

CHILEAN SOCIOECONOMIC OVERVIEW



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Santiago-Chile
1980

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This book was translated by
Ann M. Gain de González and Jaime Palacios F.
designed and produced by Matte & Méndez.
It was set in Helvetica and printed by
Imprenta Calderón & Cia. with the financial
cooperation of the Central Bank of Chile.

Printed in Chile.
September, 1980.

With gratitude to the personnel
of the Budget Directorate.



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Misery

Solomon and Job are those who best knew and best spoke of the misery of man: one the happiest of men, the other the most unfortunate. One knew from experience the vanity of pleasure, and the other the reality of evil.

Blaise Pascal

Foreword

The purpose of this book is to present what the author esteems to be the genesis and the orientation of the social policy. It is also an account of how the various social programs have been designed and implemented on the basis of timely and trustworthy data.

The purpose of Chapters I through IV is to respond to the questions which arise as to income distribution, social cost, and the content and effects of the social policy, according to the best available information.

The appendices respond to the need to support with reliable statistics, some of the opinions expressed. Appendix I contains statistics on labor conflicts between 1961 and 1973. Appendix II contains some official historical legal documents, and references to certain others.

As is the case in all temporal affairs—and the social policy is one of these—there is still much to be done. We are certain that there is a healthy spirit of willingness to overcome situations which can and must be corrected. We all have the duty to seek honestly and realistically the most fair and effective means first to relieve, and then to improve permanently the condition of the most needy, while taking care that efforts to redistribute do not infringe on that which is part of every man's birthright, namely his Freedom.

The information available on many of these subjects is imperfect. The search for it has been arduous and conscientious. All of the policies and programs designed to overcome these situations have been inspired by clear principles of liberty, justice and efficiency. Where they have failed, only the limitations inherent in human nature are at fault.

The author wishes to thank all those who cooperated in the preparation of this volume, in particular Mrs. Margarita Hepp, whose dedication and untiring effort made the completion of the task possible. He also is grateful to the professional, administrative, secretarial and other staff members of the Budget Directorate. Chief Justice of the Supreme Court, the Honourable Israel Bórquez provided significant historical-legal information. The Legal Coordination and Information Department of the Comptroller General's Office, collaborated most generously in the area of legal information. Alberto Armstrong provided unpublished data on labor. The Agricultural Development Institute, the National Health Service, the National

Training and Employment Service and the Board of Education furnished valuable information on their respective areas of activity.

The author, of course, assumes full responsibility for the interpretations and opinions expressed in this volume.

Chapter I

The Socioeconomic Program of the Chilean Government

A Need for Change

After the crisis in 1930, and until 1970, Chile applied an economic policy which included, among its principal features, a closing of the economy to foreign trade, with low real exchange rates and high protective tariffs. Over and above these distortions widespread state intervention was observed in almost all productive sectors, mainly through a broad range of price controls and production quotas.¹

Application of these policies by governments of that period differed only in detail, becoming extreme between 1971 and 1973. Their economic, social and political effects on Chilean affairs were varied and profound.

Economic growth, as indicated by an increase in the Gross Domestic Product for the 1940 to 1971 period, reached an average of 3.7% per year, representing a 1.5% per capita increase for the same period, or a doubling of per capita income every 46 years. The situation described widened the gap between the natural expectations for progress of the population and the crude reality of the country's available resources. The average annual rate of inflation for the period 1940 to 1970 was 26.8%, climbing to 31.3% for the 1950 to 1970 period. The process continued to develop at an increasing rate, reaching an average annual rate of 126.7% between 1970 and 1973. During 1973, inflation reached almost 1,000% and the Wholesale Price Index increased 1,147% during the same period. Inflation, accompanied by broader price controls for an ever sustained and increasing number of products and services had negative effects on production and consumption structures which, as a result, slowed down economic growth. Important losses in purchasing power of the working and passive sectors should be added to the situation described above. Such losses were "compensated for" by adjustments, generally lower than the increase of the Consumer Price Index, granted at most once a year and, frequently after a delay of two or three months, or even one year. The roots of social conflict were developing slowly and relentlessly.

External instability was evidenced by consecutive deficits in the balance of

¹A detailed justification of this statement is to be found in: Central Bank of Chile: "Estudios Monetarios III." Seminar on the Capital Market 1974, pp. 243-319. "Estudios Monetarios IV." Seminar on Foreign Trade 1976. Ministry of Finance Reports on the State of Public Finance from 1973 to 1979, and Sergio de Castro S., "Inflation and Financial Discipline", published in Juan Carlos Méndez (ed.), *Chilean Economic Policy* (Santiago, Budget Directorate, 1979).

payments, with significant and increasing levels of foreign debt, especially during the 1960 to 1973 period, a situation which became even more acute with the moratorium declared between 1971 and 1973 and the subsequent flight of national capital and the lack of foreign investment. The country's foreign trade came to a virtual standstill: in September of 1973, the average tariff was 94%, ranging from 0% to a maximum of 600%, in addition to 2872 tariff items subject to prior deposits that reached 10,000%.²

The capital market, besides being inefficient, was completely distorted because of the negative real interest rates, and credit was allocated according to discriminatory and selective methods. The market for goods was completely controlled, and the number of items subject to price controls reached approximately 4.000 products in 1973.³ Further, the Agrarian Reform, applied through programs initiated in 1964 and formally enacted under Law 16,640, destroyed the market for land while simultaneously generating the mechanisms required to virtually eliminate private property rights and paved the way to the establishment of the unfortunate Social Property Area.

As could be expected, in view of the fact that national resources became increasingly unable to satisfy expectations, efforts made by the various governments in the field of income distribution and social programs did not achieve the expected results.

According to Population Census figures, in 1970, 21% of the Chilean population lived in conditions of extreme poverty. To mention only one indicator, infant mortality reached almost 80 per thousand born alive, placing Chile among Latin American countries with the highest infant mortality rates.

An ever increasing politization of society's intermediate groups was a consequence of the social and economic stagnation suffered by the country. Unions, professional groups and numerous other institutions began to show an unconscionable interest in political affairs (the first university take-overs began in 1967), and, as a result, innumerable and prolonged strikes were called that had little or nothing to do with labor or trade union interests.⁴ In this general environment of politization, state bureaucracy

²Source: Central Bank of Chile, **Foreign Trade Department**.

³Source: Ministry of Economy, **Industry and Commerce Department**.

⁴See Appendix I: Statistics on Labor Conflicts, 1961-1973, pp. 115-127.

did not remain untouched.⁵ The frequent wildcat strikes in the public administration were all illegal according to laws of that period.

To complete this state of anarchy, a rupture between the different branches of government took place, when the Executive Power encroached on fields of action and attributes of the Judicial and Legislative Powers as well as of the Comptroller General. The break between the Executive and Judicial branches of Government became evident when the Administration failed to comply with numerous decisions issued by the Judiciary. In this connection it is appropriate to quote, using historical sources, a portion of an Official Letter dated June 25, 1973, addressed by the Chief Justice of the Supreme Court to the President of the Republic: "This Court wishes to advise Your Excellency that it has construed your communication as an attempt to subject the independent judgment of the Judiciary to the political needs of the Government, by seeking forced interpretations of Constitutional and legal provisions. As long as the Judiciary is not erased as such from the Political Charter, its independence shall never be revoked."

A similar situation occurred in the Legislative Power and in the Office of the Comptroller General of the Republic.⁶

The epilogue to all this chaos was a quasi civil war and the outcry of a large majority of individuals and institutions, demanding military intervention, which took place on September 11, 1973.

The Current Program: Content and Purpose

The process of rebuilding the country was begun under conditions of bankruptcy inherited by the present Government. A program with a basic objective consisting in the achievement of a new institutional structure

⁵The Popular Unity Committees were created in 1969 in some institutions, companies and industries in order to **support and to coordinate the activities of the Popular Unity electoral campaign**. They were constituted basically by representatives of the various political parties which made up the Popular Unity, thereby linking the workers with the Popular Unity political parties. Later on, when the Popular Unity came into power, they continued (although they never achieved legal status) to operate within some institutions and companies as committees to organize the workers, and to see that the Popular Unity policy was "applied correctly" within the institution or company. Given the heterogeneity of the participating parties, in not a few cases, conflicts arose between the majority group of a Committee and the executives of the institutions if they were in the minority. Situations of this type obviously led to dual command or to parallelism in the management of the institutions.

⁶See Appendix II. **Historical and Legal Antecedents**, pp. 129-165.

was designed and implemented. Its immediate or short term goals consisted in the achievement of stability, growth and sustained development.

For the authorities of the nation, these goals have the following meaning from an economic standpoint: economic stability is understood as the set of conditions which produce a minimum of alterations when imbalance occurs in economic variables; growth is understood as implying a sustained increase in the level of economic activity; and, finally, development is conceived as increasing participation of the poorer sectors in the fruits of economic growth, helped in a subsidiary manner by non-coercive procedures of income redistribution.

Economic policy was initially centered on the immediate correction of serious market distortions, on the achievement of internal and external stability and on diminishing the impact of payment of the social costs imposed by the Popular Unity Government on the present generation.⁷ Since the beginning, the basis for the achievement of sustained high economic growth rates has consisted in the correction of distortions, free competition and stability. Progressive reductions of inflation, which have been achieved by an ordering of public finances and by careful management of monetary variables are evident. Inflation reached 375.9% in 1974 and 340.7% in 1975. It dropped to 174.3% in 1976, to 63.5% in 1977, to 30.3% in 1978 and to 38.9% in 1979.

External stability has been reflected in the remarkable increase of non-traditional exports and the confidence expressed by international financial circles, as a result of the application of a coherent economic policy that, among other things, has managed to open the Chilean economy to foreign trade by gradually lowering tariffs and the elimination of other barriers, and the application of a realistic foreign exchange rate policy.

As a result, the Gross Domestic Product has grown during recent years: 4.0% in 1976, 8.6% in 1977, and 7.3% in 1978 or a 21% cumulative increase during the last three years.⁸

These achievements, nevertheless, are not an end in themselves. They are only means to the achievement of the highest and sustained levels of welfare for the entire population.

⁷See Chapter III. Social Cost, pp. 35-44.

⁸The real rates of growth of the EGD in 1978 and 1979 were 7.8% and 8.5% respectively, which implies a growth of 27% in the last three years.

It is precisely the concept of economic and social development that provides the origin for the Social Policy. But before the implementation of any social program, it is crucial to answer some important questions as to the methods that make it possible for the entire population and, particularly the poor, to share in increased growth and economic welfare.

To provide responsible answers to such questions the present Government had to identify, measure and determine the characteristics of the extremely poor sectors of the population. An Extreme Poverty Map was drawn up for this purpose, using data provided by the 1970 Population Census. The study indicates that 21% of the Chilean population was living in extreme poverty.⁹

Additional research indicated that 50% of the extremely poor were under 16 years of age. If this percentage is compared to the proportion of 40% of the total population of the country that is below 16 years of age, it is easy to deduce the predominant concentration of young among the poorer sectors of the Chilean population. Fifty seven percent of poor school-age children (between 6 and 16 years of age) attended school regularly; 2% participated in the labor force and 41% remained unemployed. On a national level, 80% of school-age children attended school. These figures are indicative of another seriously anomalous situation among the poor, all of them a product of the vicious circle of extreme poverty.

On the other hand, 26% of the extremely poor were adults, an important number of them beyond training age, and thus constrained from overcoming, by their own efforts, the condition in which they found themselves.

It was also observed that 75% of the extremely poor were illiterate or functionally illiterate, a situation which, in view of their low educational level, was related with the fact that 6% of them had received some type of basic training.

An analysis of the occupational structure indicated that 29.4% of the extremely poor were farmers and 21.1% craftsmen. Further, a considerable proportion of the labor force among the extremely poor was self-employed and a large share of these workers did not receive social security benefits, since they lacked stable employment.

⁹See Chapter IV. "More on the Social Policy: Remarks and Socioeconomic, Demographic and Biodemographic Indicators", pp. 53-64.

An effort to determine the concentration of the poorer sectors among the population indicated that the largest proportion of poor in the labor force was to be found in the agricultural sectors —29.5%— while only 11.5% worked in industry, 10.5% in services and 9.7% in construction. It is also necessary to consider the fact, which is not surprising, that in spite of the application of large and costly Agrarian Reform programs, the highest number of poor were to be found among the agricultural workers, an indication of the virtual failure of such programs.

Information provided by the Extreme Poverty Map made it possible to determine the area that social policy should emphasize. It also made it possible to establish uniform criteria regarding possibly permanent solutions; to determine which groups among the poorer sectors could be considered as target groups for specific programs because of age and capacity for training; to specify which groups, because of age and education, required subsistence levels financed by the State and, finally, which programs and targets should be considered in order to prevent permanent incapacity, especially from the standpoint of health and infant nutrition.

The Government social policy and its specific programs were designed not as welfare programs, but rather within the concept of the State as subsidiary agent, whose function is to complement the efforts of individuals in the most needy sector, and to respect the attributes and take advantage of the potential of the intermediate groups in society, and to safeguard the freedom of choice of the individual. The principal areas of action within this context are as follows:¹⁰

Long range policies designed to increase investment in human capital

The basic objective was to encourage human development, so as to utilize its full potential, and to assist in the creation of objectively equal opportunities while tending towards greater social integration and participation. Policies on education, training, health and nutrition, and child-care programs are conceived with this in mind.

Policies designed to ensure minimum income levels and social welfare benefits

Here the purpose is to provide supplementary economic benefits in order

¹⁰Further details on the various social programs and some of their results are to be found in Chapter IV.

to alleviate permanent states of minimum economic need in groups or individuals who, because of age or other factors, are incapable of generating the income necessary for suitable subsistence. All measures adopted with regard to social security and retirement benefits are considered as falling within this field, since their final or ultimate beneficiaries are, essentially, the older age groups which are, of course, difficult to train.

Policies designed to increase wealth or property in the low income sectors

The state, supplementing the personal savings of low income groups, provides a possibility of satisfying, by means of subsidies, one of the primary needs of individuals and their families, such as access to housing.

Also within the context described above, are programs designed to grant individual titles of ownership to small farmers and former participants in Agrarian Reform programs. In addition to a direct increase in wealth or property, by simply clearing or granting titles, such policies also provide access to credit at a real rate of interest, under market conditions, through state financial institutions.

Policies designed to improve income distribution

Increasing employment has been a primary consideration. Policies adopted for this purpose include a variety of measures such as direct incentives as well as, for example, a general lowering of social security taxes, subsidies for hiring additional workers and other measures of a more general nature which have had a positive effect on employment levels, as, for example, the freedom of prices, and the opening of the economy to foreign trade, which has given rise to an export sector that is growing at an unprecedented rate, while simultaneously eliminating the explicit subsidy to capital which existed in the tariff system.

The measures adopted and the general effects achieved with regard to the income of the labor sector, such as a decrease of inflation and the adoption of a generalized system of indexing wages and salaries, have resulted in a significant increase in real wages and salaries.

Finally, the Labor Program, taking into account the joint interests of employed labor, entrepreneurs, the unemployed and consumers, while respecting full freedom for bargaining and association, also provides a sound foundation for the right to work. In this way union affairs will be

clearly and definitively separated from considerations that are foreign to the concerns of the enterprise itself and its workers.

Short term policies designed to solve transitory problems

All governments must solve certain specific problems. The present government has had to solve a larger than usual number, because of the bankrupt condition of the country in 1973.

A specific subsidy program has been implemented in order to alleviate transitory individual situations.

Financial policies designed to redistribute income

The application of an equitable tax system made it possible to redistribute resources from sectors with higher incomes to the poorer groups, avoiding the unsound and dangerous game of the easy money policy.

In short, the Government social policy is a single coherent set. As parts of a whole, and on the basis of timely and accurate information, the specific programs required are designed. Often the information needed is difficult to obtain or to develop. In other cases, even when such information is available, serious difficulties constrain the design of programs. On other occasions, although the information and programs may be available, it is necessary to wait, since results are not immediate, as in the case of health and education. Thus, in order to evaluate results of such programs, a fair period of time, neither more nor less, should be allowed.

Chapter II

Income Distribution

Functional Distribution of Income

Functional distribution is the share of income, at an aggregate level, of the different factors of production. In the case under discussion it consists in the share of the Gross Domestic Product that corresponds to labor. This proportion is a function of employment (and not of unemployment), of the real level of wages and salaries and of the level of Expenditure of the Gross Domestic Product. With this in mind, the following comments can be made.

Between 1970 and 1978, employment grew 15.1% while the EGDP increased 13.9%. When the nominal wage and salary index is adjusted according to various Consumer Price Indices (after some corrections for prices during the 1971 to 1973 period because of the existence of a black market for a considerable number of products) the result is an increase in the Real Wage and Salary Index that varies between 4% and 55% during the 1970 to 1978 period.¹ In view of the fact that real wages and salaries are at least similar and in fact greater than in 1970, it could be held that in 1978, in the worst of circumstances, participation of labor in the EGDP has increased at least 1.1% between 1970 and 1978.

If a comparison is made between 1970 and 1973, using adjustment factors similar to those used in the preceding case, results indicate that the real wage and salary index varies between -26% and +3%.

Nevertheless, in view of the trend shown by the wage and price index during the first few months of 1979, and the results of collective bargaining procedures, real wages and salaries will increase at least 10% during 1979. If it is conservatively assumed that employment will increase 4% during this same year as compared to 1978, and that the product or income will continue to grow at approximately 7%, the share of the remuneration of labor in the product will rise by about seven points as compared to 1978. The result will be further progress, in terms of functional distribution of income in 1979.

To summarize, participation of labor in expenditure of the gross domestic product is currently greater than in 1970. A significant improvement is even more evident since 1973.

¹See Table N.º 36, p. 99.

Personal Income Distribution²

Perhaps the sharpest criticism of the current economic policy has been centered on the supposedly regressive effects it might have on personal distribution of income. It has been held that the economic policy has produced a significant and increasingly greater concentration of income and has accentuated, at an increasing rate, the differences between rich and poor.

This criticism, however, as with many others that have been put forward, has been invalidated by the facts and by a serious analysis of the true situation. The results of research conducted by Isabel Heskia, an economist from the University of Chile, indicate that personal income distribution in 1978 is practically the same as in 1970.

The data on which the study is based originate from employment and unemployment surveys by the Department of Economics of the University of Chile. These surveys, prepared every three months since 1957 in Greater Santiago, gather information on employment and unemployment in March, June, September and December of each year, and include questions on income levels in the June survey only.

The time span (20 years) covered by the study and the homogeneity of the series make the results highly reliable. The following paragraphs summarize these results.

1. The first great myth, and it is only a myth, since it is not based on any concrete, empirical study, is destroyed by analyzing the evolution of the Gini coefficients.

The Gini coefficients, traditionally used to measure the degree of distribution or concentration of income, ranges between 0, when there is perfect equality of distribution, and 1, when there is perfect concentration of income, i.e., 100% of income is concentrated in the hands of a single person or sector. Therefore, the lower the Gini coefficient, the more equitably is income distributed among the population.

²Data has been obtained from the following sources:
Isabel Heskia, **Distribución del Ingreso en el Gran Santiago 1957-1978, Información Básica**. (University of Chile, Department of Economics Investigation Report No. 41, November 1979). Other information presented in the tables of this book on family income and figures expressed in 1976 US\$ correspond to original data obtained by Mrs. Heskia and which were not published in Investigation Report No. 41. The remarks and conclusions are the responsibility of the author of this book.

The Gini coefficients for distribution of family and personal income during the 1957 to 1978 period have evolved in the following manner:

Table N.º 1

Gini Coefficients

| Period/Years | Distribution of Family Income* | Personal Income Distribution** |
|--------------|--------------------------------|--------------------------------|
| 1957-1958 | .4456 | .4896 |
| 1959-1964 | .4656 | .4977 |
| 1965-1967 | .4713 | .4986 |
| 1968-1970 | .4943 | .5175 |
| 1971-1973 | .4482 | .4727 |
| 1974-1978 | .4910 | .5000 |
| 1967 | .4885 | .5221 |
| 1968 | .4893 | .5159 |
| 1969 | .4991 | .5192 |
| 1970 | .4945 | .5173 |
| 1971 | .4654 | .4952 |
| 1972 | .4380 | .4599 |
| 1973 | .4413 | .4631 |
| 1974 | .4407 | .4561 |
| 1975 | .4655 | .4770 |
| 1976 | .5278 | .5335 |
| 1977 | .5134 | .5214 |
| 1978 | .5074 | .5121 |

*Calculated on the basis of original data provided by Isabel Heskia. These figures are not contained in "Documento de Investigación N.º 41" cited above.

**Source: *Ibid.*, Second Part, Table N.º 1.

2. There has also been sustained growth in income levels. Thus it can be held that the higher degree of well-being achieved as a result of the current economic policy, consists in redistribution of income, that is, distributing wealth and not poverty. The following Table clearly indicates the evolution of average family and personal income.

Table N.º 2

Average Income

| Period Year | Average Family Income | | Average Personal Income | |
|----------------|-----------------------|---------------|-------------------------|---------------|
| | (Ch\$ 1976)* | (US\$ 1976)** | (Ch\$ 1976)* | (US\$ 1976)** |
| 1957-1958 | 1,584.3 | 85.6 | 929.5 | 50.2 |
| 1959-1964 | 1,764.5 | 98.7 | 1,045.3 | 58.5 |
| 1965-1967 | 2,162.0 | 113.2 | 1,259.3 | 66.0 |
| 1968-1970 | 2,681.5 | 127.3 | 1,556.0 | 73.9 |
| 1971-1973 | 2,781.0 | 124.4 | 1,664.0 | 74.4 |
| 1974-1978 | 2,032.0 | 147.1 | 1,282.8 | 92.9 |
| 1967 | 2,634 | 129.6 | 1,509 | 74.3 |
| 1968 | 2,544 | 123.0 | 1,481 | 71.6 |
| 1969 | 2,618 | 125.0 | 1,522 | 72.7 |
| 1970 | 2,883 | 133.9 | 1,665 | 77.3 |
| 1971 | 3,298 | 161.8 | 1,950 | 95.7 |
| 1972 | 2,987 | 130.2 | 1,797 | 78.3 |
| 1973 | 2,058 | 81.2 | 1,245 | 49.1 |
| 1974 | 1,714 | 86.7 | 1,034 | 52.6 |
| 1975 | 1,478 | 91.8 | 965 | 59.9 |
| 1976 | 1,837 | 127.1 | 1,198 | 82.8 |
| 1977 | 2,372 | 189.3 | 1,498 | 119.5 |
| 1978 | 2,759 | 240.5 | 1,719 | 149.8 |

*Ibid., Third Part, Table N.º 3; Second Part, Table N.º 2.

Data prepared by Isabel Heskia. These figures are not included in "Documento de Investigación N.º 41" cited above. Figures in US\$ of 1976 were adjusted according to the implied exchange rate. Methodology for implicit exchange rate is explained in S. de Castro, "Report on the State of Public Finance", January 1979 in Juan Carlos Méndez (ed.), **Chilean Economic Policy, Santiago, Budget Directorate, 1979, pp. 340-341.

A review of the figures shows the significant rate of growth achieved in both personal and family incomes during the last three years; incomes have risen, especially in the series expressed in 1976 dollars, reaching substantially higher levels than in the preceding years.

The short-lived nature of the improvement of income levels during the government of the Popular Unity is easily observed. In 1972, the system was beginning to show signs of what would shortly become open bankruptcy.

3. The large number of indicators and classifications included in the study make it possible to derive conclusions as to the evolution of income and the relative levels between the different groups classified according to various criteria, as well as to some characteristics of individuals receiving income.

In this connection it should be pointed out that 91% of individuals receiving income during the 1957 to 1958 period received it from work, a percentage that dropped to 84% during the 1974 to 1978 period.

The percentage of individuals receiving income from other sources was 8.1% in 1970, and 11.1% in 1971. During 1973, this percentage dropped to 3.8%. Since 1975 it has steadily increased from 5.7% to 7.8%. This could be an indication that as one of the results of the current economic policy, a number of employees have become small entrepreneurs, a logical result of economic freedom. While the preceding statement cannot be made with certainty, because the percentage of individuals that receive other types of income has fluctuated between 3.8% and 13.8% without showing any clear tendency,³ it is logical to expect this gradual transformation of a part of the working masses into small entrepreneurs, since it reflects nothing more than a change from a socialist economy to a market economy, and the reestablishment of the normal relationship between salaried workers and entrepreneurs.

4. A number of definite facts are revealed by an analysis of the relationship between education and income. In the first place, an indication of the

³As some people have income from more than one source—work, pensions, other types of income—the sum of these three categories exceeds 100%. See Table No. 2, Part I of Investigation Report, No. 41.

sustained improvement in the level of education of individuals receiving income from work is evident in Table N.º 3. The number of individuals with primary education decreases, while the number of individuals with secondary and university education increases.

Table N.º 3

Individuals with Different Levels of Education Receiving Income from Work as % of Total Number of Individuals Receiving Income from Work

| Period | Primary Schooling | Secondary Schooling | Special Schooling | University Education |
|---------|----------------------|------------------------|----------------------|-------------------------|
| 1957-58 | 69.5 | 20.2 | 4.9 | 5.4 |
| 1960-62 | 63.9 | 23.7 | 5.9 | 6.5 |
| 1965-70 | 60.2 | 24.1 | 8.4 | 7.3 |
| 1971-73 | 51.5 | 28.5 | 8.9 | 11.1 |
| 1974-78 | 49.7 | 30.0 | 8.7 | 11.6 |

Source: *Ibid.*, First Part, Table N.º 29.

Secondly, a more or less stable relationship can be observed as the average income of individuals with university education is approximately twice the income of individuals with secondary or special education. The same relationship is repeated between the latter and those with primary education.

Table N.º 4

Comparative Index of Average Income According to Educational Level

| Year | Average Income Primary Education | Average Income Secondary Education | Average Income Special Education | Average Income University Education |
|------|---|---|---|--|
| 1957 | 100 | 228 | 262 | 440 |
| 1958 | 100 | 267 | 277 | 502 |
| 1959 | — | — | — | — |
| 1960 | 100 | 243 | 220 | 531 |
| 1961 | 100 | 261 | 240 | 479 |
| 1962 | 100 | 274 | 235 | 556 |
| 1963 | — | — | — | — |
| 1964 | — | — | — | — |
| 1965 | 100 | 264 | 245 | 565 |
| 1966 | 100 | 253 | 251 | 550 |
| 1967 | 100 | 248 | 219 | 546 |
| 1968 | 100 | 251 | 225 | 600 |
| 1969 | 100 | 225 | 226 | 561 |
| 1970 | 100 | 225 | 224 | 521 |
| 1971 | 100 | 239 | 239 | 483 |
| 1972 | 100 | 207 | 210 | 379 |
| 1973 | 100 | 184 | 180 | 324 |
| 1974 | 100 | 156 | 182 | 326 |
| 1975 | 100 | 193 | 206 | 373 |
| 1976 | 100 | 218 | 221 | 528 |
| 1977 | 100 | 233 | 218 | 478 |
| 1978 | 100 | 233 | 238 | 501 |

Source: *Ibid.*, First Part, Table N.º 31 b.

5. The evolution of the average income from work and the average income from pensions is the subject of Table N.º 5. A drop in the average pension is observed as of the 1965 to 1970 period, with an increase in 1971, followed by a decrease until 1975. Beginning in 1976, parallel to the growth of income from work, a strong tendency towards recovery of the average pension can be observed.

Table N.º 5

Average Monthly Income from Work and Pensions

| Periods | Average Income (Ch\$ 1976)* | from Work (US\$ 1976)** | Average Income (Ch\$ 1976)* | from Pensions (US\$ 1976)** |
|---------|-----------------------------------|----------------------------|-----------------------------------|--------------------------------|
| 1957-58 | 912.6 | 49.3 | 762.5 | 41.2 |
| 1959-64 | 1,007.2 | 56.4 | 1,000.3 | 56.0 |
| 1965-70 | 1,420.8 | 70.6 | 926.1 | 46.2 |
| 1971-73 | 1,716.8 | 76.7 | 1,149.8 | 51.8 |
| 1974-78 | 1,356.4 | 98.4 | 662.2 | 47.8 |
| 1970 | 1,696.7 | 78.8 | 989.3 | 46.0 |
| 1971 | 1,997.2 | 98.0 | 1,495.3 | 73.4 |
| 1972 | 1,840.1 | 80.2 | 1,213.8 | 52.9 |
| 1973 | 1,313.0 | 51.8 | 740.3 | 29.2 |
| 1974 | 1,074.6 | 54.4 | 611.6 | 31.0 |
| 1975 | 1,010.6 | 62.8 | 494.9 | 30.7 |
| 1976 | 1,271.8 | 88.0 | 597.6 | 41.3 |
| 1977 | 1,580.6 | 126.1 | 708.0 | 56.5 |
| 1978 | 1,844.5 | 160.8 | 899.0 | 78.4 |

*Ibid., First Part, Table N.º 5.

**Data prepared by Isabel Heskia. These figures are not in "Documento de Investigación N.º 41."

On the other hand, the average income from pensions during the 1957 to 1958 period was 83% of the average income from work. Between 1967 and 1968, the rate dropped to 66%, as problems affecting the social security system began to emerge. Between 1974 and 1978, the pension-income from work ratio dropped even further to 49%, thereby signalling the appearance of special systems, such as premature retirement, which, together with other problems, especially evasion, have gradually eroded the social security system, until it reached the present crisis situation.

6. One of the arguments on which criticisms of income distribution were based, was the rate and level of unemployment. It was argued that the persistence of high rates of unemployment generated a similar proportion of families which did not receive any type of income. This myth, however, has also been destroyed by the results of the study.

