

## CUBAN CORPORATISM: BATISTA'S THREE-YEAR PLAN AND A NATION BETRAYED

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Out of the chaos occasioned by the collapse of Gerardo Machado's dictatorship in 1933 a new, charismatic leader rose up from obscurity and seized control of Cuba.<sup>2</sup> Long before Fidel Castro led his followers to victory, Fulgencio Batista took the reins of a sweeping revolution, the idealism and mystique of which—though repeatedly betrayed—never loosened their grip on the Cuban psyche. His policies, ushered in amid an atmosphere of change, would have far-reaching consequences for Cuba.

Batista, a sergeant in the Cuban army at the time of his national debut, possessed both Afro-Cuban and Native-American ancestry and “was almost red in complexion,”<sup>3</sup> cutting a conspicuous figure. He had “great personal charm” and “resembled great seducers rather than most politicians.”<sup>4</sup> According to Hugh Thomas, author of *Cuba: The Pursuit of Freedom*:

[Batista's] varied experience, his knowledge of all parts of Cuba and all sections of society, would make him when he gained revolutionary power a most for-

midable opponent—particularly since it was clear that he was no bureaucratic officer but a self-made man of the people, who hoped to be worshipped by them.<sup>5</sup>

The dynamic and popular Batista, embracing his new leadership role, perceived himself as the “chief of a constructive social revolution,” and seemed eager to build a new society. He compared “real order” to a “symmetrical edifice,” which “does not require propping-up to hold it in position.”<sup>6</sup> Batista's metaphor indicated his desire to involve the state more broadly and evenly in Cuban social and economic life with the aim of unifying the island.<sup>7</sup> One can perhaps regard this view of the state as a reaction to the unprecedented mobilization of the Cuban masses that had begun in the 1920s.<sup>8</sup> In the late 1930s, with the goal of restructuring society, Batista introduced statist and corporatist policies,<sup>9</sup> including the aggressive intervention of the state in the sugar industry and the distribution of government lands to small cane farmers. These measures appear to have been motivated, among other

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1. Editor's Note: This essay was awarded Second Prize in the ASCE 2009 Student Prize Competition for graduate students.

2. See generally, Thomas, Hugh. *Cuba: The Pursuit of Freedom*. New York: Harper & Row, 1971. p. 634–35.

3. *Ibid.*, p. 637.

4. *Ibid.*

5. *Ibid.*

6. Whitney, Robert. “The Architect of the Cuban State: Fulgencio Batista and Populism in Cuba, 1937–1940.” *Journal of Latin American Studies* Vol. 32 (May, 2000). p. 440 (quoting the *Havana Post*, 23 June 1937, p. 10).

7. See *Ibid.*, p. 455 (“[Batista] reminded people that his political philosophy was to promote balance and harmony between capital and labor.”).

8. *Ibid.*, p. 435.

9. I realize that this is a controversial claim. It will be discussed throughout the paper.

things, by the perceived need to alter Cuba's economic trajectory away from mono-crop, export-oriented agriculture, and to incorporate heretofore disaffected classes of Cubans into the state.<sup>10</sup> As a consequence, statist and corporatist policies should have served to quell popular discontent by tackling Cuba's greatest economic challenges.

However, Batista's statist and corporatist policies, rather than mollify public opinion, ultimately fanned the flames of popular dissatisfaction in the 1940s. While Batista's new sugar and land reforms may have been well-intentioned, they were laid over an existing system of pervasive corruption. As a result, the new statist and corporatist legislation, by linking the Cuban state more closely with the economy and society, spawned myriad new opportunities for graft in the form of bribery and embezzlement.

In addition, the corporatist policies in particular created a tradition by which the Cuban state maintained linkages between itself and interest groups in society. By the 1940s, these linkages had become liabilities as political action groups turned more violent and the state turned its political energies away from controlling these groups. The links between the state and the gang-like political groups associated the state with the brutal political warfare that rocked Cuban society during the administrations of Presidents Ramón Grau San Martín and Carlos Prío.

Ultimately, the Cuban government's corruption and link to organized violence would foster broad discontent with Cuba's political institutions. This disaffection, which would boil over into righteous anger in the 1950s, set the stage for the emergence of a radical new revolutionary movement—this time led by Fidel Castro—which would, in turn, topple Batista and the corporatist state he established.

## BATISTA'S STATIST AND CORPORATIST POLICIES

### Statism and Corporatism

This paper asserts that Batista's policies were statist and corporatist. Before examining Batista's policies in detail, the term "statist" and especially the term "corporatist" must be defined. Some of Batista's policies were *statist* in the sense that they enlarged the role of the state in the economy.<sup>11</sup> Statism, thus, essentially obtains when the state plays a role—usually major—in the direction of the national economy. For the purpose of this paper, statism needs no further explanation.

