

GLOBALIZATION AND CHANGES IN THE PATTERNS OF CONSUMPTION IN CHILE

Stefan Larenas R.
Consumers International

Introduction

Chile's road to the global market

When the military Government (1973-1990) came to power in Chile, the policy of "import substitution" gave way to one of opening up the economy to international trade, a process that was to play a decisive role in transforming the nation's patterns of consumption.

The reorientation towards a more open market economy was an abrupt one, and formed part of the new Government's strategy to deal with its initial difficulties. According to the new orthodoxy, exports and imports of all kinds were to become the main engine of development, thereby ushering in an unprecedented change in Chile's consumption patterns. The demand for consumer durables among higher-income strata altered the structure of consumption in favour of luxury imported items. This shift was underpinned by a reduction in product prices, greater availability of consumer durables, a rise in the cost of social services, health and education, and the emergence of a phenomenon that would form the basis for social integration within the new macroeconomic context: the massive expansion of credit.

The foundations of this social project are still in place today. The process of economic and trade integration is steadily gathering pace, and, in terms of consumption, Chile is constantly flooded with goods of all kinds, to which most of the population now has access thanks to easy payment facilities and the fact that the stores, banks and financial institutions that run the credit system are almost entirely unregulated. Each product from the global market is launched by a highly developed advertising industry that is completely self-regulating. This political and economic transformation has had a profound effect on people, turning their way of life upside down, and in terms of human development it exhibits two key characteristics: inequity and unsustainability.

Trade liberalization

The trade and financial reforms initiated by the Chilean military Government involved above all easing import restrictions and reducing import tariffs: between 1973 and 1979 the average nominal tariff was reduced from 105% to 10%.¹ Trade liberalization, with its attendant tariff cuts, triggered a process of de-industrialization, since a large section of local industry was unable to compete under the new conditions. The liberalization process acted as a domestic price control mechanism as it forced locally-produced products to compete in the marketplace against imports entering under a reduced tariff, thereby consolidating the shift in orientation towards the external market. The sectors where the greatest tariff reductions occurred were textiles, clothing, footwear, electrical machinery and food products.

Trade and financial liberalization measures such as these later became the hallmark of globalization and their impact on consumption patterns can still be felt today. Thus the external debt did not reflect the financing of productive investment, but a boom in the consumption of imported products and investments in the entertainment and luxury goods trade.

The main indicator of the impact of import liberalization on consumption patterns is the ratio of food imports to non-food imports. Between 1974 and 1979 non-food imports grew by 291.9%, while

food imports grew by 44%. In 1979, the value of non-food imports amounted to US\$ 528.7 million, as against US\$ 130.2 million for food imports.

The increased consumption of durable goods diverted household spending away from education, health and housing. However, this shift was also attributable to the change in relative prices: the cost of education, food, health and housing went up relatively more than that of clothing, household appliances and other household goods.

Easy credit

Consumption became a means of social integration, at varying levels and to differing extents, for the entire population, and if there was no "real" way to achieve this given the prevailing wage levels, it could be done through credit, which now became available on a massive scale. The effects of mass credit were to be seen in the numbers of people who were able to replace their black-and-white televisions with colour ones, purchase video cassettes and microwave ovens, get telephones and cable TV, and buy cars on instalments.

In December 1995 the total consolidated consumer debt stood at 1.65 billion pesos. The number of families with store debt was 1.3 million, and the number in debt to the financial system was 1.5 million.² The Santiago Chamber of Commerce has recently published data showing that average indebtedness amounts to 98,500 pesos (US\$ 240). In 1996, credit card issues jumped by 28% from the 1995 level.

Consumer debt in Chile exceeds US\$ 6 million --the equivalent of 7.6% of gross domestic product (GDP)-- of which 80% corresponds to debt to the financial system and 20% represents open credit directly from stores. In 1996, bank consumer credit, which includes credit cards, lines of credit and automobile loans, was up 28% on 1995 levels.

It has often been said in Chile that the availability of credit, and the payment facilities offered by stores, have a passivizing effect and tend to cushion what are actually quite harsh labour relations, and in terms of debt distribution, it is interesting to note that, of a nationwide total of 1,523,000 low-income families (i.e., whose income is 120,000 pesos, or US\$ 300, per month), 1,055,000 have debts. Working-class households with consumer loans account for 66.22% of all debtors. Today, as can be seen from the table on debt,³ 91% of debt is concentrated in the low, low middle and middle middle socio-economic strata. The low middle and middle middle strata have debts that are 3.6 times their income, while the low stratum has debts 1.9 times its income and the high stratum's debts are 1.1 times its income. In 1995, there was an average of 2.7 credit cards per person, the average store debt per family was US\$ 658 and the average bank debt was US\$ 2,158.

The Consumer Rights Act passed in June 1997 laid down for the first time specific rules for consumer credit operations and makes it illegal to charge excessive interest, a practice that had become widespread. Under the new legislation, the supplier must inform the consumer of the cash price and the credit interest rate to be applied, as well as the amount and number of instalments to be paid, and any additional recovery charges.⁴

Nevertheless, there is still a gap in the legislation, since the supplier is under no obligation to investigate a consumer's existing debt. A government bill currently before Congress would oblige stores

and banks to obtain information on a customer's consolidated debt, which would help to limit risk in the credit market and prevent individual over-indebtedness.

Income distribution

Chile participates in the global market against a backdrop of inequality. The rapid economic growth of recent years (an average rate of 6.5%) and the encouraging signs of a relative reduction of poverty contrast with what has thus far been a characteristic of the new economic model: the inequity of income distribution. According to the Economic Commission for Latin America (ECLAC), in 1994 the richest 10% of households in Chile received 40.3% of urban income, while the poorest 40% received 13.3%.⁵

The various agreements the different social actors have entered into during the 1990s have addressed some aspects of the problem, without changing the basic economic model, in an attempt to improve the prospects for an equitable primary distribution of the fruits of economic growth.

A number of analyses show that, between 1987 and 1992, real wages rose on average less than productivity, which meant that wages' share of output fell. The Chilean economy's spectacular growth by nearly 52% between 1987 and 1993 has in fact been accompanied by a deterioration in the functional distribution of income --higher wages and lower unemployment notwithstanding— and it has not been possible to reconcile growth, stability and an improved income distribution: despite 10 years of uninterrupted economic growth and the fact that workers' real incomes have increased in absolute terms, the gap between rich and poor has widened.

The changes that have taken place during the last 20 years have also affected the lives of the poor. In the past, the term "poverty" referred to a lack of integration into modern life due to shortcomings in the urban infrastructure of production and services (education, housing and health), the development of which had not kept pace with demand. Today, "the poor" are those who do not receive their share of the benefits of economic growth.

Large numbers of people have been attracted by the opportunities of city life. Leaving behind their traditional lifestyles, they have formed part of a wave of migration that has more than doubled the capital's size in 25 years.⁶ However, many of these people have never attained a share of the benefits of city life, but have drifted in and out of jobs, with no stable income, and ended up living on the outskirts.

Today "the poor" are those with low incomes, insecure employment, no labour contracts, wages below the legal minimum and, consequently, no access to the social security system.⁷

Poverty affects the harmonious development of the human being, not only because of the difficulty of obtaining food, but also as a result of:

*Low self-esteem, a lack of community identity, the disintegration of the family, teenage pregnancies, drug addiction, abandonment, prostitution and social exclusion --problems that, moreover, prevent society from recognizing and addressing poverty...the media's intrusion into family and social life distorts fundamental social values by generating expectations that are not easy to fulfil, and yet provoke a desire to "keep up", which can only lead to frustration.*⁸

Certain aspects of the life of poor households have improved. In the past, households were not

well equipped, a deficiency that was clearly reflected in inadequate nutrition. Today poor families frequently have well-equipped households thanks to their easy access to credit. In addition, State incentives to save, together with a system of subsidies and mortgage loans, have made it easier in recent decades for such families to own their own home. However, although low-income housing developments are encouraged by the State through a system of concessions to private contractors, supply and demand are regulated by the market, and quality control and oversight leave much to be desired.⁹

Although credit has played a part in enabling many sectors of society to attain well-being, it has not been entirely successful, since it is not uncommon for purchasers to have to return goods acquired on credit because they cannot keep up with their payments. In addition, the accumulation of debt is greatest among poor households in urban areas, partly because of the proximity of large shopping malls and the influence of advertising.¹⁰

The privatization of social security and its repercussions

One of the biggest changes to have taken place in Chile recently is the privatization of social security -- pension and health insurance-- which has had an enormous effect on people's lifestyle.

