

MARKETS REDUX: THE POLITICS OF FARMERS' MARKETS IN CUBA

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The purpose of this paper is to discuss the decision to re-open Farmers' Markets in Cuba in 1994 and to assess their significance in the context of the policy changes and reforms that began in the summer of 1993. To this end, the *Mercados agropecuarios* (MAs) will also be compared to the *Mercados libres campesinos* (MLCs) of the 1980s, the only other instance that the Cuban State resorted to market mechanisms to try to resolve the problems of agricultural production and food distribution. The process of interest group and institutional politics that led to the opening, and later closing of the MLCs is particularly instructive for an understanding of economic policy changes in Cuba. Comparing the two market 'experiments' might also indicate important changes in the process that one scholar has called "the blackest of all black boxes": decision making in Cuba (Fernández 1992, p. 53).

The MAs and the MLCs emerged in very different economic, social and political situations. The disparate circumstances also affect the attitudes of the political leadership towards the markets. A discussion of the politics of the Farmers' Markets must be placed in the context of the evolution of Cuba's economic policies, the Revolution's ideological orientation, as well as the nature of politics and decision making in Cuba. They are the product not only of Cuba's economic predicament and its international position, but of domestic political factors that have helped cre-

ate a different set of supporters and detractors for the market experiments.

This preliminary study is limited by the availability of information on the decision making process in Cuba, the uncertain fate of the current market reforms, as well as by the brief time the MAs have been in operation, less than a year at the time of writing. Despite these limitations, even a speculative exercise may prove valuable as a starting point for an analysis of conflict resolution and decision making in the Castro regime. Two underlying assumptions must be revealed at the very beginning. The author believes that interest-group conflicts over policy do occur in Cuba, albeit within the severe constraints imposed by *personalismo*, ideology, and economic circumstances. The second assumption is that even in opaque areas such as decision making in Cuba, some light can be shed on the meaning of policy moves (or consequences) by identifying actors, interests, and interactions, and by studying the trajectory between initial conditions and outcomes.

ECONOMIC POLICY AND DECISION MAKING IN CUBA

One of the constants of the Cuban Revolution has been the tension between ideological and pragmatic approaches to economic policy (Mesa-Lago 1989, pp. 187-188). Pedro Pablo Kuczynski, a Cuban economist, recently referred to the process of internal debate as a '*contrapunteo*' between these two approaches.¹ There is a general consensus over the

1. Pedro Pablo Kuczynski, interview, Miami, July 29, 1995. *Contrapunteo* literally means 'counterpoint.'

periodization of the policies that recognizes at least seven discrete stages (see Appendix). We can characterize the general approach to economic policy taken during these periods as either *Fidelista*, reformist/pragmatic or mixed/unclear.²

Two brief, but important periods of communist Cuba's economic history are typified by *Fidelismo*: 1966-1970 and 1986-1990.³ Political considerations overrode economic rationality during those years. These periods were characterized by tendencies toward centralization of power and decision making, greater utilization of sectoral plans over more global planning, emphasis on voluntarism and mass mobilization, moral incentives and egalitarianism, as well as anti-market and anti-private initiative campaigns. Significantly, these periods have been followed by severe economic downturns. The periods denoted *Fidelista* have also been called as orthodox or ideological by other authors (Mesa Lago 1989, Rosenberg 1992a, *inter alia*).⁴

The years 1971-1986, were characterized to varying degrees by reformist tendencies. The period was typified by moves toward decentralization, the use of Soviet-style central planning with some market features, the use of material incentives, and increased social and wage differentiation.⁵ The period can be divided into three discrete phases: (1) Redefinition (1971-1974), which involved the assessment of the disastrous dislocations engendered by the pharaonic attempt at a 10 million metric ton sugar harvest and the redirection of economic policy under the aegis of Soviet-bloc economists and technicians. The predominant approach in economic policy could still be categorized as mixed or unclear; (2) Institutionalization (1975-1984), which saw an attempt to create

Soviet-style institutions and implement the reforms that typify this period. It can be argued that this nine-year phase is the only time that Cuba actually tried to follow an economic model although it never fully implemented the reforms and economic decision-making never devolved from the highly centralized purview of Fidel Castro and his inner sanctum; and (3) Recentralization (1984-1986), which was the period of retreat from reform. The SDPE was dismantled and there were increasingly ideological attacks on *merolicos* as the newly-prosperous farmers and middlemen were called. The MLCs came under extreme duress only to be abolished in 1986. In fact, the Rectification Process can be said to have begun at this time, or at the very least was presaged by the anti-market, ascetic rhetoric that emerged.

"Mixed" or "unclear" periods were those when either a debate over models was taking place (e.g. 1964-1966) or when there seemed to be no clear direction or model indicated. Economic policy in the first few years of the Revolution, in the immediate post-1970 *zafra* period and during the Special Period, can be placed in this category. These periods have seen the closest thing to open debate in economic policy, albeit within the parameters described in the decision-making framework described below. They have also been periods of uncertainty and flux, both in policy and in personnel. It is during these times more than any other that the personalistic influence of Fidel Castro is most acute. Policy-participants court his attention à la Mandarin emperor and a single utterance from Castro can send policy spinning in different directions.

Pragmatic reformists, those who have encouraged the use of market-like mechanisms, have been most in-

2. The term "*fidelista*" as used here is not inconsistent with Eduardo González's definition and later use of the term, i.e. (1) propensity for maximalism, (2) primacy of objective over subjective factors, (3) penchant for revolutionary action and elitism, (4) disdain for political organization, (5) preference for personalistic leadership, etc. See González (1974, p. 83 and pp. 146-167).

3. The first period is called "Sino-Guevarist" because of the dominant influence of Che Guevara and of Chinese-style mass mobilization. The latter period is known as the Rectification Period or RP.

4. The term "orthodox" has been the source of some confusion. As used in Cuba, it refers to Soviet-style policies such as those of 1971-1986. Other scholars working outside Cuba have used the word to describe ideologically charged periods when Cuba has actually had policies contrary to those of the Soviet Union. The term is avoided or qualified in this paper.

5. These policies have been associated with "reform-communism" models (see Kornai 1992, *inter alia*).

fluent during phases of the Soviet Reform Model (1971-1986) and of the Special Period (mid-1993 to the present). Although they have never had complete control over policy making, on both occasions they have been able to control important sectors or aspects of Cuba's economy. Their hold has been tenuous; in fact during the Institutionalization Phase of the Soviet Reform Model, the trend was mixed. It was increasingly characterized by compromises that diminished the role of markets (especially after the restrictions placed on the MLCs in 1982), and the status of the reformers within policy circles.

Despite Fidel Castro's well-documented aversion to them, markets and market-like mechanisms have appeared twice after the consolidation of the Revolution, in the late 1970s - early 1980s and again after the summer of 1993. These 'moves to the market' were taken with the approval of the leadership but were initiated by more pragmatic functionaries working within the state's economic policy circles. For the purposes of discussion, we will extrapolate political tendency from policy approach. In that case, the tension between approaches also exists between identifiable groups of people.

As noted above, markets appeared only during periods when reformists were most influential. That is not to say that the *Fidelista* tendency lost or that reformists were in control of economic policy making. That has consistently remained in the hands of the top leadership. Instead, on both occasions, the market features that emerged were the result of a process of compromise which allowed Fidel and the orthodox group ultimate control even as the reformist experiments were carried out.

