

## Introduction

### Finding a New Road (Again) to a Socialist Economy and Economic Well-Being in Cuba

AL CAMPBELL

Since Cuba announced to the world on April 16, 1961, that it was embarking on the construction of a socialist state, the history of its economic policies has been one of constant change within continuity. Its evolving economic policies can be divided into a somewhat standard periodization as follows: 1961–65, the Great Debate; 1966–70, the Revolutionary Offensive;<sup>1</sup> 1971–75, transition to a modified Soviet economy; 1976–85, modified Soviet economy; 1986–89, Rectification Process; and 1990–present, the Special Period (see chapters 1 and 2 for somewhat different variants on this periodization). Sometimes the transition from one period to the next involved fundamentally different reconceptualizations of what was actually central to socialism. In all cases, the policies of successive periods implemented significant changes in emphasis to achieve what was necessary at that moment to promote a socialist economy in Cuba. The continuity through all the changes has been exactly that commitment to building a socialist economy, even though discussions have never ceased in Cuba about exactly what that means and how best to do it.

This continuous commitment to creating a socialist society has guided Cuba's choices in building its economy, and its importance must not be underestimated. The dominant (though not exclusive) premise taught to economists in capitalist countries is that there is only one "real economic problem": to make the "pie" (the GDP) grow as fast as possible.<sup>2</sup> Conservative-leaning economists consider the distribution of the social product to be automatically just, because they hold that the market returns to "factors of production" (which includes working people) what those factors contribute to production. More liberal economists recognize that the government could always step in and redistribute the market's resources in accordance with any desired results; therefore, in

their view social redistribution is a political issue, not an economic one with which they should concern themselves. Hence, both conservative and liberal capitalist economists in general find distribution of wealth to be an inappropriate issue for economic consideration.

In contrast, as the chapter authors will note repeatedly, a socialist economy has a different goal: it directly targets the well-being of the population. Societal well-being is a much more difficult concept to measure than GDP, a topic addressed in chapter 5. It is, however, essential to understand that Cuba's economic policies have this fundamental goal in order to consider its economic performance in any meaningful way. Of course, Cuban policymakers hold that GDP growth and improved economic efficiency are necessary for improved societal well-being. But the important difference is that for them economic growth alone is not sufficient and is not identical with workers' well-being. Certain means of improving efficiency or GDP can be harmful to the well-being of the majority of the population. This different goal clearly has the potential to cause Cuban policymakers to act differently than their capitalist counterparts would. Economists who cling to the beliefs that all economic policies are based on GDP growth, and that Cuba's declarations of socialism are either irrelevant or harmful to good growth policies,<sup>3</sup> will necessarily fail to understand why Cuba's economic policies have been what they are.

When in the 1990s Cuba entered its worst economic downturn since the triumph of the Revolution, it acted in ways counter to capitalist economic policies. It chose to borrow as heavily as it could despite the negative consequences to its debt and credit rating. It chose to allow an excessive buildup of domestic liquidity by keeping people on payrolls to prevent widespread unemployment, even when factories did not have the inputs to carry out production. As almost all the contributing authors note, Cuba did this to defend, to the maximum extent its problematic economic situation allowed, the important gains in human well-being it had achieved in terms of health care, education, and the elimination of poverty and clinical hunger.

These steps are directly opposite to the adjustment programs that the International Monetary Fund (IMF) has imposed on many third-world countries since the 1980s in the name of (restoring) economic growth and long-term efficiency. Most of the IMF austerity programs failed to restore healthy growth, but that is not the issue here. Rather, the important point is that Cuba ruled out severe austerity measures precisely because its basic economic goal was human well-being, not GDP growth. Cuban leaders understood that policies of consuming more than was produced were unsustainable, and that eventually excess liquidity and hidden unemployment would have to be eliminated. But their goal of maximizing human well-being caused them to incur costs

that would have to be repaid in the future, in order to cushion the shock to the country's weakest and most vulnerable people, sparing them the fate of the weak and vulnerable during economic crises throughout capitalist Latin America and the third world. Again, the point in relation to this volume is that Cuba's economic behavior cannot be understood unless one recognizes that Cuba's commitment to building socialism entails some different economic goals, as chapters 5, 6, and 8 in particular illustrate.<sup>4</sup>

Opponents of the Revolution frequently argue that the thread of continuity that has run through Cuba's economic policies over the decades—namely, its commitment to building socialism—has been a project of the government and the Cuban Communist Party, imposed on the population without any broad support. There are almost no independent public-opinion polls that can provide evidence either for or against this assertion. There was, however, one such poll and, given its uniqueness, I find it somewhat surprising that it has rarely been cited in the ongoing debate outside of Cuba.

In November 1994, near the worst time in the Special Period, the *Miami Herald* commissioned the Costa Rican firm CID-Gallup, which is associated with the Gallup Organization, to conduct a standard independent poll in Cuba on the population's attitudes toward various aspects of the Revolution and their lives. The large sample size of 1,002 adults interviewed would predict statistically that their answers would match the average attitudes of the entire population to within +3 percentage points. Of the forty-six questions, two specifically addressed popular support for the Revolution and its policies. With regard to political outlook, 10 percent of respondents identified themselves as Communists, 10 percent as Socialists, and 48 percent as Revolutionaries (24 percent said they were not integrated into the Revolution). Given that in Cuba the word *socialist* has been used to mean "social democratic," and *communist* until recently denoted the policies of the Soviet Union, this result clearly shows broad (but equally clearly not universal) popular support for the policies of the Revolution. A second question directly posed this issue by asking the respondent, taking into account both the achievements and failures of the Revolution, which he or she felt on balance was greater. Fifty-eight percent said there were more achievements than failures, while 31 percent said the opposite.<sup>5</sup>

