

ECONOMICS AND STRATEGY IN THE 2ND GILDED AGE  
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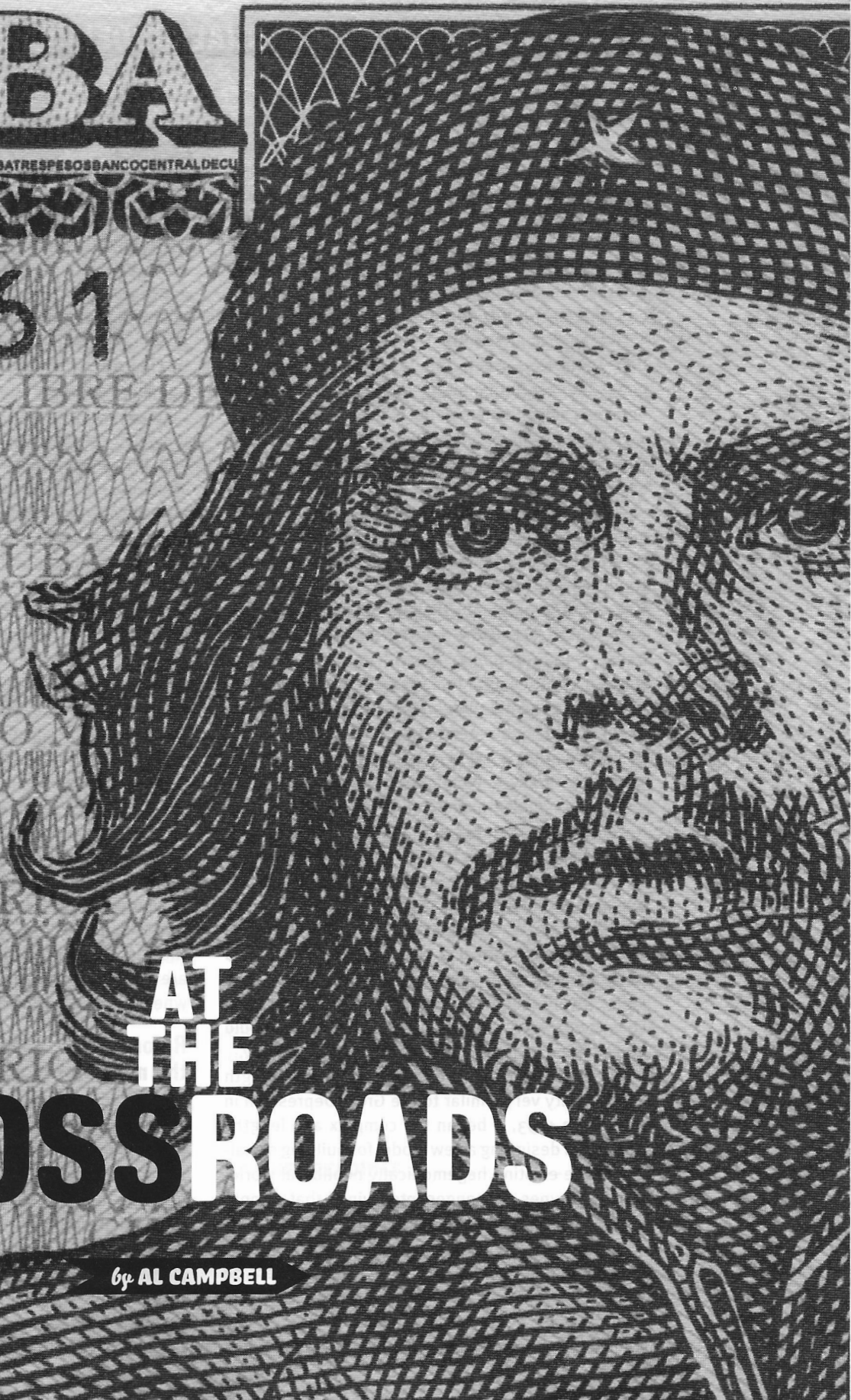
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**CUBA**