On the other hand, "corporatism" is a more complex notion, and requires further clarification. Certain of Batista's measures possessed *corporatist* characteristics in the sense that they aimed at *incorporating* into the state groups that previously had lacked access to government. In other words, a state embracing corporatism seeks to represent—to embody—all interest groups that make up the social and economic *corpus* of the nation. In the end, through incorporation into the state, the corporatist government hopes to control and moderate social, political, and economic forces. Howard J. Wiarda corroborates this notion, arguing that a corporatist regime arose in Mexico in order "to control the disintegrative forces emerging out of the Revolution" and to "provide an answer to the continuing disorder that followed the Revolution in the 1920s."<sup>12</sup> In the context of violent social upheavals, corporatism can prove beneficial by organizing interest groups and guaranteeing these groups a chance to air their grievances directly to the state. Paul Kubicek sheds additional light on the essential elements of corporatism, offering Philippe Schmitter's description:

Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognised or

10. *Ibid.*, p. 444, 459.

11. See Colburn, Forrest D. "Statism, Rationality, and State Centrism." *Comparative Politics* Vol. 20 No. 4 (July 1988), p. 486.

12. Wiarda, Howard J. "Mexico: The Unravelling [sic] of a Corporatist Regime?" *Journal of Interamerican Studies and World Affairs* Vol. 30 No. 4 (Winter, 1988–1989). p. 2–3.

licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.<sup>13</sup>

Thus, a corporatist state seeks to establish specific, limited groups which will each take responsibility for communicating a defined scope of demands to the state. In this way, an “enlightened leadership is able to ... alleviate social conflict and pursue the elusive common good.”<sup>14</sup>

In addition to ameliorating societal tensions through the shaping of interest groups, corporatism can serve the purpose of recognizing disaffected groups by bringing them into the state (a form of enfranchisement). Wiarda asserts that Mexican politics operate in this way: “[The Mexican system] is corporatist in that the PRI [*Partido Revolucionario Institucional*] incorporates within its ranks the major corporate or functional groups in Mexican society: workers, peasants, and the so-called ‘popular’ sector which is supposed to include all others.”<sup>15</sup> In Mexico, Wiarda argues, the state

seek[s] to incorporate, under state direction, the newer social and political forces arising from modernization while excluding, and sometimes suppressing, non-cooperative groups. The system is based on assimilation and coöptation. It also requires a constantly expanding economic pie so that new ‘pieces’ can be handed out to the rising groups without the old ones being deprived...<sup>16</sup>

In this excerpt, Wiarda underscores the dual nature which corporatism can manifest. On the one hand, corporatism brings heretofore alienated groups into the national discussion, thereby empowering them. On the other hand, the state attempts to control these groups, or at least neutralize them, through patronage, what Wiarda colorfully describes as handing out the “pie.” Consequently, corporatism can be thought of as working on a continuum. Toward one extreme lies the

authoritarian state which establishes corporatism as a means of controlling society. On the other end, a liberalizing state may use corporatism as a way to open up political space for previously silenced groups.

At the extreme end of authoritarian corporatism lies yet another variant: *state-corporatism*. Kubicek clarifies this further distinction as follows. State-corporatism

focuses on the heavy hand of the state, which creates, guides and structures social life. The parameters of independent activity are restricted. Bargaining is decidedly asymmetrical, and organisations are penetrated and/or co-opted by the state, often serving as little more than an appendage of the latter. Order is imposed from the top in order to prevent spontaneous explosions from below...These features, of course, could do much to undermine “democracy.”<sup>17</sup>

A government that has adopted state-corporatism no longer views state-sanctioned interest groups as a means of empowering segments of society, but merely as an enforcement device that forces all societal actors to conform to a predetermined role. Kubicek highlights that bargaining between the government and the interest groups is asymmetrical, and indeed, many of the groups’ leaders and members may hail from the government’s ranks. Notably, through this mode of organization, the state achieves a ubiquitous presence in all areas of life, from politics, to business, to culture. Every individual initiative must secure government approval before proceeding.

Even though the ubiquity of the state manifests itself most completely under a state-corporatist regime, widespread state participation in society characterizes all the corporatist forms described above. The corporatist organization of society links the government to political actions groups, the professions, to labor unions and every other grouping. In other words, under corporatism, the state enjoys a much wider interface with individual citizens and the groups to which they belong. Transactions, decisions, and disputes are

13. Kubicek, Paul. “Variations on a corporatist theme: Interest Associations in Post-Soviet Ukraine and Russia.” *Europe-Asia Studies*, Vol. 48, Issue 1. (January 1996). p. 2.

14. *Ibid.*, p. 5.

15. Wiarda, p. 3.

16. *Ibid.*

17. Kubicek, p. 3.

channeled through state agents. This grants state authorities significant leverage, should they choose to apply it. In the context of a pervasively corrupt state bureaucracy, corporatism's grant to the government of a wide interface with individuals can provide almost limitless opportunities for bribery and other forms of corruption. As will be shown later, corporatist policies, laid over Cuba's systemically corrupt government administration facilitated unprecedented corruption and fuelled popular discontent.