Since the military Government implemented the reforms, social security has been administered by the private sector, although part of the system continues to be administered on a transitional basis by a State agency.¹¹ Individual workers, and to a lesser extent employers, now finance pensions and health insurance, and insurance against accidents at work, while the State covers family allowances, unemployment benefit and welfare pensions from the social expenditure budget.

A system of private pension fund administrators (APF) came into operation on 1 May 1981 and now has more than four million members. Prior to that, the pension system was administered by the State and comprised more than 56 pension funds, with around 94% of workers belonging to the three biggest: the public-sector employees fund, the private-sector employees fund and the social security service. Membership of the new system was not made compulsory until 1983, and nearly 6% of the labour force is still in the old system.

The new AFP-run system is based on the capitalization of individual contributions, unlike the old pay-as-you-go system, where pensions came out of a common fund and active workers financed retired workers' pensions. Workers' monthly contributions --7% of income-- are invested at market rates, with individuals free to look for the best return, and accumulate capital throughout their working life.

The health reform involved the establishment of a mixed system administered partly by the private sector --through health insurance companies (ISAPRES)-- and partly by the State --through its National Health Fund (FONASA). Workers may opt for either system depending on their social situation and preferences. This system reproduces social inequity, since there is a direct relation between the quality of care, insurance cover, and the contributor's level of income. The obligatory contribution of 7% of monthly taxable income gives access to a set plan, with a given level of cover of health expenses. Generally speaking, FONASA attracts lower-income groups, while the better-off tend to join an ISAPRE.

FONASA offers a single health plan that gives the freedom to choose public or private care providers such as doctors or laboratories, and the right to attend health establishments within the public health system. It is a pay-as-you-go system providing a progressive State subsidy: the lower the income,

the greater the benefit. The ISAPREs offer a range of health plans with varying quality of care and levels of cover and benefit: the higher the income, the greater the benefit.

The private health insurance system has come in for a good deal of criticism. Not only has the State relinquished its fundamental responsibility for health --FONASA is no longer able to provide adequate care and constantly totters on the brink of collapse-- but private enterprise has now turned the management of contributors' health care into a money-making affair by cutting back benefits and cover as much as they can, maintaining a lack of transparency in policies and procedures (reimbursement ceilings, exclusions, approval of sick leave), and raising premiums when the insured reach a certain age or fall chronically or seriously ill, or simply rejecting unprofitable risks. A number of ISAPREs refuse to approve the sick leave doctors prescribe for their patients, and some even offer doctors incentives to recommend shorter periods of sick leave.¹²

The regressivity of this public-private mix is evident from the ratio of expenditure to number of contributors in the two sectors. Around 62% of overall health expenditure in 1990 corresponded to the public sector and 38% to the ISAPREs. At the same time, only 16.9% of contributors were members of ISAPREs, whereas 83% belonged to FONASA.¹³

In practice, then, Chileans depend on their incomes to obtain sufficient health cover to ensure a good standard of living. Moreover, those who contribute to the public system are more restricted in their choice of doctors (since most specialists work in the private sector only) and also have to contend with long waits both for out-patient care and for surgery.

Even in the private system, the only people who are really in a position to avail themselves of the full range of benefits and quality care are those in upper-income groups, who can afford more comprehensive policies. The contributions of middle-income groups --i.e., the majority of members in the private system-- are never sufficient to cover the costs of their health care, despite the fact that these contributions amount to 7% of their monthly income. The system's inhumanity is revealed when hospitalization is needed: not only are patients required to give a guarantee of payment in the form of a blank cheque, but they also find that they have to borrow money to pay for their treatment.

Chileans cannot afford to fall ill, and when they do they resort, as far as possible, to self-prescribed medication as a temporary relief for their ailments. A large part of their income is earmarked for a health insurance system that either does not work properly or is incapable of fully covering the expense of even a moderately serious illness. Since membership of one system or the other is also an indication of social status, it is an important component of the whole edifice of social symbolism and discrimination.

Education

The military Government dismantled much of the education system and transferred State schools out of the sphere of economic policy to municipalities or the private sector. The result has been a low standard of education and great inequity of access, and this has been reflected in poor educational attainment and high repetition rates (6.85% in primary schools and 12.27% in secondary schools).¹⁴ Repetition rates are closely related to socio-economic level. Most of those who repeat a year attend municipal schools (non-fee-paying) with a poor infrastructure: lack of educational materials, large classes (at least 40 students per class and per teacher), unmotivated, poorly paid teachers (often working a double or triple shift) and

lecture-style teaching methods.

In order to ensure access to higher education, parents of sufficient economic means send their children to private schools. There is a steady flight from the State education system. In 1990, just over 61% of schoolchildren were enrolled in municipal schools. By 1995 the number had dropped to around 57%, with the remainder attending subsidized (32.3%) or unsubsidized (9%) private schools. Education has become a business. The private schools exact high registration fees and conduct rigorously selective admission tests. Students with low averages and learning difficulties risk expulsion. Access or otherwise to computers further widens the gap between the poor and the better-off. In the period 1985-1990 Chile imported 150,000 personal computers, destined chiefly for the higher socio-economic strata.

Some of the children who fail in primary or secondary school turn in later years to adult education, where the ages range from 15 to 24. Unfortunately, they find themselves in a system very similar to the one they left: inflexible, with an inadequate curriculum. A large number of these people -- over one third, in fact -- are unable to complete the course for lack of time or resources. Fear of failure and low self-esteem are also important factors in the high drop-out rate from adult education.

Just over 20% of Chile's labour force¹⁵ have less than six years of schooling, which according to recent studies could place them in the category of functionally illiterate. It has been shown that workers frequently do not attend training courses, or drop out, because they do not possess the necessary language or number skills.

Adult education and training are important not only for individual self-fulfilment and access to skilled employment, but also for the country's general development. If the Government's aim is sustained development and the extension of social justice, it will need to ensure universal access to knowledge and technology, which presupposes the acquisition and mastery of the basic cultural skills of language and numeracy, as well as other skills required for further study, such as finding and processing information, problem-solving, teamwork and creativity. These have in fact been government priorities since 1990. In 1992 the Programme for better-quality education with greater social equity (MECE) was implemented, with the support of the World Bank, as part of a comprehensive educational investment drive of a kind not seen in Chile since the 1960s. The Government is also making an effort to improve adult education, paying particular attention to the educational needs of young people, women and workers, by broadening the range of courses offered and combining formal and non-formal education strategies in different ways. In 1996 public expenditure on education amounted to 928,943 million pesos, the equivalent of 3.1% of GDP and 14% of total public expenditure.

Advertising

What stimulates the consumer's imagination is an unrelenting bombardment by advertisements. In Chile, advertising is also what helps give Chileans the illusion that they are part of the global world.

Chile spends more than US\$ 800 million annually on advertising, a figure that would have been unimaginable in 1970 when investment in advertising was equivalent to approximately 0.44% of gross domestic product (GDP). Advertising is the voice of the market economy. Television and newspapers are the biggest advertising media. Television's share of advertising is currently 46% compared with 8% for radio. Food and beverages account for most advertising spending, followed by the retail trade, personal products and automobile products.

