

The Cost of Delinquency in Chile: Upward Trend Continues in 2012

The total cost of delinquency increased by 172% between 2000 and 2012. However, how efficiently do we use these financial resources to fight delinquency? Although according to the measurement of the National Urban Citizen Security Survey (ENUSC) the victimization rates are significantly lower, especially during the current Administration, the international comparison still ranks us in a deficit condition in several crimes.

The purpose of the present document is to reveal the cost of delinquency in the period 2000-2012, considering the costs both for the public and private sector. Thus, we continue with the series of surveys that Libertad & Desarrollo has carried out in recent years concerning this matter, initiated by the think tank *Paz Ciudadana* in the mid nineties.ⁱ

In general terms, these researches have tried to estimate a series of costs incurred by individuals and the State to face the delinquency problem and that are susceptible to being quantified. Following the previous reports, the delinquency costs can be divided into two large categories: Public Cost, which has been disaggregated into (a) prevention and dissuasion costs, (b) crime investigation costs and culprit identification and (c) sanction, rehabilitation and reintegration costs; and Private Cost, which has been disaggregated into (a) prevention and dissuasion costs and (b) other private costs.

The aim of the survey is to make the best possible estimate of the costs incurred in the fight against delinquency, so as to obtain an approximation of reality, despite that there are several costs that have not been incorporated because of troubles with the estimates. In fact, the lack of adequate data or technical or

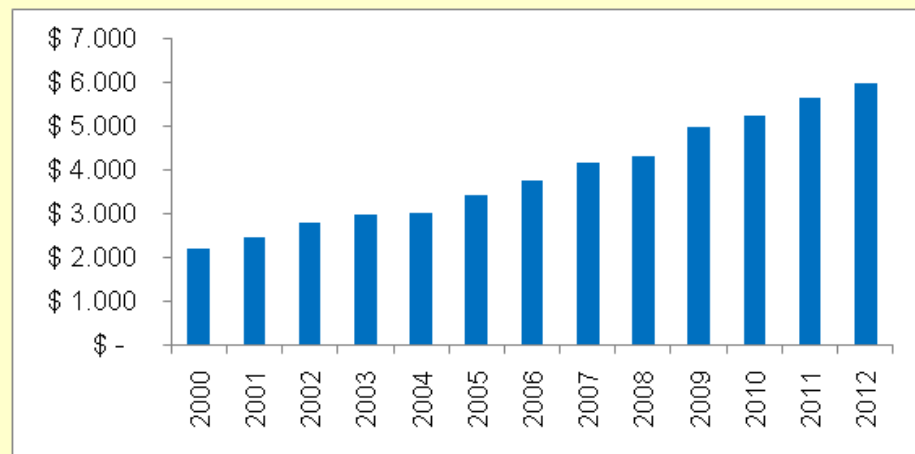
conceptual impossibilities to quantify some of the costs have entailed the exclusion of a significant number of data in the work. Therefore, the results should be considered conservative and underestimated.

Global Figures

The total cost of delinquency in Chile for 2012 amounts to CLP\$2,908,782 millions or US\$5,978 millions, representing US\$344 per capita and approximately 2.23% of the GDP. Likewise, it is important to highlight that in 2000 this total cost was CLP\$1,069,035 millions or US\$2,198 millions, and US\$143 per capita. This means that the total delinquency cost increased by 172% between 2000 and 2012 (Chart 1).

Chart 1

EVOLUTION OF THE TOTAL DELINQUENCY COST 2000-2012
(MILLION US\$ OF 2012)