In sum, corporatism distinguishes itself as a way to organize society into state-sanctioned interest groups both as a means of establishing societal order, particularly during moments of political crisis, and as a mode of incorporating specific groups into public life. Various forms of corporatism exist, including the heavy-handed state-corporatism, though all have in common the pervasiveness, if not ubiquitous, presence of the state in society, and a wide interface between the government and individuals. This latter feature offers the state great leverage vis-à-vis the average citizen.

#### Batista's Policies

Batista adopted both statist and corporatist policies during the 1930s. Three specific measures stand out and deserve attention here: the 50 percent law, the 1937 Sugar Coordination Law, and the 1937 Bill for the Colonization, Reclamation, and Distribution of State Lands<sup>18</sup> (hereinafter the "Land Distribution Law"). The latter two pieces of legislation made up part of Batista's general Plan Trienal, or Three-Year Plan.<sup>19</sup> These three laws represented a massive and unprecedented intrusion on the part of the state into the economy and society generally and ushered in Cuban statism and corporatism. Through these laws, the Cuban government gained access to sugar producers, workers, and *colonos*, or small cane farmers.

First, the 50 percent law merits examination. The 50 percent law mandated that a full 50 percent of the workers involved in sugar production had to be Cuban.<sup>20</sup> In the 1930s, foreigners, including Haitians, Jamaicans and others, flocked to Cuba in the hopes of finding employment in the cane fields.<sup>21</sup> The 50 percent law sought to provide jobs for thousands of Cuban sugar workers who had suffered displacement by cheaper foreign labor.<sup>22</sup> The 50 percent law involved the Cuban state in the sugar business in a direct way; indeed, the state now had a veto over sugar producers' hiring practices. Consequently, the law was statist, granting the state more power over the Cuban economy. Moreover, the law was corporatist, for it created a new, state-protected interest group: Cuban sugar workers. Cuban sugar workers now enjoyed a government guarantee with respect to employment, and additionally, the state established enforcement mechanisms, such as "Labor Exchanges" and inspectors, that inserted the state into the heretofore intimate realm of worker-producer contracting.<sup>23</sup> With the 50 percent law, the state could shape Cuba's sugar workforce, and consequently, Cuban society. Furthermore, the passing of the law immediately drew to the state—and Batista personally—a large, defined constituency that Cuban politics had previously ignored. Cuban sugar workers had been *incorporated* into Batista's state.

Batista next announced his sweeping Three-Year Plan. According to Duvon C. Corbitt, the author of "*Mercedes and Realengos: A Survey of the Public Land System in Cuba*," an essay written during the time of the Three-Year Plan, the Plan Trienal "calls for a comprehensive program for the development of Cuba culturally, socially, and economically."<sup>24</sup> As Corbitt suggests, Batista intended the Three-Year Plan to transform Cuba, perhaps in an effort to fulfill expectations stem-

18. Whitney's translation.

19. See Whitney, p. 444–45.

20. *Ibid.*, p. 442.

21. *Ibid.*, p. 442–43.

22. See *Ibid.*, p. 442.

23. *Ibid.*, p. 443.

24. Corbitt, Duvon C. "Mercedes and Realengos: A Survey of the Public Land System in Cuba." *The Hispanic American Historical Review* Vol. 19 No. 3 (August 1939), p. 282.

ming from the euphoria of 1933. The ambitious Plan Trienal had as its aims the “abolition of large estates, a new national banking system, crop diversification, and co-ordination of the sugar industry through a profit-sharing mechanism among mill owners, *colonos*, and labour.”<sup>25</sup>

In 1937, the “cornerstone” of the Three-Year Plan came into effect—the Sugar Coordination Law.<sup>26</sup> In short, this aggressive act “legalized state control of the total sugar acreage.”<sup>27</sup> Samuel Farber describes the Sugar Coordination Law as follows: “Under the terms of this law, representatives of sugar mill owners, sugar farmers (*colonos*), workers and government would jointly determine the rules that were to govern the state’s regulation of the industry.”<sup>28</sup> Moreover, the law protected the *colono* from losing his farm to larger sugar estates.<sup>29</sup> The law also established “a profit-sharing system among producers (both large and small), labor and the state. The state anticipated paying for the social aspects of the Plan [Trienal] with the revenue generated from its share of the profits.”<sup>30</sup> The law comported well with Batista’s belief that “what was needed . . . ‘was an efficient and rigorous intervention by the state’ in society.”<sup>31</sup>

The Sugar Coordination Law represented a huge statist involvement by the Cuban state in the economy, and shocked the sugar industry, which had previously enjoyed “near complete freedom.”<sup>32</sup> According to Thomas, “The law organized the Cuban sugar industry to such an extent that henceforth it would be mis-

leading to regard it as a normal part of the system of private enterprise.”<sup>33</sup> Indeed, according to Charles D. Ameringer, “[T]he individual mills ceased to be competitors, each operating in a specified zone as a sanctioned monopoly.”<sup>34</sup> Ameringer even goes so far as to declare that the Sugar Coordination Law made the Cuban president head of the sugar industry.<sup>35</sup> The Cuban state effectively controlled the workings of the sugar industry and collected a share of the enormous sugar profits.

