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Pensions in Mexico: descendent social mobility and intergenerational subjectivity

Pensiones en México: movilidad social descendente y subjetividad intergeneracional

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Abstract

Mexican system of pension, based on "pay-as-you go" (individual capitalization) persists, though its obvious limitations for keeping the well-being pensioners had during their labor life. The objective of this article is to explain the mechanism behind this social descendent and its subjective legitimacy bases. A simple mathematical model is used for estimating the hypothetical pension fund that an average contributor in Mexico would be able to get. The main results are: a) in Mexico retirement brings a substantial economic descent of pensioners; b) frequently such descent drives to poverty falls for those who were not poor during their labor life. And it concludes that a reasonable explanation for the persistence of this pension system can be found in, both, the changes of distributive justice criteria and in the intergenerational subjectivities

Keywords

Mexico, pensions, descendent mobility, intergenerational subjectivity, criteria, distributive justice.

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Resumen
El sistema de pensiones en México, basado en la capitalización individual, persiste, a pesar de sus evidentes limitaciones para mantener el bienestar que los pensionados registraban en su vida laboral. El objetivo de este artículo es explicar el mecanismo de este descenso social y de las bases subjetivas que lo legitiman. Se emplea un modelo matemático simple para estimar la pensión de un contribuyente promedio. Los principales resultados son: a) el retiro en México trae consigo un sustancial descenso económico de los pensionados; b) este descenso frecuentemente acarrea caídas en la pobreza para quienes no eran pobres durante su vida laboral. Y se concluye que una explicación razonable para este sistema de pensiones se puede encontrar tanto en los cambios de criterios de justicia distributiva como en las subjetividades intergeneracionales.

Palabras clave
México, pensiones, movilidad descendente, subjetividad intergeneracional, criterios, justicia distributiva.

Introduction

In September 2020, the Mexican government presented an amendment initiative before the Congress of the Union to modify its pension system. The initiative is parametric and non-structural reform, in the sense that it intends to alter the values of the main coefficients that determine the access to and the amount of the pension funds but leaves intact the individual capitalization scheme. It has been well received. However, it is surprising that it keeps the operative framing associated with the neoliberal spirit and logic, given that the new administration considers itself to be a left-wing politics and is openly opposite to this thought. It even goes against the flow of contemporary trends, which lean towards leaving behind this pension scheme or to subordinate it to others that emphasize solidarity.

In other words: non-conditioning transferences and non-intermediaries social programs "were sold" as one of the main breaking points with the immediate past. This "new" approach was presented as a rights policy, in accordance with the approach in vogue (Filgueira et al., 2006). The message was unequivocal: the guide for social policy would be the decommodification of the most important dimensions of life; and, above all, departing them from meritocratic logic. However, pension reform seems to maintain the neoliberal spirit. This facilitates economy keeps ruling the space of social policies, like it did in the last decades, though everything seemed to indicate a growing autonomy from market relationships and a protection against the predominance of the economy policy.

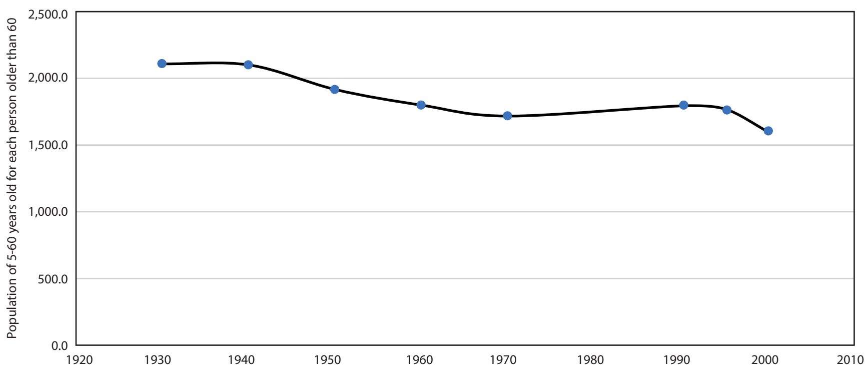
This fact is what has motivated this article. The persistence of the influence of the neoliberal vision in one of the historically more sensitive spheres —the well-being of the elderly— suggests mutations that exceed by far the scope of the governmental work. It points to a change in the subjectivity of social actors about of what is faire. While before now an intervention response for avoiding any dangerous threat was expected, today leaving elderly life conditions adrift is viewed almost as "normal" by the new generation. This change seems to be a common feature in the western world, but the indifference becomes dramatic in underdevelopment countries like Mexico, because it entails the possibility of suffering a profound economic and social decline and, frequently, the impoverishment of existence conditions. Others have studied the relation between pensioned and poverty (Rodríguez, 2016), but not the descendent social mobility (sometimes the falling into poverty) the retirement can produce. The objective is to examine this possibility and to inquire about subjectivities that allow this change.

