dedication

To the people of Argentina whose pensions helped pay for the so-called ‘odious’ debt¹ used to buy British, French and US helicopters, which were then used to throw their tortured children and friends into the Atlantic and Pacific – the 30,000 ‘disappeared’ in Argentina, 9,000 in Chile, and countless others in neighbouring countries. This especially includes Jewish citizens under Argentinian and Chilean governments, which welcomed ex-Nazis planning the Third World War – against communism (Goni, 2003; Mount, 2002). Jewish deaths were over-represented in the final toll of ‘the disappeared’, while Israel supplied weapons (Rein, 2003). The US Secretary of State, Henry Kissinger, condoned these crimes against humanity in the battle against alleged communism and dissidence (*The Guardian*, December 12, 2003, ‘Kissinger Approved Argentinian Dirty War’) and helped to supply the weapons by various means. The UK Labour governments, under Harold Wilson and James Callaghan, prior to that Conservative Edward Heath, and latterly Margaret Thatcher, and the labour movement were variously preoccupied with three-day weeks, public sector strikes and confrontation with trade unions. Like Israel and its supply of weapons which killed Jews, the weapons flowed to dictatorships where trade unionists were being killed.

The US Central Intelligence Agency orchestrated a coup in Chile which brought Augusto Pinochet to power, and killed (euphemistically called suicide) democratically-elected Salvador Allende (latest allegation to emerge is that Allende

was a Soviet spy) on the original 9/11 (1973). It funded ‘Operation Condor’ to pursue and murder dissidents fleeing from one South American country to another – Argentina, Chile, Brazil, Uruguay, Bolivia, Paraguay (Calloni, 1999). The final cost of the US, UK, French, Austrian, German, Italian and Israeli helicopters, jet fighters, anti-tank guns, frigates, surface-to-air-missiles, armoured cars and small arms fell on all pensioners, tens of thousands of whom in Argentina and Chile had already lost their children, without trace.

Latin American countries were then introduced by the US-controlled World Bank to private pensions, which allegedly offered a solution to the enormous debt incurred by weapons purchases (debt figures and arms purchases follow below). The case was not presented like this of course, rather one of restoring economic prosperity and social security through the enhancement of financial markets. Chile was the exemplar of private pensions ‘reform’ where the ‘burden’ of state pensions was to be eliminated, paraded by the World Bank to other countries in South America and to post-Communist Eastern Europe, whose representatives were flown to Chile to learn from the post-coup experiment. The main Chilean adviser also discussed the privatisation of pensions with Margaret Thatcher.

Culprits for the indiscriminate treatment of people and their deaths are to this day being identified and sentenced. There are ‘wanted’ posters in the Argentinian press for some of the criminals with a reward of £20,000. The private pensions solution for the cost of it all is also under serious investigation, in Chile and Argentina in particular. Argentina has re-introduced a revamped state pension option to be raised twice a year against an index of prices and wages. In 2008, as part of the response to the world financial crisis, the President of Argentina proposed to nationalise the private pension system. Her opposite number, the President of Chile, in 2006 had condemned her World Bank-inspired private exemplar, based on an official (Marcel Commission) report.

The system has low coverage, low density of contributions, it leaves almost ninety-five per cent of the independent workers outside the system, it shows very little competition and high commission charges, it does not take into account the complexities of the modern workplace ... and discriminates against women ... amongst other shortcomings (quoted in Kay and Sinha, p. 7).

The Grandmothers of May Square in Argentina, led by Estela de Carlotto, have now discovered 95 of their grandchildren who were given to childless military couples while their parents were killed. The Mothers of May Square, led by Hebe de Bonafini, began the struggle in 1977 (Minns,

2006). They are now all pensioners. The US knew exactly what was occurring, despite its dissembling political commentaries about national defence against communism. The Mothers and Grandmothers of May Square lost their children, *and* also their pensions in order to pay for it all.²

That's the story. The point is this. The United States, Israel and Europe (France in particular) continued their relentless weapons supplies, knowing exactly what was going on. The social security budget, I contend, paid for it. My story and interpretation of the reasons for all this slaughter, followed by pension reform to pay the massive 'odious' debt for the weapons which killed 30,000 to 50,000 people, is rather different from the conventional explanation about the rationale and functioning of social welfare, and the alleged need for pension reform and the private provision of pensions.