Many opponents of the Revolution outside of Cuba hoped that when Raúl Castro replaced Fidel as the leading figure in the government in the summer of 2006,<sup>6</sup> his "pragmatism" would lead to the termination of Cuba's socialist project and a restoration of capitalism. Raúl's reputation for pragmatism is indeed well deserved, but he has made clear in statement after statement from the day he assumed power that his goal is to pragmatically address and resolve the

specific problems in Cuba's economic and social model for building socialism, while maintaining its strengths. A particularly well-known statement of his intentions, and his understanding of the popular sentiment, is the following:

They did not elect me president to restore capitalism in Cuba or to surrender the Revolution. I was elected to defend, maintain, and continue perfecting socialism, not to destroy it. . . . [I]n the year 2002—specifically between June 15 and 18—8,198,237 citizens, almost the entire voting-age population, signed the request to this Assembly to promote the constitutional reform that ratified the Constitution of the Republic in all its parts, and declared irrevocable the socialist nature and the political and social system contained within our fundamental law, which was approved unanimously by the deputies of the National Assembly in the special session held on June 24, 25, and 26 of the same year.<sup>7</sup>

The concrete economic policies described in the following chapters can only be understood as Cuba's attempts to find a new road to the same popularly (but not universally) supported goal that it has pursued since 1961, the construction of a socialist economy.

### **Origin and Purpose of This Volume**

This book originated in a conversation about the Cuban economy between the editor and one of the contributors, Ángela Ferriol. It seemed to both of us that many of the same issues about the Cuban political economy that constantly appeared in both the press and academic papers outside of Cuba were also being extensively written about by a large body of Cuban researchers. Yet although these works inside and outside of Cuba generally addressed the same issues, they often did so from different perspectives—looking at the same questions within different frames. The standard concept in science that studying the same issues from different perspectives deepens understanding argues for a wide dissemination of the studies from the Island among both researchers and the general population outside of Cuba.

Politicians and the media outside of Cuba often argue that both academic economists and policymakers on the Island are divided into two camps: those who seek reform versus those who oppose it. That is simply false. Not only essentially all Cuban economists, but also essentially the entire population of Cuba, favor significant economic transformations. Almost no one “opposes economic reform.” What does exist, however, is a broad spectrum of opinions on what types of changes and what exact changes are needed or would be best.

So the difference in the frame of Cuban economists versus those outside of

Cuba does not revolve around the need for economic reform, which all agree on. What it does concern is how to continue Cuba's five decades of working to build socialism: how to design economic policies not only for growth and efficiency but at the same time directly for human well-being. The majority of economists outside of Cuba advocate ending socialism as the key to Cuba's growth and development.<sup>8</sup> The majority (though not all) of economists within Cuba advocate continuing the five-decade-long project of building socialism, while making important changes in the way this is done. As the chapters in this collection illustrate, Cuban political economists do not downplay the economic problems Cuba faces—after all, it is their job to uncover and correct them—but they tend to see and present the problems within the context of the Island's overall economic, political, and social processes, which have also achieved important successes. What they mostly advocate, then, are proposals that they believe will maintain the social gains at the same time that they overcome the economic problems. Even when they call for major reforms, as many Cuban political economists do, they tend to view these as a major tune-up of a system that needs extensive refurbishing and renovation, not as abandonment of the system that has brought them important gains.

Cuban research and information on the Island's economy is extensive, but several factors have consistently limited the amount that is disseminated abroad. The most immediate reason is the language barrier. Almost all Cuban research, and even statistical compilations, is written in Spanish, and only a small (though important) part of that gets translated into other languages. This, of course, is a minor barrier to academic specialists on Cuba and to the international press. It is, however, a major impediment to, for example, the many people in the world who are interested in socialism but are not Cuban specialists. For example, *Cuba Socialista*, the theoretical and applied journal of the Central Committee of the Communist Party of Cuba, runs many articles on the economic situation in Cuba and on how to improve it, but the articles appear only in Spanish. The same is true of all of Cuba's specialized economics journals.

A second problem is the nature of an important part of Cuban research. Much research is done directly for Cuban agencies that use the results to intelligently carry out the nation's programs and policies and is not conducted for the purpose of publication and distribution to the entire Cuban political economy community. These research results are largely inaccessible to anyone outside or inside Cuba who is not involved in the particular project or has not built a network of contacts that includes people involved in such work. This is not primarily a matter of secrecy; it is simply that only people involved in the work know what research has been produced. Such activity constitutes only

one part of Cuban economic research, but it does include important work that would deepen and enrich foreign academic studies of the Cuban economy were it, or research derived from it, readily available. The present collection is unique and important because many of the chapters do draw on practical studies of this type.

A third limitation to dissemination of published research outside the Island is a straightforward problem of the absence of a mechanism for distribution. People outside the Island can fairly easily subscribe to a few journals of economic interest, such as *Cuba Socialista*. There are a few others, such as *Revista Bimestre Cubana de la Sociedad Económica de Amigos del País*, that visitors can fairly easily subscribe to on the Island and have mailed out, but these do not have foreign distributors in places like North America and most of Europe. This, of course, greatly reduces possibilities for their dissemination. Other journals, like *Cuba: Investigación Económica*, a particularly important economic journal that is referenced repeatedly in many of the chapters herein, simply do not have the infrastructure for foreign subscriptions. Their dissemination outside Cuba is essentially nonexistent.

In light of the paucity of foreign dissemination of Cuban research on the Cuban economy, the procedure that seemed obvious to our minds was to invite a number of domestic economic experts to write overview pieces on their specialties, have these translated, and then publish them as a book. With that decision made, the next most immediate question was what areas to solicit works on. As with any modern economy, there are far more aspects to the Cuban economy than we could present in a single book. It was easy to find important ideas to present, and this volume does that, but it makes no claim to be a comprehensive treatment of the Cuban economic system.

## The Content of This Book

This collection of studies is focused on the Cuban economy during the Special Period, 1990–2010. While change has been a constant throughout the history of Cuba's economic policies, the changes in this period have clearly been the most momentous since the transition five decades ago that ended capitalism and began building socialism. To understand not only the scope of these changes but also their very nature, one must understand something about the preexisting condition. Every author was asked to discuss to some extent—in accord with his or her topic and how he or she chose to approach it—relevant features of Cuba's economic history from 1959 to 1990. These historical reviews are necessarily brief and must not be misunderstood as attempts to review the Revolution's full five-decade economic history, even pertaining to

a particular topic, a task that would require a series of book-length studies. Rather, the historical background establishes the necessary context for understanding the changes of the Special Period.

