Whither Cuban Socialism?
The Changing Political Economy of the Cuban Revolution

by
Douglas Hamilton

Given the overwhelming global dominance of neoliberalism and capitalism today, Cuba is almost alone in providing an alternative socialist political, social, and economic path to development. This path has undergone huge changes over the past four decades, and since the breakup of the Soviet bloc in the early 1990s Cuban socialism has suffered greatly and has had to respond in unforeseen ways. Though changed fundamentally, the Cuban Revolution has not only managed to survive, surprising critics and supporters alike, but in the latter half of the 1990s developed further, despite the intensification of the U.S. economic blockade of the country. The political and economic transformation of Cuba and the intensely hostile environment in which it has had to operate make it a fascinating subject for analysis. Twenty years ago Carmelo Mesa-Lago stated that “the Cuban Revolution continues to polarise opinion, being a source of uncritical admiration, passionate criticism, and intriguing curiosity” (1981: 1). This remains the case today.

This article adopts a political economy perspective, bringing together the main ideological forces and the changing political/institutional frameworks with the key economic changes that have taken place during the course of the Revolution. Discussion is given to the various stages of development of the Cuban Revolution, with particular emphasis on recent economic reforms and their implications for future socialist development. A number of important issues are examined, including the changing nature of Cuban socialism, the implications of tying Cuba’s economic development to the Soviet bloc, the
consequences of economic reforms for class structures and relations, and the
efficacy and implications of the currency structure. The article ends with a
necessarily speculative discussion of what the future might hold for Cuba.
Two issues are discussed in particular: the possible consequences for the
Cuban economy of a lifting of the U.S. blockade and the various development
options for Cuba in the new millennium.

THE KEY STAGES OF THE POLITICAL ECONOMY
OF THE CUBAN REVOLUTION

To highlight the main changes in organization, ideology, and outcomes of
the Cuban economy, it is useful, following Cole (1998), to break the Cuban
Revolution into six very broad but key stages of political development. For
present purposes, a fairly broad periodization of economic changes is used; a
more detailed breakdown could have been applied, especially for the 1960s
and 1970s (see, for example, Mesa-Lago, 1981).

1959-1963: NATIONALIZATION OF THE ECONOMY

The first stage of the Cuban Revolution, from 1959 to 1963, was charac-
terized by nationalization of the economy. This followed a ten-year period
when the Cuban economy had grown very slowly, at around 1 percent per
annum, and unemployment and underemployment had increased. Moreover,
there were large inequalities between capital and labor, the employed and the
unemployed, and urban and rural areas (Mesa-Lago, 1981). The first major
act of the revolutionary government, in 1959, was agrarian reform, with all
estates over 400 hectares being nationalized. Given the large U.S. economic
presence in Cuba, this meant that huge tracts of land and property owned by
U.S. companies were expropriated by the state. The Cuban Telegraph Com-
pany, a subsidiary of the U.S.-owned International Telephone and Telegraph
Corporation, was nationalized, and so were the oil refineries—Texaco, Stan-
dard Oil, and Shell. In addition, a number of other economic measures were
taken, including the halving of housing rents, a reduction in the price of medi-
cines, and the confiscation of casinos. By the end of 1960 almost all U.S.- and
Cuban-owned firms were nationalized. Moreover, there was an expansion of
welfare provision and of health care and education.

It was during this period that Cuba established economic ties with the
Soviet Union. This was a major political and economic turning point for the
Revolution. In a short period of time Cuba went from being highly dependent
economically on the United States, which had once provided more than 65
percent of Cuba’s imports and purchased 75 percent of Cuba’s exports (Cole, 1998: 22), to heavy dependence on the Soviet bloc.

The economic policy aims of these early years of the Revolution were the diversification of the Cuban economy, in particular a reduction of its dependence on sugar, and the promotion of import substitution through industrialization mirroring that of the Soviet Union in the 1930s. The Soviet influence led to the introduction into Cuba of centralized planning and a command economy. In 1961 the Junta Central de Planificación (Central Planning Board—JUCEPLAN) was established to plan and coordinate economic activity. The economy was broken up into a number of sectors, investment was determined by state budget allocations, prices were fixed, and consumer goods were allocated through rationing. The initial outcome of these fundamental initiatives was far from successful. Apart from the difficulties encountered in applying Soviet planning techniques to the Cuban situation (Cole, 1998), the economy lacked the necessary raw materials for rapid industrialization, such as the coal and iron required to produce steel, and it had few foreign reserves to import them (Castañeda, 1997: 213). By 1963 it was recognized that the economy was simply not performing well enough and that further fundamental changes had to be introduced.

1963-1970: SOCIALIST CONSCIOUSNESS

The second stage of development can be dated from 1963 to 1970 and involved the promotion of socialist consciousness. The failure of the Cuban economy in the early years of the Revolution highlighted the inherent limitations of rigid and highly centralized planning, and this led to a questioning of the Soviet emphasis on production. In the mid-1960s there were changes in political and economic institutionalization, and in 1968 the “Revolutionary Offensive” was launched and a process of collectivization brought all non-agricultural private-sector businesses under state control. During the same period, the role and functions of the Central Planning Board were reduced and planning was carried out in a more ad hoc and political manner. The key change at this time was the politicization of economic incentives, in particular the use of political consciousness to promote economic development—a policy change that arose from the “Great Debate” that took place between 1962 and 1965 over moral versus material incentives. In order to build a new political and social culture and use it for economic ends, a number of initiatives were pursued. In particular, a range of mass organizations were set up, such as the Comité de Defensa de la Revolución (Committees for the Defense of the Revolution—CDRs), the Federación de Mujeres Cubanas...
The only mass organizations that predated the Revolution were the Confederación de Trabajadores de Cuba (Confederation of Cuban Workers—CTC), founded in 1939, and the Federación Estudiantil Universitaria (Federation of University Students—FEU), founded in 1922.