The Sugar Coordination Law also represented a vast corporatist measure that intimately involved the government in virtually all aspects of the island’s lifeblood industry. The law organized the various sugar agents into clearly defined interest groups with specified representatives. Mill owners, *colonos*, workers and the state each had representation and would work closely as a decision-making triumvirate to set wages, sugar prices, and other standards and rules.<sup>36</sup> Most importantly, the state’s presence could be found everywhere, and the government could exert influence within the capital-labor-state triangle, even going as far as to co-opt the process and shape the industry. Nothing could move forward without the state’s input. Stated differently, the state’s interface with individual players in the sugar industry expanded to virtually 100 percent access. State inspectors would naturally descend on the many mills and cane fields to enforce new regulations, once again clearing the way for avenues of corruption.

25. Whitney, p. 444.

26. *Ibid.*

27. Farber, Samuel. *Revolution and Reaction in Cuba, 1933–1960: A Political Sociology from Machado to Castro*. Middletown, Connecticut: Wesleyan University Press, 1976. p. 91.

28. *Ibid.*, p. 91.

29. Thomas, p. 708.

30. Whitney, p. 444–45.

31. *Ibid.*, p. 445.

32. *Ibid.*, p. 447.

33. Thomas, p. 708.

34. Ameringer, Charles D. *The Cuban Democratic Experience: The Auténtico Years, 1944–1952*. Miami: University Press of Florida, 2000. p.124.

35. *Ibid.*

36. Farber, p. 91.

Finally, new interest groups became *incorporated* into the Cuban state, *colonos* and mill owners.

A third new piece of legislation also deserves examination: the Land Distribution Law. This law, formally called the “Colonization, Reclamation, and Distribution of State Lands” law formed another part of Batista’s Three-Year Plan. Whitney explains the law as follows: “According to the bill, all land belonging to the state that was unoccupied or unregistered would be turned into smallholdings and given to agricultural laborers.”<sup>37</sup> Moreover, “[T]he state was to provide US\$1,000,000 for the purchase of seeds, livestock, and agricultural implements.”<sup>38</sup> Additionally, the government established rules governing the distribution of land, stipulating that, “Persons desiring land must apply to the department of agriculture where they are listed and classified according to *health, character*, and number and kind of dependents.”<sup>39</sup>

The Land Distribution Law was statist in the sense that the government involved itself even more in the economy, as land remained the engine of the sugar industry. More notably, the law represented a corporatist attempt to incorporate and shape another interest group, the landless poor. The law brought the landless poor into the state, turning them into another Batista constituency. Furthermore, the law’s application process created an avenue for the state to exert pressure on the landless poor by classifying them by health and character. These two criteria seem a bit out of place as it is difficult to understand why this information would have interested the government. “Number and kind of dependents” may have formed the grounds for the amount of land given, but “character” seems less of this vein. Presumably, those of poor health or undesirable character would have been denied land or given unproductive tracts. This reading indicates that the state wanted to shape a fit and loyal class of new landholders, who would, in turn, support the government

and Batista. This class-shaping aspect of the Land Distribution Law reveals its corporatist nature. Through this law, the state created an interface with the most basic and intimate of relationships — that of the peasant to his land. Not only did the state establish its presence vis-à-vis land relations, but went a step further and attempted to shape the newly incorporated interest group.

As with the other Batista measures discussed, the Land Distribution Law spawned new opportunities for corruption. The law made the Secretary of the Treasury responsible for settling land disputes arising from the new legislation, which meant that government agents would arrive first at the scene of any quarrels.<sup>40</sup> The involvement of government agents and inspectors, as in other contexts, raised the likelihood of bribery and other forms of graft.

The workings of the 50 percent law, Sugar Coordination Law, and Land Distribution Law indicate that Batista’s Three-Year Plan represented a statist and corporatist project designed to usher in a “new phase in the relationship between the state and society in Cuba.”<sup>41</sup> According to Robert Whitney, “For the first time in Cuban history, important segments of the *clases populares* [popular classes] were incorporated, willingly or not, into the ‘public domain’ organized by the state.”<sup>42</sup> The 50 percent law brought Cuban sugar workers, heretofore ignored in favor of cheaper immigrant labor, into the state’s sphere of operation. The Sugar Coordination Law did the same for *colonos* and sugar mill owners. One more group, the landless poor, came under state supervision with the passage of the Land Distribution Law.

Each of these laws enlarged the role of the state in the economy. Also, through these laws, the state both acknowledged and redefined pre-existing interest groups. The formerly unemployed Cuban sugar work-

37. Whitney, p. 445.

38. *Ibid.*

39. Corbitt, p. 283 (Emphasis added).

40. *Ibid.*, p. 283–84.

41. Whitney, p. 456.

42. *Ibid.*, p. 459.

er had become a recognized legal entity, statutorily defined and furnished with rights, the protection of which had become a matter of state. The *colono* gained a right to participate in the setting of prices, and the government would henceforth defend his land from hostile acquisition. The landless poor received farms, as long as they registered and grew their crops according to the state's rules.<sup>43</sup> Moreover, the laws had increased the presence of the state in society. Indeed, by 1940, the third year of the Plan Trienal, the state was everywhere.