The contributors to this volume are all well-known and extensively published political economists in Cuba. They represent the three types of institutions where Cuban economists are found: government agencies, universities, and think tanks associated with a particular government agency or university. A given economist might move from one employment setting to another throughout his or her career, and some members of think tanks have dual appointments at universities.

We requested that the contributors focus on the major changes in Cuba's strategies to develop a socialist economy over the whole course of the Special Period, not specifically on what is happening in Cuba now. The majority of chapters were written in the first half of 2010, prior to the release of most 2009 data (in addition, not all published data are updated yearly), so many articles use the two decades of data up to 2007 or 2008 to illustrate some of their arguments. Much of the data for 2009—and, in particular, the data-rich *Anuario Estadístico de Cuba*, published every year by the National Office of Statistics (ONE)—were released a few months later than in previous years, in the fall of 2010. Where possible and appropriate, the chapters were updated in early 2011 to include 2009 data while I was translating them. At that time a very small amount of 2010 data were available, and where possible this was incorporated.

In September 2010 Raúl Castro made the long-anticipated announcement that the four-year study/popular consultation<sup>9</sup> on creating a new economic model for Cuba would soon be presented to, and formally discussed by, the population, then voted on at the next Party Congress in April 2011. This announcement required that specific decisions be made concerning these essays. The authors were specifically asked not to comment on the proposed reforms in their final chapter revisions for three reasons. The first and most obvious reason is that what is being circulated in Cuba as I write this introduction in early 2011 is a draft. To be sure, this draft is the result of many socially broad discussions and a very lengthy study, so it is almost certain that the final version adopted will strongly resemble the draft. There will, however, be numerous changes in details, and these details can be important signals for what the reforms will really mean.

A deeper reason for not discussing the effects of the proposed reforms is that, as indicated previously, the intent of this volume is to present the way Cuban economists see the changes in their economy over the Special Period, based on current data. Clearly, anything they write concerning specific effects of the proposed reforms must be speculative. And further, the reforms target

medium- and long-term structural changes. It will be several years before one can even begin to meaningfully evaluate from the data whether the reforms are starting to yield the desired results. In fact, given the immediate disruptions in “business as usual” entailed by the large structural changes being proposed, one would expect many empirical measures to worsen for a year or two before beginning to improve, even if they are eventually successful. The Cuban economist Joaquín Infante recently made this point, which all Cuban economists understand, in an interview with *Juventud Rebelde*: “Yes, there are going to be negative effects in 2011 and 2012, in my opinion. But we have no alternative but to straighten out certain things. If we don’t do it, we will lose the socialism that has cost us so much, and has given us so much. But then, in 2013, we will begin to see the benefits, I have no doubt.”<sup>10</sup>

The third reason for not writing in this collection about the upcoming reforms is that, as concepts, they contain nothing new, nothing that has not been under continuous discussion for at least the two decades of the Special Period. Hence, all the ideas behind the post-2011 proposed reforms are already discussed throughout this collection. As a concrete example, one of the largest (and most surprising to people outside Cuba) changes is the proposal to cut 500,000 people from the state sector of the economy in the near term, roughly one-tenth of the workforce, and an additional 500,000 over coming years. The need to eliminate hidden unemployment (or underemployment) in order to increase the efficiency of the economy, and hence allow an increase in the population’s standard of living, is discussed in general in many of the articles in this collection. Even the fact that cuts of such magnitude are required to reduce the significant level of hidden unemployment in the state sector has long been understood. An in-depth study of the Cuban economy published in 2000 by the Economic Commission for Latin America and the Caribbean (CEPAL) indicated that the additional hidden unemployment in the state sector in 1998 compared to 1989, which resulted from limiting employment reductions in the face of the economic crisis, was more than 700,000.<sup>11</sup>

Cuba in fact has already had real-world experience in grappling with this problem in the past decade, having reduced the sugar production workforce by 100,000 and successfully redeployed those workers throughout the economy between 2002 and 2004.<sup>12</sup> Of course, success under Cuba’s conditions in 2004 does not guarantee success of a program whose immediate phase is five times larger under the different conditions of today’s world economy, which seems likely for at least a number of years to be marked by various manifestations of the ongoing Great Recession. As repeated throughout the chapters, however, the declared intention in implementing the program is that, as in 2002–4, “no one will be abandoned to his individual fate.” The immediate point for my



purposes is only that the considerations of the last two decades of the Cuban economy covered in these chapters already pose the issues involved in the post-2011 proposed reforms. In fact, analysis of the last two decades of economic policies and performance is the only way to understand what the next proposed reforms hope to achieve, and why.

The same point applies to the other “major issues” in the proposed reforms, among which are these:

- Opening more work to small-scale self-employment (while maintaining state ownership as “the principal form of the national economy”)<sup>13</sup>
- Accelerating the import-substitution drive, most immediately in food production, and building productive chains for domestic products
- Shifting production of all goods, but exports in particular, toward higher-value-added products, and in particular toward those with high scientific knowledge content
- Refocusing the safety net so that it efficiently delivers support to those in need, thereby maintaining the commitment not to abandon anyone, while eliminating the costly support systems that have delivered goods to those who do not really need special support, at a cost to all of society in the form of lower wages for those who are working

Again, in relation to the contents of this book, the important point is that all of these issues are exactly the same ones that have dominated the economic discussions in Cuba for the last two decades. The concrete meaning for Cuba of the reforms presently being considered can be understood only in terms of the theoretical discussions and practical experiences of the last two decades. The proposed reforms are not a “new road” for Cuba’s project of building socialism: that new road has been under construction since the onset of the Special Period. The proposed reforms are clarifications and systemizations of the road that Cuba has been working to discover and to build for the last twenty years.

