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Consumption in the new Latin American models

*Carlos Filgueira**

The main objective of this article is to study the role played by consumption in the economic and political strategies followed in recent years in the countries of the Southern Cone of Latin America. The author places at the centre of his analysis an apparent paradox whose significance he seeks to discover: on the one hand, these societies display a considerable increase in the consumption of durable goods and other 'sophisticated' articles, primarily acquired through imports, and this is usually presented as a manifestation of the success of such strategies, but on the other hand, the same societies also display both growing inequality in the distribution of wealth and income and a deterioration in the degree of coverage of the basic needs of the poorest strata.

In order to elucidate this paradox, the author begins with a critical analysis of the significance which consumption usually has in economic theory and emphasizes the need to take into account its sociological aspects, which makes it an important interface between the two disciplines. He goes on to explore the statistical information available in order to describe the patterns of concentration and dissemination of the consumption of durable goods, especially in the case of Chile, and finally gives a summary of his main conclusions. Among the latter he suggests that the new and sometimes paradoxical patterns of consumption adopted by the various social strata in these societies can only be understood within the context of global tendencies furthering the creation of forms of social organization in which the relative absence of other accepted manners of personal realization and social participation give 'modern' consumption a central role in both personal life and in the principles of social integration.

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I

Introduction

1. In recent decades, Latin America has experienced profound changes in its styles of life and patterns of consumption. A sustained process of dissemination of material objects characteristic of the industrialized societies makes it difficult now, at the beginning of the 1980s, to recognize Latin America as the same region which existed 30 years ago.

Without doubt, this process has not been an isolated phenomenon; in reality, it forms part of a much more general process of economic development and social modernization which the region has displayed above all since the end of the Second World War.

As repeatedly pointed out by CEPAL, although the economic growth of the region is not sufficiently high and the prevailing styles of development are not appropriate for solving the problems of the extreme poverty and precarious living conditions of great sectors of its population, Latin America as a whole has shown one of the highest indexes of growth in comparison with the other regions of the Third World.

Other simpler and well-known indicators also show the magnitude of this process. The urban growth registered in only three decades means that one of the characteristics traditionally attributed to the region—namely, its predominantly rural nature—is tending to disappear. Furthermore, the changes which have taken place in education over this period represent, like the progress in urbanization, one of the most spectacular growth processes ever recorded in the history of any society during such a short period. Finally, with regard to the social structure, the expansion of the urban middle classes in recent decades has been so great that in the 1980s some countries are attaining and even exceeding the proportions of middle class existing in the developed countries, while others are rapidly approaching such levels.

The dissemination of these new styles of life and consumption is closely associated, then, with the increasingly urban and tertiarized nature of the social structure. The new habits of modern consumption, in their turn, are increasingly determined by the lead-

ing role played by the expanding middle classes. As well as adopting patterns of behaviour similar to those of the middle classes in the developed countries, these life styles are also propagated towards the lower strata.

With the shortening of physical and cultural distances brought about by the expansion of the physical means of communication, and above all the mass media, there is practically no physical or social space, no matter how isolated it may be, which has not to some extent undergone the impact of the stimuli of modern consumption.

This has led to changes in the most deeply-rooted habits in the traditional spheres of consumer behaviour: food, housing and clothing. The forms of recreation favoured increasingly call for the possession of material goods, forms of social relationships are modified as a function of goods, and at the same time we observe the most varied family strategies to try to meet the new preferences and tastes. The expectations and aspirations for the life cycle are redefined as a function of consumerist priorities, and this leads to changes in basic motivations towards work, the family and the children.¹

In particular, since material goods constitute the most manifest part of this culture, they increasingly acquire the character of a veritable system of information which gives significance to everything surrounding the individual. More and more, there is a tendency to work and live as a function of consumption.

Not all the countries of Latin America have experienced this process to the same depth or with the same rapidity, however. As the region does not form a single unit, but is a heterogeneous set of countries, the expansion of the 'consumer society' has taken place in very different manner in each particular case.

As a general rule, the sustained process of dissemination of patterns of consumption referred to above integrated the dominant styles of

Latin American development, and in so far as these styles had continuity, so too did the dissemination of the consumption-oriented models. This dissemination did not always follow a continuous and gradual process, however.

Thus, in the 1970s there were some Latin American countries where the dissemination of the new styles of consumption was abruptly accelerated by a sharp break with the formerly prevailing models. The countries of the Southern Cone, where stabilization experiments are being carried out, show how, in a brief period, the break with the traditional policies regarding styles of development led to a profound transformation in all aspects of social, economic and political life.

With regard to styles of consumption, these were affected by the confluence of various factors which tended to generate conditions favourable for the emergence of a previously unknown consumer society. The growing concentration of income deriving from the stabilization models, the economic openness favouring the importation of cheap consumer goods, and the general ideology of the new systems proclaiming consumerism as a legitimate priority objective tended to bring about drastic alterations in styles of life and consumption.

The economic literature has given sufficient demonstration of the significance which the economic reorientation of the new stabilization models had in these changes. It is not merely a question of economic measures and policies, however. In reality, the new orientations comprise a vast concept embracing social morality and solidarity, based on the resurgence of individualistic liberalism, reaffirming the principle of the supreme importance of the consumer, and taking up once again the idea that the State can be dispensed with in many respects.

The new market economies are thus something more than economies: they are societies where material, economic and political interests cannot be separated from the ideas which seek to give them significance as well as strengthening and justifying them. From this point of view, they are as real as the interests themselves.

Consequently, the phenomenon of consumerism in the new models can hardly be

¹J. Graciarena, "Creación intelectual, estilos alternativos de desarrollo y futuro de la civilización industrial", study presented at the Symposium on Cultural and Intellectual Creation in Latin America, organized by the United Nations University and the Institute of Social Research of the Autonomous National University of Mexico, held in Mexico City from 23 to 28 April 1979 (mimeographed version, 1980).

viewed as displaying unbroken continuity. This also helps us to understand better why the problems of the 'consumer society', traditionally identified with problems peculiar to the developed countries, are acquiring growing importance and new connotations for Latin America.

2. Because of the interest of certain academic and intellectual circles and the concern of international organizations and forums, some of the old problems raised thirty years ago by Galbraith in his study on the affluent society have assumed new vitality and significance.²

A decisive factor in this was the questioning by the Rome Club a few years later of the consequences that the exhaustion of natural resources would have for the growth model of the industrial society. Since then, the resulting discussion has given rise to the most varied proposals, although the idea which has gained most ground is that the initial postulation regarding the exhaustion of resources was not really a problem of technology or production in the strict sense.

Numerous subsequent studies have shown that there are various logically possible alternative worlds in which the social, political and productive organization could successfully cope with the problematical destiny of the 'industrial society'. Though they were utopias in some cases or theoretical exercises in others, both types of approaches had the virtue of displacing the problem of the form of exploitation of natural resources towards its social and political determinants. In all cases, however, the consumerist or 'consumer society' characteristics on which the spoliatory forms of technology are based were always at the centre of the analyses.

The studies on styles of consumption in Latin America could not remain outside this controversy either, and were thus deeply influenced by the problems of the more developed countries.

It could even be affirmed that because of this the analysis of the dissemination of the consumer society in Latin America has another

character. It is not possible to avoid the feeling—shared by many—that the industrial civilization is reaching the end of an era and closing a cycle, thus demanding in an urgent and inescapable manner for changes of considerable magnitude to be made.³

Naturally, this return to the study of consumption as influenced by the way in which the problem is defined in the developed countries raises certain difficulties. Firstly, for obvious reasons it raises difficulties deriving from the different contexts. The term 'consumer society' is fully applicable to societies with mature industrial economies, but it cannot automatically be extended to the countries of the Third World. Secondly, the critical nature of the judgement on consumerist styles has frequently emphasized moral censure, thus turning itself into a subjective value judgement rather than an analytical category. Finally, there is the difficulty that the terms 'consumer society' and 'consumerism' are vague and globalizing concepts.

The 'consumer society', 'superfluous consumption' and other similar terms which are frequently used in the literature rarely seem to have a well-defined meaning. In certain cases they seem to refer to general ways of denominating a particular type of civilization, the 'industrial society'; in others, they appear to be a characterization of the essential features of a particular system (the capitalist system), and in still other cases, certain authors seem to regard them as morbid or pathologically deviated manifestations of something which need not strictly be so.

Consequently, it is appropriate to raise some queries regarding these denominations. With regard to the consumerism which is supposedly characteristic of contemporary society: is it a mere superficial phenomenon of the pre-

²J.K. Galbraith, *The Affluent Society*, Boston, The Houghton Mifflin Company, 1958.

³M. Wolfe, *Nuevas reflexiones sobre el desarrollo (E/CEPAL/DS/VP/182)*, 1978; J. Medina Echavarría, "Latin America in the possible scenarios of détente", *CEPAL Review*, No. 2, 1976; Dag Hammarskjöld Foundation, *Another Development*, Uppsala, 1979; *Proposiciones para un nuevo orden internacional*, Rome Club, Guanajuato, Mexico, 1975; United Nations, *Declaration and Programme of Action for the establishment of a New International Economic Order*, 1974; R. Falk, *A Study of Future Worlds*, The Free Press, 1975.

vailing models, or is it rather a structural characteristic? What are its links with the productive structure, investment and savings? How deeply rooted are the styles of consumption and what are the dynamics of their change? What are the conditions, factors and requisites needed for their change?

Answering these queries is not an easy task; it involves options of a theoretical nature which are not yet sufficiently clear in the existing literature, and the paths opened up for future research depend on which of the alternative answers is selected.

3. The consumerist ethos originated in the advanced capitalist countries and gradually spread within them and outside them; it steadily incorporated new social sectors and classes and penetrated at various rates into the societies of the Third World.

The present situation of the developed countries thus reflects the full sway of a consumerist ideology which, through a long-standing process, has come to orient their growth in a certain way; it can therefore be asserted that their present problems are the result of their own maturity.

This situation cannot, of course, be divorced from the way in which the notion of consumerism or the 'consumer society' is introduced in Latin America.

Since the emergence and significance of these concepts is conditioned both geographically and ideologically, the literature on consumerism has reflected above all the specific problems of the advanced societies. It is therefore no accident that consumerism has recently acquired a significance related to the problems of the external and social limits of growth.

For the theory of the physical limits, waste, as a pathological expression of the modern style of consumption, has thus been linked with the spoliatory nature of the techniques and forms of production, while as regards the social limits, these have been expressed by the high economic cost and unproductive nature of the competition for prestige goods and the erosion of the basis of legitimacy and consensus.⁴

⁴F. Hirsch, *Social Limits to Growth*, Cambridge, Mass., Harvard University Press, 1979.

In the advanced countries waste was combined with exceptional economic growth and dynamism, however, whereas in Latin America and the Third World countries in general the situation was different, since there was waste with zero or scanty growth.

Hence, while in the more advanced countries the notion of consumerism assumed a significance in line with the interpretations of those countries' physical and social limits, in Latin America it also raises the problem of the limits which it imposes on accumulation.

From its earliest days, CEPAL has given priority attention to the problem of the imitation of modern patterns of consumption and the way in which these are related with economic development. Recently, this aspect has gained renewed vitality⁵ through the studies of Raúl Prebisch on peripheral capitalism.

It does not seem, however, that there has been sufficient adaptation of the concept of consumerism to conditions which, like those of Latin America, differ from those prevailing in the developed countries. At the conceptual level, there are still some major queries regarding what is meant by consumerism or the 'consumer society'.

If it is perceived as the expression of economic behaviour based on excessive consumption, on the satisfaction of 'superfluous needs' or the acquisition of 'luxury goods', one inevitably falls into relative and arbitrary value judgements which, even in the best of circumstances, can only describe but not explain the situation. It is very different, however, if consumerism is perceived as an articulated set of ideas and motivations which make up an ideology.

If consumption belongs to the order of the material world or the world of objects, consumerism —like Weberian asceticism— belongs to the order of values and ideas. It therefore only acquires significance when it is considered as a particular ideology or ethos.

It is not always, nor in all known societies, that material objects acquire the same decisive importance or the character of a primary moti-

⁵R. Prebisch, *Capitalismo periférico. Crisis y transformaciones*, Fondo de Cultura Económica, Mexico City, 1981.

vation for action. Nor are preferences always organized around material goods, as happens to the full in the industrial societies or the circles in underdeveloped countries to which this attitude has spread.

While some implications of the notion of consumerism as an ideology are probably obvious, it is worth referring to them.

It is clear, of course, that consumerism cannot be considered as a mere superficial phenomenon. Nor can it be considered as a

manifestation which has no life of its own, except as a reflection of the needs of the production structure, and much less can it be considered as a type of orientation which can easily be modified. It is even more important to note that consumerism thus defined is not restricted to the real behaviour of those privileged sectors or classes which have effective access to superior goods, but is also defined by the broader dissemination of the expectations and values which orient action.

II

Social factors in the dissemination of styles of consumption

An aspect which attracts the attention of sociologists is the way in which economic thinking has approached the analysis of the behaviour of the consumer, since until only a very few years ago individual decisions regarding consumption and preferences for certain consumer goods were considered as actions carried out independently of the decisions of others. No less surprising is another of the basic assumptions of economic theory: that the consumption attained at a given moment is reversible in time (Douglas and Isherwood, 1979).⁶

The wealth of practical knowledge amassed by advertising agencies, market research specialists and sales-minded businessmen regarding the incidence of social relations on consumption only began to occupy a significant place in the economic theory from the 1950s onwards.

Until then, many of the patterns of consumption and saving seemed to be irremediably irrational and erratic, inasmuch as the socio-psychological principles of consumer behaviour continued to be subject to the concept of the rational consumer, which assumed: (a)

relatively fixed and consistent preferences for perfectly established consumer goods; (b) a high degree of familiarity with products; (c) decisions determined only by income; (d) the possibility of substitution of determined products on the basis of relative elasticity; and (e) a type of individual behaviour independent of the behaviour of other consumers.

Few would try to maintain today that these basic principles of consumer behaviour are still fully applicable. The evolution of economic thinking in this respect has undergone successive changes as a result of the introduction of new principles and laws such as the principle of diminishing marginal utility of Marshall, the fundamental psychological law of Keynes, the theory of preferences of Pareto and Schicks, or the permanent income theory of Friedman, all aimed at establishing the foundations of economic behaviour by adding new hypotheses and more complex assumptions. In all cases, however, the search for more satisfactory assumptions for explaining value arose in fields other than that of economics. Indeed, it could hardly be otherwise, since the theory of value—as Durkheim maintained in his controversy with the economists at the beginning of the century—corresponds to an essentially social dimension. Material objects have value not only because of their intrinsic physical proper-

⁶M. Douglas and C. Isherwood, *The World of Goods*, London, Allen Lane, 1979.

ties but also because of the value socially attributed to them.⁷

At the end of the 1940s, the dominant interpretations regarding consumer behaviour were questioned by two alternative theses. O. Morgenstern and J.S. Duesenberry proposed new ways of understanding the dynamics of demand. In addition, in their writings they radically questioned the way in which conventional theory perceives the generation of needs and the way in which the latter are transformed into demand. Thus, from that time on the problem of the theory of value was here to stay.

O. Morgenstern⁸ and J.S. Duesenberry⁹ sustained in their writings that it was necessary to modify one of the essential assumptions of the static theory of consumer demand implicit in the dominant economic interpretation: namely, the principle of the independence of consumers. In short, the convictions of these authors led them to sustain that demand curves are not the result of the simple adding together of the behaviour of consumers considered individually. The principle of non-additivity fits in better with all types of consumer behaviour, not only that of individuals, but also of enterprises. This principle is based on the reciprocal influences of behaviour connected with competition, social interaction and forms of sociability, which are introduced as explicit factors explaining the "abnormal aggregate demand behaviour", and it was at this point that Duesenberry incorporated for the first time the notion of the "demonstration effect".

