Rising inflation and unemployment in Chile drive workers into debt and poverty

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Chile is characterized by some economists as the most “globalized” nation in Latin America. The more conservative among them present it as a model to be followed by other countries on the continent. They point to the country’s supposed stability and security and Chile’s economic growth in recent years.

Nonetheless, behind this rosy view lie enormous irresolvable contradictions that are becoming increasingly evident, revealing a very different reality than the picture painted by the bourgeois economic theorists.

In recent months, Chile has been the scene of violent street confrontations between students and teachers and state security forces over an educational reform that essentially continues the reactionary policy of the Pinochet dictatorship. In addition there have been continuous strikes in sectors ranging from the copper mines to health care.

Recently published data and surveys clearly reveal that the Chilean economy is not as stable or as secure from crisis as the economists have claimed—at least not for the workers, who are confronting the devastating effects of high inflation, wage cuts and rising unemployment.

The most recent reports on Chilean inflation have shown the biggest price increases in recent years. According to Chile’s National Institute of Statistics (INE), the Consumer Price Index registered a 1.5 percent rise in June, with an accumulated increase of 4.3 percent in the first six months of this year. This is the biggest increase for the month of June since 1991, when a 1.8 percent rise was recorded. The increase over the past 12 months reached 9.5 percent, the largest 12-month rise recorded since June 1994, when it reached 14.4 percent.

There were price increases over the month in seven of eight areas of the economy surveyed. The figures include: transport, 3.6 percent; food, 2.3 percent; housing, 1.4 percent; household products, 0.3 percent; clothing, 0.1 percent; and education and recreation, 0.1 percent. Only health insurance recorded a decrease, falling by 1 percent.

Transport was the area registering the biggest increase, principally due to soaring oil prices, which in the past month have risen above $140 a barrel. Consequently, fuel prices rose by 8.4 percent, registering an accumulated rise of 12.1 percent in 12 months. The high price stems directly from the rise in oil prices in international markets. The price of fuel is set by ENAP, Chile’s state-owned refiner and calculated based on the price of oil in the North American market.

Food registered a 2.3 percent hike in June. The principal increases were for fruits and vegetables (4.8 percent), meat (4.1 percent), milk and eggs (2.6 percent), oil, butter and fats (2.2 percent) and cereals (1.4 percent). Over 12 months, food prices have seen an accumulated increase of 19.5 percent. The rise in food prices—a worldwide phenomenon that is confronting masses of people in Chile and throughout Latin America—means simply that workers are eating less and less. Every day sees food prices mounting and the buying power of workers slashed. The result of this process is less food and more hunger.

Felipe Silva, a researcher for LyD (Libertad y Desarrollo), a pro-free-market think tank, indicated that Chile’s current inflationary situation is not encouraging. “This high inflation is harmful because it causes distortions in the economy and especially for the poorest people, because they are the ones least able to ensure their means of subsistence,” he said.

Silva added that external factors, such as high oil prices and the growing cost of energy, are also contributing to a complex economic picture. “As a result we have a lot of pressure internally and externally on prices which must manifest itself with new increases in the rate of inflation,” he said. The researcher stressed that the cost of “fuel and public transport are going to increase further.” In other words, inflation has returned to stay.

One direct effect of this inflationary process is the lowering of the real wages and increasing indebtedness of the workers. A recent survey published by LyD indicates that 54 percent of Chileans have gone into debt in order to support their families. In comparison to the last such poll in 2007, the share of those in debt had risen by 8 percent. These figures are in line with information released recently by the Central Bank of Chile, which reported a high level of indebtedness among Chilean workers, with 61 percent having contracted commercial debt.

According to a study conducted by professor Sergio Becerra of the School of Engineering at the University Bernardo O’Higgins in Santiago and academic Álvaro Undurraga, 70 percent of the workers in the city of Santiago are dissatisfied with their wages.

“Chileans think their salaries are low, as the cost of living has gone up constantly,” said professor Becerra. As a result of high inflation and falling buying power, the survey revealed that 54 percent of workers expressed the desire to change jobs due to dissatisfaction with their current earnings, which are being whittled down daily by the rise in prices.

It is not only the specter of inflation that is haunting Chilean workers, but also the other inherent byproduct of capitalist production, unemployment. A recent study produced by LyD found that the unemployment rate in Chile rose to 8.9 percent in May. The National Institute of Statistics had already published a report stating that unemployment hit 8 percent in the last quarter. On the other hand, the official figures provided by the Chilean government put the unemployment rate at only 7.6 percent.

The LyD survey produced a rate 1.3 percent above that of the government’s, while the INE’s was 0.4 percent above the official figure. The discrepancy exposes the government’s bid to juggle the numbers in an attempt to mask the depth of the crisis into which the Chilean workers are sinking.

Beyond this, it should be emphasized that among those who are currently employed, fully 30 percent said that they fear losing their jobs and joining the ranks of the reserve army of labor. As to the policies of the government, 65 percent of those surveyed by LyD said that the administration of Socialist Party President Michelle Bachelet has not done enough to reduce unemployment.

Chile’s Central Bank reported Monday that the country’s economy had grown 2.1 percent in May over the same month last year, down from a 4.8 percent growth rate recorded in April. Meanwhile, a survey by the Bloomberg news agency found that growth for the first quarter had fallen to 2.4 percent, compared to 6.5 percent during the same period last year.

Economists attributed a substantial share of the falloff to the curtailment of industrial production by a series of strikes that have shut down copper mines, trucking and other industries as workers are driven into struggle by the high cost of living and the threat of impoverishment.