But the fact that the coming reforms share a theoretical continuity with the last two decades of economic policies does not downplay the importance of the social-political-economic act of debating, adopting, and implementing the reforms as a new consistent model for the Cuban economy. To the contrary, in all their discussions the Cubans refer to this as a life-and-death issue for their socialism and their Revolution. I would argue that the extension, coordination, and systemization of these policies will after the fact be seen to establish the year 2010 as the end of the Special Period and 2011 as the beginning of a new period in the Cuban Revolution’s economic history.

We decided to frame this book around four areas that are important for understanding the Cuban economy. First, it is impossible to understand the con-

crete performance of various branches of goods and services without understanding the macroeconomic framework they exist in. Second, the economic policies have direct human well-being goals that must be specifically considered to understand Cuba's economic system. Third, with the macroeconomic and human well-being context in place, the concrete specifics of individual sectors of production then become relevant. And finally, Cuba's commitment to building a socialist economy as part of a socialist society is a constant factor. Therefore, we solicited twelve chapters, four on each of the first three areas. As the reader will see, however, all four of these aspects appear to a greater or lesser extent in every chapter. Accordingly, this book is divided into three parts: the macroeconomy, socioeconomic issues, and specific branches of production.

### The Macroeconomy

The term *macroeconomy* refers to the sum of the effects in all the branches of the economy. A complete understanding of the changes in the Cuban economy over the twenty-one years from 1990 to 2010 is served by an analysis of the macroeconomy in two ways. First, given the impossibility of addressing each branch of production in the entire economy in a single book, changes in the macroeconomy can serve as an abbreviated proxy for such a massive presentation. Beyond serving as an abbreviated proxy for a comprehensive branch-specific study, the macroeconomy serves as a frame for the changes in each branch, and for socioeconomic changes. Whether the macroeconomy grows quickly or slowly, has a binding foreign-exchange constraint or does not face that growth limitation, has or does not have excess liquidity and inflationary pressures, has or does not have idle productive capacity and labor (unemployment), and so on, determines the types of policies that are possible for improving performance in all branches of the economy and the social economy.

Chapter 1, by José Luis Rodríguez, and chapter 2, by Oscar U-Echevarría Vallejo, both provide broad overviews of the major macroeconomic changes since 1990. Methodologically, they take a similar historical approach, whereas their content is complementary. Both authors recognize the need for a substantial review of Cuba's macroeconomy before 1990 in order to understand the starting point that was so important in determining what types of changes were both possible and necessary during the Special Period.

The capitalist prerevolutionary period created numerous economic problems and distortions that, while generally mitigated, still existed in 1990 and still exist today. Two among many of these are an unbalanced (and hence dependent)<sup>14</sup> production and trade spectrum and poorly qualified (and hence underproductive) labor. Notwithstanding important progress made over the years in regard to the latter, both of these have been significant obstacles for

five decades to Cuba's socioeconomic development. The frenzied efforts in the 1960s to overcome simultaneously and almost immediately all the manifestations of capitalist underdevelopment were unsustainable, notwithstanding important achievements in industrialization, planning, and social services. The unsustainability of this "revolutionary offensive" led to a change in the approach to building socialism and to a period of growth and development as part of the Council for Mutual Economic Assistance (CMEA, an organization for economic cooperation among Soviet allies) and its international "socialist division of labor." And while growth and development yielded gains, particularly in industrialization and improved standard of living, they also created problems. The growth and development model did not develop internal productive chains, which increased Cuba's external dependence and its foreign-exchange problems. Not only was the development model too "automatic" to be consistent with Cuba's socialist goal of developing humans as conscious agents for building a better society for themselves, but also in narrow economic terms its potential was becoming exhausted over time. To counteract the slowing economic progress, it would have been necessary for Cuba to switch from extensive to intensive growth and development, which was not part of the model. The Rectification Process launched in the mid-1980s aimed to correct these problems without losing the previous model's strengths, but it was cut off while still being initiated due to the political collapse of the CMEA countries and the consequent 85 percent drop in Cuba's essential foreign trade. Rodríguez's and Echevarría's historical approach argues that the policies and the results of the Special Period can be understood only in light of both the successes and the never-resolved problems from all these previous economic periods.

Both chapters review chronologically the problems and constantly changing policies that Cuba adopted to survive and then to recover economically during the Special Period, as well as during the subsequent structural changes that were necessary. Rodríguez presents somewhat more data revealing the constant dialectic of problem–policy response–new problem emerging as the old problem is mitigated, whereas Echevarría focuses rather more on the resulting structural changes. Like all authors in this collection, these two both conclude by identifying the issues on the table today that must be addressed in order to move forward, but Rodríguez devotes a lengthier section to these issues. This balance lends complementarity to the two opening chapters.

Any discussion of Cuba's macroeconomy must fairly early bring up a fundamental problem common to the majority of third-world economies: its foreign-exchange constraint. One option to relax this constraint is foreign investment, but such investment must always be monitored to ensure it provides more help to the recipient economy than harm. The other option is to try to

increase its generation of foreign exchange by reducing its imports (import substitution) or increasing its exports (export promotion). The high import coefficient for much of Cuban production reinforces the problem of imports, since the desired goal of increased growth itself rapidly increases imports, making the reduction of its import coefficient a contributory economic goal. All four of the chapters in the “Macroeconomy” section, along with a number of other chapters in this book, bring up this fundamental issue. Chapter 3, by Nancy A. Quiñones Chang, is directed to Cuba’s changing trade and foreign investment behavior and patterns connected to its insertion in the international economy since 1990.