This represented the resumption of a line of interest already implicit although not fully developed, in previous studies which identified 'unexpected' or unclear forms of behaviour of this structure of aggregate demand. Thus, H. Liebenstein¹⁰ notes that Professor Melvin Reder, in his treatment of the theory of

welfare economics, claimed that "...there is another type of external repercussion which is rarely, if ever, recognized in discussions of welfare economics. It occurs where the utility function of one individual contains, as variables, the quantities of goods consumed by other persons" and goes on to say that "It can only be lack of awareness of the past literature that causes Reder to imply that this consideration has not been taken up before. Among those who considered the problem earlier are J.E. Meade, A.C. Pigou, Henry Cunynghame, and John Rae".

It was only after Duesenberry's formulation that the 'problem' and 'incongruencies' ceased to exist as such and instead gave way to a proposal for a revision of the basic theory. He thus made it possible for the first time to give systematic consideration to the social aspects, which had previously remained outside the conventional economic approach.

Duesenberry's theory of consumer behaviour really amounts to the first sociological formulation regarding consumption. The new approach to man as a social being was one of the most significant contributions made by the economic theory of the consumer, since the previous conventional economic theory had used assumptions on individual psychology which viewed the decisions to consume as operating in an atomized manner, segregated from society.

To this must also be added another subsequent complementary formulation which also represented a considerable theoretical advance. On the basis of the initial formulations of cultural anthropology, the notion of consumption as a relatively autonomous consequence of immediate income gave way to the notion of 'normal consumption', which is a term introduced by Margaret Reid (1934), but which was not incorporated into economic thinking until M. Friedman's formulation regarding 'permanent income'.¹¹

While in Duesenberry's formulation saving was a residual category resulting from 'what

⁷E. Durkheim, *Journal des Economistes*, Series 6, XVIII, 1908.

⁸O. Morgenstern, "Demand theory reconsidered", in *The Quarterly Journal of Economics*, February 1948.

⁹J.S. Duesenberry, *Income, Saving and the Theory of Consumer Behaviour*, Cambridge, Mass., 1949.

¹⁰H. Liebenstein, "Bandwagon, Snob and Veblen Effects in the Theory of Consumers' Demand", in *The Quarterly Journal of Economics*, vol. LXIV, May 1950, No. 2, p. 185.

¹¹M. Reid, *Economics of Household Production*, New York, 1934. M. Friedman, *A Theory of Consumption Functions*, Princeton, Princeton University Press, 1957.

was left over' after the decision to consume, for Reid saving is provision for the future and it is therefore not possible to understand consumer behaviour without knowing the long-term logic behind the saving/consumption complex.

Any family consumption strategy will therefore not be the result only of transitory income; it will be determined above all by the real or imaginary expectations, the attitudes and ideologies regarding family life, and the significance attributed to a socially conditioned life project.

With the concepts of 'normal consumption' and 'transitory and permanent income', the way is opened for a type of consumption analysis which is not based on an interpretation taking account of only one cause, namely, transitory income. Moreover, the idea is also asserted that once patterns of consumption have been adopted they cannot be easily modified by short-term variations in income.

1. *The demonstration effect*

In its simplest form, the demonstration effect is based on the theory that when individuals have knowledge of material or non-material goods or styles of life which are superior or perceived to be so, regardless of whether these are objects which satisfy old needs or create new ones, the probability increases that they will feel dissatisfied with their own levels. In proportion as their knowledge of these goods is expanded, and consequently also their knowledge of the symbols and values associated with their use, new needs arise and the demand for the consumption of such goods increases.

Thus, the demonstration effect operates from the top down through social mechanisms in which forms of social interaction, leadership and publicity play a fundamental role.

The form of social stratification possessed by contemporary society thus becomes the framework for the operation of the phenomena of dissemination of consumption aspirations and, consequently, special attitudes and forms of behaviour which penetrate from the top strata towards the lower ones. The greater the differences in level of living between the strata, the more obvious these differences are,

and the smaller the barriers of an ascriptive nature, the more efficient the demonstration effect is.

In certain societies, the demonstration effect tends to have greater force, as for example in modern society, where a number of factors join together (high physical mobility, low residential segregation, heterogeneous labour relations, external manifestations of behaviour, and social demonstration of one's own life style). Likewise, this effect will also be more vigorous when there are no social norms which lay down different rights and duties for different social sectors, classes or strata. Ultimately, as is well known, the demonstration effect implies 'unformalized social leadership' stemming from the upper levels of the social stratification structure, which act as a guide and leader for the aspirations and expectations of the lower strata.

Fashion. Although fashion as a social phenomenon cannot be identified conceptually with the demonstration effect, the latter frequently acquires the characteristic form of the behaviour of fashion. Fashion constitutes an aspect of social behaviour in which what is new represents a social value *per se*, with very special characteristics. The acceptance of fashion as a social phenomenon does not imply any personal relationship between some model and its imitators, hence its informal nature, although the most noteworthy characteristic of fashion is that it tends to create a stratified system among those who follow it (depending on its rapidity of expansion) in line with the relative prestige it confers on its followers.¹²

The demonstration effect frequently follows this pattern in attributing to the strata at higher levels and with more sophisticated forms of consumption a superiority in leadership and an associated prestige which appear as an intrinsic value of all modern stratified systems. Its most noteworthy features are: (a) the very dissemination of the fashion itself makes necessary a process of permanent change of the objects and styles of consumption, which is all the more rapid in proportion

¹²P. Heintz, "La moda como fenómeno social", in *Curso de Sociología*, EUDEBA, Buenos Aires, 1968.

as it spreads downwards. Moreover, the greater the success in the dissemination of new patterns and styles determined by fashion, the faster the signs of identification which characterized their imitators will lose their validity. Examples of this type of behaviour are the many material objects and styles of behaviour which, when they spread to the masses, rapidly cease to be distinctive signs. Take, for example, the "in" places of recreation and vacation, which acquire sudden fame, but rapidly lose the seal of prestige which they initially had once they become popular among the masses. The monopoly of fashion is therefore extremely short-lived, and new goods and styles must be repeatedly introduced in order to maintain the initial distances; (b) fashion has a compulsive effect in the sense that non-acceptance of it means remaining on the sidelines of what is normatively correct. There are therefore social sanctions extending from ridicule to the socially evidenced manifestation of social failure when one is unable to keep within the bounds of what is considered as superior and more prestigious;¹³ (c) participation in the forms of consumption imposed by fashion does not necessarily involve an explicit commitment on the part of its followers. The social value imposed by fashion may not be felt as a commitment to such value, but this does not mean that it therefore loses its socially compulsive nature. In this sense, fashion frequently corresponds to determinants originated by a feeling of insecurity and deficiency which resorts to the following of fashion as a characteristic form of compensation through channels of social prestige (the typical case of women's fashions).¹⁴ In general, for the same reason fashion is associated with profoundly competitive forms of interaction which display very low degrees of solidarity. It is one of the most extreme social phenomena, which brings out the excessive individualization of contemporary society.

The demonstration effect, as a mechanism for the dissemination of aspirations and expect-

tations, can thus assume the form of fashion and comprises the determinants just referred to in so far as fashion acquires major importance in modern society. The social phenomenon of fashion as a particular case of the demonstration effect, although historically it has been of an elitist nature and restricted to limited circles, acquires an increasingly general and intentional nature with the increase of the mass-oriented nature contemporary society. From this point of view, fashion helps to understand how, given certain conditions, needs are generated around certain emergent values, and how fashion itself is based on processes of social interaction.

Publicity. We have seen above that certain changes which form part of contemporary society bring with them the intensification of contacts with and forms of exposure to other forms of consumption, along with the growing legitimacy of a system of equalitarian values in which self-realization in access to goods is normatively common to all individuals, whatever their social, ethnic, religious or economic situation. At all events, the form at present assumed by the demonstration effect and the present manifestations of fashion cannot be satisfactorily explained without observing the role played by publicity.

The most noteworthy consequence of publicity for the demonstration effect is its capacity to do away with the need for the physical context or for direct contact between the different levels and styles of consumption, thus making possible the dissemination of concrete messages between all social levels. In practice, the effects of publicity lie, above all, in its capacity to circumvent mechanisms which are limited by social interactions and leave out stages peculiar to processes of inter-personal dissemination.

There is a difference in character between the ways in which the demonstration effect operated in more traditional societies—with few publicity resources—and the way in which it operates in contemporary society. The immediate experience of the lowest and most marginal social sectors in the past system was restricted to the ambit of their daily physical interaction in the sphere to which they belonged (small community, city, etc.), or possi-

¹³V. Leymore, *Hidden Myth: Structure and Symbolism in Advertising*, Heinemann, London, 1975.

¹⁴A. Cohen, *Custom and Politics in Urban Africa*, University of California Press, Berkeley, 1969.

bly to sporadic contacts either with other strata through physical mobility or through the presence of individuals from other contexts in their own context. Thus, *physical mobility* was the basic element and prerequisite for opening up minds to new forms and styles of consumption. This aspect acquires a totally different character, however, when it is a question of *psychological mobility*, which can be provided by the modern mass media (newspapers, radio, television), whose stimuli are an integral part of everyday domestic life.

Still more important, however, is the fact that modern forms of publicity and the development of the mass media constitute a further element which is *added* to the demonstration effect, not taking the place of the other forms, but reinforcing them and being reinforced by them in its effects.

The multiplying power of the modern mass media and publicity is also directly related to other characteristics which they possess such as:

(a) *Intentionality*

Unlike other processes of dissemination based on personal interaction, publicity has an intentional character. The emulation of and aspirations to consumption which may derive from the exposition of different styles, as conceived by Duesenberry, did not have a necessarily manifest character on the part of the leading strata in the process; moreover, it is not difficult to identify forms of behaviour by the upper classes which are clearly reserved or 'private' and do not have any explicit objective of disseminating their patterns of consumption. In contrast, fashion as a social phenomenon has an intentional nature, and the mass media, through publicity, are the basic instruments for its dissemination.

(b) *Structuring*

Inter-personal forms of disseminating patterns of consumption are not necessarily structured *a priori*. The stimuli which the lower levels of the social stratification receive when superior styles are displaced are generated relatively spontaneously. They frequently give rise to

stereotyped forms of imitation which may even have little relation to the original model. Publicity, in contrast, because it is intentional, transmits messages which have a high degree of structuring and contain precise symbolic significance. Articulated as it is around the relation between material goods and forms of prestige, publicity resorts to its profound knowledge of the psychology of the consumer, his motivations and frustrations, and his needs to feel more powerful or more recognized by his fellow men.¹⁵

(c) *Abstraction*

The contexts of the messages disseminated by modern publicity are notably abstract and therefore depersonalized. As this aspect was already considered earlier, it does not call for any further attention at this point.

(d) *Channels of dissemination*

The means by which publicity is transmitted are increasingly effective, both because of the type of mass media used and because of the sophistication and instrumental knowledge on which they are based. It is not necessary to be literate in order to be exposed to the demonstration effect generated by present-day publicity, nor does it call for any conscious effort.

For Galbraith (1960),¹⁶ publicity constitutes the "dependence effect" of modern society: it is the instrument *par excellence* for creating needs derived from another need, namely, the constant growth of production as a way of perpetuating the system. For other authors, publicity has a more modest function and is little more than a legitimate and necessary form of competition. Finally, others only recognize its basic informative function.¹⁷

¹⁵G. Katona, *The Powerful Consumer: Psychological Studies of the American Economy*, New York, Hillbrook, 1970.

¹⁶J.K. Galbraith, *op. cit.*, pp. 152-160.

¹⁷J.K. Galbraith says that "the even more direct link between production and wants is provided by the institutions of modern advertising and salesmanship. These cannot be reconciled with the notion of independently determined desires, for their central function is to create desire—to bring into being wants that previously did not exist. This is accomplished by the producer of the goods or

The needs for information due to the proliferation of modern goods and services, together with competition between firms and the need for continual expansion of the structure of production, explain the extraordinary growth of publicity in advanced capitalist societies.¹⁸ Galbraith's interpretation, however, inclines towards the economic determinants, thus leaving his explanation incomplete. It is easy to understand the 'peremptory' need for firms to resort to publicity as a way of creating new needs aimed at ensuring the expansion of their production, but it is difficult to attribute to publicity an omnipotent character alien to the dominant lines of society. If the power of publicity is so decisive, then this is because some other type of mechanisms operate socially to predispose people to accept what is new. This acceptance, as discussed in the previous section regarding fashion, is connected with the fact that in contemporary society everything that is new is a *social value*, although this has not always been so in the past and neither the so-called traditional societies nor certain social classes were always open to innovation or fashion.

The high degree of individualization which G. Germani identifies in his studies on the post-industrial society and similar phenomena have established, as is well known, that change is the socially legitimate norm of contemporary forms of modern sociability. The 'effective' rather than 'prescriptive' action proper to the latter not only establishes criteria for change as something which is considered perfectly normal, but also admits the possibility of change in these criteria.¹⁹

at his behes. A broad empirical relationship exists between what is spent on production of consumers' goods and what is spent in synthesizing the desires for that production. A new consumer product must be introduced with a suitable advertising campaign to arouse an interest in it. The path for an expansion of output must be paved by a suitable expansion in the advertising budget. Outlays for the manufacturing of a product are not more important in the strategy of modern business enterprise than outlays for the manufacturing of demand for the product". *Ibid.*, pp. 155-156.

¹⁸E. Heimann, *Teoría social de los sistemas económicos*, translated by Santiago Martínez Haba, Tecnos, Madrid, 1968, chapter X.

¹⁹C. Germani, "Democracia y autoritarismo en la sociedad moderna", in *Crítica y Utopía*, Buenos Aires, No. 1, 1979.

The formation of needs within the consumerist ideology is therefore not a unilateral process which can only be seen from the economic angle of the need for the expansion of production: it is fully incorporated in contemporary society as an intrinsic central value, while the social phenomenon of fashion, for its part, is the predominant form of action of this central value and publicity is its most direct link with the structure of production.

To sum up, the processes of social interaction which fit in very general lines under the concept of the demonstration effect, and their exacerbation by publicity, make it possible to explain some of the apparently erratic forms of behaviour of the structure of demand. The growing expansion and penetration of durable goods, considered as an expression of a modern style of consumption, only reveal their significance when approached on the basis of the principle of the non-additivity of individual demands.

2. *The extension of the demonstration effect*

The theoretical derivations of the concept of the demonstration effect introduced by Duesenberry have not been limited solely to the field of stratified national systems; its projections make it possible to apply the same notion to the field of international relations. If countries and not individuals are considered as the unit, the dissemination of the style of consumption characteristic of the most developed ones to those of less development makes it possible to characterize demand structures for the latter which do not necessarily fit in with the level of development of their domestic productive forces. The international dissemination of patterns of consumption is thus expressed with the same tendency as that identified at the level of individual stratification: the structure of consumption comes earlier than that of production.

"New products constantly emerge from the course of technical progress, which modify existing ways of life and frequently become necessities. In the poorer countries such goods are often imported goods, not produced at home; but that is not the only trouble. The basic trouble is that the presence or the mere knowledge of new goods and new methods of

consumption tends to raise the general propensity to consume. New goods, whether home-made or imported, become part of the standard of living, become indispensable or at least desirable, and are actively desired as the standard of living rises. We should distinguish here between two senses of the term 'standard of living': first, standard simply in the sense of aspiration, the norm to which one aspires, or the measuring rod; secondly, standard in the sense of what a country or a community can afford on the basis of its own productive efforts. Some articles of luxury consumption may well be a part of a country's standard of living in the first but not in the second sense."²⁰

As in the case of individual stratification, the demonstration effect in the international context is conditioned by:

(a) Differences in the material and non-material lifestyle between the units considered (in this case, countries); and

(b) Exposure to the knowledge of such differences.