Table N.º 6

| Years | Total Families with Some Income | Total Families with Someone Un- employed | Average Income Families Someone Unemployed |
|-------|------------------------------------|--|--|
| | % Total Families | % Total Families | % Av. Income Families No one Unemployed |
| 1957 | 96.21 | 5.61 | 53 |
| 1958 | 94.73 | 9.91 | 57 |
| 1959 | 98.32 | 7.17 | 57 |
| 1960 | 94.77 | 4.33 | 69 |
| 1961 | 94.30 | - | - |
| 1962 | 95.53 | 5.07 | 62 |
| 1963 | 96.58 | 4.38 | 55 |
| 1964 | 95.26 | 3.36 | 55 |
| 1965 | 97.26 | 3.70 | 65 |
| 1966 | 97.44 | 4.88 | 53 |
| 1967 | 97.11 | 4.77 | 55 |
| 1968 | 95.94 | 5.30 | 49 |
| 1969 | 96.41 | 6.29 | 53 |
| 1970 | 97.70 | 6.26 | 54 |
| 1971 | 97.36 | 4.88 | 55 |
| 1972 | 97.16 | 2.54 | 61 |
| 1973 | 96.25 | 2.13 | 71 |
| 1974 | 96.42 | 8.41 | 63 |
| 1975 | 94.31 | 11.22 | 44 |
| 1976 | 94.75 | 14.45 | 44 |
| 1977 | 96.12 | 11.35 | 46 |
| 1978 | 97.49 | 10.17 | 50 |

Source: *Ibid.*, Third Part, Tables N.º 2, N.º 20 and N.º 21.

Historical data show that 95 to 97% of all families have received some form of income. In 1975 this percentage dropped to 94.3%, although unemployment reached its highest levels during the 1970 to 1978 period. It recovered later, and climbed to 97.5% in 1978, though it should be pointed out that during the period studied, this percentage has only been exceeded in 1959 and 1970.



When comparing the proportion of families that have some type of income with families that have an unemployed member, it is possible to observe that most unemployed workers belong to families in which someone receives income, and that the average income of families with some unemployed member is approximately 50% of that of families that have no unemployed members.

7. Economist Isabel Heskia's research disproves the theories on income distribution that some have fabricated, and dispels the uncertainties expressed in connection with these issues.

The main conclusion to be drawn is that the current distribution of income is at least as equitable as that of the 1968 to 1970 period, and in addition, demonstrates a clear tendency to improve during the last few years, accompanied by high and sustained growth in income that clearly represents a higher level of social well-being for all.

Finally, the numerous positive effects of government social policies should also be considered, because such policies are designed to increase the welfare of the poorer groups. This fact improves even further the results of income distribution shown in the study, since many of these expenditures are not considered or computed as income.

Chapter III

Social Cost

A. Necessary Considerations

Having admitted that a cost is being paid, we must now determine who did the spending.

There is no doubt that the distortions and imbalances caused by 40 years of statism that reached its high point during the Popular Unity Government imposed constraints on the national economic system expressed in low rates of growth, high inflation and, later, hyper-inflation, crises in the balance of payments followed by a moratorium on payment of the foreign debt, disguised employment and then open unemployment, an increasing level of statism that culminates, during 1967, in massive agricultural expropriations, as a prelude to other expropriations, arbitrary actions, and the violation of basic freedoms, such as property rights. The Popular Unity government was a clear and tragic synthesis of these socialistic tendencies.

The results themselves provide an answer to the initial question. Chronologically speaking, the "expenditure," in terms of socioeconomic disintegration, became noticeable at the beginning of 1965; during the 1970 to 1973 period it developed into blatant prodigality.¹

The first measures applied by the present government were designed to solve two great problems: on the one hand, to change the channels which, through inertia, brought about the advance of statism and the loss of liberties. As early as 1974, the "Declaration of Principles of the Chilean Government" defined precisely the fundamental aspect of the roles to be played by the individual, by intermediate groups and by the state. The first economic measures were drafted according to those principles, to give ample freedom to consumer and producer alike, and to assign to the external and internal markets the role of allocating resources in order to achieve high and sustained growth rates which would, in turn, assure higher levels of well-being.

On the other hand, it was obvious that the serious economic imbalance created by the Popular Unity Government had to be corrected. This implied, as an intermediate step, a return to the "normal," although far from ideal, conditions existing prior to the preceding government. It implied a

¹See Appendix I, "Statistics on Labor Conflicts 1961-1973."

return to a "normal" rate of growth of approximately 3.7% of the EGDP; a return to "normal" international reserves, that is, nearly US\$ 200 million. It also meant beginning to pay off the foreign debt; the return of the public sector to a "normal" size; and the limiting of inflation to "normal" rates.

Increases in oil prices in November of 1973, a world economic crisis in 1974 and later, a sharp drop in the price of copper, must be considered as additional factors which made the solution of these problems more complex. As a result, Chile had to solve its problems after a US\$ 1,000 million drop in income.

After these necessary introductory remarks, a definition of social cost can be given, and an effort to determine the best method for measuring social cost can be attempted.

Social costs can be defined as the current value of differences in the flow of per capita income or consumption during a certain period of time, when certain economic policies are applied, as compared to levels of per capita income or consumption that would have been achieved in "normal" or potential situations.²

The level of per capita income or consumption is not the best indicator for measuring social cost, since it does not explicitly indicate changes that may have taken place in the distribution of personal consumption or of personal income. However, among the conclusions to be drawn from the data presented and analyzed in Chapter II, is the fact that current distribution of income is practically the same as in 1970,³ and that, in this case, per capita income might be an adequate indicator for measuring social cost.

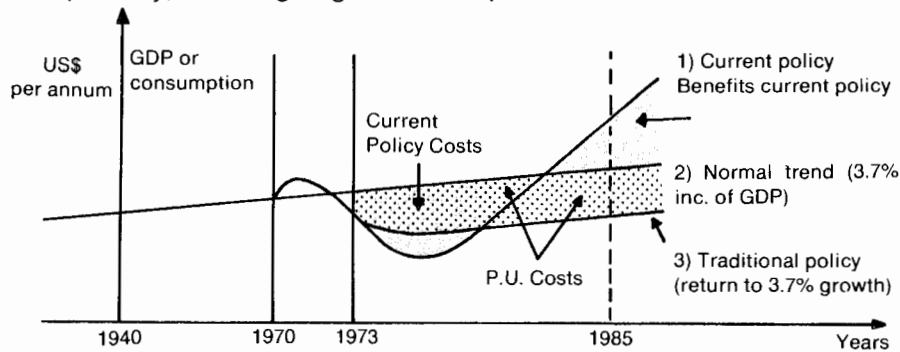
Social cost will then depend on three factors:

- The difference between the flow of per capita income that took place and the flow that would have taken place under "normal" or potential circumstances;
- The discount rate over time; and
- The particular term being considered.

²This point of view has already been used by José Piñera Echeñique. See José Piñera (ed.), "Informe Económico, 1967-1977", (Santiago, Colocadora Nacional de Valores S.A.F., 1977), pp. 51-55 and 83-88.

³See Chapter II, pp. 23-34.

Graphically, the foregoing could be represented as follows:



The line designated as "Normal Trend" represents the assumption regarding what would have taken place if the Popular Unity Government had not existed.

The line designated as "Traditional Policy" shows what would have happened after the Popular Unity, if a traditional economic policy had been followed.

The line designated as "Current Policy" indicates what has happened after the Popular Unity, and a projection of what is expected will take place from 1979 to 1985.

(The graph has been drawn in aggregate and not per capita terms. Nevertheless, for explanatory purposes this generalization is conceptually valid.)

B. Estimation of Social Cost

Projections of the EGDP have been prepared as approximations to total and per capita income, while considering the following facts and assumptions:

That the normal or historical growth trend of the EGDP has been 3.7% (1940-1970 average). For this reason this rate has been considered for the normal and historical projection of the EGDP.

That the 1974 economic crisis (oil prices, world economic recession, drop in the price of copper) would have had an economic cost for Chile, regardless of the economic policy applied. For this reason, it is assumed that both the hypothetical "normal" as well as "traditional" EGDP are affected.

Table No. 7

Projections Total and Per Capita EGDP 1970-85

(figures in 1976 dollars)

| | (1) EGDP Projection of Normal Tendency (3.7%) (Millions US\$) | (2) EGDP Traditional Policy (3.7%) after PU (Millions US\$) | (3) EGDP Current Policy (Millions US\$) | (4) Rate of Growth of EGDP % | (5) Total Population (thousands) |
|------|---|---|---|---|---|
| 1970 | 8,874 ^r | 8,874 ^r | 8,874 ^r | — | 9,368.6 |
| 1971 | 9,202 | 9,556 ^r | 9,556 ^r | 7.7 | 9,539.1 |
| 1972 | 9,543 | 9,548 ^r | 9,548 ^r | -0.1 ^r | 9,711.9 |
| 1973 | 9,896 | 9,202 ^r | 9,202 ^r | -3.6 ^r | 9,887.9 |
| 1974 | 10,262 | 9,542 | 9,579 ^r | 4.0 ^r | 10,068.1 |
| 1975 | 9,646* | 8,397** | 8,343 ^r | -12.9 ^r | 10,253.0 |
| 1976 | 10,003 | 8,708 | 8,677 ^r | 4.0 ^r | 10,443.2 |
| 1977 | 10,373 | 9,030 | 9,423 ^r | 8.6 ^r | 10,639.0 |
| 1978 | 10,757 | 9,364 | 10,111 | 7.3 ^r | 10,840.5 |
| 1979 | 11,155 | 9,711 | 10,819 | 7.0 | 11,046.0*** |
| 1980 | 11,568 | 10,070 | 11,576 | 7.0 | 11,256.0 |
| 1981 | 11,996 | 10,443 | 12,386 | 7.0 | 11,470.0 |
| 1982 | 12,440 | 10,829 | 13,253 | 7.0 | 11,688.0 |
| 1983 | 12,900 | 11,230 | 14,181 | 7.0 | 11,910.0 |
| 1984 | 13,377 | 11,645 | 15,174 | 7.0 | 12,137.0 |
| 1985 | 13,872 | 12,076 | 16,236 | 7.0 | 12,367.0 |

Note: Revised figures for 1978 and 1979 reveal growth that is superior to that of the EGDP for those years, thus the results are even less than those indicated in Col. 10 of this table.

Source: "Report on the State of Public Finance", January, 1979 in Juan Carlos Méndez (ed.), **Chilean Economic Policy**, (Santiago Budget Directorate, 1979), pp. 330-331, 342-343.

^r = real

| (6) Product Per Capita "Normal trend"(1) : (5) | (7) Product Per Capita "Traditional Policy After PU"(2) : (5) | (8) Product Per Capita "Current Po- licy" (3) : (5) | (9) = (7) - (6) Social Cost of PU Tra- ditional Policy | (10) = (8) - (6) Social Cost actually being paid |
|---|---|---|--|---|
| (US\$) | (US\$) | (US\$) | (US\$) | (US\$) |
| 947 | 947 | 947 | - | - |
| 965 | 1,002 | 1,002 | 37 | 37 |
| 982 | 983 | 983 | 1 | 1 |
| 1,001 | 931 | 931 | - 70 | - 70 |
| 1,019 | 948 | 951 | - 71 | - 68 |
| 941 | 819 | 814 | -122 | -127 |
| 958 | 834 | 831 | -124 | -127 |
| 975 | 849 | 886 | -126 | - 89 |
| 992 | 864 | 933 | -128 | - 59 |
| 1,010 | 879 | 979 | -131 | - 31 |
| 1,028 | 895 | 1,028 | -133 | - |
| 1,046 | 911 | 1,080 | -135 | 34 |
| 1,064 | 927 | 1,134 | -137 | 70 |
| 1,083 | 943 | 1,191 | -140 | 108 |
| 1,102 | 959 | 1,250 | -143 | 148 |
| 1,122 | 976 | 1,313 | -146 | 191 |

*Considers a drop of 6% because of international crisis. (In 1970 there were US\$ 500 million at 1970 rates in gross reserves.)

**Considers a 12% drop because of international crisis since there were no gross reserves after the PU.

***Projected with 1.9% growth rate beginning in 1979.

Some columns in Table No. 7 require an explanation.

Column 1 represents the projection of the EGD¹ according to a "normal" trend, assuming that the Popular Unity had not existed. Based on the 1970 EGD¹, it is projected until 1985 on the basis of the 3.7% historical growth rate, except in 1975, when it is assumed that the EGD¹ drops 6% as a result of the international crisis and the decline in copper prices (a decrease of 1,000 million dollars in national income is assumed to be dampened by US\$ 500 million, since the country had accumulated reserves in this amount by the end of 1970; the foregoing implies that the net drop in the EGD¹ would have been approximately 6%).⁴

Column 2 corresponds to a projection of the EGD¹ considering the fact that the Popular Unity did exist and that later, after 1974, a traditional economic policy is applied (3.7% growth from 1974 to 1985). In view of the fact that the Popular Unity would have used the US\$ 500 million in reserves, which actually occurred, the drop in the EGD¹ during 1975 would have been US\$ 1,000 million, that is, 12% of the EGD¹.

Column 3 corresponds to the actual level of the EGD¹ from 1970 to 1978. After 1979 it is projected assuming a 7.0% annual increase.

Columns 6, 7, and 8 are per capita expressions of the preceding figures.

Column 9 indicates the social cost of the Popular Unity if a traditional policy had been followed.

Column 10 indicates the social cost being paid, after the application of the current economic policy.

Social cost, expressed as current or present cost of the flow of differences of per capita products for each of the years in the period considered, with regard to the normal or historical tendency, is:

⁴Actually, regardless of the international reserve levels (part of the national wealth) the drop in the EGD¹ flow would have been US\$ 1,000 million. However, an effort has been made to present conservative projections and to be kind when making comparisons.

Current Value in Millions of 1976 US\$

| (Discount rate = i) | i = 10% | i = 15% | i = 0% |
|---|---------|---------|--------|
| a) Payment of social cost of the PU by the present generation if a traditional policy had been applied. | -1.527 | -1.558 | -1.568 |
| b) Payment of social cost of the PU by the present generation, given the present economic policy. | -357 | -525 | +18* |

Using a discount rate of 10%, and comparing the current value of the EGDP paid by the present generation if one or the other alternative policies had been adopted —Traditional Policy or Current Policy— expressed in years of loss of per capita EGDP, the results are:

| Payment by current generation of social cost of P. Unity | | Per capita EGDP 1979 | | Years per capita EGDP lost | |
|--|----------------|----------------------|----------------|----------------------------|----------------|
| (1) | (2) | (3) | (4) | (5) = (1/3) | (6) = (4/2) |
| Traditional Policy | Current Policy | Traditional Policy | Current Policy | Traditional Policy | Current Policy |
| -1.527 | -357 | 879 | 979 | 1.74 | 0.36 |

In other words, the social cost being paid by the current generation, following the application of the present economic policy is equivalent to losing four months of the current per capita product during the 1970-1985

*The fact that, at 0%, the present value of comparison of the EGDP without the Popular Unity and with the Traditional Policy versus with the Popular Unity and the Present Policy gives a positive figure —US\$ 18 million— does not mean at all that the existence of the Popular Unity provided social benefits. What it does mean is that in twelve years from 1973 to 1985, the present generation under the present economic policy has more than paid for the social cost of the Popular Unity. However, the present generation, under the Traditional Policy, at the end of the same twelve years would have been faced with a debt of US\$ 1,568 million.

period. However, if the traditional economic policy had been applied after the Popular Unity period, 21 months of the current per capita product would have been lost during the same period of time.

The main conclusion to be drawn is that the social cost caused by the Popular Unity is being paid at a price that is one fifth (in terms of years of lost EGDP) of the price that would have been paid if the traditional economic policy had continued to be applied.

Chapter IV

More on the Social Policy

The Importance of Voluntary Associations

It would be a sad misunderstanding of the basic principles of a free society if it were concluded that, because they must deprive the small group of all coercive powers, they do not attach great value to voluntary action in the small groups. In restricting all coercion to the agencies of government and confining its employment to the enforcement of general rules, these principles aim at reducing all coercion as much as possible and leaving as much as possible to voluntary efforts. The mischievous idea that all public needs should be satisfied by compulsory organization and that all the means that the individuals are willing to devote to public purposes should be under the control of government, is wholly alien to the basic principles of a free society.

Friedrich A. Hayek

The purpose of this chapter is to point out in greater detail the information that it was necessary to generate; the information that it was necessary to analyze; and the steps to be followed by the authorities in order to implement the various social policies.

In the following sections we presented indicators of the results, as in the case of health, nutrition, housing and part of the agricultural sector; indicators of the efforts, such as indicators of redistribution and the increase in expenditure in education, but which require perhaps an entire generation to show results; and finally some comments and estimates with regard to the cost of the policies undertaken in other periods, as in the case of agrarian and housing policies.

To summarize the contents of this chapter, in the first place we present a brief explanation of the Map of Extreme Poverty which served as the basis for the identification of social problems and to orient the policies adopted, followed by a synthesis of the Fiscal Social Policy, which shows the direct effort on the part of the State in these matters. Then follows a succinct description of some of the most significant aspects of the social policies implemented and of current conditions observed in the various sectors related to the social sector: a synthesis of the agricultural policy, indicators in health and nutrition, programs for the attention to minors, the housing policy, and social security.

Finally, the behaviour of wages and employment and the efforts in terms of unemployment subsidies and training for the labor sector are described.

Comments and Indicators

Map of Extreme Poverty

In October of 1973, the National Planning Office undertook the study of a Plan to Erradicate Extreme Poverty in Chile, in order to carry out the Government Economic and Social Programs. The plan consisted in two stages: the confection of a Map of Extreme Poverty in Chile (identification and quantification of poverty on a national level), and the development of a plan for the eradication of extreme poverty, based on the map. The following summary refers only to the first stage of the plan. The material contained in the original report of the Map of Extreme Poverty has been taken from the following sources:

- Data: XVIth Population and IIIrd Housing Census, April 1970. National Bureau of Statistics.
- Data Processing: National Data Processing Service (ECOM) contracted by the National Planning Office.
- Design and Execution of Research: Economics Institute of the Catholic University under agreement with the National Planning Office.
- Production of maps: Design and cartography division of the National Planning Office.
- General Coordination of the project: joint effort of National Planning Office and Catholic University.

A. The Selection of Indicators of Extreme Poverty

Given the information available for the identification and geographical location of the poorest group, in particular data from the XIVth Population Census and the IIIrd Housing Census of April, 1970, and the limitations of these censuses for the purpose of achieving the goals established, the variables pertinent to each case were taken, as identified in the censuses, concluding that the indicators most representative of the standard of living were a) type of housing, b) crowding, and c) household equipment. Under indicator a) the population was divided in groups from one (house, apartment) to ten (collective housing). Homes were also divided in two groups, depending on whether or not they had running water. For indicator b), crowding was considered to exist when there is an average of four persons per room, thus dividing the population in two groups: with or

without crowding. According to indicator c) the items considered as household equipment for the census were: automobile, truck, motorcycle, bicycle, television, refrigerator and sewing machine. The population was divided in two groups: those who had some of the items listed above, and those who had none of the items under consideration. The indicators "Plumbing" and "Crowding" were combined in a Poverty Index. According to this index, the population was divided in four categories: housing with running water and overcrowding, housing with running water and no overcrowding, housing without running water and with overcrowding, and housing without running water and without overcrowding.

These four categories plus the "type of housing" indicator (ten categories) comprise the 40 sub-groups into which the population was divided, represented in a matrix of 10×4 , in which each line corresponds to a type of housing and each column corresponds to a category of the "poverty index" indicator. The population of the entire country, of each province, and the rural and urban populations of each province were classified according to the 40 sub-groups.

Using the "equipment" indicator a percentage level of poverty was assigned (to each category obtained from the "poverty index" and the type of housing indicator) corresponding to the percentage of persons of each category who live in homes without equipment.

The result obtained from the ordering on the basis of equipment was not contradictory to the a priori ordering according to the "poverty index."

Households formed by the group of the population qualified as extremely poor were classified according to: a) households in which there was overcrowding regardless of the remaining characteristics; b) households using non-residential structures, (mews), other types of private housing, lean-tos, squatters' huts, shacks, wattles, mobile homes, whether they are in urban or rural areas, with or without equipment, with the plumbing out of order and in which there was no over-crowding; c) house, apartment, group housing (in urban areas) without equipment, poor plumbing and not over-crowded; and d) squatters huts, shacks, wattles and mobile homes, (whether in rural or urban areas), with or without equipment, efficient plumbing or waste disposal system, and without overcrowding.

The extreme poverty universe, according to the sample, extends to 22.96% of the country's population, a figure which, based on the census that includes the total population, came to 21% of the population. The matrix with percentages of the population and the lack of equipment which corresponds to the 40 groups into which the country's inhabitants were divided was obtained from the application of the poverty indicators to the sample. In each block of Table No. 8, the top figure is the percentage without equipment and the second figure represents the percentage of the population which falls into the various categories regardless of their equipment.

Table N.º 8
Total Population Classified According
to Poverty Indicators

| | Without running water | Without running water | With running water | With running water |
|---|-----------------------------|-----------------------------|--------------------------|--------------------------|
| | Crowding | No crowding | Crowding | No crowding |
| Apartment | 47.32 | 17.82 | 16.66 | 2.55 |
| | 0.07 | 0.31 | 0.13 | 4.95 |
| Collective Housing | 100.0 | 20.61 | 0.00 | 4.28 |
| | 0.00 | 0.02 | 0.01 | 0.05 |
| House | 31.16 | 16.40 | 10.10 | 3.00 |
| | 5.87 | 30.91 | 2.02 | 43.03 |
| Housed in non- residential structure | 15.55 | 24.18 | 0.00 | 11.11 |
| | 0.02 | 0.04 | 0.00 | 0.07 |
| Mews | 38.28 | 23.70 | 16.43 | 15.40 |
| | 0.20 | 0.43 | 0.27 | 0.71 |
| Other private housing | 55.20 | 27.19 | 18.66 | 12.25 |
| | 0.06 | 0.12 | 0.02 | 0.08 |
| Lean-to | 26.97 | 16.36 | 18.44 | 11.19 |
| | 1.55 | 3.50 | 0.27 | 0.96 |
| Squatters Huts | 43.15 | 32.07 | 21.34 | 18.63 |
| | 0.22 | 0.32 | 0.02 | 0.04 |
| Shack Hut | 56.66 | 44.59 | 36.04 | 20.76 |
| | 1.43 | 1.85 | 0.07 | 0.14 |
| Wagon Tent | 22.58 | 42.30 | 0.00 | 0.00 |
| | 0.01 | 0.00 | 0.00 | 0.00 |

In this table, the grey blocks correspond to all of the sub-groups selected as Extremely Poor according to the criteria given. As an example, it is interesting to observe that in the third row of the table, 31.16% of the people who live in houses without running water and in which there is crowding, have no household equipment. People who live in this type of housing (without running water, with crowding) represent 5.8% of the total population.

B. National Characteristics of Extreme Poverty

Rural poor, urban poor

The application of selected criteria to the population registered in the 1970 census reveals that 1,916,000 persons constitute the extreme poverty group, 21% of the total population. From this total, 1,300,000 lived in urban areas and 616,000 in rural areas. Within the extreme poverty universe 68.8% was urban and 32.2% rural.

| | |
|-------------------------|---|
| Total population (1970) | 9,123,800 persons |
| Extreme poverty group | 1,916,000 persons (21% of the total population) |
| Rural poor | 616,000 persons (32.2% of total population) |
| Urban poor | 1,300,00 persons (67.8% of total population) |

Remarks: In the distribution of the total population in 1970, approximately 75% was urban and 25% rural, which means that there was a relatively higher percentage of extremely poor in the rural sector.

Distribution by age

The population is classified in the following categories: pre-school children from 0-5 years; school age children from 6-16 years (according to Ministry of Education norms children in this age group should attend school for their basic education); trainable between 17 and 34 years of age; untrainable, fluctuating from 35-65 years of age; and aged, over 65 years of age (average age required to retire).

The following table was obtained from this classification:

Distribution of Poor According to Age

| | Age | % of Total Population | No. of Persons |
|----------------|----------------|--------------------------|-------------------|
| Pre-school | 0-5 | 20.53 | 393,326 |
| School Age | 6-16 | 29.59 | 566,904 |
| Trainable | 17-34 | 23.79 | 455,784 |
| Not trainable | 35 and over | 26.09 | 499,848 |
| Aged & unknown | | | |
| Total | | 100.00 | 1,915,862 |

Remarks: Fifty percent of the extremely poor population was under 16 years of age, while 40% of the total population was also under 16 years of age. Therefore, the poverty problem was relatively more serious among small children in the population.

The school-age group (6-16 years old) was composed of 57% who attended school regularly, 2% who belonged to the labor force and 41% who remained idle. National statistics reveal that around 80% of all school-age children attend classes, so that there is an anomaly in the poorest group which was simply a reflection of the vicious circle of poverty.

Distribution by level of education

The extremely poor were divided in the following groups according to educational level:

- Illiterate: unable to read or write.
- Basic literate: knew how to read and write and had not received more than five years of primary schooling.
- Primary: those who had received six years of primary schooling and less than two years of secondary, commercial, industrial, university, agricultural or technical training.

— Trained: those who had received more than three years of secondary education, commercial, industrial, university, agricultural or technical training.

The final results were as follows:

Poor by Educational Level

| | % of total poor pre-school excluded | N. ^o of Persons |
|----------------|--|----------------------------|
| Illiterate | 5.95 | 90,591 |
| Basic Literate | 39.55 | 602,163 |
| Primary | 29.96 | 456,152 |
| Trained | 6.09 | 92,722 |
| Unknown | 18.45 | 280,908 |
| Total | 100.00 | 1,522,536 |

Remarks: It was obvious that the educational level of the very poor was very low (45.5% of those over 6 years old have not completed primary school).

Among the high percentage of unknown it is probable that the majority of them would be in the illiterate and basic literate categories.

Occupational characteristics

Once again the 1970 census was used to group the poor in categories according to occupation and type of activity.

a. Agricultural: Owners (land), cattlemen, farm laborers, gardeners, fishermen, hunters, lumbermen and others.

b. Craftsmen: Textile workers, weavers, tailors, designers, furriers, shoemakers, barrel makers, stone masons, bricklayers, painters, carpenters, pipefitters, welders, electricians, mechanics, watchmakers, miners and others.

c. Blue-collar workers: This group includes laborers in every activity except agriculture.

d. White collar workers: White collar workers in some types of services are included in this group.

e. Salesmen.

The conclusions was as follows:

**Extremely Poor in the %
of Labor Force by Activity and Occupation**

| Occupation | Agriculture | Industry | Construction | Commerce | Services | Mining | Transportation | Total |
|---------------------|--------------|--------------|--------------|-------------|--------------|-------------|----------------|-------|
| Agriculture | 29.38 | 0.04 | — | — | 0.01 | — | — | 29.43 |
| Craftsmen | 0.11 | 9.22 | 6.06 | 0.01 | 3.38 | 2.26 | 0.02 | 21.06 |
| Blue-collar workers | 0.01 | 1.99 | 3.64 | 1.20 | 0.56 | 0.40 | 0.29 | 8.09 |
| Service | — | 0.13 | — | 0.75 | 6.56 | 0.01 | — | 7.45 |
| Salesmen | — | — | — | 4.54 | — | — | — | 4.54 |
| Chauffeurs | — | — | — | — | — | — | 0.27 | 0.27 |
| Steel-workers | 0.02 | 0.14 | — | — | — | — | — | 0.16 |
| Total | 29.52 | 11.52 | 9.70 | 6.50 | 10.51 | 2.67 | 0.58 | |

Remarks: The majority of this group, classified as poor, were self employed workers without a steady job. This was even more prominent among the urban labor force, since craftsmen considered as poor constituted 21.0% and the poor blue collar workers, by trade 8.0% of the total of workers.

Included here are additional tables which summarize the general information on the whole country according to the characteristics mentioned above.

Table N.º 9

Summary of Total Poor by Province

| Province | Total Population | Urban poor | Rural poor | Total poor | % of Total Population by Province | % of Poor in Total Country from each Province |
|--------------|------------------|----------------------------|----------------------------|------------------|-----------------------------------|---|
| Tarapaca | 176,180 | 32,003 | 6,298 | 38,301 | 21.7 | 1.99 |
| Antofagasta | 251,655 | 46,899 | 2,510 | 49,409 | 19.6 | 2.57 |
| Atacama | 152,686 | 28,944 | 9,354 | 38,298 | 25.0 | 1.99 |
| Coquimbo | 340,818 | 45,873 | 56,357 | 102,230 | 29.9 | 5.33 |
| Aconcagua | 162,185 | 17,798 | 20,240 | 38,040 | 23.4 | 1.98 |
| Valparaiso | 747,360 | 99,951 | 14,684 | 114,635 | 15.3 | 5.98 |
| Santiago | 3,425,943 | 593,996 | 53,143 | 647,139 | 18.8 | 33.76 |
| O Higgins | 310,939 | 35,523 | 32,763 | 68,286 | 21.9 | 3.56 |
| Colchagua | 168,731 | 14,249 | 26,441 | 40,690 | 24.1 | 2.12 |
| Curico | 114,721 | 9,700 | 17,342 | 27,042 | 23.5 | 1.41 |
| Talca | 234,331 | 21,445 | 31,173 | 52,628 | 22.4 | 2.74 |
| Maule | 83,243 | 7,671 | 13,289 | 20,960 | 25.1 | 1.09 |
| Linares | 191,914 | 18,583 | 34,227 | 52,810 | 27.5 | 2.75 |
| Nuble | 318,192 | 33,940 | 48,854 | 82,794 | 25.9 | 4.32 |
| Concepcion | 665,412 | 101,186 | 28,872 | 130,058 | 19.5 | 6.78 |
| Arauco | 98,752 | 13,124 | 14,869 | 27,993 | 28.3 | 1.46 |
| Bio-Bio | 192,911 | 22,746 | 24,428 | 47,174 | 24.4 | 2.46 |
| Malleco | 176,652 | 19,641 | 27,890 | 47,531 | 26.8 | 2.48 |
| Cautin | 420,620 | 44,567 | 70,864 | 115,431 | 27.4 | 6.02 |
| Valdivia | 275,895 | 27,787 | 27,616 | 55,403 | 20.1 | 2.89 |
| Osorno | 159,645 | 17,269 | 15,041 | 32,310 | 20.2 | 1.67 |
| Llanquihue | 201,074 | 25,040 | 19,441 | 44,481 | 22.1 | 2.32 |
| Chiloe | 111,220 | 6,469 | 13,395 | 19,864 | 17.9 | 1.03 |
| Aisen | 48,944 | 8,631 | 5,814 | 14,445 | 29.5 | 0.75 |
| Magallanes | 91,625 | 6,707 | 1,946 | 8,653 | 9.4 | 0.45 |
| Total | 9,121,648 | 1,299,742 | 616,662 | 1,916,404 | 21.0 | |
| | | 67.82% of Total Poor | 32.17% of Total Poor | | | |

Source: Classification according extreme poverty indicators selected by Catholic University of Chile according to Housing and Equipment. (Catholic University of Chile-Planning Office Research.) August, 1974. "Map of Extreme Poverty", joint research project of Planning Office and Economics Institute of the Catholic University.