The main target for advertising in Chile has always been middle class interest groups, to use the term of the trade, which are subdivided into C1, the upper middle class, C2, the middle middle class, and C3, the lower middle class, which comprises approximately 57% of the population. As one manager of a marketing firm with 44 years of advertising experience puts it:

*The middle class is the key to development in any country; it is the backbone of the economy and of democracy.*¹⁶

This explains why the image used in television commercials is a carefree, blond, well-to-do family with apparently unlimited resources, who look more like Americans or Europeans. Such images are associated with what advertisers call people's *aspirations*. Every product must appeal to a particular aspiration if it is to succeed in the market: the desire to get on, to be successful, to escape from poverty, to have a sense of belonging to society --the aspirations of any young worker who leaves work in the evening and puts on brand-name jeans and quality trainers to go downtown and feel part of the crowd.

Advertising and television play a powerful role in defining consumption patterns. While Chilean advertising may have some typical traits that reflect the national character, it is very much influenced by foreign advertising. At their last convention, in August 1997, Chilean marketing firms stressed the importance of developing a more strategic approach, that is, one more geared towards finding niches and business opportunities and understanding consumers better, and with greater predictive power. Participants concluded that consumption trends in Chile were upwards and that people were eager to try new products and brands. One interesting new research tool was discussed: known as participant observation, it is a method used by anthropology researchers and is based on the principle that the only way to understand a culture is to take part in it.

A good deal of advertising is directed at children and young people especially with respect to specific types of food and toys. One common gimmick is to encourage youngsters to collect lids that can be exchanged (together with a small amount of cash) for a toy. The toy is often a replica of one of the main characters in what are now globally popular television series such as Sailor Moon and Power Rangers.

Increasing access to cable television (30% of Chilean households subscribe to cable) also influences the globalization of childhood. Every Chilean girl's favourite doll is Barbie. If the real thing is beyond her means, a cheaper copy is available from a street vendor. The United States exerts a strong influence on children and young people, especially as regards food (hamburgers, French fries), toys and games. Advertising has contributed to the expansion of the toy industry. Since children spend hours in front of the television every day, generally without an adult, the television is the advertising medium of choice, and thus children are exposed to powerful propaganda without any form of guidance.

However, according to one of the articles of the Chilean Code of Ethics in Advertising, which most advertising agencies recognize:

*The message must not become a means of putting undue pressure on parents to purchase goods and services that would place them in a financially embarrassing position.*¹⁷

An appendix to the Code adds:

Advertisements must not encourage children to pester their parents or any other person in order to persuade them to purchase the advertised product.

However, one has merely to turn on the television at any time of day to see that in practice it is quite the opposite. Children and young people from all strata of society are under intense pressure to acquire the latest toys or styles. But expectation can easily turn to frustration if economic means are limited, as is often the case.

Regulation of advertising

The regulation of advertising is relatively new in Chile.¹⁸ The establishment of the Council for Self-regulation in Advertising (CONAR) in 1987 was an attempt on the part of advertisers themselves to lay down ethical guidelines for their activities.

CONAR is a private organization composed of advertisers and advertising agencies, the most representative sectors of the industry. Their concern was partly to protect themselves from misleading advertising and unfair competition between firms but also partly to pre-empt “over-regulation” by the State. A lack of ethical standards, it was felt, would impair the effectiveness of advertising and affect credibility in the eyes of the consumer. The main characteristic of CONAR is that members voluntarily exercise self-discipline in their advertising. It operates in accordance with the Chilean Code of Ethics in Advertising which, in turn, is based on the international code laid down by the International Chamber of Commerce in Paris.

CONAR is in essence a “court of honour” to which members may appeal voluntarily in order to settle disputes that arise in relation to commercial advertising. It does not have the authority of a State body and its ultimate sanction is to publish the relevant ruling in the press, yet 98% of the 277 rulings the Council has issued since its inception have been respected. Most rulings are based on four of the articles of the Code, covering comparative advertising (article 10), imitation and plagiarism (article 14), veracity, presentation and interpretation (article 4), and observance of moral standards, decency and the law (article 1). Complaints come not only from advertising agencies and advertisers but also from companies. In theory, consumers are also entitled to lodge a complaint with CONAR but in practice this is rare, partly because most consumers are unaware of the Council’s existence and partly because the complainant must pay a fee currently set at US\$ 650. In one well-known case in late 1996, a parliamentary children's support group made three complaints to CONAR. The most striking of these concerned a commercial run by a chain store, in which a child who has just received a cap as a Christmas gift turns away from his father with what is clearly a gesture of rejection, but undergoes a complete transformation when he discovers a “worthwhile” gift - a bicycle. CONAR ruled that the advertiser should refrain from rebroadcasting the commercial on the grounds that:

In the view of this Council, and as stated by the claimants, the scene in which the child, disappointed with the cap he receives, looks at the father in disillusionment and leaves the room, portrays an image and attitude frequently seen among Chilean children and families. This image is negative since it tends to validate and legitimize materialistic attitudes over values such as gratitude, respect, love and affection towards parents.¹⁹

The shortcomings of a private body such as CONAR, which operates on a voluntary basis, are

quite obvious. Its decisions cannot be enforced and the respect accorded its decisions depends basically on its level of legitimacy in the eyes of its users and, in some cases, in the eyes of the public.

One of the Council's documents analyses the link between advertising and the mass-media:

The raison d'être of the mass media is to provide information to the community. Advertising provides information on tradable goods and services in order to promote their consumption. But the most important point about advertising may be the media's fundamental dependence on it for their funding. There is also a clear link between economic activity and advertising. Any decline in the consumption of goods and services as a result of an economic recession will have an immediate effect on the rate of investment in advertising and therefore on the financial situation of the media.²⁰

According to CONAR, if one sign of a sound democracy is the number, quality and solvency of the media, then high levels of spending on advertising will tend to contribute to democracy-building in countries. It is true that in an economic downturn, such as that experienced in Chile in the early 1980s, investment in advertising falls sharply, but it is also true that it recovers rapidly with economic stability and rapid growth, which proves that its recovery is due to the economic upswing and is not directly related to democracy.

The Consumer Rights Act

It was only this year, with the passage of the Consumer Rights Act, that the State made its first attempt to regulate certain types of advertising and define irregularities such as misleading advertising. The new law penalizes advertisers who claim that their products contain components or contents they do not contain, or that they serve purposes they do not serve.²¹

This legislation is a serious effort on the State's part to regulate the supplier-consumer relationship by helping to ensure transparency in the most significant aspects of their dealings in the market: pricing, credit terms and labelling. It provides for mandatory legal guarantees, regulates product promotions and special offers, stipulates the kind of clauses that may not reasonably form part of a credit agreement, and penalizes false and misleading advertising.

While there is no doubt that the Act makes good a deficiency in the law by modifying the supplier-consumer relationship and introducing penalties for a certain type of advertising, it does not cover a number of major commercial activities such as private health institutions, private pension fund administrators (AFP), basic financial services and air transport. Each of these activities is regulated by specific legislation, and the Consumer Rights Act only applies in cases where there is a gap in that specific legislation --for example, in connection with advertising by private health institutions.

The new legislation was passed only after a long struggle by such organizations as the National Consumer Service (SERNAC), a State consumer advice and education agency. The fact that it took five years of parliamentary proceedings demonstrates the power of the proponents of the free-market ideology in Chile, who viewed the bill as a threat to the operation of market forces.