Events in the brief period of history covering the expansion of world capitalism in the underdeveloped areas show that both factors have tended to increase by an exceptional amount.

The gap between the most advanced Third World countries and the Western capitalist community as regards income, technological development, education, health and styles of consumption has steadily increased, and the distance between development and underdevelopment has grown. Likewise, the growing economic, social and political interrelation at the world level and both individual interaction and impersonal means of communication—the latter not being limited only to publicity—have brought together very different cultures and societies, breaking down the barriers to knowledge of and exposure to different lifestyles. The process of decolonization begun especially after the Second World War has tended to eliminate ascriptive barriers at the international level by gradually destroying the legitimacy of international distinctions be-

tween 'castes'. All this has helped to generalize the dominant lifestyle, particularly that of the European countries and above all of the United States, far beyond the frontiers separating them from the most backward countries and even the socialist countries.

The consequences deriving from these considerations are undoubtedly significant for studying the capacity of saving and accumulation in the underdeveloped countries. If we admit that the structure of demand is relevant and that it can grow relatively independently of the structure of production, then the increase in real income in the underdeveloped countries does not appear to be necessarily the most suitable indicator for evaluating the process of advance. Much more important would be the relative income, since the capacity for saving would depend on this much more than on the absolute income.

In the view of R. Nurkse, increasing relative income in the industrially backward countries is not simply a question of increasing their productivity, but rather of reducing the difference between their level of income and that of the advanced countries.²¹

In spite of the absolute increase in real income, the potential capacity for saving is counteracted by a greater propensity to consume. Moreover, this propensity is not only related with accumulation, but can also have a direct relation with levels of external indebtedness and other economic factors. The implications of the theory of the international dissemination of styles of consumption are therefore not limited to the effect that this dissemination can have on saving and accumulation; it also directly involves the determining factors of the evolution of the balance of payments and the effects of external investment, international loans and subsidies, while it can have an influence on policies aimed at promoting capital formation, as for example through the limited effects that restrictions on imports may have on income and saving, and with regard to other trade policy measures. In the social and political spheres, too, the consequences which may

²⁰R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Oxford, Basil Blackwell, 1953, pp. 61-62.

²¹R. Nurkse, *op. cit.*

derive from this theory also help to explain 'chronic' phenomena of political instability in

Latin America and the growing expansion of the functions of the State.

III

Patterns of concentration and expansion of the consumption of durable goods in Latin America

It is generally acknowledged that the expansion of the consumption of certain types of material goods, namely, durable goods, constitutes a type of indicator which makes it possible to characterize with a reasonable degree of approximation the dissemination achieved by modern or capitalist patterns of consumption. This assumption can be accepted, although without losing sight of the fact that this choice is determined principally by operational restrictions deriving generally from intentional simplification connected with the scanty availability of empirical information.

If there is a generic syndrome of contemporary consumption, however, it only partly consists of goods of a durable nature. The contemporary lifestyle increasingly requires a set of material goods which are incorporated into the home as basic elements of consumption and are owned and used individually, yet their possession only constitutes part of this syndrome. The use made of time and in particular the ways of recreation and use of free time—increasingly important in modern forms of consumption—are also part of the styles of behaviour defined through various services and activities which, as a general rule, directly or indirectly require material goods. It is not always a question of individual possession of goods, however.

Again, in order to characterize the consumerist syndrome the analysis cannot be limited to the type of goods or services demanded, but must also cover the forms which their use acquires. The high substitutability or circulation of a given good in its different versions and the periodic replacement of a given object by a more modern and improved version are other characteristic features of contempor-

ary consumption. In this sense, as already noted, fashion is the social phenomenon which best exemplifies its nature. Consequently, the durable character possessed by certain goods from the physical point of view or from the point of view of the length of their useful life does not necessarily coincide with their durable character in social terms. In present day lifestyles, social durability tends to be less than material durability.

Finally, it is also worth recalling that in addition to the *type* of goods included in the concept of the modern comfort of the home it is important to consider their *number*. The accumulation of several of the same type of objects or appliances and the duplication or even greater abundance of certain material objects are already commonplace in the family consumption strategy.

When participation in modern consumption is measured through the *possession* of durable goods, one may be underestimating the effects of the high degree of substitutability, and when the measurement is through *expenditure*, the same error may occur with regard to the number of goods. There is therefore no perfect indicator for expressing modern consumption in a synthetic manner. The share of expenditure on durable goods—or their possession—are however approximate and indirect forms of measurement.

Only if we accept the hypothesis that there is a close association between the type of object consumed and the lifestyles is it possible to accept as 'proxy' indicators of the modern style of consumption a number of goods which can be classified, in simplified manner, as durable. Conventionally, the expenditure on their consumption, or their possession, has been the

most frequent way of measuring the dissemination of modern styles of consumption.

1. *The structure of demand*

Let it be said first of all that the form assumed by demand for durable goods in Latin America corresponds fairly approximately to the economic power as indicated by income. As a general rule, the distribution of these goods closely follows the distribution of income and reflects it. It would not be correct, however, to assume from this that there is homogeneous behaviour for all types of durable goods, since there are significant variations in their dissemination according to economic factors such as unit prices or social factors such as preferences. The behaviour shown by the concentration curves for certain goods of high relative value, such as automobiles, has no similarity to that of other durable goods of domestic use. In turn, certain goods which rapidly become 'priority needs' tend to be disseminated downwards in an even more equalitarian manner than incomes.

The great diversity observed in Latin America in the behaviour of expenditure on durable goods reveals something which it appears desirable to take into account from the very beginning: the positive relation between *income* and *consumption of durable goods* only expresses a determining relationship between one factor and the other, but does not reveal anything about its intensity or about the many forms that this relation can take. In statistical terms, this can be reproduced in different forms of relation (rectilinear-curvilinear), different intensities of the correlation, or different slopes of the regression line. The conventional interpretation of the determining factors of consumption has quite rightly pointed out that the higher income is, the more probable it is that there will be greater expenditure on durable goods. When it is desired to analyse the dissemination of goods, however, it is not enough merely to note this positive relationship, since it barely constitutes a starting point.

Secondly, the dissemination of durable goods recorded in the region in recent decades is considerably broader than the highly con-

centrated pattern assumed by some interpretations. The dynamic insufficiency of demand attributed to the high concentration of income in the top decile is not completely confirmed. The structure of consumption in Latin America shows significant dissemination of durable goods in the upper-middle, middle, and even lower strata, corresponding rather to a continuous distribution than to a dichotomy. J.R. Wells indicates, for example, that of the total number of family units surveyed in the household sample survey carried out in Brazil in 1972, which was of national coverage, 70% of the households had a radio; 49% had a sewing machine; 53% an electric or gas cooker; 32% a television set and 31% a refrigerator. The figures are even more significant when observation is transferred from the static structure of ownership of durable goods to the dynamics of the dissemination process. The study by Wells shows that much of the dynamism of demand during the period between 1967-1968 and 1974 was based on the social groups receiving only the equivalent of one to two minimum wages. "In this group, the ownership of refrigerators rose from 34.5% to 56.6% and of television sets from 20.9% to 57.7%. When the growth of these goods is considered globally, the study for Guanabara also indicates that the proportion of families owning refrigerators rose from 50% to 76% and the proportion of owners of television sets from 25% to 72%, these increases being located in the first case in the bottom 60% of income recipients, and in the second case in the bottom 80%."²²

The dissemination of durable goods recorded is, moreover, relatively independent of and bears no relation to the increase in income during the period considered or the increase in real wages. Whereas urban wages in Brazil, for the income strata whose real wages were in the bottom 70% of the sample, grew at an average rate of 1% per year, access to durable goods by these strata increased significantly. Furthermore, this phenomenon also applies to the rural sector. Between 1959 and 1970 in Brazil as a

²²J.R. Wells, *Subconsumo, tamanho de mercado e padrões de gastos familiares no Brasil*, São Paulo, Brazil, Estudos CEBRAP No. 17.

whole ownership of radios, for example, increased fourfold and ownership of refrigerators almost threefold.²³

Another country which shares some characteristics similar to the situation of Brazil is Mexico, where the structure and distribution of expenditure on the consumption of durable goods follows a pattern which is equally concentrated but shows a steady tendency to diffuse towards the middle strata. At the same time, however, the dissemination of durable goods in Mexico does not reach the same magnitude as in Brazil. The highest income decile concentrates 32% of expenditure on the consumption of durable goods (equipment and appliances), whereas the subsequent deciles concentrate 29%, 14%, 10%, 7% and 3%, respectively. Thus, approximately 60% of expenditure on these goods is concentrated in the richest 20% of households and 84% in the richest 40%, while less than 10% of spending corresponds to the bottom 50% of households.

When it is sought to distinguish variations within the region, an extreme case is that of some countries corresponding to the most advanced levels of modernization and having the most equalitarian patterns of income distribution; in this sense, Argentina is probably the most outstanding case. The behaviour with regard to consumption of durable goods in Argentina shows that the modal values of expenditure are distributed in such a way that the dynamic sufficiency of the demand for durable industrial goods is located precisely in the middle, lower-middle and lower classes. The household surveys for 1963, which covered the urban population (approximately 80% of the total population of the country), showed that consumption, as measured by expenditure, on various domestic equipment and appliances such as refrigerators, washing machines, heaters and cookers, vacuum cleaners, etc., showed a form of behaviour clearly different from that observed in the more backward and middle-level countries. The fifth to eighth deciles ac-

counted for almost 50% of expenditure on the purchase of television sets, refrigerators and washing machines, 35% of expenditure on heaters and cookers, and 40% of expenditure on radios and vacuum cleaners, whereas the top decile accounted for 9%, 10%, 20% and 12%, respectively, of consumption of these types of goods. The process of diffusion of durable goods in Argentina is probably indicative of what happens in other Latin American countries with similar patterns of development and modernization. This is particularly so with respect to Uruguay, for which similar data are not available, and also no doubt, although to a lesser extent, for Chile. These three countries are precisely those which, in the 1970s, began the experiment of a liberal economy on the basis of a relatively high degree of modernity of consumption.

Thirdly, another aspect worthy of note on the basis of the known studies on the distribution of consumption concerns the urban-rural distinction. The concentrating effects and the clearly exclusive consequences which income distribution has on the patterns of consumption of durable goods are strongly influenced by the high percentage of rural sectors, the great majority of which are margined from the benefits of economic development. The situation of urban families shows a clearly more equalitarian behaviour and a more continuous distribution of the diffusion of durable goods. In urban contexts, where employment in the secondary and tertiary sectors predominates, the penetration of the use of durable goods extends practically to the whole middle class and to substantial sectors of the lower classes. In addition to the studies already referred to, the work carried out under the ECIEL programme on patterns of consumption and income shows that as a general rule, and in spite of the considerable heterogeneity of the region, most of the countries register a low concentration of expenditure on these goods, as well as a distribution which is clearly continuous in line with social stratification. Studies for some selected cities of Latin America give the results shown in table 1. With variations attributable on the one hand to the relative level of development and modernity of these countries and on the other also to operational problems deriving from the diffe-

²³J.R. Wells, "The diffusion of durables in Brazil and its implications for recent controversies concerning Brazilian development", in *Journal of Economics*, Cambridge, 1977.

Table 1
STRUCTURE OF EXPENDITURE (PER CENT)

Category	Per cent										
	10	20	30	40	50	60	70	80	90	95	100
Durable goods ^d	3.10	4.23	5.57	12.49	11.31	10.83	10.08	12.74	15.97	11.76	10.63
Durable goods ^b	2.95	3.65	3.98	11.22	6.71	10.54	9.72	9.89	17.95	14.13	9.70
Household electrical appliances ^c	0.91	4.84	12.64	8.09	6.24	10.90	13.26	5.91	8.03	-	29.17
Glassware, china and domestic utensils ^c	1.16	5.37	9.95	16.40	6.37	13.12	8.06	6.40	19.14	-	14.04

Source: ECIEL, study on patterns of consumption and income.

^aChile (Greater Santiago), 1968-1969.

^bVenezuela (Urban-Caracas and Maracaibo), 1970.

^cColombia (Pasto, Manizales, Bucaramanga, Bogotá, Medellín, Cali and Barranquilla), 1970.

rent classifications of durable goods, the evidence provided by these studies is useful for sustaining the interpretation that the dynamic sufficiency of the urban structure is higher than has been assumed.

Fourthly, the tendencies shown in most of the data presented do not reflect —precisely because they refer to approximately a decade earlier— the changes which have taken place in recent years, whose tendencies, according to other data, have been towards continued expansion of access to and possession of durable goods in a downward direction. Nor is it possible in this sense to ignore the favourable effects deriving both from the changes taking place in social stratification and from a steady tendency towards the reduction of the relative prices of industrial products. In this sense, the changes which have taken place in the structure of social stratification in Latin America in the decade 1960-1970 support the well-known thesis of the considerable drop in the proportion of the population employed in the primary sector and the rapid growth of typical middle-class occupations and non-manual forms of employment. The urban growth projects for the 1980s in Latin America, together with the growth of the middle sectors, indicate that the economic and social structure of the region is continuing to change in a way that favours growing incorporation into consumption.²⁴ When this is

added to the reduction in the unit costs of durable goods, this gives additional reasons for assuming that the tendencies indicated by Wells for Brazil must have continued to operate in the direction of increasing the penetration of durable goods into the middle and lower strata.

Finally, it has also been possible to gain more knowledge of the expenditure on durable goods with relation to alternative expenditure in other categories, and especially with respect to spending on clothing and food. As a general rule, the proportion of family income devoted to food and basic needs tends to go down as income levels rise.²⁵ Although this phenomenon is registered in a regular manner, however, the behaviour of the relative proportions devoted to spending on durable goods and on food do not correspond to a clearly negative ratio: spending on durable goods grows rapidly only in the lower income levels and rapidly levels out, thus indicating relatively advanced attention to demands for goods of a modern nature deriving from a strategy of redeployment of family expenditure.

In this sense, the evidence raises some doubts about the assumed consequences that the raising of income in the lowest strata could have. As it has been sought to show in other

cional, modernización social y desarrollo económico en América Latina (CEPAL/VP/DS/185), November 1978.

²⁵C. Filgueira, *Consumo y estilos de desarrollo* (CEPAL/DS/VP/190), Santiago, Chile, 1979.

²⁴C. Filgueira and C. Geneletti, *Estratificación ocupa-*

studies, there are no elements for maintaining that, in view of the manifest shortcomings in the areas of food and clothing in the lowest strata, any increase in their income that could be achieved through redistribution would ensure fuller access to basic subsistence needs.²⁶ The behaviour reflected in the growing demand for goods of a durable nature indicates rather that, except at the most extreme levels of poverty, any increase in income could well be directed towards other types of demand which do not represent the most elementary components of human needs characterizing indigence.²⁷ And perhaps the most important point that remains to be made is that the basic and dominating values of the consumerist orientations of contemporary society do not ensure that a redistribution of income in favour of the most underprivileged sectors would significantly alter the dominant preferences or tastes or the priority given to durable goods.

