

Abstract

This monograph explores different aspects of social security and pension in Mexico. Chapter 1 provides the backdrop of the Mexican economy. In the second chapter, we trace the history of social security in Mexico starting with the pre-colonial era. During the colonial era, the system covered the armed forces, some federal bureaucrats and some specific professions. The “universal” pay-as-you-go social security started in 1943. It was only universal in a notional sense—it did not cover even half the population at the end of the twentieth century. The *privately* managed system started tentatively with a supplemental program in 1992. The privately managed program to replace the entire “old system” began only in 1997. Chapter 3 gives in-depth details of the old (which will continue to run for the next half century) and the new systems. Chapter 4 describes the details of the new system and

how it has performed during 1997–2000. Chapter 5 looks at the privately operated pension system from the point of view of services marketing. It discusses results of an ongoing longitudinal research project on customer satisfaction with the system. Chapter 6 discusses why private management of pension is not like privatization of other spheres of activities. The problem of replacing the pay-as-you-go system is that it imposes a cost on government that does not arise in other kinds of privatization. Chapter 7 discusses the problem of high management fees of privately managed pension funds that has plagued not just Mexico, but other countries as well. Chapter 8 takes a deeper look at fund management by privately managed funds. It shows that quantitative restrictions (as imposed by the current regulator) are of the wrong kind. Chapter 9 concludes with some specific recommendations.

About the Author

Dr. Tapen Sinha is the ING Comercial America Chair Professor in the Department of Actuarial Studies at the Instituto Tecnológico Autónomo de México (ITAM). He also has a concurrent appointment as a Professor at the University of Nottingham. He is the founder and director of the International Center for Pension Research. He is also a Research Associate at the Centre for Risk and Insurance (CRIS), at the School of Business of the University of Nottingham.

He has won numerous research awards including: Society of Actuaries Award for Pension Symposium (2002), Lumina Award (2001), International Insurance Society (1999, 2000), and the National Insurance Commission of Mexico Award (1998).

Dr. Sinha has published over 85 research papers in diverse subject areas. His papers have been published in economics, finance, marketing, accounting, insur-

ance and medical journals. He has made over 100 presentations in research conferences, as well as presenting papers at various universities all over the globe.

Dr. Sinha has wide consulting experience in the U.S., Singapore, Australia and in Mexico. He has also taught courses for executives in a number of countries in Asia.

Dr. Sinha obtained his Bachelors and Masters degrees from the Indian Statistical Institute, and his Ph.D. in Economics from the University of Minnesota. He was a visiting professor at Ripon College in Wisconsin, then he joined the University of Wisconsin-Parkside. Later he moved to the National University of Singapore. Prior to joining ITAM, he was an Associate Professor of Finance and Insurance at Bond University in Australia.



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I would like to dedicate this monograph to the people of Mexico and to the victims of the events and the aftermath of September 11, 2001.

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Tapen Sinha, Ph.D.

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**Actuarial Education and Research Fund
475 North Martingale Road, Suite 800
Schaumburg, IL 60173**

