

Capitalist welfare under AMLO: a critical analysis of Mexico's cash transfer and minimum wage policies

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As the six-year term of Mexican President Andres Manuel Lopez Obrador (AMLO) draws to a close and the country prepares for the upcoming presidential election, plenty of attention has been given by the pseudo-left press to the cash transfer programs as well as to the raises to the minimum wage that have been implemented under his administration.

These programs, which have been grouped under the term “Programas para el bienestar” (welfare programs,) have been a central component of the so-called “Fourth Transformation” (4T). This phraseology has been fraudulently employed by the president and his pseudo-left supporters to elevate the historical import of the government policies to that of the War of Independence against the Spanish monarchy, the liberal reform movement and war against France, and the Mexican Revolution at the turn of the 20th century.

But the governmental policies under AMLO, and in particular the modest cash transfers that have taken place under his leadership, are nothing of the sort. These programs serve two primary purposes.

First, they are designed to ensure that the Mexican working class continues to fulfill the role assigned to it by the imperialist powers, i.e., as a pool of cheap labor for capitalist exploitation as Washington steps up its economic warfare against China in the predatory drive for a new redivision of the world.

And second, they are aimed at keeping the rising class struggle in check, ensuring that international capital can continue its plundering unimpeded. As Mexico's wealthiest man Carlos Slim recently commented in lauding AMLO's policies, “the attitude of the population is, in general, very positive. [...] There is social peace, there is no confrontation.”

Social welfare programs

The largest of the cash transfer programs, named “pension for the well-being of the elderly,” is a supplementary pension payment for people over 65. It provides a monthly payment of 3,000 pesos (\$145) and has reached about 11 million elderly people, about 8 percent of the population. The program has a 2024 budget of 465 billion pesos (\$22.5 billion), which represents about 85 percent of the total budget of the “welfare programs.”

Other programs include:

- “Pension for the well-being of disabled people,” providing a

monthly pension of 1,550 pesos (\$75) to disabled people under 30. The program has a 2024 budget of 28 billion pesos (\$1.3 billion) and has reached about 1.5 million people, or 1 percent of the population.

- “Support program for the well-being of children of working mothers,” which provides a monthly cash transfer of 1,600 pesos (\$77) to children of working mothers. The program, with a budget of 3 billion pesos (\$175 million), has benefited around a quarter of a million children, or 0.2 percent of the population.

- “Benito Juárez scholarships,” providing monthly payments of 920 pesos (\$55) and 2,800 pesos (\$168) to poor students in public schools and universities respectively. With a budget of 80 billion pesos (\$4.8 billion,) the program has reached 12.5 million students, or 9 percent of the population.

- “Youth building the future,” which provides a state-sponsored minimum wage for unemployed young people aged 18-29 enrolling in an apprenticeship program with participating companies. The program has a 2024 budget of 24 billion pesos (\$1.4 billion) and has reached about 2.9 million young people, or 2 percent of the population.

- “The school is ours,” which provides direct funding to schools for infrastructure improvements and maintenance. The program has a 2024 budget of 20 billion pesos (\$1.2 billion) and has reached about 100,000 schools or 75 percent of the total.

- There are a few other minor initiatives such as “Sowing life,” a farming program, and “Installments for well-being,” a microcredit program for small businesses.

Minimum wage increases

In addition to social programs, the increases to the minimum wage have also been presented as significant.

In absolute numbers, the raises to the minimum wage may seem significant. Since the 1980's and the imposition of austerity by the predatory international financial institutions, the minimum wage saw a steady decline, eventually bottoming out in 2016 at \$7 per day in adjusted 2024 US dollars.

In contrast, under the AMLO administration, the minimum wage has increased from 88 pesos in 2018 to 249 pesos or \$15 per day in 2024, an average of 12 percent per year.

But in spite of having more than doubled in the last eight years, it remains a poverty wage.

In fact, up until this year, the minimum wage remained well below the poverty line, which is defined by the National Institute of Statistics and Geography (INEGI) as the cost of the basic food basket and other essential goods. It wasn't until this year that the minimum wage finally cleared the poverty line, if just barely. The minimum wage is, essentially, a state-sanctioned poverty wage, currently standing at 10 percent above the official poverty line.