DECISION MAKING IN CUBA

Underlying almost every dispute or controversy in Cuban studies is the question of the nature of the Castro regime and its *modus operandi*.⁶ It is really a question about politics and how decisions are made that is colored by the almost inevitable bias of the scholar. There is also an unfortunate tendency to try

to explain political phenomena by any other disciplinary means except politics. These kinds of approaches, from the psychological-biographical to the economic structuralist, are informative and occasionally interesting, but fail to give an adequate explanation of the full scope of politics in Cuba. Hungarian economist János Kornai recommends a political-economic approach that is more holistic. He writes that "the key to an understanding of the socialist system is to examine the *structure of power*" (1992, p. 33). This holds true for Cuba's socialist economy as well. An elaborate analysis of the regime is beyond the scope of this brief paper, but a short discussion of the decision making process is crucial to an understanding of the market experiments.

Damián J. Fernández identified four major views of the decision making process of the Cuban State that approximate the contending approaches alluded to above: (1) Fidel Castro as the sole decision maker; (2) a rational actor approach; (3) a structuralist *dependentista* model; and (4) an amalgam of domestic institutional, bureaucratic and elite politics approaches. Fernández finds all four approaches inadequate if used alone and integrates them.

The framework of decision making can be conceived as four concentric circles. The smaller inner circle, at the center, is that of Fidel Castro, the principal decision making unit. His ideology and his authority exert predominant influence over Cuba's domestic and international activities. The actors closest to the center circle have authority to make decisions, while peripheral actors implement decisions (1992, p. 60).

This simple model recognizes the centrality of Fidel, the existence of distinct agendas among ideological and bureaucratic elites, the influence of the external environment, and the intricacies of domestic politics. This framework can also be used to look at the process of decision making in economic policy.

Figure 1, adapted from Fernández, illustrates a model of the structure and process of economic decision making in Cuba related to food and agricultural poli-

6. See for example the exchange between Susan Eckstein and Carmelo Mesa-Lago on the Rectification Process in several issues of the journal *Cuban Studies*.

cy. At the center, in circle 1, is Fidel Castro. The second circle is inhabited by his closest advisors such as Carlos Lage, José Luis Rodríguez and Raúl Castro. The third circle is divided into State and the Party halves. These two sections are “interweaved” (Kornai 1992, p. 38) and consist of the ministries such as Agriculture (MINAGRI), and Food Production (MINALIM), and party institutions such as the Central Committee. The outer circle consists of agricultural producers, the National Association of Small Farmers (ANAP), the State bureaucracies, provincial and municipal authorities in charge of implementing food and agricultural policy, Communist Party activists, and consumers. Academics who are not a part of the “in” advisory group of the third circle, but who nevertheless function in institutional settings, are included in the outer circle.

Ideas and policy options percolate toward the center. The role of the second circle, made up of specialized institutions of the state and the Communist Party, is to present policy options to the leadership, but sometimes ideas start from the outer circles. The scope of the policy options are limited by political constraints. Their ultimate fate is determined by their ability to find a ‘sponsor’ close to the center and of course, the disposition of the “principal decision making unit.”

Tzvi Medin’s metaphor of “Ravelization” is a colorful, yet insightful description of this process. Referring to the dissemination of the “revolutionary message” in order to shape a new political culture, Medin writes: “I call this phenomenon the ‘Ravelization’ of the message, in the sense that, as in Ravel’s *Bolero*, a certain motif begins to creep in and gradually develops into a crescendo through numerous channels (instruments), increasing in volume until it finally dominates the piece completely (1990, p. 11).”

In the case of both the MLCs and the MAs, the option to open the markets began as a theme that moved through the policy orchestra until it was taken up by more powerful voices. Yet even after the MLCs became the policy, to continue Medin’s musi-

cal image, an inversion of the ‘markets’ motif was introduced fugue-like into food and agricultural policy. This counter-theme won out in the end.

Of course there are other less artistic explanations of decision-making in communist economies that rely more on structural dimensions such as Kornai’s, but they are inadequate because they underestimate the role of agency, particularly the impact of the maximum leader in the economic policy decision making arena.

The demise of the MLCs in 1986, however, demonstrated that: (1) political imperatives, often cloaked by ideology, carried more weight than economic rationality or ideological consistency; (2) markets and the relations they engender encouraged linkages which fostered independence from the State and thus, were perceived as inherently threatening to the integrity of the regime; and (3) that the ultimate fate of all policies is decided by Fidel Castro and others in the center of the concentric circle of decision-making and policy implementation in Cuba.

THE MERCADO LIBRE CAMPESINO⁷

“Creo que el mercado libre campesino va a pasar sin glorias y habiéndonos dejado una gran lección y no pocos daños, no sé cuántos millonarios hay por ahí. Rectificaremos lo que incuestionablemente fue una decisión equivocada; es de sabio rectificar, y cuanto más pronto se rectifique mejor” (Castro 1986d, pp. 57-58).

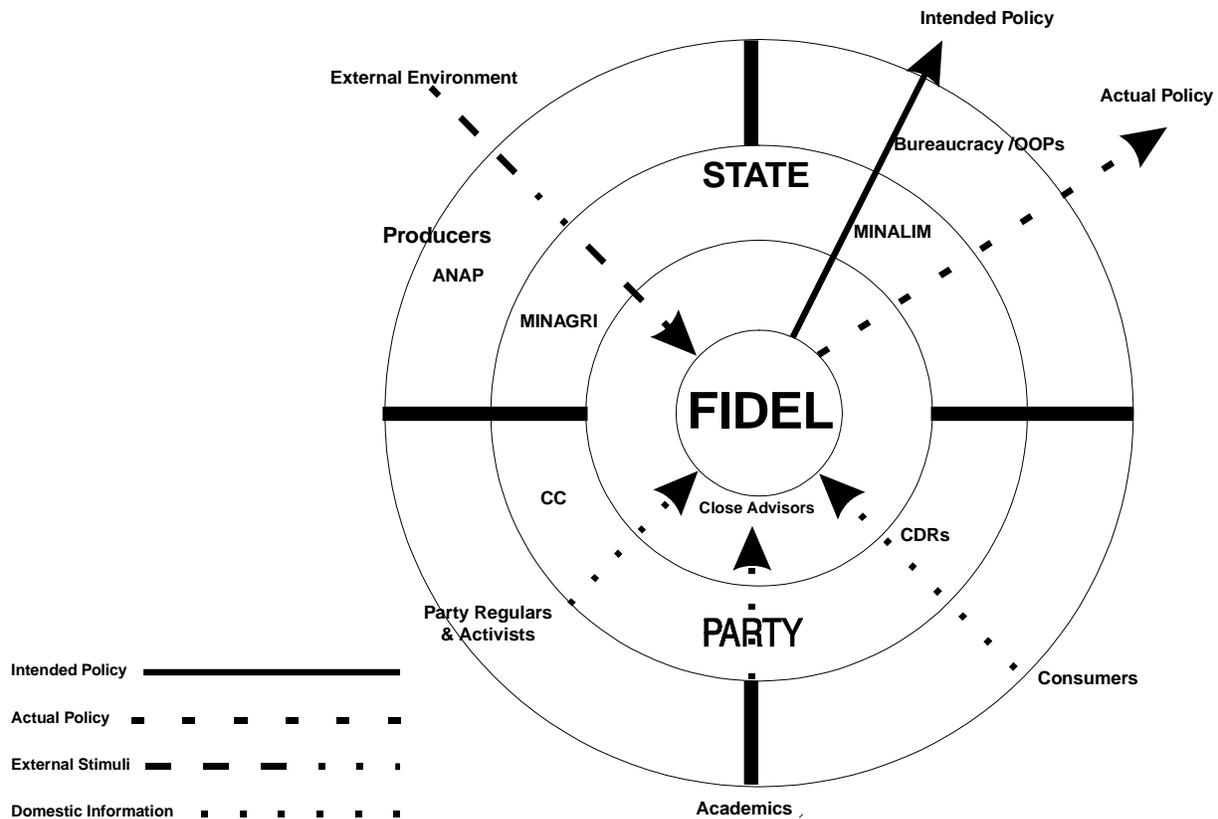
Problems in Cuba’s domestic food sector led to the introduction of the *Mercados libres campesinos* in May 1980. The MLCs were sites where small private farmers, cooperativists, state farm workers and owners of small plots and gardens could sell their surplus produce directly to consumers, with prices set by supply and demand, albeit under significant restrictions.⁸

According to Medea Benjamin, the idea of allowing private farmers to sell their surplus was discussed as early as the mid-1970s by the party leadership.