The basic aim of the incentives debate was to reconcile national economic organization and the objectives of enterprises and sectors of the economy with social rather than individual gains or market rationality. Che Guevara, the main proponent of moral incentives, argued, in contrast to the view taken in the Soviet Union at the time, that money and material incentives such as profits should be completely phased out and replaced by “socialist consciousness,” popular participation, and voluntary work.

Much was achieved through the 1960s, and there can be no doubt that a new form of economic organization and behavior was put in place. Cuba established important examples of popular mobilization and voluntary work for the common good, much of which remains today. However, by the mid-1960s, with Che Guevara having left Cuba to spread socialist revolution in Africa and South America, much of what he established began to break down. In short, the economic planning system became chaotic. This period of economic experimentation and innovation came to a head with the failure of the planned 10-million-ton sugar harvest in 1970.


In the third stage of development, from 1970 to 1986, material incentives were reintroduced, and the Cuban economy was reorganized almost completely along Soviet lines. In 1972 Cuba joined the Council for Mutual Economic Assistance (CMEA), and in the following year the Sistema de Dirección y Planificación de la Economía (Economic Management and Planning System—SDPE), based directly on the 1965 Soviet economic reforms, was introduced. Despite some success, including a significant growth in the Cuban economy during the 1970s in contrast to economic decline in Latin America and the Caribbean, the SDPE became increasingly inefficient and wasteful. In particular, the system’s incentive structures were poorly organized and led to cynicism, a lack of work discipline, and reduced collective rights and responsibilities. Mirroring the experience of the 1960s, many of the problems associated with the failure of the SDPE were seen to arise from a lack of genuine involvement and participation by workers and...
people in the determination of economic development. The bureaucratic cen-
tralized framework had become so rigid and top-down that people simply felt
that they played no role in decision making.

According to Cole (1998), the response to this situation was the establish-
ment of Poder Popular (Popular Power) in 1976 and 1977. Until this time,
direct democracy had lacked structure and had been limited to mass organiza-
tions such as the CTC, the FMC, and the CDRs. Popular Power was important
in that it attempted to fuse political structures with the economic system in
order to create a sense of political and work responsibility. It was a clear
“attempt to maintain the process of democracy at the centre of Cuban socialist
development and to reconcile revolutionary ethics with international eco-
nomic specialisation” (Cole, 1998: 39). However, despite its desirability as a
system of government that incorporates important and novel elements of
garoots participation, Popular Power has had little to do directly with the
Cuban economy (apart from consumption) because the municipalities have
traditionally lacked significant economic powers. Arguably more important
was the degree of workers’ participation in economic decision making in
companies through trade unions.

1986-1990: THE RECTIFICATION CAMPAIGN

By 1986 it was becoming increasingly clear that further changes were
required. The SDPE was seen to be limited in its effectiveness, and member-
ship in the CMEA had created very narrow limits for the Cuban economy. In
1986 Cuba was unable to meet debt obligations of US$6-7 billion (Fitzger-
ald, 1994) and had to call a unilateral moratorium on bilateral hard-currency
debt repayments. In 1989 the debt-to-export ratio stood at 649 percent
(Eckstein, 1994). As a result, imports from the capitalist world had to be cut
drastically, and there was a real need to expand exports, reduce consumption,
increase investment, and improve economic efficiency. The economic crisis
of 1986 led to the “Campaign of Rectification of Errors and Negative
Tendencies”—a frank admission of the failures of past economic policy. As
with previous changes, the emphasis was once again placed on the political
weaknesses of economic management. At the core of the Rectification
debate was the enduring lack of popular participation in the economy from
below as a result of the rigid application of democratic centralism through the
SDPE.

In 1988 the SDPE was abolished. Now, “economic regulation and control
was to be a conscious political process of choosing priorities, and not consid-
ered to be the ‘inevitable’ economic result of technical specialisation or the
necessary effect of the anarchy of market forces” (Cole, 1998: 45). Other
important changes were a crackdown on economic activity that had led to inequalities, such as the farmers’ markets that had been operating since 1980. Tourism was given increased importance, with the aim of reducing Cuba’s dependence on sugar.

The Rectification Campaign, which has been described as “Cuba’s Perestroika” (Frank, 1993), actually preceded by a number of years the unraveling of Soviet communism after Gorbachev came to power in 1985. Certainly it was firmly in place before “perestroika” and “glasnost” became household words in the West and subsequently associated with the disintegration of the Soviet Union.