In any case, in a country where three people out of every five are employed in the informal sector, minimal wage regulations are largely meaningless.

All told, these measures have had an insignificant impact on overall poverty rates, which remain at very high levels throughout the country.

Impact on poverty rates

The most recent figures from the INEGI show that the percentage of the population living in poverty decreased from 41.9 percent in 2018 to 36.3 percent in 2022. During the same time period, however, the percentage barely subsisting in extreme poverty remained virtually unmoved, going from 7 percent to 7.1 percent.

This means that, during these four years, and accounting for the growth of the population, nearly 400,000 people joined the ranks of the extremely poor. Poverty figures for the year 2023 are not yet available but are expected to be released by INEGI shortly after the presidential elections.

A study prepared by the National Autonomous University of Mexico (UNAM) supports the argument that poverty hasn't been impacted in any meaningful way. The study published in the journal *Nexos*, found that the cash transfers themselves played a minimal role in reducing poverty rates. It instead attributed their modest improvements to the increase in income levels after the slump during the early years of the COVID-19 pandemic, including the raises to the daily minimum wage.

Meanwhile, the study points out, the way in which poverty is measured was changed in 2016. While INEGI introduced a model to correct for the change, the study found that the model, when applied to the 2022 figures, yielded significant discrepancies, pointing to a possible underestimation of poverty rates in that year.

Other economists and social scientists have pointed that these cash transfer programs exhibit a regressive character given that they have reduced their reach to the poorest sections of the population. For example, from 2018 to 2020, the population earning the lowest 10 percent of income saw their cash transfer receipts reduced by 42 percent in real terms. The transfers ended up instead directed towards households higher in the income distribution brackets, who have better means to find out about the programs and get access to them.

A report by *Acción Ciudadana Frente a la Pobreza* (Citizen Action Against Poverty) produced similar conclusions. In addition to pointing to the increase in extreme poverty, it highlighted the more than doubling of the number of people unable to access health services, which went from 16 percent in 2018 to 39 percent in 2022. This represents a total of 30 million people who lost access to health services under the AMLO administration.

The report also found that the cash transfers under the "Youth building the future" program haven't had any substantial effect on the

employment situation of its target population of people aged 18 to 29. In fact, the number of young people employed in formal jobs has seen a decrease from 2018 to 2022.

The international context

As Washington leads the world toward world war with China, the Mexican government has been keen to position itself as a reliable partner, serving US interests in the region.

In spite of his nationalist rhetoric, AMLO has been a loyal servant of US imperialism, militarizing the country through the deployment of the National Guard to the southern border, and implementing a "Remain in Mexico" policy that has forced thousands of Central American migrants to wait in Mexico while their asylum claims are processed in the US.

As the US steps up its warmongering efforts against China, the Mexican government will seek to further align its policies with US corporate interests.

As plainly stated in a recent article in *Foreign Affairs*, the opportunities for US corporations to nearshore their operations away from Asia towards the Americas are contingent on the low labor costs in the region and the ability of Latin American governments to assure a stable and competitive environment for investment, i.e., their ability to suppress the class struggle.

This is the role played by AMLO's welfare programs and raises to the minimum wage. They are not meant to address poverty and inequality. Instead, they aimed at suppressing the class struggle, while maintaining wage levels that meet the competitive demands of the market. They are ultimately based on the needs of US imperialism.

The creation of a North American free trade zone across the US-Mexico border, in which corporate income taxes were cut to 20 percent and the value-added tax was halved from 16 to 8 percent, is part of a strategy based on creating incentives for corporations. And ensuring wages are kept low remains the most important incentive.

In the final analysis, the welfare programs under the AMLO administration represent a critical weapon of the ruling class in containing the class struggle. Workers must break free from the straitjacket of AMLO's party, MORENA, and its pseudo-left satellites, and build their own independent political organization based on a socialist program to fight for the expropriation of the productive forces from the capitalist class and the establishment of a workers' government. Only in this way can the working class in Mexico and internationally finally put an end to poverty and all the other social ills brought about by capitalism.



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