The article is divided into four sections. The first presents the recent proposal of the Mexican government that intends to amend the pension system, in a way that goes against the main international trends. The second describes the mathematical model behind the calculations the Mexican authorities use to estimate individual pensions. The third section presents and discusses the results of applying that model to an average contributor, for exploring the social mobility of pensioners after their retirement from labor life. The fourth one examines a fundamental part for thinking about old age and pensions: the criteria for distributive justice in premodern, modern, and postmodern societies.

The Proposal of the New Government and Current International Trends

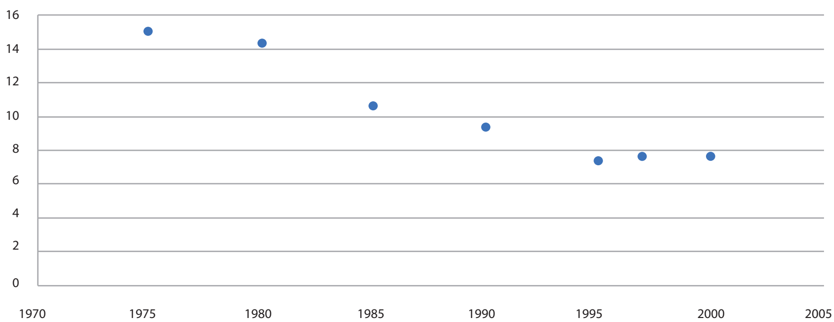
The system of individual capitalization was the answer neoliberal policy to the problem of pension financing. The usual way to describe this problem consists in invoking several indicators that point at the same message: the aging of population. The extension of life expectancy and the reduction of mortality rates resulted in fewer contributors, real and potential, which in turn affected the state ability to finance the growing amounts of pensions. The following figures describe this situation for Mexico:

Figure 1
Working-age population for old adult



Source: INEGI: Socio-economic statistics 1930-2000.

Figure 2
Contributors for each pensioneer (Federal Government)



Source: INEGI: Socio-economic statistics.

As consequence of aging, public finances were being threatened by a stronger pressure: if through active workers the expenses for pensioners cannot be met, the state should be responsible for covering the difference. But, instead of undertaking a fiscal reform, the state responded in July 1997 with an individual capitalization system (Ramírez, 2017). The responsibility was transferred to the worker, who should now be responsible for their own retirement savings.

This was the way of updating to the neoliberal trends: In 1981, Chile changed its pension system from a pay-as-you-go system to a new one of individual capitalization. Another Latin American Nations, including Mexico, follow the example: Bolivia (1997); El Salvador (1998) and Dominican Republic (2003). They shared a common feature: the reform installed individual capitalization as the only system of pensions. In others, like Perú (1993) and Colombia (1994), people must choose between this and the old system. The same happened in Argentina (1994), but with one important difference: the incorporation of a solidarity mechanism as base for the whole system. In Costa Rica, Panamá, and Uruguay, both were complementarians (Arenas, 2019).

Mexico is the only country with lone capitalization scheme. Though it brought a relief for public finances (OECD, 2016), it is far from having solved completely the original problems. And it has generated other ones: Villarreal and Macías (2020) remark financial instability; Martínez-Preece et al. (2019) the high volatility of the returns; and Duran and Pena (2011) the impact of commissions in the replacement rate.[1] But two are the most important: the low coverage (Alonso et al., 2014) and the meager amount of the pension — for those who manage to access any. These are mayor concerns for almost all the Latin America countries (BID, Banco Mundial and OCDE, 2015) and figures are very similar. For example, in Mexico coverage is 56 %; but only 22 % will have a sufficient final balance to afford life annuity. The rest (34 %) will have to turn to a Guaranteed Pension (Secretaría de Hacienda y Crédito Público, SHCP, 2020), hardly greater than the poverty line and supported by both the accumulated amount by the pensioner and governmental contributions.[2]

1 For the effects of 1997 reform, Herrera y Velázquez (2018).

2 The Guaranteed Pension is granted to those who meet the requirements of age (sixty-five years) and 1250 weeks of contributions, but the final balance of their individual capitalization account is insufficient to buy a life annuity insurance.