1990-1994: THE SPECIAL PERIOD

Despite the political progress achieved during the Rectification Campaign, Cuba’s economic problems continued, with hard-currency debt more than doubling between 1985 and 1989 (Eckstein, 1997). Moreover, as if this were not bad enough, the fragile basis of the economy was devastated in the midst of the Rectification Campaign by the collapse of the Soviet bloc in 1989. This collapse could not have come at a worse time for Cuba. In 1989 the Soviet Union accounted for 85 percent of Cuba’s trade, and foreign trade itself accounted for around half of the national income—Cuba imported two-thirds of its food, nearly all of its oil, and 88 percent of its machinery and spare parts from the CMEA. As a result, Cuban imports fell by 70 percent from 1989 to 1993, and the gross domestic product (GDP) fell by almost 50 percent, from US$19.3 billion to US$10 billion. The impact of these developments on living standards was catastrophic. Industrial production fell to just 15 percent of capacity, factories closed, the sugar harvest was halved in just three years, public transport collapsed, oil-fired electrical plants operated sporadically (with power cuts of up to ten hours a day), the supply of fresh water was disrupted, agriculture was paralyzed, produce rotted in fields because of lack of transport, and tractors and mechanical harvesters broke down and could not be repaired (Ellwood, 1998).

As a result, a “Special Period in Time of Peace” was declared in 1990, and it involved, for the first time, policies more commonly followed by capitalist economies. In many ways, the changes that took place were akin to a structural adjustment program similar to those imposed on developing countries by the International Monetary Fund (IMF) and the World Bank. In the case of Cuba, however, these changes were self-imposed in reaction to the fall of Soviet communism and were not an adjustment to an existing capitalist economy but a radical restructuring of political economy, the forms of social regulation, and cultural ideological production (Dilla, 1999).
In order to save the Revolution, a number of initiatives were introduced. First, a Food Plan (Plan Alimentario) was launched in 1989 with the aim of creating self-sufficiency by making larger state farms use more extensive methods. In 1993, many large state farms were broken up into smaller basic units of cooperative production (Unidades Básicas de Producción Cooperativa—UBPCs). The UBPCs were self-managed and financially independent, though the nature of their output was still dictated by the Ministry of Agriculture. Second, the attitude taken toward foreign investment was relaxed, and a range of concessions were offered. Foreign investment was to be the means to inject much-needed capital, technology, and raw materials into the economy. Such investment was mainly targeted at tourism, which overtook sugar as the largest export and hard-currency-earner in the economy, although foreign investment has also been significant in nickel, oil prospecting, steel, and transport and communications. The third key Special Period economic initiative was the legalization of the U.S. dollar alongside the Cuban peso. This arose from a situation of “monetary overhang” or excessive liquidity in which people had pesos but nothing to spend them on. Monetary overhang was also dealt with by reducing the fiscal deficit—decreasing enterprise subsidies, raising selected prices, and imposing taxes on some economic activities. Related economic reforms included the reintroduction of rationing for the distribution of durable and nondurable consumer goods and the promotion of self-employment in private services such as restaurants.

The net economic effect of the changes introduced during the Special Period was positive. The economy was saved from collapse and after 1995 began to show significant rates of growth—0.7 percent, 2.5 percent, and 7.8 percent in 1994, 1995, and 1996, respectively, compared with an average annual rate of growth of 4.3 percent from 1959 to 1989 and a 3.5 percent average for Latin America and the Caribbean in the mid-1990s (Susman, 1998). Expansion has continued, with growth in GDP of 2.5 percent in 1997, 1.2 percent in 1998, and 6.2 percent in 1999. Even if there were average annual growth of 2.5 percent, it would not be until the year 2010 that the level of GDP achieved in 1989 would be exceeded, but this performance must be considered in the context of the economic crisis out of which the Cuban economy emerged in the early 1990s, the continuing crippling effects of the U.S. blockade, the fall in the world price of sugar, and the economic costs of natural disasters, particularly hurricanes.

The most important aspect of all these changes during the Special Period and the economic hardship suffered was that the bedrock of the Revolution—free education and health care for all—was maintained if not increased (Dilla, 1999). Moreover, this was achieved in the midst of increased confrontation with
the United States as the economic blockade was tightened first by the so-called Cuba Democracy (Torricelli) Act of 1992, which extended the trade ban to overseas subsidiaries of U.S. companies, and then by the Helms-Burton Act of 1996, which aimed to stanch foreign investment in Cuba by threatening legal action against U.S. companies that “trafficked” in property nationalized by the revolutionary government that had previously been owned by anyone who was now a U.S. citizen.

1994 TO THE PRESENT

Despite recent improvement, Cuba is still experiencing a crisis, and economic adjustment has yet to be concluded. One consequence that has yet to be worked through is an increase in unemployment as a result of the necessary expulsion of around 600,000 surplus workers (Dilla, 2000). Almost all the initiatives introduced during the Special Period have subsequently been maintained to differing degrees, and these have led to further problems and inconsistencies, both political and economic. Three main consequences for socioeconomic development in Cuba are highlighted here: (1) the separation of the economy into clearly defined export and domestic sectors; (2) growing income inequalities as a result of the currency structure of the economy; and (3) the implications of both these consequences for class divisions within the population and the labor force.

