

Towards a Market Economy in Cuba?

Social and Political Considerations

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Cuban socialism as it has existed for the past three decades is increasingly unviable. Crisis in the Soviet Union has undermined the bulwark of the development model which, especially since the 1970s, had sustained the Cuban economy. Preferential sugar prices, below market petroleum prices, low-interest loans, and soft currency trade were essential for Cuba. Since the early 1960s, the United States has severely limited Cuban development within the international economy. The Soviet Union and, to a lesser extent, Eastern Europe had provided the island with an alternate, if not always satisfactory, framework to develop. That alternative is gone. And it is gone under the worst possible circumstances for Cuba.

Politically, the past two years have demolished state socialism--what Rudolf Bahro once upon a time called "actually existing socialism"--which, in one form or another, served as a model for Cuban socialism. Whatever the variations during the 1960s, the period of institutionalization, and the post-1986 rectification, vanguard party politics and central planning complemented well the realities of U.S. besiegement and charismatic authority. Today, the "world which actually exists" seems to be rather intolerant of the one-party political system and command economy which the Cuban leadership insists is imperative for the survival of the nation and the revolutionary heritage.

In Cuba, moreover, the fact that the original leadership is still in power and that a transition has to occur sooner rather than later compounds the crisis of the model. Had that transition happened--say in 1978 or 1982--the Cuban Communist Party might have carried it through and survived its immediate consequences relatively well. Now, the transition is very much in question not only because the model has been considerably weakened, but also because the effectiveness of Fidel's leadership is in doubt and he is still very much alive. The transition was inevitable and, whatever the circumstances, it probably would have meant a crisis of one sort or another. But, Cuba is approaching that moment today under the worst possible setting.

Contemporary Cuban society likewise challenges the status quo of the past three decades. Most Cubans alive today became adults or were born after the social revolution of 1959. They are the best educated, healthiest, and most urban generations of Cubans ever. Their profile--especially their relative equality--is a product of the revolution. Many of them--perhaps the most significant segment because of their technical and professional skills--have middle class status in all but consumption. The command economy, particularly under present circumstances, is probably incapable of meeting their aspirations for better standards of living. The one-party system is likewise unlikely to satisfy their expectations for more meaningful political participation. One of the more lasting achievements of the social revolution has, indeed, been the consolidation of a significant middle class in Cuban society. The big unknown is how committed these younger generations of Cubans are to the ideals of nationalism and social justice which inspired the revolution of 1959.

International and domestic circumstances, thus, have led many analysts to conclude that the restoration of a market economy and the constitution of representative democracy are inevitable in Cuba. These analysts may well be right. Nonetheless, I would like to offer some observations in pondering the prospects Cuba faces as we near the twenty-first century. I too believe Cuban socialism as it has existed is increasingly unviable. I am not convinced, however, that the only alternative is an unmitigated market economy. I know those are the current winds, but I believe we need to develop a fuller appreciation of past and present as Cuba advances towards a still quite uncertain future. I am convinced, notwithstanding, that some form of competitive politics--of meaningful political contestation--is

practically unavoidable and, indeed, desirable.

Where was Cuba going during the 1950s?

The revolution did not preempt Cuba from the path of becoming the only Latin American country to enter the ranks of development. Neither did the revolution save Cuba from the depths of poverty and underdevelopment. Cuba before 1959 was a complex society--perhaps somewhat "schizophrenic"--in which modernity and backwardness coexisted in unique ways. The social revolution did derail the directions which Cuban development seemed to be taking during the 1950s and steered it down another course which bore quite different consequences, costs, and benefits. In either case--what did happen and what might have happened--Cuba constituted and might have constituted a singular development path in Latin America. The revolution brought socialism. The Cuba that might have been might have brought what I call a "tropical model" of what Peter Evans termed dependent development in post-1964 Brazil.