Note: The original source for this table contains some errors which could not be corrected as the original data were unavailable. It is not known whether the errors are in the partial or total figures. Assuming that the problem is in the summation, the provinces affected and the country total would be as follows:

| | Urban Poor | Rural Poor | Total Poor | % of Poor in Total Country from each Province |
|----------------------|------------------|----------------|------------------|---|
| Aconcagua | 17,798 | 20,240 | 38,038 | |
| Talca | 21,445 | 31,173 | 52,618 | |
| Valdivia | 27,787 | 27,616 | 55,403 | |
| Osorno | 17,269 | 15,041 | 32,310 | 1.69 |
| Total Country | 1,299,742 | 616,851 | 1,916,593 | 100.00 |

In any case these errors are insignificant and therefore do not invalidate the conclusions derived from the analysis.

Table N.º 10

Data for Map of Extreme Poverty

| Province | Total Population of Province | % of Total Country Population | Total Poor of Province | % of Total Province Population | % of Total Country Population | Urban Poor of Province | % of Total Province Population | % of Total Country Population | Rural Poor of Province | % of Total Province Population | % of Total Country Population | Poor 0 years c |
|-------------|------------------------------|-------------------------------|------------------------|--------------------------------|-------------------------------|------------------------|--------------------------------|-------------------------------|------------------------|--------------------------------|-------------------------------|----------------|
| Tarapacá | 176,180 | 1.93 | 38,301 | 21.7 | 1.99 | 32,003 | 18.2 | 0.35 | 6,298 | 3.5 | 0.06 | 7.92 |
| Antofagasta | 251,655 | 2.76 | 49,409 | 19.6 | 2.57 | 46,899 | 18.6 | 0.51 | 2,510 | 0.98 | 0.02 | 9.55 |
| Atacama | 152,686 | 1.67 | 38,288 | 25.0 | 1.99 | 28,944 | 18.9 | 0.32 | 9,354 | 6.1 | 0.10 | 7.66 |
| Coquimbo | 340,818 | 3.73 | 102,230 | 29.9 | 5.33 | 45,873 | 13.4 | 0.50 | 56,357 | 16.5 | 0.61 | 21.87 |
| Aconcagua | 162,185 | 1.77 | 38,040 | 23.4 | 1.98 | 17,798 | 10.9 | 0.19 | 20,240 | 12.4 | 0.22 | 7.45 |
| Valparaiso | 747,360 | 8.19 | 114,635 | 15.3 | 5.98 | 99,951 | 13.4 | 1.09 | 14,684 | 1.96 | 0.16 | 23.27 |
| Santiago | 3,425,943 | 37.56 | 647,139 | 18.8 | 33.76 | 593,996 | 17.3 | 6.51 | 53,143 | 1.55 | 0.58 | 141.72 |
| O'Higgins | 310,939 | 3.41 | 68,286 | 21.9 | 3.56 | 35,523 | 11.4 | 0.39 | 32,763 | 10.5 | 0.36 | 14.47 |
| Colchagua | 168,731 | 1.85 | 40,690 | 24.1 | 2.12 | 14,249 | 8.4 | 0.15 | 26,441 | 15.6 | 0.29 | 8.76 |
| Curicó | 114,721 | 1.26 | 27,042 | 23.5 | 1.41 | 9,700 | 8.4 | 0.10 | 17,342 | 15.1 | 0.19 | 5.70 |
| Talca | 234,331 | 2.57 | 52,628 | 22.4 | 2.74 | 21,445 | 9.1 | 0.23 | 31,173 | 13.3 | 0.34 | 11.31 |
| Linares | 191,914 | 2.10 | 52,810 | 27.5 | 2.75 | 18,583 | 9.6 | 0.20 | 34,227 | 17.8 | 0.37 | 11.14 |
| Maule | 83,243 | 0.91 | 20,960 | 25.1 | 1.09 | 7,671 | 9.2 | 0.08 | 13,289 | 15.9 | 0.14 | 4.21 |
| Nuble | 318,192 | 3.49 | 82,794 | 25.9 | 4.32 | 33,940 | 10.6 | 0.37 | 48,854 | 15.3 | 0.53 | 17.46 |
| Concepción | 665,412 | 7.29 | 130,058 | 19.5 | 6.78 | 101,186 | 15.2 | 1.10 | 28,872 | 4.3 | 0.31 | 33.05 |
| Arauco | 98,752 | 1.08 | 27,993 | 28.3 | 1.46 | 13,124 | 12.3 | 0.14 | 14,869 | 16.0 | 0.16 | 6.10 |
| Bio-Bio | 192,911 | 2.11 | 47,174 | 24.4 | 2.46 | 22,746 | 11.8 | 0.25 | 24,428 | 12.6 | 0.26 | 10.26 |
| Malleco | 176,652 | 1.93 | 47,531 | 26.8 | 2.48 | 19,641 | 11.1 | 0.21 | 27,890 | 15.7 | 0.30 | 9.65 |
| Cautín | 420,620 | 4.61 | 115,431 | 27.4 | 6.02 | 44,567 | 10.6 | 0.49 | 70,864 | 16.8 | 0.77 | 23.45 |
| Valdivia | 275,895 | 3.02 | 55,402 | 20.1 | 2.89 | 27,287 | 10.1 | 0.30 | 27,616 | 10.0 | 0.30 | 12.07 |
| Osorno | 159,645 | 1.75 | 32,110 | 20.2 | 1.67 | 17,269 | 9.4 | 0.19 | 15,041 | 10.8 | 0.16 | 6.96 |
| Llanquihue | 201,074 | 2.20 | 44,481 | 22.1 | 2.32 | 25,040 | 12.5 | 0.27 | 19,441 | 9.6 | 0.21 | 10.32 |
| Chiloé | 111,220 | 1.21 | 19,864 | 17.9 | 1.03 | 6,469 | 5.8 | 0.07 | 13,395 | 12.0 | 0.14 | 4.80 |
| Aisén | 48,944 | 0.53 | 14,445 | 29.5 | 0.75 | 8,631 | 17.6 | 0.09 | 5,814 | 11.8 | 0.06 | 3.35 |
| Magallanes | 91,625 | 1.00 | 8,653 | 9.4 | 0.45 | 6,707 | 7.3 | 0.07 | 1,946 | 2.1 | 0.02 | 1.55 |
| | 9,121,648 | 99.95 | 1,916,404 | 21.0094% | | 1,299,742 | 67.82% | 14.17 | 616,662 | 32.17% | | 393.62 |
| | | | of total population | | | of total poor | | | of total poor | | | of total poor |

Source: Map of Extreme Poverty. Joint research project of Planning Office and Economics Institute of Catholic University of Chile.

| of Total Poor in Country | Poor 6-16 years old | % of Total Poor in Province | % of Total Poor in Country | % which attend school | % which does not attend school | Poor 17-34 years old | % of Total Poor in Province | % of Total Poor in Country | Poor 35 or over | % of Poor in Province | % of Poor in Country |
|--------------------------|---------------------|-----------------------------|----------------------------|-----------------------|--------------------------------|----------------------|-----------------------------|----------------------------|-----------------|-----------------------|----------------------|
| 0.41 | 9,920 | 25.9 | 0.5 | 53.2 | 42.4 | 11,145 | 29.1 | 0.58 | 9,307 | 24.3 | 0.48 |
| 0.50 | 13,538 | 27.4 | 0.7 | 49.2 | 48.5 | 13,538 | 27.4 | 0.70 | 12,746 | 25.8 | 0.66 |
| 0.41 | 11,030 | 28.8 | 0.57 | 48.2 | 50.3 | 9,536 | 24.9 | 0.49 | 8,655 | 22.6 | 0.45 |
| 1.14 | 33,326 | 32.6 | 1.73 | 42.5 | 43.5 | 20,650 | 20.2 | 1.07 | 26,375 | 25.8 | 1.37 |
| 0.39 | 11,716 | 30.8 | 0.61 | 53.2 | 44.4 | 8,711 | 22.9 | 0.45 | 10,118 | 26.6 | 0.32 |
| 1.21 | 34,505 | 30.1 | 1.8 | 53.8 | 41.1 | 27,168 | 23.7 | 1.41 | 26,595 | 23.2 | 1.38 |
| 7.39 | 182,493 | 28.2 | 9.5 | 53.1 | 45.7 | 173,433 | 26.8 | 9.04 | 149,489 | 23.1 | 7.80 |
| 0.75 | 20,007 | 29.3 | 1.0 | 49.1 | 43.6 | 15,637 | 22.9 | 0.81 | 18,164 | 26.6 | 0.95 |
| 0.45 | 13,509 | 33.2 | 0.7 | 55.7 | 41.8 | 8,219 | 20.2 | 0.43 | 9,155 | 22.5 | 0.47 |
| 0.29 | 8,896 | 32.9 | 0.46 | 52.8 | 42.2 | 5,597 | 20.7 | 0.29 | 5,922 | 21.9 | 0.31 |
| 0.59 | 16,578 | 31.5 | 0.86 | 46.0 | 43.2 | 11,631 | 22.1 | 0.60 | 11,525 | 21.9 | 0.60 |
| 0.58 | 16,582 | 31.4 | 0.86 | 56.0 | 38.3 | 11,090 | 21.0 | 0.58 | 13,995 | 26.5 | 0.73 |
| 0.22 | 6,434 | 30.7 | 0.33 | 51.1 | 42.4 | 4,318 | 20.6 | 0.22 | 5,093 | 24.3 | 0.36 |
| 0.91 | 25,832 | 31.2 | 1.34 | 52.8 | 42.6 | 17,056 | 20.6 | 0.89 | 19,374 | 23.4 | 1.01 |
| 1.72 | 38,627 | 29.7 | 2.0 | 53.2 | 46.8 | 30,693 | 23.6 | 1.60 | 27,702 | 21.3 | 1.44 |
| 0.31 | 8,286 | 29.6 | 0.43 | 50.0 | 45.0 | 6,075 | 21.7 | 0.31 | 6,158 | 22.0 | 0.32 |
| 0.53 | 14,482 | 30.7 | 0.75 | 51.1 | 47.5 | 10,142 | 21.5 | 0.53 | 10,614 | 22.5 | 0.55 |
| 0.50 | 14,734 | 31.0 | 0.76 | 42.0 | 43.5 | 9,506 | 20.0 | 0.49 | 11,359 | 23.9 | 0.59 |
| 1.22 | 34,167 | 29.6 | 1.78 | 47.2 | 51.0 | 23,086 | 20.0 | 1.20 | 28,742 | 24.9 | 1.50 |
| 0.63 | 17,452 | 31.5 | 0.91 | 44.4 | 42.5 | 12,078 | 21.8 | 0.63 | 12,354 | 22.3 | 0.64 |
| 0.36 | 9,183 | 28.6 | 0.47 | 53.1 | 46.8 | 7,096 | 22.1 | 0.37 | 7,385 | 23.0 | 0.38 |
| 0.53 | 13,344 | 30.0 | 0.69 | 52.6 | 42.3 | 9,697 | 21.8 | 0.50 | 9,074 | 20.4 | 0.47 |
| 0.25 | 6,098 | 30.7 | 0.31 | 55.3 | 44.9 | 3,933 | 19.8 | 0.20 | 4,231 | 21.3 | 0.22 |
| 0.17 | 4,319 | 29.9 | 0.22 | 47.4 | 52.1 | 3,308 | 22.9 | 0.17 | 3,467 | 24.0 | 0.18 |
| 0.07 | 2,171 | 25.1 | 0.11 | 54.9 | 38.4 | 2,613 | 30.2 | 0.13 | 2,336 | 27.0 | 0.12 |
| 21.53 | 567,229 | | 29.39 | | | 455,956 | | 23.70 | 449,975 | | 23.42 |
| | 29.59% | | | | | 23.79% | | | 23.47% | | |
| | of total | | | | | of total | | | of total | | |
| | poor | | | | | poor | | | poor | | |
| | | | | | | | | | Error | | |
| | | | | | | | | | 2.62 | | |



C. Note on Poorest Provinces

The twelve provinces which met one of the following conditions were classified as most poor: more than 96,000 persons or over 5% of the total number of poor in the country live in the province; more than one out of every four inhabitants is poor.

The Poorest Provinces

| Province | Poor in Province | % of Poor in Province compared to Poor in Total Country | Poor in % of Total Province | Fraction of Poor Population from 0-16 years | Fraction of Poor Population with 5 years primary educ. |
|------------|------------------|---|-----------------------------|---|--|
| Santiago | 647,139 | 33.8 | 18.8 | 50.1% | 39.8% |
| Concepción | 130,058 | 6.8 | 19.5 | 51.2% | 45.7% |
| Cautín | 115,431 | 6.0 | 27.4 | 49.9% | 48.3% |
| Valparaíso | 114,635 | 6.0 | 15.3 | 50.4% | 41.8% |
| Coquimbo | 102,230 | 5.3 | 29.9 | 54.1% | 50.8% |
| Ñuble | 82,794 | 4.3 | 25.9 | 52.3% | 50.8% |
| Linares | 52,810 | 2.8 | 27.5 | 52.5% | 49.0% |
| Malleco | 47,531 | 2.5 | 26.8 | 51.4% | 51.3% |
| Atacama | 38,298 | 2.0 | 25.0 | 49.4% | 51.1% |
| Arauco | 27,993 | 1.5 | 28.3 | 51.4% | 50.5% |
| Maule | 20,960 | 1.1 | 25.1 | 51.1% | 53.1% |
| Aisén | 14,445 | 0.8 | 29.5 | 53.1% | 48.6% |

Note: The above is only a summary of the most significant aspects of the "Map of Extreme Poverty," which was joint research project of the Planning Office and the Economics Institute of the Catholic University.

Remarks: Nine of the twelve provinces had a poor population which was younger than the national average, which is in turn younger than the population of the country as a whole. This tends to reinforce the hypothesis that the greater the poverty, the larger the family. The table also shows that eleven of the twelve poorest provinces also had more illiterate than the average for the total country poor.

The Fiscal Policy

Tax Policy¹

Preliminary studies designed to make the tax system more efficient and equitable were begun early in 1974. The defects of the tax system were such that the idea of using amendment as a means of improvement was discarded and a full-scale reform of the tax structure was considered. As a result, a new tax system was implemented during the first quarter of 1975. Its purpose was to obtain a larger share of contributions for public purposes from the wealthier sectors and, further, to subject taxpayers on the same income level, regardless of the source of income, to the same degree of taxation or, in other words, vertical and horizontal equity. It was also absolutely necessary that the tax system be considered as an additional tool for the achievement of economic efficiency, without overlooking efforts to redistribute income.

The first step was the study and later the repeal of explicit distortions introduced by countless so-called "development" laws. These legal texts represented, without exception, and in different ways, an evident discrimination in favor of capital, and discouraged the use of labor, our most important and abundant factor. The set or universe of legal provisions discriminating against labor as a factor of production was to be found in direct taxation provisions, in the tariff system, in the Social Security structure and even in indirect tax laws.

The new direct tax system corrected serious defects in equity and inefficiency. Improvements from the standpoint of equity in the system have been significant, both as to number and to depth; the redefinition and regrouping of taxable income on a single tax base is, today, guaranteed in order to have an objective progressive tax system; adjustment for inflation made it impossible to use the system of provisional payment of taxes as a method for what amounted to an evasion of real taxes; absence of a mechanism for indexing payments made it clearly advisable to postpone

¹A detailed analysis of this subject may be found in Dirección de Presupuestos and Servicio de Impuestos Internos (eds.), "Reforma Tributaria," (Santiago, Talleres Gráficos de Gendarmería, 1977).

payment of any tax until the end of each fiscal year, thereby paying taxes with currency of a lower real value than that of taxpayers who had made monthly payments, such as monthly taxes on salaried workers; the various tax brackets were made equal for all taxes, that is, equally applicable to all incomes, regardless of the origin of income; a taxation unit of measurement was also established, and indexed monthly, according to the rate of inflation, so that purely nominal changes in income do not introduce real variations in the progressive nature of the system. Improvements in efficiency have also been significant. The generalized use of indexing has made it possible to distinguish, for the first time, between nominal and real taxation, avoiding situations in which productive agents with identical results were taxed differently because of differences in the composition of entrepreneurial portfolios; differences in proportional tax rates applied to enterprises, according to their legal structure, were eliminated; all public enterprises without exception were taxed again for the first time according to the general tax system; the tax exemption on undistributed corporate profits was eliminated, placing this source of revenue on the same level as all others and including it in the taxable income base.

The indirect tax system was also improved from the point of view of equity and efficiency. Equity improved in view of the nature of the Value Added Tax and its general application, since horizontal discrimination that was intrinsic to the previous system has been avoided, the spillover effects of the old system, which depend on the degree of integration between productive agents, unequivocally taxed in an unequal manner individuals involved in the production of the same product, commodity or service. Improvements in efficiency have been outstanding. This is neither the time nor the place to discuss the advantages of a general Value-Added Tax with a uniform tax rate. The abundance and quality of literature available on the subject make it possible to state, without having to produce evidence thereto, that it is the simplest, most neutral, efficient and easiest to manage of all indirect taxes.²

Nor did tariff reforms lag behind in this change towards equity and efficiency. The original tariff structure ranged between 0% and more than

²M. Bronfenbrenner, "The Japanese Value-Added Sales Tax," *National Tax Journal*, III (December, 1950); John Due, "The Value-Added Tax", *Western Economic Journal*, Vol. III, No. 2 (1965); A. C. Harberger, "Let's Try a Value-Added Tax", *Challenge* IX, (November-December, 1966); A. C. Harberger, "A Federal Tax on Value-Added", *Taxation and Welfare* (Little, Brown & Co., 1974); Proyecto de Ley: "Proyectos de Loi Relatifs a L'instauration de la T.V.A. en Belgique"; Carl Shoup, "Theory and Background on the Value-Added Tax," *Proceedings of the Forty-Eighth Annual Conference on Taxation* (National Tax Association, 1955).

550% and over 2700 tariff items were subject to prior cash deposits equivalent to 10,000%. The present tariff system has only one general rate of 10% (with the exception of the automotive sector, which will be taxed 10% in 1986, and 7 tariff items subject to prior cash deposits equivalent to 10,000%). These changes corrected the discrimination against labor, since prior to this capital goods had enjoyed total and partial exemption from customs duties.

Gains have also been made in efficiency. The opening of the market to foreign trade has created healthy competition and has provided the economic system with a natural control of monopolistic practices. The reform of the tariff structure, together with the exchange rate policy have been, among other policies, an extremely important tool for the "take-off" of non-traditional exports, a sector that is taking shape in the country, at an accelerated rate of growth that is without precedent in Chile.

Changes in the social security system have also involved changes in efficiency and equity, as evidenced, for example, by the drastic reductions in social security payments, as well as by a gradual equalizing of the different rates applied to such payments. The reform of the social security system will be the definitive step in order to have achievements similar in importance to those in taxation and tariffs.

Increased collections, following the introduction of the new tax system, as well as intensive campaigns to control tax-evasion (without doubt an additional element in enhancing the equity of the system) have made it possible, among other things, to redistribute the tax burden, to raise the minimum levels of tax exempt income, to increase the general level of real estate tax exemptions, to counteract the decrease in tariffs and thus continue the policy of opening the economy to foreign trade and, finally, but not least, to reduce the level of the fiscal deficit while at the same time controlling the level of public expenditures. As a result, there was an unprecedented slight fiscal surplus in 1979. This situation makes it possible to predict that the level of inflation will continue to drop (thereby eliminating the most regressive of all taxes: Inflation).³ It also guarantees

³Martin J. Bailey, "The Welfare Cost of Inflationary Finance," *Readings on Welfare Economics*, (R. D. Irwin, 1969), pp. 434-455; Juan Carlos Méndez, "La Carga Tributaria de la Inflación en Chile," *Cuadernos de Economía*, N.º 20, (Santiago, Universidad Católica), pp. 69-81.

that the tax burden will decrease and that the social security reform can be implemented without financial problems.

Although a regressive nature of the current tax system has been mentioned on occasion, though not insistently, the following table deserves attention:

Table N.º 11
Structure of Income Tax Collection (%)

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| I. Direct Taxes | 27.4 | 28.8 | 24.3 | 29.2 | 30.3 | 32.6 | 28.2 | 26.1 | 25.4 |
| On Income | 22.5 | 24.5 | 21.0 | 26.7 | 25.1 | 28.7 | 24.4 | 21.7 | 21.0 |
| Single Tax | 4.7 | 5.5 | 5.9 | 9.8 | 8.4 | 8.7 | 8.1 | 7.7 | 6.3 |
| Remaining | 17.8 | 19.0 | 15.1 | 16.9 | 16.7 | 20.0 | 16.3 | 14.0 | 14.7 |
| On property | 4.7 | 3.6 | 3.2 | 2.4 | 2.2 | 3.5 | 3.7 | 4.4 | 4.4 |
| Real Estate | 3.1 | 2.5 | 1.8 | 0.8 | 0.8 | 2.9 | 3.2 | 3.6 | 3.4 |
| Vehicle registration | 0.7 | 0.8 | 1.2 | 1.4 | 0.5 | 0.6 | 0.4 | 0.7 | 0.8 |
| Inheritance | 0.1 | 0.2 | 0.1 | 0.1 | — | — | 0.1 | 0.1 | 0.2 |
| Capital | 0.8 | 0.1 | 0.1 | 0.1 | 0.9 | — | — | — | — |
| Other | 0.2 | 0.7 | 0.1 | 0.1 | 3.0 | 0.4 | 0.1 | — | — |
| II. Indirect Taxes | 72.6 | 71.2 | 75.7 | 70.8 | 69.7 | 67.4 | 71.8 | 73.9 | 74.6 |
| Value-added tax on Goods - Services | 33.9 | 37.3 | 38.6 | 38.8 | 32.4 | 28.9 | 29.2 | 27.4 | 27.1 |
| Value-added tax on Imports | — | — | — | — | — | 2.5 | 7.3 | 12.1 | 15.8 |
| Custom Duties Products (liquors, tobacco, fuel) | 20.2 | 14.8 | 15.8 | 12.5 | 18.0 | 13.9 | 11.3 | 11.4 | 10.0 |
| Others | 8.7 | 8.1 | 11.2 | 10.3 | 14.2 | 15.8 | 16.9 | 15.7 | 13.3 |
| III. Total Revenues | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Budget Directorate.

It should be noted that the current structure is not too different from that of 1970. Some comments, however, should be made with regard to this situation. As to direct taxes, although the elimination of tax exemptions for companies and the progressive general tax on income have not yet been quantified (rates and collections that affect the aggregate of personal income, independently of the source that generates them), the trend

should clearly be towards larger contributions of the progressive general tax and the tax on enterprises rather than on the progressive tax applied to wages and salaries. The year 1979 should be a good indicator of the trend.

Although it is true that the relative contribution from real estate taxes has remained stable, the number of exempt taxpayers has increased from approximately 130,000 in 1970 to more than 750,000 in 1978. This means that the relative contribution of taxpayers owning more highly assessed properties has increased considerably, since the minimum exemption for tax purposes, the same for all taxpayers, is higher than it was before. The number of tax-exempt owners of real estate has, therefore, increased.

A number of comments should also be made with regard to indirect taxes. First, beginning in 1974, all state-owned companies and enterprises were subject to the general indirect tax system. Until then, exemptions were the rule in the public sector. Unfortunately, the number and size of public enterprises still exceeds by far the ideal for a free market economy. The public sector is today the source of a significant amount of revenue coming from indirect taxes. Second, elimination of tax exemptions has been generally applied (among other things, to capital goods). Third, the increased collection of indirect taxes stems from the increase generated by the Value Added Tax on imports which simply reflects the elimination of exemptions and the opening of the economy to foreign trade.

Then, is it possible to conclude, without further analysis, that the change in the structure of revenue from direct and indirect taxes, from 27.4% and 72.6% in 1970 to 25.4% and 74.6% in 1978 respectively, has been translated into a regressive change?

The data examined above allows us to conclude that the current tax system has clearly had a positive redistributive effect.

Fiscal Social Expenditures

It has been indicated that one of the first documents drafted by the present Government was the "Declaration of Principles of the Government of Chile" which defined, among other things, the role of the intermediate bodies of society and that of the State. In that document the conclusion is reached that the rights of individuals transcend those of the State. Six years have elapsed, years during which these principles based on the

protection of freedom have matured. Through the implementation of these principles, the subsidiary role of the State has been very clearly defined.⁴

The task has been not only to reallocate fiscal expenditure for social purposes, but also to identify precisely which activities really require the subsidiary efforts of the State.

Thus the importance given to the elaboration of the "Extreme Poverty Map."⁵ Once this indispensable information was available, it then became necessary to formulate policies with the following characteristics: clarity and precision in the identification of needs and beneficiaries; assistance at a minimum cost making explicit the subsidy and integrating the beneficiary or subject of the assistance into an active element who contributes to the solution of the problem (his own problem); the delegation, as far as possible, of the management of the resources to intermediate bodies of society. All of the principles listed above have been applied to programs dealing with private schools, programs for children in irregular situations, training programs, supplementary food programs, programs designed to eliminate malnutrition and many others. On the following pages an attempt is made to explain the essential elements of these programs and other similar efforts.

Nevertheless, before entering into a detailed analysis, it helps to summarize state participation in terms of government social expenditures, since these figures give the general overview of this field.

To assess the relative importance of the different functions of the state, a series of the functional distribution of Fiscal Expenditures for the period 1970-1978 is presented.

Table N.º 12
Breakdown of Fiscal Spending

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|---------------------------------|------|------|------|------|------|------|------|------|-------|
| General Administrative Function | 27.2 | 23.1 | 24.2 | 17.9 | 27.8 | 31.1 | 30.8 | 33.2 | 32.44 |
| Social Function | 40.5 | 48.6 | 47.1 | 27.4 | 39.8 | 47.2 | 48.2 | 50.3 | 49.84 |
| Economic Function | 32.3 | 28.3 | 28.7 | 54.7 | 32.4 | 21.7 | 21.0 | 16.5 | 17.72 |

Source: Budget Directorate.

⁴Juan Carlos Méndez, "Chilean Economic Policy: Dogmatism or Realism", **Chilean Economic Policy**, (Santiago: Budget Directorate, 1979), pp. 11-20.

⁵Summarized on pp. 53-64

Table N.º 13

Government Social Spending
(Millions of US\$ 1976)

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|
| Health | 148.77 | 202.25 | 242.36 | 229.62 | 187.75 | 129.11 | 121.37 | 148.66 | 172.75 |
| Social Assistance | 35.94 | 62.51 | 41.14 | 50.69 | 52.77 | 82.59 | 123.29 | 127.24 | 179.20 |
| Housing | 79.92 | 158.01 | 156.20 | 177.87 | 176.29 | 68.82 | 66.19 | 80.83 | 67.58 |
| Welfare | 224.40 | 386.79 | 372.75 | 213.32 | 213.78 | 249.07 | 193.68 | 293.67 | 341.56 |
| Education* | 343.28 | 455.18 | 502.98 | 354.76 | 380.26 | 274.87 | 312.07 | 401.44 | 456.12 |
| Regional Development | 6.26 | 20.25 | 17.91 | 15.43 | 27.43 | 28.59 | 49.24 | 46.76 | 51.34 |
| Total | 838.57 | 1,284.99 | 1,333.34 | 1,041.69 | 1,038.28 | 833.05 | 865.84 | 1,098.60 | 1,268.55 |
| Fiscal Spending without Debt Service | 2,071.34 | 2,643.76 | 2,830.95 | 3,805.56 | 2,610.23 | 1,763.33 | 1,797.88 | 2,184.66 | 2,548.98 |
| % Fiscal Spending/ Fiscal Spending without Debt Service | 40.5 | 48.6 | 47.1 | 27.4 | 39.8 | 47.2 | 48.2 | 50.3 | 49.8 |

*Spending in Education figures on p. 79 are not the same as these.

On p. 79 the allocation for the entire Ministry of Education is considered under Expenditure in Education. With regard to Government Social Expenditure, the allocation to the Ministry is considered, but the allocations to the National Student Aid and Scholarship Society is considered under Social Assistance.

The Government Allocation to the National Student Aid and Scholarship Society is only to finance spending on remunerations. The Student Breakfast and Nourishment Program is financed with funds from the Family Allowances Fund (Fondo Unico de Prestaciones Familiares: FUPF), which are extra budgetary resources which, unfortunately, are obtained by a tax on the use of labor.

Source: Budget Directorate.

The Agricultural Policy

It would be well to ponder the reasons why this sector has always been considered as deserving of special attention. It seems to be because Chilean agriculture was suffering backwardness and poverty. Evidence of this is found in the growth of Expenditure of the Gross Domestic Agricultural Product by an average of 1.68%, 0.54% and -0.81% for the periods 1940-1964, 1964-1973 and 1967-1973 respectively.

The poverty of this sector was reflected in the high percentage of the national population which lived in absolute misery in the agricultural sector, as indicated by the data gathered for the Extreme Poverty Map.

Some people felt that the reason for this situation was to be found in the land tenure system. Various Agrarian Reform Programs were drafted which totally disregarded the fact that agricultural activities are a business activity like any other, and that if agriculture is to become dynamic and fully developed, the returns on the efforts of capital and labor must be positive and high.

As a matter of fact, as we see it, the problem in Chilean agriculture was simply the logical result of policies which imposed restraints on the sector. This trend, maintained and augmented over time, included fixed commodity prices, quotas on production and planting (as in the case of vineyards); established marketing quotas (as in the case of forestry, agricultural exports and the internal marketing of wine, to name a few); import quotas and restraints on certain items for example, nitrate fertilizers; agricultural credit was restricted and subject to quotas. Finally, with the enactment of Law 16.640 property rights were restricted, and, interpreted accurately, the right to private property was eliminated. Among all the constraints imposed, the latter was the most far reaching, since it was the basis for a constitutional amendment which would later open the way to the profound, negative changes which were to take place in all areas of national economic activity.