7. This section relies heavily on the work of Benjamin, et. al. (1984) and Rosenberg (1992a 1992b).

8. The farmers would first have to satisfy their production quota with the State (the *acopio*), before they could sell at the markets.

Figure 1. Economic Decision-Making in Cuba
(Food and Agricultural Sectors)



Figuroa and García report that “the creation of a non-state market to commercialize a portion of agricultural production” was discussed in the First Congress of the Cuban Communist Party in 1976. Proponents of the markets, such as Carlos Rafael Rodríguez, saw them as a way to satisfy consumer demand for increased variety and quality, while at the same time providing farmers with material incentives to increase production. Additionally, they were seen as a way to subvert the black market.⁹ Opponents of the markets were concerned that private farmers would “seek individual gain rather than the common good” and that by making private farming more at-

tractive, the markets would discourage farmers from joining the producer cooperatives the government was encouraging. The political impasse meant that the idea was “shelved” until 1980 when “further pressures finally turned the tables in their favor (Benjamin, et. al. 1984, p. 62).”

Jonathan Rosenberg’s (1992a and 1992b) study of the *Mercados libres campesinos* argues that the rise and fall of the MLCs is best understood as the outcome of political conflict between the two groups identified by Benjamin, a struggle between advocates of “orthodox” and radical approaches to socialist devel-

9. Figuroa and García (1984, p 46) noted that the MLCs were a response to low levels of efficiency and production in the agricultural sector, inability to satisfy consumer demand, and to provide material incentives for farmers.

opment.¹⁰ The formation of the MLCs was the result of compromises between the two approaches.

The dispute was more than a difference between two socialist development models; it was a dispute over policy among actors with clear political interests in the success or failure of liberalizing reforms. For supporters, the MLCs provided increased importance in the domestic political economy and credit for a policy that would increase support for the Revolution. “For opponents, successful MLCs threatened their continued domination of the domestic political economy by focusing the credit on the agrarian private sector and on the technocratic elites” (Rosenberg 1992a, p. 85).

Rosenberg claims that the original impetus for the MLCs began among Soviet and Bulgarian advisors at the Agriculture Ministry in the 1970s. The private marketing of agricultural surpluses was allowed in some of the other Socialist countries with some success. In time, the main supporters of the MLCs were the institutions most identified with Soviet-style reforms¹¹ such as the State Planning Ministry (JUCEPLAN), and later, the Economic Management and Planning System (SDPE). By 1980, the National Association of Small Farmers (ANAP), the Agriculture Ministry (MINAG), the State Committee for Finance and Statistics, and the Cuban Institute for the Investigation and Orientation of Internal Demand (ICIODI) were also identified as institutional supporters.

Opponents of the MLCs included the provincial party first secretaries, the Agriculture Cooperatives Associations (CPA), Arnaldo Milián (the Central Committee member responsible for the MINAG), and Fidel Castro. The cast of proponents and detractors changed over time as the MLCs came under increas-

ing attack from consumers and from the radical anti-market leadership.

The years 1980-82 were characterized by early optimism, but mounting problems (see for example, Martínez 1981a, 1981b, 1982). Consumer complaints about high prices and accusations of illegal activities (such as the use of middlemen, profiteering, and diversion of *acopio* products to the MLCs) provided the backdrop for a crackdown in February 1982 (Operation Bird-on-a-wire or *Pitirre en el alambre*), increasingly hostile comments from Fidel (see Castro 1982a, 1982b) and a restrictive reform of the MLC law in 1983.

Rosenberg concluded that the MLCs were designed to fail. The author cited an interview with a former official (José Luis Llovio-Menéndez) to claim that the MLCs were doomed and subverted from the start for political reasons. In December 1980, a secret accord was produced for the second Cuban Communist Party (PCC) Congress that claimed support for the CPAs and outlined a plan for the disintegration of the MLCs. The plan was passed along to MLC opponents and supporters. It reportedly said that MLCs would collapse on their own and that the Party intended to allow that to happen. The accord’s conclusions did not require supporters to become active opponents, but it also made it politically unwise to actively support MLCs (Rosenberg 1992a, p. 72).

Opponents whittled away at the initial support enjoyed by the MLCs. High prices and lack of accessibility were the major complaints of consumers, particularly those from the popular sectors.¹² These complaints were amply documented in the Cuban press and in other sources (see Benjamin, et. al. 1984, Martínez 1981b). Rather than accede to demands for

10. “Orthodox” approaches are identified with Soviet-style reforms, while radicals are referred to as *fidelistas* in this paper.

11. These reforms included the introduction of market mechanisms such as credit, interest, rational pricing, budgets, monetary controls, and taxes. Decentralization of economic decision making and the use of economic indicators that focused on profits as well as output, productivity, quality and cost (Mesa-Lago 1981, p. 29).

12. High prices were expected at the beginning, but they were supposed to decline as market forces operated. The price decrease predicted by Fidel when he announced the opening of the MLCs never occurred (Alonso, J. 1992, p. 175).

price controls,¹³ the government focused its energy on demonizing and punishing “intermediaries,” greedy farmers, and others who appeared to be getting rich from their activities in the MLCs and in the black market (Rosenberg 1992a, p. 384). Other supporters began to distance themselves from the markets in the wake of Operation Bird-on-a-wire.

The additional measures taken in 1983 also narrowed the base of support for the MLCs among the agricultural sector. Access to the markets was limited to private farmers who were members of ANAP and who worked their own land, explicitly excluding co-operatives (Burnhill 1985, p. 23). CPA members and private farmers not only had different interests and perceptions, but had different cost/benefit relations to the MLCs. “The CPA members adopted the anti-market attitude growing within the top echelons of the party, the CPA national movement and ANAP, while private farmers advocated more liberal market regulations that would allow them to take better advantage of strong consumer demand” (Rosenberg 1992a, p. 386).

Humberto Pérez (JUCEPLAN minister) and the pro-MLC ANAP president José Ramírez Cruz were dismissed in 1985. In May 1986, Castro announced the closing of the MLCs using strong language and the kind of moral, anti-market rhetoric that would characterize the Rectification Period: “The liquidation of the MLCs is the beginning of the end of the weeds that are the remnants of capitalism, it is a great blow in the crusade that our society has embarked upon against all manifestations of privilege, deviation, *blandenguería*, or weakness that can blunt revolutionary principles (Pozo & Martínez 1986, p. 4).” Free small farmers, the last supporters of the markets, were politically isolated and found themselves without a powerful representative among the political

elites or an institutional base from which to defend their interests.

At the Fourth Party Congress (1991) Fidel revealed that he never supported the initiative, “We committed a big mistake by creating the MLCs, but we are a Party governed by democratic centralism and we have to abide by it. The Party leadership approved it, although I had my own opinion, I respected that of the others (in “El campesinado” 1991).