The nature of Cuban dependent capitalism is a question which, off and on over the decades, has elicited enormous controversy with, however, surprisingly little research. Albeit we can never prove one or another outcome that never was, where Cuba was going during the 1950s is, nonetheless, important in examining the possible restoration of a market economy in Cuba. What kind of capitalism did Cuba have before 1959? One answer, of course, is rather simple: one which allowed the making of a social revolution. But, that is somewhat facetious and not the response I am presently striving for. Nonetheless, the link between what was and what could be is the revolution and just as Cuban history before 1959 created the conditions which permitted the socialist option, so have the past thirty-two years established the framework from which to carry out the possible transition to a market economy. I am arguing for a sense of historically grounded realism in understanding what the revolution preempted and the options which are currently possible.

Quickly and generally, what were the main characteristics of Cuban capitalism during the 1950s? The first and foremost was the relative stagnation of the sugar sector. After spectacular growth during the first two decades of the twentieth century, crisis overcame the sugar industry. World demand was slackening, Cuba was losing ground in the U.S. market, prices were falling, especially relative to import costs. Only wars brought temporary respite from what was evidently an industry bearing few prospects for long-term development. Output, moreover, was not keeping up with population growth. The one-ton per capita average of the 1920s had fallen drastically during the 1930s and recovered partially during the 1940s and 1950s. In 1955, nonetheless, the National Bank made starkly clear that sugar-centered growth meant declining standards of living. In order to maintain--let alone increase--1947 living standards, unrealistically large sugar harvests were needed. And there were no markets for the output of an expanded sugar industry in Cuba.

Diversification--as the reformers in the Asociaci^on Nacional de Industriales de Cuba (ANIC), the communists and others in the Central de Trabajadores de Cuba (CTC), Gustavo Gutierrez and other economists who formulated various official plans during the 1940s and 1950s, and the 1951 World Bank report all aptly noted and advocated--was the only solution. Diversification did not, however, mean abandoning sugar. On the contrary, modernization of the sugar industry and by-products development might have partially served as the basis for economic transformation. Two especially pernicious consequences of sugar-dependent development need to be emphasized. The first is the problem of employment. Between the early 1940s and the late 1950s, the proportion of unemployed and underemployed in the labor force remained basically unchanged. The second is the debt problem--from the vantage point of the 1950s--which dependence on sugar export earnings was beginning to create. During the 1940s, Cuba had accumulated some 280 pesos per capita in trade surpluses. By the late 1950s, those surpluses had plummeted to 61 pesos.

Notwithstanding, the second important characteristic of Cuban capitalism during the 1950s was the modest progress that was being made towards diversifying the economy. Non-sugar industry was growing at an annual rate of nearly 7 percent. Since the 1930s, consumer goods had declined to about one third of total imports. A new tariff to update the Customs-Tariff Law of 1927 was being worked out. In 1950, the National Bank had started operations. Credit to the non-sugar sector was increasing, sugar credit declining. Public and private support for research and development, particularly for sugar industry derivatives, was slowly rising. At the same time, foreign investors were being encouraged. Tax exemptions and more liberal terms for profit remittances were enacted. Between 1956 and 1960, U.S. capital had projected the first significant expansion since the 1930s--\$205 million in new, non-sugar investments, that is, about a 20 percent increase of total U.S. investments in Cuba.

Progress was, nonetheless, uneven. Domestic investments were still not decisively abetting economic transformation. While investment rates had risen through the 1950s, their structure had not changed significantly since the 1940s. Wages were falling as a proportion of national income and Cuban capitalists were thus enjoying a more favorable climate. But, they continued to prefer real estate, U.S. bank deposits, U.S. stock and securities, and idle bank balances in Cuba over investment in national industry and agriculture. Agriculture was especially neglected as modernization was not progressing rapidly. Industry--sugar and non-sugar--absorbed most capital goods imports. Development trends, moreover, were increasing regional disparities. Between 1952 and 1958, Havana's wage bill grew 22 percent; that of the other five provinces contracted 22 percent. More than half of all wage earners whose monthly wages totaled 75 pesos or more lived in Havana.