This is our explanation of the state of underdevelopment of Chilean agriculture. It could not have been otherwise, since in logic, as in mathematics, the larger the number of restrictions, the smaller the number of potentially optimum results.¹

¹Paul A. Samuelson, *Foundations of Economic Analysis*, Harvard University Press (Cambridge, Mass., 1953), Chapter III.

A survey prepared by the Department of Agricultural Economics of the Catholic University of Chile² estimates that the direct cost of the Agrarian Reform, measured as the aggregate of capital and ordinary costs of the Agrarian Reform Corporation (Corporación de la Reforma Agraria, CORA) reached approximately 380 million dollars in 1977 currency. Further, it was estimated that capital losses of expropriated owners fluctuated between 800 and 1,000 million dollars, and that the amount received by the farm workers assigned expropriated lands fluctuated between 500 and 800 million dollars. In other words, the net assets that were **not** transferred reached 300 million dollars. This is not the place to draw distinctions dealing with the fact that a dollar transferred from its former owner has less value for society than that same dollar when received by a farm worker settled on expropriated land.³

Another set of costs should be added to those listed above, as pointed out by the author of the study. Among these is the effect that the Agrarian Reform had on the national agricultural production.

The table below represents a personal attempt to estimate the level of the Public Expenditure of the Gross Domestic Product on agriculture had an agricultural policy similar to the one implemented by the present government been applied in 1964. Column 1 lists the real EGDP on agriculture from 1964 to 1978; Column 2 is a projection of the EGDP on agriculture starting in 1964, if the sector had grown at the average annual rate for the period 1974-1978, that is, 6,36%.

²Rafael Irrazábal, "Reforma Agraria en Chile", *Ciencia e Investigación Agraria*, Vol. 6, No. 1 (Santiago, 1979).

It should be pointed out that the author did not take into consideration the total annual capital expenditure of CORA, but rather 10% of that figure, assuming an average lineal depreciation of 10 years.

³And it is not appropriate to digress on this subject since in order to make the comparison, a voluntary act is required rather than coercion, as was the case of the transfers in the agrarian reform. Or could it perhaps be that society as a whole suffers when a voluntary transaction takes place between a rich man and poor man? The mechanism for the redistribution of income in a market economy is the tax system—establishing general and impersonal norms which do not infringe on individual liberty and to which the individual adjusts, based on prior knowledge—and the allocation of fiscal spending. This is according to the Economic Theory and the Welfare Theory. See: Arrow and Scitovsky (eds.), *Readings in Welfare Economics* (Richard D. Irwin, 1969), pp. 147-168, 325-335, 402-433.

Table N.° 14

EGDP Agriculture: Real and Projected
(millions of US\$ 1976)

| Years | 1 Real EGDP | | 2 Present Policy EGDP (6.36% increase since 1964) | 3 = 2-1 |
|-------|-------------|--------|---|---------|
| | Amount | % var. | | |
| 1964 | 689 | 5.2 | 689 | — |
| 1965 | 676 | — 1.9 | 733 | 57 |
| 1966 | 729 | 7.8 | 779 | 50 |
| 1967 | 784 | 7.5 | 829 | 45 |
| 1968 | 796 | 1.5 | 882 | 86 |
| 1969 | 726 | —8.8 | 938 | 212 |
| 1970 | 767 | 5.6 | 997 | 230 |
| 1971 | 815 | 6.3 | 1,061 | 246 |
| 1972 | 791 | — 2.9 | 1,128 | 337 |
| 1973 | 673 | —14.9 | 1,200 | 527 |
| 1974 | 780 | 15.9 | 1,276 | 496 |
| 1975 | 806 | 3.3 | 1,358 | 552 |
| 1976 | 816 | 1.2 | 1,444 | 628 |
| 1977 | 938 | 15.0 | 1,536 | 598 |
| 1978 | 904 | — 3.6 | 1,633 | 729 |

Source: EGDP in Agriculture, Forestry and Hunting. Chilean National Accounts, Planning Office. (Central Bank Bulletin, 1979).

Figures in thousands of 1965 CH\$ were expressed in millions of 1976 US\$, using the implicit exchange rate for 1965 (4.843) and the United States W.P.I. (1.8936), which permits the expression of 1965 CH\$ in 1976US\$.

The present value of the difference in the annual flow for the period 1964-1973 (designated as period a) and in the period 1964-1978 (designated as period b) is indicated below. Discount rates of 15%, 10% and 0%, respectively, have been used for this purpose.

(in millions of 1976 dollars)

| (discount rate = i) | i = 15% | i = 10% | i = 0% |
|---------------------|---------|---------|--------|
| a) | 5,887 | 3,986 | 1,790 |
| b) | 10,433 | 7,954 | 4,793 |

In other words, what had not been produced after 1964 and until 1973 or 1978, could correspond, in any of the alternative discount rates, to amounts that might be considered as equivalent to two to ten years of the current agricultural product. So if the agricultural EGDP had expanded at the annual average of 6.36% as a result of an economic policy such as the current one, the agricultural EGDP would have been 80% greater in 1978 than the agricultural EGDP that was actually obtained in 1978.

The foregoing figures are only an attempt to indicate orders of magnitude. The conclusion to be drawn is that a colossal blunder was made when instead of eliminating restrictions affecting the sector and implementing a policy based on market forces as a mechanism for the allocation of resources, an additional and fundamental constraint was imposed on the national agricultural sector: the virtual elimination of the private property rights.

During this process the various governments considered the small farmer (minifundistas) as belonging on a secondary level or, what is even worse, frequently overlooked them altogether.

The present government ordered a national survey to determine the number, location and concentration of small farmers (minifundistas). The study, prepared by the National Agricultural Development Institute, indicated that a total of 245,000 families live on small size farms (minifundios), 111,750 of which cannot be given an agricultural solution. The result of these efforts has been the formulation of specific policies for this sub-sector. The first set of policies is designed to provide credit, technical assistance and a procedure for clearing land titles, all basic requirements for these farms to operate as farming or agricultural business enterprises. Other policies include training of farm workers for work in activities other than farming.

Statistical information on some of these programs is included below:

Table N.º 15

**Credit and Technical Assistance Program
(INDAP)**
(Ch\$ on June 30, 1979)

| Years | Loans | N.º of Beneficiaries (families) |
|-------|----------------|------------------------------------|
| 1973 | 79,237,409 | 33,400 |
| 1974 | 913,743,146 | 76,156 |
| 1975 | 404,323,652 | 29,112 |
| 1976 | 536,403,884 | 38,167 |
| 1977 | 592,678,620 | 54,693 |
| 1978 | 737,262,622 | 62,477 |
| 1979 | 1,425,416,280* | 80,000 |

*Approximate figures.

Source: National Agricultural Development Institute (Institución Nacional de Desarrollo Agropecuario INDAP).

Table N.º 16

Results: 1978 Compared to 1979

| | |
|------------------------------------|-------|
| Increase in area under cultivation | 48.8% |
| Increase in family income | 52.1% |

Source: INDAP

Table N.º 17

**Agricultural Training Program
(SENCE)**
(Program began in 1976.)

| Years | Scholarships granted |
|-------|----------------------|
| 1977 | 23,350 |
| 1978 | 33,036 |
| 1979 | 31,938 |

1979: Approximately.

Source: National Training and Employment Service (Servicio Nacional de Capacitación y Empleo SENCE).

The following activities can be considered as complementary to the programs mentioned above.

In 1979, Decree Law 2568, provided assistance to native ethnic groups (Mapuches) in legal and administrative proceedings designed to clear land titles. Land owners received the first 396 cleared titles on December 31, 1979.

Clearing titles of agricultural communities located in the North benefitted 2.000 families.

Provisions in Decree Law N.º 2247 of 1978 enable 4650 former participants in the Agrarian Reform process to receive credit. These farm workers were not included in the allocation of land because of the lack of land. Credit will be granted in the amount of US\$5000 per family, with a 30 year term. The potential cost could amount to US\$23 million dollars.

To summarize, the purpose in presenting the data and comments in the preceding sections is to permit the reader to reflect on the cost incurred by the country in the application of the Agricultural Reform, both in direct and indirect terms.

The agricultural policy applied by the present government is based on the market as a mechanism for the allocation of resources and on a respect for fundamental rights, such as individual freedom and private property rights. This policy has permitted the achievement of a significant increase in production (a yearly average of 6.36% of the EGDP on agriculture for the 1974-1978 period) while at the same time assisting the poorest of the sector who have fewer resources at their disposal and who had been overlooked in the past.

Education

Government efforts in education are designed to offer equality of opportunities to the entire population, especially from the standpoint of the right to universal access to education.

The fundamental objectives in education are as follows:

- a. To increase the emphasis on Primary Education, which has been defined as an area that should receive social priority according to the Map of

Extreme Poverty, through the re-allocation of resources from other sectors, especially Higher Education.

b. To reinforce the subsidiary role of the State in this matter. Beginning in 1974, a series of measures have been implemented to improve and to increase substantially the volume of fiscal resources allocated for the payment of subsidies to private educational establishments, and, in this manner, provide an incentive to direct educational activities or efforts in the private sector. This has meant that in 1979, the amount of fiscal subsidies per student has doubled that of 1970.¹ In 1979 alone, 75 applications were filed for new free and paid private schools in the Greater Santiago Area. This is the channel through which the State should concentrate its efforts to promote the growth and development of the educational system. It is the only way to guarantee effective freedom of education.

c. A general improvement in the quality of the educational system, since its final objective is to increase the period of time during which students attend school and the capacity of educational institutions to receive more students. An effort is being made in this direction through:

—the establishment of Frontier Schools to concentrate the student population in geographically isolated communities and to provide an educational program suited to their needs and characteristics;

—programs designed to reinforce educational infrastructures and to better the results of teaching efforts through an improvement or increase in resources allocated for equipment and instruments.

—increases in teachers salaries, by the enactment of provisions contained in the Law on Teaching Careers, as of 1978, according to the greater importance assigned to time spent on teaching activities. Increases in fiscal expenditures, as a result of these provisions have reached US\$100 million per year.

The measures and methods listed above imply:

1. A considerable increase in fiscal expenditures on education which in 1979, exceeded by 56% expenditures made for such purposes during

¹The subsidy is per student and, therefore, the movement of students from one establishment to another produces the corresponding change in the subsidy to the school. It is a sort of special voucher system.

1970. Fiscal expenditures in education, including universities have evolved in the manner indicated in the table below:

(figures in millions of 1976 dollars)

| | | | | | | | | | | |
|------|------|------|------|------|------|------|------|------|------|------|
| 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 |
| 297 | 343 | 456 | 505 | 362 | 394 | 283 | 317 | 411 | 470 | 535 |

Source: Budget Directorate.

2. The concentration of funds has gradually shifted from Higher to Elementary Education.

Table N.º 18

**Rate of Distribution of Fiscal Spending
on Education**

| Years | Higher Education* | Remainder |
|-------|-------------------|-----------|
| 1970 | 30 | 70 |
| 1971 | 32 | 68 |
| 1972 | 36 | 64 |
| 1973 | 41 | 59 |
| 1974 | 49 | 51 |
| 1975 | 39 | 61 |
| 1976 | 33 | 67 |
| 1977 | 34 | 66 |
| 1978 | 33 | 67 |
| 1979 | 30 | 70 |

*Since the Popular Unity Government policy promoted "University for all," university enrollment increased markedly between 1971 and 1973, which produced difficulties in the 1974-1978 period when the need arose to re-allocate significant amounts of funds. It should be pointed out that in 1978, enrollment were 70% higher than in 1970.

Source: Budget Directorate.

This redistribution within the sector cannot continue and there is no guarantee that a slip backwards can be prevented unless the essential problem of the mechanism for university financing is settled, that is the

elimination of a large portion of the subsidy which today society is transferring to future professionals. This means that a tuition system will have to be created which covers the real costs of higher education, by means of a generalized system of loans. The purpose of the loan system would be to prevent financial factors from limiting access to the university. Thus the admission of a candidate to the university will depend exclusively on academic excellence.

3. There has been a substantial improvement in the private school subsidy system, which in the field of education is a true reflection of the subsidiary principle.

Table N.º 19
Government Subsidies to Private Schools

| Years | Totally Subsidized* (thousands US\$ 1976) | N.º of Students** Subsidized | Subsidy per student (US\$ 1976) |
|-------|---|------------------------------|---------------------------------|
| 1969 | 12,773 | 327,434 | 39.0 |
| 1970 | 13,866 | 330,671 | 41.9 |
| 1971 | 16,190 | 314,836 | 51.4 |
| 1972 | 15,783 | 320,434 | 49.3 |
| 1973 | 8,567 | 315,717 | 27.1 |
| 1974 | 8,304 | 326,021 | 25.5 |
| 1975 | 8,625 | 321,793 | 26.8 |
| 1976 | 13,286 | 321,959 | 41.3 |
| 1977 | 17,148 | 334,245 | 51.3 |
| 1978 | 19,529 | 365,998 | 53.4 |
| 1979 | 36,181 | 385,068 | 94.0 |

Source: *Budget Directorate.
**Ministry of Education.

4. The increase in attendance at school, as shown in the following chart, while it is not a synthesis of the final results of the investment in Education, is, however, an important partial indicator of the degree of acceptance of educational programs.

Table N.º 20**Rate of Enrollment in Primary Education**
(Public and Private)

| Years | Students* (thousands) | Population** 5-14 years old (thousands) | Rate (%) |
|-------|--------------------------|--|-------------|
| 1970 | 2,040.0 | — | — |
| 1971 | 2,197.1 | 2,345.3 | 93.7 |
| 1972 | 2,260.2 | — | — |
| 1973 | 2,308.9 | 2,540.4 | 90.9 |
| 1974 | 2,332.7 | — | — |
| 1975 | 2,299.0 | 2,460.7 | 93.4 |
| 1976 | 2,243.1 | 2,410.7 | 93.0 |
| 1977 | 2,242.1 | 2,410.6 | 93.0 |
| 1978 | 2,232.9 | 2,317.5 | 96.3 |

Source *Superintendency of Public Education
**National Bureau of Statistics

Health and Nutrition Indicators

The activities carried out in the area of health have been oriented toward achieving the following goals:

- a. To define the task as a coordinated effort, in proportion to the economic capacity of all the sectors, whether public, private or mixed, and to center the activity of the State on the creation of a health system which will permit free choice and which will direct financial resources to the demand for health services, especially to meet the requirements of the poor sectors.
- b. To organize financial and human resources of the sector in order to render more effective service by means of:

—hygienic education campaigns to encourage timely prevention of illnesses. Polio has been eradicated. In 1978 the meningitis vaccination program covered 1,500,000 children in four weeks.

—the extension of health services to marginal sectors and to those who live far from health centers through rural first aid stations and neighborhood out-patient clinics.

c. To develop programs according to the priority established for the extension of health services to the extremely poor sector, which because of its socioeconomic conditions has the most serious problems with regard to health, especially among very young children. The most important activities and programs include:

—The hygienic education campaign, which at this level has diminished significantly the principal causes of infant mortality and sickness. Infant diarrhea has declined from 14.6 per thousand born alive in 1970 to 3.7 per thousand in 1978; bronchopneumonia in children has dropped from 23.6 per thousand born alive in 1970 to 6.0 per thousand in 1978. On the other hand, medical attention during childbirth has increased from 81.1% in 1970 to 90.4% in 1978.

—Campaigns against malnutrition in children have been developed through medical check-ups for children, by the installation of nutrition centers for children suffering severe malnutrition and the development of extensive research on the subject, all of which has contributed to a significant decline in the rate of malnutrition among children.

The Milk Program (Supplementary Nutrition) has continued with the concentration of distribution among children under six years old and pregnant mothers, especially in the poorest sectors.

The results of the health and nutrition policy are noteworthy. The principal indicator which reflects these results is the decline in infant mortality which in 1970 reached 79.3 per thousand born alive, 65.2 per thousand in 1973 and 38.7 per thousand in 1978. The series of biodemographic indicators which demonstrate these results are contained in the following tables.

Table N.º 21 shows the priorities in medical attention and the decline in infant mortality from the diseases which most frequently affect the poorest sectors.

Table N.º 21**Diseases and Basic Medical Attention**

| Years | Diahrrea Under 1 Year (per thousand born alive) | Bronchopneumonia Under 1 Year (per thousand born alive) | Medical Attention During Childbirth (%) |
|-------|--|--|---|
| 1969 | 12.7 | 24.7 | 80.0 |
| 1970 | 14.6 | 23.6 | 81.1 |
| 1971 | 11.9 | 20.1 | 83.6 |
| 1972 | 10.8 | 18.3 | 85.0 |
| 1973 | 9.7 | 15.3 | 85.1 |
| 1974 | 8.8 | 14.7 | 86.4 |
| 1975 | 7.1 | 11.3 | 87.4 |
| 1976 | 6.6 | 10.3 | 88.5 |
| 1977 | 5.5 | 8.1 | 90.0 |
| 1978 | 3.7 | 6.0 | 90.4 |

Source: Ministry of Health, Biodemographic Indicators.

One of the most important achievements has been the reduction of maternal deaths during or after childbirth which in 1978 was 50% of the rate in 1969. This is undoubtedly related to the higher rate of medical attention during childbirth.

The decline in infant malnutrition is shown in Table N.º 22. The most obvious results are the sudden decline in total malnutrition and especially of children in an advanced state of malnutrition.

Table N.º 22

**Number of Undernourished Children Under Six
Years of Age Treated by the National Health
Service**

(Chile, 1975-1978)

| | 1975 | | 1976 | | 1977 | | 1978 | |
|-----------------------------------|-----------|------|-----------|------|-----------|------|-----------|------|
| | N.º | % | N.º | % | N.º | % | N.º | % |
| Children Controlled Totally | 1,014,959 | | 1,047,796 | | 1,070,767 | | 1,047,623 | |
| Undernourished | 157,182 | 15.5 | 166,774 | 15.9 | 159,669 | 14.9 | 135,794 | 13.0 |
| Light | 122,216 | 12.1 | 126,621 | 12.1 | 127,908 | 11.9 | 113,565 | 10.8 |
| Moderate | 27,566 | 2.7 | 31,366 | 3.0 | 26,289 | 2.5 | 19,046 | 1.8 |
| Advanced | 7,400 | 0.7 | 8,787 | 0.8 | 5,472 | 0.5 | 3,183 | 0.3 |

Source: National Council for Nourishment and Nutrition.

Note: For the years prior to 1975, information on the state of nutrition of children under six is not available in the National Census. These figures were included beginning in 1975. However, studies of samples of the Greater Santiago area show 26.5% as undernourished. Interamerican Research on Children, OPS. PMS., Santiago, Chile, 1968-1970.

The principal result in the area of health is in the decline in infant mortality.

Table N.º 23

Infant Mortality

(Rate per 1.000 children born alive)

| Years | N.º deaths | Rate |
|-------|------------|-------|
| 1958 | 31,914 | 116.1 |
| 1959 | 31,043 | 115.2 |
| 1960 | 34,003 | 120.3 |
| 1961 | 31,638 | 108.9 |
| 1962 | 32,920 | 108.0 |
| 1963 | 31,044 | 100.2 |
| 1964 | 31,495 | 102.9 |
| 1965 | 29,394 | 95.4 |
| 1966 | 28,909 | 97.7 |
| 1967 | 26,127 | 94.3 |
| 1968 | 22,807 | 83.5 |
| 1969 | 21,156 | 78.7 |
| 1970 | 20,750 | 79.3 |
| 1971 | 19,271 | 70.5 |
| 1972 | 19,752 | 71.1 |
| 1973 | 18,029 | 65.2 |
| 1974 | 16,951 | 63.3 |
| 1975 | 14,217 | 55.4 |
| 1976 | 13,374 | 54.0 |
| 1977 | 11,429 | 47.5 |
| 1978 | 9,315 | 38.7 |

Source; National Health Service: Biodemographic Indicators.

On the other hand, the general state of health of the population is reflected in the significant decline in the general mortality rate and the maternal mortality rate during recent years.

Table N.º 24**Mortality Rate**

| Year | General (per 1,000 inhabitants) | Maternal (per 1,000 born alive) |
|------|------------------------------------|------------------------------------|
| 1969 | 9.2 | 1.82 |
| 1970 | 8.9 | 1.68 |
| 1971 | 8.7 | 1.42 |
| 1972 | 9.1 | 1.63 |
| 1973 | 8.4 | 1.32 |
| 1974 | 7.8 | 1.22 |
| 1975 | 7.2 | 1.31 |
| 1976 | 7.6 | 1.15 |
| 1977 | 6.9 | 1.01 |
| 1978 | 6.7 | 0.92 |

Source: National Health Service: Biodemographic Indicators.

Child Care Programs

Several programs for the care of children have been developed in connection with the health and nutrition policy for the purpose of providing an equal chance in life from an early age, especially directed to children from lower income homes.

Besides the programs for nutrition and health and the emphasis given to primary education, the following programs have also been undertaken:

— Supplementary Nourishment: which consists in the distribution of milk to children under six and to pregnant mothers. In 1978, 80% more milk was given out than in 1970.

— The National Child Care Foundation has quintupled the number of day care centers in operation from 1973 to 1979.

— The National Council for Minors, which was formed for the benefit of children from broken homes, maintains homes especially for this purpose. Between 1973 and 1979 the number of children attended has tripled.

— The National Student Aid and Scholarship Society benefits school children from low income groups by means of supplementary food programs.

Attention to minors is an area in which the intermediate groups of society through volunteer corps, churches and philanthropic societies can undoubtedly play an extremely important role. This opinion is based on the supposition that a sense of vocation would be more probable and more intense among members of such organizations than among those for whom remuneration and employment take precedence over the care of these children. The State as employer of the persons who occupy such positions does not guarantee that the personnel selected for these basic tasks possesses the deep motivation required to carry them out. Intermediate community groups undoubtedly provide greater guarantees. If the State is going to continue to delegate the care of minors, it will have to redesign the present subsidy system, create a non-discriminatory program that meets the real cost, and establish a fixed amount per child.

The following figures demonstrate the resources and alternatives of the various governments for programs such as Supplementary Nourishment, the National Student Aid and Scholarship Society, National Council for Minors and the National Child Care Foundation.

Table N.º 25

Milk Program - Quantity and Type of Products Distributed

| Year | Kilograms Distributed | Type of Product |
|------|-----------------------|--------------------------|
| 1954 | 1,400,000 | Milk 13% FG |
| 1955 | 1,520,000 | Milk 13% FG |
| 1956 | 2,000,000 | Milk 13% FG |
| 1957 | 1,685,000 | Milk 18% FG |
| 1958 | 2,850,500 | Milk 18% FG |
| 1959 | 7,581,461 | Milk 18% FG |
| 1960 | 8,400,000 | Milk 18% FG |
| 1961 | 8,110,000 | Milk 18% FG |
| 1962 | 8,639,000 | Milk 18% FG |
| 1963 | 8,011,280 | Milk 18% FG |
| 1964 | 7,283,200 | Milk 18% FG |
| 1965 | 11,622,095 | Milk 18% FG |
| 1966 | 15,224,066 | Milk 12% FG |
| 1967 | 20,214,273 | Milk 12% FG |
| 1968 | 16,408,112 | Milk 12% FG |
| 1969 | 14,811,534 | Milk 12% FG |
| 1970 | 17,111,368 | Milk 12% FG |
| 1971 | 21,151,219* | Milk 12% FG |
| 1972 | 20,486,156* | Milk 12% FG |
| 1973 | 21,520,000* | Milk 12% FG |
| 1974 | 25,561,037 | Milk 12% FG |
| 1975 | 29,737,266 | Milk 12% FC, 26% FC y PC |
| 1976 | 30,352,860 | Milk 12% FC, 26% FC y PC |
| 1977 | 28,651,145 | Milk 12% FC, 26% FC y PC |
| 1978 | 32,391,000 | Milk 12% FC, 26% FC y PC |

Source: Ministry of Health.

*Does not include milk given to school children.

Note: These figures include agreements with other institutions, particularly the Philanthropic and Social Assistance Society of the Seventh Day Adventist Church (OFASA).

Table N.º 26**Children Benefitted by National Child Care Foundation**

| Years | Number of Day Care Centers | Number of Children Attended |
|---------|----------------------------|-----------------------------|
| 1971* | 33 | 2,738 |
| 1972* | 70 | 5,911 |
| 1973 | 123 | 10,085 |
| 1974 | 179 | 16,199 |
| 1975 | 381 | 31,743 |
| 1976 | 364 | 33,041 |
| 1977 | 414 | 39,759 |
| 1978** | 407 | 39,948 |
| 1979*** | 460 | 50,902 |

*Approximate figures. Corresponds to initial period of the Foundation and a reliable information system was not yet in operation.

**Declines with respect to previous year when agreements with some public and private institutions expired.

***Level of activities programmed for this year because of a special program for the construction of day care centers in 1978 by the Educational Establishment Construction Corporation and the transfer of some centers to the Community Building Program of the Ministry of Housing as part of Ministry of Housing and Urban Development - IDB agreement.

Source: National Student Aid and Scholarship Society.

Table N.º 27**Children Attended by National Council for Minors**

| Year | N.º of Children |
|------|-----------------|
| 1973 | 9,308 |
| 1974 | 15,515 |
| 1975 | 20,281 |
| 1976 | 25,340 |
| 1977 | 28,244 |
| 1978 | 29,682 |
| 1979 | 33,131* |

*Approximate figure.

Note: No data available for previous years.

Source: National Council for Minors.

The purpose of the National Student Aid and Scholarship Society is to assist students by supplying food (breakfasts, lunches, dinners) and grants-in-aid for the purchase of materials and books, to students of limited income groups.

Formerly these benefits were available to all types of primary school students, and the benefits were necessarily low in quality. Beginning in 1974, the benefits have been directed especially to students from low income sectors.

The work of the National Student Aid and Scholarship Society is demonstrated by the evolution of its outlay in recent years.

Table N.º 28

National Student Aid and Scholarship Society Expenditure
(thousands US\$ 1976)

| | |
|------|-------|
| 1970 | 18.76 |
| 1971 | 27.18 |
| 1972 | 30.44 |
| 1973 | 17.98 |
| 1974 | 26.30 |
| 1975 | 20.87 |
| 1976 | 19.37 |
| 1977 | 21.36 |
| 1978 | 29.71 |
| 1979 | 31.32 |

Source: Budget Directorate.

The Housing Policy

The present housing policy is based on the principle that the State should exercise a subsidiary role while private individuals take an active part in satisfying their particular needs. This permits the State, in accordance with its function in the social area, to concentrate the orientation of resources to the poorest sectors.

Profound changes have been introduced into the traditional systems for the financing, production and sale of social housing. In the past, the State

practically monopolized housing construction, producing nearly 70% of housing and almost all of the remaining new house construction was financed through the National Savings and Loan Association and Social Security institutions. Private construction of housing was nearly non-existent.

As the State also established the housing standards according to the aspirations of the applicants, but not according to their paying capacity, all buyers of these houses were subsidized, and the higher the loan, the greater the subsidy. The system became totally regressive. According to some studies,¹ the value of the subsidies granted by the Savings and Loan Association was equivalent to the construction of 36,000 house of 50 m² which could otherwise have been assigned to the most needy.

The new housing program is designed to remove the serious disadvantages of the traditional system by establishing a fairer method of granting subsidies and of developing a real estate market to meet the actual demand, according to real paying capacity at the real price and according to market terms.

The principal characteristics of the new policy are contained in its clear social orientation by means of the assignment of houses to the poorest sectors through a national selection system based on clearly established criteria which totally exclude the political basis for assignment which had existed before. On the other hand, the system of purchasing the houses through the Ministry of Housing and Urban Development separates the financing operation from the construction. The system consists in purchasing the finished units like any other product offered in the market, selected by public bidding and thereby transferring the problem of production to the private sector. In this way, the subsidy system offers the low income sector access to the housing market.

The State has created a subsidy system for the purchase of housing in which the subsidy is in inverse proportion to the value of the house:

| Value of House | Amount of Subsidy |
|-----------------------|--------------------------|
| Up to 400 DU | 200 DU |
| 401-580 DU | 170 DU |
| 581-850 DU | 150 DU |
| over 850 DU* | -- |

*Development Units, readjusted daily, November 1979, approximately US\$ 21.

Source: Decrete N.º 188 Ministry of Housing and Urban Development, March 1978.

¹See: David Barros, "Evaluación de los subsidios otorgados por el SINAP a sus prestatarios en el período 1964-1974". Research Department, National Planning Office (ODEPLAN), Santiago, 1975.

The difference in the value of the house is paid by the beneficiary through a twelve-year credit plan at a real interest rate of 12%.

Between 1979 and 1980, 10,000 subsidies were granted.

At the same time, the Ministry of Housing and Urban Development has developed several programs for public investment by this sector, which are definitely socially oriented.

First is a housing program for traditional applicants already enrolled in a national selection list in which low-cost housing assignments are made according to time, continuity, savings, income and family groups and paid for by means of the system described above. This program is especially designed for the medium low income groups.

There is also a social housing program to aid the sectors living in extreme poverty in squatters' camps or marginal neighborhoods through the assignment of housing which meets the minimum standards. The beneficiaries of this type of program are the extremely poor group.

The social housing programs began operation in 1975 and have developed as follows:

Table N.º 29
Number of Low-cost Housing Units*

| Year | Started | Completed |
|------------------|---------|-----------|
| 1975 | 8,908 | 5,135 |
| 1976 | 6,908 | 5,206 |
| 1977 | 4,350 | 5,020 |
| 1978 | 3,344 | 6,551 |
| 1979 (Jan.-July) | 5,678 | 2,268 |

Source: Ministry of Housing and Urban Development.

*These figures do not include the work of the former Community Housing Committees.

Among the activities of the Ministry of Housing and Urban Development is the normalization of certain situations created during the Popular Unity Government which, in fact, had constituted a violation of property rights.