Similar consequences in Latin America countries caused many pension systems move away from the lonely capitalization scheme and return to the solidarity system, that, along with the non-contributory pensions, gives a minimum floor. The corresponding individual accounts are now complementary and optional, but not anymore, the main way of functioning (Arenas, 2019). The Same has happened in Eastern Europe (Ortiz et al., 2018).

In September 2020, the Mexican government presented an initiative before the Congress with the intention to amend the Mexican pension system. Despite the current tendencies in Latin America, towards restoring both the spirit and mechanisms of solidarity, the proposal maintains the capitalization system as the main protagonist. The only component of solidarity consists in the non-contributing portion, which is far from representing a significant part of the global scheme. The modifications are parametric: capitalization coefficients are altered, but without changing the financing mechanism. The most important mutations are the reduction of the required weeks of contribution to gain access to a pension (from 1250 to 1000, after a temporary reduction to 750); topping private management commission; the increase of Guarantee Pension, and the rise from 6.5 to 15 % of the contribution rate. The burden of the increase falls exclusively on the employers, who —in general terms— will take care of the highest incomes: approximately 30 % of the population. The government, in the other side, combines in a single fund its old contribution to the account for retirement and severance at old age, and the social quota; but now this added fund is given only to employees earning as much as four Unidades de Medida y Actualización (UMAS).[3] Before these changes, government contribution benefited all formal labor force and social quota was granted to wages below the sixteen UMAS. Without adding one single peso to the pensioner fund, it distributes the amount among the poorest workers, as the private sector engages with higher incomes employees[4].

Several problems arise from this reform. The most important is the reluctancy to return to some solidarity scheme. The relevance that individual capitalization retains denounces the attachment to both the spirit and the

3 The Unit of Measurement and Update is the measure used to index some variables according to inflation. It replaced minimum wage once it was decided to undertake a recovery strategy.

4 For a detailed description of the government proposal see Clavellina, 2020.

model of neoliberalism. Government finds difficult to detach from them, despite its insistence of accusing this policy of being the *bête noir* of Mexico. The second problem is that the initiative takes the core aspects from businessmen proposals, which have been articulated for not touching wages significantly, in a context of governmental strategy to recover real salary. The third problem is that it does not include the contingent of informal workers, that represents the majority of employees (INEGI, 2020). Furthermore, it starts with an unrealistic assumption: the dynamic of weeks of contribution, —starting at 750 weeks, and later annual increases of twenty-five— presumes the economy will increasingly become formal. It leaves behind the structural nature of this distribution of economic activities and workforce. In this sense, it operates under the same hypothesis of the model of individual capitalization.

Materials and methods

Unilateral rupture of binding bonds *is one* of the most perverse ingredients on explaining poverty of pensioners in underdevelopment countries. Though it is a shared feature with rich societies, when it is combined with low labor incomes, individual capitalization system does not produce the peaceful life of the retirement. In these last countries, the context is different: people earn high incomes and, especially, works in strong and formal economies. This does not happen in middle-income societies, with high levels of poverty and predominantly informal economies:

> It is documented that individual capitalization schemes would deliver good results for men, as formal workers in urban areas, with high incomes and stable jobs, who contribute to the system during most of their labor life (with high contribution density). However, these workers are not representative of the countries of the region. On the one hand, the increasing and important informality of the labor market prevents the extension of the pension system coverage. In addition, among the workers who belong the formal labor market, there is a great proportion of unstable jobs with low densities of contribution… (Arenas, 2019, p.132)

In Mexico, like in the rest of Latin America, the assumptions of the capitalization scheme are not met. Incomes are not high, the majority of the workforce does not have stable jobs, and these are not deployed in the formality sphere. The first consequence of is that the coverage is very low: only a very meager part of the contingent of workers will access a pension, because the low likelihood they meet the requirements for contribution period. Workers move in and out of formal and informal markets, which translates into low contribution density. Secondly, the amount that can be accumulated during the formal working life will be insufficient, because of the low wage resulted from the neoliberal failure to achieve satisfactory levels of competitiveness through productivity and technical progress. Salary became the adjustment variable. And thirdly, because pensions will be so meager that, for an average worker, it may mean falling into poverty, even when she has not been poor during her working life. In other words, she will descend in the socioeconomic scale.