ORIGINS OF THE *MERCADO AGROPECUARIO*

As it entered the most serious crisis in its history, euphemistically called the “Special Period in Time of Peace” (SP), Cuba chose a hybrid strategy which combined elements of a Chinese-style opening to the world market with the autarky model of North Korea. While it would be difficult to speak about an economic blueprint during the Special Period, the main policies can be summarized as follows: austerity measures aimed at conserving energy and reducing imports of raw materials; increasing domestic food production; attracting foreign investment; expanding markets for Cuba’s traditional and non-traditional exports such as biotechnology; an emphasis on the development of tourism; and some limited managerial and structural reforms at the enterprise or ministerial level (Pérez-López 1995, p. 128). In any case an increasing use of market-like features in the Cuban economy can be seen from the announcement of the Special Period in August 1990 to the present.

We can divide the SP into three approximate phases: the Dual Strategy Phase (August 1990 to mid-1993); the Domestic Reform Phase (mid-1993 to August 1994); and the Mixed-Market Phase (September 1994 to the present).¹⁴

13. “By drastically limiting the pool of potential sellers and refusing to regulate prices, Fidel had practically guaranteed that MLC prices would remain high. And the rise in taxes, from an easily circumvented 3% to a carefully enforced 20%, restored some of the incentives for black market activities (Rosenberg 1992a, p. 451).”

14. Measures were introduced as necessary actions in order to address specific problems such as capital accumulation and investment (*inversión extranjera* and *empresas mixtas*), excess liquidity or budget deficits (*saneamiento de finanzas internas*), stimulate production (*mercados* or UBPCs) or create employment (*auto-empleo*). However, these measures have been encumbered by high levels of regulation and in the case of self-employment, high entry costs for individuals.

The Dual Strategy Phase was a period of “mixed” approaches. The formal economy consisted of a market-oriented external sector and a command-style domestic sector. By the end of 1990, a two-tiered economic policy was set where external policies were increasingly connected to the world market economy and domestic policies were based on austerity and autarkist measures.¹⁵ The external economy emphasized the cultivation of new trade partners, export diversification, tourism, and foreign investment (Mesa-Lago 1994a). The domestic economy continued to be characterized by Guevarist strategies such as the ambitious *Programa Alimentario* [Food Program], the return of moral incentives and voluntary mass mobilizations.¹⁶ This situation created strong contradictory effects, such as a boom in the black market and an increase in crime (“Régimen,” 1992; Whitefield 1991, 1992). The intention of this policy was to insert Cuba into the world market economy while keeping the world of the market out of Cuba’s domestic economy.

EL LLAMAMIENTO

In March 1990, the Central Committee of the Cuban Communist Party invited Cubans to participate in mass meetings to discuss important issues. The “llamamiento” [convocation] to the Fourth Party Congress was made for the purpose of “deepening the process of rectification” and to “permit the perfecting of society” starting with the Party itself. The first round of meetings held in April was abruptly canceled by the Party leadership who complained about the lack of sincerity and real debate.

The Party reconvened the meetings in the summer after establishing the bounds of discussion: the one-

party system, the socialist nature of the economy, and the leadership of Fidel Castro (Pérez-Stable 1994, p.169). This time, citizens felt free to express themselves. One of the most popular changes requested was the return of the free peasant markets—the MLCs (Gómez 1992, p. 13; Pérez-Stable 1994, p. 169; later confirmed in deliberations at the Party Congress in October 1991 in “El campesinado” 1991; but not mentioned in discussion of “salient points” of the “Llamamiento” in Reed 1992, pp. 17-18).¹⁷

On the fourth day of the Congress, Manuel Alvarez, a delegate from Pinar del Río, brought up the MLCs. *Granma* obliquely reported, “he emphasized that he had gathered some opinions that criticized the situation that the markets had disappeared and that effective measures had not been taken against the black market, because people now don’t go to the market, but to the countryside where they pay higher prices” (“El campesinado” 1991).

The response against the MLCs was strong. Delegate after delegate rejected the markets and underscored that the only solution to the problem of agricultural production and distribution was the Programa Alimentario (Food Program). One delegate, a CPA member, said he “felt ashamed to speak about the MLCs again. We can never go back to them because they didn’t resolve anything. They only accomplished one thing: to make unscrupulous men rich.” Another delegate said, “To allow the MLC would not only be a betrayal of the peasant, but to the people as a whole” (“El campesinado” 1991). Finally, Fidel addressed the delegates and rejected the MLCs

15. Ritter (1995) writes that Cuba has a “bifurcated economy” divided into a socialist and an internationalized spheres.

16. One of the centerpieces of the strategy to confront the Special Period was the Food Program. The program was started in 1990 and had two major goals: to make the country self-sufficient in tubers, vegetables and other food products and to increase the production of export crops such as citrus and sugar. To achieve its aims, the program required massive mobilization of labor from the cities to the countryside, the employment of vast resources to house, feed and clothe workers, the importation of irrigation equipment, trucks, machinery, seed, fertilizers, pesticides, and the building of a network of dams and irrigation fields (Mesa-Lago 1994a, p. 24).

17. The return of the MLCs was also one of the demands made by dissident groups. *La Carta de los Diez*, signed by members of the group *Criterio Alternativo* included it in its list of requested reforms.

calling them an unsuitable idea borrowed from abroad and a source of corruption.¹⁸

By mid-1992, it became obvious that the Food Program had been a failure. Many of the features designed to support the program such as the building of rural housing and new dams were canceled. The main reason cited by the regime was the drastic decline in imports of fertilizer, pesticides and fuel (see Pérez-López 1995, p. 131). Despite some modest gains in output in the period 1990-1992, e.g. tubers 16%, there were declines in the production of beef, pork, poultry and milk. The sugar harvest also experienced a drastic decrease: the 1992-1993 *zafra* yielded 4.2 million tons, while the year before it had reached 7 million tons (Pérez-López 1995, p. 133).

The black market became an important alternative to a population whose monthly rations were inadequate. "The black market rapidly expanded, became dollarized, and was increasingly supplied by goods stolen from the state sector and by foodstuffs illegally sold by private farmers" (Mesa-Lago 1994b, p. 25). Party and government officials continued to publicly oppose any liberalization of the agricultural sector. The regime responded by cracking down on economic crimes in police actions with names like "Operation Bell-the-Cat" (Whitefield 1991, 1992). "It isn't moral or proper to pilfer from society what it is due and later dedicate those resources to dealing in the black market for profit," reported the Cuban Press Agency (in "Régimen" 1992).

The dual approach had not stopped the precipitous decline of the economy and by mid-1993, the Cuban regime began to introduce market-oriented reforms into sectors of the domestic economy (Bussey 1993; Mesa-Lago 1994b). The most important measures were taken in the summer of 1993, which marks the beginning of the Domestic Reform Phase, included

the legalization of hard currency (known as dollarization), the approval of limited self-employment and the creation of the UBPCs.¹⁹

The domestic reforms initiated in the summer of 1993 addressed some of the concerns, but it appears that they may have exacerbated existing tensions and were creating increasing inequality (ANEIC 1995a). They also revealed the increasing strength of a reformist tendency within the government willing to allow the play of market-oriented mechanisms in the economy. The changes introduced came with extensive restrictions and some observers noted that the regime was trying to "regulate" the reforms "to death" (Mesa-Lago 1994a).

The fidelista side, led by the maximum leader, stymied fiscal and structural reforms promoted by Finance Minister José Luis Rodríguez and others in the National Assembly of Popular Power in late 1993.

"Fidel Castro led the chorus against capitalism and the 'excesses' of the profit motive and called for assemblies (*parlamentos obreros*) in workplaces and neighborhoods to discuss the package. Raúl Castro lambasted 'reformist bureaucrats' who did not have the 'real interests of the masses' in mind (Pérez-Stable 1995, p. 15)."

