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NEWT GINGRICH SAYS CHILE HAS 72 PERCENT NATIONAL SAVINGS RATE

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In Chile "they have 72 percent of the GDP in savings."

Newt Gingrich on Tuesday, November 22nd, 2011 in a Republican presidential debate in Washington, D.C.

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THE RULING: HALF TRUE

EDITOR'S NOTE: The following article has been updated since its original publication, based on new information received. In addition to the data we originally used to evaluate the statement, we have found another measure that more closely matches the percentage Gingrich used. We have changed the rating from False to Half True.

During a CNN-sponsored Republican presidential debate in Washington, D.C., on Nov. 22, 2011, former House Speaker Newt Gingrich, R-Ga., touted his proposal for overhauling Social Security, which he said is based on a pair of private-sector retirement-security programs -- one in the South American nation of Chile and one in Texas.

We looked at both plans in the past -- Chile here and the Texas plans (in Galveston and two neighboring counties) in this fact-check -- but here we'll look at a statistical claim by Gingrich that we hadn't heard before.

He said, "In Chile, for example, they have 72 percent of the GDP in savings."

Is the national savings rate in Chile really that high? In our quick data search as the debate was under way, we concluded no.

We found an international statistical comparison published by the Organization for Economic Cooperation and Development, or OECD -- a research group funded by most of the world's affluent, industrialized nations.

OECD published a table listing gross national savings rates in a range of nations, defining the statistic as saving as a percent of gross domestic product. Between 1996 and 2009 -- the dates for which Chilean data is available -- Chile's highest national savings rate was 25.1 in 2007. In 2009, it was 20.5 percent.

Both figures were well below the 72 percent rate Gingrich cited. Indeed, no country in the OECD's table came anywhere close to 72 percent. Occasionally, a country approached 40 percent, usually Asian and Scandinavian nations.

After we published the item with a rating of False, a reader wrote us to say that in our prior coverage of the Chile plan, we had written that "total assets in the system by the end of 2009 reached \$107 billion in U.S dollars, or about 65 percent of Chile's gross domestic product."

Noting that that figure was much closer to what Gingrich cited, the reader asked us to take a second look.

We contacted Michael Tanner, an expert in pension systems with the Cato Institute, a libertarian think tank that has been supportive of the Chilean plan over the years. He said that both numbers have merit. The number Gingrich cited in the debate is commonly used, he said, but the candidate's phrasing in describing it was imprecise.

Tanner said Gingrich would have been accurate if he had said the savings held in the Chilean accounts are equal to 72 percent of the nation's GDP. "But that's not the same thing as saying that Chile's savings or savings rate is 72 percent of GDP," Tanner said. "National savings is a much broader measure, including all sorts of 'dis-saving,' such as government debt, credit card debt and mortgages. That's the OECD number. So Gingrich's point was true, but phrased badly."

In other words, Gingrich's phrasing in the debate suggested that he was referring to what economists call national savings -- that is savings minus debt -- when in fact the number he used just accounted for assets, unadjusted for debt. The latter number is much bigger, and that explains the difference between what Gingrich said and the OECD's much smaller percentage.

Final note: Gingrich said 72 percent, which is higher than the 65 percent we cited for 2009. Tanner said that he did not have any updated percentage from 2010 or 2011, but that Gingrich's number is "certainly ballpark."

Our ruling

Gingrich said that in Chile "they have 72 percent of the GDP in savings." The number is basically right, but Gingrich erred in how he described the statistic. On balance, we rate his statement Half True.

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About this statement:

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Sources: Transcript of Republican presidential debate, Nov. 22, 2011; Organization for Economic Cooperation and Development, "Annex Table 24. Gross national saving," accessed Nov. 22, 2011; Barbara E. Kritzer, "Chile's Next Generation Pension Reform" (paper in Social Security Bulletin), 2008; Congressional Budget Office, "Social Security Privatization: Experiences Abroad," January 1999; PolitiFact, "Patriot Majority PAC conjures up Chilean dictator in attack on Sharron Angle," Oct. 4, 2011; PolitiFact, "Herman Cain once again touts Galveston retirement plan at GOP debate," Sept. 12, 2011 ; E-mail interview with Michael Tanner, senior fellow at the Cato Institute, Nov. 28, 2011