This task has been accomplished by legislation on these situations by means of expropriation and the corresponding indemnification payment for illegally occupied sites.

The program to normalize the situation of private lands illegally occupied by approximately 40,000 families consists in clearing the titles of these lands and assigning them legally to their occupants. Another purpose of this measure is to encourage these people to save, so that once they own land, they may apply for some type of low-cost housing, according to their income and the size of the family group.

Titles have also been cleared for fiscal lands which had been occupied. In 1979, 84,570 occupants received titles. This program will continue during the coming years as a mean of solving the problem.

A mortgage system has been created for the purpose of acquiring housing. The system functions in the commercial banks and is refinanced by the Central Bank.

The amount assigned for this purpose by the Central Bank has been as follows:

Table N.º 30

Central Bank of Chile Refinancing for Housing

| Period | Amount (Millions US\$) |
|-----------------------|---------------------------|
| July 1977 - June 1978 | 50.0 |
| July 1978 - June 1979 | 70.0 |
| July 1979 - June 1980 | 70.0 |

Credit terms for the buyer:

Term: 12 years.

Interest: 12% for units up to 1,000 DU*

20% for units over 1,000 DU

*Development Units, readjusted daily, November 1979 approximately US\$ 21.

Finally, a word on the number of houses started and completed under the Ministry of Housing in the 1960-1979 period is presented in Table N.º 31.

Table N.º 31

Housing Units Begun and Completed
(Nationwide)

| Year | N.º Begun | N.º Completed Yearly | Yearly Average |
|------|-----------|-------------------------|-------------------|
| 1960 | 18,395 | 17,021 | |
| 1961 | 22,504 | 17,023 | |
| 1962 | 16,992 | 11,289 | |
| 1963 | 10,082 | 13,603 | |
| 1964 | 6,012 | 9,189 | |
| 1965 | 26,194 | 13,888 | } 19,474 |
| 1966 | 11,160 | 17,940 | |
| 1967 | 25,617 | 18,311 | |
| 1968 | 30,832 | 33,915 | |
| 1969 | 12,035 | 21,964 | |
| 1970 | 3,230 | 10,826 | |
| 1971 | 72,465 | 13,225 | |
| 1972 | 18,658 | 21,111 | |
| 1973 | 18,035 | 25,892 | |
| 1974 | 12,084 | 29,564 | } 24,400 |
| 1975 | 6,743 | 37,087 | |
| 1976 | 26,736 | 15,351 | |
| 1977 | 12,916 | 17,823 | |
| 1978 | 10,460 | 22,176 | |
| 1979 | 12,476 | 6,543 | |

Source: Ministry of Housing and Urban Development. The years 1960-1966 correspond to houses begun and completed by the Housing Corporation, and from 1967 on by the Ministry through its various corporations.

The Social Security Policy

The Map of Extreme Poverty indicates that 26% of the extremely poor sector is made up of older persons who are no longer trainable. For this reason, among others, a number of direct measures has been adopted to raise their standard of living.

In the first place, the difference (in terms of social security benefits)

between white collar and blue collar workers has disappeared. The minimum pensions and family allowance are identical for both groups, a measure which was long over-due and which this government put into effect.

Between 1973 and 1980, the minimum pension has gradually increased by nearly 60% in real terms.

A pension system established for indigent invalids and elderly at present benefits 100,000 persons.

Although there have been significant achievements in this area, many serious problems remain to be solved and are under consideration in the Social Security Reform Study. Besides the changes implemented early in 1979 to avoid unfair practices in matters of age and years of service requirements and in the calculation of pensions, as well as obligatory periodic readjustment of pensions, the Social Security Reform is centered on the application of an efficient capitalization system that motivates personal saving in order to obtain a suitable pension at the end of one's active life.

In real terms, using various deflators (given the distortions produced from 1971-73 because of the black markets), minimum pensions have evolved as follows:

Table N.º 32

Minimum Pensions for Blue Collar Workers*

| | (1) | | (2) | |
|------|-----------------|--------------------|-----------------|--------------------|
| | in Ch\$ Dec. 78 | % variation period | in Ch\$ Dec. 78 | % variation period |
| 1970 | 812 | | 1,246 | |
| 1973 | 1,095 | 34.9 | 1,153 | -7.5 |
| 1978 | 1,800 | 64.4 | 1,800 | 56.1 |

*As of 1974 the same pension applies to Blue Collar as well as White Collar Workers.

(1) Figures deflated by the CPI (NBS).

(2) Figures deflated by CPI corrected on the basis of University of Chile Department of Economics estimates.

Source: Budget Directorate.

Table N.º 33**Minimum Pensions - White Collar Workers***

| | (1) | | (2) | |
|------|-----------------|--------------------|-----------------|--------------------|
| | in Ch\$ Dec. 78 | % variation period | in Ch\$ Dec. 78 | % variation period |
| 1970 | 1,360 | | 2,091 | |
| 1973 | 1,115 | -18.0 | 1,172 | -44.0 |
| 1978 | 1,800 | 61.4 | 1,800 | 53.6 |

*As of 1974 the same pension applies to Blue Collar as well as White Collar Workers.

(1) Figures deflated by the CPI (NBS).

(2) Figures deflated by CPI corrected on the basis of University of Chile Department of Economics estimates.

Source: Budget Directorate.

Family allowances for blue collar workers are now equal to those of white collar workers, as the following table demonstrates.

Table N.º 34**Family Allowances of Blue Collar Worker as Compared to That of White Collar Worker %**

| | |
|------|--------|
| 1970 | 38.44 |
| 1971 | 53.39 |
| 1972 | 50.85 |
| 1973 | 46.25 |
| 1974 | 100.00 |
| 1975 | 100.00 |
| 1976 | 100.00 |
| 1977 | 100.00 |
| 1978 | 100.00 |

Source: Budget Directorate.

Depending on the deflator used, the family allowances of blue collar workers has increased in real terms between 14% and 70% from 1970 to 1978.

Decree Law N.º 869 of 1974 established for the first time a pension system to aid invalids and elderly persons without means. Prior to 1974 the Social Security system did not take into account this sector of the population. The number of beneficiaries has been as follows:

Table N.º 35

N.º of Beneficiaries of D.L. 869

| | |
|------|---------|
| 1975 | 5,627 |
| 1976 | 37,359 |
| 1977 | 75,309 |
| 1978 | 101,440 |

Source: Budget Directorate.

Remunerations, Employment, Unemployment, Subsidies and Training

Remunerations

The following indicators help to visualize the real improvement in wages and salaries:

The Wage and Salary Index of the National Bureau of Statistics (NBS) deflated by the (official) CPI of the NBS.

The results of the quarterly surveys show a notable increase in the last three years:

% of real average variation 1976-77: 23.3

% of real average variation 1977-78: 14.2

% of real average variation 1978 - average Jan-July 1979: 10.8

The Index of Real Remunerations in the Public Sector shows similar results (based on the Uniform Wage Scale):

| | Real Average Index | % Variation |
|-----------|--------------------|-------------|
| 1975 | 100.00 | - |
| 1976 | 103.65 | 3.7 |
| 1977 | 130.86 | 26.3 |
| 1978 | 149.93 | 14.6 |
| 1979 | 174.55 | 16.4 |
| Jan.-July | | |

Real minimum income in the private sector has increased as follows:

% real average variation 1975-76: 8.0

% real average variation 1976-77: 19.9

% real average variation 1977-78: 26.7

% real average variation 1978 - average Jan.-July, 1979: 1.3

There has been a great deal of discussion with regard to which is the correct deflator to be used to express the wage and salary index in real terms. The polemics started because the NBS Consumer Price Index was unable to report the actual price levels from 1971 to 1973.

For this reason we include here a summary of the comparison of the wage and salary index presented by the World Bank in its report entitled "Chile, An Economy in Transition," (June, 1979) which results from the use of alternative deflators.

Table N.º 36**Real Wage and Salary Index**
(Annual percentage, Base April, 1969 = 100)

| Year | Deflator: World Bank* | University of Chile** | Official (CPI-NBS)*** |
|------|--------------------------|--------------------------|--------------------------|
| 1970 | 114.2 | 112.4 | 114.2 |
| 1971 | 135.0 | 134.8 | 142.7 |
| 1972 | 110.2 | 123.0 | 146.4 |
| 1973 | 61.5 | 83.5 | 117.5 |
| 1974 | 84.8 | 78.6 | 118.6 |
| 1975 | 82.4 | 76.4 | 115.4 |
| 1976 | 88.2 | 81.9 | 123.5 |
| 1977 | 110.8 | 102.8 | 155.2 |
| 1978 | 126.7 | 117.5 | 177.3 |

Source: World Bank, "Chile, An Economy in Transition" (1979) Vol. III: Statistics Table 9.21.

*World Bank CPI differs from the official index for the years 1971-1973.

**The Economics Department of the University of Chile presents adjustments in the Official Consumer Price Index for 1970-1973.

***The Official Consumer Price Index prepared by the National Bureau of Statistics, according to the methodology used, does not include a great number of the prices in the black market from 1971-1973.

The main conclusion to be derived from the previous table is the strong real increase in wages and salaries during recent years, which in 1978 surpasses the 1970 levels.

The ephemeral nature of the improvement in 1971 is also obvious, as the tendency to decrease was already evident in 1972 and reached its critical point, according to the World Bank, in 1973.

The followings tables present the original nominal figures for wages and salaries to facilitate the use of various deflators, should the reader so desire.

Table No. 37

Wage and Salary Index 1970 - 1979
(Base January 1970 = 100)

| | | W.S.I. (Nominal) | C.P.I. | W.S.I. (Real) | Average for year |
|------|---------|---------------------|-----------|------------------|---------------------|
| 1970 | January | 100.0 | 100.0 | 100.0 | |
| | April | 112.0 | 111.4 | 100.5 | |
| | July | 120.0 | 118.2 | 101.5 | |
| | October | 129.1 | 125.5 | 102.9 | 101.2 |
| 1971 | January | 143.2 | 128.1 | 111.8 | |
| | April | 171.4 | 133.9 | 128.0 | |
| | July | 185.9 | 140.8 | 132.0 | |
| | October | 196.1 | 146.3 | 134.0 | 126.5 |
| 1972 | January | 218.4 | 159.9 | 136.6 | |
| | April | 240.4 | 184.9 | 130.0 | |
| | July | 269.4 | 205.5 | 131.1 | |
| | October | 433.8 | 355.2 | 122.1 | 130.0 |
| 1973 | January | 595.9 | 448.4 | 132.9 | |
| | April | 663.8 | 546.4 | 121.5 | |
| | July | 956.1 | 869.9 | 109.9 | |
| | October | 1,168.7 | 2,232.4 | 52.4 | 104.2 |
| 1974 | January | 3,247.5 | 2,820.1 | 115.2 | |
| | April | 4,289.5 | 4,623.1 | 92.8 | |
| | July | 7,501.3 | 6,768.6 | 110.8 | |
| | October | 10,253.5 | 10,067.5 | 101.8 | 105.2 |
| 1975 | January | 14,493.4 | 13,400.0 | 108.2 | |
| | April | 21,932.8 | 22,852.0 | 96.0 | |
| | July | 35,701.0 | 34,691.0 | 102.9 | |
| | October | 45,653.0 | 44,737.6 | 102.0 | 102.3 |
| 1976 | January | 59,971.0 | 57,261.0 | 104.7 | |
| | April | 83,552.0 | 80,066.0 | 104.3 | |
| | July | 118,398.5 | 107,560.4 | 110.1 | |
| | October | 154,770.9 | 130,275.4 | 118.8 | 109.5 |
| 1977 | January | 196,542.0 | 150,608.7 | 130.5 | |
| | April | 238,694.7 | 177,070.8 | 134.5 | |
| | July | 291,493.2 | 197,378.3 | 147.7 | |
| | October | 301,553.9 | 220,587.4 | 136.7 | 137.4 |
| 1978 | January | 357,124.0 | 236,700.2 | 150.9 | |
| | April | 397,313.7 | 256,020.5 | 155.2 | |
| | July | 448,143.3 | 273,425.2 | 163.9 | |
| | October | 464,471.9 | 294,553.7 | 157.7 | 156.9 |
| 1979 | January | 525,414.8 | 309,718.4 | 169.6 | |
| | April | 592,467.0 | 331,986.2 | 178.5 | |
| | July | 657,519.1 | 361,494.7 | 181.9 | |

Source: National Bureau of Statistics (NBS) for W.S.I. and C.P.I. (W.S.I. January, 1970 = 1,898.5).

Table No. 38
Wage and Salary Index
 (Base January 1970 = 100)

| | W.S.I. (Nominal) | C.P.I. | W.S.I. (Real) | % real variation between readjustments |
|-------------|---------------------|-----------|------------------|--|
| 1976 | | | | |
| | January | 59,994.7 | 57,263.1 | 104.8 |
| | February | 60,594.0 | 63,018.3 | 96.2 |
| (R) | March* | 79,984.0 | 71,553.9 | 111.8 |
| | April | 83,539.6 | 80,068.4 | 104.3 |
| | May | 85,857.2 | 87,948.9 | 97.6 |
| (R) | June | 116,829.1 | 98,800.5 | 118.2 |
| | July | 118,409.3 | 107,564.4 | 110.1 |
| | August | 121,833.0 | 113,441.8 | 107.4 |
| | September | 152,699.5 | 122,083.3 | 125.1 |
| | October | 154,753.8 | 130,280.2 | 118.8 |
| | November | 156,386.6 | 135,257.9 | 115.6 |
| (R) | December | 186,779.0 | 142,193.9 | 131.4 |
| | 1976 Average | | 111.7 | 5.0 |
| 1977 | | | | |
| | January | 196,523.6 | 150,614.3 | 130.5 |
| | February | 196,945.0 | 159,388.8 | 123.6 |
| (R) | March | 235,607.1 | 169,117.1 | 139.3 |
| | April | 238,714.8 | 177,065.8 | 134.8 |
| | May | 246,615.7 | 183,836.0 | 134.1 |
| | June | 248,301.3 | 189,958.1 | 130.7 |
| (R) | July | 291,493.3 | 197,375.2 | 147.7 |
| | August | 294,442.9 | 204,084.2 | 144.3 |
| | September | 299,183.5 | 211,696.2 | 141.3 |
| | October | 301,553.9 | 220,587.4 | 136.7 |
| | November | 303,924.2 | 225,438.1 | 134.8 |
| (R) | December | 358,914.9 | 232,475.3 | 154.4 |
| | 1977 Average | | 137.7 | 4.5 |
| 1978 | | | | |
| | January | 357,124.0 | 236,706.8 | 150.9 |
| | February | 356,175.9 | 242,411.6 | 146.9 |
| (R) | March | 390,044.7 | 249,506.6 | 156.3 |
| | April | 397,313.7 | 256,020.6 | 155.2 |
| | May | 403,476.5 | 261,430.3 | 154.3 |
| | June | 409,375.8 | 266,711.3 | 153.5 |
| (R) | July | 448,143.3 | 273,425.2 | 163.9 |
| | August | 453,779.3 | 281,091.9 | 161.4 |
| | September | 457,519.1 | 289,159.7 | 158.2 |
| | October | 464,472.0 | 294,553.7 | 157.7 |
| | November | 466,684.2 | 298,460.1 | 156.4 |
| (R) | December | 525,256.8 | 302,971.0 | 173.4 |
| | 1978 Average | | 157.3 | 5.8 |
| 1979 | | | | |
| | January | 525,414.8 | 309,718.4 | 169.6 |
| | February | 525,678.2 | 314,747.6 | 167.0 |
| (R) | March | 577,719.3 | 323,594.1 | 178.5 |
| | April | 592,467.0 | 331,986.2 | 178.5 |
| | May | 594,258.6 | 340,347.9 | 174.6 |
| | June | 593,468.5 | 348,891.5 | 170.1 |
| (R) | July | 657,519.1 | 361,494.7 | 181.9 |
| | August | 670,792.7 | 378,581.8 | 177.2 |
| | September | 670,476.7 | 393,426.9 | 170.4 |
| | October | | | |
| | November | | | |
| (R) | December | | | |

*Estimates. (R) Readjustment % Real Average Variation 1976-77: 23.3%
 1977-78: 14.2%

Source: Nominal W.S.I.: NBS
 C.P.I.: NBS

Table N.° 39
Minimum Income Index-Private Sector 1975-1978
 (Base January 1975 = 100)

| Year | Month | Minimum Wage | Nominal Index | C.P.I. (Jan 75 = 100) | Real Index | Average for year |
|------|-----------|--------------|---------------|-----------------------|------------|------------------|
| 1975 | January | 64.9 | 100.0 | 100 | 100 | |
| | February | 64.9 | 100.0 | 116.5 | 85.8 | |
| | March | 106.4 | 163.9 | 141.2 | 116.1 | |
| | April | 106.4 | 163.9 | 170.5 | 96.1 | |
| | May | 106.4 | 163.9 | 197.8 | 82.9 | |
| | June | 182.0 | 280.4 | 236.9 | 118.4 | |
| | July | 182.0 | 280.4 | 258.9 | 108.3 | |
| | August | 182.0 | 280.4 | 281.9 | 99.5 | |
| | September | 225.7 | 347.8 | 308.0 | 112.9 | |
| | October | 225.7 | 347.8 | 333.9 | 104.2 | |
| | November | 288.9 | 445.1 | 361.2 | 123.2 | |
| | December | 288.9 | 445.1 | 386.8 | 115.1 | 105.2 |
| 1976 | January | 288.9 | 445.1 | 427.3 | 104.2 | |
| | February | 288.9 | 445.1 | 470.3 | 94.6 | |
| | March | 381.35 | 587.6 | 533.9 | 110.0 | |
| | April | 431.35 | 664.6 | 597.4 | 111.3 | |
| | May | 431.35 | 664.6 | 656.3 | 101.3 | |
| | June | 599.58 | 923.9 | 737.3 | 125.3 | |
| | July | 599.58 | 923.9 | 802.9 | 115.1 | |
| | August | 599.58 | 923.9 | 846.8 | 109.1 | |
| | September | 755.47 | 1,164.1 | 911.0 | 127.8 | |
| | October | 755.47 | 1,164.1 | 972.2 | 119.7 | |
| | November | 755.47 | 1,164.1 | 1,009.4 | 115.3 | |
| | December | 891.45 | 1,373.6 | 1,060.8 | 129.5 | 113.6 |
| 1977 | January | 966.45 | 1,489.1 | 1,124.0 | 132.5 | |
| | February | 966.45 | 1,489.1 | 1,189.4 | 125.2 | |
| | March | 1,150.08 | 1,772.1 | 1,262.0 | 140.4 | |
| | April | 1,150.08 | 1,772.1 | 1,321.3 | 134.1 | |
| | May | 1,196.08 | 1,842.9 | 1,371.9 | 134.3 | |
| | June | 1,196.08 | 1,842.9 | 1,417.5 | 130.0 | |
| | July | 1,411.31 | 2,174.7 | 1,472.9 | 147.6 | |
| | August | 1,411.37 | 2,174.7 | 1,523.0 | 142.8 | |
| | September | 1,411.37 | 2,174.7 | 1,579.7 | 137.7 | |
| | October | 1,411.37 | 2,174.7 | 1,646.0 | 132.1 | |
| | November | 1,411.37 | 2,174.7 | 1,682.6 | 129.2 | |
| | December | 1,665.42 | 2,566.1 | 1,734.8 | 147.9 | 136.2 |
| 1978 | January | 2,000.00 | 3,081.7 | 1,766.4 | 174.5 | |
| | February | 2,000.00 | 3,081.7 | 1,808.9 | 170.4 | |
| | March | 2,160.00 | 3,328.2 | 1,861.9 | 178.7 | |
| | April | 2,160.00 | 3,328.2 | 1,910.5 | 174.2 | |
| | May | 2,160.00 | 3,328.2 | 1,950.8 | 170.6 | |
| | June | 2,160.00 | 3,328.2 | 1,990.2 | 167.2 | |
| | July | 2,376.00 | 3,661.0 | 2,040.3 | 179.4 | |
| | August | 2,376.00 | 3,661.0 | 2,097.6 | 174.5 | |
| | September | 2,376.00 | 3,661.0 | 2,157.8 | 169.7 | |
| | October | 2,376.00 | 3,661.0 | 2,197.8 | 166.5 | |
| | November | 2,376.00 | 3,661.0 | 2,227.2 | 164.4 | |
| | December | 2,661.00 | 4,100.2 | 2,260.9 | 181.4 | 172.6 |
| 1979 | January | 2,661.00 | 4,100.2 | 2,311.3 | 177.4 | |
| | February | 2,661.00 | 4,100.2 | 2,348.8 | 174.6 | |
| | March | 2,821.00 | 4,346.7 | 2,414.9 | 180.0 | |
| | April | 2,821.00 | 4,346.7 | 2,477.5 | 175.4 | |
| | May | 2,821.00 | 4,346.7 | 2,539.9 | 171.1 | |
| | June | 2,821.00 | 4,346.7 | 2,603.6 | 166.9 | |
| | July | 3,131.00 | 4,824.3 | 2,697.7 | 178.8 | 174.9 |

Source: Minimum Wage - Budget Directorate C.P.I.: NBS.

Employment

It is important to begin with some information about the labor market. The following are some of the various sources of information which qualify the statistics on population, the labor force, employment and unemployment. The results in some cases do not coincide.

Employment and Population on a National Level presented in "Report on the State of Public Finances" (January, 1979); The National Planning Office; Nationwide Survey by N.B.S. (National Bureau of Statistics) in November of 1976, 1977, 1978 (preliminary findings); survey of Greater Santiago by Economics Department of the University of Chile; and survey of Greater Santiago by the National Bureau of Statistics.

There is no consensus among the various sources of information with respect to the tendencies of the rate of unemployment in the last three years. What is clear enough, however, throughout all the sources of information is a **marked increase in employment**.

Table N.º 40
Rate of Increase in Employment
(in percentages)

| Year | National Level* | National Level, Nov. each year** | Greater Santiago (Econ. Dpt. June/ea. yr.+) | Greater Santiago Apr.-Jun. each year++ |
|------|-----------------|----------------------------------|---|--|
| 1970 | 2.0 | — | 5.9 | — |
| 1971 | 4.9 | — | 6.9 | — |
| 1972 | 3.2 | — | 4.6 | — |
| 1973 | 0.6 | — | 3.3 | — |
| 1974 | -2.3 | — | -3.6 | — |
| 1975 | -3.6 | — | -2.9 | — |
| 1976 | 3.5 | — | 6.2 | — |
| 1977 | 3.7 | 1.4 | 8.9 | 7.0 |
| 1978 | 4.6 | 5.7 | 4.6 | 5.5 |
| 1979 | — | — | 7.0 | 3.4 |

Source: *National Planning Office
**NBS
+ Economics Department, University of Chile.
++NBS

Tables No. 41 and No. 42 contain the basic information required to prepare Tables No. 40 and 43.

Table N.º 41

Employment and Population on a National Level
(Thousands of Persons)

| Year | Total Population | % Var. | Active Population | % Var. | Population Employed | % Var. | Population Unemployed | Unemployment Rate |
|-------|------------------|--------|-------------------|--------|---------------------|--------|-----------------------|-------------------|
| 1960 | 7,585.3 | — | 2,427.3 | — | 2,255.0 | — | 172.3 | 7.1 |
| 1961 | 7,773.3 | 2.5 | 2,474.6 | 1.9 | 2,276.6 | 1.0 | 198.0 | 8.0 |
| 1962 | 7,961.3 | 2.4 | 2,522.8 | 1.9 | 2,323.5 | 2.1 | 199.3 | 7.9 |
| 1963 | 8,147.3 | 2.3 | 2,572.0 | 2.0 | 2,379.1 | 2.4 | 192.9 | 7.5 |
| 1964 | 8,330.4 | 2.2 | 2,622.1 | 1.9 | 2,438.6 | 2.5 | 183.5 | 7.0 |
| 1965 | 8,509.9 | 2.2 | 2,673.2 | 1.9 | 2,502.1 | 2.6 | 171.1 | 6.4 |
| 1966 | 8,685.9 | 2.1 | 2,725.3 | 1.9 | 2,559.1 | 2.3 | 166.2 | 6.1 |
| 1967 | 8,858.9 | 2.0 | 2,778.4 | 1.9 | 2,647.8 | 3.5 | 130.6 | 4.7 |
| 1968 | 9,029.6 | 1.9 | 2,832.6 | 2.0 | 2,693.8 | 1.7 | 138.8 | 4.9 |
| 1969 | 9,199.1 | 1.9 | 2,837.8 | 1.9 | 2,714.5 | 0.8 | 173.3 | 6.0 |
| 1970 | 9,368.6 | 1.8 | 2,950.1 | 2.2 | 2,770.1 | 2.0 | 180.0 | 6.1 |
| 1971 | 9,539.1 | 1.8 | 3,020.9 | 2.4 | 2,906.1 | 4.9 | 114.8 | 3.8 |
| 1972 | 9,711.9 | 1.8 | 3,093.9 | 2.4 | 2,998.0 | 3.2 | 95.9 | 3.1 |
| 1973 | 9,887.9 | 1.8 | 3,167.6 | 2.4 | 3,015.6 | 0.6 | 152.0 | 4.8 |
| 1974 | 10,068.1 | 1.8 | 3,243.6 | 2.4 | 2,945.2 | -2.3 | 298.4 | 9.2 |
| 1975 | 10,253.0 | 1.8 | 3,321.3 | 2.4 | 2,839.7 | -3.6 | 481.6 | 14.5 |
| 1976 | 10,443.2 | 1.9 | 3,404.7 | 2.5 | 2,938.8 | 3.5 | 465.9 | 13.7 |
| 1977 | 10,639.0 | 1.9 | 3,490.2 | 2.5 | 3,046.9 | 3.7 | 443.3 | 12.7 |
| 1978* | 10,840.5 | 1.9 | 3,577.8 | 2.5 | 3,187.4 | 4.6 | 390.4 | 10.9 |

Source: Total Population. National Planning Office-Latin American Demographic Center. Projection of the Population of the Chile by sex and by 5-year age groups 1950-2000. Santiago, May, 1975.

Active Population 1970-1974. Latin American Demographic Center. Projection of economically active population 1970-2000. Bulletin No. 15.

Unemployed and employed population. National Planning Office.
*Provisional estimate.

Table N.º 42

Employment and Unemployment in Greater Santiago
(thousands)

| | Population | Labor Force | Employed | Unemployed | Lay-offs | Rate of Unemployment |
|-------------|------------|-------------|----------|------------|----------|----------------------|
| 1974 | | | | | | |
| March | 3,413.2 | 1,179.2 | 1,070.3 | 109.0 | 6.4 | 9.2 |
| June | 3,444.7 | 1,182.9 | 1,060.6 | 122.3 | 7.5 | 10.3 |
| September | 3,476.5 | 1,198.7 | 1,086.1 | 122.6 | 6.8 | 9.4 |
| December | 3,508.5 | 1,228.6 | 1,109.3 | 119.2 | 6.1 | 9.7 |
| 1975 | | | | | | |
| March | 3,540.8 | 1,230.9 | 1,067.2 | 163.7 | 9.1 | 13.3 |
| June | 3,573.4 | 1,226.7 | 1,029.5 | 197.2 | 12.0 | 16.1 |
| September | 3,606.3 | 1,223.3 | 1,019.9 | 203.5 | 12.6 | 16.6 |
| December | 3,639.5 | 1,280.2 | 1,041.2 | 239.0 | 13.8 | 18.7 |
| 1976 | | | | | | |
| March | 3,673.0 | 1,298.7 | 1,041.1 | 257.6 | 14.8 | 19.8 |
| June | 3,706.9 | 1,333.5 | 1,093.0 | 240.5 | 13.4 | 18.0 |
| July | 3,718.4 | 1,284.4 | 1,074.6 | 209.8 | 11.9 | 16.3 |
| August | 3,729.8 | 1,291.4 | 1,071.9 | 219.5 | 12.5 | 17.0 |
| September | 3,742.1 | 1,291.5 | 1,089.2 | 202.3 | 12.2 | 15.7 |
| December | 3,775.6 | 1,317.5 | 1,138.3 | 179.2 | 10.0 | 13.6 |
| 1977 | | | | | | |
| March | 3,810.3 | 1,336.6 | 1,151.4 | 185.2 | 9.5 | 13.9 |
| June | 3,845.5 | 1,368.8 | 1,190.4 | 178.4 | 10.2 | 13.0 |
| September | 3,880.9 | 1,371.3 | 1,195.6 | 175.8 | 10.0 | 12.8 |
| December | 3,916.7 | 1,374.9 | 1,193.9 | 180.9 | 9.9 | 13.2 |
| 1978 | | | | | | |
| March | 3,952.8 | 1,417.2 | 1,208.9 | 208.4 | 11.2 | 14.7 |
| June | 3,989.2 | 1,426.9 | 1,244.8 | 182.1 | 9.4 | 12.8 |
| September | 4,026.0 | 1,466.7 | 1,265.1 | 201.6 | 10.7 | 13.7 |
| December | 4,063.1 | 1,470.7 | 1,253.4 | 217.3 | 10.5 | 14.8 |
| 1979 | | | | | | |
| March | 4,100.6 | 1,531.8 | 1,279.1 | 252.7 | 12.6 | 16.5 |
| June | 4,138.4 | 1,522.3 | 1,331.8 | 190.5 | 9.3 | 12.5 |
| September | 4,176.5 | 1,520.4 | 1,330.0 | 190.4 | 9.6 | 12.5 |
| December | | | | | | |

Source: Economics Departments, University of Chile.

Note: Beginning with the March, 1976 survey, the intercensus rate of population growth in Greater Santiago has been recalculated according to NBS figures. The information in thousands in this table includes that change and can therefore no longer be compared with information published prior to March, 1976.

In March of 1976, workers employed in the minimum employment program (Greater Santiago) reached a level of 32,128 people, which represents 2.5% of the labor force of the period.