With the legalization of the dollar in 1993, the Cuban economy experienced an awkward split, with a traditional socialist economy based on the peso on one side and an expanding export-oriented and partially market-based dollar economy on the other (Ritter, 1997). The traditional socialist, peso-based economy encompasses almost all industry, with the exception of some self-employed activity and export-oriented joint ventures, almost all services (in particular the financial), most wholesaling and retailing (except for the agricultural markets and dollar shops), and transportation and communications. Within this peso-based sector, resources continue to be allocated largely through a central planning system, with the volume and mix of inputs and outputs and investment decisions decided by central planners. The prices of consumer goods are fixed, and rationing takes place. Labor is allocated according to a mix of central determination, personal preference, and educational qualifications, with wages set according to occupation within a narrow range. The dollar-based sector of the economy covers the tourist industry and related services, foreign businesses in joint ventures, and some of the large state-owned enterprises that operate in export markets. There are also areas of self-employment that are, to differing degrees, dollar-based.
Incomes from these areas of economic activity, together with dollar remittances from abroad, are spent in dollar shops that sell a wide range of foodstuffs, clothing, footwear, consumer appliances, and so forth.

In many respects, two quite separate forms of economic activity sit uneasily alongside each other. Jobs that have traditionally been given most value, in particular in education and health care, are remunerated in relatively low-value pesos, while those in tourism, while paid in pesos, have access to tips paid in dollars that are commonly of greater value than their basic wages. With basic foodstuffs bought in pesos at low and fixed prices and rationed to ensure equality, the ownership of dollars allows for a much wider range of consumption. Unequal access to the dollar has undoubtedly led to a degree of economic inequality previously unknown during the Revolution.

The dual currency structure has led to changed incentives or, put more crudely, a situation in which Cubans “chase dollars.” Many highly qualified people are working as taxi drivers, bartenders, and waiters simply because of the opportunity for obtaining dollars and the higher standard of living they offer. In summary, “The real reward that society provides to those able to earn or acquire dollars appears to be out of line with the real value of their contributions to the economy or society” (Ritter, 1997: 169). In addition, however, and arguably more important, there is inequality not so much between those who do and do not have dollars as between those who do and do not have money. A growing number of people in Cuba have managed through self-employment and income raised from farmers’ markets to accumulate significant amounts of pesos and are waiting for the opportunity to convert them into capital. Despite the emphasis placed (largely, it should be said, by technocratic economists) on the introduction of the dollar into the Cuban economy and its adverse effects, it is these more fundamental forms of income, distribution, and consumption inequality that are likely to have longer-term and more detrimental effects.

Haroldo Dilla argues that the depth of the social implications of the economic restructuring—not just the dollarization but the wider economic reforms that were introduced in the 1990s—is much greater: “The reforms are producing a recomposition of social classes as a consequence of the emergence of a technocratic-entrepreneurial bloc, and this process is to the detriment of the popular classes” (1999: 229). He suggests that the Cuban Revolution has been dominated by two contrasting tendencies—social leveling and social mobility. The pre-Revolution bourgeoisie and middle class simply disappeared after 1959, leading to a highly egalitarian society. At the same time, and as a direct result of all the achievements of the Revolution, such as the eradication of illiteracy and the provision of education at all levels, there was an intense process of social mobility. Interestingly, because of centralist
social regulation, social mobility led not to self-identification based on social class, as would have been the case in a capitalist society, but to a focus on the “national people.” This resulted in a high degree of political consensus, political mobilization, socialization of values, and political behavior reflected in patriotism, internationalism, and social justice (Dilla, 1999).

One consequence of the recent economic reforms has been the strengthening of a technocratic-entrepreneurial bloc that benefits from its links to the market and has the potential to become a hegemonic social class and, at the same time, a fragmentation and weakening of the popular classes (Dilla, 1999; 2000). The new class is made up of those in the traditional bureaucracy who now work with foreign investors and those who operate in world markets in state enterprises, together with commercial intermediaries, service providers, and the self-employed. The strength of this new class can be seen from the increasing concentration of savings in a small number of bank accounts; in 1996, 12.8 percent of bank accounts represented 85 percent of private savings in the economy. The potential destabilizing effect of this new class was recognized by Castro in a speech to the National Assembly, when he criticized “Creole millionaires” and expressed his disgust at their negative social effects in Cuba (Castro, 1998).

A further and related consequence of the economic reforms is that the size of the working class has decreased significantly (Dilla, 1999). Before 1989, 94 percent of the workforce were wage-earners, the rest being peasants and self-employed. In 1996 the proportion of wage-earners had fallen to 78 percent. Moreover, there was a decline in the economic power of the working class as a result of the dollarization of the prices of consumer goods and services and the continuation of wage levels designed for subsidized consumption. This has led to a situation in which the price of labor is lower than the cost of its reproduction. Dilla estimates that a family of four in which two are working for average wages would require double its earned income to generate a minimum consumption of food, hygiene products, and commercial services. In reality, this differential is met in a number of ways. Around 20 percent of wage-earners in tourism, advanced technology, and export-oriented industries receive wages in kind in addition to their official salaries. Others have developed areas of self-employment (26 percent of state earners had licenses for self-employment in 1996), while still others receive income from remittances abroad.

