

Plan, market, private sector: a current look at the debate



José Luis Rodríguez and moderator Marxlenin Pérez (Source: [YouTube](#))

Cuba's former Minister of Economy, José Luis Rodríguez, is an authority on the island. The Marxist economist planned the socialist national economy between 1995 and 2009 and is also considered an important expert on theoretical issues. In the economic TV-program "[Cuadrando la caja](#)," he recently joined other representatives of his field to comment in detail on the role of the plan and the market in the ongoing reform process in Cuba. Where does the official debate stand today, and what role should the private sector play in the future economic model? "Cuba Today" takes a look at the discussion that took place over two broadcasts.

From Guevara to the *Lineamientos*

The debate over how to structure Cuba's planned economy goes back to the 1960s. During the "Great Debate" (1963-64), Che Guevara, the Frenchman Charles Bettelheim and the German Ernst Mandel engaged in an argument about the role that markets and the law of value should or must play in building socialism. Che Guevara prevailed at the time with his hypercentralist approach of the "budget management system," according to which the entire national economy is planned as one big factory. The failed 10 million sugar cane campaign was followed by a (first) reassessment in 1971. From 1976, the "New Planning and Management System, SDPE," based on the CMEA mainstream, took hold, followed from 1986 by a return to the Guevarist ideal with an emphasis on moral incentives as part of the "Rectification of Errors" (*Rectificación*). Until the start of the current reform process in 2011, several more waves of de- and re-centralization followed, in which the weight between monetary and moral incentives, financial and material planning criteria was repeatedly rebalanced.

The current reform documents (the Guiding Lines "*Lineamientos*" and the Conceptualization of the Economic and Social Model, "*Conceptualización*"), last updated at the VIII Congress of the Communist Party (PCC) in April 2021, define Cuba as a "socialist economic system [...] with planned management of the economy that recognizes the market and controls and regulates it in the interest of society." The "ownership of the means of production by the people as a whole" stands out as the main form of ownership, complemented by private and cooperative ownership.

"Marx and Engels did not describe exactly how the transition from capitalism to socialism would take place," Rodríguez explains at the beginning of the program, which was titled "Planning and the market: a possible harmony?" Socialism, he said, first emerged in a backward country with the October Revolution in Russia, contrary to all expectations. Making economic decisions in such a country based solely on use values worked during the period of wartime communism, but could not be a permanent solution due to the regressive nature of the productive forces and the still existing social division of labor, Rodríguez said, pointing out that commodity production is clearly older than capitalism: "Despite socialization, labor cannot express itself on a direct, unmediated basis due to the relative isolation of producers. The elimination of the market as an intermediary requires a long, historical process of productive force development."

Transition to strategic planning

So far so well known. Here Rodríguez reflected the consensus on the question of commodity production that had emerged in the social sciences of most socialist countries in the second half of the 20th century. Central planning, "the steering of the economy toward a specific goal," Rodríguez quoted Che Guevara, was "the mode of existence of socialist society, with the goal of the complete emancipation of man in communist society." "This is a much broader definition of planning that includes not only economic aspects, but also social and political aspects," Rodríguez elaborated.

Joel Ernesto Marill, head of the Strategic Planning and Development Department at the Ministry of Economy (MEP), differentiated between planning and Soviet-style centralized resource allocation. "Planning in Cuba today carries an increasingly indicative, strategic character that seeks to shift the allocation of resources to market processes and focus planning on development goals and social policies," Marill said. In a diversified economy with different forms of ownership, centralized allocation of resources can no longer be the "sole instrument" of resource allocation, he said. The socialist economy is distinguished from the capitalist one by the targeting of economic development based on social needs, Rodríguez noted. "We also need to perfect the tools of planning for this, and we need more information," said University of Havana economist Rafael Montero. "We need predictive tools, mathematical, statistic models, up to artificial intelligence."

Montero warned against seeing plan and market as opposites, saying, "The market is a reality in Cuban society, and must be used as a tool for planning." One problem for this, he said, is the "low quality of monetary-mercantile relations in Cuba: they are often asymmetrical, determined by monopolies, and do not work well," Marill added. Cuba needs to create efficient markets, he said, and only these can also be the subject of effective regulation. In terms of regulation, Rodríguez explained that the price caps often used in

Cuba in the past did not work because they only addressed symptoms. "Negating the market is not the solution. The state must be enabled to compete with the private sector," Rodríguez said. "It is true that centralized planning and resource allocation helped us during the crisis, but this model will not allow us to grow in the future," Marill said.