For that reason also, there was strong opposition to the bill's draft proposals for establishing and financing consumer organizations. Traders' associations feared such groups might bring a flood of

lawsuits against suppliers and that they could be used by unscrupulous dealers intent on destroying the competition. As a result, the executive's initial proposal, for a "fast-track" procedure to set up consumer groups, was rejected. Anyone wishing to create a consumer organization must adhere to the regular procedure laid down in the Civil Code of Chile for all non-profit-making organizations: the statutes of the organization must be submitted to the President of the Republic for approval; a minimum level of financing must be guaranteed out of members' subscriptions; and applications must be processed by the Ministry of Justice and sponsored by the State. The President and the Minister of Justice may revoke the legal status of an organization if it is deemed to have infringed public order and decency or does not comply with the aims for which it was established. The Act therefore makes it extremely difficult to set up and finance such groups, which in turn makes it difficult for people in the community to participate in matters that concern them. The rejection of the fast-track procedure was strongly criticized by consumer organizations, which had hoped that the new law would bring an increase in their membership.

Notwithstanding such comments and criticisms, the law is recognized as a step forward in the regulation of market relationships, and consumer organizations can still inform and educate consumers, conduct research, produce publications and prepare market studies; advise and act on behalf of their members, and take legal action to defend their members' consumer rights. The legislation addresses an unresolved issue in Chilean society and, despite its limitations, brings out into the open the complexity of market relations and exposes consumers' vulnerability.

According to SERNAC, after the law was passed on 5 June 1997, there was an increase in the number of enquiries and complaints in the second quarter of the year compared with the first. SERNAC received 1,919 enquiries between April and June and processed 606 complaints and 917 claims. Calls and visits from members of the public in June showed an 18.4% increase on May's figure, and casework increased by 25.3%.²²

The consumer movement

The consumer movement in Chile is new and not yet very strong. It does not have nationwide coverage except for the recent formation of a federation of various organizations including consumer defence organizations.

The newly established Consumers and Users Organization (ODECU), which has several branches in different parts of the country, is the only consumer body comparable to the type of broad-based consumer organization known internationally and which monitors product quality and prices.

ODECU recently achieved notoriety when it drew attention to problems with store credit cards and contracts that contravened consumer rights legislation. It also complained about excessive electricity charges, prompting the Government to intervene.

The independent consumer movement in Chile is still in its infancy but, given the problems arising from the expansion of the market in goods and services and the consumer's vulnerability in the face this expansion, it may well take off in the next few years. However, a number of obstacles stand in the way of its development, including the difficulties of financing and of acquiring legal status under the new law, as previously mentioned, and the apathy and lack of interest in social organization so prevalent in Chilean society today.

Shopping and changing consumption patterns

One highly visible aspect of the change in life style is the introduction of fast food and junk food (French fries, hamburgers, pizzas, etc). According to research by the Ministry of Health, the Chilean population is already showing the undesirable effects of an unhealthy diet consisting of foods that are low in nutritional value and high in calories and saturated fats. The change in eating habits has caused a sharp increase in obesity among the population --particularly among women, 40% of whom are overweight-- and 29% of all deaths are caused by poor diet and diseases of the circulatory system --mainly heart attacks, strokes, hypertension and arteriosclerosis. In children and young people, the consumption of foods laden with sugar and fat have increased in parallel with obesity. Statistics for 1994 indicate that 7% of children under 6 years of age are obese and 17% are overweight.

Competition in the food sector is fierce, with the big brand names constantly striving to occupy new market niches. Food companies' annual profits amount to US\$ 600 million. The stiffest competition is seen among dairy companies, which target children aged from 2 to 18. They invent products designed to appeal to young people and prolong their dependence on this food group. Their approach is twofold: non-impulse food consumption --that is, consumption of products that are part of what is known as the family shopping basket, and whose prices are relatively stable-- and impulse consumption --typically desserts, whose prices vary and are more elastic. Single persons of both sexes represent a new and growing category of consumers and food companies have geared their sales to this group with new food options designed to compete with fast food.

Another important factor is Chilean women's increasing participation in the labour market, one outcome of which has been an increase in the supply of frozen or prepared foods. For example, side dishes such as French fries have expanded 420% over the past five years, and 35 different types of frozen fruits and vegetables are available, a figure unimaginable 10 years ago, when there were only two rival brands. Today, over a dozen companies compete in this area. At the same time, the baby food mothers traditionally prepared has been gradually losing ground to strained or chopped preparations, sales of which have swelled by 71% in the last five years.

The trends point to a steady increase in this type of consumption and in food consumption in general.

Another highly conspicuous aspect of this change in life style is the place where people do their shopping. Twenty years ago, people shopped at the corner store or the market, or bought food such as meat or fish directly from suppliers. Shopping at a supermarket was something unusual, reserved for a particular social group. Since the 1980s, however, supermarkets and especially malls or shopping centres have proliferated. In Santiago alone, with its nearly 5 million inhabitants, there are nine new malls and three more are under construction. They attract between 700,000 and 1.8 million persons per month with estimated annual sales of US\$ 100 million.

Malls today have everything: cinemas, entertainment arcades for children, all types of restaurants. They have also become entertainment centres and meeting places. Going window shopping and boosting consumption has to a large extent replaced families' traditional walk around the public square.

The change in shopping patterns has been dramatic in the past 10 years. According to estimates, supermarkets account for approximately 70% of the country's total purchases of consumer product.

Since the late 1980s the sector has grown faster than GDP and in the 1990s, the sector's average growth rate has increased to 9% of GNP.

One of the indicators used by the authorities to measure inflation is the basic shopping basket of 368 products. A glance at how this shopping basket has changed can also show the population's changing consumption patterns.²³ Food, for example, accounted for 48% of average household expenditure in 1958, but has diminished greatly in importance since then and takes up only 33% of today's basket. Clothing, too, has declined, falling from 17.4% in 1958 to 9% in 1989. Between 1974 and 1976, spending on housing had the smallest share (13-15%), but by 1989 it had regained its traditional share of around 25% of the average Chilean budget --despite the fact that property prices have increased steadily, while consumer goods have stabilized. The biggest expansion has been seen in transport and telecommunications, education, health and recreation, items whose prices, like those of food, have risen faster than others and whose share has grown to 33% over the same period.

Consumption patterns and environmental sustainability

The rapid growth of Chile's economy has created serious environmental problems, and the resulting environmental damage and degradation of natural resources have been reflected in health problems and productivity losses. These types of situations are attributable, in large part, to the overuse of natural resources and the application of production technologies that pollute the environment. The relationship between environmental problems and the quite successful --in quantitative terms-- export model adopted in the mid-1970s is inescapable. Chile's exports are made up chiefly of raw materials and of processed and unprocessed natural resource-based products. In 1994, unprocessed natural resources represented approximately 52% of the country's total exports and processed natural resources made up over 35%. The fisheries industry has been the fastest-growing sector of all. Between 1975 and 1996, its exports rose at an average annual rate of 19%. Striking growth rates have also been posted for forestry and agricultural exports (average annual rates of 15% and 18%, respectively).²⁴

The extremely rapid growth of the export sector has generated major environmental problems which attest to the unsustainability of the present economic development process. In the specific case of Chile, the greatest pressure is being exerted on forestry and fishery resources. In the forestry sector, one of the main problems is the shrinkage of the country's native forests due, in part, to their use as a source of firewood and as a raw material for wood chip production. The expansion of the fisheries sector has led to over-harvesting of commercially valuable species to such a degree that the sustainable management of major fishery stocks is seriously threatened. At this point, fishery resources in Chile have ceased to be renewable because, at current catch rates, the stocks are unable to regenerate fully.

The country's swiftly paced, unsustainable form of economic growth has adversely impacted generic resources such as water and air in its urban areas.

Water

Both quantitative and qualitative problems are being experienced with regard to water resources. The main problem in terms of water quality is microbiological contamination. Although Chile's sanitation services are quite advanced (82% of its households have sanitary facilities, 99% of urban households have access to drinking water and 76% to adequate sewerage services), its management and disposal of waste water are highly unsatisfactory, and biological contamination of the water is therefore

very common, especially in the vicinity of urban areas. Less than 5% of Chile's total volume of waste water is treated.