In an apparent victory for hardliners, the "*parlamentos obreros*" supported the Castros' call for caution with reforms in the Spring of 1994. At about the same time, the regime launched Operation Girón 94, a clampdown on illegal commerce of all kinds. This was accompanied by measures that placed limitations on the self-employment reforms of the year before,

18. After the Congress, Party leaders continued to trumpet the Food Program. They also dismissed the MLC as an insignificant contributor of only 2-3% of produce to consumers. At the same time that they decried it because it had a negative effect on agricultural production (see interview with Raúl Castellanos, member of the CC of the PCC in Gómez 1992).

19. *Unidades Básicas de Producción Cooperativa* (UBPCs) are production cooperatives formed from state farms in both the sugar and non-sugar sectors, authorized in September 1993 by the Council of Ministers. Some Cuban economists refer to the UBPCs as "the third agrarian reform" (e.g. lecture by Pedro Pablo Cuscó at the University of Miami, July 26, 1994). For different perspectives on the UBPCs, see Mesa-Lago (1994a.)

the closing of *paladares*²⁰ (which had actually started in December 1993), a crackdown on *jineteras* and *jineteros* [prostitutes and hustlers], black market profiteers nicknamed *macetas* and a campaign against illegal enrichment [enriquecimiento ilícito] (ANEIC 1995d; Alfonso 1994a; Mesa-Lago 1994b). In May 1994, the National Assembly agreed to what appeared to be a compromise package of measures that addressed the fiscal and budgetary problems of Cuba without taking actions that could be called “capitalist” or “neo-liberal.”²¹ The imminent opening of the markets had been rumored since the July party meetings (see Alfonso 1994b, Whitefield 1994a).

The MLCs were not mentioned in the press, but the “crisis of agricultural production and distribution” became almost a code phrase for indirectly discussing the issue. Part of the problem was that farmers were either cutting back on production or withholding production from the acopio in order to sell on the black market. ANAP president Osvaldo Lugo discussed it in a July 11, interview in *Trabajadores*. He suggested opening agricultural markets which could help in the areas of “distribution, regulation, and above all, encouraging peasants to produce more (quoted in Malapanis & Walters 1995).”

Raúl Castro had begun to take greater role in managing the crisis late in 1993. By the summer of 1994, his involvement became more important. He led three regional party conferences in July where he proclaimed “to satisfy the food needs of the people was the number one objective” (“Satisfacer” 1994). Raúl also delivered the speech at the 41st anniversary of the assault on the Moncada Barracks where he reiterated “today, the principal economic and political

task, is the production of food, including sugar” (Castro, R. 1994).

Despite the straight-forward goal, contradictory measures exacerbated the tension and confusion on the island. As 1994 progressed, the crisis atmosphere intensified. Shortages, long and frequent electricity blackouts, and a deepening sense of hopelessness, especially among the youth. The result was an increase in illegal emigration, defections abroad and in foreign missions in Havana, an epidemic of street crime and a general disdain for order. The informal or second economy grew to make up for the receding Cuban State. A Cuban economist is quoted as saying during this period, “there is no clear government economic policy. Everything is vague. You don’t know exactly what is permitted” (Slevin 1994).

The regime was unable to head off the climax of the crisis: the violent anti-government street demonstrations in Havana of August 5 (the *Maleconazo*²²). The disturbance was quickly quelled, and the regime resorted to one of its traditional ‘safety valves’ for discontent by allowing Cubans to leave on almost anything that would float.²³ The *Maleconazo* proved to be a turning point in the policy debate allowing the more pragmatic tendencies to come to the fore and reintroduce markets as a way to encourage production and to address other problems of the economy.

The Mixed-Market Phase emerged in September 1994 in the wake of the events of the summer with the announcement of the opening of the *mercado agropecuario* which the Cuban people had openly requested during the 1990 *llamamiento*. Had the regime been planning to open the markets all along? If yes, the *Maleconazo* and the *Balsero* crisis delayed the

20. *Paladares* are small- to medium-sized private restaurants usually run out of people’s homes. They are named after the name of a restaurant chain featured in a Brazilian soap opera broadcast in Cuba in the early 1990s (ANEIC 1995b). Current regulations limit them to no more than 12 chairs.

21. The trade union newspaper *Trabajadores* said that some the proposed measures “looked neoliberal or capitalist” and urged caution, echoing Fidel and Raúl.

22. From *Malecón*, the name of the seawall along the Havana littoral. It is also the name of the street that follows its path. The disturbances occurred along the *Malecón* and in the streets of Central Havana.

23. Approximately 37,145 Cubans left the island by sea in 1994. Over 32,000 left between August 1 and September 13, 1994, when the Cuban government began to enforce the migration agreement signed with the United States (Mesa-Lago 1995, p. 6). For more information on who the *balseros* were, see Ackerman (1995).

planned announcement of the markets (Mesa-Lago 1995, p. 17). However, at least one knowledgeable Party activist resident on the island, claims that there were no definite plans. She credits the August riot and government concern over popular discontent expressed by the rapid departure of over 30,000 people (telephone interview, May 3, 1995). Bert Hoffman also notes this coincidence and points to the accelerating rhythm of change after August (Hoffman 1995, p. 99).

The National Association of Independent Economists of Cuba (ANEIC) came to another conclusion. They opined that it was the potential impact of the Clinton Administration's restriction of remittances from the United States that finally forced the regime hardliners to open the MAs, not primarily a fear of a social explosion:

“Concientes de toda esta situación y percatados de que la medida tomada por el presidente de los Estados Unidos, William Clinton parece definitiva, el Estado comienza a buscar soluciones de emergencia que no estaban contempladas en la línea inicial de acción ya que van en contra de los principios fundamentales que trataba de mantener. . . consideramos que el mercado agropecuario surge en última instancia como consecuencia de la afectación de la entrada de divisa que ha tenido el país . . . lo cual ratifica indiscutiblemente las posibilidades de quedarse sin las reservas y sin poder de importaciones (ANEIC 1995c, p. 14).”

Raúl Castro confirmed in September that the *mercado* had been discussed at three regional party conferences held in July that he had chaired (Báez 1994, see also Alfonso 1994b).²⁴ A review of Raúl's announcement of the opening of the MAs revealed that the debates over the summer were intense, but does not re-

veal if a decision to reopen markets was taken at these meetings (Batista Valdés 1994).

After the Cuba-U.S. agreement stanching the rafter exodus, the balance of power shifted toward the reformists who were now free to try a mixed-market strategy. The market-oriented measures of this stage were to be accompanied by reforms of the tax system, a new foreign investment law, the restructuring of state entities (*redimensionamiento*) and the massive dismissal of over 500,000 state employees (*racionalización de plantilla*), but these moves have been delayed.

THE MERCADO AGROPECUARIO

“Si hay comida para el pueblo no importan los riesgos” —Raúl Castro²⁵

The Announcement

The opening of the *Mercado agropecuario* was announced in an interview with Raúl Castro published in the Communist Party daily *Granma* on September 17, 1994.²⁶ In it he declared, “the country's main political, military and ideological problem today is to feed itself . . . in order to alleviate the situation, [we] expect to open farmers markets soon” (Báez 1994, p. 6). The news came at the end of a difficult summer and after long discussions within the party and government regarding the crisis of agricultural production and distribution (see Alfonso 1994b; R. Castro 1994; “Satisfacer ” 1994).

Within days, a special meeting was called to explain the move to those who would be involved in its implementation and administration.²⁷ According to Raúl, prices at the new markets would be set by supply and demand, and their operations would be regulated and taxed by the government. He explained that if the measure was carried out systematically, it

24. The imminent opening of the markets had been rumored since the July party meetings (see Alfonso 1994b; Whitefield 1994a).