Questions

Two questions to begin: what are pensions really about? And what have weapons got to do with it? The simple answer is that they both deal with death, natural or premeditated. But the next question is are there connections between them or are they separate matters, both dealing with death, but distinct subjects that we should never, intellectually and politically, connect?

I believe that it is a matter of establishing a framework which, firstly, does not accept conventional explanations for pension reform, and secondly exposes the real reasons for reform. Taking this point by point, I contend that there is a 'cold war in welfare' which pits one model of social security provision for *old* age against another – state versus private, or 'European' and 'Asian-Pacific' versus 'Anglo-American' – while at the same time maintaining a defence industry or military expenditure to provide protection for people of *all* ages, regardless of which part of the model a country belongs to.

This appears complex, but it isn't. I argue that the history of the cold war in welfare and pensions was concerned with cutting, freezing and privatising state systems because the old must contribute their share to 'national security and well-being'. They are now so substantial, accused of being a growing 'burden', a 'doomsday scenario', 'a shock', a potential for state bankruptcy by many commentators such as the World Bank, the London *Financial Times* and others, that their sacrifice will have to equal or outweigh others, in the 'national interest'.

Let us ask ourselves why is it really *so* important to 'reform' pensions? I hope to show that the disputes about welfare and pensions persist as an essential part of a geographical and ideological conflict in which weapons production is still crucial, privatisation of welfare is deemed necessary,

and, when push comes to shove, pensions are now used to pay for our broader, life-time defence against adversaries. It's like a pooling of risk; the old are old, but we are all under threat of death *at any age* from external forces, the ubiquitous 'enemies'. There are plenty of enemies around to justify national security. Pensioners should accept their part in societal protection and economic growth, and pay for it since they represent such a potential cost. They may be a vulnerable group. But so are the rest of us.

Pensions are bound up with definitions of social and national security, as well as the arms trade and the defence 'industry'. If we are now all supposed to be more secure after the demise of the communist threat, able to live our lives and retirement without fear of communist invasion and gulags, waiting for the peace dividend to benefit us all, why has expenditure on arms increased and social security/pensions been cut and/or privatised? Why are pensioners, especially women in the UK (1.6 million) and South America (50% of all women will receive no pension despite all the reforms – Gonzales, 2004-5), still figuring so large in poverty figures? At the same time, the UK Labour government (2008), almost without a murmur, is able to commission £4 billion of aircraft carriers, to be followed by £12 billion of US fighter jets to maintain Britain's 'international presence'.

But even that is not what it is really all about. It's about a new definition of the nation state. It is not a 'welfare state'. Instead, it is a 'national security state' (Menjivar and Rodriguez, 2005). I suggest it always has been.

The threat of old age

Social security, in its generous interpretation, recognises vulnerable groups, defined by employment, health, gender or age. The interesting part of the post-Cold War scenario is that old people (and other groups too) are now seen as a major *threat*, their numbers creating a 'shock', rather than a celebration or a concern for generous provision which one might deduce from welfare state ideology. The welfare state helped to protect and insure people's lives. Now there are too many claimants, and 'enemies', to contend with.

This is a belief system, hypothesis, a theory propagated by institutions and commentators from the *Financial Times* to *New Left Review*. From the *Financial Times* the citations about doomsday scenarios are too numerous to mention. I refer to a few in *The Cold War in Welfare* (Minns, 2001). The *New Left Review/Verso* relies on Robin Blackburn's lengthy articles and books where he repeats his obsession with a Meidner plan to rescue us all

from the old age ‘shock’ (his word), and from our financial systems which provide another, rather unsurprising, ‘shock’ (Blackburn, 2006).

‘Shock’ seems to be the explanation for whatever you want. Invent a ‘shock’ and reasoned argument is cast aside. It is the current basis of our political systems, which is to create fear. The ‘left’ contributes to this scenario. It is not really a shock, despite what the pundits from right and left say, but part of the logic of our financial systems (Klein, 2007, Kindleburger, 1996).

