

The Cost of Delinquency in Chile: Steadily Increasing

The total cost of delinquency in the country for 2010 exceeded US\$4 billion, representing 2.2% of the GDP. In order to seize the extent of this amount, it represents almost 41% of last year's total health budget. When comparing from 2000 to date, the cost of delinquency in Chile has increased by 120%, which is a sign of alert for public policies concerning citizen security matters.

Based on previous worksⁱ, Libertad y Desarrollo has once again calculated the cost of delinquency in Chile, now evaluating the period 2000-2010ⁱⁱ. It is a systematic effort seeking to quantify the costs involved in facing this scourge year after year, both for the public and private sector.

The results of the last study show that the total delinquency cost in Chile for 2010 reaches US\$4,478 million, representing US\$262 per capita, which is 2.2% of the GDP. Likewise, it is important to note that in 2000 this total cost amounted to US\$2,005 million (US\$130 per capita). The latter implies that the total cost of delinquency

increased between 2000 and 2010 by 123.3%, which is very significant if assuming that our economy only grew 50.7% in the same period.

If worst comes to worst, the sense of this effort is deep, since it allows having a certain idea on the efficiency and efficacy of the policies, programs and actions taken on this matter.

Public Sector

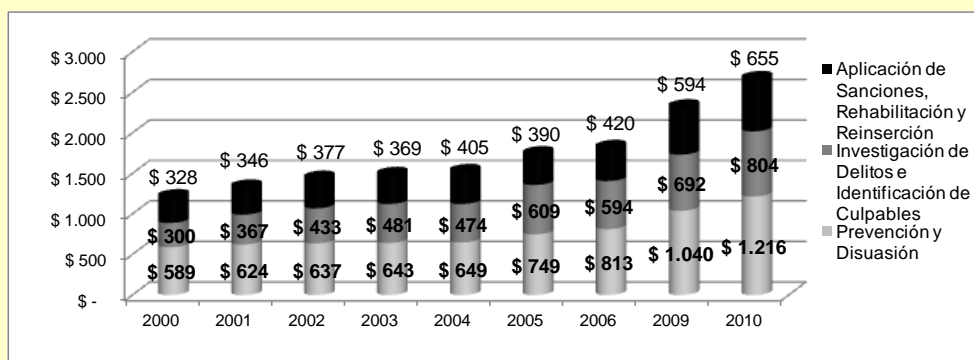
If we break down the total cost by public and private, we observe that in the first item there are three components that we have defined for public expenditure: 1) prevention and dissuasion, 2) crime

investigation and culprit identification, and 3) sanctions, rehabilitation and reintegration.

In total, public expenditure on delinquency exceeds US\$2,675 million for 2010, with an increase of 119.7% in relation to 2000 and 46.4% in relation to 2006. In turn, the US\$2,675 million can be broken down with regard to 2010 on the base of US\$1,216 million in public expenditure for prevention and rehabilitation; US\$ 804 in crime investigation and culprit identification; and US\$655 in sanctions, rehabilitation and reintegration matters. In per capita terms, we see an increase from US\$79, spent by the State in 2000 in security issues per citizen, to US\$156 in 2010 (Chart 1).

Chart 1

TOTAL PUBLIC EXPENDITURE (US\$ MILLION, 2010)



Source: Claro and García (2011)

Likewise, if we break down public expenditure by institution as a percentage of the total public expenditure in 2010, we observe that most public resources have been allocated to *Carabineros de Chile* (police), with US\$1,141 million (42.6%); *Gendarmería* (prison guards corps), with US\$389 million (14.5%); Investigative Police (PDI), with US\$314 (11.7%); SENAME (National Service for Minors), with US\$266 million (9.9%); and the Public Ministry with US\$201 million (7.5%), as can be inferred from Table 1.

Private Sector

On the other hand, the private delinquency cost in 2010 amounted to US\$1,803 million, increasing by 129% in relation to 2000 when this cost totaled US\$787 million.

It is possible to observe that, together with the state work, the private sector has made a great contribution in this area. The value which each person gives to reducing this probability depends mainly on the extent, the individual's degree of aversion to risk and his wealth level. These costs are mainly associated with prevention and dissuasion, what we call "Private Security Industry" (basically goods such as security services like monitoring, alarms, insurances, etc.).

Moreover, there are a series of costs which also affect the private sector (having an impact on society, victims and criminals), and they apply to the prisoners' cost of opportunity, cost of life, professional services, and the cost of reporting.