The private company "Lácteos Rojas" from Mayabeque produces dairy products (Source: [Twitter](#))

The role of the private sector

Since the laws on small and medium-sized enterprises (SMEs) were passed in September 2021, more than 8000 new economic actors have been established until now, employing around 200,000 people. SMEs (called "micro, pequeñas y medianas empresas", MIPYMES, in Cuba) can employ up to 100 people and are given the legal form of a "Sociedad de responsabilidad limitada" (SRL), which is roughly equivalent to a German GmbH. In addition to a significantly more attractive tax system and liability through company ownership, this also opens up new opportunities for cooperation with the state sector and foreign investors. In addition, since the new laws came into force in September 2021, start-ups have been possible in all sectors except for a 112-point negative list. The negative list primarily includes traditionally state-owned fields of activity such as the military, healthcare, water and energy industries, but also mining, media, the sugar industry, and wholesale. The opening was made possible by the new 2019 constitution, under which the concentration of wealth is no longer prohibited but "regulated," and in which various forms of ownership are recognized.

What does this mean for the future economic model: what role will SMEs play in Cuba in the future, and what framework conditions must be created for the interaction of all players? This was the topic of the follow-up program of "Cuadrando la Caja" under the title "[Private SMEs in Cuba: a strategic alliance](#)".

"SMEs are an opportunity for our economy, supported by all the resolutions and documents, starting with the new Constitution," explained Daniel Torralbas, expert on economic actors at MEP. In the context of the great shortage that the economy is experiencing today, the private sector is creating new goods and services and contributing to the development of the economy. In this regard, he said, each form of ownership, from state-owned enterprises to cooperatives and private SMEs, has its place where it can best perform its function. "One objective is for the new players to form an alliance with the socialist state-owned enterprises, since they cannot cover all aspects of the economy," explained Daisel García, representative of the provincial government of Sancti Spíritus. Torralbas reiterated the predominant role of the state sector and the existing restrictions on the creation of private companies in certain sectors. SMEs are not a threat, even if some still see it that way, Torralbas said. As García explained, many prejudices against the private sector stem from its high prices, but this also has to do with taxes and the other frameworks in which SMEs operate. "State-owned companies also have to lower their prices in order to correct this," García said.

"Sometimes everything that is sold in the street in terms of expensive products is attributed to SMEs, while in many cases they are not even registered private companies," Torralbas explained. Many of the strategic alliances with private companies, ranging from food manufacturing to pharmaceuticals, have little visibility, he said. "There are collaborations today in which SMEs provide the input goods because the state-owned enterprise lacks foreign currency, while the latter provides the infrastructure and labor," elaborated an example of a public-private partnership (PPP) from Torralbas. One problem, he said, is the continued high import of manufactured goods, so new incentives must be created for producers. "We need to move from a trading economy to an economy that produces. An important problem here is financing, for this we need new credit and fiscal policies," added Fernando Suárez of the private company EMSI S.R.L, dedicated to the production of medical products. "What are needed are more companies, of all forms of ownership," Suárez said.

Overall, the debate continues to reflect a consensus that the Hungarian reform economist Janos Kornai once called "reform socialism." The need for commodity production and the accompanying use of the market is recognized, while at the same time the private sector is given a complementary but growing role. The ongoing trend toward planning that no longer allocates every screw centrally but focuses on fiscal and monetary frameworks and strategic developments is already a nod toward the socialist market economy familiar from China or Vietnam. Crucial questions, however, remained unanswered by the panelists: How exactly will the transition to indicative planning be structured and what does this mean for price formation? Which areas of the state sector will be managed centrally and administratively, and what will happen to unprofitable enterprises? What forms of ownership will market-oriented state enterprises take in the future? This is where the Enterprise Law, expected at the end of the year, could fill the gaps. For the first time, it will distinguish between strategic

and non-strategic enterprises, and should answer some of the above questions. Its first draft is expected to be published in the coming months ([Cubaheute](#))