25. “If there is food for the people, the risks don't matter” (Raúl Castro in Báez 1994).

26. The *Mercado Industrial y Artesanal* (MIA) opened on December 1, 1994. Vendors at the MIAs can sell non-primary products to the public at prices set by supply and demand (Rodríguez Fernández 1994). This was followed by the re-authorization of *paladares* and a small expansion in the list of permitted self-employment categories.

27. Among those reported in attendance were Politburo members, provincial government leaders, party cadres, administrators from the ministries of agriculture and of internal commerce, as well as leaders of the National Association of Small Farmers (ANAP) (Pagés 1994a).

would help stimulate production (Pagés 1994b). Other stated objectives of the new measure included: to combat the negative effects of the black market, to increase the variety of products available to the public, to make the surpluses from self-consumption plots available at the markets, to encourage the cultivation of fallow land and to give consumers additional choices (Pagés 1994a).

On October 1, 1994, approximately 130 *Mercados Agropecuarios* opened throughout Cuba (Pagés 1994d). Although leaders played down the immediate impact of the markets, the crowds that greeted them on the opening weekend were enthusiastic despite the high prices.²⁸ The Cuban press was restrained in its coverage: “We can’t expect the opening of the markets to become a magic fix” (Pagés 1994e), but the foreign press was more effusive in its reporting (see for example Vicent 1994, Whitefield 1994b).

Producers could sell their surplus yields once they fulfilled their monthly quota to the state procurement system (*acopio*). Prices were set by supply and demand. The following products could not be sold at the markets: potatoes, rice, beef, horse, mule or donkey meat, fresh milk, coffee, tobacco, cacao or their derivatives. The Provincial Assemblies of Popular Power would administer the markets and be in charge of granting permits, doing inspections and collecting rents and taxes.

The resolution regarding the operation of the markets authorized 8 kinds of sellers: State farms and enterprises, non-sugar producing UBPCs, CPAs, the farms of the Youth Workers’ Army (EJT), the Credit and Services Cooperatives (CCS) representing their individual members, independent small farmers, state enterprises with plots for their self-consumption, individuals who produce in parcels for the self-

consumption of their families, and people who produce in their yards and in small plots (see “Decreto y resolución” 1994).

All of the entities may select “representatives” to sell their products in the markets except those in the last two categories.²⁹ This is a major difference from the MLCs of the 1980s where producers could only sell what they grew on their own land (Rosenberg 1992b, p. 253).³⁰ ANAP president Orlando Lugo noted, “a lot of them [peasants] do not like to go to the markets. We’re better off having the farmer producing on the farm instead of selling in the market (Borrego 1994b).” The distinction between “representative” and “middleman” other than their legal status is not very clear.

Under the original MLC legislation, farmers were to sell in their own municipalities and could not sell outside of it. The MLCs were was the difficulty of transporting produce to the predominantly urban markets (Rosenberg 1992a). The original MLC ban was intended to discourage the employment of drivers and middlemen and to keep producers from concentrating in large cities, particularly Havana. This problem was solved for the MAs with a decree liberalizing the rules allowing the leasing of vehicles announced on October 7, 1994. Once drivers completed their required assignments, they were free to lease their trucks, tractors and other vehicles to agricultural producers. The fee was to be arrived at by mutual agreement of the contracting parties. The decree even allowed military farms to lease their off-duty vehicles for this purpose (Vicent 1994).

On the first weekend the seller with the highest volume of sales in Havana was the EJT, followed by the UBPCs and the CPAs (Pagés 1994e). By November 17, *Granma* reported \$187 million pesos in sales since their opening. The MAs were averaging \$4.7

28. The Ministry of Internal Commerce estimated that there were \$14.5 million pesos in sales and over \$700,000 pesos in taxes collected in the first two days (Pagés 1994e).

29. All others are apparently limited to one representative per entity (Lee 1995d).

30. This did not stop the emergence of “intermediaries”- middlemen who sold produce at the MLCs. The controversy over “intermediaries” becoming rich by selling products they did not produce was a major point of attack for Fidel Castro when he banned MLCs in 1986.

million pesos per day by early November. The article also asserted that 70% of the sellers were small farmers, although they made up only 30-35% of produce on sale (Calzadilla 1994).³¹ At year's end the MAs had brought in more than \$468 million pesos in sales, \$47 million pesos in taxes and had the participation of an average of 4,000 vendors nationally. Agriculture Vice Minister Miguel Angel Casa praised the MAs and reported that producers had increased their plantings due to the incentive of the market. The ANAP president announced that because of their earnings in the MA, 180 CPAs would retire their debts with the National Bank by 1996 (de la Rosa 1995).

There were reports that CCS, private farmers and *parceleros* were reluctant to participate because of their past experience with the MLCs and more recent experiences with the campaigns against *macetas* and illegal enrichment. ANAP president Lugo was interviewed by Radio Rebelde on October 1, 1994 as he visited small farmers in order to encourage their involvement.

The most extensive review of the performance of the MAs in the Cuban press was a three-part series published in *Granma* in late March (see Lee 1995b, 1995c, 1995d). The articles reprised the most common consumer complaints: high prices and the stark contrast between mostly empty state-run *placitas* and bustling *agromercados*.³² People do complain, but the writer says that if consumers were asked if the MAs should be eliminated, their answer would be a definite 'no.'

As of late March 1995, there were 211 MAs in Cuba, 29 of them in Havana. Approximately 19% of all agricultural products were sold through MAs. Havana's markets account for 56% of sales income, 32% of products sold. The MAs are still accessible to a limited portion of the population that can afford its prices. An increase in the participation of the state farms,

the EJT and the UBPCs in the MA are among the measures being studied in the hopes that their greater involvement will act as a price regulator (Lee 1995c, 1995d).

By Spring 1995, the cost of many products at the MAs had reportedly declined. The price of pork dropped between 25%-50% from October and other reductions were reported in the price of tubers, vegetables and grains. At the same time, a decrease in sales volume was also reported indicating a reduction of spending power, i.e. a decline of 19,000 quintals for the first week in April, compared to the first week in March. Another explanation for the decline in price and in sales was the improvement in the quality and quantity of goods for sale at cheaper state-run *placitas*. *Juventud Rebelde* reported that some sellers, mostly small peasants, were so concerned about the dropping prices that they were trying to band together to fix a floor price for their products (González, A. 1995).

THE MERCADOS COMPARED

The MLCs and the MAs shared many similarities such as the requirement that producers prove the fulfillment of their *acopio* quota, and the ban on sales of export cash crops and beef. The law authorizing the MA addressed many of the limitations of Decree 66—the MLC law. For example, the list of eligible sellers was increased so that virtually anyone who produces an agricultural product may participate if they meet the requirements and get the permission of the local authorities. Producers may also employ "representatives," hire transportation and sell in any municipality that authorizes them (see "Decreto" 1994; Rosenberg 1992b).

The most important policy change is who can sell? The MLC permitted sales by private and state sector producers. Participation by the state sector was discouraged and later banned after Operation Bird-on-a-wire. So far, the MAs have seen an opposite trend;

31. An economist living in Cuba said in a conversation that in Havana, location of the largest and most lucrative markets, the state sector made up 70%, while the private agricultural sector made up 30% (11/14/94).

32. Susana Lee synthesizes the complaint as follows: "Pero... las placitas están vacías y los mercados llenos en cantidad y variedad" (Lee 1995b).

the state sector is being encouraged to increase its involvement in the market as a way to self-finance the operation of enterprises (Bordón & Roque 1995; Lee 1995c) and to help regulate prices (Lee 1995d). The military is also very involved through its farms, the EJT, and military-administered enterprises. This is not surprising in light of the increasing militarization of the Cuban economy including agriculture (Lee 1995b). The Ministry of Interior's farm system which uses prison labor to grow crops for the ministry's commissaries, may soon be selling their surplus on the MAs as well.