Of course, there is no automatic read-off in my story. Weapons production and defence expenditure do not feature in a zero-sum game where subtraction and addition of financial claims and contributions add up to zero, and in which provision for the old stagnates in real terms or declines proportionately in relation to defence expenditure. Life and politics are not so simple. My contention is that there is compelling evidence that it *can*. Commenting on the recession in Israel in 2002, for example, *Globes* suggested that the reason it was not worse was that the Israeli government increased military spending by 10.7% ‘partially financed by cuts in social services’ (Klein, 2007, p. 435).

The reasons for social security cuts and privatisation, and the reasons for social security itself, are not what they seem when we consider the arguments about ‘national’ versus ‘social’ security. Pensions are not about ‘pensions’, and never have been. They are just one, subsidiary part of the national security state. Let us continue with some of the evidence and history and try to draw some conclusions.

The need for security: the creation of ‘fear’

Britain, preceded by Germany facing the burgeoning SPD (Socialdemokratische Partei Deutschlands), started to improve social conditions at the beginning of the twentieth century. The Russian revolutions of 1905 and 1917 also concentrated the mind. The imperative was ‘national efficiency’ (Gilbert, 1966) and then ‘national reconstruction’ (‘reconstruction or revolution’, Gilbert, 1970). Argentina and Uruguay were also amongst the first to introduce what became known as welfare states. By mid century they had nearly universal state pension systems, along with Brazil, Chile and Costa Rica. Some had admired the corporatist approaches of de Rivera in Spain and Mussolini in Italy (Paul and Paul, 1995).

The original rationale and ideology/pretence of dispassionate and caring welfare now does not exist, if in reality it ever did. The ‘cold war in welfare’ took over, in which the welfare state myth had to be obliterated. What is now perceived to be a ‘threat’ of the old, a proverbial ‘shock’,

provided part of the justification for shifting priorities, and ending the myth of the altruistic state. The World Bank believes that, since pensioners rely on future economic growth, they should contribute to it.

The design of a pension system must explicitly recognise that pension benefits are claims against future economic output. To fulfill [US spelling] their primary goals, pension systems must contribute to future economic output ... This requires the inclusion of secondary developmental goals, which seek to create positive developmental outcomes by minimizing the potential negative impacts that pension systems may have on labor and macroeconomic stability while leveraging positive impacts through increased national saving and financial market development. (Holtzman in Kay and Sinha, 2008, p. 178).

In prosaic English this means that pensions as welfare are finished. They must contribute to the national economy and cease their 'distortions' (*translation*, 'cost'). In other words, they must be cut.

Defence and weapons are a different matter. On 10 March 2008, a BBC report stated that the cost of UK military operations in Afghanistan and Iraq was set to almost double to over £3 billion, a 94% increase on the previous year. Bob Ainsworth, Labour's Armed Forces Minister, stated:

'The threat changes ... We have to stay ahead of the enemy as much as we can and that's not cheap'.

Yet again, an 'enemy'.

Firstly, as Ainsworth inadvertently implies, supporting and subsidising the arms industry is not cheap (certainly not with the extent of bribery which is endemic), but, as an aside, neither is the privatisation of pensions, which involves subsidies and tax concessions – public income foregone (ie. public expenditure) to help the 'market'. The cost of this World Bank favourite varies, but in the UK amounts to £18.9 billion for the year to September 2008. Little if anything is said about the *cost* of private pensions' contribution to economic output. The issue is ultimately about economic interests which 'enemies', 'threats' and 'shocks' help to justify.

Consider the following. The international cartel which supports this equation of private national and social security includes the five permanent members of the UN Security Council who are responsible for 87% of the world's 35\$ billion of global arms exports (2007). Two of them are responsible for 80% of global private pension assets (2005). They represent the largest arms manufacturers in the world (the US Lockheed Martin is the largest and the reason for the *Foreign Corrupt Practises Act, 1977* following major bribery allegations about, amongst others, a deal with South Korea);

the largest banks (US Citibank, the largest which piled on the debt to South America to buy weapons), and the largest pension fund managers.