Table 1

**PUBLIC EXPENDITURE DISAGGREGATION BY INSTITUTION
AS % OF TOTAL EXPENDITURE**

	In CLP\$ million 2010	In CLP\$ million 2010	% of Total Public Expenditure
Public Expenditure on Prevention and Dissuasion			
Police (1)	\$ 582,012	\$ 1,141	42.6%
National Intelligence Agency	\$ 4,462	\$ 9	0.3%
Security and Citizen Participation Program (2)	\$ 24,108	\$ 47	1.8%
Mideplan Support Programs (3)	\$ 9,825	\$ 19	0.7%
Public Expenditure on Crime Investigation and Culprit Identification			
Investigative Police	\$ 160,100	\$ 314	11.7%
Legal Medical Service (1)	\$ 2,186	\$ 4	0.2%
Criminal Justice (2)	\$ 81,875	\$ 160	6.0%
Public Ministry	\$ 102,544	\$ 201	7.5%
Criminal Defense Public Counsel	\$ 39,914	\$ 78	2.9%
Secretariat and General Administration Ministry of Justice (3)	\$ 22,353	\$ 44	1.6%
Judicial Reform Coordination Program (4)	\$ 1,295	\$ 3	0.1%
Public Expenditure on Sanctions, Rehabilitation and Reintegration			
Gendarmería (Prison Guards Corps)	\$ 198,473	\$ 389	14.5%
SENAME (National Service for Minors)	\$ 135,550	\$ 266	9.9%
TOTAL	\$1,364,695	\$ 2,675	100.0%

Source: Claro and García (2011)

If we observe Table 2, in 2010 private expenditure on prevention and dissuasion totaled US\$1,508 million, which are equivalent to a 140% increase in relation to 2000, and 31% in relation to 2006. The major

components within the Private Security Industry are given by patrol services and alarm monitoring.

In addition to the aforementioned, there are other private costs affecting society – both victims and criminals; some of them are quantifiable and others are not.ⁱⁱⁱ In this perspective, Table 2 shows significant increases in the prisoners' cost of opportunity, mainly associated to the prison population increase. As for the loss of lives, we see that in 2010 this cost was over US\$71 million, increasing by 50.9% in relation to 2000, and by 33.3% in relation to 2006. Regarding the cost of reporting, in 2010 it totaled US\$11.2 million, increasing by 180% in relation to 2000, and by 41.9% since 2006, which is mainly explained by the reporting increase during this period.

Table 2

TOTAL PRIVATE EXPENDITURE (US% MILLION, 2010)				
	2000	2006	2009	2010
	629	1,150	1,502	1,508
	107	145	200	213
	47	53	66	71
	1	0	0	0
	4	8	11	11
Total	787	1,356	1,780	1,803

Source: Claro and García (2011)

However, if we analyze the relative participation of the public and private sector in the total cost of delinquency, it is possible to observe that it is relatively constant over time. If we compare year 2000, we see that the relative participation of public expenditure in relation to total expenditure is 61%, versus 60% in 2010. In 2007, we see the highest private participation, reaching 42.7%, and public expenditure amounts to 57.3% (Chart 3).

Finally, it seems relevant to reflect on the efficiency and efficacy of the great amount of resources that are being invested in this area, especially the public ones.

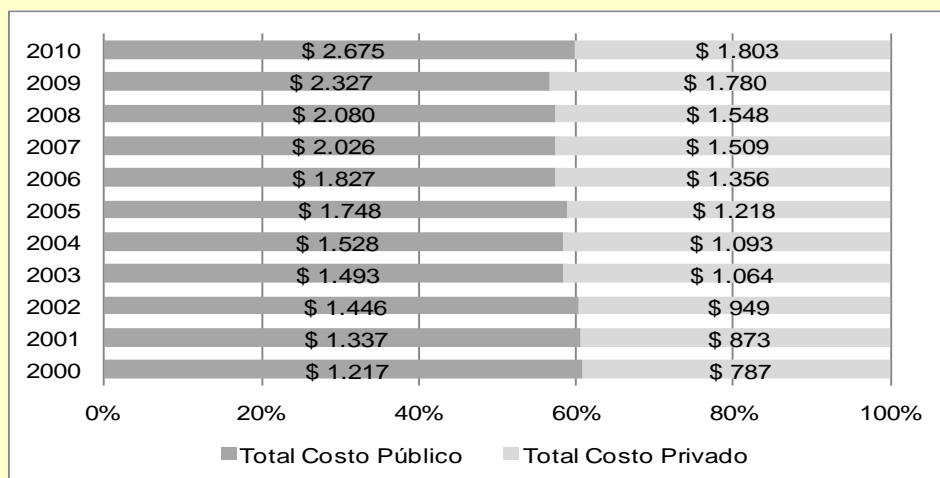
In principle, and from the efficacy perspective, as can be noted in Chart 4, the Government's National Urban Citizen Security Survey (ENUSC) has progressively shown a significant reduction since the first measurements, notwithstanding important methodological changes on the way which make it difficult to compare the current ones with the first ones; and additionally, without considering the substantial victimization fall in 2010, according to the last ENUSC,

reaching 28.2%, a figure that will be confirmed or not in the 2011 Survey .