Table N.º 43
Employment and the Rate of Unemployment in Greater Santiago
(Thousands of Persons)

| Year | Actual figures* | | | | Projected |
|------|-----------------------------|--------------------------|----------------------------|--------------------------------------|--|
| | (1) Total Labor Force | (2) Total Employed | (3) Total Unemployed | (4) Unemploy- ment Rate (%) | (5) Projected or "Normal" Labor Force |
| 1961 | 734 | 685 | 49 | 6.7 | 728 |
| 1962 | 766 | 726 | 40 | 5.2 | 755 |
| 1963 | 780 | 741 | 39 | 5.0 | 783 |
| 1964 | 798 | 756 | 42 | 5.3 | 811 |
| 1965 | 835 | 790 | 45 | 5.4 | 841 |
| 1966 | 866 | 820 | 46 | 5.3 | 872 |
| 1967 | 903 | 848 | 55 | 6.1 | 905 |
| 1968 | 935 | 879 | 56 | 6.0 | 938 |
| 1969 | 982 | 921 | 61 | 6.2 | 973 |
| 1970 | 1,016 | 944 | 72 | 7.1 | 1,008 |
| 1971 | 1,057 | 999 | 58 | 5.5 | 1,046 |
| 1972 | 1,078 | 1,037 | 41 | 3.8 | 1,084 |
| 1973 | 1,140 | 1,087 | 53 | 4.6 | 1,124 |
| 1974 | 1,197 | 1,082 | 115 | 9.6 | 1,165 |
| 1975 | 1,240 | 1,039 | 201 | 16.2 | 1,209 |
| 1976 | 1,303 | 1,085 | 218 | 16.7 | 1,253 |
| 1977 | 1,363 | 1,183 | 180 | 13.2 | 1,300 |
| 1978 | 1,445 | 1,243 | 202 | 14.0 | 1,348 |

Source: *Economics Department, University of Chile. Average figures for each year.

**Projection of tendencies 1961-1970 to 1971-1978. Labor Force: 3.6% annual growth. Employment: 3.51% annual growth.

Jorge Cauas L., Alvaro Saieh B., "Política Económica de 1973-1979", Revista Realidad, (Santiago: October, 1979).

| figures** | | Figures Based on Projected or "Normal" Labor Force and Actual Employment Total | | | | |
|---|---|---|--|----------------------------------|--|---|
| (6) Projected or Normal Em- ployment | (7) Projected or "Normal" Un- employment | (8) Rate of Pro- jected or "Normal" Un- employment (%) | (9) Projected or "Normal" Labor Force | (10) Total Real Employment | (11) Unemploy- ment accord- ing to Pro- jected or "Normal" La- bor Force and Real Employ- ment | (12) Unemploy- ment Rate ac- cording to Projected or "Normal" La- bor Force and to Real Em- ployment (%) |
| 689 | 39 | 5.4 | | | | |
| 714 | 41 | 5.4 | | | | |
| 739 | 44 | 5.6 | | | | |
| 765 | 46 | 5.7 | | | | |
| 793 | 48 | 5.7 | | | | |
| 821 | 51 | 5.8 | | | | |
| 850 | 55 | 6.1 | | | | |
| 881 | 57 | 6.1 | | | | |
| 912 | 61 | 6.3 | | | | |
| 945 | 63 | 6.3 | 1,008 | 944 | 64 | 8.3 |
| 979 | 67 | 6.4 | 1,046 | 999 | 47 | 4.5 |
| 1,014 | 70 | 6.5 | 1,084 | 1,037 | 47 | 4.3 |
| 1,050 | 74 | 6.6 | 1,124 | 1,087 | 37 | 3.3 |
| 1,087 | 79 | 6.8 | 1,166 | 1,082 | 84 | 7.2 |
| 1,126 | 83 | 6.9 | 1,209 | 1,039 | 170 | 14.1 |
| 1,166 | 87 | 6.9 | 1,253 | 1,085 | 168 | 13.4 |
| 1,208 | 92 | 7.1 | 1,300 | 1,183 | 117 | 9.0 |
| 1,251 | 97 | 7.2 | 1,348 | 1,243 | 105 | 7.8 |

With respect to the high unemployment rates prevalent in the labor market, studies made reveal an abnormally high rate of growth in the labor force.

In an article entitled "Política Económica 1973-1979" published in the magazine "Realidad" in October, 1979, Jorge Cauas and Alvaro Saieh conclude that by using the figures of the Economics Department of the University of Chile for Greater Santiago, "it can be stated that the 14% unemployment rate in 1978 is higher than the 7.1% for 1970 because the labor force increased at an unusually high rate." If the growth in the labor force were similar to the historic rate (1961-1970), the unemployment rate would be similar to that of 1970, as can be seen in Table No. 43.

However, in order to reduce substantially the unemployment rate, which cannot be done in a short time, an increase in employment superior to the historic rate is required. The only logical way to achieve this objective is with rates of increase in production and in income which are also superior to the historic rates. The present economic policy is directed toward this end.

The Government has also adopted palliative short-term measures as well as long-term measures to encourage employment and to relieve unemployment. Among the palliative measures, the most significant are the Minimum Employment Program; bonuses for hiring additional workers and unemployment subsidies for blue collar workers which were formerly available only to white collar workers. These subsidies are available through the various Social Security Institutions.

Tables N.o 44 to N.º 46 summarize the resources, beneficiaries and development of these programs.

Table N.º 44

Bonus for Hiring Additional Workers

| Period in Operation | Data Period | N.º of Bonuses | N.º of Companies | Amount (million \$) |
|------------------------------|--|-------------------|------------------|---------------------|
| D.L. 1030 June 1975-May 1977 | March 76-May 77 (15 months) Monthly Average | 362,328 24,155 | 11,258 751 | 149.5 |
| D.L. 1806 June 1977-May 1978 | June 77-May 78 (12 months) Monthly Average | 594,683 49,557 | 34,912 2,909 | 480.8 |
| D.L. 2239 June 1978-May 1979 | June 78-March 79 (data for July 78 not available) (9 months) Monthly Average | 511,162 56,795 | 32,214 3,579 | 357.7 |

Source: Treasurer General of the Republic.

Fiscal Expenditure in Bonuses for Hiring Additional Workers
(Millions of 1976 dollars)

| | |
|------|-------|
| 1976 | 4.30 |
| 1977 | 10.96 |
| 1978 | 13.75 |

Source: Budget Directorate.

Note: The bonus system consists in payments by the Public Treasury of about 30% of the social security taxes on the minimum income per additional workers hired. The significant figure is therefore the monthly average of bonuses and of companies benefitted under the corresponding Decree Law for each period.

Table N.º 45

Minimum Employment Program (MEP)

(\$ in rates for each month)

| Months | 1975 | | 1976 | |
|-----------|----------------|---------------------------------|----------------|---------------------------------|
| | N.º Persons | Subsidy (Ch\$) per Person | N.º Persons | Subsidy (Ch\$) per Person |
| January | — | — | 133,484 | 243.20 |
| February | — | — | 137,041 | 243.20 |
| March | 19,021 | 86.40 | 148,199 | 321.00 |
| April | 20,000 | 86.40 | 147,523 | 363.00 |
| May | 41,690 | 86.40 | 167,035 | 363.00 |
| June | 60,000 | 150.00 | 176,361 | 505.00 |
| July | 84,000 | 150.00 | 168,384 | 505.00 |
| August | 100,814 | 150.00 | 202,297 | 505.00 |
| September | 111,230 | 190.00 | 204,984 | 606.00 |
| October | 126,811 | 190.00 | 204,962 | 606.00 |
| November | 122,917 | 190.00 | 224,083 | 606.00 |
| December | 127,046 | 243.00 | 223,207 | 660.00 |

Notes: In addition to the per capita subsidy there is an allocation for materials for the administrative organization equivalent to 15% of the per capita amount.

The figures for the number of persons enrolled in the MEP are over estimated by approximately 30% (according to data for 1977 and 1978) since they received the government contribution directly from the Ministry of the Interior. However, the financing of other social activities (Operation Confraternity, elimination of marginal squatter camps, courses in reading and writing) has been charged directly to this program.

| 1977 | | 1978 | | 1979 | |
|----------------|---------------------------------|----------------|---------------------------------|----------------|---------------------------------|
| N.º Persons | Subsidy (Ch\$) per Person | N.º Persons | Subsidy (Ch\$) per Person | N.º Persons | Subsidy (Ch\$) per Person |
| 219,949 | 660.00 | 183,746 | 826.00 | 130,038 | 925.00 |
| 217,667 | 660.00 | 170,000 | 826.00 | 132,377 | 925.00 |
| 209,898 | 700.00 | 158,419 | 826.00 | 132,467 | 925.00 |
| 209,898 | 700.00 | 157,217 | 826.00 | 137,699 | 925.00 |
| 205,720 | 700.00 | 149,005 | 826.00 | 139,139 | 925.00 |
| 204,404 | 700.00 | 144,100 | 826.00 | 138,064 | 925.00 |
| 204,404 | 700.00 | 141,836 | 826.00 | 139,393 | 1,030.00 |
| 204,404 | 700.00 | 137,767 | 826.00 | 140,360 | 1,030.00 |
| 204,404 | 700.00 | 137,767 | 826.00 | — | — |
| 204,404 | 700.00 | 137,767 | 826.00 | — | — |
| 204,404 | 700.00 | 137,767 | 826.00 | — | — |
| 183,899 | 826.00 | 136,024 | 925.00 | — | — |

Fiscal Contribution to MEP (millions of 1976 dollars):

| | |
|-------|-------|
| 1975 | 34.10 |
| 1976 | 82.67 |
| 1977 | 74.03 |
| 1978 | 45.27 |
| 1979* | 37.97 |

*Estimate

Source: Budget Directorate.

Table N.º 46
Unemployment Subsidies
 (Number of subsidies granted)

| Years | Private White Collar Social Security Insti- | Blue Collar Social Security Institutions | Private Social Security Insti- tutions | Total |
|-------|---|--|--|---------|
| 1970 | 40,946 | 14,523 | 2,056 | 57,525 |
| 1971 | 38,848 | 12,789 | 1,700 | 53,337 |
| 1972 | 38,070 | 5,118 | 1,371 | 44,559 |
| 1973 | 55,907 | 5,096 | 661 | 61,664 |
| 1974 | 77,973 | 10,768 | 1,630 | 90,371 |
| 1975 | 105,105 | 239,408* | 7,500 | 352,013 |
| 1976 | 150,875 | 734,020 | 20,600 | 905,495 |
| 1977 | 145,381 | 519,500 | 19,600 | 684,481 |
| 1978 | 166,480 | 550,586 | 11,323 | 728,389 |

Source: Superintendency of Social Security.

*As of August, 1974, Decree Law 603 establishes for the first time a subsidy system for blue collar workers in the Social Security Service similar to that of white collar workers. This explains the increase in the number of subsidies authorized as of that date.

The purpose of all of the long term measures is to provide a definitive solution to the problem, especially the reduction of the cost of hiring workers and to increase the investment in human capital. The following tables illustrate some of these measures. The progressive decline in the social security payments is as follows:

Table N.º 47
Overall Social Security Rates for Blue and White Collar Workers
 (% of taxable income)

| Years | White Collar | Blue Collar |
|-------|--------------|-------------|
| 1970 | 59.3 | 48.9 |
| 1971 | 59.0 | 49.7 |
| 1972 | 59.0 | 49.9 |
| 1973 | 59.0 | 49.9 |
| 1974 | 64.8 | 56.9 |
| 1975 | 59.3 | 51.4 |
| 1976 | 59.1 | 51.2 |
| 1977 | 56.1 | 48.2 |
| 1978 | 46.2 | 38.7 |
| 1979 | 44.0 | 36.2 |

Source: Superintendency of Social Security.

There are also a number of training programs which, together with the education policy, tend to increase the investment in human resources.

The National Training and Employment Service (Servicio Nacional de Empleo y Capacitación: SENCE) was founded in 1976 and began to operate in 1977.

Table N.º 48

N.º of People Trained by SENCE

| Sector | 1977 | 1978 | 1979* |
|-------------------------|--------|--------|--------|
| Agriculture & Forestry | 23,350 | 33,036 | 31,938 |
| Industry & Construction | 5,834 | 8,620 | 7,968 |
| Small Fishing | 1,492 | 1,984 | 2,007 |
| Tertiary Sector** | 1,341 | 4,650 | 11,126 |
| Small Mining | 508 | 607 | 592 |
| Annual Total | 32,525 | 48,897 | 53,631 |

**On-job Training by Private Institutions
and by Intermediate Organizations*****

| Years | 1977 | 1978 | 1979* |
|----------------------|--------|--------|---------|
| N.º of Grants in Aid | 46,000 | 83,000 | 100,000 |

Source: National Training and Employment Service (Servicio Nacional de Capacitación y Empleo: SENCE).

*Estimates.

**Tertiary Sector = Services Sector.

***Includes one State institution.

Appendix I

Labor Conflict Statistics 1961 to 1973

The following charts correspond to a statistical series prepared by Alberto Armstrong of the Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

This series covers the private sector, the public and mixed (Social Property Area) sectors from 1961 to 1973; the variables measured are the number of strikes, the number of workers on strike, and the number of man days lost. These variables were classified, especially for the strikes, according to whether or not they were legal; the causes for the strike; and strikes within the different economic activities.

No comment has been made on these figures, as they speak for themselves. However, a word of warning is required. These series only include workers' strikes. They exclude, therefore, student strikes which began in 1967 with the first "take-overs" of the universities, strikes on the part of management and entrepreneurs (the "taking over" of bridges, closing of roads, and the strikes of truck drivers, shopkeepers and the industries in Arica, etc.).

Table N.º 49
Total Number of Strikes, Classified by Sector, Public, Private, Mixed and Interindustrial Shut-down, and by Legality. 1961-1973

| Year | Legal Private Sector | Illegal Private Sector | Total Private Sector | Public Sector | Mixed Sector | Strikes | Total Illegal | General Total |
|------|----------------------------|------------------------------|----------------------------|------------------|-----------------|---------|------------------|------------------|
| 1961 | 430 | 405 | 835 | 128 | — | 10 | 543 | 973 |
| 1962 | 95 | 387 | 482 | 103 | — | 5 | 495 | 590 |
| 1963 | 89 | 444 | 533 | 220 | — | 27 | 691 | 780 |
| 1964 | 64 | 369 | 433 | 236 | — | 7 | 612 | 676 |
| 1965 | 134 | 638 | 772 | 214 | — | 40 | 892 | 1,026 |
| 1966 | 121 | 592 | 713 | 91 | — | 24 | 707 | 828 |
| 1967 | 1,240 | 894 | 2,134 | 286 | — | 44 | 1,224 | 2,464 |
| 1968 | 222 | 691 | 913 | 211 | — | * | 902 | 1,124 |
| 1969 | 240 | 791 | 1,031 | 314 | — | 10 | 1,115 | 1,355 |
| 1970 | 203 | 1,066 | 1,269 | 345 | — | 9 | 1,420 | 1,623 |
| 1971 | 170 | 1,946 | 2,116 | 373 | 191 | 10 | 2,520 | 2,690 |
| 1972 | 115 | 1,915 | 2,030 | 557 | 406 | 44 | 2,922 | 3,037 |
| 1973 | 21 | 1,230 | 1,251 | 454 | 426 | 99 | 2,209 | 2,230 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

Note: Only includes workers strikes, and does not include strikes by students, employers (shopkeepers, truck drivers, industrial strike in Arica, etc.).

*The data are included in the corresponding sectors. There were no conflicts involving more than one sector.

Table N.º 50

Total N.º of Workers Involved by Sector: Private, Public, Mixed and Inter-Industrial Strikes and by Legality 1961-1973

Number of Workers on Strike

| Year | Legal Private Sector | Illegal Private Sector | Total Private Sector |
|------|----------------------------|------------------------------|----------------------------|
| 1961 | 32,448 | 119,005 | 151,453 |
| 1962 | 26,358 | 98,033 | 124,391 |
| 1963 | 20,646 | 103,688 | 124,334 |
| 1964 | 19,393 | 94,949 | 114,342 |
| 1965 | 36,170 | 174,227 | 210,397 |
| 1966 | 23,791 | 64,707 | 88,498 |
| 1967 | 71,814 | 177,027 | 248,841 |
| 1968 | 57,896 | 145,482 | 203,378 |
| 1969 | 64,066 | 178,168 | 242,234 |
| 1970 | 75,519 | 256,806 | 332,325 |
| 1971 | 30,355 | 198,872 | 229,227 |
| 1972 | 11,813 | 191,709 | 203,522 |
| 1973 | 1,386 | 193,797 | 195,183 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

*The data are included in the corresponding sectors. There were no conflicts involving more than one sector.

| Public Sector | Mixed Sector | General Strikes | Total Illegal | General Total |
|---------------|--------------|-----------------|---------------|---------------|
| 41,715 | — | 64,040 | 224,760 | 257,208 |
| 52,412 | — | 5,210 | 155,655 | 182,013 |
| 96,686 | — | 101,941 | 302,315 | 322,961 |
| 153,978 | — | 88,055 | 336,982 | 356,375 |
| 48,326 | — | 73,761 | 296,314 | 332,484 |
| 16,260 | — | 52,169 | 133,136 | 156,927 |
| 145,910 | — | 66,146 | 389,083 | 460,897 |
| 85,358 | — | * | 230,840 | 288,736 |
| 114,553 | — | 168,335 | 461,056 | 525,122 |
| 147,142 | — | 23,005 | 426,953 | 502,472 |
| 58,647 | 37,890 | 4,161 | 299,570 | 329,925 |
| 118,069 | 71,502 | 47,205 | 428,485 | 440,298 |
| 121,209 | 93,041 | 511,244 | 919,291 | 910,677 |

Table N.º 51

Total Number of Man Days Lost, Classified by Sector: Public, Private Mixed and Interindustrial Shut-down, and by Legality. 1961-1973

| Man Days Lost | | | |
|---------------|----------------------|------------------------|----------------------|
| Year | Legal Private Sector | Illegal Private Sector | Total Private Sector |
| 1961 | 941,129 | 722,681 | 1,663,810 |
| 1962 | 565,888 | 418,238 | 984,126 |
| 1963 | 265,686 | 319,828 | 585,514 |
| 1964 | 484,289 | 263,888 | 748,177 |
| 1965 | 923,758 | 869,560 | 1,793,318 |
| 1966 | 454,231 | 339,217 | 793,448 |
| 1967 | 1,403,303 | 477,452 | 1,880,755 |
| 1968 | 1,376,451 | 489,464 | 1,865,915 |
| 1969 | 791,399 | 331,123 | 1,122,522 |
| 1970 | 1,459,065 | 782,659 | 2,241,724 |
| 1971 | 301,282 | 995,142 | 1,296,424 |
| 1972 | 153,534 | 890,227 | 1,043,761 |
| 1973 | 26,235 | 1,012,930 | 1,039,165 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

Note: Only includes workers strikes, and does not include strikes by students, employers (shopkeepers, truck drivers, industrial strike in Arica, etc.).

*The data are included in the corresponding sectors. There were no conflicts involving more than one sector.

| Public Sector | Mixed Sector | General Strikes | Total Illegal | General Total |
|---------------|--------------|-----------------|---------------|---------------|
| 43,305 | — | 418,213 | 1,184,199 | 2,125,328 |
| 223,487 | — | 5,210 | 646,935 | 1,212,823 |
| 150,724 | — | 912,011 | 1,382,563 | 1,648,249 |
| 276,594 | — | 606,346 | 1,146,828 | 1,631,117 |
| 61,733 | — | 234,938 | 1,166,231 | 2,089,989 |
| 33,999 | — | 250,653 | 623,869 | 1,078,100 |
| 259,018 | — | 112,705 | 849,175 | 2,252,478 |
| 1,852,333 | — | * | 2,341,797 | 3,718,248 |
| 458,935 | — | 285,998 | 1,076,056 | 1,867,455 |
| 1,016,907 | — | 39,237 | 1,838,803 | 3,297,868 |
| 179,538 | 164,548 | 6,873 | 1,346,101 | 1,647,383 |
| 315,160 | 335,408 | 443,888 | 1,984,683 | 2,138,217 |
| 525,920 | 592,793 | 4,773,814 | 6,905,457 | 6,931,692 |

Table N.º 52
Total Numbers of Strikes by Economic Activity

| Sectors | 61 | 62 | 63 | 64 | 65 |
|------------------------|------------|------------|------------|------------|--------------|
| Agriculture | 14 | 18 | 15 | 25 | 161 |
| Mining | 85 | 89 | 112 | 85 | 116 |
| Manufacturing | 503 | 122 | 135 | 104 | 158 |
| Construction | 148 | 157 | 129 | 112 | 172 |
| Energy | 1 | 8 | 21 | 18 | 35 |
| Commerce | 12 | 6 | 12 | 4 | 9 |
| Transportation | 67 | 76 | 86 | 62 | 106 |
| Services | 5 | 5 | 23 | 14 | 25 |
| Activity not specified | 0 | 2 | 0 | 9 | 10 |
| Public Sector | 128 | 103 | 247 | 236 | 234 |
| Strikes | 10 | 4 | * | 7 | * |
| Total | 973 | 590 | 780 | 676 | 1,026 |

*Included in respective areas.

**Correspondes to a National Strike; the rest is included in the respective areas of activity.

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

Note: Only includes workers strikes, and does not include strikes by students, employers (shopkeepers, truck drivers, industrial strike in Arica, etc.).

| 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 |
|-----|-------|-------|-------|-------|-------|-------|-------|
| 347 | 763 | 277 | 332 | 483 | 1,124 | 857 | 402 |
| 46 | 166 | 104 | 138 | 161 | 125 | 248 | 218 |
| 162 | 912 | 215 | 246 | 313 | 390 | 460 | 398 |
| 122 | 127 | 95 | 79 | 111 | 234 | 328 | 174 |
| 9 | 49 | 41 | 20 | 25 | 26 | 48 | 53 |
| 10 | 56 | 29 | 25 | 31 | 57 | 131 | 173 |
| 35 | 77 | 132 | 152 | 117 | 264 | 310 | 266 |
| 6 | 27 | 20 | 33 | 26 | 80 | 86 | 64 |
| 0 | 0 | 0 | 6 | 2 | 17 | 7 | 9 |
| 91 | 286 | 211 | 314 | 345 | 373 | 557 | 454 |
| * | 1** | * | 10 | 9 | - | 5 | 19 |
| 828 | 2,464 | 1,124 | 1,355 | 1,623 | 2,690 | 3,037 | 2,230 |

Table N.º 53

Total Number of Strikes Classified by Motive*

| | 61 | 62 | 63 | 64 | 65 |
|---------------------------------------|------------|------------|------------|------------|--------------|
| Economic | 726 | 351 | 484 | 427 | 665 |
| % | 75.0 | 59.0 | 62.1 | 63.2 | 65. |
| Dismissals & Transfers | 59 | 72 | 74 | 53 | 103 |
| % | 6.0 | 12.2 | 9.4 | 7.8 | 10. |
| Solidarity | 61 | 24 | 51 | 27 | 53 |
| % | 6.2 | 4.1 | 6.5 | 4.0 | 5. |
| Working Conditions | 65 | 66 | 54 | 77 | 74 |
| % | 6.6 | 11.2 | 6.9 | 11.4 | 7. |
| Union Difficulties | 19 | 34 | 50 | 32 | 57 |
| % | 1.9 | 5.8 | 6.4 | 4.7 | 5. |
| Reasons not Related to the Economy | 4 | 18 | 17 | 41 | 20 |
| % | 0.4 | 3.1 | 2.3 | 6.1 | 1. |
| Expropriation | — | 1 | — | — | — |
| % | — | 0.0 | — | — | — |
| Opposition to Expropriation | — | — | — | — | — |
| % | — | — | — | — | — |
| General Causes | 22 | 10 | 39 | 11 | 30 |
| % | 2.2 | 1.7 | 5.0 | 1.6 | 2. |
| Unknown Causes | 17 | 14 | 11 | 8 | 24 |
| % | 1.7 | 2.4 | 1.4 | 1.2 | 2. |
| Total | 973 | 590 | 780 | 676 | 1,026 |
| Total % | 100 | 100 | 100 | 100 | 100 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

Note: Only includes workers strikes, and does not include strikes by students, employers (shopkeepers, truck drivers, industrial strike in Arica, etc.).

*Complete details of this classification may be found in "Classification Code for Causes of Strikes" used by the Department of Labor Relations and Organizational Development of the University of Chile.

| 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 |
|------|-------|-------|-------|-------|-------|-------|-------|
| 623 | 1,893 | 764 | 707 | 824 | 1,037 | 1,032 | 782 |
| 75.2 | 77.0 | 68.0 | 52.2 | 51.0 | 39.0 | 34.0 | 35.1 |
| 62 | 163 | 104 | 140 | 137 | 236 | 234 | 161 |
| 7.5 | 6.6 | 9.2 | 10.3 | 8.3 | 8.6 | 7.7 | 7.2 |
| 16 | 88 | 65 | 99 | 113 | 95 | 173 | 154 |
| 1.9 | 3.5 | 5.8 | 7.3 | 6.8 | 3.5 | 5.7 | 6.9 |
| 62 | 160 | 121 | 156 | 212 | 341 | 514 | 425 |
| 7.5 | 6.5 | 10.8 | 11.5 | 13.0 | 12.7 | 17.0 | 19.1 |
| 23 | 71 | 22 | 153 | 263 | 353 | 429 | 333 |
| 2.9 | 2.9 | 1.9 | 11.3 | 16.2 | 13.0 | 14.0 | 14.9 |
| 12 | 13 | 30 | 21 | 14 | 39 | 64 | 88 |
| 1.4 | 0.5 | 2.8 | 1.6 | 0.9 | 1.5 | 2.0 | 3.9 |
| - | - | - | 8 | 30 | 297 | 315 | 167 |
| - | - | - | 0.6 | 1.9 | 11.0 | 10.4 | 7.6 |
| - | - | - | 1 | - | 15 | 26 | 21 |
| - | - | - | 0.0 | - | 0.5 | 0.9 | 0.9 |
| 24 | 32 | 11 | 63 | 22 | 256 | 214 | 70 |
| 2.9 | 1.2 | 0.9 | 4.7 | 1.4 | 9.5 | 7.1 | 3.1 |
| 6 | 44 | 7 | 7 | 8 | 21 | 36 | 29 |
| 0.7 | 1.8 | 0.6 | 0.5 | 0.5 | 0.7 | 1.2 | 1.3 |
| 828 | 2,464 | 1,124 | 1,355 | 1,623 | 2,690 | 3,037 | 2,230 |
| 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |



Table N.º 54
Number of Strikes by Field of Economic Activity
Mixed Sector* 1971 to 1973

| | 1971 | | 1972 | | 1973 | |
|----------------|------------|--------------|------------|--------------|------------|--------------|
| | Strikes | % | Strikes | % | Strikes | % |
| Agriculture | 100 | 52.4 | 122 | 30.1 | 59 | 13.8 |
| Mining | 50 | 26.2 | 157 | 38.7 | 159 | 37.4 |
| Manufacturing | 20 | 10.5 | 66 | 16.3 | 101 | 23.7 |
| Construction | 1 | 0.5 | 6 | 1.5 | 16 | 3.8 |
| Energy | 8 | 4.2 | 32 | 7.9 | 39 | 9.2 |
| Commerce | 1 | 0.5 | 4 | 0.9 | 32 | 7.5 |
| Transportation | 2 | 1.0 | 13 | 3.2 | 15 | 3.5 |
| Services | 8 | 4.2 | 4 | 0.9 | 4 | 0.9 |
| Not Specified | 1 | 0.5 | 2 | 0.5 | 1 | 0.2 |
| Total | 191 | 100.0 | 406 | 100.0 | 426 | 100.0 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.
 *Mixed Sector corresponds to companies that were requisitioned, expropriated or taken over.

Table N.º 55
Number of Persons on Strike by Field of Economic
Activity in Mixed Sector* 1971-1973

| | 1971 | | 1972 | | 1973 | |
|----------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | Persons | % | Persons | % | Persons | % |
| Agriculture | 17,247 | 45.5 | 12,223 | 17.1 | 14,798 | 15.9 |
| Mining | 14,943 | 39.4 | 32,506 | 45.5 | 29,601 | 31.8 |
| Manufacturing | 2,293 | 6.1 | 17,178 | 24.0 | 28,854 | 31.0 |
| Construction | 34 | 0.1 | 535 | 0.7 | 2,122 | 2.3 |
| Energy | 1,002 | 2.6 | 6,012 | 8.4 | 7,541 | 8.1 |
| Commerce | 84 | 0.3 | 892 | 1.3 | 5,468 | 5.9 |
| Transportation | 219 | 0.6 | 1,940 | 2.7 | 4,229 | 4.5 |
| Service | 1,988 | 5.2 | 122 | 0.2 | 320 | 0.3 |
| Not Specified | 80 | 0.2 | 94 | 0.1 | 108 | 0.2 |
| Total | 37,890 | 100.0 | 71,502 | 100.0 | 93,041 | 100.0 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

Table N.º 56
Man/Days Lost by Field of Economic Activity in Mixed Sector* 1971-1973

| | 1971 | | 1972 | | 1973 | |
|----------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | Days | % | Days | % | Days | % |
| Agriculture | 61,109 | 37.2 | 42,881 | 12.8 | 78,037 | 13.2 |
| Mining | 63,699 | 38.8 | 94,835 | 28.3 | 119,149 | 20.0 |
| Manufacturing | 29,450 | 17.9 | 162,030 | 48.3 | 283,702 | 47.9 |
| Construction | 1,394 | 0.8 | 3,408 | 1.0 | 13,811 | 2.3 |
| Energy | 1,958 | 1.2 | 21,556 | 6.4 | 22,595 | 3.8 |
| Commerce | 32 | 0.0 | 2,659 | 0.8 | 50,129 | 8.5 |
| Transportation | 369 | 0.2 | 6,529 | 1.9 | 9,052 | 1.5 |
| Services | 6,457 | 3.9 | 516 | 0.2 | 15,980 | 2.7 |
| Not Specified | 80 | 0.0 | 994 | 0.3 | 338 | 0.1 |
| Total | 164.548 | 100.0 | 335,408 | 100.0 | 592,793 | 100.0 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

*Mixed Sector corresponds to companies that were requisitioned, expropriated or taken over.