Water management policies are not uniform, and no one institution is in charge of overseeing their implementation; instead, water resource management is an area of fragmented and overlapping responsibilities. Although some water-quality standards have been set by a number of governmental ministries, there is no oversight system in place for their enforcement. What is more, in 1981 the private ownership of water rights was legally recognized, and the Government relinquished the key role it had played in the administration of such rights.

The rising consumption levels being observed in relation to some basic and luxury goods and services are posing a major environmental challenge to Chilean society. Water use in the Metropolitan Region will grow by about 50% in the next 20 years, thereby exceeding the existing supply of surface and ground water. This extremely concentrated growth pattern ultimately places population growth in direct competition with agricultural production. The growth of the city has overrun farmland and endangered water quality. As a result, production activities have moved to less fertile soil where the land, although poorer in quality, still offers many of the same advantages in terms of location and climate. In the future, urban sprawl may lead to net production losses.

Water use also bears a relationship to socioeconomic status. A household in the affluent sector of Santiago uses four times as much water as a household in a poor neighbourhood does. In addition, the amount spent on this service, measured as a percentage of total household expenditure, decreases as the income level rises.

Air

Approximately five and one half million people, or 40% of the country's entire population, live in the Metropolitan Region. Air pollution in Santiago is the most obvious environmental problem in Chile. It is aggravated by the capital city's location in an enclosed valley which has little wind and scant rainfall and which is, moreover, prone to temperature inversions. This phenomenon acts like a "ceiling" that traps in the emissions from motor vehicles and industry. During the winter large numbers of children suffering from obstructive bronchitis, asthma and other respiratory problems are brought to the city's medical facilities. According to the Medical Association of Chile, air pollution's adverse effects on human health, which include premature death and respiratory complications, are well documented. The most serious health hazard is represented by fine particulate matter (PM10), which is inhaled deeply and can thus damage the lungs.

Santiago's environmental problems are caused by a combination of factors. One is the absence of urban land use regulations during the military government. In 1979, the pressure exerted on the perimeter of Santiago by economic interests as they sought out investment opportunities in new urban land developments led to a radical change in urban land use policy. The area open to urban development was, by decree, extended from 38,000 hectares to nearly 100,000. Today, Santiago already covers an area of 65,000 hectares.

A strong desire to acquire more living space is apparent, with the preference being for detached, single-family dwellings. The result is urban sprawl. People dream of having a house and a yard and of driving to work in their own automobile. This dream has been exploited very successfully by

construction companies. Because of the congestion, noise and poor air quality, many people are beginning to have a negative attitude towards the city, and the middle and upper classes are moving further and further away from its central districts. The upper class is constantly in search of new “clean and healthy” places to live. Today the members of this socioeconomic group live far out in semi-rural areas, and the result is serious traffic congestion during rush hours, when the people living in these neighbourhoods need to travel to and from their places of work.

Santiago is marked by an extreme form of socio-spatial and functional segregation which hinders it from functioning. From the standpoint of increased emissions, the city’s outward expansion and functional segregation have a negative effect on the transportation system. As a result of the fact that industrial and residential areas are located on the outskirts of the city while services and commerce tend to be centralized, the number of commutes and other daily trips is extremely high.

The urban transportation system must deal with a total of 8.4 million trips per day within Greater Santiago. Of this total, 17% are by private forms of transport (automobiles, taxicabs), 53% by mass transit, 20% on foot and the remaining 10% by other means (e.g., bicycles and motorcycles). A large percentage of these trips are accounted for by commutes to school and work. The temporal concentration of these trips generates a great deal of traffic congestion, which is one of the city’s major problems. In short, the main transportation problems affecting Santiago are caused by the temporal and spatial concentration of commutes and the poor quality of public transportation services, which acts as an incentive for the use and ownership of private automobiles. Population growth, increased mobility, consumerism, automobile use and urban growth are the forces driving forward the demand for transportation services. At least the last three of these factors are linked to rising incomes.

The city’s mounting traffic congestion creates a need for large-scale investments in infrastructure, waterworks, roads, parking facilities, etc.

There is a close correlation between urban transport and consumption patterns. It has been demonstrated that an increase in income boosts automobile ownership significantly not only in affluent neighbourhoods but in middle-income districts as well. Above and beyond their usefulness as a means of transport, automobiles are regarded as an indicator of their owners’ place in society. Having an automobile (preferably a new one) is a status symbol in Chilean society as elsewhere. The cultural and economic influence exerted by the world’s developed countries or, in other words, the globalization process, is clearly reflected in this situation.

The reduction in import duties during the 1970s and greater access to credit have led to an enormous increase in the number of motor vehicles in the country; in fact, the nation’s fleet of motor vehicles doubled between 1985 and 1996, jumping from 283,666 to 560,796 units. If this trend is extrapolated forward, then the number of vehicles will double again between 1997 and 2010. During the same period, however, the number of buses and taxibuses decreased by 8% (from 15,037 to 13,770). A particularly striking component of this expansion of the total stock of private vehicles has been the 60% increase in the number of taxicabs (21,425 to 34,065). This means that private modes of transport have been growing by around 10% per year.

Santiago is one of the most polluted population centres in the world, and the single most important source of pollution is transport, particularly via private vehicles. For example, the amount of pollutant emissions accounted for by public and private transport amounts to 97% in the case

of CO (carbon monoxide) and 85% for PM10 (inhalable particulate matter). Industrial activity in the Metropolitan Region has also expanded rapidly and, together with construction and commerce, is the main source of SO₂.²⁵ In 1996 the Metropolitan Region was categorized as a “saturated area” for four air pollutants --total suspended particles (TSP), inhalable particulate matter (PM10), carbon (CO) and ozone (O₃)-- and as a “latent” problem area for nitrogen dioxide (NO₂). Air quality standards have been exceeded time and time again.

The Chilean economic model has typically suffered from a lack of regulation, and this has usually resulted in an expansion of bus and taxicab fleets. Throughout the 1980s this was a major factor in Santiago’s increasing congestion. In the late 1970s, the Ministry of Transport established, by decree, what was known as the “free route” policy. Under this policy, all entry barriers were dismantled and the sector was entirely deregulated. Whoever wanted to provide public transportation services could do so without having to request any sort of authorization whatsoever. As a consequence of this lack of regulation, the number of oil- and diesel-fuelled buses and the use of rebuilt engines (which could be imported quite cheaply) rose substantially. At the time when a democratic form of government was being reinstated in 1990, the Ministry of Transport did not even have a list of the routes that were being covered or of the vehicles being used to provide public transport. In the early 1990s a bidding system for route concessions was introduced which ultimately, after overcoming determined opposition by bus line owners, established a scheme whereby only those modes of transport that meet certain requirements may use the busiest streets.

Every effort made by the Government to limit the power of bus company owners meets with firm and united resistance. (A good example of this is provided by the reaction to its attempts to pass a law under which bus drivers would have a fixed salary rather than a percentage of the fares sold, as they do now; the present system encourages drivers to race each other for passengers, thereby putting those passengers’ lives in danger.)

The country’s urban transport problem is a complex one. When and if they can, people choose to travel in their own automobiles because this allows them to arrive at their destination more safely and comfortably, if not always more rapidly. Furthermore, a recent study has shown that the addition of a new subway line may not actually diminish the level of congestion, since people who used to ride the bus will switch to the subway, but only a few former automobile drivers will do so. One of the main measures implemented in Santiago to reduce air pollution has been a system whereby certain vehicles are not permitted on the streets on a given day. Vehicles are identified by the last digit on their license plates, and the system is by weekly rotation. Obviously, however, this is not enough. During the winter of 1997, “pre-emergencies” were called on numerous occasions; when this occurs, between 40% and 60% of the total fleet of vehicles are ordered off the roads, certain industries are closed down, and measures ranging from a ban on physical education classes in the schools to the suspension of all classes are instituted.