The relative strength of the working class was a third outstanding characteristic of Cuban society during the 1950s. Unemployment levels notwithstanding, Cuba had one of the highest unionization rates in the world. Often violently repressed through the 1930s, organized labor became a central component of the compromise which followed the near-revolution of 1933. Maintaining social peace required significant state intervention on behalf of the working class. Labor laws were very progressive and the union movement strong enough to secure their minimal enforcement. Cuban capitalists insistently argued the nation would not advance until labor demands became more "realistic." That the Communist Party (PSP) controlled the CTC until 1947 rendered their arguments even more strident and urgent. Labor's strength, however, was not dependent on the PSP, but rather on the "economistic consciousness" of the working class and the often-enough responsiveness of the state to its demands. While the 1950s witnessed a moderation of labor demands and a willingness by the official labor movement to contemplate a more "realistic" accommodation with capital, a new labor pact had not yet been worked out and the working class still constituted a brake of sorts on Cuban capitalism.

The final characteristic of Cuban capitalism during the 1950s which I want to emphasize is its political weakness. Most obviously, the Batista dictatorship cast a pall over the political system which hindered the emergence of a national coalition to promote and implement reform. More profoundly, however, the political weakness of Cuban capitalism dated back to the origins and the development of the republic. Cuba had attained independence with a seriously dislocated upper class and under the Platt Amendment. The logic of twentieth century Cuban politics was clearly spelled out from the beginning: Cuba was sugar and Cuban sugar needed the U.S. market. I do not mean to reduce republican politics to sugar and the United States, but both were crucial components in governing Cuba and projecting development. Notwithstanding, after the 1930s, the state proved to be quite ingenious at implementing reform supportive of the status quo. The just-mentioned pact with labor and the 1937 Sugar Coordination Law are two outstanding examples of reform for the sake of social peace. The state, political parties, and the different sectors of Cuban society proved to be a lot less resourceful in diversifying the economy, forging a new social pact with labor, renegotiating relations with the United States, and institutionalizing representative democracy. Had the politics of Cuban capitalism been more efficacious, a Cuba different from that of the revolution might well have happened.

I am suggesting the trends evident during the 1950s were transforming Cuba in the direction of some form of tropical dependent development. Cuba had a highly capitalized economy, quite extensive wage labor, an expanding non-sugar industry, a growing middle class, and a socio-economic profile, in many ways, comparable to those of Argentina, Uruguay, Chile, and Venezuela. The elements of dependent development--the state, domestic capital, and foreign capital--were certainly in place, if not yet coordinated. Without the revolution, a friendlier international ambience might have more easily allowed for diversification and growth. Tourism, mass media and entertainment industries, a modernized cattle industry, and winter crops exports were emergent economic prospects. So were underworld operations of gambling and drug trade as well as a banking sector not unlike that which later developed in Panama. Tropical dependent development might have also brought increased migration to the United States. Compared to the early 1950s, nearly four times as many Cubans left their country between 1955 and 1958. Growing class and regional inequalities might likewise have been aggravated. What kind of political system might have brokered these transformations is more difficult to speculate. Like most other countries in Latin America, I suspect Cuba without the revolution would have oscillated between civilian and military governments.

Where is Cuba headed during the 1990s?

I started out by saying that, as it has existed until now, Cuban socialism is increasingly unviable. My observations about where Cuban capitalism was and what might have happened without the social revolution were made to emphasize that the past thirty-two years did not preempt the transition to development. The revolution charted a different path than the one in the making during the 1950s. Today, when that path is all but concluded, I suggest we especially need to understand the past. The old saying, "Cuba pa's rico, pueblo pobre," needs to be modified. Cuba was not, would not have been, is not, and will not be a wealthy country. From whatever perspective we approach the future of Cuba--as scholars, as Cubans, as Cuban-Americans, as Americans, in Havana, Miami, or Washington, D.C.--we need to be realistic about the prospects for development. During the 1950s, Cubans and foreigners alike had inordinate expectations about the economic potential of Cuba. The early revolutionary years--putting aside the euphoria which usually accompanies the birth of revolutions--bred much optimism, in part, because the hopes were already in the air. Whatever the transition from the present situation in Cuba, I suggest we should refrain from falling into the same trap. Whatever forms markets take in the Cuban economy, the point of departure is the outcome of a social revolution and more than three decades of socialism.