In his study on Mexico, Lustig confirms these considerations when he affirms: "Another result worthy of emphasis is that according to the results obtained for the estimated income elasticity, redistribution towards the lowest income groups of urban families and above all metropolitan families would lead to a proportionately greater increase in the expenditure by these groups on *modern* goods rather than on *primary* and *traditional* goods (this is reflected in the relative magnitudes of the estimated elasticities). In other words, those families in the 0-1 000 pesos stratum (approximately the bottom 20% and 10% of urban and metropolitan families, respectively) would tend to replace basic goods (such as food, which is the most important item

in the *primary* and *traditional* goods) with non-basic or 'luxury' goods (such as consumer durables) in proportion as their income rises. This fact seems surprising if one starts from the assumption that the poorest urban families have not effectively covered their basic needs, but it can be explained by the intensity of operation of the 'demonstration effect' (that is to say, the copying of the consumption patterns of higher strata) and the effectiveness of publicity in urban centres. This means that the mere redistribution of income does not guarantee a better level of living (in terms of nutrition, for example) if the greater purchasing power of poor families is absorbed by non-basic goods, a phenomenon well known in Latin America as the case of the 'empty refrigerator'.²⁸

2. Consumption, saving and indebtedness

The second point worthy of discussion does not concern consumption, but the behaviour with respect to saving. The information available in this respect is even scantier, and the difficulties for formulating a satisfactory diagnosis of the behaviour with respect to saving make necessary an approximation of more modest scope. There are two aspects of saving which seem to be relevant for its interpretation within the saving-consumption-investment complex. The first of them concerns the general level of saving, or the amount of income diverted from present consumption needs. The second is connected with the form of saving, in the sense of its possible use. The forms towards which saving can be directed are very diverse, and some of them may represent investment proper, while others may not do so. Even in the case of investment, some authors have made a distinction between productive capital and consumption capital.²⁹ This second aspect of the analysis of saving within the saving-consumption-investment complex is not for the moment central to the analysis being made here, but the first aspect is.

The amount of income which can be

²⁶A recent FAO study says that according to the information available to FAO on the reaction of consumers to changes in their disposable consumption income (GCP agricultural consumption/private consumption expenditure), the average elasticity of agricultural consumption with respect to the GCP should have been around 0.25 in the period 1963/1975, whereas in reality it was only 0.11. The FAO study attributes these results principally to the concentration of income, although it is difficult to imagine how this could have had such a heavy impact. It is more likely that changes in consumer preferences are also responsible for this overestimation of the elasticity. See FAO, *Agriculture: Towards 2000, problems and options for Latin America*, Rome, August 1980.

²⁷C. Filgueira, *op. cit.*, 1979.

²⁸N. Lustig, "Distribución del ingreso, estructura del consumo y características del crecimiento industrial", in *Comercio Exterior*, Mexico City, Vol. 29, No. 5, May 1979.

²⁹R. Prebisch, *op. cit.*

oriented to consumption or alternatively to saving was already given a classic formulation in the work of Keynes. The balance between spending on consumption and saving played a central role in his theory of equilibrium: the 'fundamental psychological law' on the marginal propensity to consume held that an increase in real income would not lead to a proportional increase in the absolute amount devoted to consumption, so that a larger absolute amount would be saved.

The empirical results of studies of the behaviour of saving with relation to the growth of income, however, have not confirmed this hypothesis, and some disconcerting results were obtained when the analysis was not limited only to a static and global situation but sought to register the dynamic trends and disaggregations of different types. In Latin America, as in the developed countries, the structure of saving with relation to income corresponds to the most obvious expectations: the households with the highest income save proportionately more than the lower-income households, and practically all the personal saving of the countries is concentrated in the upper strata. Here again, we find ourselves faced with an apparently simple relation which may obscure another different and even contrary type of relationship. Some authors who have sought to untangle the set of opposing tendencies operating in the relationship between consumption and saving have pointed out the particular behaviour of this relationship when the analysis takes into account the time dimension.

(a) Historically, there is a tendency towards a decline in the percentage of families and households which save, and this reduction does not seem to be a phenomenon restricted to the more developed countries. "Kuznets estimates by decades, starting from the 1880s, show a big increase in real national income but no increase in the percentage share that went into capital formation. On the contrary, from the 1890s to the 1920s, when real income expanded more than threefold, there was actually a slight downward tendency in the national saving ratio".³⁰

there is a set of data which at first sight shows a puzzling feature. The average urban family in the United States in 1917-1919, earning 1 500 dollars per year in terms of 1941 prices, saved 120 dollars, or 8%. An average family with the same real income in 1949, however, saved practically nothing. Likewise, family budget data for the period 1901-1941 indicate that the average family with an income of 2 000 dollars a year, valued in 1941 prices, saved about 18% in 1901 and only about 3% in 1941. Obviously, this information does not give any grounds for assuming that if around 1940 75% of United States families did not save anything at all, this was because they were too poor to save. The tendencies in question seem rather to show that there was a considerable increase during this period in the pressure and stimulus on families to spend their money and in the creation of new 'basic' needs and demands for new consumer goods perceived as being superior and of growing social value. At the same time, in proportion as the relative percentage of saving goes down, forms of indebtedness tend to increase. Hire purchase, borrowing of money and various other ways of obtaining material goods and levels of consumption which are above the income currently received are the counterpart of the relative decline in saving.

With regard to Latin America, the studies on the structure of family expenditure in the city of São Paulo show that the phenomenon of indebtedness through installment payments extends right over the middle, lower-middle and lower strata, so that it forms quite a generalized phenomenon. "The average for all families is 14.4%. The figure for families receiving extremely low incomes—between the equivalent of 2 and 6 minimum wage units—is 10.7%, rising to 13.5% for families with income levels of between 6 and 8 minimum wage units. Above that, the distribution stabilizes for the higher income levels, in no case exceeding about 18%."³¹ The information provided by ECIEL's studies for Rio de Janeiro in the period 1977-1978 indicates that the percentage of the family budget devoted to the payment of purchases on credit and repayment of loans is

³⁰R. Nurkse, *op. cit.*, p. 59.

³¹J. R. Wells, *op. cit.*, 1976.

quite substantial. Approximately 15% of the expenditure on durable goods plus articles for personal care is devoted to the payment of credit purchases and loans. If we analyse the distribution of households according to income received, we note that it is the middle and lower middle classes which are responsible for most of the expenditure on the payment of credit purchases and loans. Deciles 4, 5, 6 and 7 are those which concentrate the highest percentages, accounting for 53% of the total expenditure on the payment of credit purchases and approximately 62% of expenditure on the repayment of loans.

The difference between the dominant consumerist orientations does not only reduce the absolute and relative levels of saving, but actually creates marked deficit situations. Moreover, these patterns of indebtedness seem to be less and less dependent on collective or individual conjunctural situations and instead are becoming stable and relatively institutionalized patterns of economic behaviour.

(b) The relationships between saving and family consumption, when analysed in disaggregated form according to the urban or rural nature of the context to which the family unit belongs, also show behaviours which are apparently contradictory. Though scanty, however, the information available for Latin America, despite its limitations, has additional value because of the consistency of the results. A study carried out by CEPAL (1973) indicated a clear correlation between the more or less modern nature of the context to which the family units belong and their behaviour with regard to savings.³² In the big cities such as São Paulo and Caracas, the relative percentage of saving in relation to income received was less than that recorded in smaller urban localities and rural contexts. In the big urban conglomerates of Venezuela the average level of income at which families began to save was four times

that of rural areas. The same applied with regard to the relationship between expenditure and indebtedness; whereas in the bigger cities income was 10% below total expenditure (16.5% in Caracas), in more backward (rural) localities saving was 10% more than monthly income. "A comparison of the data for cities in Brazil at different levels of socio-economic development reveals a similar trend. In São Paulo, families began to save at an average income slightly more than three times the level at which families had a surplus in Belén (Pará). This means that only 3% of families were saving in São Paulo compared with nearly 70% in Belén. The ratio between average annual income and average annual expenditure is clearly on the plus side in Belén, whereas in São Paulo inclusion of items such as the acquisition of cars, which account for a considerable part of spending, raises some doubts as to whether total average saving is a plus or a minus figure. It would thus appear—and the same situation occurs in other cities—that the stimulus which the higher average personal income in the metropolitan areas should give to capital formation is counterbalanced by the high level of consumption."³³

The Keynesian hypothesis of the relation between saving and increased income is difficult to sustain in the light of this evidence. The most important point of interest here, however, is not the criticism of the poor explanatory capacity of the fundamental psychological law—a criticism which has in any case been repeated *in extenso* in various other studies—but lies rather in the implications that the real behaviour of saving and indebtedness have for investment and consumption. The behaviour shown by the family units once again suggests serious doubts regarding the effects of income redistribution as a way of reorienting consumption and freeing resources for investment. At best, income redistribution may be a necessary but not sufficient condition for securing this.

³²CEPAL, "Income distribution in selected major cities of Latin America and in their respective countries", in *Economic Bulletin for Latin America*, Vol. XVIII, Nos. 1 and 2, 1973, p. 43.

³³CEPAL, *op. cit.*, 1973, and D. Felix, "Progreso técnico y desarrollo socioeconómico en América Latina" (CEPAL/CONF. 53/L.2), Santiago, Chile, 1974.

IV

Consumption in the stabilization models

In the mid-1970s, several Latin American countries set about making drastic changes in their economic policies. Chile, Argentina and Uruguay were the countries which went furthest with what were called their 'openness' models. Although in a more partial manner, some policies and measures of a monetarist nature deriving from liberal orientations were also applied in some other countries of the region.

These policies were not, of course, something new in Latin America, but the lengths to which they have been taken, the institutional framework in which they are operating, and their permanence and continuity are new developments. In reality these are something more than mere sectoral or partial changes in some aspects of the economic structure. The global orientation behind them implies much more than this, and it could be asserted that much more than an economic transformation they represent "a self-contained and consistent body of ideas which go to make up a whole ideology. They provide an explanation of the past and a set of rules for action which are designed to lead society towards an ideal utopian model whose functioning is governed by the efficiency and objectivity of private economic relations".³⁴

The emergence of these new models must undoubtedly be considered as one of the most significant changes which has been made in opposition to the traditional Latin American models, and their repercussions at both the domestic and external levels go far beyond the purely economic field to embrace a vast concept of an integral society as a model of social and political organization. Whatever the name given to them—liberal, monetarist or economic stabilization models—the policies adopted and the concrete measures taken al-

ways revolve around three basic elements: (a) the return of the economy to private hands; (b) the liberalization of markets and (c) opening up to the exterior. In order to achieve this, resource has been had to measures aimed at the liberalization of prices accompanied by strict control of wages and restriction on trade union activity. All this has meant that one of the most important results of the new models has been the changes in the economic agents and in the forms of political articulation. There would be no point in going here into the details of the models and their special features at length, however, since there is a very extensive literature on the subject.³⁵

In particular, with regard to the analysis of consumption, there is a wide range of measures and policies adopted by each country which give rise to differences of considerable magnitude; thus, for example, the degree of openness of the economies to the international system shows significant variations between countries with different characteristics and demand structures.³⁶

In Chile, for example, import duties were drastically reduced between 1973 and 1979, going down through a process of successive reductions from a maximum of 60% in 1973, then 35%, then 18%, and finally only 10% in 1979 for practically all imported goods. The process followed in Chile is much more extreme, and was not reproduced in identical terms in Argentina and Uruguay, where the

³⁵In addition to the various official documents which have served as a basis and justification for the new liberal strategy, the economic, social and political thinking in Latin America has developed its study of this matter to such an extent that any further reference to the matter here would be redundant. To mention only a few of the main studies, it may be recalled that CEPAL, in various studies published in *CEPAL Review*, has given special attention to the analysis of the new models, as have other studies carried out by CIEPLAN (Chile), CEDES (Argentina), and CINVE and CIESU (Uruguay).

³⁶Aldo Ferrer, "La economía internacional desde una perspectiva latinoamericana", in *Estudios Internacionales*, Vol. XIII, No. 49, January-March 1980.

³⁴R. Frenkel, "Las recientes políticas de estabilización en Argentina: de la vieja a la nueva ortodoxia", CEDES, 1980.

reduction in tariffs was more gradual and more sustained protection was given to local production.

Moreover, the structure of demand will also be strongly conditioned by other factors: the greater or lesser extent to which the styles give rise to concentration of income, the policy regarding the use of the surplus, and the different rates of progress of the return to private enterprise in all spheres.

The consequences of the policy of opening up to imports are seen with extraordinary rapidity in the composition and volume of imports; in particular, consumer durables and certain categories such as beverages, tobacco and toiletries show noteworthy growth after only a very few years, as may be seen from tables 2

Table 2

CHILE: IMPORTS OF CONSUMER GOODS

(Millions of 1977 dollars)

	1970	1978	Growth rate
Manufactures of leather and fur	1.3	3.4	161.5
Imported alcoholic beverages	0.6	11.9	1 883.0
Imported tobacco, cigarettes and cigars	7.7	9.4	22.1
Clothing, household textile goods and carpets	24.1	91.0	277.6
Photographic and cinematographic goods	7.8	10.3	32.1
Footwear, hats, umbrellas and sunshades	2.0	7.3	265.0
Musical and optical instruments	4.3	9.6	123.3
Toys, games and recreational articles	3.4	22.6	564.7
Perfumes and toiletries (cosmetics, colognes and perfumes only)	0.1	6.6	6 500.0
Black and white and colour television sets	0.7	56.3	7 942.9
Radio receivers	4.6	28.7	523.9
Automobiles and motorcycles	19.0	40.6	113.7
<i>Total</i>	<i>75.6</i>	<i>297.7</i>	<i>293.8</i>

Source: R. Ffrench-Davis, "Políticas de Comercio Exterior en Chile, 1973-1978", CIEPLAN (mimeo), November 1979; National Institute of Statistics, Third Family Budget Survey, vol. III, May 1979.

and 3 on Chile and Uruguay. Argentina, too, is experiencing an increase of the same nature. According to a CEPAL report on the latter country, over the period 1976-1979 the share of consumer goods in the value and composition of imports rose from 65 million dollars in 1977 to 660 million in 1979. In 1970 they accounted for 4.9% of total imports, whereas in 1979 their percentage value was 9.9%. In the latter year alone, the growth rate of imports of consumer goods reached a value of 211.3.

Chile is undoubtedly the most extreme case, where the 'experiment' has produced deeper transformations than in other countries, so that it is closest to the typical ideal case which sums up the features of models of this nature. Because of the special features of their economic policy, Uruguay and Argentina are cases where the effects on the structure of demand have not made themselves felt so significantly (see tables 2 and 3).

For these reasons (and other less substantial reasons could be added to them) the considerations regarding consumption will take theoretical account of the purest model of an open economy, so that most of the empirical references made will apply to the Chilean model.³⁷ As noted in the first section of this article, openness models may be considered as being of a markedly consumerist nature.

As is well known, one of the basic assumptions behind the changes made as part of the stabilization economic policies lies in the importance attributed to openness as a way of permitting and favouring the importation of the capital goods needed for investment. It is also postulated that this gives rise to increased efficiency, since it subjects national production to conditions where it has to compete with international prices. Without wishing to discuss the validity of these assumptions or the objectives involved, there is another fact which does have a great deal to do with the thread of the previous argument. One of the most important con-

³⁷Of the three countries considered, Chile is the only one on which there is sufficient information for an analysis of this consumption of 'quasi-experimental' type, since in 1969 and 1978 two surveys were carried out on family budgets in Greater Santiago, in addition to the ECIEL study on family income and expenditure, 1968-1969.