To demonstrate this proposition, an exercise that uses an average contributor of Mexico is developed. The pension calculation is based on the mathematical algorithm of the calculator of the *Comisión Nacional del Sistedama de Ahorro para el Retiro* (National Commission of the Retirement Savings System, CONSAR, 2018). It was fed by the data CONSAR and SHCP (Secretariat of Finance and Public Credit) reported.

CONSAR's calculator is designed to estimate a pension's monthly amount, in two steps. The first calculates the final balance of the retirement savings account; the second estimates the pension's monthly amount.

First step: final balance

$$S_f = S_i\left(1+r^{(m)}\right)^n\left(1-c^{(m)}\right)^n\left[d\left(A_0+A_v+C_s\right)\left[\frac{\left(1+r^{(m)}\right)^n\left(1-c^{(m)}\right)^n-1}{\left(1+r^{(m)}\right)\left(1-c^{(m)}\right)-1}\right]\right] \quad (1)$$

Where:

Sf: final balance; Si: initial balance, that is assumed to be the average salary of contribution; $r^{(m)}$: monthly yield rate, in real terms, $r^{(m)}=(1+r_{annual})^{\frac{1}{12}}-1$ and r: real annual yield rate. The model assumes the value of 5.81 %, which is the historical average since the scheme began in 1997.

On the other hand, $c^{(m)}$ represents monthly commission, and it is calculated as follows: $c^{(m)} = \frac{annual\ commision\ over\ balance\ charged\ by\ Afore}{12}$.[5] The annual commission under consideration is the one that the system throws: 0.92 %.

In turn, d is the density of contribution: the time that worker has contributed as a proportion of his working life. A value of 50.1 % is assigned, which is what the SHCP (2020) reports as the average, and 80 % for those who reach 1250 weeks of contribution and, therefore, can access to a pension. A_o is the mandatory contribution: according to the legislation it equals 6.5 % of the base contribution salary. The average was 11 886 Mexican Pesos (MX$) by February 2020, reported by the Mexican Institute of Social Security (IMSS, 2020).

A_v is voluntary contribution and it corresponds to the individual voluntary savings. It was estimated as the arithmetic ratio between total voluntary savings (MX$ 92 trillion) and the number of accounts: 65.9 million (CONSAR, 2020). C_s is the social quota. It is granted by the government (in addition to the contribution) to each individual with a salary of less than sixteen UMA's (Unit of Measure and Update). It diminishes as the salary increases. The value corresponding to the average contribution base salary is MX$ 175.9, monthly. And n is the number of months of contribution till retirement.

Second step: the monthly pension

The amount of the monthly pension is calculated as follows:

$$Monthly\ pension = \frac{S_f}{12 * URV} \tag{2}$$

Where: URV is the Annuity Unit: the amount necessary to finance the payment of each peso for the annual pension to the retired worker. CONSAR publishes the value of these factors on a weekly basis. The second week of February 2020 was chosen.

5 The Administrator of Saving Funds for Retirement (AFORE: Administradora de Fondos de Ahorro para el Retiro) charge a commission on the accumulated amount of worker´s saving for the management of the account.