The history of working class struggles and the confrontations between capitalists and workers in 1959 were significant factors in making the social revolution possible. As repository of the legitimacy of socialism, workers have borne a special place in Cuban society during the past three decades. The relationship between the state and the working class, however, has not been easy. Trade unions have undergone many changes--their controversial reorganization to complement the goals of the planned economy during the early 1960s, their demise as mass organizations during the late 1960s, their reconstitution as "transmission belts" during the 1970s, and their uncertain present under the "periodo especial en tiempos de paz." Workers as citizens, especially in the early years, proved to be crucial for the consolidation of the revolution. Workers as workers have never quite shed their economic conciencia. In theory, workers might be the owners of the nation's wealth. However, Cuban socialism, like the other experiences of twentieth century socialism, has failed to forge the conciencia of owners among workers. Immediate, material interests are the primary motivation for Cuban workers. Indeed, one of the reasons I contend Cuban socialism is increasingly unviable is because alternate incentives to produce efficiently have not been created and the establishment of more effective work compensation requires resorting to some form of the market.

Nonetheless, the transition from the present will have to contend with the legacy of militant unionism

which, however constrained by vanguard party politics, persists to this day. Over three decades, the Cuban state has confronted the dilemma of labor discipline without the recourse of widespread unemployment and has instituted a variety of ways to deal with it. In 1980, a decree was passed to strengthen administrative control over workers. By 1985, however, unions had proven rather effective in defending workers against management. About one percent of the labor force appealed discipline sanctions, but municipal courts confirmed only 38 percent of the administrative decisions. Unions came better prepared to argue the workers' cases than management did to defend their sanctions and, consequently, the courts ruled for the workers in three out of five cases. After 1986, the Cuban leadership has chastised the unions for pursuing "particular" interests over those of the nation. Indeed, the *rectificación* has often invoked a discourse on labor discipline, wages, and benefits such as vacation days which is not totally unreminiscent of the appeals by Cuban capitalists during the 1940s and 1950s. An important setting for assessing the possible transition to a market economy is the growing, albeit modest, role of foreign investments in Cuba. So far, the largest presence is in tourism and foreign management exercises almost total control over their Cuban employees. How will workers and unions react to the possible presence of foreign capital in productive enterprises which will necessarily change, at least in part, the rules of the game?

More generally, what does it mean for that possible transition to a market economy that Cuba had a social revolution? I do not think we can gauge the consequences of that fact by the experiences of the Soviet Union and Eastern Europe. The historical leadership and millions of Cubans whose lives have been committed to the revolution and socialism are still alive. The Soviet Army did not bring revolution and socialism to Cuba. So far, there is also an enduring legitimacy about the social revolution. What is currently being questioned in Cuba--again, so far--is the present and the future--not the past. Any transition from the status quo is likely to confront what is one of the most important outcomes of the past three decades: the widespread sentiment in favor of social justice, that is, relative equality. Indeed, the crisis of legitimacy which the Cuban government presently faces is, in part, due to the contravention of the popular expectation of equity. Corruption and privilege among high-ranking public officials have been long-standing sources of popular discontent which current circumstances have seriously aggravated. The "us-them" dichotomy permeating the social awareness of many Cubans is particularly damning for a government whose origins are rooted in a social revolution.

I believe the popular sentiment in favor of social justice is likely to survive the status quo and would probably find new avenues for expression. Many would probably see the right to some forms of private enterprise and the ability to profit honestly from their entrepreneurship as a realization of their just expectations. Many would consider justice being paid according to their job performance and having the ability to purchase goods and services commensurate with their wages and salaries. Many would, perhaps, not be too affronted by tolerable levels of unemployment, especially if accompanied by economic growth and improving living standards. I do not know whether the same can be said about privatizing the public health and educational systems, large-scale unemployment, significant undermining of the safety net, widespread foreign and Cuban-American investments, or claims to recover confiscated properties. How the sense of social justice, how the nationalism so central to the past thirty-plus years would be manifested in the event of a transition to a market economy is, right now, imponderable. In thinking about that transition, there is, nonetheless, a need to process the fact of the widespread *sentido de derecho* in the Cuban population.