Table N.º 57
Number of Strikes by Motive in Mixed Sector* 1971-1973

| | 1971 | | 1972 | | 1973 | |
|--------------------------|------------|--------------|------------|--------------|------------|--------------|
| | Strikes | % | Strikes | % | Strikes | % |
| Economic Reasons | 55 | 28.9 | 110 | 27.1 | 133 | 31.3 |
| Dismissals | 11 | 5.8 | 33 | 8.2 | 40 | 9.5 |
| Solidarity | 7 | 3.7 | 18 | 4.4 | 34 | 8.0 |
| Working Conditions | 30 | 15.7 | 108 | 26.6 | 99 | 23.2 |
| Health Problems | 14 | 7.3 | 30 | 7.4 | 59 | 13.8 |
| Unrelated to the Company | 2 | 1.0 | 11 | 2.7 | 11 | 2.6 |
| Soliciting Expropriation | 35 | 18.3 | 37 | 9.1 | 29 | 6.8 |
| Opposed to Expropriation | 4 | 2.1 | 10 | 2.5 | 10 | 2.3 |
| Various | 31 | 16.2 | 42 | 10.3 | 10 | 2.3 |
| Unknown | 2 | 1.0 | 7 | 1.7 | 1 | 0.2 |
| Total | 191 | 100.0 | 406 | 100.0 | 426 | 100.0 |

Source: Statistics compiled by Alberto Armstrong, Department of Labor Relations and Organizational Development of the School of Economics and Business Administration of the University of Chile.

*Mixed Sector corresponds to companies that were requisitioned, expropriated or taken over.

Appendix II

Historical and Legal Antecedents

When the Law has lost its absolute authority and is transferred to the common people, the demagogues have prevailed. Demagogues do not exist when law reigns in democratic government, since the prominent positions are held by the citizens most to be recommended for their merits and their virtue; but once the law loses its sovereignty, a multitude of demagogues arises. Then the plebs are as a monarch with a thousand heads; no one individual is sovereign, but the populace reigns as a body or as a whole.

Aristotle

To give different people the same objective opportunities is not to give them the same subjective chance. It cannot be denied that the Rule of Law produces economic inequality—all that can be claimed for it is that this inequality is not designed to affect particular people in a particular way. It is very significant and characteristic that socialists (and Nazis) have always protested against “merely” formal justice, that they have always objected to a law which had no views on how well off particular people ought to be, and that they have always demanded a “socialization of the law,” attacked the independence of judges, and at the same time given their support to all such movements as the “Freirechtsschule” which undermined the Rule of Law.

Friedrich A. Hayek

The antecedents which follow correspond to:

1. Official letter dated June 12, 1973, from the President of the Republic, Salvador Allende Gossens to the Chief Justice of the Supreme Court.
2. Official letter dated June 25, 1973, from the Supreme Court, as agreed in Plenary Session of that same day, in reply to the official letter of June 12 from the President of the Republic.
3. A list of the Insistence Decrees promulgated by the various Administrations between 1932 and 1973.

To the
Chief Justice
Supreme Court
Santiago
June 12, 1973

Your Honor has considered it advisable to transcribe, in an official letter dated May 26 last, a resolution adopted by the Supreme Court, wherein, after referring to an eviction order in usurpation proceedings before the Second Criminal Court of Rancagua, with regard to which the Intendant of O'Higgins denied police assistance for its execution, serious charges are made against administrative authorities and the Police Force. In effect, the letter charges administrative authorities, "for the umpteenth time" with "illegal interference in judicial matters" and charges Police with obstructing the "fulfillment of orders given by a Criminal Court which, according to law, must be executed without constraint of any type." Such statements not only embody a sort of diagnosis of a hypothetical crisis of the Rule of Law, but also the imminent breakdown of legality in the country.

The seriousness of the statements in the resolution of the Supreme Court, which are not in keeping with legal truth and which only contribute to the generation of a state of public anxiety, places upon the Executive the unavoidable duty of making the following detailed comments.

Furthermore, I am forced to act in such a manner, because on previous occasions the Supreme Court has considered it pertinent to make and distribute through the media statements similar to the ones that provoke this reply, in spite of the fact that, on each of the occasions on which I have met with the Chief Justice and with other Justices of the Court, they have only referred to personal problems.

I. The Manner in which Administrative Authorities Must Comply with Requests for Police Assistance

Pursuant to an express constitutional mandate, the President of the Republic is charged with protecting public order. This duty is fulfilled in the area of Interior Government of the State, by the Intendants, Governors and Subdelegates, who must maintain peace and public order, according to Article 45 and others of the Law on Interior Government.

Therefore, according to the text of the Supreme Court resolution, it is to be inferred that administrative authorities and those charged with providing police assistance would have to act automatically and without further consideration in the execution of orders given by the Courts of Justice, because of the very fact that they have been requested to act in such a manner by the Courts of Justice. Nevertheless, by virtue of universally accepted principles and various constitutional and legal provisions, Government authorities, the guarantors of peace and public order, cannot proceed without previously weighing the facts which, in each case, will allow them to foresee the personal, family or social consequences that could follow upon compliance with a court order at a given moment when such factors are being considered.

It is inadmissible, therefore, to hold that said authorities must provide police assistance indiscriminately, since the latter could result in situations that are precisely contrary to the social peace and public order they have been called upon to protect. For this reason the political and administrative authorities are frequently forced to judge the merits or timeliness of providing police assistance.

If, in the case to which Your Honor has referred, and in other similar cases, the police assistance has not been immediately provided by a particular Intendant, it has been because, in view of conflicting duties, it was necessary to give preference to the overriding duty of protecting social peace and the physical integrity of individuals who would have been placed in a situation of imminent danger by indiscriminate compliance with a Court order. In that regard, it is obviously understood that the decision of the authorities implies only a temporary transitory suspension of police assistance. Furthermore, it is evident that such a decision, made by the authorities within the sphere of their powers cannot, in any way, imply or be considered as questioning the basis, justice or legality of a Court decision, the execution of which requires police assistance.

It should be remembered that such care has not been exercised exclusively by the authorities of the current administration. This is evidenced by repeated requests, designed to deprive Intendants and Governors of immunity against trial by the Courts of law, presented during preceding Governments, based on their delay in granting police support for the execution of court orders, all of which were denied. The foregoing makes it possible to conclude that it has been acknowledged at all times, that the primary duty of administrative authorities has been to maintain public peace and order. It should be stressed that the Judicial Power never believed that the Rule of Law had been imperiled and, even less, did it indicate that the Rule of Law had collapsed.

It should also be recalled, in this connection, that between September 5 and November 4, 1970, that is, during the last months of the preceding administration, many thousands of homes built by agencies of the Ministry of Housing were illegally seized. The situation described above did not, however, lead to the adoption of any measures by the administrative authorities at that time, nor did it move your Honor to make comments or observations of any kind on the matter.

Further, a bill to solve the situations created by these events, submitted to Congress in February of 1971 has not yet been approved.

The relationship between the courts and the police, whatever the interpretation of the provisions governing such matters, regardless of how strict or how speedy the dispatch with which they are observed, is in all events, subject to the individuals and social interests affected, whenever compliance with a resolution goes beyond a mere relationship between private parties. In fact, the power granted to the Courts, designed to assure the execution of Court orders should not, for obvious reasons, affect or endanger the legal rights of innocent parties, foreign to the conflict to which the legal or court proceedings may refer. When a Judge orders the execution by force of certain actions involving a large number of individuals, on most occasions he lacks information regarding the social context and the concomitant and ulterior effects which may ensue as a result of such measures. When weapons and deterrents and, in general, force are used on a crowd, it is almost impossible to prevent said force from reaching individuals not in any manner connected with that particular situation, including neighbors, pedestrians, small children, etc.

In other words, whenever the execution of a Court order, because of its characteristics, transcends the individuals involved in the case, and be-

comes a social event implying serious risk to the physical integrity, health or life of individuals, many of them not related to the procedures that gave rise to the measure or order, it is the duty of administrative and political authorities to make sure that timeliness, occasion, manner, means and procedures taken to safeguard the legal benefits granted by a Judge do not cause more serious and more widespread damage to public order and the safety of individuals.

For this reason the Ministry of the Interior has instructed the Police Force that, whenever the execution of a court order implies dangers such as those mentioned above, they shall report to the administrative authorities, in order that the latter may be in a position, should the information on the total situation make it advisable, to order a temporary suspension of the immediate execution of such a resolution, in spite of the responsibilities that may affect the administrative official who, without good cause, should order such a delay.

The general principles governing the state of need applicable to any legal system as well as the most fundamental criteria regarding equity, prevent public forces from automatically complying with an order, regardless of its effects—including those that may not be desired by a Judge—and which represent a danger for legal rights that are superior to those protected by said court order. It is understandable that neither a judge nor even police officials themselves have all of the information required to assess fully all aspects of a serious social conflict, since their viewpoints, because of the very nature of their powers, are necessarily partial. For this reason, the Government is charged by the Constitution with the duty of protecting public order, and when all the required information is available, must decide, with regard to an individual case, whether the unconsidered compliance with a particular order must be delayed for some time, to ensure protection for all individual and social interests involved.

II. Improper Use of Criminal Proceedings

It is a known fact that Criminal Law by nature merely punishes and is not constitutive of prohibitions. Its provisions are designed to strengthen the prohibitions derived from the legal structure as a whole by a more drastic punitive system. In other words, what is legal pursuant to standard legal provisions cannot be illegal according to criminal statutes, whose only mission is to emphasize the grosser transgressions of the legal system, emphasizing them with the severest of sanctions, that is, with penalties.

The foregoing explains the exceptional and restrictive character or nature of criminal provisions and their manner of execution or application, that is, criminal proceedings. Similarly, it is in keeping with the logic underlying criminal law to protect legal rights when their infringement is more serious and evident; the application of especially rigorous procedures, proper to criminal law, is an unacceptable excess when used in connection with the solution of highly complex legal conflicts, whose solutions are highly debatable.

Writers, when discussing the mission of criminal law, refer to the "minimum of an ethical minimum." Modern authors prefer to speak of the basic or fundamental socio-ethical criteria.

In brief, from any point of view, the nature of criminal law and its implementation through criminal proceedings preclude the use of its delicate mechanisms, designed to protect fundamental legal rights from more intense attacks, for which the standard legal methods are insufficient, in the service of legal conflicts and controversies for which the institutional structure has foreseen normal channels and less drastic solutions. Jurisdictional bodies have begun lately, with unprecedented frequency, to accept unfounded criminal actions at law against authorities that have used discretionary powers in their spheres of action. This course of action has been chosen by those filing such claims for the evident purpose of requesting the protection to which Article 7 of the Code of Criminal Procedures refers, as a subterfuge, and in this manner invalidates government or administrative decisions or deprives them of their efficacy.

Although the Political Constitution declares that infringements of powers are null and void, and Article 4 of the Organic Code of Justice declares that the "Judiciary cannot encroach on the powers of other public bodies and, in general, exercise other functions besides or in addition to those indicated in the preceding article," the filing of criminal actions at law to alter or infringe upon the normal operation of the Executive Power has become customary, although the outcome is manifestly fruitless.

Among the more notorious examples of this practice or phenomenon, designed to subvert the inherent powers of the Judiciary, and to obstruct the legitimate exercise of its powers, special mention could be made of the various statements whereby the Courts sometimes disproportionately extend the scope of precautionary measures granted, in connection with industries that have been requisitioned or intervened following an administrative decision.

Thus, as a result of the denaturing of the precautionary measures foreseen in Article 7 of the Code Criminal Procedures, an exceptional paradox can be observed in a State of Law in which legitimately constituted authorities whose powers have even been ratified by the Office of the Comptroller General, appear to have been deprived of their functions and even constrained by the police to abandon their place of work, together with workers who have been the object of such unfounded criminal charges. Such is the case, to name a notorious example, involving the intervener appointed in a conflict affecting "La Mañana", a newspaper in Talca, for which purpose a back-to-work decree was enacted without any objections against it from the Office of the Comptroller General of the Republic regarding its legality, and as a result of which the intervener appeared to be vested with powers whose legitimacy were beyond question. Police, nevertheless, were called in, by a Court decision, to evict the intervener and workers involved in the conflict from the workshop of said newspaper. These individuals decided, in a patriotic gesture, to comply with the Court decision even though it was contrary to law, and thus avoid a conflict of powers of the State, which inevitably damages the normal course of our institutional life.

Unfortunately, this regrettable case has become a precedent which completely distorts the most important mission that the criminal courts have been called upon to perform for the protection of fundamental socio-ethical values. Public opinion looks with confusion upon these limitations, defects, lack of dispatch and efficacy of criminal justice when it must repress common criminality, especially when it affects the poorer and dispossessed sectors of society, which lack fences around their homes and other means of protection. Meanwhile, numerous judges apply great zeal and dispatch in granting precautionary measures or injunctions requested by businessmen who use usurpation as the criminal action at law as a pretext to invoke Article 7 of the Code of Criminal Procedure mentioned above, and so avoid the legitimate activity of administrative authorities.

Some magistrates, carried away by an unusual concern and enthusiasm in the interpretation of the provision referred to above, have managed to draw from it a meaning and scope that is so disproportionate that it not only prevents the interveners from carrying out legal acts, such as drawing against current accounts, purchasing, selling and other similar actions, but also prevents them from having physical access to the premises where they must carry out their functions. This phantasy, of rather dubious

constitutionality, leads to situations that are difficult and in any case, damaging to the national economy and to the enterprise itself.

As a result, approximately thirty enterprises are subject to precautionary measure or injunctions, among them Fensa, Cristalerías Chile, Soprole, Metalúrgica Cerrillos, Cholguán, etc.

A decision of a Judge of the Court of Appeals of Santiago who recently, applying the frequently cited Article 7 of the Code of Criminal Procedure, ordered the reopening of a radio station that had been closed by the Secretary General of the Government according to powers specifically granted by the Regulations on Radio Broadcasts, reaches beyond anything known to date with regard to these issues. In fact, said suspension of activities had been ordered by the Government within the sphere of its discretionary powers, even if no consideration were given to the substantive reasons for issuing such an order. Said considerations refer to a false and alarming broadcast that seriously endangered public order and safety, within the context of a conflict which, because of its characteristics, led the authorities to decree a state of emergency. It is likewise the duty of the Executive Branch to preserve public order and, therefore, it is of the essence of its functions to assess, in each case, the use of the legal instruments it can apply. It is a fact that the repeal of said Regulation has been discussed, a controversy in which the Minister of the Interior, in extensive statements, has held the thesis that it is fully applicable. The points or arguments raised by the Minister refer to the nature or character of a Decree with Force of Law and not to that of a mere supreme decree as applies in the case of the aforementioned Regulation; and to the fact that the Constitutional provision of Article 10, No. 3 to which the repeal is attributed, although granting to a law the power to modify the status of ownership and operations of radio stations could only be considered a hindrance for changing a statute in the future by methods other than the law, but it cannot imply a retroactive suppression of the legal statute which was applicable when the new constitutional provision was enacted.

As can be observed, since the issue refers to an "exquisitely" technical point of legal interpretation, a possible crime of misfeasance in office is completely out of the question, based on the circumstance that a Government official, who shares the Government's view on the legality of the text, should apply said provision. It is well known that every crime requires a criminal offense (*dolus*) and an awareness of its illegality. This subjective requirement, however, is far more intense when dealing with misfeasance in office, a figure in criminal law, the conditions for which

cannot be met by a simple deviation from the position held by a Judge, even if it represents the prevailing view, since its conditions or requirements include an attitude of disloyalty, of a malicious tendency or intent to act against the law. Otherwise, and the comparison is completely legitimate, any judge whose rulings are repealed could be tried for misfeasance in office, thereby making the very act of interpreting the law impossible.

The stress laid on subjectivity appears in Article 22 of the Criminal Code, when it demands that the manifestly unjust resolution be passed knowingly. What is said regarding willful misfeasance is also applicable to fault or lack of deliberateness since "negligence or inexcusable ignorance" are incompatible with a position or view in agreement with well founded legal principles and can only refer to a conscious lack of concern or abandonment of duties inherent to a particular office.

Therefore, it from the very start it should be evident that the provisions regarding malfeasance in office are not applicable, it is a mistake or an abuse of authority to admit or to initiate proceedings on such an issue only for the purpose of establishing a basis for a precautionary measure, pursuant to Article 7 of the Code of Criminal Procedure. In this manner not only the meaning and spirit of jurisdiction on criminal matters is distorted and infringed upon, but the formula in the article cited is given the scope of an extremely summary trial for civil or administrative actions.

III. Denial of Justice

I cannot avoid calling Your Honor's attention to the Government's concern regarding the partial or total lack of intimidation or deterrance obtained by submitting to the requests of the Courts regarding actions based on infringements of the Law on the Security of the State.

A comparison between such inefficiency and the ostensible benevolence with which transgressors of this last named law are treated cannot be avoided, and such benevolence is reflected either in total impunity in the majority of cases, or in laughable penalties, on the few occasions that the accused are condemned. A suspended sentence should be added to the foregoing, even when the intent to persevere in such behavior is most notorious and, finally, the slow and delayed manner in which the trials are conducted. It would be enough to point out, as an example, the case of a journalist of the opposition, one of the most persistent and abusive, who has made the reviling of authorities and institutions a method for political

notoriousness and who, after receiving a slight sentence for various dozens of accumulated crimes, a sentence which was most certainly suspended, appealed against the verdict by a complaint filed with the Supreme Court which, after ordering that no further action be taken in the matter, delayed more than six months in handing down a decision regarding the appeal. A second appeal for another set of crimes by that same individual has been, once again, before Your Honor, also with orders that no further action be taken, for several months.

The fact that in the case referred to above at least a sentence has been handed down, whereas in most cases for similar crimes the accusations are rejected and filed is, of course, cause for satisfaction.

I must emphasize, however, the extreme gravity or seriousness of the innocuity of criminal justice vis à vis such excesses.

Contempt for the Chief of State, while representing from a certain standpoint, an infringement of, or damage to public order, also offends popular sovereignty, the source of his investiture. Jeering, mocking, insulting as well as the slandering of our Armed Forces and its highest representatives represent a calculated attempt to demolish our institutions, to expedite social dissolution.

Only by way of example, have I considered it pertinent to attach or include in this communication a number of transcriptions of radio programs transmitted precisely by the station which, pursuant to the frequently mentioned Article 7 of the Code of Criminal Procedure, has merited the protection of some Judges. I am sure that Your Excellency will appreciate the subtlety and the careful use of language that characterizes these texts.

It is also appropriate to mention, at this point, the unceasing crimes of dissemination and distribution of news, as well as perverse and offensive insinuations to our armed institutions, to lead them towards undisciplined behavior or to generate displeasure or coolness in the performance of their duties or make them an object of rumors.

It is clear that tolerance and benevolence in the presence of such excesses against authorities, in the form of offenses and insults to their representatives, will bring about a general deterioration of the respectability of institutions and as a result, such irrational attacks must for obvious reasons, reach not only the representatives of the Executive Branch but also the members of the three Powers of the State.

If the results of such claims produce discouragement and unbelief, such discouragement is even greater, if such a thing is possible, with regard to proceedings designed to investigate violence and terrorism, wherein material signs and weapons found in the hands of responsible parties lack sufficient eloquence to obtain even a simple pronouncement.

Thus, a double paradox can be observed. On the one hand, that the only punitive effect for the most scandalous and insolent excesses of opposition radio stations have been some charges directed against two Ministers of State entrusted with duties in the General Secretariat of the Government, and on the other, that in most cases involving political violence where the accused have been arrested and their weapons stores have been seized, the only penal effect has been the trial of the Intendants who issued such orders and of the police officers who executed them.

There is a lack of zeal, therefore, in punishing seditious activities; extreme sensitivity, to give it a name, in the cases of authorities entrusted with the defense of public order and the safety of the country.

The manner in which this Court has acted in its relations with the previous administrations, to which it gave expeditious cooperation in the form of resolutions adopted by the Full or Plenary Court, has been very different.

Such is the case when, on September 11, 1962, it was pointed out to the Courts of Appeals that there was a need for Justices to apply, in cases based on the Law for Defense of Democracy, "their greatest interest, speed and diligence, while carrying out their investigations in the shortest possible time," adding that the "magistrate, in the exercise of his important functions, is called upon to assist in preserving public order."

It is therefore advisable to keep in mind the significant change in attitude on the part of the Supreme Court, especially in view of the fact that the Whereas clauses of the quoted resolution take into consideration the "considerable number of strikes and layoffs of all types that are currently taking place throughout the Republic."

More recently, on June 30, 1970, while all members of the present Court except one were holding office, resolutions adopted on April 2 of that same year and on June 30, 1969, were reiterated, advising magistrates trying cases of infringement of the Law on Internal Security of the State or other acts of violence and terrorism, to apply the maximum possible energy and dedication so that such activities are adequately elucidated

and the maximum in sentencing to ensure the efficacy of the penalties imposed.

We are not aware of any resolution of a similar nature adopted on the initiative of the Executive during the strike in October and of similar initiatives for the investigation of acts of violence by sectors of the opposition, either against television stations or radio stations, or against individuals who did not agree with union directives on illegal actions supported by them.

In this connection I cannot refrain from expressing my surprise at the fact of not having been able to observe any reaction on the part of Your Excellency with regard to the resolution adopted by the Council of the Bar suspending from professional activities four distinguished members of the Bar, among them two sons of past Chief Justices of the Supreme Court, because of the simple fact that they did not submit to an evidently arbitrary resolution of the Council, on occasion of the lawyers' strike ordered in October (1972), in open infringement of clear legal provisions.

Such a punishment sets a precedent the seriousness of which Your Excellency must reflect upon with all due attention, especially in view of the fact that—as a result—the principal banking institution in the country, that is, the Central Bank of Chile, is left practically defenseless.

One cannot, therefore, be surprised at the results in cases which, in the Court of Appeals in Santiago alone exceed 160, have been tried during the last two years because of infringement of the provisions of the Law on the Security of the State.

But just as the Government is faced with denial of justice in a large number of cases, something very similar must be suffered by the population exposed to common crime.

The lack of concern for the need for justice requested in this last case, precisely by the weaker and dispossessed, stands in contrast with the diligence shown in hearing the monetary claims filed by the powerful, which might be explained in the light of the scale of values according to which justice is dispensed.

IV. The Scale of Values of Justice

One case, among many, which undoubtedly is an expressive picture of this disarray and lack of values, is what occurred in Chesque, near Loncoche. A

group of armed large landowners recovered land seized by some landless Mapuche Indian farmworkers. The Government does not approve of usurpation and believes it involves desperate and unsuitable ways of expressing the aspirations of farmworkers to own land. In spite of this, it cannot but express its surprise at the judicial decisions in this case. Thus, it is common knowledge, that the results of this recovery was the death by gunshot of one of the occupying Mapuche farmworkers. The Courts decided that the homicide was not against the law since it had been perpetrated in the course of a legitimate defense of property, and the authors of said death were freed unconditionally. The Mapuche farmworkers, instead, remained seven or eight months in preventive prison alone, deprived of the liberty which they recovered because of the efforts of a distinguished lawyer who acted in their defense.

From what has been stated above, it follows that an evident lack of understanding among some sectors of the Judiciary, especially in the Higher Courts, of changes taking place in the country and which express a longing for social justice among the postponed masses, leads, in practice, to a situation in which both the law and judicial procedures are made to serve the interests of those affected by the changes, to the detriment and damage of the institutional system and the peaceful and ordinary coexistence of the various hierarchies and authorities.

It has been held, and the argument has been used with some insistence by members of that Court, in interviews in the press and on television, that criticisms of certain Court decisions should be directed at legislation that can be amended, but not at the Judges who are limited to applying the law. Such a statement is not in the least convincing and over simplifies the substance of the matter, since such reasoning overlooks the fact that laws must be interpreted; and it is during the work of interpretation, when meaning and scope is given to the terms used in the texts, where the values and assessment of the Judges are displayed, through which the underlying concepts regarding social relations and the hierarchy of legal rights are evidenced. The criticism is not directed at the application of the laws by the judges but towards some of their interpretations and assessments which are in contrast with the progress of ideas and the new realities felt by the country.

Perhaps what has been indicated above explains the fact that on each occasion that the harsh social and political struggle has become intense, as during the crisis of October last, and voices with a higher moral signif-

icance, such as those of Cardenal Archbishop Raúl Silva Henríquez or that of Rectors of the Universities, the voice of the Supreme Court has been absent or, more precisely, has been present to express opinions of doubtful timeliness and which in no manner can be considered as an aid to social peace and the reestablishment of a democratic dialogue.

With the greatest consideration, I greet you.

Salvador Allende Gossens
President of the Republic

Official letter dated June 25, 1973 of the Supreme Court, approved in a Plenary Session held on that same date, in answer to an Official Letter of His Excellency, the President of the Republic, dated June 12.

To
His Excellency the President of the Republic
Dr. Salvador Allende Gossens
Santiago, June 25, 1973

Your Excellency:

The Supreme Court, in a resolution adopted on this date, resolved to address Your Excellency in the terms transcribed herein after: Having received Your Excellency's official letter dated the 12th of this month, the Court sat in Plenary Session and resolved that since your letter distorts the law, exaggerates the importance of administrative tasks and lowers that of judicial functions, it cannot remain unanswered.

I. Introduction

The Court wishes to advise Your Excellency that it has construed your official letter as an attempt to subject the independent judgment of the Judiciary to the political needs of the Government, by seeking forced interpretations of Constitutional and legal provisions.

As long as the Judiciary is not erased as such from the Political Charter, its independence shall never be revoked.

This Court also wishes to express firmly to Your Excellency that the Power which it presides deserves from the other Branches of Government, as set forth in the Consitution, the respect it enjoys. Furthermore, it deserves

such respect, because of its integrity, deliberateness, humaneness and efficiency. No insidious opinion of an unmentionable member of Congress or of an unethical journalist will manage to alter, with regard to this particular point, the judgment of the Chilean people.

II. Considerations Regarding an Error

The President of the Republic, without being aware of the fact or induced thereto, made a mistake when taking sides in the systematic, though totally unsuccessful, campaign that some sectors in the country have unleashed against this Court. The Court profoundly regrets this, and says as much, because if in your communication Your Excellency has invaded a juridical area which is Constitutionally forbidden, this Court could, in turn make suggestions as to administrative practices, to reestablish the balance disturbed in said manner, even if for no other purpose than to impress upon Your Excellency the importance and consequences of such an error. The mistake consisted in removing the Chief Executive from the pedestal on which the citizens and, therefore, this Court has placed him, to an unstable, militant position against the highest jurisdictional body of the country, which because of the imperative nature of its duty, must on occasions, in its decisions find against the most fervent wishes of the Executive Power.

The error indicated is extremely serious, because the Supreme Head of the Nation had been considered by the common citizen and by this Court as the guardian of administrative legality in the country, as opposed to the excesses of some subordinates and, for this reason, it is regrettable that the position of censor of the Judiciary has been adopted, siding with those to whom instructions to comply with the law had formerly been given. The undersigned Justices are surprised by the change in Your Excellency's attitude because we construe this as belittling a constitutional function.

This Court has, to date, addressed brief communications to the Supreme Head of the Nation in order to obtain, through his intermediation, an end to the resistance on the part of some administrative officials to comply with resolutions of the Judiciary. On a number of occasions, the Court has received a favorable reply. As of this date, however, it will not be able to do so in the future, because the powers of the Judiciary are being denied by Your Excellency, thereby giving an honest appearance to the rebelliousness of the administration.

The remoteness of the Supreme Head of the nation is a guarantee, even

though relative and apparent, of the correct operation of the judicial structure; but said guarantee has now vanished, since the President accepted insinuations from his so-called collaborators and has assumed full party militancy in the offensive that has been unleashed against a branch of Government which cannot submit to the wishes of any other of the Branches of Government without evading its duties.

III. Your Excellency as Interpreter of the Law

The President has undertaken the task—difficult and painful for someone who knows the law only through third parties— of setting standards for interpreting the law, a mission which, with regard to matters submitted to it, corresponds exclusively to the Judiciary and not to the Executive Branch, as ordered by Articles 80 and 4 of the Constitution, and which have not as yet been repealed by administrative practices. The first of these provisions states:

“The power to judge civil and criminal cases corresponds exclusively to Courts established by Law. Neither the President of the Republic, nor Congress can, in any case whatsoever exercise judicial functions, take over pending cases or reopen cases that have been closed.”

The second provision states:

“No group of magistrates, individual or gathering of individuals may assume, even under the pretext of extraordinary circumstances, other authority or rights than those that have been expressly granted by law. Any infringement of this article is null and void.”

Of course, judges have the duty to interpret the law, to try civil and criminal cases according to standards set by the law itself, and if they have the exclusive power to judge, it is because other organs do not have it.

As this Court has always respected the political and administrative rights of the President of the Republic, it demands, for itself, in turn, respect for its judicial functions. It claims the right to try any subject or issue of a temporal nature between parties, submitted through the channels that provide legal solutions, and in a trial, the administration is subject to the judiciary and must respect what the latter decides in the corresponding trial. In suits involving the State and private parties and between the former and corporations or legal entities, the administrative interpretation of the law does not have any validity if the judiciary decides in favor of another

(interpretation) and the State must, in turn, in the corresponding decree, comply with the executory decision handed down by the Courts.

When the judiciary acts in matters that fall within its jurisdiction, all citizens are subject to its decisions, whether they like it or not. And jurisdiction is not established by the President of the Republic but, rather, is decided by the Judiciary Branch itself, according to the provisions of the Constitution and the Law. If one of the members of this Branch of Government manifestly infringes the law, he is also subject to the penalties established by the Constitution and the Law.

IV. Compliance with Legal Dispositions

Your Excellency deals with this subject in the official letter under the heading: "The Manner in Which Administrative Authorities Must Comply with Orders Requesting Police Assistance."

The somewhat confused rhetoric and dialectic of the paragraph leads to the conclusion that—according to the arguments given—the administration complies with the requirements for police support when and how it wishes. All the arguments of the paragraph tend to demonstrate that in Your Excellency's opinion, the administration which classifies, evaluates and issues opinions on the value or "merit" of legal dispositions with respect to compliance with interpretation of said disposition, to delay or limit compliance at the discretion of whichever administrative or police official happens to be on duty.

Your Excellency is mistaken, rather; the advisers who, without malice, have induced him to err are mistaken.