Economic reform in the 1990s has brought about huge changes internally and to the class structure of society. Dilla argues that if the achievements of the Revolution—health care, education, social leveling, social mobility, distribution of power, and, of course, national independence—are to be defended, the types of genuine popular participation and democratic power created
during the first 30 years of the Revolution but undermined by the economic crisis and adjustment process will need to be developed further (Dilla, 1999; 2000). In this regard, a strong network of popular participation, a political culture of solidarity and cooperation, a well-educated society largely committed to socialist objectives, and a political class sensitive to changing times and with a high level of responsibility serve as a good base from which to develop. However, there is no shortage of obstacles, including the continuing U.S. blockade and an economic base still largely modeled on the Soviet period and constrained by a lack of diversification.

Complete withdrawal from the global capitalist economy is no longer a viable option, and Cuba will inevitably become part of the international economy. The question is how this transition is to be organized. Dilla (1999; 2000) views the maintenance of the socialist underpinning of the Revolution as paramount. He argues that there should be three key principles: guaranteeing the unity of the nation in the face of imperialist intervention, strengthening the “people” and their organizations and recognizing the increasing complexity of Cuban society, and dealing with social diversity on the basis of popular hegemony and through negotiation and the subordination of new and emerging classes.

This would amount to “a socialist politics that recognized the existence of contradictions and conflicts in a complex society and provided the mechanisms for resolving them in a democratic manner to the benefit of popular hegemony and national independence” (Dilla, 1999: 239).

THE FUTURE POLITICAL ECONOMY OF CUBA

With regard to the future of Cuba’s political economy, two key issues can be highlighted. First, despite the continuation of the illegal, politically contingent, and immoral U.S. economic blockade since the early 1960s and its recent tightening, it is still necessary to consider what the possible effects on Cuban economic development might be if the U.S. blockade were to be lifted. The second and related issue is what the future holds for the Cuban model of socialism, in particular the form of political economy that has evolved over the past four decades of the Revolution.

POSSIBLE EFFECTS OF THE ENDING OF THE U.S. BLOCKADE

There is no other country in the world that has had to endure so sustained a period of economic and political aggression as Cuba has at the hands of the United States. This is not the place to discuss the reasons for U.S. policy with
regard to Cuba, but what is indisputable is that the U.S. blockade has had and continues to have a huge and devastating impact on Cuba’s economic, political, social, and cultural life. A report by the American Association for World Health (AAWH, 1997) has highlighted the damaging effect of the blockade on the health and nutrition of the Cuban people. World opinion has increasingly built up against the United States, with the European Union and Canada both contesting the extraterritorial nature of the Helms-Burton Act, while the annual vote in the United Nations has identified an increasing number of countries explicitly opposing the blockade—in 1998, only Israel voted with the United States in support of it. Within the United States there is growing opposition to the blockade on the part of various, especially business, lobbies. Despite this, there is no realistic prospect of the blockades being lifted in the near future, but it is important to consider what might happen if it were lifted.

At least in the short term, it seems clear that the lifting of the blockade “would have a major beneficial impact on the Cuban economy via annual remittances of possibly a billion dollars from Cuban Americans, major infusions of U.S. (including Cuban American) private capital, sharp increases in tourism and visits by Cuban Americans, trade of several billion dollars, and access to modern technology” (Font, 1997: 132). Moreover, it would give Cuba access to medicines, medical equipment, educational resources, and a wide range of consumer and capital products currently unavailable. Also, the many technological innovations that Cuba has developed in areas such as biotechnology could be fully exploited in world markets. The beneficial impact of all this on the health status, nutrition, and general standard of living of Cubans would be immense.

All this, of course, would mean much greater integration of Cuba into the global and particularly the U.S. economy. This itself raises a number of questions, such as how the Cuban economy would perform under such circumstances and how such integration would affect the socialist basis of the Revolution. On the first point, it seems likely, again at least in the short run, that while the economy would undoubtedly benefit from an opening up of economic relations with the United States, Cuba would be in a very poor position to compete in world markets, given the economic problems it has had to confront over the past four decades and its relative technological backwardness. Moreover, the Cuban economy has been highly protected, especially during the Soviet period, when trade was negotiated and highly subsidized, and certainly is not based on capitalist forms of competitiveness. Even before the Revolution, it was never a competitive economy, given its heavy dependence on the United States. If world markets were to be opened up with a lifting of the blockade, Cuba would have to compete, if it chose to do so, in terms of
capitalist conditions. Given its technological backwardness, at least in many core industries, such competition would necessarily be on the basis of pricing its goods and services at relatively low levels. Of course, such forms of competition would reduce the country’s revenue-generating capacity and labor’s earning power (Eckstein, 1994). In order to avoid the damaging and marginalizing economic relations that characterize most other Latin American countries, Cuba would have to gain access to U.S. markets under favorable trade conditions—an outcome that is highly unlikely. It would therefore face a daunting prospect. The lifting of the blockade would certainly be necessary to alleviate economic and social conditions within Cuba, but it would be far from sufficient in itself for economic success, never mind further socialist development. The biggest danger is that lifting of the blockade could lay the Revolution open all the more to U.S. economic, political, and ideological pressures and result in Cuba’s once again becoming an appendage of the U.S. economy as it was in the pre-Revolutionary period (Fitzgerald, 1994).