The realization of Batista's "corporatist vision of the state"<sup>44</sup> seemed to fulfill the Cuban people's desire for change. Batista's policies appeared to replace Machado's state-instigated terrorism for the responsible and productive use of government power. Nevertheless, the Cuban state could not realistically undergo a renaissance overnight. The bureaucratic apparatus that Batista inherited could trace its tradition of corruption back to Spanish colonial administrations.<sup>45</sup> The ouster of Machado and its violent consequences<sup>46</sup> may have swept away the branches of graft, but the roots of official malfeasance remained. Over this dysfunctional system were laid Batista's reforms.

### CORPORATISM AND CORRUPTION

Despite their well-intentioned purpose, the laws of Batista's Three-Year Plan created myriad opportunities for government corruption. The Cuban bureaucracy already suffered from systemic corruption at the time Batista came to power.<sup>47</sup> Nevertheless, the level of graft reached its zenith in the years following Batista's official term as president from 1940–1944. Thomas de-

scribes the presidency of Ramón Grau San Martín, Batista's successor in the Presidential Palace, as follows:

[Grau] embodied in 1944 the hopes ... of Cubans who wanted ... a serious and socially conscious government free from corruption. ... He betrayed these hopes utterly. The trust which the people of Cuba had in him was wasted in a revel of corrupt government. ... Already a rich man ... Grau turned his presidency into an orgy of theft. ... He did more than any other single man to kill the hope of democratic practice in Cuba.<sup>48</sup>

One of the worst instances of the Grau administration's corruption involved a pension fund for sugar workers, one of the interest groups that Batista's Three-Year Plan had incorporated into the state. As William S. Stokes wrote in 1951: "It was charged that monies had even been misappropriated from special funds which did not belong to the state but which were only under its care. The Sugar Retirement Fund was thought to be short about \$40,000,000."<sup>49</sup> Another scandal involved sugar earnings: "Dr. Carlos Manuel de la Cruz . . . president of the Compañía Azucarera Central Ofelia, S.A. accused Dr. Grau of misappropriation of \$18,000,000 of the 'sugar differential.'"<sup>50</sup>

This unbridled malfeasance, this "graft and corruption on an almost unprecedented scale,"<sup>51</sup> must be understood as part of a complex system of bribery, theft, and patronage that extended from the apex of political power all the way to the lowliest bureaucratic underling. Thomas describes the pervasive dysfunction as follows: "There were few public men who did not look forward to their period in power as a time when they too would be able to make their thousands of pesos ... through control of customs houses or even through

43. Corbitt, p. 283.

44. Whitney, p. 449.

45. Thomas, p. 738.

46. See *Ibid.*, p. 625–29 (describing acts of violence in Havana following the fall of Machado).

47. See *Ibid.*, p. 566–67 ("1923, reasonably prosperous though it was, saw the beginning of a serious movement of protest against the corrupt and seemingly incapable political system.").

48. *Ibid.*, p. 737.

49. Stokes, William S. "The 'Cuban Revolution' and the Presidential Elections of 1948." *The Hispanic American Historical Review* Vol. 31 No. 1 (February 1951), p. 42.

50. *Ibid.* The 'sugar differential' will be explained later.

51. *Ibid.*, p. 41.

the establishment of a series of imaginary jobs.<sup>52</sup> Low-level inspectors were particularly active with regard to making an illicit buck:

Many ... inspectors who ... visit factories expect to be paid for not making bad reports. The factories pay them, moreover, and so they do not even make the inspections. The Government in Havana [therefore] finds it unnecessary in many cases to pay the inspectors more than token salaries.<sup>53</sup>

Notably, this excerpt reveals that not only did inspectors routinely accept bribes but the central government knew about this and accommodated the corruption in its salary policy. Corruption did not hide in the fringes, the stuff of back-room bargains, but rather played a central role in financing the Cuban government. The misconduct was ubiquitous: “It was not just the president and a few ministers who helped themselves to cash which was not theirs ... but everyone, in any official position.”<sup>54</sup>

Batista unleashed his statist and corporatist polices into this entrenched web of corruption. While the Three-Year Plan apparently sought the improvement of society and the curing of Cuba’s economic ills, the unprecedented expansion of the interface between government agents and individual citizens which the Plan established created tempting conditions. Batista’s new laws offered myriad opportunities for bribery and embezzlement. First, the 50 percent law merits attention. Unhappy with the prospect of having to lay off immigrant sugar workers and hire more expensive Cuban labor, “some mills bribed [Labor] exchange officials, paying them to overlook the regulations.”<sup>55</sup> Upon passage, the new law simultaneously created a restrictive rule and commissioned swarms of government inspectors to enforce that rule. Given Thomas’ description of the dysfunctional Cuban bureaucracy, it is not difficult to see that the 50 percent law tacitly provided for its own circumvention. Thus, the 50 per-

cent law—regardless of its actual aims—most clearly succeeded in opening up a new avenue of profit for government inspectors. Consequently, Batista’s high-minded employment policy directly facilitated corruption.