Borrowing can effect a short- and even medium-term resolution of an unfavorable foreign-exchange gap. If things go well, borrowing can be a “free lunch.” Borrowed money can put to work unutilized capital or labor resources (which Cuba certainly has had during the Special Period). If the country can then sell the output internationally, it can pay off the loan with revenue left over. This scenario entails several problems for any third-world country, but Cuba has suffered disproportionately in this regard due to the unremitting economic aggression of the United States. Over the last thirty years, the majority of lending to third-world countries has shifted from relatively low-rate governmental bilateral or multilateral lending to higher-rate private lending. This shift in itself has raised the cost to Cuba of this type of borrowing. But in addition the United States has consistently pressured or prevented official lending bodies from making loans to Cuba. By (among other things) making it more difficult for Cuba to sell its production internationally, the United States has directly and indirectly discouraged lending from private sources, or made what private lending Cuba could secure more expensive. So a first concern for Cuba—especially in the very short run when their existing financing arrangements with CMEA and in particular the USSR were abruptly canceled—was to reinsert itself into the circuits of international private finance or, where possible, official multilateral or bilateral public lending. The Special Period as a whole has been particularly difficult for Cuba in this regard. Although some increased bilateral lending from Venezuela and China in the first decade of this century has improved the situation a little, financing remains a major problem.

Over the medium to long term the fundamental solution to this problem is to increase exports of goods and services and decrease imports to achieve a balance of trade. The Special Period has been marked by structural changes in both exports and imports, in regard to both geography and products. The chapter ends with a section on “looking ahead” in light of the major current problems in this area.

There is one part of the Island’s macroeconomic policies that Cuba does

not share with the large majority of the countries of the world, which have capitalist economies: planning. Elena Álvarez González opens chapter 4 by presenting planning not as a matter of increasing macroeconomic efficiency (which Cuba believes planning in fact does) but rather, in the words of Che Guevara, as “the way of being of a socialist society.” As I argued earlier in the introduction, Cuba’s commitment to building socialism has been the element of continuity underlying all the shifts in its economic policies. Hence, it follows that Cuba will continue to use planning to manage its macroeconomy. On the other hand, given the universal agreement in Cuba that the roads to socialism tried before 1990 are no longer even options, it follows that a new planning process has had to be developed over the course of the Special Period.

Again, to understand the current planning process one has to understand Cuba’s history of planning in the 1960s and in the CMEA era. That provides the foundation for understanding how the present changes in many economic mechanisms have generated the need for changed planning to address the new ways they function. Álvarez describes the planning process that has developed as of today, but given that the new model for building socialism has not yet been fully elaborated, we can expect ongoing changes in planning procedures. The chapter ends on exactly this note, by describing the primary challenges that planning must likely address, given the salient problems in Cuba’s economy today.

### Socioeconomic Issues

With the macroeconomic framework established, the book next turns to the heart and soul of Cuba’s economy and economic policies: socioeconomic issues, that is, the direct impact of the economy on the quality and nature of the lives of the Cuban population. While the goal of building a socialist economy influences all of Cuba’s policies and practices for promoting economic growth (in theory an objective common to all economies), this impact is particularly evident in Cuba’s ideas on what socioeconomic development entails.

Rita Castiñeiras García provides an overview of this issue in chapter 5. After a general discussion of the difficult issue of measuring well-being and a historical description of what the Revolution faced when it began in 1959, she then outlines the orientation and achievements of Cuba’s socioeconomic policies to date. Castiñeiras then turns to the main task of her essay, a brief consideration of thirteen specific dimensions of Cuba’s socioeconomic policies and their results: the changing demographic characteristics of the population (elaborated further in chapter 7), human development, inequality, employment, social security and welfare, women’s role in society, food, public health, education, culture and art, sports, housing, and the environment. She next considers the

additional set of socioeconomic policies introduced as part of the “Battle of Ideas” at the beginning of the twenty-first century, the multidimensional social, ideological, and cultural counterattack launched against the consumerist vision of a good society that the United States epitomizes. The chapter ends with consideration of the question, How much of its scarce material resources does Cuba really invest in its verbally attractive commitment to socioeconomic development?

Poverty, extremely widespread throughout the third world and significant even in much of the wealthy first world because of its inegalitarian societies, is an extreme expression of overall low well-being. Given the Revolution’s central goal of continually improving human well-being, the elimination of poverty was on its agenda from day one. As Ángela Ferriol notes in chapter 6, by the 1980s Cuba had been so successful in this arena that the issue had disappeared as a topic for study. The 1983 book *La erradicación de la pobreza en Cuba*, by J. L. Rodríguez and G. Carriazo, carefully details the policies that had achieved this goal, and their results.

The 1990–93 economic disaster that initiated the focal period of this book, however, certainly left many Cubans, in Ferriol’s words, with “insufficient monetary income” to meet all their basic needs. At the same time, unlike the poor in most of the world, a number of their basic needs were met in full (for example, education, health care, and social security) or in part (for example, food and housing)<sup>15</sup> despite their inadequate incomes. Ferriol opens by discussing the historical background of the situation the Revolution inherited in 1959 and what it achieved in the next thirty years, then chronicles the reemergence in the 1990s of people who lacked the income to meet all their basic needs. To emphasize the severity of the problems this group faced and simultaneously how their situation differs from standard poverty, many Cuba scholars have adopted the term “at-risk population” for them.

While it is important to recognize and understand the differences in this group’s well-being from traditional poverty, their condition is in no way acceptable to the Revolution’s central goal of continually improved human well-being. Hence from the moment in 1994 when the economy’s free fall was stopped and the long process of recovery began, government resources have been directed to improving this group’s well-being, even at the expense of necessary productive investment. These efforts were qualitatively increased in the 2000s. But as Ferriol discusses, Cuba must undertake these efforts while simultaneously redesigning the basic model for building socialism to accommodate the post-1990 economic environment. This means that the structures and practices for socioeconomic improvement must be made consistent with the structures and policies of the whole economy, even though these latter structures

and policies in fact have not yet been fully worked out. Cuba's degree of success in addressing this problem—albeit that it has not yet achieved its goal—is sufficient to suggest a number of lessons. Ferriol ends her essay with these lessons, which some other countries might apply in their fight against poverty.

A strong indicator of the significant success of Cuba's socioeconomic policies over the last fifty years is its first-world demographic profile resting on its third-world per capita GDP. Cubans live much longer now than they did at the beginning of the Revolution, and longer than people in other countries with similar levels of per capita GDP. Cuba also has experienced a first-world fall in its total fertility rate. In chapter 7 Juan Carlos Alfonso Fraga discusses in detail the major prospective economic problems this “aging population” portends for Cuba over the coming decades.