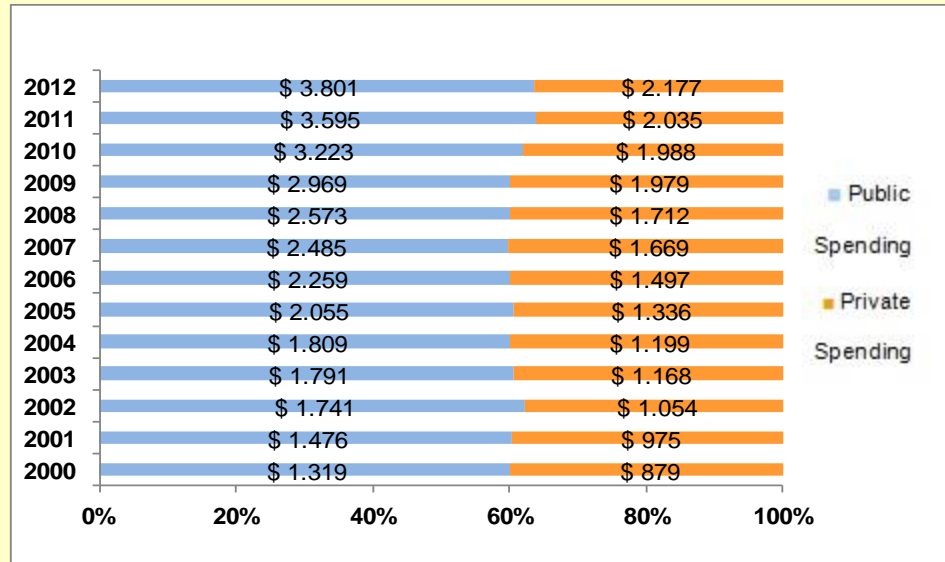


Source: García, Claro and Drobny (2013)ⁱⁱ.

Additionally, if we analyze the relative share of the public and private sector in the total cost of delinquency, we observe that, although some variations have occurred over time, it is always within certain margins (ratio 60-40 public vs. private). Thus, if we look at year 2000, we can see that the relative share of public spending in relation to the total expenditure is 60%, while the private one is 40%. In 2012, the public component is 63.6% and the private one is 36.4% (Chart 2).

Chart 2

PUBLIC-PRIVATE COMPOSITION 2000-2012 (MILLION US\$ OF 2012)



Source: García, Claro and Drobny (2013).

Anyhow, the fact that the private sector is actually co-financing the production of a pure public good is a relevant datum; it tells us quite a lot about the concern of the citizenship and the business sector in security matters, and the need to face high costs to guarantee a better protection. This is another strong signal indicating that citizens do not evaluate well –quite the opposite- what the authorities are doing in relation to security policies, which is consistent with the results of several public opinion surveys of the last decadeⁱⁱⁱ that also conclude that it is the most relevant public problem during this period.^{iv}

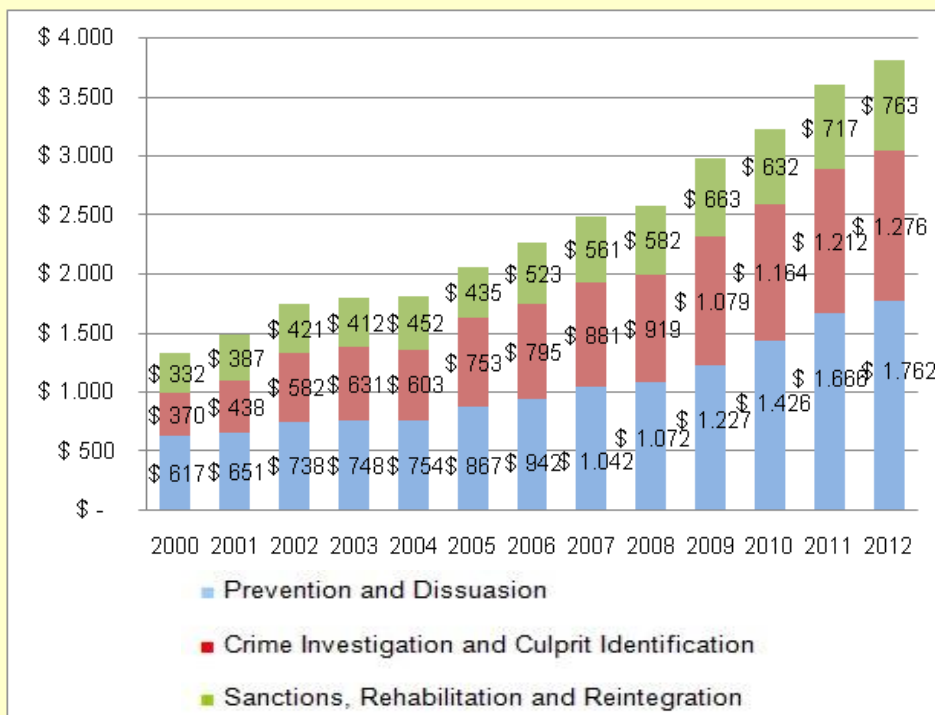
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Public Sector