Table 3
URUGUAY: GROWTH OF IMPORTS
(1976 = 100)

	Dollars			
	1976		1979	
Television sets (85-15-01-12)	100	(25 052)	2 668	(668 566)
Radio cassette recorders (85-15-02-19)	100	(200 190)	1 745	(3 443 403)
Gramophone/tape recorders (92-11-01/02)	100	(409 729)	206	(845 332)
Clockwork mechanisms (91-01)	100	(2 555 310)	153	(3 930 332)
Toys and sporting goods (97)	100	(262 982)	681	(1 792 136)
Electrical machinery and equipment	100	(19 139 000)	208	(39 886 000)
Beverages and tobacco	100	(7 553 000)	250	(18 912 000)
Optical and cinematographic goods ^a	100	(4 584 000)	282	(12 896 000)

Source: Bank of the Republic, Statistical Section.

^aIncluding medical and surgical equipment.

sequences of the measures adopted is that they tend to increase the distance between the demand profile and the production structure. It is easier to expand certain types of economic behaviour than others, and the easiest thing to do is precisely to expand the consumption of imported goods, in contrast with the much longer process involved in the investment and accumulation of capital in productive activities. Foxley (1980) draws attention in his study of the free market economy in Chile to the different growth rates of exports and imports during the period 1970-1978.³⁸ From his analysis it can be seen that over a period of eight years the success achieved thanks to the new economic policies in the field of non-traditional exports was offset by the growth of consumer goods, above all non-food consumer goods.

Over the period 1970-1978, non-traditional and semi-traditional exports increased by a factor of 2.7, while imports of durable goods increased by a factor of 2.1 and imports of capital goods remained practically unchanged. In 1978 the positive effects of the expansion of exports based on products of a non-traditional nature were partly offset by the demand for consumer goods, which absorbed 62.5% of the

income from non-traditional exports. This is a similar proportion (or even somewhat superior) to that recorded in 1970 (60.0%). While total exports went down in absolute terms (from 2 216.1 to 2 105.2), imports increased by a factor of 1.4. The success achieved through the policy of non-traditional exports did not really provide any significant surplus, as might have been expected, and indeed, in keeping with the tendencies observed, any potential accumulation was actually reduced. The mechanisms responsible for this process are varied, and can only be understood within the more general process of change implicit in the overall set of new strategies of openness and insertion into the international market.

1. Why consumption increases

(a) In principle, a measure such as the reduction of import tariffs should not necessarily result in the promotion of consumption. In England, for example, the stabilization policy has not had these results. If this has occurred in Latin America, then this is because, as already noted, the transmission of consumerist tendencies through the demonstration effect occurs whenever: (1) there is a disparity between the levels of consumption of different countries and strata and (2) there is awareness of these differences.

The lifting of import restrictions, which

³⁸A. Foxley, "Hacia una economía de libre mercado: Chile 1974-1979", in *Estudios CIEPLAN*, No. 4, Santiago, Chile, 1981.

previously kept superior goods inaccessible or restricted their diffusion increases the real availability of these goods and produces a growing (stratified) differentiation of the new imported products. It is not just a question of the consequences deriving from the relatively lower unit prices of the imported goods, however, but is also the result of other real or symbolic characteristics attributed to them. Quality, variety, usefulness and presentation are just a few of these, but even more important is the fact that these goods are associated with symbols of what is modern and 'new', characteristics of societies enjoying greater prestige. Many of these goods undoubtedly possess a strong value element deriving from the sensation of their postponement in time: they are highly desired goods and objects which already formed part of a symbolic world with its own styles and fashions and to which it was difficult to penetrate before.

(b) Moreover, the introduction of the new goods is not unconnected with other processes which accompany it, since there is at the same time a heightening of competition in the sale of products. In this context, publicity (carried out as a function of any of the needs already noted: expansion of production or competition) acquires new dimensions. Seen from the outside, a new market is opened up which it may be possible to capture, and this need is not just the result of domestic economic policy measures.³⁹

Firstly, in conditions of growing openness it can be expected that there will be a quantitative expansion of publicity through the various mass media. An approximate indicator which makes it possible to evaluate the size of the change is that of the expenditure or investment devoted to this. The growth of investment in publicity in Chile between 1966 and 1980 is recorded in the study by R. Salinas (1979) on the expansion of the media in Chile, and it confirms expectations.⁴⁰

The figure for investment in publicity in

³⁹Although it is not the subject of this analysis, it is impossible to ignore the decisive effect exerted by the situation of world recession and the growing protectionism adopted above all by the more developed countries.

⁴⁰Raquel Salinas Bascourt, "Chilean Communication under the Military Regime, 1973-1979" in *Current Research on Peace and Violence*.

1970 was 23 430 000 dollars, and by 1980 this had increased to 126 million dollars, but 90% of this increase took place only in the last six years (between 1974 and 1980). In 1974, expenditure on investment in publicity came to 0.45% of the gross product, and in 1980 the figure amounted to 1.05%, while around 1977 investment in publicity accounted for approximately 9% of total investment.

Secondly, publicity not only grows, as is shown by the resources spent on investment in it, but also tends to be concentrated in the most efficient channels and mass media. Thus, the more traditional media (radio and newspapers) tend to be substituted by other more modern and effective media (the former lost 7.25% of total participation in one year).

In the years 1977-1978, the displacement of investment on publicity among the different mass media in Chile showed the growing share of the most efficient channels, the media which grew most being television, the cinema and magazines, in that order (see table 4).

Thirdly, publicity also tends to be concentrated on certain types of articles, goods and services. A small group of these—no more than 10—account for approximately 50% of total investment in publicity in each of the mass media (see table 5), showing the domination of durable goods and other highly valued objects, a substantial percentage among them being accounted for by the group of modern durables (electric household appliances, television,

Table 4

CHILE: INVESTMENT IN PUBLICITY, BY TYPE OF MASS MEDIA, 1977-1978
(Percentages)

Media	1977	1978
Newspapers	47.98	43.30
Magazines	5.44	6.35
Television	33.71	38.07
Radio	9.74	7.17
Cinema	1.27	2.73
Other	1.86	2.38
<i>Total</i>	<i>100.00</i>	<i>100.00</i>

Source: Grafic Matic International Corporation.

Table 5

CHILE: CONCENTRATION OF INVESTMENT
IN PUBLICITY, BY TYPES OF GOODS, 1980
(Percentages)^a

	TV	Maga- zines	News- papers
Household electrical appliances, television sets, radios, cookers, refrigerators, etc.	7.6	7.1	4.6
Perfumes, toiletries, etc.	8.7	19.3	
Beverages, tobacco, etc.	12.3	4.8	
Special foods	8.2	—	
Chocolates and candies	6.2	—	
Automobiles, motorcycles and accessories	—	10.1	15.0
Housing and real estate	—	—	10.2
Banks, savings and loan associations, finance houses	6.8	10.7	9.5
Institutes and colleges	—	—	4.0
Official advertising	—	—	4.2
Other	50.2	48.0	52.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Grafic Matic International Corporation.

^aIncludes only percentages over 4%.

radio, automobiles, etc.), together with products for personal care. Mention should also be made here of other services involving activities which are essential for the new models, especially banks and finance houses, and others such as education which result from the private enterprise policies pursued.

Fourthly, another significant change concerns the structure adopted by the publicity companies and their relations with the transnational corporations. The concentration of such companies is also worthy of note: it is worth noting that 12 such companies control most of the expenditure on publicity. In conjunction with the penetration of financial capital, transnational corporations and local groups linked with the latter in other spheres of economic activity, the concentration of publicity firms must therefore be viewed as a reflection of the same phenomenon. While there are approximately 200 advertising agencies in Chile, of which 38 have more stable characteristics and are affiliated to the Chilean Association of Advertising Agencies (ACHAP), most of the capi-

tal directed to publicity activities corresponds to enterprises which are subsidiaries of, are in close contact with, or at least have economic relations with transnational production firms or powerful domestic economic groups.

Finally, this relationship between firms also has consequences with respect to the efficiency and modernization of the consumer stimuli, to such a point that it might be felt that the stage of the establishment and consolidation of modern marketing techniques is just beginning.⁴¹

From the above it can be seen that the modern mass media, in the new context of openness to the exterior and through linkage with the international market and more advanced technological forms, are attaining levels of 'sophistication' and making use of instruments for stimulating consumption which are transferred directly through the transnational corporations from the countries of origin of the imported products themselves.

In the light of these four aspects, it can better be understood why the diffusion of external lifestyles is also conditioned by the additional effects of publicity. The development of the mass media undoubtedly forms an organic component in the openness models, and sectorally these media show the same features of modernization which can be observed in other spheres.

(c) The growing exposure to stimuli from more developed societies, through the reduction of tariffs and publicity messages deliberately designed to disseminate those models, exerts an influence, as we have seen, on the effectiveness with which the demonstration effect functions. In addition, there are some unforeseen consequences deriving from openness policies which also affect the diffusion of modern forms of consumption.

This diffusion has been expanded in two ways: firstly, through international physical mobility and secondly, through the diffusion of instruments of communication.

A common feature of openness models is that the frequency of foreign travel is increased as one more component in the consumerist

⁴¹*Ibid.*, p. 19.

lifestyle (recreation and leisure typical of the modern style), and foreign travel and international tourism thus partly constitute a manifestation of this style, although these practices are also favoured by the domestic and external price relations caused by the policy followed in foreign exchange matters. In recent decades, particularly in the countries of the Southern Cone, we have witnessed greater international physical mobility involving a growing flow of tourists to more developed countries, especially the United States and Europe. The proliferation of travel agencies, foreign travel plans, and special systems of tariffs and ways of financing tourism have acquired previously unknown dimensions which can only be compared with the extraordinary variety existing in the developed countries. This process has undoubtedly constituted a further powerful stimulus for consumption either through the direct acquisition of goods abroad or as the result of direct acquaintance with styles of consumption characteristic of the countries mentioned.

Furthermore, the gradual penetration of material goods and objects has not in all cases had the same consequences on the demonstration effect. Whereas some goods are objects of consumption which do not possess multiplier effects as regards exposure to consumer stimuli, others result in almost exponential diffusion. Indeed, a considerable number of goods, which are among those most widely diffused, are objects which permit growing exposure to publicity and to consumerist messages. An idea of this phenomenon can be gained from the fact that in the period 1970-1978 in Chile, the expenditure on the purchase of television sets grew from 0.7 million dollars to 56.5 million. According to information from the National Television Council mentioned by Salinas in the study already referred to, almost 10% of television time in Chile corresponds to publicity, while 60% of the time corresponds to other forms of entertainment (films, series, etc.) among which there are also programmes which transmit consumerist stimuli.

(d) Fourthly, the prevailing institutional framework in which the penetration of consumer goods takes place (opening up to the international market, publicity and mass

media) has the special feature of being a context of limited participation.

As is well known, in societies with open and pluralistic systems individuality is often asserted through a multitude of channels of participation: community, political, artistic, cultural, trade union, etc. Forms of association of various types and with various degrees of institutionalization are present in everyday life in activities related with work, culture and recreation, and form the principal channels whereby the individual is incorporated in society. Moreover, this incorporation is not limited to 'face to face' participation in associations, nor is it always necessary to be a member of the group to carry it out. There are other more de-personalized forms of participation in currents of opinion or 'referential' frameworks of ideas, which are expressed through the pluralism of the press, radio and literature, to say nothing of politics, and constitute some of the most important links between the individual and society. When these channels of participation are narrowed, there only remain work and consumption as the sole or principal form of relation between the individual and society.

The characteristic form of restricted symbolic participation through abstract frames of orientation heighten the importance of consumption as a form of realization of the individual in society. Depending on the more participative or more exclusive character of the models, it is important to stress the consequences that this can have from the point of view of the expression of individuality in the social medium. It is not just a question, as we have already seen, of accepting patterns of consumption as something derived from publicity pressures or from growing exposure to other styles of consumption. What is involved here is the exacerbation of the need to express what one is in terms of the possession and acquisition of material objects and goods. If work, as one of the essential spheres of participation of the individual in society, becomes—as happens in modern society—increasingly an activity which does not represent any direct gratification in itself (since such gratification derives from what can be achieved with the income benefit) the central character which possible success in the race to acquire new forms and

patterns of consumption comes to occupy becomes an effective 'potentializer' of the aspirations and expectations for higher levels of consumption.

(e) Finally, but no less important than the foregoing points, it is also necessary to consider here what role is played by the general ideology of the system with respect to consumption: up to what point the legitimating ideology coincides with the consumerist goal. When the model of society places extreme value, as objectives and achievements of the ideal society which it is desired to construct, on the possession and acquisition of material goods, the set of forces analysed above acquires even greater ideological coherence. The stimuli diffused through radio, television and the press, the openly consumerist behaviour of the upper strata, and international physical mobility thus acquire, in an openly and consistently consumerist ideology, the nature of a norm of conduct.

2. The concentration of consumption

The economic measures adopted by the new openness models have been described as 'concentrative'. And indeed, the further these models have gone with their changes, the more there has been a regressive redistribution of income. On analysing the patterns of income distribution, the factual conclusions which can be derived from the real behaviour of income distribution in the countries which have carried out orthodox openness policies indicate that the models have indeed been concentrative.

In Argentina, the share of wages in total income went down from 48% in 1975 to 35% in 1979. In Chile, the concentrative process has been somewhat different: between 1970 and 1975 real wages went down by almost 40%, registering a recovery in 1979. Thus, the relative share of wages in total income went down between 1970 and 1976 from 52% to 41%, while in 1979 there was a recovery to a figure of around 45%.

The results of income concentration in Chile given in table 6 show that during the period between 1969 and 1978 the share in total income went down for 48% of households

Table 6
CHILE: INCOME DISTRIBUTION, GREATER SANTIAGO

Households	Percentage of total income	
	1969	1978
Poorest 20%	3.74	3.70
Lower middle 20%	7.65	7.36
Middle 20%	12.10	11.68
Upper middle 20%	20.12	19.96
Richest 20%	56.39	57.30
	100.00	100.00

Source: Results quoted in Cauas and Saieh (1979). Taken from René Cortázar, "Distribución del ingreso, empleo y remuneraciones reales en Chile, 1970-1978", in *Estudios CIEPLAN*, N° 3, June 1980, p. 12.

and only the richest 20% of income recipients enjoyed and increase.

Finally, in Uruguay, taking as base 100 the five-year period 1968-1972, real wages went down by approximately 40% by 1978, while the concentration of income followed the pattern shown in table 7.

With regard to the concentration of consumption, although no comparative data are available for the three countries, since only Chile has sufficient data derived from the two consumption surveys carried out in 1969 and 1978, the results observed, subject to all the difficulties of generalization involved in this situation, also coincide to a notable degree with the concentrative syndrome of the models.

In Chile, for example, the two family budget surveys carried out in the period 1968-1969 and 1977-1978, covering Greater Santiago, clearly indicate the concentration of wealth. As may be seen from table 8, only the top 20% of households increased the proportion of expenditure on consumption. The second quintile remained practically unchanged, while the bottom 60% of income recipients registered a drop in their consumption expenditure.