The danger to Cuba if the blockade were to be lifted should certainly not be underestimated, but it could retain some degree of national policy control and autonomy and use this to its benefit in a more open economic situation. There are choices that can be made about its integration into world markets to ensure that its future is not determined by forces beyond its control (Dilla, 2000). Indeed, during the 1990s Cuba attempted to realign itself with other megablocs, in particular the European Union and various trade organizations in Latin America and the Caribbean. Moreover, the Fifth Congress of the Cuban Communist Party in 1997 stressed Cuba’s integration into the capitalist world, recognizing that economic efficiency and competitiveness were the key to success (Valdés Vivó, 1998). Given Cuba’s history and experience, it is fanciful to suggest that it would give up its national self-determination at the very moment it regains it. Even in a world of increasing globalization, reports of the death of the nation-state are greatly exaggerated (Anderson, 1995). As Susan Eckstein states, “Cuba needs to adapt to the ‘new world order’ in a manner that strengthens its economic base, respects democratic principles, and preserves the social gains of the Revolution” (1994: 218).

THE FUTURE OF THE CUBAN MODEL OF SOCIALISM

Almost all commentators on Cuba’s situation simply assume that it will have to transform itself into a “normal” capitalist, market-based economy. For example, a recent book on Cuba’s future edited by Miguel Angel Centeno and Mauricio Font (1997) is notable for the fact that, with the exception of two papers by Cuban academics based in Havana, the contributions are
overwhelmingly pessimistic about its prospects. The underlying theme is the difficult transition that Cuba faces, the transition being viewed as a shift from a society and economy based on socialist principles and methods of organization to one based explicitly on capitalist modes of production, distribution, and exchange. Others, such as contributors to the proceedings of a recent annual meeting of the Association for the Study of the Cuban Economy, take an overwhelmingly critical and often openly hostile view of Cuba and discuss, apparently in complete seriousness, such issues as the unwillingness of the Cuban leadership to consider meaningful economic and political reforms (Pérez-López, 1997), the so-called sultanistic features of the Castro regime (López, 1997), the concealment within Cuba’s national statistics of Castro’s own personal finances, and the assertion that Castro acts as a lender of last resort to the Cuban government (Sanguinetty, 1997). Other writers on Cuba, though much more qualified, also seem to accept the fatalistic transition of Cuba from socialism to capitalism. Susan Eckstein (1997), for example, argues that Cuban socialism is losing out to market forces, while Manuel Pastor Jr. and Andrew Zimbalist argue that, while they do not see capitalism taking over the island, “a successful and dynamic small business sector is thus the sine qua non of a politically viable economy” (1998: 12).

There are clearly many strong forces that are pushing Cuba toward a more market-oriented economy. Indeed, much of this article has examined the forces already introduced by the Cuban government, especially since the economic crisis of the early 1990s. However, there is no inevitability about this, and from a socialist perspective it is imperative to explore possible scenarios for Cuba’s future that do not assume such a transition. Of course, this is no easy task, and consideration of such futures is of interest not just to Cuba but also to socialism more generally. Cole’s (1998) three general options for the Cuban Revolution—the competitive market, the managed economy, and one based on social participation—form a useful basis for discussion.

The competitive market option gives primacy to private property rights, liberalized domestic markets and foreign trade, and macroeconomic fiscal rectitude through structural adjustment—the type of approach promoted by the IMF and the World Bank. Detailed discussion of this option is not possible here, but its application to countries in transition from central planning to market regulation, in particular those in the former Soviet bloc, has been far from successful. While there are important differences in the experiences of these countries, the example of Russia is not good, with falling production, unemployment, growing inequality, widespread poverty, and declining health status, not to mention rampant crime and corruption. For those countries in Latin America that have experienced World Bank and IMF structural
adjustment programs, such as Venezuela, Peru, Mexico, and Costa Rica, economic and social conditions have worsened considerably in recent years.

The managed economy is represented by the developed social-democratic market economies of the 1960s and 1970s—those of the Scandinavian countries, Germany, France, Britain, and Italy. These countries were characterized by “consensus politics,” Keynesian macroeconomic demand management aimed at sustaining full employment, a comprehensive publicly funded welfare state, and a system geared toward a “fair” distribution of national income. Again, without going into detail, despite some considerable successes, much of the social-democratic consensus has collapsed, and internal contradictions have led to the global neoliberal hegemony of today.

There is a vast literature attempting to apply some of this managed-economy type of thinking to centrally planned economies. Much of this work can be subsumed under the title of market socialism (see, for example, Nove, 1983; Mandel, 1998; Elson, 1998). This type of thinking has been discussed at some length in Cuba and is associated, in particular, with the economist Julio Carranza Valdés, who argues (1997: 187-188):

What Cuba needs is not just any kind of economic restructuring but a type that will, together with the recuperation of the economy’s efficiency and productive yield, permit the more important social conquests of the Revolution to remain intact. Neither the formulas of “real socialism” which failed in Europe, nor the return to a dependent form of capitalism and neoliberalism that reigns today in Latin America, can respond adequately to the current challenges that face Cuba in its attempt to regenerate the viability of the national project and ensure an independent future in keeping with the interests of the majorities within the Cuban nation. What is needed is the sort of economic restructuring that would produce fundamental economic changes without abandoning Cuba’s socialist essence.