In 2012, the cost corresponding to the public sector reached CLP\$1,848,948 millions or US\$3,801 millions, increasing by 188% in relation to the year 2000 when it amounted to US\$1,319 millions. In 2012, the public spending composition based on the three traditional components is the following: US\$1,762 millions in prevention and dissuasion; US\$1,276 in crime investigation and culprit identification; and US\$763 millions in sanctions (Chart 3).

Chart 3

COMPOSITION OF PUBLIC SPENDING 2000-2012
(MILLION US\$ OF 2012)



Source: García, Claro and Drobny (2013).

On the other hand, if we disaggregate the cost by institution as percentage of public spending in 2012, the highest public funds have been allocated to *Carabineros de Chile* (police) with US\$1,590 millions (41.8%); *Gendarmería* (prison guards corps), US\$532 millions (14%); Investigative Police (PDI), US\$396 (10.4%); Secretariat and General Administration of the Ministry of Justice, US\$362 millions (9.5%); Public Ministry, US\$240 millions (6.3%) and

SENAME (National Service for Minors), US\$212 millions (5.6%) (see Table 1).

Private Sector

On the other hand, the private cost of security in 2012 amounted to CLP\$1,059,124 millions or US\$2,177 millions, increasing by 148% in relation to the year 2000 when this cost was US\$879 millions (Table 2). The most relevant item in this matter is the private security industry, which in turn is strongly related to the impact of monitoring services (which alone explains 71.2% of this item). The transport of securities and monitoring of alarms are also a relevant part of the cost for the private security industry.

In brief...

- The total cost of delinquency in Chile for 2012 amounts to US\$5,978 millions, representing a cost per capita of US\$344. In 2000 this total cost was US\$2,198 millions. Thus, the total delinquency cost increased by 172% between 2000 and 2012.
- If we disaggregate the public cost by institution, in 2012 the highest public funds were allocated to *Carabineros* with US\$1,590 millions (41.8%); *Gendarmería*, with US\$532 millions (14%); and the Investigative Police (PDI), with US\$396 (10.4%).
- The private cost of security in 2012 amounted to US\$2,177 millions, increasing by 148% in relation to the year 2000. The most relevant item is the private security industry, related to the impact of monitoring services (accounting for 71.2%).

ⁱ The first surveys on delinquency costs in Chile were published by the think tank *Paz Ciudadana* (1995 and 1997). The first one estimated that this cost amounted to US\$1,290 millions in 1994. Two years later, it showed that the cost had increased to US\$1,480 millions. Continuing with this methodology, L&D published surveys on this matter in 2001, 2003, 2008, 2009 and 2011. The latter estimated that the cost of delinquency in 2010 was over US\$4,478 millions. We can also highlight the surveys on Private Security Offer of *Consultora Leemira* (2004, 2005, 2006, 2008 and 2011), which sophisticated, for the effects of our research, the way of calculating the private cost of delinquency.

ⁱⁱ García, J. F., Claro, E. and Drobny, S. “*El costo de la delincuencia en Chile: 2000-2012*” Serie Informe de Justicia. Libertad y Desarrollo, 2013.

ⁱⁱⁱ Recently, the news spread the very low approval of President Piñera in the last *Adimark* Survey, where only 10% approves the way he has managed the delinquency issues. The same survey shows that in the past Bachelet faced an even worst evaluation.

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