The estimates carried out by R. Cortázar on monthly average consumption by households on the basis of these two surveys, in pesos of

Table 7

INCOME DISTRIBUTION
(Percentage of income derived from work, Montevideo 1962-1979)

Percent- age of popula- tion	1962		1968		1973		1976		1977		1978		1979	
	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total	Per- cent- age	Cumu- lative total
-5	1.44		0.68		0.87		0.70		0.59		0.61		0.54	
10	3.47	3.47	2.13	2.13	2.43	2.43	2.00	2.00	1.66	1.66	1.79	1.79	1.61	1.61
20	4.94	8.41	3.97	6.10	4.10	6.53	3.52	5.52	2.92	4.58	3.23	5.02	2.94	4.55
30	5.88	14.29	5.10	11.29	5.15	11.68	4.68	10.10	3.83	8.41	4.20	9.22	3.85	8.40
40	6.80	21.09	6.21	17.41	6.19	17.87	5.63	15.73	4.78	13.19	5.20	14.42	4.75	13.15
50	7.80	28.89	7.38	24.95	7.32	25.19	6.83	22.56	5.86	19.05	6.29	20.71	5.76	18.19
60	8.94	37.83	8.74	33.53	8.62	33.81	8.23	30.79	7.16	26.21	7.61	28.32	6.96	25.87
70	10.34	48.17	10.40	43.93	10.24	44.05	10.01	40.80	8.86	35.07	9.28	37.60	8.49	34.36
80	12.17	60.34	12.64	56.57	12.41	56.46	12.48	53.28	11.26	46.33	11.63	49.23	10.63	44.99
90	15.01	75.35	16.08	72.65	15.81	72.27	16.45	69.73	15.33	61.66	15.52	64.75	14.21	59.20
100	24.65	100.00	27.35	100.00	27.73	100.00	30.27	100.00	38.34	100.00	35.25	100.00	40.80	100.00
+5	15.24		16.96		17.48		19.24		27.60		24.60		31.06	

Source: Alicia Melgar, *Datos básicos para el estudio de la distribución del ingreso*, CLAEH, Montevideo, 1980.

Table 8

CHILE: DISTRIBUTION OF CONSUMPTION, GREATER SANTIAGO

Households	Average monthly consump- tion per household (1979 pesos)		Percentage of total consumption	
	1969	1978	1969	1978
	Poorest 20%	5 953	4 112	7.6
Lower middle 20%	9 243	7 354	11.8	9.3
Middle 20%	12 219	10 754	15.6	13.6
Upper middle 20%	16 058	16 527	20.5	20.9
Richest 20%	34 857	40 328	44.5	51.0
Average	(15 666)	(15 815)	100.0	100.0

Source: National Institute of Statistics, *Encuestas de Presupuestos Familiares*. Nominal figures, deflated by the Consumer price Index, in Cortázar and Marshall (1980). Taken from René Cortázar, "Distribución del ingreso, empleo y remuneraciones reales en Chile, 1970-1978", *op. cit.*, p. 10.

1979 values, also indicate that average household consumption has remained practically unchanged,⁴² the deterioration observed in the bottom 60% of households in Greater Santiago being offset by an absolute improvement in the top 20% and a slight improvement in the second quintile (see table 9).

Subject to the reservations already noted

⁴²R. Cortázar, "Distribución del ingreso, empleo y remuneraciones reales en Chile, 1970-1978" in *Estudios CIEPLAN*, No. 3, Santiago, Chile, 1980.

as regards the impossibility of generalizing this consumption behaviour to Argentina and Uruguay, the indirect data on real wages and the functional distribution of income in these two countries seem to confirm that similar behaviour is to be observed. The results given by comparison of the two consumption surveys in Chile show the consequences of income concentration according to the real purchasing capacity in the matter of consumption. Since the drop in the expenditure of the lower strata can hardly be attributed to an increase in saving

Table 9
GREATER SANTIAGO: STRUCTURE OF EXPENDITURE, BY QUINTILES, 1969-1978

Item	I		II		III		IV		V	
	1969	1978	1969	1978	1969	1978	1969	1978	1969	1978
<i>Food</i>	52.2	59.3	44.9	56.0	44.1	53.2	36.1	47.6	28.7	32.1
— Cereals, starchy foods, milk products, eggs	17.2	23.4	14.3	19.4	12.9	16.8	11.0	14.0	7.1	7.9
— Others	35.0	35.9	30.6	36.6	31.2	36.4	25.1	33.6	21.6	24.2
<i>Clothing and footwear</i>	8.5	5.6	10.4	7.2	11.4	7.9	13.1	8.0	13.3	7.7
<i>Housing</i>	25.4	17.9	26.3	14.7	27.5	15.9	30.9	18.1	35.9	20.1
— Basic expenses	23.1	15.7	24.2	12.6	25.3	12.7	27.7	14.8	30.2	14.0
— Operation and services	2.3	2.2	2.1	2.1	2.2	2.4	3.2	3.3	5.7	6.1
<i>Transport</i>	3.7	5.6	3.1	6.5	3.4	6.9	3.8	8.5	4.8	15.9
<i>Durable goods and recreation^a</i>	2.5	4.1	5.9	6.6	6.1	6.7	6.0	7.4	7.0	8.8
<i>Personal care</i>	1.8	1.8	2.3	2.0	2.4	2.0	2.5	2.8	2.6	1.9
<i>Health</i>	1.2	1.8	1.3	2.0	1.3	2.2	1.3	2.8	1.5	4.1
<i>Education</i>	0.4	0.7	0.4	0.9	0.7	1.4	0.9	2.1	1.5	4.0
<i>Others</i>	4.2	4.4	5.4	4.3	3.6	3.8	5.4	3.7	4.7	5.5

Source: National Institute of Statistics, *Third Family Budget Survey*, 1978; ECIEL, *Estudio sobre Patrones de Consumo e Ingreso*, 1969, the Brookings Institution.

^aIncluding furniture, fittings, decorations and household equipment.

or other alternative use of family resources, table 9 accurately reflects an absolute deterioration in the possibilities of real expenditure by the middle and lower strata.

3. The structure of consumption

Methodologically, analysis of the diffusion of durable goods has always been made by taking horizontal percentages where the base 100 is made up of the total expenditure on each category. While this type of analysis is useful for determining where demand for a particular good or service is located, it does not tell us anything about the expenditure strategy of each stratum of income recipients, nor does it add any significant information to help us to know the preferences or relative valuation regarding the different categories of consumption at each level of the social stratification. In contrast, a vertical analysis of the basic table (expenditure on consumption by categories, distributed by levels of income) offers adequate information for finding out the consump-

tion strategies at each level of income recipients.

Table 9 shows the structure of expenditure by quintiles for the years 1969 and 1978 respectively,⁴³ and indicates some of the main changes attributable to the new model:

Firstly, in the comparison between the figures for 1978 and 1969, food was one of the categories most affected by changes, both in global structure and by quintiles. Average expenditure on food, for all households, grew from 31.6% to 41.8% during this period. At first sight, it might be thought that this represents a family strategy tending to increase the share of food in the family budget.

⁴³Because of the different sources of the tables, the quintiles are arranged in one case (ECIEL) according to income, while in the family budget surveys they are arranged according to expenditure. These differences are not significant, however, if we are comparing the extreme quintiles, since the correlation between expenditure and income is very high. The distribution of expenditure in the ECIEL survey is therefore very similar to that in table 8; the bottom quintile shows participation of 7.9%, while the following quintiles show 11.1, 14.8, 24.1 and 42.3% respectively.

However, this is not so in all cases. The percentage increase in expenditure on food recorded for all economic levels together actually conceals very different types of behaviour. In the first place, the growth in the proportion of expenditure devoted by the poorest strata to food does not mean that there was absolute growth: in reality, the households in the bottom quintile spent less on food in absolute terms in 1978 than in 1969. The 52.2% recorded for expenditure on food in 1969 for the bottom quintile corresponded to an average monthly income of 5 953 pesos (at december 1979 prices), thus giving an approximate monthly expenditure on food of 3 107 pesos. The 59.3% recorded for expenditure on food in 1978, however, corresponded to an average monthly income of only 4 112 pesos, however, or 2 437 pesos spent on food. Secondly, and for the same reason, in the top quintile the percentage increase in expenditure on food corresponds to an increase which is much greater in absolute terms: in 1969 the expenditure on food was 10 000 pesos, while in 1978 it was 12 936 pesos. Thirdly, the increase in expenditure on food is strongly affected by changes in the relative prices in this period between food products, industrial products and imported goods. In particular, during the period 1969-1978 a clear tendency is observed towards a disproportionate increase in the relative prices of food products with relation to durable goods and above all imported products. The information provided by the wholesale price index indicates that in the period 1974-1980 the increases in prices of agricultural, industrial and imported goods followed very different paths. Whereas the index for agricultural products rose, with reference to a base of 100 for 1974, for 5 734 in december 1979, the index for industrial products at the latter date came to 4 453 and that for imported goods to 3 917. The price relation between agricultural products and imported products at the end of 1979 was 1.7, while between agricultural and industrial products it was 1.3.

Taking as an example the bottom quintile, corresponding to the poorest income recipients, it is observed that although the percentage spent on the consumption of food increased, in absolute terms there was a deterioration of almost 20%. Coinciding with the

results of Foxley (1980), table 10 shows a deterioration in basic consumption of food by the poorest households equivalent to a reduction of approximately 20% in real terms over the period 1969-1978.⁴⁴ It can also be seen from table 10 that the composition of the food purchased by the lowest strata underwent changes too. Family expenditure tends to reflect more spending on such foods as flour, cereals and starchy foods compared with other products such as meat, fruit and vegetables.

Although the variations in the relative prices of the different categories of foodstuffs do not permit a direct inference of the real significance of the percentages, at all events the behaviour of the two main subcategories of foodstuffs indicates that: (a) there is a tendency which causes the elasticity of the poorer foodstuffs (flour, starchy food, etc.) to decrease, that is to say, for the proportion of expenditure on these categories to go down as one rises in the level of stratification; and (b) the opposite takes place with the richer foodstuffs: the proportion of expenditure tends to be equal for the different quintiles.

Whereas the poorer foodstuffs show an elasticity tendency which characterizes them rather as indispensable necessities, in contrast, the behaviour with regard to the consumption of meat, vegetables and fruit places these closer to 'luxury' goods.

Secondly, another type of evidence can be obtained from the tables in question. In contrast with what happens in the case of food, the proportion of expenditure devoted to housing and clothing goes down evenly for the whole population. With regard to all the other categories, however, the results indicate that the proportion of expenditure devoted to the consumption of durable goods, recreation,

⁴⁴The family shopping basket on the basis of which household expenditure is calculated corresponds to the 'average family', which naturally does not suitably represent the consumption structure of the poorest strata. Even more important, the structure of expenditure by categories of the 'average family' on the basis of which the cost of living was estimated in 1978 corresponds to an upper middle class family located between the fourth and fifth (top) quintiles. For this reason, the estimates of the consumer price index are not satisfactory for the correct interpretation of the results of the relative increase in expenditure on food consumption in the period 1969-1978.

Table 10
 CHILE: CONSUMPTION OF BASIC PRODUCTS BY HOUSEHOLDS
 (Pesos at June 1978 prices)

	Quintile I			Quintile V		
	Consumption		Percent- age variation	Consumption		Percent- age variation
	1969	1978		1969	1978	
Flour and starchy foods	387.6	406.8	5.0	778.6	719.6	-7.6
Meat	357.9	219.1	-38.8	1 543.5	1 627.2	6.0
Oil	105.4	71.2	-32.4	269.4	201.0	-25.4
Milk products and eggs	138.9	106.1	-23.6	618.3	641.5	3.8
Vegetables and pulses	144.0	97.5	-32.3	257.9	197.4	-23.5
Sugar	97.0	73.4	-24.3	191.8	154.2	-19.6
Energy and fuels	227.3	181.8	-20.0	501.6	641.1	27.8
Urban transport	129.8	102.9	-20.7	277.8	284.5	2.4
<i>Total</i>	1 587.9	1 258.8	-20.7	4 430.0	4 466.5	0.8
<i>Percentage of total consumption</i>		49.9			18.0	

Source: National Institute of Statistics, *Family Budget Survey*, 1969 and 1978.

transport, education and health services increases in an even manner. The expenditure required by some categories such as transport may be attributed principally to factors exogenous to the process, deriving from the increase in world petroleum prices in the period considered. The proportion of expenditure devoted to durable goods and recreation, on the other hand, seems to be in line with sustained pressure to promote greater consumption of modern goods and services. With regard to education and health, the increase in the proportion of expenditure is difficult to interpret, since it could be due to equally significant pressure for access to goods which are indispensable—or considered to be indispensable, as in the case of education—or it could be due to the policies aimed at promoting private enterprise which, within the lines of the openness models, tend to involve the increasing withdrawal of the State as the basic entity for the provision of certain services.

Thirdly, the internal reallocation of family budgets to favour certain categories of consumption at the expense of others does not indicate either, as in the case of food, whether the greater share of a certain category of consumption in the global family budget represents an improvement in real terms.

When the above differences with regard to the absolute figures devoted to the average monthly consumption of each category by quintiles are analysed, changes of considerable magnitude are discovered.

In the poorest stratum, the decreased share of housing and clothing in the total family budget corresponds to an absolute deterioration which is greater than that indicated by the percentage reduction.

The consumption categories which increase in the family budget of the poorest families, for their part, do not all indicate a similar behaviour in real acquisition terms.

Expenditure on durable goods and recreation increases in absolute terms from 150 pesos to 170 and expenditure on health rises from 71 pesos to 74, while expenditure on education rises from 24 pesos to 29.

Thus, in actual fact there is only one category of consumption where the expenditure of the poorest strata grows significantly in absolute terms: namely, durable goods and recreation expenditure.

In the highest stratum, the decreasing share of housing and clothing also corresponds to variations in absolute expenditure. Housing represented expenditure of 10 526 pesos in 1969, while in 1978 it went down to 8 065

pesos. Clothing and footwear, for their part, went down from 4 635 pesos in 1969 to 3 062 in 1978.

The biggest increase in absolute terms likewise corresponds to the durable goods and recreation category, which rises from 2 439 pesos per household on average, to 3 548 pesos in 1978. Education rises from 522 pesos to 1 612, while health increases from 522 to 1 652 pesos.

While the structure of family expenditure in the lowest strata shows an absolute deterioration in the case of food and basic expenditure on housing, clothing and health, there is an increase above all in expenditure on durable consumer goods and various forms of recreation. At the other extreme, while there is both a relative and absolute increase in expenditure on food and the levels of quality and sufficiency of this category are undoubtedly maintained, there is a proportionate decline in the expenditure on clothing and housing, while there is a smaller rise in spending on the consumption of modern goods and services. This is accompanied, in the case of the higher strata, by a considerable increase in the share accounted for by education, health and transport, the latter obviously being determined by the possession of an automobile.

The concentrative effects thus do not make themselves felt in the same way in each of the categories of consumption. In most cases, the differences between the top stratum and the bottom stratum on average have doubled in the period under consideration, but in the most extreme cases the relation between the amount of money spent by the top stratum and the bottom stratum even quadrupled (see table 11).

The three categories which showed most concentration during the period 1969-1978 are thus transport, health and education. The first of these may be attributed to factors unconnected with the changes resulting from the new policies, but not the latter two.

Both health and education, which already showed relatively high values of elasticity in 1969 (0.844 for health and 1.210 for education), grew significantly in 1978.⁴⁵ Whereas in the

Table 11

RELATION BETWEEN ABSOLUTE SPENDING OF STRATA V AND I, BY CATEGORIES OF CONSUMPTION

Category of consumption	Expenditure of stratum V/Expenditure of stratum I	
	1969	1979
Food	3.21	5.31
Clothing and footwear	9.16	13.30
Housing	7.00	10.95
Transport	9.04	27.88
Durable goods and recreation	16.20	20.87
Personal care	5.47	10.32
Health	7.35	22.34
Education	21.75	55.62

first of these years the percentage difference between the extreme strata indicated in table 9 was the gap between 1.2% and 1.5% in the case of health and between 0.4% and 1.5% with regard to education, these gaps increased markedly to the difference between 1.8% and 4.1% for health and between 0.7% and 4.0% for education.

Here too the behaviour of the two categories would appear to indicate that they have become more and more 'luxury' goods.

With regard to durable goods and recreation, the results show an increase in the inequality, which was already high to start with, but not to the extent of other consumption categories. These results derive from the very uneven behaviour of the total number of goods grouped together in these categories. Thus, for example, the high concentration in 1978 was very much influenced by the automobile category, whereas the behaviour of other goods, as we shall see below, was distributed in a more equalitarian manner.