The Cuban reform process has been complex and contradictory and has significantly changed the economic and social dynamics of the country. Economic property has been diversified fundamentally, with foreign capital, self-employment, and agricultural cooperatives, and the relationship between the state and the economy has been modified. However, “the major limitation of the reform project has been a lack of a sufficiently integrated, articulate, and explicit programme for economic restoration” (Carranza Valdés, 1997: 189). He emphasizes (1997: 195) that

any alternative that seeks to restructure the Cuban economy on the basis of socialism, and preserve the social success of the Revolutionary period, also needs to defend the pre-eminence of social ownership of the fundamental modes of production. The current conditions in which Cuba must continue to
live require, however, that other forms of ownership of non-fundamental modes of production be incorporated into the system, particularly where doing so would encourage greater efficiency.

More specifically, he proposes that large and medium-sized companies (of which there are only a few) should be state-owned or joint ventures with foreign capital. The majority of medium-sized companies should also remain state-owned but should have far more autonomy and not be completely centralized. Medium-sized and small companies in certain industries, such as crafts and services, should be decentralized and different types of ownership applied to them—state, cooperative, private, individual, or mixed (Carranza Valdés, 1997: 196):

The basic goal would be to create profitable business concerns. They would be guided by the market, although the government would be able to take discretionary measures, impose ceilings on some prices, make other contractual demands. The principal function of the government with respect to these companies would be to create the conditions whereby they would be able to function effectively within a market context.

A key issue in the discussion of market socialism is the role of markets and planning. Vilarriño Ruiz (1998) argues that for socialists, the main struggle should be not against the market but against inefficiency (the absence of profits and declining labor productivity)—mismanagement of material, fiscal, and human resources. He argues that the social efficiency of production must be the main target of any socialist state because only it can satisfy the material and spiritual needs of the people and guarantee the development of all members of socialist society. In this context, the key question is how to integrate socialist planning and a socialist market. Traditionally, and largely because of the experience of the Soviet Union, it has been thought that planning and the market were two opposing phenomena, “planning” being a synonym for “socialism” and “the market” a synonym for “capitalism”—ignoring the fact that socialism has its own markets and capitalism its own planning. For Vilarriño Ruiz, what differentiates socialism from capitalism is not the presence or absence of markets or planning but the objectives of both these instruments. In capitalism they work for profit, in socialism for the multifaceted development of everyone.

According to Vilarriño Ruiz, the main characteristics of an efficient development model would be emphasis on the development of productive forces, profound technological change and radical modification of the social organization of production, diverse property forms, integration of planning and socialist markets, strengthening of socialist democracy, economic and
operational independence of enterprises, and as decentralized a system of planning as possible. While apparently more extensive in some respects, such thinking would seem to be along the same lines as the series of economic reforms introduced in Cuba during the 1990s. In a televised appearance at the end of 1999, Vice President Carlos Lage stated that enterprises would be granted more responsibility in the administration of their resources and finances and in seeking markets for their products. He went on to say that Cuba was not turning its back on planning but effecting a gradual decentralization that implied material planning for enterprises themselves. Accordingly, a fundamental aspect of the running of the national economy was improving business administration, which in itself implied better organization, the linking of income to productive results, higher incentives, and greater management responsibility (Granma Internacional, January 9, 2000). It is debatable whether these recent developments reflect a complete turn toward the kind of market socialism propounded by Carranza Valdés. However, it seems clear, as José Luis Rodríguez, minister of the economy and economic planning, has stated, that Cuba now has a socialist economy with a market but not a socialist market economy (Valdés Vivó, 1998).

In criticizing the specific market socialist model of Carranza Valdés, Cole argues that it is far from clear how it would work. More fundamental, he sees market socialism as redefining the Revolution as a social-welfare state—a complete dilution of socialism and the Cuban Revolution as he understands them. “Socialism is not a ‘system’ of social organization, but a ‘process’ of social evolution... A society is ‘socialist’ in as far as there is change to reflect people’s changing creative potentials” (1998: 130).

For Cole, in his third social participation option, “the only policy proposals compatible with socialist development are for economists to maintain the fiscal balance between state income and expenditure, and the foreign exchange balance of payments” (1998: 130). These are the limits within which people should be allowed to expand the scope of their participation in the economic regulation of social life. This necessarily involves, in the Cuban context, “a reactivation and extension of political participation through Poder Popular” (1998: 133). Recalling the thinking of Che Guevara, “the process of socialist development... is fundamentally a political question, although based upon a socialist economic strategy” (1998: 134).

While laudable in its intentions, Cole’s model is lacking in prescriptive and pragmatic detail. His proposals are rather thin despite his call to be idealistic without being naïve. In some respects, however, it would not seem too difficult to reconcile his views with the reforms actually taking place in Cuba and the ideas for increased popular participatory democracy put forward by Dilla (2000). For example, he points to the UBPCs as an example of how the
market and state can be integrated and yet enhance social and popular participation in the organization and purpose of production. This suggests that discussion of the possible future of the Cuban socialist economy can usefully draw upon “market socialist” ideas as well as the type of thinking that Cole and others seem to be suggesting under the social participation option. In other words, the two so-called options should be viewed not as discrete alternatives but as lines of thinking that can both contribute to future models for Cuban socialism. The reality in Cuba, of course, would appear to be just that, with recent reforms including changes that could be classified under both models. Interestingly, it is in these two areas that most discussion has taken place in Cuba. For example, while market-inclined reforms have been introduced, there has also been extensive debate by Cuban academics focusing on the role of the community and the need for mass participation in economic management (Dilla, 2000).