The other central outcome of the past thirty-two years which likewise needs to be computed in the possible reconstitution of a market economy in Cuba is the sense of national identity independent from the United States which the revolution consolidated. Had the Soviet Union not become Cuba's ally, the revolutionary government would probably not have survived for very long. Collapse, defeat, or compromise with the United States would likely have been its prospects. Now that the Soviet Union can no longer provide Cuba with the same kind of support, the ways in which the Cuban government has

defined and maintained national sovereignty over three decades are growing increasingly unviable. Strictly speaking, Cuba today is more independent than ever before. The question is for how long.

Before 1959, the United States seriously compromised national sovereignty and Cuban society proved to be incapable of negotiating a more acceptable dependence. After 1959, the revolution highlighted the radical elements of Cuban nationalism as the sole purveyors of national sovereignty. Today, those elements are losing the international and domestic sustenance which nurtured them since 1959. Nonetheless, nationalism is a potent force in Cuba. In contrast to Cuban-American public opinion, most Cubans in the island do not favor a U.S. invasion of Cuba. Whatever their allegiance to the government, most Cubans have a rooted national identity--albeit not necessarily in the terms the Cuban leadership espouses--and that fact should also be considered in the possible transition to a market economy.

My point is politics will play a crucial role in the transition from the status quo in Cuba. How that transition happens will have lasting consequences. If the current leadership is able or willing to engineer meaningful reforms, the outcome will be more likely to incorporate, one way or another, many of the social achievements of the past three decades. Continued inability or unwillingness to institute meaningful reforms will undoubtedly reinforce the weight of those inside and outside Cuba who favor the total uprooting of the revolutionary legacy. It is no small irony that current resistance to reform might lead to the restoration of capitalism in Cuba given that a similar inability or unwillingness before 1959 contributed to its collapse and the making of the social revolution.

An important factor in thinking about the transition is the nature of the Cuban leadership. Fidel Castro and many other high-ranking leaders believe they have a right to govern Cuba. Their rule is not likely to collapse as easily and peacefully as that of most communist governments in Eastern Europe. A complementary factor is the fact that the Cuban government so far retains sufficient support--not a majority, but not an insubstantial minority either--which would allow it to put up a fight--a very bloody one probably--in the event of U.S. intervention or a similar threat to reverse absolutely the heritage of the revolution. In other words, as of now, the proposition of total rupture with the past three decades espoused by the most powerful voices of the Cuban-American community and the Bush administration carries with it an unfortunate potential for widespread violence and U.S. intervention.

It is fruitful and necessary to think about the possible transition to a market economy in Cuba. I do not know how, when, in what forms, or if it will happen. As it has existed, Cuban socialism is, however, increasingly unviable. More realistic approaches will almost inevitably introduce considerable market mechanisms in the economy. Politically, I am suggesting that possible transition requires a discourse which takes into account the social revolution and the aspirations for social justice and national sovereignty, at present, widely diffused in Cuba. There is certainly a need to rethink Cuban nationalism and the question of equality. The platform of the past three decades will clearly not serve the next three. But, these issues should not be disregarded and they should be addressed. To disregard them or fail to address them might well undermine the future prospects for democracy in Cuba.

Cuba, indeed, is faced with momentous challenges: reorganizing the economy to secure growth, expand the satisfaction of basic needs, and motivate skilled and professional labor to work productively; establishing meaningful political contestation; and finding new ways for expressing national sovereignty which, sooner or later, will include an accommodation with the United States. Whether or how Cuba meets these challenges will, in important ways, depend on the politics of the transition. The dominant leaderships in Havana and Miami are not presently committed to meaningful reform programs. The U.S. government, moreover, insists on a Cuba policy which encourages the intransigence of both leaderships. However we approach the future of Cuba--as scholars, Cubans, Cuban-Americans, Americans, in Havana, Miami, or Washington, D.C.--we should not forget that, indeed, men and women do make their own history, albeit not as they please or in circumstances they have chosen. I hope the political

alternatives to both leaderships and those in the U.S. government who might have longer vision avoid falling into new forms of determinisms and contribute to charting the future of Cuba from present circumstances with realism and imagination.