No administrative official has the legal attribute to judge the judiciary. He must simply comply with legal dispositions, as stated in Article 11 of the Court Charter, and of which the President may not be aware, but his immediate advisers should be aware of this and must not forget it. The article states and it should be stressed that:

"To execute, to put into practice or to have put into practice any of the proceedings they may order, the Courts may require of the other authorities the assistance of the police at their disposal.

Such authorities must lend assistance when legally required to do so and without attempting to classify the basis for such a request, nor attempting

to determine whether or not the sentence or decree to be executed is just and legal.”

As if this were insufficient, article 12 of the Charter states:

“The Judiciary functions independently of all other authority.”

This basic precept is set down in the law so that the other Powers will respect it and so that the men and women of the judiciary will fulfill and defend this principle forcefully and persistently in the face of any attempt to revoke or annul it. This is a duty which this Court will fulfill regardless of any obstacles or opposition, and if in order to defend the law, it should be necessary to sacrifice the good relations with another Power of the State, which we ardently wish to maintain, we will also make such a sacrifice.

No sociological argument or legal subtlety or demagogical strategy or malicious citation of former political regimes will be capable of annulling the legal dispositions quoted here, which are included so that Your Excellency may read with his own eyes and weigh in his own mind their clarity and precision which do not admit of any misinterpretation.

The following information is also included to assist Your Excellency to understand fully the situation which has developed.

The Minister of the Interior issued instructions to the police by means of a confidential circular letter which became known indirectly in the Supreme Court.

The Minister of the Interior and the Commander-in-Chief of the Army made use of the secrecy of confidential communications to issue instructions which they considered legitimate and necessary.

Considering what Your Excellency calls in the official letter the judgment of “the merits or timeliness of providing police assistance,” in relation to the circular letter in question, it can be concluded that it is Your Excellency’s opinion that only the Government, because the information required is available to its agents, should decide whether the compliance with a court order should be delayed for a certain period in order to guarantee due protection of individual or social interests which may be involved. This is nothing other than the equivalent to permitting the ratification of legal decisions on a political basis, not to mention the fact that in the exercise of rights already recognized by the Courts, the person or persons affected by

such a decision now depend on a new instance devoid of any legal or constitutional basis.

It is true that, according to said letter, such a decision on the part of the administrative authorities “only signifies the temporary suspension of police assistance;” but this language, as we all know, covers a situation which frequently occurs: that is, the indefinite suspension of the compliance with court orders.

A conspiracy —and this time legitimate— against this is Decree Law No. 22, 1959, of the Law on Interior Government:

“The Intendants and Governors must provide police assistance when required by the Courts for the execution of sentences and to carry out or have carried out the court orders which they issue, without attempting to qualify the basis on which the request is made; nor is there a legal or constitutional basis for the sentence or decree in question.”

This is what the Law on Interior Government states and it is a repetition of article 11 of the Court Charter. We cannot see how Your Excellency’s advisers could have convinced you that they say otherwise.

It is obvious that these same advisers, or others of the same opinion, convinced the Minister of the Interior to issue, without criminal intent and contrary to the regulation cited above, the unheard of orders which appear above his signature.

Finally, with respect to this subject, we must point out to Your Excellency, since his advisers have not done so, that in the reply to this court, there is some confusion as to the use of police enforcement in civil affairs and in criminal matters. Not only has the compliance with court orders in civil matters been delayed, but also court orders issued directly to the police have met with resistance from police authorities by virtue of orders from the Intendants and Governors, who, as is common knowledge, are subject to the Ministry of the Interior, and carry out unconditionally the instructions received therefrom. The frequent official letters which this Court has recently addressed to Your Excellency refer exclusively to orders issued in criminal matters.

V. Reply to “Improper Use of Criminal Proceedings”

One section of Your Excellency’s official letter to this Court is entitled

“Improper Use of Criminal Proceedings.” After the first paragraph, which seems to be the work of a seditious specialist in criminal law, the text is as follows: “the use of procedures proper to Criminal Law is inadmissible in the settlement of complex and controversial legal conflicts,” an inadmissible error in itself, given that the solution of all criminal conflicts is complex and subject to debate, and that they are called conflicts for that very reason.

If we go on to say that within the concept of criminal proceedings there are simple and complex conflicts and that all of them should be solved by the judge during the respective proceedings, it follows that the advisors flee from the logic they themselves have constructed when they hold that criminal proceedings are not designed to solve “complex and controversial legal conflicts.”

The fact that the official letter repeatedly insists on these fatuous ideas shows that they consist of strong legal-political bonds against which the force of logic is to no avail.

Article 7 of the Penal Code, the President States, cannot be used as widely and as intensely as it has been because it does not have the meaning they attributed to it by the judges in the part that states “protection of those affected” (by a criminal act) is considered as one of the primary obligations of the proceedings. You go on to say that other, less drastic laws should apply, but not criminal laws.

In other words, Your Excellency’s thesis is that the drastic nature of the decision is incompatible with Criminal Law, even though the function of Criminal Law is to punish the offender, and therefore the legislation is by nature, drastic. But the official letter does not state why Criminal Law should be drastic in matters concerning punishment but cannot be drastically efficient in providing protection for those affected (by criminal actions).

The obviously futile use of criminal actions for the purpose of preventing or obstructing the normal workings of the Executive Power —continues the note— have become habitual. And then, “this practice or phenomenon undermines the inherent attributes of the Judicial Power, transforming them into a means to obstruct the legitimate exercise of authority.”

In other words, the President holds that the Courts process actions which will finally be rejected, thereby contributing to the obstruction of the legitimate exercise of authority.”

Your Excellency would not have charged the Courts unjustly with impeding the legitimate exercise of authority if he had realized, or if he had been advised of the fact that many years ago jurists proclaimed the right to legal action, whether civil or criminal as a special form of petition, and this legal power cannot be obstructed by Justice except in rare cases, which do not preclude the final results of the proceedings.

This means that the Courts have the duty to process penal cases without anticipating whether or not the final outcome will be favorable to the interested party, and only in exceptional cases, as in articles 91, 92 and 97 of the Penal Code, may the Courts reject a case or law suit.

Therefore, when the Courts process a petition which is later rejected, they are not obstructing the legitimate exercise of authority, but rather are respecting the rights of the individual and are duly complying with all legal dispositions.

With regard to requisitioning or intervention or other orders issued by the Administrative Power, or with regard to the "takeover" of land, factories and enterprises, the individuals affected have understood that either because they are illegal, or for the prolonged duration of such action incompatible with the temporary status of such measures as established by law, these takeovers constitute the offense of usurpation shrouded in legal trappings, and have therefore initiated the corresponding lawsuits to obtain the sanctioning of the guilty party.

In several such cases the judges have ordered protection for the individuals affected and the return of property, and the Administration has resisted the order, thereby openly infringing on the Constitution and the Law. Judgment corresponds to the Judicial Power (article 80 of the Charter) and the Administration must submit to the judiciary the moment a conflict in the temporal order occurs and is presented to the Court for a decision (article 5 of the Statutes of the Courts). If the Courts consider an order to be illegal—and they may do so in virtue of their faculties and of the hierarchical order in which legal rulings are applied—the administrative action is found to be without basis according to the norms and therefore, should not be carried out.

It is not the Administration which decides on the competence of the Courts to hear a case, but rather the Supreme Court or the Senate depending on whether the case deals with a conflict or jurisdiction between political or administrative authorities and the Judge of the First Instance or a conflict

between political or administrative authorities and the Higher Courts (article 191, clause 2 of the Court Charter and article 42 N.º 4 of the Political Constitution).

The Administration may never decide for itself on the competence of the Court which decides an issue. However, the Administration has attempted to do so on several occasions.

Even if the Judge or the Superior Court should be guilty of malfeasance in office, or should hand down a decision based on a gift or pledge, the administrative official must not resist the order, but should exercise his rights as an official and as a citizen to bring the case before the corresponding Court.

VI. Special Cases Dealt with in the President's letter

First Special Case. "La Mañana" — Newspaper Published in Talca. One of the cases in which the President intervened directly was that of the Talca newspaper, "La Mañana". According to the events which took place in the administrative and legal circles, the President ordered the police to evict the people who were there by reason of a court order to resume work related, it was said, to the administration of the newspaper and not to the owner's faculty to issue his own opinions freely in the press.

The interested party, of the opinion that the decree was unconstitutional, brought the matter before the court and requested protection under article 7 of the Criminal Code. As the Court of Talca denied the petition, he filed a complaint with the Supreme Court, which decided that since the administration of the newspaper could not be separated from the free expression of opinion by the printing company, and since the materials and the operators are necessary for the exercise of rights granted by the Constitution, accepted the complaint appeal and resolved to award protection and to return to him the building and the materials belonging to the newspaper.

Since those who were occupying the building resisted the fulfilling of the order, the President ordered the police to carry out the order one or two hours after this Court pointed out the anomaly which failure to comply with an order signified with respect to legality.

Your Excellency made history in this case, but when the time came to write about it, you forgot all about it. Thus the text of the official letter states that

“these persons (referring to the intervener and other persons occupying the newspaper) decided in the spirit of patriotism to carry out the illegal court order in order to avoid a conflict of jurisdiction among the Powers of the State which would inevitably impede the normal conduct of the nation’s institutions.”

Although the affair was not as the President describes, this version could lead to the belief that it is patriotic to obey illegal Court orders, and that it would be even more patriotic to comply with orders which were legal. Or is it only patriotic to submit to Justice when it errs, but not when it is in the right?

We cannot conclude this section without acknowledging our gratitude to the President for his understanding of the fact that “a conflict of jurisdiction among the Powers of the State would inevitably impede the normal conduct of the nation’s institutions.”

This is what the Justices of this Court have been saying repeatedly and implicitly to your Excellency in the official letters we have addressed to him.

If the President of the Republic is in agreement with the Supreme Court, he should issue peremptory orders to the Administration not to provoke conflicts of jurisdiction by failure to comply with legal orders.

Second Special Case. The Secretary General of Government

Only a very brief reply can be given here at the present stage of the proceedings to the comments in your Excellency’s letter on the suspension of transmission of “Radio Agricultura” by order of the Secretary General of the Government and on the resolution dictated by a Minister of the Court of Appeals of Santiago granting protection to the affected parties, as all those comments refer to the heart of the matter being reviewed by the Prosecutor. And the subject must be dealt with by the Supreme Court when it decides—if the Supreme Court does decide—on the Criminal case filed and on the pleas presented.

We can, however, remind your Excellency of a resolution of this Court which decided that the competency to try a case instituted by the owner of the radio station corresponds to the Justice who is hearing the case and that the decision to grant protection to the parties affected by the measures taken by the official mentioned was correct from a legal point of view.

Other Special Cases: Fensa, Cristalerías Chile, Soprole, Metalúrgicas Cerrillos, Cholguán, etc.

Although the comment on the note precedes the list of those cases, it obviously refers to them. It says that "some Judges, carried away by unusual concern and enthusiasm in the interpretation of the dispositions of article 7 of the Penal Code, have managed to interpret it in such an exaggerated way that not only do they prohibit the interveners from carrying out legal actions, such as drawing against the current accounts, purchasing selling, and other similar actions, but they also forbid them access to the facilities of the industry where they must carry out their functions."

In the first place we must reply that the "unusual concern and enthusiasm" on the part of the Judges could be compared with similar qualities on the part of the Administration to requisition, or on the part of interveners to draw against the current account, and to sell. And if there were many cases, it would not be strange for the judges to demonstrate quantitatively more enthusiasm than usual, otherwise the relevant decisions would be delayed. But if Your Excellency's letter refers to qualitative "enthusiasm," an adequate explanation for the judges' enthusiasm would be their need to render justice in the case of petitions to put a stop to the excessive use of so called legal loopholes and in the excessive liberty on the part of interveners to invest in requisitioned companies.

Complainants request attention, invoking new legal concepts to counteract other concepts, also new, of the Administration, and the judge joins in the new legal phase with intellectual and dutiful enthusiasm.

In the face of pejorative interpretation, there could also be this meliorative one.

"This very doubtful constitutional inventiveness" —referring to the precautionary measures which the judges are wont to issue— "leads to very difficult situations, and in any case are detrimental to the national economy and the enterprise itself... There are more than thirty enterprises," Your Excellency states, "that are affected by precautionary measures."

The owners of such enterprises have instituted the corresponding legal proceedings to obtain the return of their property and they have discovered —as can be deduced from one case— that the inventiveness of the Administration in justifying the taking over of businesses without indem-

nization to the owners, can only be counteracted by adequate and rapid precautionary measures, because —they add— the enterprises gradually melt away in the hands of the interveners.

If such measures affect more than thirty businessmen, perhaps it could be that the thirty of them have been affected by the sedicious transfer to the social area.

Naturally the courts cannot be expected to prevent owners from defending their property, since the Constitution still guarantees private property and the other codes contain substantive and procedural dispositions to this effect.

The decisions will reveal whether or not the transfers referred to are according to law.

The courts have issued precautionary measures, sustained or modified by the Court of Appeals, to assure the complainant when the suit is received, if it is received, that the sentence may be carried out effectively.

As to whether or not the measures decreed are valid, Your Excellency's Government should not resort to official letters to the Supreme Court, but rather to presentments and to other measures relevant to the respective cases.

VII. Presumed Denial of Justice

In this paragraph Your Excellency refers to national customs, old or new, which are not under the control of the judicial system except in cases in which criminal manifestation of said customs should be the object of a case brought before the courts. Other points of the paragraph refer to legal organization.

This Court only deals with these matters very superficially. The mockery and scorn of authority, the vilifying of the Armed Forces and the difusion of false news are not the habitual activity of the majority of our citizens, although a sense of humor in reference to high government officials is not uncommon. The members of this Court have also been the object of similar and at times unusually vulgar public manifestations that have taken place in front of the Court buildings, authorized by your Government.

It would seem natural for Your Excellency to be concerned about the

reprehensible conduct of some Chileans with respect to political and military authorities; but it does not seem to be so. When criticizing criminal courts as ineffectual in such matters and attributing partiality to the court, Your Excellency vilifies the administration of justice.

As for the diffusion of false news, unfortunately this occurs in all circles in this country, especially in certain media.

This atmosphere, according to Your Excellency, "represents a calculated attempt to destroy our institutions and thereby expedite the dissolution of our society."

The Court is in agreement with this; but it is not in agreement when reference is made to the institutions, that mention is made of the three Powers of the State without specific mention of the Judicial Power; and it even appears that for innocuousness, slowness and culpable benevolence attributed to the courts in the sanctioning of misdemeanors, the Judicial Power were considered as a factor of vilification and the dissolution of our institutions.

The insults, scorn and vilification of authority influences the public conscience. But this Court is obliged to warn Your Excellency that intervention in the Judicial Power is of a repressive nature and that the preventive role would correspond precisely to Your Excellency with respect to the media broadcasting which in any way depend on the Government.

Thus far we are unaware of Your Excellency's having used your authority and influence as Governor in a case in which you could and should do so in order to put a stop to the excesses on the part of the press.

VIII. Specific Complaints with Regard to the Administration of Justice

Your Excellency's letter also contains specific complaints with regard to the administration of justice.

It states:

a) The Courts apply the minimum penalties.

We reply: if the sanctions applied are within the law, the Courts fulfill their obligation even when they do not apply the maximum. In any case, in the eyes of those who govern, the penalties for political offenses committed by

the opposition seem to be too lenient, whereas to those affected they frequently seem to be exaggerated.

b) Delay of trials.

From time immemorial, this has been a complaint. Hamlet in one of his monologues speaks of the delay of justice as one of the evils of this life most difficult to bear. These evils are to a great extent the result of the diligence with which Chilean law protects the right to defense, even though in other legal systems there may be rapid administration of justice and post mortem rehabilitation.

Cases dealing with the Security of the State, however, may be expedited by the Government representatives involved.

In any case, your policy to create new First and Second Instance Courts, the result of repeated petitions by this Court, will bring the hope of relief to those who are wearied by waiting for their cases to be heard.

c) Benevolence toward groups of terrorists.

Benevolence seems to consist really in the discrepancy of judgment between the Executive and Judicial Powers as to whether or not those groups accused of terrorism by the Government really are such, and of course when the legal opinion does not coincide with that of the enjoining Power, the guilty parties have not been convicted and are set free.

It is the obligation of the Judicial Power to proceed according to established criteria and not to be constrained by the position held by some of the interested parties in the dispute.

Benevolence, however, if it existed at all, has not always been on the part of the Courts. The annals of justice recall the story of several convicted terrorists whom Your Excellency pardoned quite hastily.

Your Excellency's exercise of the faculty of indulgence was, in this case, benevolent.

There is no doubt that this benevolence was political and not legal and that Your Excellency's criticism refers only to the latter in the letter to the Supreme Court.

d) Sanctions for sedition.

Your letter states that the courts do not have a very stern attitude towards seditious citizens and gives the example of certain radio stations belonging to the opposition which emit scandalously imprudent comments against the President of the Republic and other officials of the regime, and mentions certain agitators who have been arrested and whose arsenals have been confiscated.

Since the letter does not refer to the specific instances in which the Courts have not been severe in cases of sedition, it would be impossible for the Supreme Court to reply adequately and to take measures, if such should be required, with respect to functionaries who may have exercised illegal benevolence in the treatment of such cases.

As to agitators and their arsenals, notice of suits against presumed cases has not been filed with the Supreme Court.

The President of the Republic must be aware that the Supreme Court itself does not try cases of internal security, nor any other. It only reviews cases filed, usually complaint appeals, when a decision on a complaint is requested.

It is totally unacceptable that in your letter you insinuate that presumed excess on the part of the radio station went unsanctioned while two Cabinet Ministers were convicted and that the Commissioners who issued the order of arrest against the agitators were also tried.

The President of the Republic has been misinformed. His informants knew, and did not tell the President, that the Ministers were convicted for ordering the close of the radio stations without having the faculties to do so, and not because the Court understood the conduct of the communications media as constituting an offense on the part of the Ministers.

As for the Commissioners who were on trial, as well as several police officers who were also convicted, they were accused of arbitrary arrest, which can be committed even when a true delinquent is arrested if the arrest is ordered or carried out, except when caught in the act, by someone who does not have the right either to arrest or to order arrest.

e) Discriminatory conduct on the part of the Supreme Court.

Your letter holds that the attitude of the Supreme Court would have been different during other administrations, with which the Court would have cooperated by means of plenary agreements, citing as examples the agreements of September 11, 1954, April 2 and July 30, 1969, and June 30, 1970.

All of the agreements mentioned refer to recommendations to trial judges and justices to act with particular attention, zeal and diligence when processing cases of crimes against the security of the State, agreements which are still in force and therefore still just as binding under present circumstances as they were at the time of issue.

The letter states that no such agreement exists with the Executive Power with regard to the general strike in October (1972). There is no doubt that such an agreement does not exist because the agreements cited above are still in force with respect to any eventual offense against security of the State.

f) The suspension of several lawyers from the Central Bank.

On this issue you have also been misinformed. Your advisors are aware of the fact that the General Council of the Bar Association is completely independent in the exercise of its powers and can, therefore, adopt the measures which it deems correct.

The Supreme Court may only intervene in an appeal in a case in which the Council bars a lawyer from practice.

The omission just mentioned was the subject of a recent Supreme Court agreement on the decision of the Council to suspend from practice some of the lawyers who work in the Central Bank.

IX. The Values of Justice

Your letter brings up the "Chesque" case because, it says, it illustrates very well the "transposition of the values of justice." A group of indigenous peasants from that area had "taken over" the farm called "Chesque" and the owners had decided to "take it back." As a result of this action, one of the occupying Indian peasants died. The Courts, the letter adds, had decided that the owners were not guilty of homicide because they acted in the defense of their property, while the Indian peasants were in preventive custody for seven or eight months. All of this shows, the letter goes on, "a

manifest lack of comprehension on the part of the Higher Courts, of the process of transformation which the country is undergoing and which process is the expression of the long neglected desire of the masses for social justice." "Laws regarding legal procedures," your Excellency continues, "serve the interests of those affected by the transformation to the detriment of the nation's legal framework and the peaceful and normal coexistence of the various hierarchies and authorities."

There is a reason, you say, for taking over a farm; but there is no explanation for taking it back. The former follows upon the desire for social justice and there would be no explanation for the latter, even though it is an attempt to recover what had been usurped by those who took over.

The letter goes on to say that "the institutional regime and the peaceful coexistence of the various hierarchies and authorities is endangered." It appears that the danger would result from the desire of the owners to recover the land which had been taken, and it would follow that it is not the takeover but rather the recovery the phenomenon which would endanger the institutional regime mentioned.

Does your letter claim that the Courts should forget the law, that they should disregard all principles and in the name of a social justice without law, arbitrary, accommodating and even illegal in this case shelter unconditionally those who take over property and should in the same way reject all those who try to recover the land that has been taken? These people think that the Constitution and the law recognize the right to recover what they consider their property, and they act accordingly.

We must state here that the Supreme Court rejects the principles held in your letter and is not issuing an opinion on the "Chesque" case, nor on the death which occurred in the recovery of the property, nor on the consideration of the takeover as usurpation, nor on the legitimacy of either. The Supreme Court will only decide on responsibility in the "Chesque" case at the appropriate moment and when the case is presented to it—if it is within the Court's jurisdiction to do so.

According to information already reviewed by this Court, the presumed retaking of the farm by the owner did not occur, but rather he returned to the farm accompanied by the police. Only after the police had withdrawn, when the owner and two or three companions went from the house to an adjacent pasture on the farm, an incident occurred in which shots were fired by both the owner and his companions and by those who had taken

over the farm. One of the companions of the owner received a bullet in the head. Numerous shots were fired thereafter, and one of the Indian peasants died in the exchange of bullets.

Your letter of reply refers to the statement made by the Supreme Court Justices in interviews in the press and on television and criticizes their thesis that the laws should be changed if they expect to change the decisions of the Courts. This matter is the affair of those who made the statement, as they did so as private citizens, and not as representatives of the Supreme Court.

In spite of this, we must comment here on the broadness of interpretation in Your Excellency's letter, as it is of general importance. Your letter holds that the regulations can be interpreted broadly so as to adapt them to the new social and political conditions. This is an error, as it exceeds the limits of interpretation. Interpretation in itself is not sufficient to repeal existing laws. The only solution is the change of the laws by the legislative power.

Thus, for example, in the case of the intervention of the administrative authority in the granting of police protection, there can be no doubt whatsoever that government interpretations have attempted to annul the clear regulations which had been transcribed before.

X. Interviews for Personal Reasons

Your letter also refers to several interviews requested by the Chief Justice of the Supreme Court and other Justices with the President of the Republic, stating that the interviews were for personal matters, implying that meetings to discuss matters of Court business were of no interest to the members of the Court.

Two of the three interviews requested were strictly for matters of protocol and the third was with regard to your veto of the lawyers' pension to which some members of this Court and the Court of Appeals are entitled.

You forgot to mention law N.º 17,277, article 9, which establishes the organization to which one of the Justices of this Court belongs and the function of which is to regulate relations between the Executive Power and the Judicial Power and to intervene in the drafting of laws with respect to the Judicial Power and other similar matters which should be dealt with at Cabinet level.

If the organization mentioned meets only occasionally or in the absence of the representative of the Supreme Court, it is because he has only been invited on two occasions to discuss problems related to the construction of housing for the Justices. He has not been invited to participate in the preparation of bills in which he should participate by law. The assistance of a minor official has been preferred.

Certain bills submitted by the Executive Power to the Congress in which subjects related to the organization of justice have not been previously consulted with the Supreme Court, as was the custom of former Administrations, so that the Court could issue an opinion on the pertinent subjects. Thus it appears that cooperation with the Judicial Power is of no interest to the Executive Power.

One bill approved by Congress in which the members of the Judicial Power were granted the possibility to defend themselves against the unremitting attacks to which they have been subjected, was vetoed by Your Excellency and could not become an obligatory regulation.

You should know that Justice Ortiz only accepts purely juridical arguments of the reply and the relevant statements of fact.

God save Your Excellency.

(Signed) Enrique Urrutia M., Eduardo Varas V., José M. Eyzaguirre E., M. Eduardo Ortiz, Israel Bórquez M., Rafael Retamal L., Luis Maldonado B., Juan Pomés G., Octavio Ramírez M., Armando Silva H., Víctor M. Rivas del C., Enrique Correa L. and José Arancibia S., René Pica U. (Secretary).

Insistence Decrees

Article 21 of the Political Constitution of 1925 establishes that "An autonomous organ to be known as the Office of the Comptroller General shall control revenues and investment (of funds), shall examine and review (accounts), shall keep the National accounts and shall comply with **any other functions as established by the Law.**"

Law N.º 10,336, The Charter of the Comptroller's Office, in article 1, establishes that, among other things, the Comptroller must "pronounce on the constitutionality and legality of the administrative decrees and resolutions of Department heads which must be approved by the Comp-

troller General's Office," a faculty which is known as the recording of the resolution.

Legislation on the recording appears in article 10 of the Charter. The first clause of the article is as follows:

"Article 10. The Comptroller General of the Republic shall record supreme decrees and the resolutions of the Heads of Services, which must be submitted to the Office of the Comptroller General where it shall be determined whether or not said documents are constitutional or legal, within 30 days of their reception; but (the Comptroller General's Office) must record and process them, regardless of its representation, **when the President of the Republic insists on the signature of all Cabinet Ministers.**"

The type of document described briefly here is what is known as an "Insistence Decree," that is, when a decree or an executive resolution is represented by the Office of the Comptroller General as not being in accordance with the Constitution or the Law, and therefore does not record said decree or resolution, the Executive may insist, requiring the signature of all the Cabinet Ministers, and the Office of the Comptroller General is then obliged to process it.

It should be kept in mind that there are other decrees which must be signed by all the Ministers of State and which are not insistence decrees.

These are decrees dictated under Article 72, N.º 10 of the Constitution to validate payments not authorized by law, 2% constitutional charge, only to be used in the case of national emergencies.

Here we present a list of the insistence decrees passed from 1932-1973.¹

It is obvious that the majority of the administrations frequently resorted to the use of insistence decrees. In reference to this subject, the Chamber of Deputies adopted an Agreement on August 23, 1973 directed to the President of the Republic,² item N.º 7 of which is as follows:

¹For more details see: Budget Directorate document "Decretos de Insistencia dictados en el período 1932-1973: Resumen de las principales materias en ellos contenidas y Secretarías de Estado a través de las cuales fueron dictados." (Mimeographed, Santiago, 1979.)

²See Revista de Derecho Jurisprudencia y Ciencias Sociales y Gaceta de los Tribunales. Tomo LXX - Septiembre-Octubre 1973, Nos. 7, 8. Págs. 251-256.

“7.º That, with respect to the faculties proper to the National Congress, Depositary of the Legislative Power, the Government has committed the following abuses:

a) It has usurped the principal function of the Congress, namely that of legislation, with the adoption of a number of measures which are of great importance to the economic and social life of the country, and which are indisputably matters of law, through exaggerated use of insistence decrees or by means of administrative resolutions based on legal loopholes, all of which has been done deliberately for the express purpose of changing the legal structures of the nation which are recognized by legislation in effect, based only on the will of the Executive Power and prescinding absolutely from the participation of the Legislative Power.”

It would be well to eliminate this faculty in the new Constitution, except for the attributes contemplated in article 72, N.º 10 of the Constitution of 1925, as mentioned above.

Number of Insistence Decrees issued between 1932-1973

| I. Administration of President Arturo Alessandri P. | N.º of Decrees | Year |
|---|----------------|------|
| (December 1932, December 1938) | — | 1932 |
| | 102 | 1933 |
| | 105 | 1934 |
| | 56 | 1935 |
| | 41 | 1936 |
| | 73 | 1937 |
| | 45 | 1938 |
| Total Decrees | 442 | |

| II. Administration of President Pedro Aguirre C. | N.º of Decrees | Year |
|--|----------------|------|
| (December 1938, November 1941) | 16 | 1938 |
| | 62 | 1939 |
| | 129 | 1940 |
| | 42 | 1941 |
| Total Decrees | 211 | |
| III. Administration of President Jerónimo Méndez | N.º of Decrees | Year |
| (November 1941, April 1942) | 71 | 1942 |
| IV. Administration of President Juan Antonio Ríos M. | N.º of Decrees | Year |
| (April 1942, June 1946) | — | 1942 |
| | — | 1943 |
| | 2 | 1944 |
| | — | 1945 |
| | 2 | 1946 |
| Total Decrees | 4 | |
| V. Administration of President Gabriel González V. | N.º of Decrees | Year |
| (1946-1952) | — | 1946 |
| | 3 | 1947 |
| | — | 1948 |
| | — | 1949 |
| | — | 1950 |
| | 12 | 1951 |
| | — | 1952 |
| Total Decrees | 15 | |

| VI. Administration of President Carlos Ibáñez del C. | N.º of Decrees | Year |
|--|----------------|------|
| (November 1952, November 1958) | 21 | 1952 |
| | 236 | 1953 |
| | 14 | 1954 |
| | 31 | 1955 |
| | 19 | 1956 |
| | 23 | 1957 |
| | 11 | 1958 |
| Total Decrees | 355 | |
| VII. Administration of President Jorge Alessandri R. | N.º of Decrees | Year |
| (November 4, 1958, November 4, 1964) | — | 1958 |
| | — | 1959 |
| | — | 1960 |
| | 1 | 1961 |
| | — | 1962 |
| | — | 1963 |
| | — | 1964 |
| Total Decrees | 1 | |
| VIII. Administration of President Eduardo Frei M. | N.º of Decrees | Year |
| (November 4, 1964, November 4, 1970) | — | 1964 |
| | 8 | 1965 |
| | 14 | 1966 |
| | 4 | 1967 |
| | 10 | 1968 |
| | 15 | 1969 |
| | 12 | 1970 |
| Total Decrees | 63 | |

IX. Administration of President
Salvador Allende G.

| | N.º of Decrees | Year |
|---|----------------|------|
| (November 4, 1970, September 11, 1973) | 2 | 1970 |
| | 13 | 1971 |
| | 15 | 1972 |
| | 4 | 1973 |
| Total Decrees | 34 | |

Source: Office of the Comptroller General. Coordination and Legal Information Department. Information prepared and summarized by Budget Directorate.