Opposing models in the welfare cold war

I have discussed in more detail the opposing claims in the cold war in welfare (Minns, 2001). The attached Table is a very useful addition showing the binary nature of welfare reform which features in the new cold war (Table 1).

The table tries to show the basic parameters of welfare reform which we can now see as part of the new cold war. The World Bank has been the continuing purveyor of a particular anti-state doctrine of welfare, resting on individual responsibility, savings and capital markets. Its theory maintained that policies for economic growth, savings, and capital markets were consistent with pensions and welfare privatisation – a particular economic development theory, or modernisation theory.

As it unsurprisingly turns out, the promotion of capital markets is not

| Table 1 The Cold War of Pension Reform | | |
|---|---|--|
| | <i>Traditional Logic (1950s-1980s) old Cold War</i> | <i>Current Logic (1990s-to date), new cold war</i> |
| Model for policies and reforms | European countries | Chile |
| Main types of reform | Unification and system changes in public provision | Privatisation of the public system |
| Main stimulus | Inequities and inefficiency | Rising pension spending and capital shortage |
| Main goals | Social | Economic |
| Main domestic agencies promoting the reforms | Social security institutes; Ministries of Labour | Ministry of Finance, Economy; central banks |
| Typical background of reform promoters | Lawyers (social security specialists) | Economists (generalists) |
| Main international agency in the reforms | ILO (International Labour Office) | World Bank |

Based on Madrid (2003) *Retiring the State*, p. 40.

synonymous with economic development and welfare. The World Bank theory produced neither because it depended on financial markets, a questionable contributor to development and welfare as, in passing, we have seen in 2008. As I write (2008), the financial markets and banks are in yet another collapse. But the World Bank aimed to base its theory of welfare and development on this precarious structure for what must be termed ideological reasons.

The explosive political situation in Latin America was an essential part of the development of the privatisation of pensions – a testing-ground for the privatisation experiment which was paraded by the World Bank as the way forward for pensions security and economic growth. The political background involved the support for dictatorships in order to implement reform, the murder of upwards of 50,000 people with weapons and support (financial, advisory, political, security) supplied by the ‘West’ (USA, UK, France, Israel in particular), and the privatisation of pensions – an article of faith for the World Bank and IMF, although they had their disagreements about its applicability from time to time.

The US façade continues

The weapons and therefore the debt continued despite one of the members of the UN Security Council attempting to control the supply of arms to Argentina. I will paraphrase part of the transcript of the US House Foreign Affairs Committee during its consideration of lifting the embargo on weapons to Argentina after President Carter had gone and Ronald Reagan took over. The paraphrase is based on a *New York Times* report of May 8, 1981.

‘Military Aid for Argentina Passes Hurdle in House’. The House Foreign Affairs Committee approves a bill ending the three-year ban on military aid to Argentina ... A vote of 20 to 15 turned down an amendment that would have tied aid to tracing 5000 (sic) ‘disappeared’ since 1978. ... Committee members accused the Argentinian government of condoning the burning of synagogues and other anti-semitic acts. The State Department said that Argentina had done a lot to curb human rights abuses. The ‘disappeared’ had declined from 1000 in 1975 when the ban was imposed to zero this year ... The State Department representative noted that since the ban Argentina had bought \$2 billion in weapons mainly from Europe and Israel. It was stated by the Director of the Defense Security Assistance Agency, before a Senate Foreign Relations Committee, that ‘we are sending a signal that the US is committed to cooperating in the collective defense of the hemisphere’ (sic).