The private sector was reluctant at first to participate in the MA (ANEIC 1995b) no doubt because of earlier experiences with the regime's drastic policy swings. There was also an underlying fear that many sellers and producers had about being labeled *macetas* and losing everything in light of the very public anti-illegal enrichment campaign in the Spring of 1994 (Bordón & Roque 1995, p.5). Their fears appear to have subsided because of the large presence of the state sector especially the EJT.

The private farmers found that the state sector soaked up a substantial portion of the excess liquidity of pesos in the first six months. Their large presence in some markets gives the state sector price-setting powers. Reports indicated that the State and para-State vendors constituted between 10-35 % of sellers, but accounted for approximately 70% of sales. However, a recent CEPAL report noted that 70% of sellers were peasants. This discrepancy reflects differing definitions of peasant. The CPAs, the UBPCs and the other entities have lower costs and can spread any losses among members. Individual private farmers may not have that option.

Consumers complained bitterly about high prices at the MLCs. Popular demands for price controls were dismissed by Fidel as interference in the market. The MLC reforms of 1983 actually made matters worse. Reducing the number of sellers and not regulating prices virtually guaranteed that prices remained high until the end (Rosenberg 1992a). There have also been complaints about the prices at the MAs but consumers seem reticent about complaining (Lee

1995b, 1995d), especially after what happened to the MLC.

The proportion of consumers who have regular access to the MAs is limited to between 10%-20% because of prices (Bordón 1995, p. 2; Bordón & Roque 1995, p. 6). The State showed concern about the contrast between abundant MAs and empty shelves at State *libreta* stores. This encouraged the regime to redirect potatoes, cabbage and other greens to the *placitas* (González, A. 1995). An increase in the availability of some foodstuffs at state stores and the large-scale involvement of the state sector has also helped bring down prices in the MAs. Lower prices might help placate low-income consumers who Fidel claimed to speak for when he banned the MLCs in 1986.

IDEOLOGICAL CONTRAPUNTEO

Elite support or rejection of the MLCs was described above. Rosenberg quotes José Luis Llovio-Menéndez about a secret report circulated among party and ministry elites in 1980 that in effect, sabotaged the MLCs just after they opened. This would explain the sparse support the MLCs received from the *nomenklatura*. Political elites have also been reluctant to show support for the MAs. Perhaps it is still too early to tell but some determinations about the actual political and institutional supporters of the MAs is possible.

ANAP president Lugo and Finance Minister Rodríguez appear to have encouraged Raúl to discuss market approaches to solving the problem of agricultural production and distribution, as well as the fiscal and monetary problems Cuba faced in 1994 at the July party conferences. Raúl also announced the opening of the MAs and appeared as the front man for the market option (Báez 1994; Borrego 1994b). It would have been unseemly for Fidel to announce such a drastic turnaround, especially after his vituperative attacks on the MLCs at the Fourth Party Congress. This is not to say that the MAs returned because of the victory of a *raulista* faction. There is no evidence for the existence of such a faction. Raúl's involvement was both tactical and cosmetic.

The main institutional supporters of the MAs appear to be the National Association of Small Farmers (ANAP), the Agriculture Ministry (MINAG), the Finance and Prices Ministry, the Interior Commerce Ministry, the Provincial Popular Power governments, and possibly the military. Other supporters include farmers and medium-higher income consumers. Opponents of the MAs have accepted their operation if only as a transitory measure to deal with the food and financial problems facing Cuba. They probably include Fidel and some of his closest ideological colleagues such as José Machado Ventura, Armando Hart, Ricardo Alarcón, as well as party and government functionaries involved in the *acopio* and the central resource distribution system who lose power and prestige as the markets begin to function.

The array of detractors, now muted by current necessities, does not bode well for the MAs if the food problem is alleviated enough for the regime to feel more secure about the population's nutrition and quiescence. The fate of the MAs, like the fate of the MLCs, depends on the political arrangements of friends and foes that can develop around them.

CONCLUSION: POLITICS AND MARKETS

The story of the rise and fall of the MLCs and the emergence of the MAs, are emblematic of the struggle between two different approaches to socialist economics. The opening of the MAs are evidence of the failure of Cuba's socialist experiments and of its leadership. The MA also represents the legalization (and to some extent the manipulation by the state) of the Cuba's functioning market economy, the black market.³³

The *contrapunteo* between ideology and pragmatism intensified as the economic crisis of the SP worsened. In an important sense, the MAs are part of a struggle

for policy dominance of three different approaches among Cuban political and economic elites: one *fidelista* and ideological and two more pragmatic tendencies. By mid-1993, these distinct tendencies were discernable: a hardline *fidelista* group led by Fidel Castro wedded to Guevarist moral economic policies and opposed the use of market mechanisms; a Conjunctural-Pragmatic tendency that favored limited reforms and the strategic use of markets in a centrally planned economy, a "*mercado en la economía*;" and a Structural-Reformist option which supported major structural changes that would lead to a form of market-socialism, an "*economía con mercado*."

It is not the intention of any of these tendencies to "propel" Cuba to market capitalism, but to "save" the Revolution and its accomplishments. In the Cuban case, reform refers to changes within the system (conjunctural) or to a model of reform-communism (structural) not to a Velvet Revolution.

Like the MLC, the *Mercado Agropecuario* is the result of a compromise between *Fidelista* orthodoxy and reform. However, this time, the reformists were in a stronger position to project their policy options.

The *fidelista* group is led, not surprisingly, by Fidel Castro himself. They justify the changes by blaming external forces for Cuba's predicament (e.g. collapse of the Soviet Union, the embargo, weather). They highlight the moral dangers and human costs of reforms in terms of increased inequality, privilege, corruption, and foreign influences.³⁴

The group has been resistant to the changes by slowing their implementation, imposing restrictions, appealing to the egalitarian values of the Revolution, and relying on "*el genio colectivo del pueblo* [the collective genius of the people]." Fidel and other leaders

33. "If the state experiences difficulties in meeting foreign debt obligations or import requirements, it is likely to turn to the black market to tap its resources" (Los 1990, p. 217).

34. *Granma*, perhaps tongue-in-cheek, referred to the danger of the "black market of ideas" in an article criticizing the plot of a popular television soap opera from Japan called *Oshin*, "the formerly battleworthy peasant leader Kota confesses his *desmerengamiento* on screen, and says that it has not been worthwhile to struggle for the unreachable goals of yesterday. The prudent thing to do is to dedicate himself to business and free competition... the Japanese *maceta* is in drag disguised as an honorable businessman!" (Pita Astudillo 1994). *Desmerengamiento* literally means the collapse of a baked merengue; the collapse of something frothy and full of hot air; like a pack of cards.

recognize that the MA and other market features are “capitalist elements” but insist that only an “idiot” would say that Cuba is moving toward capitalism.³⁵ Fidel and others often give the impression that the reforms are transitory measures and can be reversed whenever the extraordinary conditions are overcome. This viewpoint is held by Fidel, members of the historic leadership, and other Communist Party functionaries.

The other two groups represent the pragmatic side of the dichotomy. They differ mostly as to pacing and in their final objective. One group is defined by a pragmatic conjunctural approach that favors limited reforms and the strategic use of markets in a centrally planned economy controlled by a “capable State” (Alonso, A. 1993, p. 88), a “*mercado en la economía* [a market in the economy].” The conjuncturalists prefer a slow and calibrated economic opening with as little political impact as possible. They present reform as a technocratic exercise consonant with socialism.