Among a number of consequences, the two most problematic are the following. First, the demographic shift implies a continually decreasing number of working people supporting an increasing number of dependent people. Until now the increased percentage of the population over age fifty-nine has been offset by a declining percentage of the population under age sixteen. But that offset will now cease, and hence Cuba will face a continually increasing dependency ratio over the coming decades. The second problem that Alfonso discusses at length is the numerous different costs associated with meeting Cuba's commitment to provide for the well-being of elderly people in accordance with their increased needs. The first cost that comes to mind is increased medical care, but as Alfonso argues, there are many other expenses if these people are to be supported in maintaining a dignified life. The aging population is a much greater economic problem for Cuba than for first-world countries because of its lower per capita GDP and labor productivity. It is a much greater problem for Cuba than for typical third-world capitalist countries because of Cuba's ideological commitment to ensuring state-supported well-being for anyone with inadequate personal means or family support.

Socialist ideology has always held that under capitalism the well-being of working people at their workplaces must necessarily be low,<sup>16</sup> and a central reason for transcending capitalism is to achieve continual improvement in human well-being. Hence from day one of the Revolution, labor policies have been an extremely important part of building a new society and have been given great attention. Alfredo Morales Cartaya opens chapter 8 with a review of the working conditions before the Revolution and the important, radical changes in the first decade of the Revolution. The bulk of the essay then addresses eleven dimensions of working conditions and labor relations today: general conditions of work including safety and health, labor conditions and protection for women and adolescents, labor contracts and collective labor agreements, reso-

lution of labor conflicts, salaries, increased efficiency and labor productivity, social security and pensions, unemployment, self-employment, international labor agreements, and trade unions.

Between the time Morales finished his chapter in mid-2010 and the time I am finishing this introduction in early 2011, the topic of his short “Challenges Ahead” concluding section has moved to the center of all political debate in Cuba. The sought-after and promised improvements in human well-being cannot be reduced to material standard of living alone, but that is an essential component. As many of these chapters allude to, there is a broad consensus in Cuba that the population’s material standard of living needs to improve and that the key to accomplishing this is increased labor productivity and general productive efficiency. But exactly at this point Cuba’s chosen commitment to building socialism takes center stage, particularly in relation to the treatment of labor in this process. Improving labor productivity and general productive efficiency will require further changes in labor conditions and relations beyond those already instituted over the last twenty years. But whereas today first-world countries and most of the third world are attacking labor’s rights and previous gains, Cuba’s socialist commitment precludes that path. Rather, as Morales argues,

Cuba must improve its efficiency and labor productivity while maintaining its many labor rights and positive labor relations . . . extending them, and maintaining and extending the many other achievements of the Revolution for its working people. Its new labor relations, just like the previous ones, must be created and understood as a central part of its project of building socialism, but now under changed world conditions.

### Specific Branches of Production

Within the context established by the first two sections of the book, the final section looks more closely at the economics of a number of specific areas: tourism (a branch of production) and agriculture and knowledge-based sectors (which are aggregations of a number of related specific branches of production). These topics are particularly important to the Cuban economy. Tourism has been essential to Cuba’s short-term survival during the Special Period, and it will continue to be an important branch of the economy in the long run, even though its relative importance is already declining. Agriculture (including food sovereignty) and knowledge-based sectors are two aggregates of production that will be central to Cuba’s long-term development; they are already making contributions in the short term, albeit so far fulfilling only a small part of their potential.



Tourism has been the most important single industry of the last two decades, the “ersatz sugar industry.”<sup>17</sup> But that observation greatly understates its importance to the Cuban economy over the period that is the focus of this book. It is hard to imagine how a complete economic collapse—and, with that, an end to Cuba’s fifty-year experiment in building socialism—could have been avoided without the remarkable performance of the tourist industry during the Special Period.

As Miguel Alejandro Figueras and Alfredo García Jiménez present in their chapters, the tourist industry has three very specific aspects that differentiate it from other branches of production in Cuba. The first is fairly narrowly economic. The starting point for Cuba’s commitment to build its international tourist industry in the Special Period almost *de novo* was that this industry could generate rapid returns on investment; generate foreign-exchange earnings; and given its potential profitability, attract foreign capital to build the industry more rapidly than Cuba’s capital resources would allow.

A second important consideration for Cuba concerning tourism is, however, ideological. There are two aspects to this, one historical, the other related to socialist consciousness. First, Havana had a booming tourism industry for the first half of the twentieth century, particularly in the 1950s. But this was a tourism oriented toward gambling, prostitution, and associated activities, and brought with it governmental corruption. It was a point of national pride that the Revolution eliminated this black mark on the reputation of the Cuban people. While the “simple solution,” of course, was to remake the new tourism with a different nature, this history still presented an issue that had to be addressed with the reintroduction of international tourism. It is relatively easy to severely limit gambling and organized prostitution, but preventing the nationally insulting emergence of informal prostitution is extremely difficult without severely limiting the rights of Cubans to mingle with foreign tourists. Organized campaigns by the Federation of Cuban Woman and other organizations, particularly in the 1990s, ideologically addressed this issue with some (far from complete) success, and that success has made it much less of a point of discussion in Cuba today than it was in the 1990s. The broader ideological issue has to do with conflict between the impact of large numbers of foreigners coming to Cuba to consume (often conspicuously, and being encouraged to do so for the success of the industry) and the continuous process of developing in the Cuban population a socialist consciousness oriented toward human development as opposed to materialist consumption.

A third consideration, and one that is particularly salient for natural resources-based tourism everywhere, is its interaction with the environment. To begin with, in a narrow business sense Cuba would be killing the goose that

lays the golden eggs if its tourism development were to pollute or overdevelop the environmental attractions that tourists are coming to enjoy. More broadly, given the importance to human well-being of a healthy environment, protecting and preserving the environment is a goal in itself for Cuba.