The flow of arms from the US resumed, if ever it had really ceased³ (\$1 billion for starters – anti-submarine weapons, ‘reconnaissance’ aircraft,

and equipment for upgrading the Navy), helpfully for Argentina less than one year before it went to war with Britain over the Falklands/Malvinas Islands. US, French, Dutch and Israeli weapons were employed against the British; French ‘Roland’ missiles were used in the defence of Stanley airport and shot down a British ‘Sea Harrier’ jet. French ‘Exocet’ missiles sank two British ships, fired from French Dassault ‘Super Etendard’ fighter jets. The Argentine cruiser, *The General Belgrano*, which was sunk by *HMS Conqueror*, was originally built in the USA before the Second World War, survived Pearl Harbor, was then sold to Argentina, refitted with UK Parsons turbines, Babcock and Wilson boilers, two British ‘Seacat’ anti-missile launchers, Dutch search radar, and French ‘Alouette’ helicopters. The only parts of it which were Argentinian, presumably, were the hundreds of sailors who died in the controversial incident, and the Argentinian flag. The British newspaper, the jingoistic *Sun*, infamously headlined a front-page piece about the sinking, ‘*Gotcha*’.

The arms trade with South America, in ‘defence of the hemisphere’ (a perverse geographical abstraction), is maybe one version of history. The cynical profiteering from death, wherever and however, and sacrificing social security/pensions to pay for it, is another. The reality is not about right and wrong, moral or national values, sovereignty or anything else one cares to dream up. It is simply about the business of *death*.

After considering the arms imports and the debt incurred, we shall examine the pensions reforms, noting in passing that, while pensions were privatised, those of the military and other supposedly ‘essential’ workers – public employees and oil workers – were not (Table 2). One may ask, if privatisation was such a good thing, why were these categories exempt from the social security ‘improvements’? The World Bank has never commented on this application of its policies. It may be because the role of the military was paramount; the real purpose of privatisation was buried under a theory of private savings and economic growth which failed. It was really about payment of debt for military expenditure. The military itself was exempt from such payments.

The weapons build-up

Table 3 shows military expenditure as a percentage of GDP for some Latin American countries for 1976 as the weapons build-up was progressing. From 1976 to 1985, Brazil was consistently the lowest in all years except for this one, when it was pipped by Colombia, which subsequently rose to 2-3 times that of Brazil. Many of these countries *except Brazil* subsequently privatised their pension system. Paraguay did not because it

Table 2
Pension Privatisation In Latin America
Dates, Systems, and Opt-outs; (selected countries)

| | <i>Argentina</i> | <i>Bolivia</i> | <i>Colombia</i> | <i>Chile</i> | <i>Mexico</i> | <i>Peru</i> | <i>Uruguay</i> |
|------------------|---|--|---|---|---|----------------------------|--|
| Date Enacted | Sept 93 | Nov 96 | Dec 93 | Nov 80 | Dec 95 | Dec 92 | Sept 95 |
| Date Implemented | July 94 | May 97 | Apr 94 | May 81 | July 97 | Jun 93 | Apr 96 |
| Type of reform | Mixed private/public with options | Private (replacement of the state) | Parallel (Private and public alongside) | Private (replacement) | Private (replacement) | Parallel | Mixed |
| Groups exempt | Armed forces, provincial and municipal employees | None, but armed forces under special rules | Armed forces, Congress, teachers, oil workers, provincial/municipal employees | Armed forces | Armed forces, most public sector employees, oil workers | Armed forces | Armed forces, bank employees |
| Management | Domestic and foreign firms, public entities, coops, labour unions | Domestic and foreign firms | Domestic and foreign firms, public and coops | Domestic and foreign firms, labour unions | Domestic and foreign firms, public bodies | Domestic and foreign firms | Domestic and foreign firms public bodies |

Based on Madrid (2003) *Retiring the State*, pp 18-20.

Table 3
Military Expenditure as Per Cent of GDP (1976)

| | |
|-----------|-----|
| Argentina | 2.4 |
| Bolivia | 3.8 |
| Brazil | 1.3 |
| Chile | 6.1 |
| Colombia | 1.2 |
| Ecuador | 2.2 |
| Guyana | 8.8 |
| Paraguay | 1.7 |
| Peru | 5.0 |
| Uruguay | 2.2 |
| Venezuela | 2.2 |

Stockholm International Peace Research Institute (SIPRI), *Yearbook*, 1977.

had no state pension system to speak of, perhaps underlining the argument about the use of pensions to pay weapons debt.