The Land Distribution Law also offered lucrative opportunities. This law provided that disputes arising from the distribution of the tracts would be resolved by the state, acting through the treasury secretary and his agents.<sup>56</sup> Not even adjudications remained untainted:

Of course, [graft] extended to law as well as to government. ... Graft is ... constantly thrust at you. ... On one occasion ... an underling of the judge came to see me and said he could get a decision for me if I could give him \$50. Otherwise it looked as if I would lose. I told him I would make him a present of \$50 if I won. And I won.<sup>57</sup>

This excerpt indicates that the outcome of land adjudications under the Land Distribution Law likely depended on the financial wherewithal of the parties involved. As a result, in disputes between mill owners and the landless poor, the mill owners could have expected to carry the day. Such results comport little with the apparent purpose of the Land Distribution Law, namely, to empower the landless and bring them under the protective mantle of the state. In effect, the law provided government arbiters with a wholly new slate of cases from which to profit.

Yet, it was the Sugar Coordination Law—the centerpiece of Batista’s Plan Trienal—that encouraged the most audacious rent-seeking behavior on the part of state officials. The statist and corporatist law not only fostered low-level graft, as did the 50 percent law and Land Distribution Law, but also opened the door for massive scams orchestrated by the upper echelons of the political hierarchy. Two aspects of the Sugar Coordination Law made this possible: the profit-sharing

52. Thomas, p. 738.

53. *Ibid.*, p. 740 (quoting World Bank report of 1950, p. 190).

54. *Ibid.*

55. Whitney, p. 443.

56. Corbitt, p. 283–84.

57. Thomas, p. 740–41.

scheme it established, and the de facto nationalization of the sugar industry that it effectuated. The profit-sharing scheme, which redistributed sugar profits<sup>58</sup> from wealthy mill owners to poor sugar workers and the state, would ideally have financed myriad ambitious social projects.<sup>59</sup> These projects included “health and old age insurance, *new schools* and a *literacy campaign*, and the construction of urban and rural *libraries*, cultural centers for the performing arts, and sports facilities.”<sup>60</sup> In particular, the listed educational goals stand out. They seem designed to build Cuba’s human capital as a complement to the statutory recognition and protection of heretofore ignored interest groups. Yet, the task of realizing these educational endeavors—which the reorganized sugar industry would fund—would fall to one of the Cuban state’s most corrupt ministries. Ameringer explains:

[T]he Ministry of Education had become a center of patronage and graft because the Cuban people showered it with money to make it the best. [José] Alemán [the Minister of Education] exploited this ‘laudable’ goal to enrich himself and build a political machine. The effects of patronage and graft permeated the entire educational system. . . . [T]eachers of certain subjects had no knowledge of the subject. . . .<sup>61</sup>

Moreover, much of the state money allocated for the building of new schools actually financed the construction of “show-window schools, built along the Central Highway, ‘to impress the superficial.’”<sup>62</sup> These excerpts reveal the extent to which Cuba’s Ministry of Education prioritized personal gain over the edification of the island’s youth. Into this self-serving agency flowed the sugar profits from the government’s profit-sharing scheme. The case of the Ministry of Education demonstrates just one way in which the Sugar Coordi-

nation Law served to build the private fortunes of government officials.

The Sugar Coordination Law facilitated an even more audacious fraud, this time perpetrated by President Grau himself. The restructuring of the sugar industry mandated by Batista’s law made Grau’s deception possible. According to Ameringer:

The Sugar Coordination Law of 1937 virtually created a straightjacket for the sugar industry. . . . [T]he individual mills ceased to act as competitors, each operating in a specialized zone as a sanctioned monopoly. In March 1941, the various laws for controlling sugar production were codified by law No. 21. Under this omnibus measure, the sugar industry ceased to exist as a free enterprise system. *The Cuban president . . . in effect ran the sugar industry.*<sup>63</sup>

The Sugar Coordination Law thus concentrated control of the sugar industry in the hands of the Cuban president, with Grau inheriting this power upon his election. Exercising this near complete power over sugar, Grau in a 1946 decree introduced

the concept of the sugar differential, whereby Cuba reserved a portion of the sugar harvest to pay for commodities imported from countries other than the United States. This so-called free sugar sold for a higher price on the world market than that set for the guaranteed U.S. sale. Rather than passing along what amounted to a windfall profit to the *hacendados* [mill owners<sup>64</sup>], the government . . . ‘captured’ the differential and made a commitment to build rural schools.<sup>65</sup>

Given the state of the Ministry of Education, the last sentence of this excerpt is particularly revealing. Though some of the sugar differential money likely went toward lining the pockets of José Alemán and other bureaucrats, Grau allegedly pocketed the largest share. Indeed, as mentioned at the beginning of this section, the president of one sugar company charged

58. Ameringer, p. 125.

59. Whitney, p. 444–45. See Thomas, p. 707 (Batista’s Three-Year Plan was “so extensive in ambition as to be nicknamed ‘the 300-year plan.’”).