Analysis and Results

Factual and Hypothetical Estimates

The results of the previous exercise are described in the table 1:

Table 1
Real and simulated pension for an average contributor

Items	Real		Hypotetical
Scenario	**(A)**	**(C)**	**(B)**
Contributed weeks	797	1250	797
S_i BAse salary of contribution	11 886		
r: Annual rate of yield (%)	5.81		
c: Annual commission (%)	0.92		
d: Contribution density (%)	50.1	80.0	50.1
Ao: Mandatory contribution ($)	772.59		
Av: Voluntary contribution ($)	1396		
S_c: Social quota ($)	175.91		
S_f: Final account balance ($)	341 089,08	1 042 207.40	341 089.08
URV (points)	17.75		
12* URV	213.5		
Monthly Pension	Refusal	4891.86	1600.98
Life expectation at 65: years	18.2		
Life expectation at 65: months	218-4		
Monthly Income	1561.70	4891.86	1600.99
Poverty Lines (February 2020)			
Rural $	2082		
Urbana $	3207		

Source: Author´s elaboration with data of CONSAR, 2020); IMSS, 2020 & SHCP, 2020

The exercise was made under three scenarios for the same contributor. The scenario (A) reflects *factual* conditions of average weeks of contribution (797); the second one (B) exercise a simulation with the same number of weeks but includes a hypothetical decision: government choose to give a pension according to accumulated final account balance, even when, 1,250 weeks of contribution requirement is not reach. And the third (C) considers a situation when, under the actual legislation, pension is conceded because that requirement is fulfilled. The most important parametric change, in this sense, is the increase in the contribution density. In all cases, the average contribution base salary that Instituto Mexicano del Seguro Social (IMSS) reports for February 2020 is 11,886 pesos.

Poverty and Descendent Mobility in the Mexican System of Pensions

Let us see the first case (scenario A). It is obvious that this representative worker is not a poor man, to the extent that his income exceeds by far the poverty lines, both for rural and urban lines, which serve as a threshold for separating people who are and are not poor by income.[6] Nevertheless, by virtue of the preeminently informal nature of market, the average contribution period of a worker is 797 weeks, equivalent to a density of 50.1 %.[7] If this statistic is applied to our average worker; and, in addition, we consider as conditional the cumulative amount at the age of sixty-five and the variables reported by CONSAR —average historical yield, current commission charged by AFORES (Retirement Fund Administrators), social share provided by the Mexican government, and the average voluntary savings— the result brings a final balance account of MX$ 341 089. It is obvious that the number of weeks of contribution needed to be entitled to access a pension (1250 weeks) is not reached. This contributor will not be entitled to have a pension; that is to say, he will have a "refusal" as response when he formally asks for a pension because he did not reach the required period of contribution.

In this case, the AFORE will make a single payment for the final account balance. At sixty-five old, a Mexican person has a life expectancy of a little more than eighteen years, equivalent to 218.4 months. When dividing the final amount by this quantity, the monthly amount that this average contributor can dedicate to their support will be MX$ 1,561; this is even less to what the hypothetical pension would provide.

6 The poverty line is 27 % of the salary of the average contributor.
7 The average working life is thirty years, equivalent to 1560 weeks.

But suppose that the authority ignores this requirement and provides a hypothetical pension (scenario B), based on the final amount accumulated[8]. As reader can see, this hypothetical scenario is not based in the proposal of Mexican government of accessing a guaranteed pension with initial 750 weeks for the first year. The first reason is that after this period, the weeks requirement increases in twenty-five for year. One and half year is necessary to keep out, again, the average contributor. The second one is the austerity policy showed by the government, reluctant to spend in other thing different than energy and client-social programs. This explains the welcome given to the entrepreneurs' proposal that, for all practical effect, entails the extension of neoliberal mechanism of financing pensions. So, we can speculate on what would happen if government would decide to "sell" an annuity for the price of accumulated amount. The pension would be MX$ 1601: 23 % below the line of rural poverty; and a half of the urban line.

The message is unequivocal: under both scenarios (hypothetical pension and refusal) the average worker will fall into severe poverty, without having been poor during his working life. And this does not actually describe the reality of Mexican workers. The worker in question reflects an average salary, which hides the enormous wage dispersion. Most workers earn much less than that amount. The National Survey of Occupation and Employment (INEGI, 2020) reveals that 72 % of the occupied population receives an income below that average base contribution salary. We know that the lower the income is, the greater the probability of working in the informal economy. So, it is also more likely that the contribution density be lower for inferior incomes than that of the representative worker. This increases the likelihood that non-poor, but lower-income workers, will fall into poverty. And those who are poor, will experience a more severe situation during the retirement period. A recent study (Sánchez & Rodríguez, 2020) concludes that the expansion of non-contributive pension has had a very little impact in poverty relief