To sum up, the systematic behaviour of all the family consumption items in the period 1969-1978 shows not only the strong concentra-

⁴⁵P. Musgrove, *Consumer Behavior in Latin America*,

Income and Spending of families in ten Andean Cities, The Brookings Institution, 1978.

tive effect, but also the type of goods and services most affected by the regressive process.

Finally, it is worth recalling that the inequalities revealed by comparison between the low and high strata correspond to extreme inequalities within the household sample analysed. The inequality is obviously much higher than that observed between adjacent quintiles, and also conceals certain phenomena of partial deconcentration which occur in some parts of the stratification.⁴⁶ At all events, it is also true that the inequalities observed between quintiles I and V do not reflect the overall inequality of the society studied either, since the survey only covered Greater Santiago. To sum up these considerations, we may say that the expenditure on durable goods, in general terms, appears to be in line with income, although it is very much affected by other factors: it shows that the pressure in favour of forms of consumption of a modern nature may produce an increase in expenditure on these categories without any corresponding increase in income, and possibly even when income deteriorates.

Moreover, the structure of family spending shown in table 9 enables another fact to be confirmed: to the extent that the income of the lower strata improves —assuming the hypothesis of upward mobility— the orientation of the consumption expenditure is not necessarily directed towards the fuller satisfaction of basic needs.

The considerations deduced from the foregoing tables are shown in the structure of expenditure and its concentration for each category of consumption. This is the type of horizontal analysis to which we referred earlier and to which we will also refer below.

The structure of expenditure by categories for the different income levels permits a fairly satisfactory approximate estimate of the diffusion of durable goods. The consumption behaviour in the case of Chile, as seen through

the same surveys analysed, shows a high concentration of expenditure which increases in inverse proportion to the essential or indispensable nature of the type of good considered.

Let us examine this by parts: firstly, in contrast with what might be expected in view of the high concentration of income and the regressive process with regard to family consumption budgets, it is observed that the diffusion of durable goods and recreation activities corresponding to a modern lifestyle is notably high in the case of certain goods (see table 12). Undoubtedly this situation is not merely the result of the changes which have taken place as a result of the new models: Chile, like Argentina and Uruguay, had already begun much earlier a sustained process of modernization of consumption patterns.

By way of comparison, and in order to make the analysis more relative, we can take the concentration of food purchases as a frame of reference, since this is traditionally one of the least concentrated categories.⁴⁷

Some goods, such as refrigerators, cookers, gramophones and radios, show a very high degree of diffusion. Only the bottom 20% are excluded in practice from expenditure on these items, while the next 20% register relatively low participation. For quite a wide range of durable goods, however, the participation covers the top 60% of the social stratification. The behaviour of expenditure on television, in particular, is surprising: it is the least concentrated item of all, even less concentrated than food, thus confirming everything said earlier regarding the central role played by the diffusion of this item;⁴⁸ the same is not true, however, with regard to colour television or other items of high unit value.

⁴⁷It should not be forgotten that the data analysed do not refer to the whole country, but only to the urban part of Greater Santiago, so that the concentration observed is less than that corresponding to the country as a whole.

⁴⁸It should be noted in this respect that the concentration of expenditure on a good which is in rapid expansion corresponds to the concept of diffusion in terms of the possession of the good. In fact, in a situation of this type, the concentration of expenditure reflects rather the impact of the strata which are making up for the distance separating them from those which traditionally already possessed such goods.

⁴⁶Some deconcentration is occasionally recorded between the top stratum (V) and the following stratum (IV). The magnitude of this, however, is extremely small: thus, for example, with regard to expenditure on education, for every unit spent by stratum IV in 1969, stratum V spent 5.6 units, while the figure for 1978 was 4.9 units.

Table 12
GREATER SANTIAGO: CONCENTRATION OF CONSUMER GOODS, BY INCOME
QUINTILES, 1978

	Low I	II	III	IV	High V	Total
Food	7.3	16.0	18.7	19.1	40.9	100.0
TV (black and white)	9.9	22.7	27.4	21.3	18.9	100.0
Gramophone	1.0	9.0	27.3	27.1	40.0	100.0
Portable radio	9.3	16.0	23.5	18.2	32.9	100.0
Perfumery and toiletries	6.6	12.0	16.8	24.9	39.7	100.0
Refrigerator	2.5	9.8	17.8	26.2	45.0	100.0
Radios	0.1	11.0	11.1	22.9	54.9	100.0
Vacuum cleaner	0.0	0.0	2.3	39.7	58.0	100.0
Musical and optical instruments	1.1	5.5	13.5	20.3	59.6	100.0
Toys and recreational articles	2.1	5.7	8.9	22.3	61.0	100.0
Tape recorder	0.0	13.4	3.2	20.3	63.0	100.0
Cooker	2.0	18.0	2.0	10.6	68.0	100.0
Total sound reproduction equipment	5.6	16.0	18.7	19.1	40.9	100.0
Tobacco and other imported products	0.0	0.2	3.6	4.5	91.7	100.0
Automobiles and motorcycles	0.0	0.0	0.0	2.6	97.4	100.0
TV (colour)	0.0	0.0	0.0	0.0	100.0	100.0

Source: National Institute of Statistics, *Family Budget Survey*, 1978 (Foxley, 1980).

If we bear in mind that an equalitarian distribution would involve values of 20% for each stratum, the overall category comprising all recreational equipment (television, radio, tape recorders, etc.) shows a much more equalitarian distribution than the distribution of income in the general structure of consumption.

Other more 'sophisticated' items which are of higher unit value or less accessible such as imported products: tobacco, liquors, hi-fi equipment, tape recorders, musical instruments, toys, cinematographic equipment, etc., are found in contrast to be more concentrated in the 40% or even the 20% of the population receiving the highest incomes.

Another aspect which should not be overlooked, and which partly explains the considerable diffusion of durable goods, is that the unit prices vary considerably according to quality and characteristics. In reality, the 'downward' diffusion of durable goods is more substantial and less concentrated than that normally registered by expenditure on each item, this being due to the growing stratification produced among these goods, favoured by the

opening up of imports. In a random survey carried out in 14 shops in the centre of Santiago in October 1980 (5 large shops, 5 medium-sized ones, and 4 small ones), the variation observed between the unit prices of a given article was considerable. Thus, for example, it was found that the unit prices of colour television sets showed variations of approximately 2 to 1; the most expensive black and white television sets were 4 times as expensive as the cheapest ones; and this factor of difference was 5 to 1 in the case of portable radios, table radios and cookers; 25 to 1 in the case of watches; 4 to 1 in the case of radio-cassette recorders; 3 to 1 in the case of hi-fi equipment; 20 to 1 in the case of gramophones, and 10 to 1 in the case of tape recorders. If we also bear in mind that the type of marketing generated by the financial policy of the openness model has increased the proportion of hire-purchase sales (with terms of between 6 and 24 months, according to the unit price of the good), and that the second-hand market increases the price differences for a given type of good in some cases to more than double, an approximate idea can be obtained of the relative variations in access to these goods.

In practice, then, and although the differences in household income may be extremely substantial (as may be seen from tables 8 and 9), this does not mean that the differential diffusion of durable goods will maintain the same proportion as differences in income. In the case of a considerable number of durable goods, two households with significant differences in income may possess virtually the same quantity of goods, although their differences of quality and other characteristics may make one of them a poorer, less up-to-date or more mediocre version of the other.

Finally, if we compare the distribution of durable goods as between 1969 and 1978, we get the impression that the diffusion of these goods is now greater than in 1969 and that the downward expansion has operated in a sustained manner in the case of many consumer goods and articles.⁴⁹

Secondly, the extraordinary concentration of consumption, in which the demand for certain goods is restricted to a small sector (20%),

is to be found more easily in other aspects of consumption behaviour (see table 13). The consumption indicators which best record the concentrative pattern of the models appear, of course, in some categories such as automobile ownership, which is restricted practically to 20% of households, and a number of recreation and leisure activities associated with the modern life-style. The most expensive forms of sport; demand for classes in various activities such as dancing, sports, recreation, etc.; participation in shows and entertainments; domestic consumption outside the home in restaurants, places of recreation, etc., and expenditure on travel and in hotels are markedly concentrated in the richest 20% of income recipients. In addition, it is necessary to add the consumption shown in table 12 of imported goods of high unit values such as colour television, hi-fi equipment, and imported beverages and tobacco.

Education, for its part, is one of the most concentrated types of expenditure of all household consumption categories. In principle, this pattern should not be surprising, because school attendance is highly concentrated and access to primary, secondary and university education is distributed in an unequal manner. It could therefore be sustained that the concentration of educational expenditure is simply a reflection of the inequality of access to the different levels of education and does not therefore add much to our knowledge of one of

⁴⁹In this connexion, the comparability between the household surveys for 1969 and 1978 is rather complicated, since the data available for 1969 disaggregate the concentration of expenditure into minimum wage units and not quintiles. Although the ECIEL study carried out on the basis of these surveys makes it possible to reduce the distribution by deciles to quintiles, it raises problems of the comparability of the categories as aggregated.

Table 13

GREATER SANTIAGO: CONCENTRATION OF EXPENDITURE BY INCOME QUINTILES, 1978

	Low I	II	III	IV	High V	Total
Entertainment and shows	0.8	2.7	6.8	18.2	71.0	100.0
Sports equipment	0.0	3.3	6.4	7.2	83.0	100.0
Various types of lessons	0.0	3.2	0.0	8.8	88.0	100.0
Travel and hotels	1.5	0.0	2.0	12.8	82.5	100.0
Rental of sports equipment	0.0	0.0	0.0	13.3	86.7	100.0
Education	1.2	3.0	6.9	15.0	74.0	100.0
Public	2.3	7.0	10.0	16.1	64.6	100.0
Private	0.0	0.1	5.3	13.7	81.6	100.0
Health	2.8	5.6	9.1	18.0	64.0	100.0

Source: National Institute of Statistics, *Family Budget Survey*, 1978.

the best-known features of inequalities in the region. The importance of education as a filter controlling access to a 'scarce good' and essentially a 'positional' good is clear, however, from the curves of inequality shown below (see figure 1). As may be seen from these, inequality in school attendance is much less than the inequality of the resources which households devote to the perpetuation of this social privilege transmitted to the new generations. The Gini index determined in 1960 for inequality of school attendance in Chile amounted to .34.⁵⁰

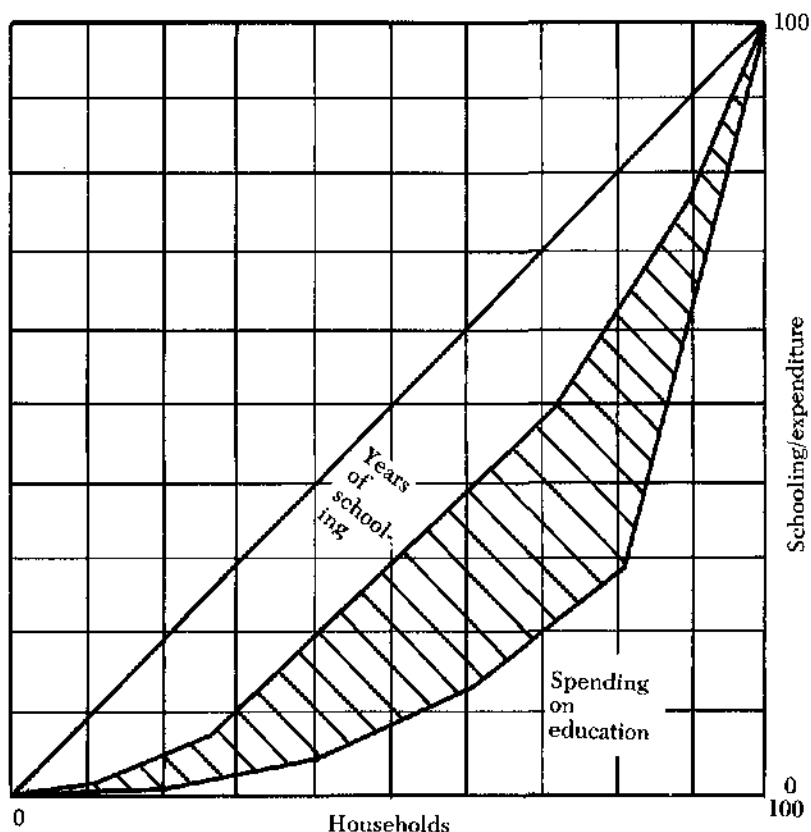
⁵⁰C. Filgueira, "Expansión educacional y estratificación social en América Latina". CEPAL-UNESCO-UNDP, Buenos Aires, 1978.

The Gini index for the institutional costs in the same period was .46, which reflects the extra inequality added to that involved in school attendance when we take into account the differential costs of each cycle of education. Moreover, in 1978 the inequality displayed by the resources spent by households on education came to values equivalent to a Gini index of .68.

There can be no doubt that the handing over of education to private enterprise—an aspect which is likewise contained in the general policy of the models—has repercussions on these results. As a global indicator, enrolment in private schools is clearly more concentrated than enrolment in public schools, as

Figure 1

CHILE: CONCENTRATION OF YEARS OF SCHOOLING
(1970) AND SPENDING ON EDUCATION (1978)



Source: C. Filgueira, "Expansión educacional y estratificación social en América Latina", *op. cit.*, 1977; National Institute of Statistics, *Family Budget Survey*, *op. cit.*, 1978.

may be seen from table 13. Consequently, it was only to be expected that between 1969 and 1978 the concentration of expenditure on education should undergo a slight reduction towards the upper middle strata, attributable to the growing tendency of educational policies to hand over education to private enterprise. The State no longer regards its educational functions as a service of social importance. This slight deconcentration, together with a general growth in spending on education, visible in all quintiles of income recipients, confirm the strong derived pressure of a highly valued good which is becoming increasingly competitive in the private sphere.

Health, for its part, although showing a somewhat different behaviour, also follows a broadly similar pattern, although in this case the concentration tends to grow much more than in the case of education.

Finally, the structure shown by expenditure in the new models, in proportion as income is increasingly concentrated, also has direct consequences on a demand for services characteristic of modern styles of consumption. The upper strata, and especially the top 20% of income recipients, require tertiary activities connected with the expansion of their life-style patterns. The effect that this has on the employment structure, as a dynamic factor of demand for service activities, helps to reinforce a tertiarized structure. This aspect has been pointed out as a characteristic feature of the

openness models and appears very clearly in the make-up of the sectoral structure of the economically active population. In this respect, too, Chile may be an extreme example of the tendencies of rapid and profound openness: in 1978 almost 20% of the expenditure of the top 20% of income recipients went to swell the demand for services from the tertiary sector.

Expenditure by the top strata on general household services, expenditure required by automobile ownership (not including repairs and maintenance), various recreational services, consumption outside the home in restaurants, hotels and places of entertainment, domestic social events, various repairs (dwelling, appliances, etc.), domestic services, personal care services and education make up approximately 20% of the total consumption expenditure of these households.

The increase in employment in the services sector recorded between 1970 and 1977 (from 26.0% to 34.7%, according to A. Foxley) is not therefore the exclusive result of the growth of activities in the low-productivity informal sector due to the 'artificial' creation of certain occupations; it is also the result of dynamic demand by the upper sectors. The top 40% of income recipients, through their expenditure on these services, create a demand for such activities equivalent to the total expenditure of the bottom 40% of income recipients.

V

Summary and final considerations

The preceding chapter was devoted to showing the main patterns of behaviour adopted by consumption under the economic stabilization models. The objective of this concluding chapter is, on the one hand, to summarize the principal tendencies identified and, on the other, to postulate some of the theoretical problems deriving from the behaviour of demand in the new models.