60. Whitney, p. 444 (Emphasis added).

61. Ameringer, p. 131.

62. *Ibid.*, p. 132.

63. *Ibid.*, p. 124.

64. *Ibid.*, p. 123.

65. *Ibid.*, p. 125–26.

Grau with having “misappropriated” “\$18,000,000 of the ‘sugar differential.’”<sup>66</sup> Without the Sugar Coordination Law’s reorganization of the sugar industry under the control of the Cuban president, Grau could not have decreed the establishment of the sugar differential and, consequently, could not have stolen it.

Batista’s sugar law, the key legislation of the Three-Year Plan, thus provided a steady stream of income to officials of the Ministry of Education and gave the Cuban president the power to steal on an unprecedented scale. Taken together, Batista’s statist and corporatist policies—by increasing the participation of the state in the economy and broadening the interface between state officials and individual citizens—facilitated the rampant corruption characteristic of the Cuban state of the 1940s.

#### CORPORATIST LINKAGES BECOME LIABILITIES

Batista’s introduction of corporatist policies in the years following the 1933 revolution founded a tradition of state involvement in—and direction of—interest groups. The 50 percent law involved the state in labor relations within the sugar industry and created a state-protected interest group out of unemployed Cuban sugar workers. The Three-Year Plan’s Sugar Coordination Law and Land Distribution Law corralled *colonos*, mill owners, and the landless poor into government-supervised interest groups, which the Cuban government shaped through registration provisions and production regulations. Also during the late 1930s, the government established a state-sponsored labor union, the *Confederación de Trabajadores de Cuba* (CTC), or Confederation of Cuban Workers, which permitted the state “to build inroads into the

mass movement.”<sup>67</sup> These corporatist moves allowed the Cuban government to enjoy influence over many sections of Cuban society, particularly when it came to electoral politics. Once established, the broad involvement of the state in society could not easily be abandoned, as the influence networks had crystallized.

In addition to its connections with the sugar industry and labor, by the 1940s, the Cuban state had established firm linkages with various political action groups. These latter ties would eventually prove disastrous for the state as the political action groups turned increasingly violent and corrupt. By the late 1940s and early 1950s, critics of President Grau and his successor Carlos Prío lashed out at the state’s association to, and even facilitation of, political organized crime.<sup>68</sup>

Under Grau, the government cultivated close ties with many of the ten major “political semi-gangster groups,” including the dominant *Acción Revolucionaria Guiteras* (ARG), a leader of which “had been made chief of police in Havana by Grau in return for support in the elections.”<sup>69</sup> Another political action group, the *Unión Insurreccional Revolucionaria* (UIR), “also had friends at court. The leader of this gang ... became under Grau the chief of police in Marianao, by now a huge city.”<sup>70</sup> According to Thomas, though the UIR had an especially close relationship with President Grau, “all these groups . . . had in fact helped Grau in his election campaign ... and after he had taken office, all of them moved in, as it were, on the government.”<sup>71</sup>

President Prío also made efforts to bring the political gangs into the state: “As for the gangs themselves, Prío arranged a so-called ‘Pact of *grupos*’ by which each action group undertook to cease activities in return for government posts and subsidies. Prío was believed to have distributed in consequence over 2,000 separate

66. Stokes, p. 42.

67. Whitney, p. 453.

68. See Thomas, p. 766–67 (describing how Eduardo Chibás, an eloquent and outspoken critic of President Prío, railed against the *gangsterismo* associated with the Cuban government).

69. *Ibid.*, p. 741.

70. *Ibid.*, p. 742.

71. *Ibid.*, p. 743.

posts.<sup>72</sup> The government also sought to gain control of the students at the University of Havana: “All Cuban presidents knew that the students carried political weight and they tried to have a man of their own political views at their head, if only to discourage political demonstrations against the government.”<sup>73</sup> While these practices lacked the legislative mandate of Batista’s statist and corporatist policies, they proved no less effective at incorporating important constituencies into the state apparatus and simultaneously shaping the political preferences of these groups. In particular, the promise of official posts and sinecures exerted a great influence over these groups’ political orientation.

Though the corporatist tradition gave the Cuban state a great deal of influence over the political action groups, by the mid-1940s the government no longer expended the political energy to keep the groups fully under control. This lack of political will to completely co-opt the action groups reduced the state’s power over these factions, meaning that the groups would only cooperate if the government offered quid pro quo deals. Though weaker perhaps than during the late 1930s, the linkages between the political gangs and the state nevertheless remained, and, more importantly, the public made the association.