The third phase of the experiment (C) simulates the case in which the average contributor does reach the contribution period. This assumption en-

8 As reader can see, the hypothetical scenario is not based in the proposal of Mexican government of accessing a guaranteed pension with initial 750 weeks for the first year. After this, the weeks requirement increases in twenty-five for year. In this sense, after a year and a half, the average worker will not be able to access this benefit. So, we can speculate on what would happen if government decides to "sell" an annuity for the accumulated.

tails changes manifested in the contribution density, the final balance and the amount of the pension, as reflected in table 1. There is an important effect: unlike the real average case, our contributor will not fall into poverty. In fact, the monthly pension he would receive is 53 % higher than the urban poverty line; and more than double (135 %) of rural one. However, it is inevitable that he will suffer a downward social mobility: the pension will represent 41 % of the salary that, on average, he received during his working life. Traditional delivery systems, such as the one protected by the 1973 law, contemplated a minimum base, equivalent to 75 % of the average salary, and five percentual points of increases, starting at sixty years old, until reaching 100 %.

Another way of looking at it: even if at retirement time the biggest expenses are done (children, mortgage, car, etc.), this downward social mobility suggests privations not suffered during working life.

Discussion and conclusions

This section essays an explanation of the new "subjectivity normalization" that seems to break with the past and correlates with the current times.

Let us imagine two situations. The first one describes a school group that attends to a course impart by some professor. Imagine two students whose attitudes are diametrically different: the first one is responsible, observes all his assignments, attends classes invariably, prepares his readings on time and studies permanently for the exams. The second one, however, is somewhat lazy, fails to fulfill his assignments and readings, makes any excuse for not attending class, and when he does it, is half sleep and with the last signals from the previous nigh drunkenness. The question is this: should both students have the same grade? If fairness means "equality", the answer would be yes. But it was not this kind of equality promoters of modernity were thinking about, but an equality in which, starting from similar circumstances, effort became *the only* justification for social differentiation. In this case, the answer to the question would be no. The first student was dedicated and made a greater effort, and therefore should obtain a higher note than the second one, who performed poorly and without making any effort. This answer corresponds to the *meritocratic criterion of distributive justice*.

The second situation alludes to a typical family: besides the parents and some adult brothers, who contribute to the family economy, we find small children an old age grandparent. The latter group, due to their age, does not contribute to that social nucleus. The question, then, is this: is it correct to deny food, shelter and dress to infants and the elderly, on account that they do not contribute like the rest of the family? The obvious answer is no. The strict meritocratic criterion would propose —not only in class, but also in the workplace and other spaces— that everyone should receive something, according to their contribution. That was the spirit that permeated Marx's idea of socialism.[9] In that sense, neither children nor adults should receive any portion of what results from the effort of others.

This idea scares us, because behind it lies a different distributive criterion that responds to an also different type of society. *The distributive criterion is solidary* because family is the most eloquent example of the societal type of community nature. Communities are extrapolations of family, because social interactions are governed by personal links, and exchanges ruled by non-interested reasons. The opposite happens in modern societies, in which interactions emerge and result as a by-product of pursuing personal interests. We make friends at work because we arrive to the workplace in order to receive a salary, while the organization establishes a relationship with us because they have an interest in the potential labor we represent for their activities. We build relationships with our classmates, because we have the common interest of obtaining a college degree, and so on and so forth. However, in families, like in communities, it is established what Durkheim (1964) called "mechanical solidarity": helping each other is taken for granted simply because the personal bond demands it. "Organic solidarity" is typical of modern society and operates to the extent in which we fulfil a function necessary for the organism; that is to say, to the extent in which we are useful for its functioning.