Clearly, automobile users are not paying the full cost of their presence on the cities’ congested roadways. In order to encourage a more environmentally sound use of the automobile, the Pollution Prevention and Clean-Up Plan for the Metropolitan Region proposes such measures as toll roads, the elimination of parking lots and changes in their rate structures. The ultimate goal of this plan, which was drafted by the National Environment Commission (CONAMA), is to reduce the levels of all the pollutants identified in the plan by the year 2011 and thus restore an acceptable standard of environmental quality in the area. The steps to be taken include revamping private and public

transportation fleets, using improved fuels, curbing urban sprawl, establishing sustainable development mechanisms for industry to control airborne emissions, etc.

Solid wastes

The combination of changing consumption patterns and population growth has boosted the amount of solid waste produced in urban areas. The relationship between the amount of garbage generated and the population's buying power is clear. The amount of garbage generated per capita in Chile is one of the highest in all of Latin America. If existing trends in population growth, rising incomes and consumption patterns persist, the amount of solid waste produced per household in Santiago ought to rise by approximately 3% per year. This means that by the year 2020, the country would be generating around 1.86 kilos/person/day.²⁶

Garbage production is also related to socioeconomic status. Upper-income districts of Santiago generate twice as much garbage per person as low-income neighbourhoods do. The higher the income, the higher the level of consumption and, hence, the higher the level of garbage produced.

In Chile and most other countries at a similar level of development, sanitary landfills are used for garbage disposal. It is very difficult to find sites for landfills, however, because the people living near a proposed site usually object quite strenuously to any such plan. Government authorities are consequently searching out ever more remote locations to serve as landfills, which drives up the cost of this service sharply due to the resulting transport requirements. For now, this is chiefly a problem in Santiago, but there is no reason to believe that it will not spread to smaller cities throughout the country in the future.

In a development related to income growth, the projections indicate that paper, cardboard, plastic and glass are making up an increasing proportion of the garbage, while its organic components are diminishing. This change in solid waste composition also has implications as far as ultimate disposal or treatment options are concerned, since the possibility of using sanitary landfills is related not only to cost constraints but also to the presence of a high percentage of organic waste.

In Chile there is no such thing as environmental taxes (the "polluter pays" principle); nor are there any government-sponsored recycling or at-source separation programmes. Some urban districts have promoted educational programmes for selected families on their own, but there has been no city-wide initiative in this regard. The problems are becoming increasingly serious, and no genuine solution is yet in sight.

Violence and solidarity

The country's headlong economic growth and its positive indicators of a relative decrease in poverty have run up against one of the traits of its development model: inequality and social de-integration. One of the "new" phenomena arising in Chilean society as a consequence of the changes it has undergone is urban violence and the more recent variations on that theme.

Through the mass media and official pronouncements, society is constantly transmitting images of success, but a substantial sector of the population is just struggling to survive. The modernization process has not put an end to poverty or inequality. Social status based on the possession of material goods and the use of prestigious brand names is what identifies a person as belonging to a given social

group; this goes hand in hand with a weakening of affective bonds, a failure to focus on a shared national agenda, the establishment of individual moral rules in the place of collective ones, and a failure to participate in the types of community organizations that safeguard the interests of society as a whole.

The city of Santiago provides an excellent example of social segregation. This city of five million people is divided into 32 municipal districts, and the imaginary dividing line separating the various economic sectors is so clear that many people, when seeking a better-paying job, do not give their true address but instead invent a more “appropriate” one. The clothes people wear, the type of automobile they drive, where they live and, above all, what school they attended, constitute their calling card --and the barrier that stands in the way of many young Chileans’ aspirations.

A recent survey indicates that the gap between young people from poor and rich homes is widening in terms of their continued presence in the school system and in the labour force. This survey, which was commissioned by the Ministry of Planning to serve as a basis for social policy-making and evaluation, showed that 9.5% (340,000) of the 3,655,000 persons between 15 and 29 years of age in the country are neither working nor attending an institution within the formal education system.²⁷ Table 5 illustrates the gap that exists with regard to educational opportunity. Whereas the country’s poor young people are scarcely able to finish elementary school, the entry of their richer counterparts into higher education is assured.

These are a few of the most disturbing aspects of the inequality and social segregation existing in the country.

Some researchers feel that the relationship between consumerism and crime is a decisive factor in the increase in violence and in the forms it takes. This comes as a reaction to the advertising message that “everything is within your reach”, the identification of success with money, and the increasingly widespread disdain of such moral standards as knowledge, honesty, altruistic integrity and self-discipline, which served as the founding principles of the Chilean republic.

*It is highly probable that certain types of criminal behaviour are related to the tie-ins among the illusion and images of affluence, the compulsion to achieve success, money, and a lack of resources.*²⁸

This constitutes a comprehensive “ideology” that influences both the poor and the rich, exerting constant pressure on the individual’s self-esteem and quality of life as a consequence of the ever-present stress created by the need to “keep up appearances”.

In a society where individualism is associated with individual achievement, the individual’s ties to the local community tend to break down once success is attained. It is well known that societies which equate success with money are unlikely to offer opportunities for personal development through participation in the community; this type of society gives itself over to objects and outward appearances.

Bonds of friendship and social conviviality are undermined by a social model whose internal logic is such that the success of the “winners” is built upon the disappointments of the “losers”.

In the case of Chile, the economic boom and wave of consumerism --i.e., the latent possibility of obtaining goods that can increase a person’s well-being-- have served as compensation for the lack of

opportunities for participation and communication at all levels, from community organizations that demand solutions for community problems all the way to national party politics. The present need to obtain information and to feel that one is part of an increasingly globalized world is a need that is met privately.

The feeling of upward social mobility engendered by the acquisition of material possessions -- stimulated by the continual affirmations of the country's macroeconomic successes-- is the path being offered to vast numbers of people who live from paycheck to paycheck. This puts pressure on many families to seek additional sources of income through new jobs or other activities.

Expectations of increased consumption, together with long-run indebtedness, are surely one of the factors that have played a role in the social disorganization and lack of mobility of recent years, as each individual strives, in isolation, to meet his or her needs. There is a general feeling that the country has changed in terms of its values and people's relationship with the community. The topics of individualism and consumerism are being discussed by politicians at various levels.

From the standpoint of the organizations that form civil society, environmental groups are the ones that have taken the lead in criticizing the effects of globalization and its implications for environmental sustainability. Nonetheless, the political aspects of this question are still regarded as a side-issue. The lack of political credibility and trust and the exaltation of private pursuits have something to do with this. It is significant that one million young people who are now old enough to vote for the first time have not even registered to do so.

The Catholic church has attempted to assume a position of spiritual leadership and has urged people to think about what it means to lose their identity as a community. The Church has spoken out clearly on social issues for many years. During the years of military repression, it denounced the government's human rights violations and gave asylum to many members of the opposition. Now, it draws attention to the poverty that exists and contrasts that situation with the present wave of consumerism.

At the Te Deum which is traditionally held to mark Chile's national day, a spokesman for the Catholic church said:

...concerns about the negative signs of modernization, such as dehumanization, a disregard for nature, and a culture of ostentation, make the existing social differences and the disintegration of the family even more grievous...

...one of the forces that is undermining the family is the fact that, in many cases, members of the household need to work overtime in order to make ends meet and therefore have no time to enjoy their children and their family or to share with them...

...we of the Church cannot change society, but we do aspire to work with others in serving as the inspiration for a new spirit of humanity.