Brazil has for years been a major weapons producer, amongst the top ten to twelve in the world (Table 4 for recent figures). In the years 2002-2006, Brazil's weapons exports amounted to ten times those of all other Latin American suppliers put together. This situation has helped historically, I suggest, in Brazil's resistance to pension reform, based on the burden of my argument about weapons-induced debt.

This does not mean a country does not privatise if it is a major weapons producer. Look at the UK as number one producer, US at number two, with

Table 4
Imports and Exports of Weapons 2002-2006
Selected South American Countries

\$millions

| | <i>Imports</i> | <i>Exports</i> |
|-----------|----------------|----------------|
| Argentina | 247 | — |
| Brazil | 826 | 144 |
| Chile | 1882 | 2 |
| Venezuela | 596 | 7 |

Source; *SIPRI Yearbook*, 2007

the largest private pension systems in the world. It's a matter of balance of payments and local political factors (in the UK the pension system has been predicated on private provision even since the 'path-breaking' Beveridge Report of 1946, much to the chagrin of defenders of the welfare state). It also does not mean that a weapons producer does not have significant debt. But it is not all dead-end unproductive debt, which the purchase of military hardware entails. Nevertheless, Brazil *is* included in tables of 'odious' debt.

The equation is not simple. To boil things down, what we have always left out of the equation is the role of weapons debt. Weapons debt was created and ordinary citizens, especially pensioners in various countries, helped pay for it through the mythology of pension 'reform'. Trade unions in Argentina eventually called it a swindle (Minns, 2007). The increase in Argentinian *military* expenditure is staggering in comparison to other countries, such as Brazil, Chile and Peru (Table 5 on Argentinian military expenditure): hence my emphasis on this country.

| Table 5 Argentina: military expenditure, 1970-80, in local currency | | | | | | | | | | | |
|--|------|------|------|------|------|-------|--------|--------|---------|---------|---------|
| <i>Year</i> | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
| <i>Pesos</i> | 1799 | 2171 | 3424 | 4434 | 6387 | 10308 | 180379 | 415518 | 1187366 | 3479094 | 5623165 |

Source; *Boletín Oficial*. US Library of Congress. Nicole Ball. SIPRI *Yearbook*, 1983, p. 185

Shock in Argentina

President Menem incurred further debt, hooked the currency to the dollar, sold off major companies, further cut public pensions (1994), and introduced a partial privatisation arrangement, leading to what some have described as the reason for the Argentinian financial crisis in 2001. State pensions were still due for payment while contributors opted out – a classic reform disaster of destroying revenue in the face of growing liabilities – of which the World Bank seemed to have no cognizance whatsoever. Historic debt mounted inexorably. Pensions were decimated to pay for all this.

It began with the social security budget in Argentina, run by a key adviser and Rasputin-type figure, Minister of Social Security Jose Lopez Rega (believer in the occult). The budget was plundered to pay for the Triple A death squad (Alianza Anti-Comunista Argentina) in their ubiquitous unmarked Ford Falcons, snatching people off the street. Crimes

for which Isabel Peron, President at the time (1974-76), was in 2007 issued with an extradition warrant while she resided in Spain. She was herself arrested and interned by the Videla junta of 1976, supposedly for not being sufficiently ruthless in the face of rising social dissent. She, as ex-head of state, incredibly denies all knowledge of the 2,000 murders which occurred during her presidency, conducted by assassins paid by her Ministry of Social Security.

The World Bank (a public body dependent on international borrowing with a publicly underwritten, generous pension scheme) pontificated about irresponsible, debt-laden republics which needed to rely much more on the market as arbiter of economic development and welfare. With Isabel Peron under house arrest, weapons and debt piling up, Peron herself responsible for 2,000 deaths of her own citizens, and Henry Kissinger, in 1976, giving his approval to the 'dirty war', the World Bank, in its extensive publications about pension reform years later, made no comment about the reasons for the burgeoning debt, the weapons purchases, which were still continuing as the accumulated debt and interest mounted.