When the activities of the political groups like the UIR became more violent in the 1940s, the state suffered much discredit. The UIR had a particularly violent streak: “[The members of the UIR] had the habit of leaving the note ‘Justice is slow but sure’ beside the bodies of their victims.”<sup>74</sup> Under President Prío, the street violence escalated: “Despite the ‘law against *gangsterismo*,’ there had been no pause in the political gang-warfare. [Rolando] Masferrer, now a senator for

the Auténticos, rode round Cuba in his Cadillac like a pirate king, surrounded by bodyguards. Deaths were increasingly frequent,”<sup>75</sup> For those who opposed the Cuban government of the mid to late 1940s, each news story chronicling the gangs’ atrocities became political ammunition. Eduardo Chibás, the most outspoken critic of President Prío, railed against the violence of the political action groups in his radio broadcasts:

Every week on Sunday night, Chibás spoke. Crowds flocked to cafés and hotels to hear him. He spoke with extraordinary passion and energy, denouncing the unbridled corruption of the regime and the *gangsterismo* associated with it. ... [B]y his accusations, week after week, he effectively completed the discrediting of all surviving political institutions in Cuba, describing this, the last democratic government in Cuba [Prío’s administration], as ‘a scandalous bacchanalia of crimes, robberies and mismanagement.’<sup>76</sup>

Chibás’ words found widespread support,<sup>77</sup> and when he fatally shot himself during his final radio address, hundreds of thousands of Cubans turned out to his funeral.<sup>78</sup> According to Thomas, “Chibás, given the honours of a colonel killed in the line of duty, at a tumultuous funeral, accomplished in his own death the destruction of Cuban political life. . . .”<sup>79</sup>

Ultimately, the association of the Cuban state with political gangs—a link strengthened by Batista’s embrace of corporatist organization—had undermined the government’s credibility among the Cuban people, whose dissatisfaction turned to righteous anger at Chibás death. Though Fidel Castro’s revolutionary movement would not triumph for another eight years, Castro did serve as an honor guard at Chibás funeral,<sup>80</sup> an experience which no doubt proved formative.

72. *Ibid.*, p. 763.

73. *Ibid.*, p. 742.

74. *Ibid.*, p. 742.

75. *Ibid.*, p. 761.

76. *Ibid.*, p. 766–67.

77. *See Ibid.*, p. 767.

78. Ameringer, p. 155.

79. Thomas, p. 770.

80. Ameringer, p. 155.

## CONCLUSION

Batista's statist and corporatist policies represented a radical break from the past and seemed to promise the salvation of the Cuban economy. The statist involvement of the state in the sugar industry appeared to be a long-awaited official acknowledgement that Cuba's mono-crop, export strategy was unsustainable and in dire need of reform. The corporatist 50 percent law incorporated unemployed Cuban sugar workers into the state and statutorily mandated their protection. The corporatist Sugar Coordination Law and the Land Distribution Law incorporated other heretofore ignored groups, such as *colonos* and the landless poor, into the public sphere. These pieces of legislation seemed to answer the hopes of Cubans for change, for the building of a socially just and economically sound nation. The promise of the revolution of 1933 had become a reality.

Yet, Batista's statist and corporatist policies, instead of ushering in a political *Pax Cubana*, ultimately helped stoke the flames of popular discontent. First, Batista laid his Three-Year Plan upon a bureaucratic system plagued by systemic corruption. As a result, officials ranging from cabinet-level ministers to the lowliest inspectors and underlings, found in Batista's laws myriad new opportunities for graft and embezzlement. In short order, mill owners began to bribe labor inspectors tasked with enforcing the 50 percent law. The expansive involvement of the state in the sugar industry mandated by the Sugar Coordination Law provided new ways for inspectors and other officials to line their pockets.

Moreover, the allocation of state profit-sharing earnings for educational development facilitated the thievery of the Ministry of Education. The power over the sugar industry that the Sugar Coordination Law vested in the Cuban president cleared the way for Grau's

colossal frauds involving the Sugar Retirement Fund and the "sugar differential." Finally, the provision in the Land Distribution Law making the treasury secretary and his agents responsible for resolving land disputes opened the door for more bribery. The corruption that Batista's statist and corporatist policies helped facilitate did much to disenchant the Cuban people and foment widespread dissatisfaction with Cuba's political situation.

Second, Batista's adoption of corporatism created a tradition of linkages between the Cuban government and violent political action groups. The Three-Year Plan of the late 1930s set a precedent for the expansion of the state's interface with society, and government involvement in—and shaping of—political action groups formed part of the corporatist strategy. However, by the mid-1940s, the political will to fully co-opt the gangs had disappeared, with the consequence that the action groups' conduct became increasingly wild and violent. Yet, despite the growing independence of the political gangs from the state, the government maintained its connections with these groups. As a result, the association of the state with *gangsterismo* became fixed in the public imagination. This association, repeatedly emphasized by opposition leaders like Chibás, provoked wide resentment and dissatisfaction with the Cuban political system.

In the end, Batista's statist and corporatist policies, though perhaps well-intentioned, did much to rekindle the revolutionary fervor which had gripped Cuba in 1933. In 1959, Cuba would be rocked by a new revolution, which in many respects was a continuation of 1933. Yet, to the old grievances was added a new cry: betrayal. Batista's statist and corporatist policies had, in the final analysis, betrayed the ideals of 1933 by engendering even greater dysfunction in government.