It seems clear, as the Fifth Congress of the Cuban Communist Party agreed in 1997, that the economic reforms introduced in the 1990s, many of which were market-oriented, are unlikely to be reversed and, with time, will probably be added to in ways that do not subvert the socialist underpinnings of the Revolution. However, for this to be done will require that the unique participatory mechanisms of socialist democracy in Cuba be expanded and developed further. If this can be achieved, there will be benefits not just for Cuba but also for socialist development more generally. The importance of socialist democracy can be seen from a recent article by Ricardo Alarcón, president of the National Assembly of Popular Power, who referred to the nature and role of democracy in Cuba as the main explanation for Cuba’s ability not only to survive the economic crisis of the 1990s but also to maintain and build on social provision (Alarcón, 1999b).

CONCLUSIONS

It is clear that Cuba has evolved through a number of distinct stages of socialist development over the past 40 years, involving both ad hoc and strategic adjustments to economic policy, the adoption of rigid Soviet central planning, the innovative use of moral rather than material incentives, the adoption of market-oriented approaches to the economy, a changing relationship between the state and the market, and an evolving relationship with the global economy. However, despite these changes, there is a clear continuum of reform, with the Cuban government constantly recognizing the need to improve its socialist system of development. This has been an educational process, a type of learning curve taking place against the backdrop of intense
political, ideological, economic, and military aggression from the United States and economic and political collapse in the Soviet bloc.

The interaction of the “political” and the “economic” as determining forces in Cuban socialist development has led to an ongoing debate about the priority that should be given to each. Interestingly, and in contrast to the experience of capitalist and indeed “socialist” countries, emphasis has been given to the need for political and particularly democratic answers to economic problems.

Cuba has suffered greatly from a series of external pressures, but the ensuing economic crises have never led to an abandonment of or even deviation from the socialist revolutionary project, with the fundamental needs of the people in terms of their health and education always the dominant priority. Moreover, despite the pressures imposed on Cuba from outside and the difficulties that lie ahead, there are few if any signs that this socialist course of development will change. It now seems increasingly likely that Cuba will follow a development model that will involve some elements of market-oriented reforms more typically associated with capitalist economies but set in a socialist context involving significant state ownership, direction, and planning, and, arguably most important, genuine grassroots democratic participation in economic formulation and decision making.

The experience of Cuba is one of the few examples in the world today of alternative socialist development, a healthy reminder in an age of global neoliberal hegemony. However, for this experience to develop further there is clear need for continuing and open debate on how the Cuban Revolution can be consolidated and how socialist development more generally can be furthered. This debate is currently taking place within Cuba, but it is important that it continue outside and that discussion of the experience and future of the Cuban Revolution not be framed by a hostile, aggressive, and conservative agenda.

NOTES

1. Put very simply, on one side of the debate was Che Guevara, who endorsed a line of thinking influenced by the Maoist Great Leap Forward in China in 1958-1960, arguing that subjective conditions (ideas, consciousness, etc.) could influence the objective conditions of the material base of the economy. On the other side was Carlos Rafael Rodríguez, at the time head of the Instituto Nacional de Reforma Agraria (the National Institute of Agrarian Reform—INRA), who promoted ideas influenced by the Russian economist Liberman, arguing that subjective conditions could not ignore objective conditions and therefore material incentives had to be used (Mesa-Lago, 1981).

2. See Méndez Tovar (1997) for a detailed account of the Cuban system of democracy.
3. In many ways, the Rectification campaign was the clear antithesis of perestroika in that the promotion of economic equality was given the utmost priority in Cuba, while many of the changes introduced in the Soviet Union encouraged the development of inequalities.

4. In fact, incentives for foreign investors were first introduced in 1987, before the Special Period, but they were not promoted strongly until the early 1990s.


6. From a theoretical point of view, Altvater (1998: 595) argues that “transformation” is a preferable term to “transition”: “There is not a simple transition from ‘there’ to ‘here’ following the binary logic so familiar in neoclassical writings and modernisation theory, but a complex and articulated transformation of social, political and economic forms, not to mention changes of individual habits, social culture and the social relation to nature.”

REFERENCES

AAWH (American Association for World Health)

Alarcón, Ricardo

Altvater, Elmer

Anderson, James

Carranza Valdés, Julio

Castañeda, Jorge

Castro, Fidel

Centeno, Miguel Angel and Mauricio Font (eds.)

Cole, Ken

Dilla, Haroldo

Eckstein, Susan Eva

Ellwood, Wayne (ed.)

Elson, Diane
1998 “Market socialism or socialisation of the market?” New Left Review, no. 172 (November/December), 3-44.

Fitzgerald, Frank T.

Font, Mauricio

Frank, Marc

Hillyard, Mick and Vaughne Miller

LeoGrande, William M.

López, Juan J.

Mandel, Ernest

Méndez Tovar, Carlos

Mesa-Lago, Carmelo

Nove, Alec

Pastor, Manuel, Jr., and Andrew Zimbalist

Pérez-López, Jorge

Petras, James and Morris Morley

Ritter, Archibald R. M.
Sanguinetti, Jorge A.

Susman, Paul

Valdés Vivó, Raúl

Vilariño Ruiz, Evelio