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**AT  
THE  
CROSSROADS**

by AL CAMPBELL

## CUBA'S ECONOMIC AND SOCIAL MODEL: WHERE'S IT GOING?

**THERE ARE TWO THINGS** that radicals, liberals and conservatives around the world who know Cuba, and 11.2 million Cubans living on the Island, agree on. The first is that Cuba is undergoing a *major* economic and social transformation. The second is that there is a broad debate that includes large disagreements throughout the country's political leadership, its academics/intellectuals and the entire population about where the Island's economy and society should go, and what the future Cuba should look like.

Like any small country, Cuba's domestic production requires foreign inputs, both intermediate goods and capital goods. This in turn requires that Cuba can sell sufficient exports to pay for its necessary imports, for which it must be connected to foreign markets that want what it can export. At the end of the 1980s Cuba carried out 80 to 85 percent of its foreign trade with the Soviet Union and its allies. Their breathtakingly fast transformation at the end of the 1980s and early 1990s into capitalist countries which terminated all or large parts of their trade with Cuba meant that the Island had almost overnight to restructure itself for survival in the capitalist world economy. Notwithstanding that the 1990s and 2000s prior to 2007 were the highpoint of neoliberal consolidation and ideological hegemony in the world, Cuba made clear in declaration after declaration that it would not turn in that direction to save its economy, and that the construction of socialism would remain its goal. It did openly declare that it would adopt certain capitalist-like and even some capitalist mechanisms that it considered necessary for its interactions with the capitalist world economy, but would not adopt more of these than necessity required. Watchdogs for world capitalism like *The Economist* magazine cheered when the Island adopted such "pro-capitalist" changes, and then subsequently lambasted Cuba for a lack of will and consistency when it did exactly as it had said it would and adopted no more than it considered necessary.

Once Cuba stopped its economic freefall (in length and severity very similar to the Great Depression in the US) in 1993, it began the complex and lengthy process of designing a new model for building socialism in the existing hegemonically neoliberal world. Here two types of changes intertwined that complicate the understanding of this process. The first were changes seen as necessary concessions to the existing neoliberal world that would later be reversed when possible. The second type of changes, some of which also resembled some features of capitalism, were seen as addressing problems that had

already existed in Cuba's previous model for building socialism. Above all these concerned a number of different dimensions of efficiency. This process was promoted for over a decade by Fidel Castro, and then accelerated and given additional dimensions under Raúl Castro after he assumed first provisional and later official power after July 31, 2006.

On the one hand the "Guidelines of the Economic and Social Policy of the Party and the Revolution" adopted at the Sixth Party Congress in April 2011 should be thought of as the result of the previous two decades of work to develop a new model for building socialism (in today's world, in today's Cuba). It is important to understand that, as its name indicates, the document only presents guidelines, and that there are strong disagreements in Cuba about not only the details, but the general nature of how they are to be concretely implemented. Hence, on the other hand, the adoption of these guidelines should be thought of as a marker for the beginning of a new period (subsequent to the Special Period, 1990–2011) in Cuba's revolutionary economic and social history. This period is defined specifically by the social process of concretely implementing the Guidelines and thereby actually creating the new model the Island will use in the near future to pursue building socialism.

The economic changes going on are legion. They include such critical issues as entirely new modalities for Cuba's essential international trade, a fundamentally restructured agricultural sector, a new tax system, elimination of its dual currency, a new banking system, and many more. In this short piece I will only address two fundamental changes occurring—the "new forms" of property and employment, and the operation of state enterprises. These two issues are centrally important to the fundamental question: where will the current reforms take Cuba?