Agriculture has historically been a vital component of the Cuban economy, but in the form of commercial export crops, above all sugar. As Ángel Bu Won and Pablo Fernández Domínguez argue in chapter 11, this sector of production still has underutilized export potential that is important to exploit as one part of building the foreign-exchange balance that Cuba needs. Much more important today, however, particularly in the short term,<sup>18</sup> is agricultural production for the domestic market. Above all this means food, whose importance is expected to be reinforced in both the near and distant future as international food prices continue to rise. Food security is important for three reasons. First, Cuba still imports a large amount of the food it consumes, which limits the foreign exchange available for developing the Cuban economy. Second, food is increasingly being used internationally as a political weapon, and hence the issue of food sovereignty (the ability of a country to meet its own food needs) as a necessary component of national sovereignty has become a topic of international discussion in recent years. Third, and in the final analysis the most important for Cuba, increased domestic food production is important for Cuba's central goal of constantly improving its population's well-being, especially given rising costs and other problems in international food markets.

Turning to the final area of production highlighted in this book, further development of knowledge-based sectors is seen as of central importance to Cuba's medium- and long-term economic growth and development. Cuba has already achieved some impressive results, both domestically and internationally, with a few of these products, typically considered to lie outside the purview of third world countries. Vito N. Quevedo Rodríguez argues that Cuba's commitment to socialism and its world-recognized achievements in education over the entire course of the Revolution (itself part of Cuba's commitment to socialism) together have given the Island an advantage over other third-world countries, and in some cases have made it competitive with first-world countries. Quevedo details how Cuba built a general institutional structure and accompanying culture that promotes science, technology, and innovation. He then examines four knowledge-based products with which Cuba has had important successes: biotechnology, information technology and communications, energy production, and environmental protection. Such knowledge-based advancements place Cuba among the vanguard in what many scholars regard as key sectors of future human economies throughout the world.

## Conclusions

It is not very surprising that Cuban economists continually produce a large amount of quality research on their own economy, research that Cuban policymakers rely on heavily. Notwithstanding Cuba's relative isolation, however, it is somewhat surprising how little of this research is translated into foreign languages, and hence how few of the details of Cuban economic thinking and debates are known to both supporters and opponents of the Cuban Revolution outside the Island. This book aims to make a small contribution to addressing that problem.

In 1990, in the first instance because of the collapse of the trading partners with whom its economy was extremely integrated, Cuba suddenly entered the most severe economic crisis in the history of the Revolution. Not only did Cuba face a decline similar in depth and length to the 1929–33 Great Depression in the United States, but it also was limited by several barriers to economic recovery that the United States did not face during the Depression. The fundamental one was that it could not simply reactivate its previous economy, but rather simultaneously had to profoundly restructure its economy with dramatically reduced resources. In addition, it was a small open economy in a world dominated by a neoliberal capitalist system antagonistic to Cuba's primary goal of building socialism. While this generalized antagonism would and did make Cuba's recovery more difficult, by far the major deliberate external damage came from the U.S. blockade and intense general economic aggression against Cuba over the entire Special Period.

As the following chapters make clear, the Special Period has been both a time of economic recovery and, more fundamentally, of the deepest changes in the Cuban economy since its declaration of socialism in 1961. As I write this, Cuba is engaged in a popular consultation and debate on what its new economic model should look like, which will culminate in April 2011. However, exactly how the ideas in the resulting model will be put into practice and what their results will be will only unfold slowly over the coming years. The one thing that is certain is that Cuba is traveling a new road for building socialism that began at the onset of the Special Period in 1990, with the experiences presented in this book.

## Notes

1. Outside of Cuba this period is often considered to be the application of the ideas that Che Guevara argued for in the Great Debate. Although he did indeed champion the importance of moral incentives, and moral incentives have been one factor in Cuban

economic policies over their entire history since the triumph of the Revolution, scholars both inside and outside Cuba have carefully documented that this period was not consistent with Che's economic ideas. See, for example, Robert Bernardo, *The Theory of Moral Incentives in Cuba* (Alabama: University of Alabama Press, 1971); Carlos Tablada, *Economics and Politics in the Transition to Socialism* (Sydney: Pathfinder/Pacific and Asia, 1989); and Helen Yaffe, *Che Guevara: The Economics of Revolution* (New York: Palgrave Macmillan, 2009).

2. The behavior of the financial sector in the current crisis in the United States demonstrates that in fact powerful economic actors in capitalist countries are really interested in their individual profits and will act to enhance those even if doing so slows national economic growth. The issue of concern here, however, is what economists outside of Cuba think and say about the Cuban economy. Notwithstanding its minor importance to capitalist businesspeople, almost all mainstream economists cite growth of the GDP as the only metric for social well-being they need to consider, because it is an article of their faith that "a rising tide raises all boats."

3. In fact, Cuba has experienced a healthy though not exceptional rate of economic growth over the entire course of the Revolution. The 1960s were lackluster, the 1970s were healthy, and the first half of the 1980s was strong. For the quarter century from 1960 to 1985, Cuba had the second-highest rate of growth of real GDP in Latin America. See Andrew Zimbalist and Claes Brundenius, *The Cuban Economy* (Baltimore: Johns Hopkins University Press, 1989), 165. Even including the economic implosion in the early 1990s, which had fundamentally external causes, Cuba's rate of growth of real GDP from 1959 to 2008 matched the average for Latin America. See chapters 1 and 2 in this collection for discussions of Cuba's growth throughout the various periods of the Revolution.

4. As chapter 8 discusses, increasing enterprise efficiency is a central economic policy in Cuba today. Because of the goal of the Revolution, however, employers are barred from accomplishing this by lowering workers' wages.

5. A report on the poll is given in the then-bimonthly magazine of the Center for Cuban Studies in New York, *Cuba Update*, February 1995, 9.