Argentina and Menem was the World Bank's opportunity, after Chile, to play around with their theory. They helped to create mayhem, which led to more deaths in 2001, as Argentina unpegged itself from IMF policies, witnessed savings disappear, and people (known as 'caserolazos' – pot-bangers) demonstrated against the economic chaos, leaving more dead and wounded. After Menem and allegations about corruption, came Duhalde and then De La Rúa, the President who was more a victim than perpetrator of the failed policies. He ignominiously escaped the violence and demonstrations, late one afternoon, by helicopter (reminiscent of scenes of the last days of Saigon). The legacy of the western-inspired, IMF and World Bank economic development policies, debt and weapons sales was tragic.

The World Bank and IMF, partners in the quasi-development theory, used loan conditionality, firstly in Chile, to get their way in reforming pension systems. Subsequently, this was also used in Eastern Europe (Mueller, 2004). Overall, 68 countries were 'assisted' in their pension 'reforms' by over 200 World Bank loans 'now considered, even by the Bank itself, to have been a failure' (Hall, 2007, p. 156). The bodies of pensioners in Buenos Aires were photographed after hanging themselves in public when their pensions were cut. The *New York Times* asked if the rate of pensioner suicides was abnormal (*New York Times*, November 17, 1992; 'The Days Dwindle Down to Poverty and Suicide'). Some question! Presumably if it were below average for annual pensioner euthanasia, the World Bank and/or IMF policies would be judged an improvement.

The pensions disaster and the weapons triumph

The seminal publication by the World Bank was *Averting the Old Age Crisis: Policies to Protect the Old AND Promote Economic Growth*, World Bank, 1994 (Estelle James, coordinator, their emphasis). It sums up perfectly the World Bank economic development theory of the time. It is riddled with misleading, confused and tendentious arguments and data, arguing for privatisation solutions based on a tenuous theory of market development. It equates stock market growth with economic development (review in Minns 1996). Further supposition suggests that public sector schemes provide lower returns, while the author determines US states' schemes as private, thereby manipulating the definitions and data to her advantage.

The European model of welfare never entered their heads as an option because they were driven by their own theory of *private* pensions being key to economic growth, and hence the subtitle of their seminal book of 1994, *Policies to Protect the Old AND Promote Economic Growth* – a strange juxtaposition of ideas, both of which failed by any measure. James has responded to critics and, in 2007, disingenuously accused many of not having read her work, and claimed that she never advocated the Chilean model. One random quote from the above publication will suffice:

Nowhere has the influence of the Chilean experiment been felt more strongly than in Latin America. During the debt and fiscal crises of the 1980s, Latin America's pension schemes became seriously underfunded ... As the region entered the 1990s, the movement to privatise pensions gained momentum, urged on by the success of Chile. (p. 276; further plaudits for the Chilean scheme elsewhere, particularly p. 212).

Followed by:

Although many have accused the book of directing policymakers to copy Chile's plan, those who have read Averting the Old Age Crisis know this is not the case. (James in Kay and Sinha, 2008, p.165).

But we must move on.

The pension reforms in the geographical expansion of the privatized pension systems were assisted by US-backed dictatorships in the case of South America (recently acknowledged by James), and later in former communist dictatorships in Central and Eastern Europe through debt conditionality. Democracy appears to have been irrelevant. The power of subversion and debt was paramount in the establishment of welfare reform, involving billions of dollars of business and profit. The system is plagued by corporate financial self-interest and the extension of US hegemony in the definition of social and national security, however we

| Table 6 US Companies and Private Pensions Management in South America. | | |
|---|-------------------------------------|---------------------------|
| <i>Insurance Companies</i> | Metropolitan Life and New York Life | Argentina |
| | Aetna | Peru and Chile |
| | American International Group | Argentina, Chile and Peru |
| <i>Banks</i> | Bankers Trust | Chile |
| | Bank of America | Peru |
| | Bank Boston | Argentina |
| | Citibank | Argentina, Chile and Peru |

want to dress this up in the supposed anonymity of robotic ‘globalisation’. Table 6 shows the US financial firms which benefited from the privatisation of pensions in South America. Fund managers received up to 30% commission, which is an extraordinary amount.