### **Reform I: The "new forms" of property (in the means of production) and employment**

The mainstream world press, whose agenda is the restoration of capitalism on the Island, has focused its coverage on the "new forms" of private property and employment. First of all, these are actually not new. 15 to 20 percent of agriculture was private (individual, credit co-ops or production co-ops) prior to the Special Period, and of the total workforce of slightly over 5 million a few tens of thousands were self-employed outside of agriculture. What is new is the scale of non-state employment: roughly 400,000 are employed in the non-state sector outside of agri-

culture today, and there is also a big shift in agriculture to private property and employment. At present people in the government are talking of eventually 40 percent of the labor force working in the non-state sector, and that projected number has slowly but continually crept up over the last several years.

There are two important considerations related to this major change in regards to the issue of a capitalist restoration. The first is that a large part of these non-state workers are self-employed or, equivalently for the issue here, part of co-ops. While many, including this author, would argue that these forms of labour are incompatible with a fully developed socialism, no matter how extensive they become, they cannot form the basis for a capitalist restoration because neither produces the appropriable surplus value that capitalism needs to function. The second consideration is that even the existence of a "real capitalist sector," one that does produce with the goal of the self-expansion of capital through the appropriation of surplus value, does not in itself determine the nature of the overall system. If this sector is kept subordinate, as were the fully capitalist sectors in Europe in the Middle Ages or in Rome, the overall system can remain non-capitalist. Provided Cuba keeps its current capitalist sector subordinate, there is no *a priori* reason its existence has to prevent the Island from continuing its process of building socialism.

A danger of course is that a subordinate capitalist sector today could grow to become the sector that determines the nature of the overall system tomorrow. History has shown that capitalism by its very nature is an extremely expansive system of production. This danger is made still much more acute, however, given that international capital with its massive resources is dedicated to supporting and promoting a capitalist restoration in Cuba.

The more subtle and arguably even greater danger is that the ideology associated with such capitalist production penetrates the very bodies that are supposed to limit its growth.

## Reform 2: The operation of state enterprises

The dangers of a capitalist restoration from a poorly run state sector in such a dual-sector transition model are tersely illustrated by a hyperbolic description of 1980s Poland. A worker would put in 8 hours of work at his state job. He would do as little physical or creative mental work as he could get away with. After this he would go to his private-sector job where he would fully exercise his physical and creative mental capabilities on raw materials that were to the maximum degree possible stolen from the state sec-

tor. The result of this was that official statisticians and the population itself found "state production" to be inefficient and "market private production" to be efficient, the key to an improved standard of living individually and for the country. With this piece of capitalist ideology socially entrenched, the subsequent restoration of capitalism became inevitable.

Cuba recognized the necessity of improving the way its state enterprises functioned even before the crisis that brought the Special Period. The process of Enterprise Improvement (*Perfeccionamiento Empresarial*) began in the productive enterprises of the armed forces in the late 1980s, was endorsed for the whole economy at the Party Congresses in 1991 and 1997, was legally encoded in 1998 and 2007, and was a fundamental contribution to the related parts of the Guidelines.

In 2007 the government found that the 28 percent of the (then) roughly 3,000 state enterprises that had successfully completed the process of implementation of Enterprise Improvement were 50 percent more productive than the remaining state enterprises. The program has continued since then. I have seen no similar official evaluations of the further effects of this program, or evaluation in general of the essential (to the transition to socialism) improved performance of the state-sector enterprises.

My overall evaluation of the current period of extensive economic and social changes is that they are to date being adopted in the frame of a continued political central commitment to building socialism. At the same time this process of both designing and implementing what is intended to be a new road to socialism in today's neoliberal world has the potential, as international capital hopes and some leftists fear, to become some sort of Chinese road back to capitalism. Where Cuba goes will be determined by a political and ideological fight in Cuba, in turn significantly influenced by developments in the world struggle against capitalism outside Cuba. That fight is going on right now, and will presumably continue for years to come, throughout the institutions and population of Cuba. ❖

### FURTHER READINGS . . . . .

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*The Cuban Revolution as Socialist Human Development*, Henry Veltmeyer and Mark Rushton, Haymarket Books, 2013

*Cuba Under Raúl Castro*, Carmelo Mesa-Lago and Jorge Pérez-López. Boulder: Lynne Rienner Publishers, 2013