Affirming that progress does not always bring happiness, the spokesman went on to say:

Often we meet people who are a little "down", manipulated by advertising and consumerism, so

*alone, people forced into a mass mould and yet striving to defend their own individualism.*²⁹

Concluding remarks

The globalization process has had a strong impact on all aspects of Chile's development. The fact that it was promoted by an authoritarian government sets it apart from similar processes experienced by other Latin American countries, since the schools of thought that were critical of this model were prevented from voicing their opinions.³⁰

Since the restoration of democracy, many things have changed, but the country's economic agenda and its social impacts have not. In fact, recent administrations have, if anything, made an even more determined effort to promote the country's integration into world markets on the basis of its comparative advantages. The special relationships established with the Asian countries through APEC, with the United States and NAFTA, and with neighbouring countries through Mercosur all attest to this.

With the advent of this globalized world, Chileans have been breaking through their long-standing isolation and have begun to feel that they truly are a part of today's changing world. The main problem lies in how individuals, based on their own subjective perceptions and their own processes of human development, become part of that globalization process. The quest for the economic efficiency called for under the terms and conditions of international agreements not only disrupts individuals' attempts to adapt to the changes that are occurring all around them at such a dizzying pace, but actually induces the disintegration of the community itself.

The citizens of the country have played no part in the decision-making process regarding its integration or the path that Chile, as part of today's globalized world, should choose. Instead, the entire process of change is actuated from the top down and is underpinned by fulsome promises of a better future. The country's so recently regained and still fragile democracy is confronted with one of the worst possible threats: social apathy and a lack of belief in its ability to serve as a source of collective well-being.

Chileans do not deny their desire to be part of this globalized world and to overcome the problems holding back their country's development. The questions that need to be asked, however, are what kind of globalization we are speaking about, who is to lay down the ground rules and, in the final analysis, how high a price we are willing to pay.

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¹ Schkolnik, Mariana, Cambio en los patrones de consumo en Chile, PET, 1982. See table 1.

² Santiago Chamber of Commerce, "Deudas de consumo consolidadas por estrato socioeconomico", Santiago, December 1995. Quoted in Moulian, Tomás, Chile Actual.

³ See table 2. Santiago Chamber of Commerce, quoted in Moulian, T., op.cit.

⁴ The absence of regulation in the consumer credit market gave rise to a large number of debt collection agencies, which used any means, including intimidation and coercion, to do their job. The original Consumer Rights bill attempted to control this type of debt recovery, but it was rejected by the constitutional court on technical grounds. A group of members of parliament are now pressing for measures to regulate debt collection and penalties for contraventions of the rules.

⁵ The Economic Commission for Latin America and the Caribbean, *The Equity Gap* (LC/G.1954(CONF.86/3)), Santiago, Chile, March 1997.

⁶ At the time of the 1970 census, the 32 municipalities of the province of Santiago had a population of 1,737,550. The 1982 census gives a figure of 2,594,172. According to estimates by the National Institute of Statistics (INE), the population of Santiago in 1990 was 4,233,584 and in 1995, 4,551,595. The population of Chile in 1995 was estimated to be 14,210,429. (National Institute of Statistics (INE), *Cifras Comparativas, censos 1970-1982. Estimaciones de población 1990-2005*. Santiago, 1995, INE.)

⁷ The legal minimum wage is 74,700 pesos (US\$ 182). The poverty line is defined as a per capita household income of 34,000 pesos (US\$ 83) and the indigence line is a per capita household income of 17,000 pesos (US\$ 41). According to the Programme for the Economy of Labour (PET), the cost of the basic shopping basket of food in 1996 was 16,912 pesos (US\$ 41), while the cost of the shopping basket of basic necessities was 33,824 pesos (US\$ 82).

⁸ Crovetto, Mirta, *Seguridad alimentaria para todos*, PET, Santiago, Chile, 1995.

⁹ This winter's heavy rains in Santiago exposed the ineffectiveness of the State's regulation of these concessions to the private sector. More than 3,500 low-income housing units had to be covered with plastic because they were not rainproof. The Ministry of Housing has sued the construction company involved and initiated lengthy legal proceedings for compensation.

¹⁰ See table 2.

¹¹ The National Institute of Standardization.

¹² In an attempt to stamp out such irregularities, the State has set up a regulatory body, the ISAPRE Superintendency, to oversee the health insurance companies and investigate complaints. However, the free market's grip in Chile is so strong that this body has proved incapable of dealing with the most glaring deficiencies. Since the system is organized along ordinary business lines, any correction of such shortcomings would run counter to its own interests.

¹³ Public-sector health expenditure is basically financed out of employees' and workers' compulsory and voluntary contributions; employers' contributions; and State subsidies, which in 1991 amounted to 47.1% of the total.

¹⁴ A study carried out in the south of Chile found that 66% of urban school pupils and 83% of rural pupils had reading comprehension problems. *Revista de Estudios Pedagógicos*, No. 15, 1989.

¹⁵ According to official figures, the labour force numbers 5,643,180. *Indicadores de empleo*, National

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¹⁶ Henry Northcote, Managing Director, Northcote Agilvy and Mather advertising agency, in an interview by Selander, Margareta, Santiago, October 1997.

¹⁷ Chilean Code of Ethics in Advertising, Santiago, April 1986.

¹⁸ The Abuse of Advertising Act dates from 1967, and is concerned mainly with protecting individual honour and preventing offences against decency.

¹⁹ Council for Self-regulation in Advertising, ruling of 10 January 1997.

²⁰ CONAR working document, op.cit.

²¹ The Consumer Rights Act was passed on 5 June 1997, after five years of parliamentary proceedings.

²² National Consumer Service (SERNAC), *Consumo y Calidad de Vida*, special issue, June 1997.

²³ See table 3.

²⁴ Claude, Marcel, *Una vez más la miseria. ¿Es Chile un país sustentable?* Lom Editores, Santiago, 1997.

²⁵ National Environment Commission, "Anteproyecto del plan de descontaminación", Santiago, March 1997.

²⁶ See table 4.

²⁷ See table 5.

²⁸ Centro de Estudios Sur, *Temas Sociales*, July 1995.

²⁹ "Homilía de fiestas patrias", *La Epoca*, 18 September 1997.

³⁰ Even before the reinstatement of a democratic system of government, environmental groups were criticizing the environmental impacts of the globalization process. Today, now that the population has won back its civil liberties, these groups are making their voice heard loud and clear, and their work has been favourably received by the general public. Their presence in the arena of public policy-making is still quite weak, however, and thus far they have not succeeded in moving on from the denunciation of existing conditions to the proposal of specific alternatives.

Appendix 2

Real per capita social expenditure Average indices by period (Base 1993 = 100)		
Sector	Period	Social expenditure index
Education	'74 - '89	87.8
	'90 - '93	91.0
Health	'74 - '89	66.5
	'90 - '93	83.9
Housing	'74 - '89	62.9
	'90 - '93	87.9

Source : Meller and others, 1993.

Appendix 1

Macroeconomic indicators, Aylwin Government

Year	Annual real GDP growth (%)	Annual inflation (variation in CPI December - december)	Fixed capital investment rate (GFCF*/GDP)
1990	3.0	27.3	24.6
1991	6.1	18.7	22.3
1992	10.3	12.7	25.1
1993	6.0	12.2	27.4

Source : Central Bank of Chile

* Gross fixed capital formation : investment in machinery and equipment and modernization of production.

