

## PAZOS ON CUBAN ECONOMIC DEVELOPMENT

Efrén Córdova

My recollection of Pazos' views on Cuba and economic development will focus on two relatively unknown pieces of his work: a book on employment and poverty in the Dominican Republic and the lecture he delivered in Washington in December 1990 to the Association for the Study of the Cuban Economy. Some reference will also be made to his better known ideas and propositions contained in the *Tesis económica del movimiento revolucionario 26 de julio*.

Although I became acquainted with Felipe Pazos during our exile in Puerto Rico in 1961, when he was advising the top government economic agencies and I was teaching at the University of Puerto Rico, my knowledge of his views on economic development and Cuba were at the time limited to his participation in the drafting of the economic platform or economic thesis of the 26<sup>th</sup> of July Movement. The thesis, written in collaboration with Regino Boti, is now part of Cuban history as it was used by Castro in 1958-1960 as part of his cover-up for the great deceit. Castro had given approval to the thesis, which was issued as an official document of the movement. Lost in the controversy surrounding the role played by the 1957 document is the fact that it contained a sophisticated analysis of Cuban society written along the lines of the CEPAL and Raúl Prebisch school of Latin American economists. The thesis was indeed a developmental text, which stressed economic growth, emphasized the need for social justice, and proposed a rational development plan. Not a single one of its proposals advocated structural changes leading to a Marxist dictatorship.

I came to know Felipe more closely when he was invited to lead the team of the International Labor Organization (ILO) World Employment Program that visited the Dominican Republic in 1974 to study the causes of unemployment and identify possible remedies. Together with a dozen other members drawn from different international agencies, I was also a full-time member of the mission. Carlos Díaz-Alejandro acted as economic advisor.

Working closely with Felipe during our stay in Santo Domingo and later in Geneva while drafting the report (published by the ILO as a book in 1975 under the title *Generación de empleo productivo y crecimiento económico*), I was then able to appreciate more fully the value of Felipe as an economist. He did not assume the role of a theoretician eager to show the full extent of his knowledge. He rather chose to function as a down-to-earth economist who recommended sensible and feasible steps and refrained from making drastic proposals. Realizing that the Dominican Republic was growing while at the same time showing dramatic signs of poverty, the mission – under Felipe's direction – suggested a series of measures intended to reach higher rates of sustainable growth, to alter the composition of the domestic product favoring labor-intensive industries, and to limit the future expansion of the labor force.

Some of the recommendation of the Pazos mission to the Dominican Republic might be relevant to a future Cuba, particularly those relating to:

- How to promote increasing rates of sustainable economic growth;

- How to arrest the rural exodus (already a serious problem indeed);
- How to promote labor-intensive techniques;
- How to adapt education to manpower requirements (fewer physicians and more qualified workers and technicians);
- How to change the mix of the national product (from tourism and mining to manufacturing and agriculture).

The Dominican mission was the fifth organized by the ILO in connection with the World Development Program. While the mission failed to accomplish its objectives with regard to unemployment rates (largely due to poor follow up on the part of the government), it nevertheless succeeded, with the guidance of Felipe, to produce a solid report comparable to those issued in respect of Colombia and Kenya.

Pazos' December 1990 lecture is important because his ideas and proposals have sometimes been regarded as somewhat complex and hard to understand. As someone once told me, "Pazos' head is swarming with all kinds of ideas." The Washington lecture shows, however, how clearly he was able to identify the problems that Cuba will face in the transition.

True, because of the date of his lecture, Felipe did not deal with the problem of what should the transition government do with foreign investments in Cuba nor did he address the question of the future of the tourism industry.

But he did identify some of the most serious difficulties ahead, including the change to a market economy, the probable fiscal deficit, the risk of hyper inflation, the need to recreate a work ethic, the necessity to avoid a clash between Cuban and exile entrepreneurs, and the limits concerning the policy of attracting foreign investments in times of property devaluation.

The 1990 lecture contains also some controversial proposals. Pazos suggested, for instance, to compensate former owners with Treasury bonds, to give 50 percent of industrial undertakings to the workers and to allow for a certain degree of unemployment and poverty to avoid inflation. One is inclined to understand his fear of unrestrained inflation, but I am not sure that policymakers of the transition would be prepared to pay the price of social turmoil in order to evade a fall in the value of the currency and a rise in prices.