Children are not useful yet; the elderly are not any longer. If we applied the meritocratic criteria of the capitalist system, it would simply discard tho-

9 Nevertheless, it is necessary to point out that Marx clarifies that this is the distributive ideal in socialism: what everyone receives must be according with their contribution. (Different from the communist ideal: what everyone receives is in accordance with their needs). But at this stage, it will be necessary to channel resources for the state administration, public investment, which will lead people receives, individually, an amount lesser than what they contributed. This was the critique towards La Salle in Marx's Critique to the Gotha Program.

se groups. Instead, it is the solidarity distributive criterion that protects them from that mercantile logic. It is not a coincidence that Marx postulated this criterion during the communist stage, after socialist stage expiration. Stating that "from each one according to his ability, to each one according to his need" describes the ethical superiority of the solidary principle over the meritocratic principle. The latter has a strictly utilitarian purpose: to enlarge the collective well-being (the family, in this case). It suggests merit ignites the effort; it is the productive task. But it is curbed by subordinating it to the solidary criterion. It is the time of distribution according to the needs. And this is what happens to families: their members, including children and the elderly, get their portion according to their needs, not based on their abilities.

Solidarity and the meritocratic criteria are analytically different. But the fact people answer in the same way ("no") to the associated questions, reveals the coexistence in each person of two contradictories senses of justice. They form a harmonious equilibrium that have allowed modernity advance inside clear boundaries. As neo-institutionalism has suggested without limited but strategic doses of premodernity, modernity and capitalism economy could not work (North, 1993).

Traditional capitalism respected that equilibrium for a long time. Family's immunity before the ups and downs of the market is a good proof. Welfare state shows the same logic: the provision of pensions reflects the essence of systematic solidarity: bound help for those who cannot face by themselves crucial challenges of life. The pension system's formula was a different way to reproduce what was happening — and we expected to happen — in the family core. The elderly supported children while they were young, just like the children will take care of the elderly when they do not have the strength to work. And what happened in the family also evoked the limits in the meritocratic criterion: if it is not possible for a person to make their own effort, the others are responsible for their well-being.

The arrival of neoliberalism changed everything. It is not coincidence that it came with the cultural phenomenon of postmodernism, which is characterized by hyper-individualistic, the empire of hedonism and, mainly, by what Lipovetsky (2001) called "the twilight of duty". Family lost not only its nuclear nature; also became alike that stage of modernity: liquid, in Bauman's expression (2005 and 2006). Both, among friends and relatives, bonds turned into ephemeral; circumscribed on time and space (while work, love, harmony… last). The only bond that is permanent is the one between a mother and her child. Indissoluble, but asymmetric: the prince-kid emerges, and his whims govern the dynamics of home. Everything else is changeable, and change is legitimate: friends, couples, peeps…. all of them were throwaway. Ego became the imperative referent, and the other ones, an accident, or a temporary and disposable circumstance. Whatever gives pleasure and comfort is welcomed to be part of his life. Whatever makes him uncomfortable, requires an effort from him, and obstructs his plans and desires, must have an expiration date. Thus, the duty is lost. The duty towards others, towards his country, towards the body. While the Renaissance humanism suggested that "man was the measure of all things", postmodern individualism reformulates: "I am the measure of all things".

This cultural change reflects the deep mutation subjectivities have undergone. It would be a clearly disproportionate exaggeration to state that the new subjectivities were what brought changes to the pension system. However, they did create a favorable atmosphere for neoliberalism could alter the mechanism of reciprocity, which, beginning with the family, reproduced the distribution system. It represented, above all, the legitimation of individualism without restrictions. It was exactly what neoliberalism needed, to the extent that culture gave a relative and subordinate meaning to the sense of solidarity. So, the basis of welfare state was cancelled because this new meaning vanished the natural feature of moral duty. Cultural change facilitated what had been developing in the fields of economics, politics, and social coexistence: the arrival of a new stage of capitalism: neoliberalism.

The essence of all kinds of liberalism is to make the well-being an exclusively individual responsibility. Neoliberalism picks up, in its terms, this slogan. "Neo" because it comes back when it was thought that welfare state had arrived to stay, and that solidarity had finally demonstrated to be the essential component needed to bring the social cohesion that market is unable to attain. But it is "liberal" because it intends to invade, with its individualistic logic, all the dimensions of social life. The ambition to govern the education and health systems by means of *vouchers* that stimulated competition between the institutions in charge to provide those, whether private or public, constituted one of the most eloquent examples of the liberal intention to make a commodity all —or almost all— the social spheres. A similar logic was tried to be imposed for highways, bridges, roads in and out of cities, jails, water, etc. Everything was subject to commerce, by the private route meant, supposedly, the best management of public services.