Table 4

**PROJECTION OF COMPOSITION OF SOLID HOUSEHOLD WASTE
1993 - 2000**

(% by weight, wet basis)

Component (%)	1995	1996	1997	1998	1999	2000
Organic matter	46.00	41.90	44.20	43.60	42.90	42.30
Paper and cardboard	19.90	20.30	20.70	21.00	21.40	21.90
Debris, ash, crockery	5.57	5.47	5.37	5.27	5.17	5.07
Plastics	11.90	12.50	12.90	13.30	13.70	14.10
Fabric	4.57	4.66	4.75	4.84	4.94	5.04
Metals	2.36	2.38	2.40	2.42	2.44	2.46
Glass	1.78	1.84	1.91	1.98	2.05	2.12
Bones	0.51	0.52	0.52	0.53	0.53	0.54
Others	7.43	7.43	7.27	6.82	6.82	6.54

Source : Sanitary and environmental engineering, University of Chile

Appendix 5

**CRIME RATE IN COUNTRY
FIRST HALF 1994**

Acts	Cases per unit of time	
	Minutes	No. of cases in one day
Total serious cases		
First half 1993	1 every 3.3 minutes	436.4
Robbery	1 every 6.7 minutes	214.9
Larceny	1 every 23.7 minutes	60.8
Homicides	1 every 13.7 minutes	105.1
Injuries	1 every 9.1 minutes	158.2
Rapes	1 every 6.6 minutes	218.2

Source : Prepared by Centro de Estudios Sur.

(Temas Sociales No. 7, July, 1995.)

**FREQUENCY OF TRAFFIC ACCIDENTS IN CHILE BY OUTCOME
FIRST HALF OF 1994**

Traffic accidents (all outcomes) : 1 every 12.0 minutes

Frequency with which it occurs	Cases per unit of time	
		No. of cases in a day
Outcome of accidents in which persons are knocked down :		
1 every 46.5 minutes	Deaths : 1 every 9.0 hours	2.7
	Serious injury : 1 every 2.9 hours	8.3
	Less serious injury : 1 every 4.2 hours	5.7
	Slight injury : 1 every 1.7 hour	14.1
Outcome of accidents involving impact :		
1 every 1.3 hours	Deaths : 1 every 6.3 hours	0.2
	Serious injury : 1 every day	1.0
	Less serious injury : 1 every 23.7 hours	1.0
	Slight injury : 1 every 8.6 hours	2.8
Outcome of head-on collisions :		
1 every 28.5 hours	Deaths : 1 every 17.2 hours	1.4
	Serious injury : 1 every 3.2 hours	7.5
	Less serious injury : 1 every 3.1 hours	7.7
	Slight injury : 1 every 42.6 minutes	33.8

Source : Prepared by Centro de Estudios Sur.

(Temas Sociales No. 7, July 1995.)

Table 2

CONSOLIDATED CONSUMER DEBTS
(Average per household, December 1995)

SOCIO ECONOMIC GROUP	AVERAGE MONTHLY INCOME (Thousands of CH\$)	NO. OF DEBTOR HOUSEHOLDS (Thousands)	DEBT / INCOME
AB	5,210	18	1.1
C1	1,260	115	2.8
C2	540	335	3.6
C3	250	415	3.2
D	120	640	1.9
Total	443	1,523	2.5

Source : Santiago Chamber of Commere.

Table 2

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Income distribution in Chile

Quintile	1978	1983	1987	1990	1992	1994
1	4.6	3.4	4.0	3.9	5.0	4.6
2	9.5	8.3	8.1	8.5	8.8	8.5
3	14.1	11.6	12.1	12.8	12.4	12.4
4	19.9	19.1	18.8	19.1	18.4	18.4
5	51.9	57.5	57.0	55.7	55.4	56.1

Source : Harold Beyer.

Table 3

**CHILE : HOUSEHOLD EXPENDITURE ON SELECTED GOODS AND SERVICES,
BY QUINTILE**
(as percentages of total expenditure)

Goods and Services	Mean Total	Quintiles				
		1 ^o	2 ^o	3 ^o	4 ^o	5 ^o
Food and beverages	32.86	53.90	48.90	45.77	38.20	21.87
Clothing and footwear	8.15	6.75	8.02	9.23	9.27	7.61
Housing	15.53	13.71	13.46	12.80	14.40	17.30
Rental of second home	0.01	0.00	0.00	0.00	0.00	0.01
Purchase of second home	0.06	0.00	0.00	0.00	0.00	0.13
Water	0.98	1.98	1.52	1.23	1.01	0.68
Households appliances and upkeep	8.68	2.82	4.35	5.91	7.82	11.25
Health	3.95	1.47	1.89	2.66	3.96	4.96
Transport and communications	16.92	14.09	14.05	13.09	13.41	20.18
Private modes of transport	8.73	0.44	1.15	1.86	3.84	14.87
Purchase of motor vehicles	3.07	0.05	0.14	0.24	0.18	5.86
Public modes of transport	6.82	13.45	12.32	10.35	8.11	3.57
Recreation and education	7.77	2.38	3.83	4.74	7.10	10.21
Entertainment and culture	1.29	0.58	0.78	1.06	1.23	1.54
Other goods and services	4.33	1.82	2.40	3.24	3.73	5.51
Accommodation	0.41	0.04	0.04	0.20	0.31	0.61
Vacations	0.35	0.02	0.06	0.11	0.09	0.61
All - inclusive tours	0.10	0.00	0.00	0.05	0.03	0.18

Source : INE household survey, 1988.

Table 1

Indicators of liberalization of Chilean economy (%)		
Year	Degree of liberalization *	Exports of goods and services as % of GDP
1987	58.1	29.1
1988	60.7	30.3
1989	66.3	31.9
1990	67.8	33.7
1991	69.1	34.9
1992	75.3	37.0
1993	76.7	36.4

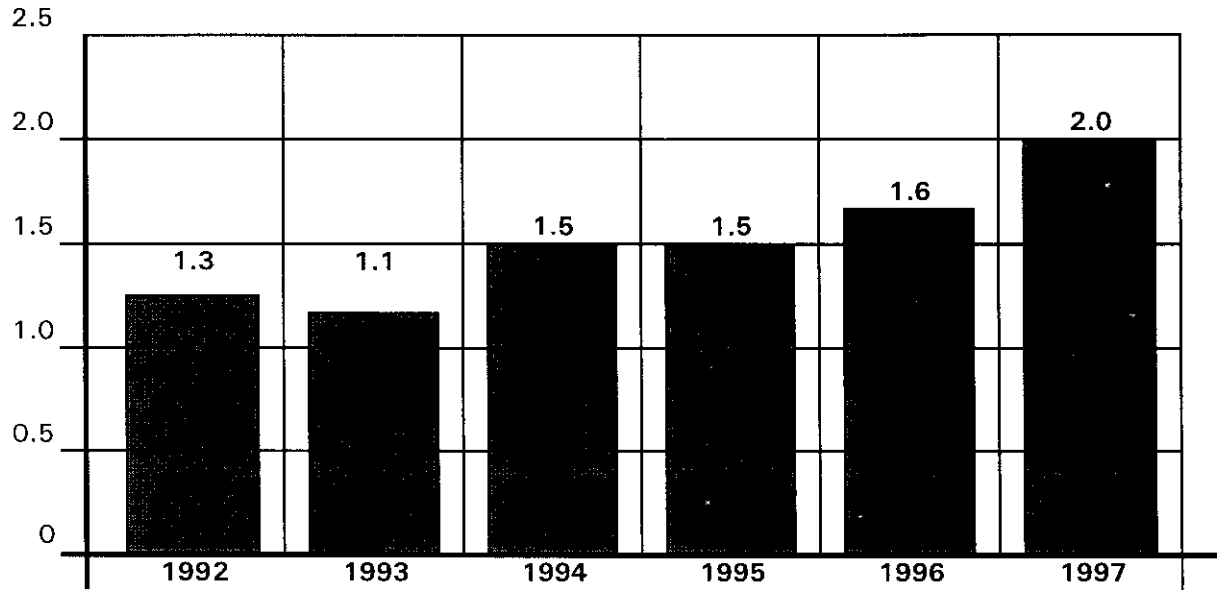
Source : National Accounts, Central Bank of Chile, on the basis of real figures at 1986 prices.

* Exports and imports as a proportion of GDP.

Table 5

Source : National Socioeconomic Survey (CASEN)

OVERDUE DEBT OWED TO STORES, APRIL



Source : La Epoca

Tuesday 7 october 1997.