The Chinese and Vietnamese models appeal to this group because they allow for an economic opening toward the outside while the political regime can remain unchanged. This group received a boost when on a visit to Paris in 1994, Fidel quipped that Cuba was interested in the Chinese model. The intensification of the Cuba-Vietnam relationship is also evidence that this is an option being studied closely. Nevertheless, some of the reforms announced by Lage and Rodríguez in late 1993 were panned as “neo-capitalist” or “neo-liberal” by Fidel, Raúl and other hardliners. The measures were either postponed or altered to reflect orthodox concerns. Their proposals do bear some resemblance to IMF structural adjustment plans and show the influence of the Solchaga Report (“El informe secreto” 1992). They also encouraged the study of China and Vietnam and their amalgam of Asian despotism and enclave capitalism.

The other reformist tendency can be called “structuralist” in that it recognizes the need for systemic

change without necessarily giving up on socialism. Proponents are the policy makers who represent a compromise between stagnation and reform. Their point-of-view is shared by individuals that come from academic, finance or non-party backgrounds. They possibly have support among those who have a stake in the new market arrangements (e.g. ANAP President Lugo, other producers) or in the emerging State capitalist sector of mixed-enterprises, many of whom are former military, former party cadre hacks or the scions of *nomenklatura* families. They assert that reforms were justified for the main purpose of generating the economic resources to maintain “independence, social justice, and human solidarity” (Lage 1994). In their view, the solution is the promotion of growth and production, (Rodríguez Derivet 1995) with the State intervening where needed. Like the other pragmatic tendency, they claimed that the reforms are “inevitable” or “irreversible” (Alonso, A. 1993; see also interview with José Luis Rodríguez by Rodríguez Derivet 1995).

The Structural-Reformist option supports structural changes that would lead to a form of market socialism, an “*economía con mercado* [an economy with markets].” They see the MAs as part of overall decentralization of decision making on production and distribution of foodstuffs. They believe markets can be regulated but while positive aspects of markets should be encouraged (see Carranza interview in González, L. 1995). Pedro Monreal writes, “economic reform implies fundamental change in Cuba’s social and political structures” (1993, p. 10). Julio Carranza of the Center for the Study of America (CEA), an apparent structuralist, says that “socialism is, in the best of cases, the last of mercantile societies and as such, the place of markets in it must be recognized” (1992). They also acknowledge that “economic reform [is] a political process (Monreal 1993, p. 11),” and not just a technocratic exercise.

This tendency finds support mainly among academics, particularly younger economists. Some of their

35. Fidel prefers to interpret the MA in terms of production not marketization: “Nosotros hemos establecido que un 20% de la producción se lleve libremente al mercado---” (“Entrevista” 1995).

views were expressed at the recent 4th Congress of the National Association of Cuban Economists (ANEC). Some ANEC economists called for “urgent structural changes” especially the decentralization of business management and the restructuring of state enterprises. National Institute of Economic Research director Arturo Guzmán said, “the reform and reorganization process within the state enterprise must allow for the creation of an autonomous public trading business” (Costa 1995). Some economists urged that cooperatives and small private businesses be allowed to expand in order to cope with the coming crisis of mass unemployment (Costa 1995).

The truth is that there is little distance between the conjuncturalists and the structuralists. They both agree on a strategy: “to pursue long-term goals of economic reform under state control” (Monreal 1993, p. 11). They agree on the role of a strong state and on the importance of sustaining the Revolution’s “achievements.” Their differences are more on a theoretical level.

The intellectual and policy debate is narrow. It is being carried out within very restricted parameters (see for example Carranza, Monreal & Gutiérrez 1995). The basic limits have not changed: the Party, Socialism and Fidel. If the leadership perceives a challenge or the potential for one, conjuncturalists and structuralists can end up outside the circle of influence, economic policy dissidents like the members of the National Association of *Independent* Economists of Cuba (ANEIC).

The three tendencies presented here are by no means Cuba’s only options; they are just the ones that originate from within the regime itself. There are other kinds of models and approaches represented by the democratic opposition on the island: a vague socialism “with a human face,” Christian-inspired Social Economy, New Institutionalism, Neo-Liberalism, free-market capitalism and many others.

The reforms, the *Mercados* in particular, are timid and are obtained “*a regañadientes*” [grudgingly] from the top leadership. One of the effects of the compromised reforms has been that corruption and other economic crimes have increased, partly as strategies

to get around the restrictions. This reality has brought the expected moral outcry from Fidel and other hardline leaders seen in the last few months. The regulations and restrictions imposed on the market-oriented reforms such as the MAs and self-employment, are dampening the potential positive effects of the changes.

ANEIC economist Orlando Bordón makes a convincing argument that the reforms are actually just strategies to resolve conjunctural problems intended to maintain and preserve the model. He challenges the notion that the changes being made are reforms much less evidence of an opening. He writes, “perhaps we are in the presence of conjunctural capitalist patches that can be removed when the present crisis has been overcome” (Bordón 1995, p. 3).”

There is a sense that there is a race against time going on. The reformers may not get the opportunity to make the structural changes they desire unless something changes at the top. The orthodox position appears untenable in today’s world, but there is no scarcity of models that combine the economic efficiency of the market with authoritarian political regimes. Markets do not automatically translate into liberty and democracy. Markets are not the same as capitalism, and while a market economy seems a prerequisite for democracy, a democratic system is not required for the operation of a market system. However optimal we may consider the combination of democracy and free markets, the Asian “models” are more attractive not only to the old *fidelistas*, but to the new state-capitalist entrepreneur of Cuba, the former party hack or military official who has found the pallid reforms personally rewarding. This may be the essence of an emerging Cuban model. It does not augur well in the short-run for democracy.

However, we should not discount the unintended consequences of the reforms either. The truth is that the “conjunctural capitalist patches” Bordón writes about appear to have taken a stronger hold than before; 1995 is not 1985. Marta Beatriz Roque writes that the seeds of a true market system are germinating in the MA, even among people who work for State enterprises.

These “seeds” are also sprouting as weeds in different sectors of the economy in the form of corruption, egoism, and misanthropy. The rampant abuses seen in the market enclaves in the Cuban economy (and in peripheral “market” activities such as prostitution, drug trafficking and the fencing of stolen goods) are also part of this sprouting.

The timid reforms may be intended to sustain basic needs and keep Fidel and the party in power, but they could lead elsewhere, maybe even to a real market and a real political opening. If this is where they end up, it will not be because of conjuncturalists or structuralists but because people are finding that they can “*resolver*” for themselves.

APPENDIX

Table 1 Summary Characterization of Economic Periods Predominant Approaches			
Period	Fidelista	Mixed/Unclear	Reformist
(1) Elimination of Capitalist System 1959-1960		•	
(2) Attempt to Introduce Orthodox / Stalinist Model 1961-1963		•	
(3) Debate over Models 1964-1966		•	
(4) Sino-Guevarist Period 1966-1970	•		
(5) Soviet Reform Model 1971-1986			•
Phases			
(a) Redefinition 1971-1974		✓	
(b) Institutionalization 1975-1984		✓	→ ✓ (MLCs)
(c) Re-centralization 1984-1986	✓		
(6) Rectification Process 1986-1990	•		
(7) Special Period 1991-1995		•	
Phases			
(a) Dual Strategy 1991-1993		✓	
(b) Domestic Reform 1993-1994		✓ →	✓
(c) Mixed Strategy 1994-1995			✓ (MAs)
Legend: • - period ✓ - phase → - trend			
Sources: Based in part on Mesa-Lago 1994b, Rodríguez 1990.			

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