Nevertheless, we must not get lost. Our victimization levels are still high in compared terms, especially in crimes like theft from vehicles and theft with violence,^{iv} so efforts must be consistent and we must not lose the sense of urgency. Furthermore, it is a citizen imperative which has been demonstrated in several opinion polls; in the last two decades, it has been consistently mentioned as one of the three most relevant problems for the citizens.^v

Chart 3

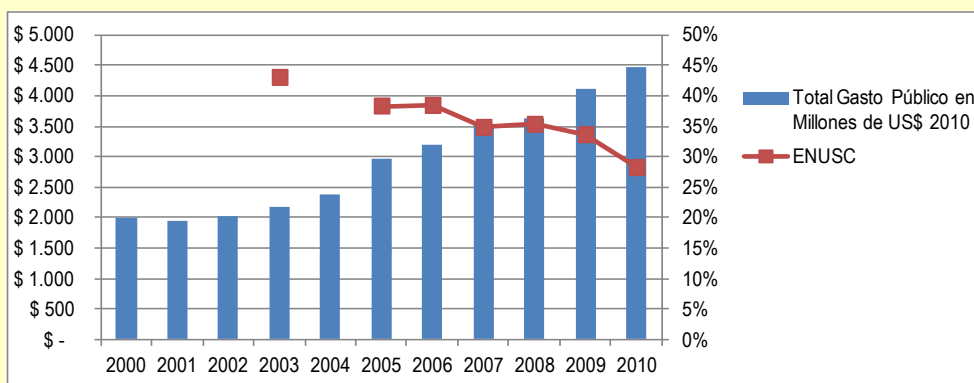
TOTAL COST COMPOSITION, FIGURES IN US\$ MILLION, 2010



Source: Claro and García (2011)

Chart 4

TOTAL DELINQUENCY COST EVOLUTION 2000-2010 AND ENUSC EVOLUTION



Source: Claro and García (2011)

Another indicator which should be considered is that the private sector seems to be decelerating the expenditure on security, which can be seen as a sign of this sector's trust in the stabilization of delinquency.

All in all, and in the second place, questionings on efficiency matters are still present and they should be a permanent concern. The lack of evaluation of the security programs should be a permanent concern for the authority. This is the area which requires the greatest future developments. A relevant example on this matter, and that we have analyzed in a previous Public Issues, is related to the use of the facultative conclusions (e.g. interim files)^{vi}.

Conclusions

The total delinquency cost in Chile for 2010 reaches US\$4,478 million, representing US\$262 per capita and 2.2% of the GDP. Thus, it constitutes 75% of the almost US\$6,000 million that free education for all would cost in our country, and almost 41% of the total health budget for 2010.

When analyzing the use of public resources, from the efficiency and efficacy perspective, the obtained results are ambiguous. From the efficacy point of view, it is possible to observe how the households'

victimization – measured by the government’s victimization surveys – has progressively decreased, although it still shows high levels for Chile and, in some specific crimes, very high ones according to international standards. Likewise, the last Victimization Survey of Paz Ciudadana has turned on the “yellow lights” regarding a potential victimization trend break, which should be confirmed by the survey itself and by the 2011 ENUSC.^{vii}

However, these progresses must be seen with skepticism from the efficiency perspective. Chile must now advance in the evaluation of its public security programs and plans at the different public institutions that are responsible for them. Here, the Budget Department of the Ministry of Finance must play a key role, and also the autonomous institutions such as the Public Ministry and the Judiciary which, in a democratic society, must be accountable before the citizens for their assignment and the efficient use of public resources.

ⁱ See Arzola, M.E. and García, J.F. The Cost of Delinquency in Chile 2000-2007. Libertad & Desarrollo. Political Report Series Nr 106, 2008.

ⁱⁱ See Claro, E. and García, J.F. The Cost of Delinquency in Chile 2000-2010. Libertad & Desarrollo. Justice Report Series Nr 6, 2011.

ⁱⁱⁱ There are several private costs which affect both victims and criminals that have not been considered, but that are worth mentioning; for example, from the victims’ point of view: the cost of living with fear, emotional and physical costs of a criminal episode, value of the stolen objects, and medical costs derived from the recovery of injuries, among others. Meanwhile, from the criminals’ point of view we can highlight: reintegration difficulties, expenditures on supplies used to commit the crime, etc.

^{iv} See Arzola and García (2008).

^v Greene P. and Illanes, I. Delinquency 1990-2005: Critical Evaluation and Proposals. Libertad & Desarrollo, Political Report Series Nr 91, 2005.

^{vi} Public Ministry Resources and Prosecutors’ Work Efficiency, Libertad & Desarrollo, Public Issues, November 11th, 2011.

^{vii} Paz Ciudadana Encuesta de Victimización: Luces Amarillas. Libertad & Desarrollo, Public Issues, July 22nd, 2011.