6. After giving two long speeches on July 26, 2006, Fidel became seriously ill. Fidel held the office of president of the Council of State as well as president of the Council of Ministers (sometimes referred to as prime minister). Raúl was first vice-president of both bodies. All these positions are voted on by Cuba's popularly elected legislature, the National Assembly of People's Power. In line with Article 94 of the Cuban Constitution, when Fidel became ill, power passed to the next highest person in the government, Raúl Castro. Given the uncertainty concerning the nature of the illness and the time necessary for Fidel's recovery, no official changes in government titles were effected at that time: Raúl became acting president by vote of the National Assembly of People's Power on July 31, 2006. He was subsequently elected president on February 24, 2008.

7. Raúl Castro, speech to the National Assembly on August 1, 2009, available in the archives of Juventud Rebelde at [www.juventudrebelde.cu](http://www.juventudrebelde.cu). All translations are mine.

8. I argue here that the reason it is important to read the works of Cuban economists is the pro-socialist frame that most of them operate in (as well as their perspective from

daily life in that system). At the same time, it is worthwhile to note that there are two very different currents among the anti-socialist economists outside of Cuba. Very briefly, one current is strongly opposed to all the policies of the Cuban government and sees a neoliberal situation where “unfettered markets” reign as optimal for a post-socialist Cuba. Well-known authors in this camp who do serious work on Cuba include Jorge Pérez-López and, slightly less stridently, Carmelo Mesa-Lago. The other, very different group supports many of the obvious accomplishments of the Revolution and almost all favor having a relatively active and progressive government that does play an important (though reduced) role in the economy and maintains some sort of social safety net. They usually present their proposals as a combination of “more markets” and “privatizing the state’s assets.” All of these together would constitute a restoration of a somewhat social democratic or welfare capitalism, though these authors never use that term in their proposals. Well-known authors of this orientation are Claes Brundenius, Manuel Pastor, and Andrew Zimbalist. See, for example, Pastor and Zimbalist’s proposal for privatizing the Cuban state’s assets using the sort of coupon programs designed for and used in several Eastern European countries to effect their return to capitalism. Manuel Pastor and Andrew Zimbalist, “Waiting for Change: Adjustment and Reform in Cuba,” *World Development* 23, no. 5 (1995).

9. Almost immediately after being elected acting president by the National Assembly of People’s Power on July 31, 2006, Raúl launched a broad, ongoing process of popular consultation on Cuba’s economic (and social) problems. He went first to a number of organizations and institutions. In September he called for input from the trade unions, and in October from the newspapers, a call particularly picked up by *Juventud Rebelde*. In December Raúl appealed to students in the Federation of University Students (FEU) and to the delegates to the National Assembly, and in June 2007 a nationwide survey of all members of the Communist Party asked for ideas on how state-run businesses could be run more efficiently. Finally, the process took its biggest step forward following Raúl’s speech on July 26, 2007, starting in August and accelerating in September. For three months, meetings were held in Communist Party cells, Committees for the Defense of the Revolution (neighborhoods), and in workplaces to air whatever social and economic concerns people had. A vast discussion unfolded about everything from salaries, food prices, housing, transportation, restrictions on travel, the two-tiered money system, and the lack of resources at the once academically outstanding schools in the countryside to opposition to police interference with retirees who sell whatever they can in the street (for example, roasted peanuts) to increase their inadequate income. (See Al Campbell, “The Cuban Economy: Data on Today’s Performance and Information on Tomorrow’s Projected Changes,” University of Utah Working Paper 2008-08, 2008, at [http://economics.utah.edu/publications/2008\\_08.pdf](http://economics.utah.edu/publications/2008_08.pdf).) The results from all the meetings in this national consultation were collected and used as input, along with numerous other inputs, for continued study over the next three years. The resulting proposals were printed and distributed to the entire population in November 2010 (see <http://links.org.au/node/2037> for an English translation). A comprehensive national discussion like the previous ones took place from December to February, which will be followed by a vote

on the new economic model (including modifications from the national consultation) at the upcoming April 2011 Congress of the Communist Party.

10. See <http://www.juventudrebelde.cu/cuba/2010-12-12/economia-cubana-demandatos-o-de-utilidades>.

11. See CEPAL, *La economía Cubana: Reformas estructurales y desempeño en los noventa* (Mexico City: CEPAL, 2000), 253. In round numbers, in 1998 the economically active population was 4.5 million, of which 80 percent (3.6 million) were employed by the state. Productivity per worker was 20 percent lower in 1998 than in 1989, so cutting 20 percent of the workforce and keeping output the same would eliminate this hidden unemployment (to the 1989 level). That would be 720,000 workers.

12. Brian Pollitt, "Crisis and Reform in Cuba's Sugar Economy," in *The Cuban Economy*, ed. Archibald Ritter (Pittsburgh: University of Pittsburgh Press, 2004).

13. Point 2 in the proposed reforms.

14. The frequent argument that because of its small size the Cuban economy necessarily must have dependent, unbalanced production is false. One among many counterexamples is Switzerland, a country two-thirds Cuba's size that exports roughly 50 percent of its GDP. It is true that due to its size the Cuban economy could not be efficient if it was autarkic, but it cannot be said that its size must cause an unbalanced or dependent productive structure.

15. No one suffered to the extent of being clinically malnourished during the Special Period, but a small number of people would have been popularly considered to be malnourished, and for a few years a significant number of people experienced chronic hunger. No one lost his or her home and had to live on the street. These were both important achievements of Cuba in these extremely difficult times. Relevant to Ferriol's essay, without minimizing the seriousness of Cuba's social problems, these facts underline the difference between inadequate income in Cuba and poverty in other countries.

16. Independent of their income, the reasons for lack of well-being include alienation, lack of collective democratic control of the workplace that they are part of, and more simply, their subaltern role and corresponding treatment at work, which is inconsistent with human dignity.

17. Specifically, tourism replaced sugar as the main source of foreign exchange, as a major object for foreign investment, and as an important source of employment. These had all been major roles of the sugar industry before its dramatic decline during the Special Period.

18. Developing an industry capable of successful, large-scale exports to highly competitive international food markets requires significant time to establish quality and reduce production costs.