That was, invariably, the rationalization of neoliberalism lawyers, efficiency in the Pareto sense: free market as an unsurpassable mechanism at the time of impelling social welfare (Stiglitz, 2000). But, as noted by Polanyi (1944/2001), the enthronement of the free market was a fact that contravened the history of humanity, in terms that it detached economy from life itself, in which it had been "embedded". It suddenly came to life, growing independent from other vital spheres, up to the point of dominating each one of their corners.

The arrival of individual capitalization pensions system announces the transgression of an area that had been sacred until then: the well-being of the elderly. Each one became responsible for their own well-being —for the future, but also for the present.

People could not expect the coming generations would deploy the sacrifices and reciprocity the tradition had imposed. The institutional design of the new system did not allow it. The associated incentives were structured to break any form of intergenerational solidarity, not only between society and its elders (who had contributed to build), but also among family members of different ages. A man at the peak of his working age should be planning, at the same time, for his future retirement and the well-being of his economic dependents. By a basic principle of scarcity, he could not "serve two masters". Family dynamics are redesigned to activate a zero-sum game: resources dedicated to the personal future would have to be translated into less resources destined to the rest of the family; and the other way around. But in communities a reciprocal principle rules: the young men will pay for old age people well-being as these did when they were children. This principle was respected in the modernity stage but is now in serious attack under postmodernity, because the asymmetric relationship between fathers and sons, linked to the change in intergenerational subjectivities that culture brought about.

In rich societies these asymmetric subjectivities do not carry major consequences, but the dilemma got worse in poor and underdeveloped countries, in which wages and income *per-capita* are very low. Moreover, when the neoliberal policy of external openness is activated in a low competitiveness context, wage depression became a compulsory tool to face the challenges of foreign competition. A clear wage depression strategy was thus instituted, which aggravated the personal dilemma.

Families who live in these countries are often governed by traditional standards. Among them, the one that prescribes the sacrifice of parents for the sake of their children, was predominant among those who had lived their childhood under that tradition. And, before showing any kind of selfishness to the detriment of their children, they accept sacrifice even they will not be compensated. The result may be a poverty pension legitimated by the asymmetry intergenerational subjectivities.

Germani (1962) named "fusion effect" to the propensity in developing countries to adopt cultural fashions born and cultivated in the rich nations. This happens in Mexico: most of the contemporary youth at working age does not believe in traditional values. More inclined to the postmodernity culture of hyper-individualism, give greater value to the "ego-cult" over any other type of obligation, especially those of ethical nature. For them, morality has lost its absolute character and it is relativized by personal comfort and self-well-being. The consequence is that the informal rules that made paternal sacrifice possible, will probably not be repeated by their children with the same sense of reciprocity. Postmodern culture ruptured with that sense and it tends to instrumentalize personal relationships, including family bonds. That explains the abundance of nursing homes for the elderly and their abandonment; parents who are not visited by their children; impatience before difficulties for learning to manage new technologies, etc. This means neoliberalism has found in postmodernity a particularly useful travel companion. So, pension poverty can be legitimized.

In Latin America, there is a clear tendency towards going back to pension schemes of solidary nature. That tendency means, not the cancellation of individual capitalization, but its redefinition as an optional and complementary scheme of the solidary system, that once again, becomes the pillar of pensions.

This restoration goes hand in hand with the theoretical and ethical crisis neoliberalism is experiencing. This was the change that profaned what used to be sacred: the extrapolation of family logic towards certain communitarian societal dimensions. Traditional capitalism had respected this sphere by keeping it outside of any attempt of commoditization. But neoliberalism broke the protective barriers and included virtually all spheres of life within the market sphere. Pensions did not escape the invasive wave and were seduced by the spirit of liberalism: the individual responsibility of well-being and the obsolescence of what traditional communities had given to the modern social coexistence: the solidarity of all in those aspects that are essential for a dignified life.

The breakdown of such solidarity has manifested in the legitimacy that the meritocratic model still enjoys in some parts. In the case of Mexico —which has been chosen as a laboratory to present these central ideas— it is shown as indifference towards the tendency of the pensioners' descending social mobility —under the most optimistic scenario— and towards the pensioners poverty, under the more realistic one.

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