In summary, weapons for pensions take two forms. Firstly in the South American case, state pensions could be decimated to pay the enormous debt, a major part of which was used to buy weapons (in Argentina, two-thirds⁴). From 1974 to 1984, the share of Third World military spending by Latin America rose from 10 to 12 %, while the ‘debt service ratio’ increased from 13% to 53.2% between 1970 to 1982 (SIPRI Yearbook 1984, pp 95-96). The slow decimation of pensions could be called a coincidence, and the introduction of various private solutions just sensible housekeeping to improve economic growth. I leave the reader to judge.

Secondly, and relatedly, the privatisation of pensions in the face of the old age ‘crisis’ helps in the onward march of the private solution to welfare, and is a crucial factor in the support of fickle stock markets (Minns, 2001), the real point of privatisation. But Robert Holzmann (Director of the Social Protection Department at the World Bank) declares that there is unconvincing evidence as to whether they have even done that, especially in the exemplar of Chile. He concludes that it is time to move on to Central and Eastern Europe. (Holzmann, 1997, pp. 16 and 214).

To boil things down about the business of death, pensioners lost, the arms industry won. Pensioners helped pay for the odious debt, which should not have been repaid in the first place. Let us continue to make connections between subjects we are taught are not connected.

Recommendations

- (a) The World Bank (US), BAE Systems (UK), Aerospatiale (France), Israeli Aerospace and Israeli Military Industries (Israel), Lockheed Martin (US), Boeing (US), Agusta Westland Helicopters (UK/Italy), Bell Helicopters (US), Steyr (Austria), Dassault (France), Fairchild (US), Raytheon (US), Euromissile (France), Panhard (France) should recompense the pensioners who paid substantially for their products. In 2006 the top ten arms manufacturers made \$12.3 trillion profits. The companies listed above made \$9.5 trillion.
- (b) The UN Security Council, which presided over this and did nothing, should also commence discussions about reparations in its alleged concern for world prosperity and peace. Now that the failed experiment of reducing state pensions and promoting private ones is seen to have failed, this could be a way of reconstructing the ‘traditional’ model of pensions provision which was undermined in the cold war and variously used to pay for odious debt.

Notes

- 1 ‘Odious debt’ is defined as debt incurred by ‘underdeveloped’ countries and misspent on arms or repression of the population. It does not serve the interest of the people and is used to strengthen a regime’s position. The lenders are said to have committed a hostile act against the people and cannot expect the nation, having freed itself of the regime, to assume these ‘odious’ debts. (Definitions on various websites, eg Jubilee USA Network, and IMF on Odious Debt). Also see Adams, 1993.
- 2 The final part of this dedication and introduction is to certain individuals. Leonie Henriette Duquet, a French nun, age 61, Esther Ballestrino de Carreaga, 59, Maria Eugenia Poncede Bianco, 52, both of the latter were Mothers of May Square searching for their children, and Angela Auad, 28, human rights worker, all killed in 1977 by the Navy militia, condoned by the United States. The reason for my special reference is that what remained of their tortured and violated bodies was discovered in 2005 and interred in my local churchyard of Santa Cruz in San Cristobal, Buenos Aires. Its priests, Carlos Mugica, Monsenor Angelelli and Monsenor Romero were taken away in 1974, 1976 and 1980 respectively. They were not seen again. Also to Jaqueline Paulette Drouilly Yurich, murdered 30 October 1974, and Marcello Eduardo Salinas Eytel, 31 October 1974, Chileans, both of whom have plaques in the Peace Garden next to the Imperial War Museum in south London close to where I live in London. An interesting juxtaposition.
- 3 In the film/movie entitled *Lord of War* (apparently based on a true story) the arms dealer played by Nicholas Cage is advised by one of his sidekicks that there was an embargo on the export of helicopter gunships. Cage winces and proclaims that in the manifest they will be declared as ‘rescue’ helicopters. In

the sanitised version of the import records that I have there is an item called 'utility' helicopters.

- 4 We shall probably never know the exact proportion because many of the imports were illegal ('importaciones no registradas'). The debt was also used to build the infrastructure for the 1978 World Cup which Argentina controversially won – a useful propaganda stunt – and for the 'autopistas' which fly over Buenos Aires, under one of which was one of the most notorious detention centres, the 'Club Atletico'.

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