1. In this study the patterns of behaviour of

consumption have been perceived primarily as the result of a particular type of growth strategy characterized by the progress of consumption with respect to production. For this reason, the economic stabilization models may be located in the general category of backward societies which, when they try to make up for 'lost time', increase the gap between the real production capacity and the levels of material well-being expressed in consumption.

Summing up the main characteristics adopted by consumption in openness models, it may be said that the empirical evidence assembled by the foregoing analysis reveals a type of behaviour expressed through:

(a) spectacular growth of the consumption of modern goods, especially durable goods and material objects, 'sophisticated' consumer goods for the home, recreation and personal care, and food, beverages and tobacco, all of them corresponding to levels and styles of consumption typical of the most highly developed countries;

(b) a drastic change in the origin of the products consumed, which now come mainly from abroad; thus, importation becomes the mechanism *par excellence* permitting the change in consumption patterns;

(c) growing diffusion of modern life styles and certain types of goods to the middle, lower middle and lower strata, especially in the case of those articles and items of lower unit cost;

(d) growing inequality in the allocation of expenditure for the consumption of basic goods such as food, footwear, clothing and housing, thus leading to deterioration of the family 'shopping basket' and insufficient coverage of basic needs in the lowest strata;

(e) all this, of course, takes place within a regressive process of distribution of income and growing concentration of wealth.

The chapters before the analysis of consumption in the economic stabilization models, especially chapters II and III, sought to establish an interpretative framework in order to explain this type of patterns. In particular, it was sought to suggest some ideas to explain the apparent contradiction involved in a system which tends to growing inequality as regards income and the possibilities of satisfying basic needs, but at the same time permits considerable downward diffusion of modern-type goods.

For this, it was necessary initially to stress the social dimension of the phenomenon of consumption in view of its close relation with the theory of value, and it was therefore treated as a specific interface between economics and sociology. This, in turn, led to the need to make a critical discussion of some of the basic assumptions of 'rational consumer behaviour',

proposing alternatively, as explanatory elements which permit the interpretation of this apparent contradiction, certain mechanisms of social dynamics taken principally from the theory of sociology and cultural anthropology.

This brief reference to the central points of the present study made it possible to characterize in another way the phenomenon of consumption in the stabilization models, and it also made it possible to discuss from another angle some of the main interpretations formulated regarding these models.

It is only of interest here to refer to the two main interpretations which have sought to give proof of the success or failure of the models as expressed through consumption.⁵¹

The defenders of the openness models have stressed the downward diffusion of durable goods and modern styles of consumption. The extensive scientific, journalistic and official literature has maintained that among the main credit points of the new strategy must be considered the greater availability of durable goods, as the expression of a new goal to be reached, and indeed already being attained in part. The diffusion of domestic electrical appliances, especially television sets, radios, household appliances and other consumer items typical of modern styles is presented as one of the most notable proofs of the success of the new models.

Other analysts, in contrast, taking a critical view, feel that it is necessary to consider the concentrative effects regarding income and the deterioration in the basic needs situation. In this case, the consumption indicators place stress on the reduced access to indispensable goods, especially food, housing and clothing,

⁵¹Here we are referring exclusively to the consumption aspects, but we are not ignoring the fact that the discussion was centered much more in the field of economics. According to their defenders, the virtues and achievements of the models seem to have consisted mainly of the placing of the economies on sound basis, success in non-traditional export policy, economic recovery as indicated by growth of gross domestic product, favourable balance-of-payments situations and, in some cases, reduction of rates of inflation. The critical literature, in contrast, has indicated as the most serious problems of these models the deterioration of employment, economic inequality, external indebtedness, a drop in rates of investment, deficits on the trade balance, the destruction of domestic industrial capacity, and at the same time unproductive tertiarization.

and above all the growing deterioration of the family shopping basket and essential health care requirements. Here the conclusions are obviously different and the economic stabilization models are criticized as extremely concentrative and leading to increasing poverty. These are undoubtedly some of the most obvious 'social costs', to which the bibliography contains many references.

Neither the 'critical' nor the 'favourable' literature, however, has been able to get away from the prevailing 'dialogue of the deaf', because the most extreme interpretations carry out the analysis on a partial basis, restricting it in both cases to particular areas of consumption considered in isolation.

It is quite true that the diffusion and penetration of certain types of durable goods and imported objects into the middle and lower strata forms one of the clear features of the new structure of consumption, but this cannot be adopted *a priori* as a safe indicator of the 'soundness' of the model.

As is well known, in the most highly developed societies the consumption of modern goods and the forms of recreation and leisure characteristic of the welfare state represent a phenomenon which took place *after* satisfactory coverage of basic needs had been achieved. This is not so in the developing countries, however, and all the studies on consumption coincide in pointing out that while overall levels of food, health and housing continue to be markedly deficient, the consumption of durable goods and the presence of modern appliances in many of the households suffering from such deficiencies is commonplace.

Furthermore, it is also true, as we have seen in the preceding chapter, that among the 'social costs' of the stabilization models is the growing precariousness of levels of basic consumption and the increased inequality. In spite of this, however, the social consequences resulting from the application of the new models are by no means limited to these manifestations, and others which are perhaps more important and to which we will return later are overlooked.

2. In practice, there is no real contradiction in the behaviour shown by consumption in re-

sponse to the new economic, social and political conditioning factors. Perhaps there is nothing new which cannot be illustrated from past experience.

When the critical literature stresses the growing inequality with regard to basic needs, it is actually pointing out a problem which had already been referred to in anthropological studies on societies in a rapid process of monetarization. The study of the passage of societies from subsistence economies to market economies, or economies increasingly influenced by the modern monetary economy has shown that "in general the effect of the introduction of commercial crops or wage-based economies on nutrition has been to lower its level by disturbing the balance reached in the subsistence economies, putting forward processed foods as those with higher 'prestige' and limiting the volume and quality of subsistence crops in favour of commercial crops or reducing the time spent on the preparation and preservation of food for domestic consumption". "It has been noted that not only do people often waste their money on almost any new object, but also the unaccustomed spending of emulative type may lead to moral decadence and permanent loss".⁵²

As a general rule, the basic levels of food and subsistence suffer whenever utilitarian stimuli and modern consumption burst in through rapid and deeply disturbing processes. The classic study carried out by the American Geographical Society in 1953 showed that of the total number of primitive communities studied (209), only 6% showed significant deficits with regard to nourishment at all levels (calories, etc.) and a further 3% had insufficient diets as regards calories, while the remaining 91% had levels that were fully satisfactory in the light of the characteristics and habitual forms of life of the communities. In contrast, most of the regions of the Third World completely or almost completely incorporated into the market economy, especially in the case of certain regions in Africa, Asia and part of Latin

⁵²See E.E. Hoyt, "Money Economy and Consumption Patterns", in N. Smelser (ed.), *Reading on Economic Sociology*, Prentice Hall Inc., 1965.

America, consistently displayed insufficient levels of nourishment.⁵³

Although in our case we are not dealing with real subsistence economies or with the rapid introduction of a process of monetarization of the economy into extremely primitive States—a situation which could only exist in subsectors of the countries studied—it is nevertheless true that the process of openness typical of these economic stabilization models has many parallels with the examples referred to. The preferences and 'tastes' for everything new in contexts with a high degree of social integration lead to important changes in the composition of the structure and strategies of consumption, generally to the detriment of preferences for traditional goods or those perceived as such.

It is worth considering these examples here because they bring out the fact that the really complex—and undoubtedly dramatic—nature of the growing precariousness characteristic of these situations does not derive automatically from processes of concentration of incomes and impoverishment of the lower levels of the social strata. In actual fact, the 'critical' literature only partially picks up some of the most obvious consequences of the openness models and does not go much further in this respect. There are other consequences which, when the behaviour of the consumer is perceived through determining elements more complex than income, orient the diagnoses in another direction. We have seen that these consequences are expressed above all in the field of social and political relations.

3. The new patterns of consumption considered to be the result of the new models are undoubtedly the most tangible and evident part of the new social behaviour induced, but it should not be forgotten that they are only *part* of the attitudes and tensions arising in society, which actually involve all spheres of behaviour. It is this complex set of relations, values and social meanings which gives significance to the particular behaviour adopted by consumption.

According to what we saw in the preceding chapters, the openness models involve a radical transformation not only of economic behaviour, but also of the basic forms of relationship of individuals with each other and with institutions and society as a whole; and above all, they involve a change in the forms of competition and solidarity which make up the moral basis of the system. The discussion in chapter II was aimed precisely at identifying the main changes which have taken place in this system. The utilitarian stimuli generalized through the growing presence of private enterprise, favoured by the economic measures and with the blessing of the legitimacy given by the prevailing ideology; the growing dependence on more 'sophisticated' forms of publicity; the prevalence of restrictive forms of social participation, and the devaluation of the sense of work as a form of realization *per se* have all helped to ensure that the horizon of individual orientation and personal identity is organized around consumption, fashion and forms of emulation.

The goal of reaching ever higher levels of material consumption becomes the ultimate objective of human existence and the fundamental principle of work. More and more, everyone works in order to consume, the gratification derived from work decreases, and in this way the stimuli for creativity disappear and are substituted by growing passivity and ritualism. The gratification which could be derived from the shared sense of participating in and contributing to the development of the community and society is displaced in favour of abstract, impersonal and 'self-regulating' mechanisms which are assumed to be those responsible for transforming exaggerated individual competition into social solidarity. The individual does not form part of this process, however, and there is no gratifying sense of commitment in carrying it out.

Imitation is the main stimulus for action and consumption is the indicator of the success achieved, of prestige and the social recognition of others, and hence of satisfaction itself.

The degree of individualization and atomization increases with the lack of mechanisms and institutions which can act as intermediaries between man and society, and the

⁵³American Geographical Society, *Study in Human Starvation, Atlas of Diseases*, New York, 1953.

feeling of defencelessness finds in consumption a form of satisfaction of basic tensions and fundamental psychological needs.

The possession of material goods, which operates as a system of information with precise symbolic content, is capable of absorbing these tensions but not solving them; rather, it makes necessary the continual and repeated change of new material objects as a way of compensating the permanent sense of loss.

This process not only has its effects at the individual level: the changes also come to affect the basic institutions of society. As J. Graciarena points out, the new consumerist style resulting from the models which bring in a deeper version of capitalism causes changes in the nature and sense of social institutions: even such stable institutions as the family.

"The priority given to consumerism reduces the desirability of the 'bourgeois home'. The formerly inviting bourgeois house is replaced by the apartment, and hospitality moves to restaurants or clubs. The change from the life-style centered around the spacious and comfortable bourgeois home of the past creates intra-family friction, particularly between fathers and sons, which increases the gap opened by the generational conflict"... "The new style of utilitarianism is now individualist rather than family-oriented. The time horizon of the businessman is reduced to his own lifetime, and with it his motive for saving. Versatile and intense short-term consumerism takes the place of the old puritan frugality which was of markedly family-oriented inspiration".⁵⁴

Lower-class urban families—and even marginal and peasant families—are also affected by the priority given to consumerism, although in another sense.

While in the bourgeois family there is increasing discouragement of saving, in the poor families, in contrast, there is a powerful stimulus to indebtedness or to the commitment of future real or expected income, to the sacrifice of consumption of basic goods, and to the

internal reorganization of the family budget as a function of modern consumer goods. Certain members of lower-class families are more exposed to the persistent publicity and new consumerist styles. In particular, the younger members have a greater propensity to identify in the world of material objects their basic psychological needs, so that the inter-generation conflict is also heightened by the uneven incidence of consumerist stimuli within the same family. Not only does the pressure of publicity find in the subcultures of the young one of its most important classes of clients, but it also tends to give form and content to these subcultures by offering them a ready-made body of symbols and representations.

The extent to which a conflictive transformation takes place within the family in an attempt to adapt to the new conditions is difficult to evaluate with the elements available, but there is clear evidence of important changes in family relations and roles. The division of labour within the family, female participation outside the home, the premature interruption of schooling—above all by lower-class girls and boys—are only a few of the most visible consequences of a set of interlinked processes of adaptation of the family structure to the new situation. Parallel with these manifestations—as the studies on survival strategies of the lower classes under economic stabilization models confirm—even more important transformations are taking place in the sphere of the structure of authority, power and legitimacy within the family.

4. It is in the context of the ideas set out in the preceding pages, in our opinion, that the social problems of the model really acquire their true dimension. Beyond the mere recognition of the growing concentration and the deterioration of the degree of satisfaction of basic needs, the behaviour adopted by consumption in these models undoubtedly forms part of a complex readaptation of the social matrix as a whole.

This explains how can there be more television sets at the same time as a deterioration in the satisfaction of basic needs. If the system comes to be based on the principle of the individual responsibility of the consumer and his 'freedom to choose' it would be hard to expect a type of behaviour different from that observed,

⁵⁴J. Graciarena, *Creación intelectual, estilos alternativos de desarrollo y futuro de la civilización industrial* (mimeo), 1980.

since the system is what consumers want it to be.

The implications of this latter principle—which forms part of the ideological basis of the new models—have potential repercussions, as already pointed out, in the political field.

There would appear to be two main conclusions to be highlighted before concluding these final considerations.

Firstly, the consumerist individualism which lies at the basis of the new proposals of the 'social market economies' requires, like any other ideology, a relatively consistent set of ideas to give it legitimacy, quite apart from its technical or technocratic justifications. This requirement is not specific to these models, of course, and forms part of any known system of society. But whenever radical changes take place in the organization of society as a whole, the need to give the emerging system ideological foundations becomes an urgent and inescapable requirement. It should come as no surprise, then, that the search for this body of ideas, based on a new social morality centered around the principle of economic liberty, the principle of the sovereignty of the consumer, and the superfluity of the State as an active agent responsible for safeguarding distribution and social effectiveness has led to the rediscovery of the ethical and philosophical reflections of the theorists of individual liberalism, among whom Friedrich von Hayek undoubtedly occupies a distinguished place.

Undoubtedly the most noteworthy point in this quest for ethical foundations consists of its implications regarding the relationship between individual liberty and political liberty. The reduction of the latter, in the thinking of individualistic liberalism, to a purely instrumental or prudential consideration rather than a guiding principle establishes the most obvious link between economic liberalism (which

has priority) and political democracy (which occupies a secondary place).

The second aspect related to the political manifestations of the new model is of another nature and concerns the consequences of consumerism for the legitimacy of the system.

Here, too, it seems necessary to weigh very carefully the probable consequences of the increase in modern consumption and the diffusion of material goods. The emphasis placed by critics of the system on the regressive aspects of the models, especially as regards their 'social costs', should not lead us to overlook other manifestations of consumption. In addition to the sectors which are fully benefitted by the distributive reorganization carried out by the models, it is necessary to gain a more precise knowledge of the repercussions of the massive penetration of modern goods on the middle and lower classes and on the various sectors and subsectors of these which are adversely or beneficially affected in an uneven manner by the transformation brought about by the models.

Even if it is admitted that the economic measures aimed at favouring modern consumption without any hindrance or protectionism stem only from economic reasons and not political ones—an assertion which is in any case rather questionable—there can be no doubt that the expansion of consumerism can come to play an important role in the legitimation of the system. Whether or not the new models are capable of maintaining continuity in the policy of the expansion of modern consumption is another question which it is very difficult to answer in advance. It would appear, at all events, that in proportion as the stabilization experiments continue to consolidate themselves, the requirements for maintaining the levels of consumption achieved and their growing expansion will be ever greater, and if this cannot be achieved they will be deeply frustrating and conflictive.