

Cuba's Co-operative Sector and the Project of Deep Reforms

I. Introduction

From the first official declaration that Cuba's Revolution was socialist on April 15, 1961, to the present, Cuba's "model of socialism"¹ (the institutional structure they work to build, to realize the goals of their general concepts of socialism) has constantly changed.² However, the changes to its model of socialism which have been continuously unfolding since the beginning of the Special Period on August 29, 1990, are arguably broader and deeper than any of the previous changes. The extent to which Cuba now holds that it is necessary to deeply rethink both of the related issues of what socialism is and how best to build it was poignantly expressed recently by its president. In his remarks to the National Assembly on December 18, 2010, Raúl Castro described the process of constructing socialism as, analogous to flight into space, *un viaje a lo ignoto* (a journey into the unknown).

At the end of 2010 Cuba took a first major step in systematizing its two decades of experience with finding a new economic and social model for building socialism since the beginning of the Special Period. The Communist Party of Cuba (PCC) drafted what became known simply as the *Lineamientos* (hereafter, "Guidelines"), a document of 291 guidelines for the ongoing process of constructing the necessary new model of social, and especially economic, socialist development. Particularly important to its nature as guidelines for Cuba's central social project, the original document was submitted for a national discussion from December 2010 to February 2011. At its 6th Congress from April 16 to 19, 2011, the PCC then approved the final form of the Guidelines, which were extensively changed from the original proposal on the basis

¹ The author of this essay, a trained economist, strongly rejects economic reductionism in general, and in particular for consideration of constructing socialism. The construction of not just socialism as an entire social system, but even of a socialist economy, is a political and social process as well as an economic one. The focus of this essay is on economics because i) Cuba has explicitly declared it will focus first on economic reforms in its current reconstitution of its socialist model and only subsequently on major political changes, ii) the effects of the cooperatives to date, and for the near future, have been and will be primarily economic (with potential deep social implications to follow), and iii) of the restricted length of this chapter.

² The changes from the simultaneous experimentation with both the Auto-Financing System and Budgetary Finance System in the early 1960s, to the extreme voluntarism of the late 1960s, to the System of Economic Management and Planning (SDPE, a modified Soviet system) in the 1970s and first half of the 1980s, to the Rectification Process reaction against the SDPE in the second half of the 1980s, were each major changes in Cuba's economic model for socialist construction.

of the national discussion.³

As this chapter is being written in the late summer of 2016, Cuba is taking a second major step in the ongoing process of its self-clarification of what the socialism is which it is seeking, and how it will attempt to achieve it. At its 7th Congress from April 16 to 19, 2016, the PCC approved two preliminary documents for national debate. The first addresses the conceptualization of its evolving economic and social model of socialist development. (PCC 2016a) It will hereafter be called the “Conceptualization.” The second one, more like the Guidelines from 2011, addresses the current broad and general thinking on how those concepts will be applied in practice over the next 14 years. (PCC 2016b) It will hereafter be called the “LTP” (Long-term Plan). On June 15 a national discussion was opened on the two documents. This national discussion is scheduled to last until around September 20. This will be followed by changes to the documents resulting from the national discussion, and then adoption of the revised documents by the Party and the government at the end of the year, as central social guidelines for Cuba’s socialist construction.

There is a broad spectrum of differing degrees of concern (as well as a broad spectrum of differing degrees of hope and optimism) among supporters of Cuba’s project of constructing socialism about what the ongoing current economic changes will mean for that project. The deepest fear is that the changes could lead to the end of the project to build socialism, a return to capitalism. The spectrum of concern ranges from those who see the changes containing such a danger if they are not economically, socially, politically and ideologically correctly implemented,⁴ to those who believe that the changes will “very likely” or even “inevitably” restore capitalism.

Among the plethora of changes over the last two and a half decades, and those further

³ Given the deliberately created dominant misconception outside of Cuba of the lack of social participation by Cubans in governing their society, it is important for this issue of creating its new model of socialism to briefly underline the breadth of the national input into these Guidelines. Cuba has a population of about 11.2 million, with a bit under one fifth of that being age zero to fourteen. 163,079 meetings were held across the country to discuss the Guidelines. Noting that of course many people attended more than one meeting (say one in their workplace and one in their community), the total number of 8,913,838 participants in the meetings nevertheless represents extensive participation by the adult population. There were 3,019,471 “interventions,” which were grouped into 781,644 “opinions.” More than 395,000 opinions were accepted and included in the reformulation of the Guidelines. Of the initial 291 proposed guidelines, only 94 were accepted as originally proposed. 181 were modified, 16 were integrated with others, and 36 new ones were introduced. A complete listing of all the original guidelines, how they were changed and the sources of each change is available at PCC (2011b).

⁴ This position is held by many in the Cuban government, who also believe they have the ability to direct a social process that will implement the changes economically, socially, politically and ideologically appropriately.

projected in the 2011 Guidelines and the current two documents just referred to, two have been of particular concern to those worried about the changes leading to a restoration of capitalism. The first is the changes in ownership of the means of production, which I will often refer to simply as “property.” The second is the expansion of the role of markets in the economy.

As indicated by the title, this chapter is concerned with one major change in Cuba’s economic and social model, the expansion of workers’ cooperatives. Of the many potential effects of this change, it addresses one of central importance: how that expansion will interact with and affect Cuba’s project of constructing socialism. Since the theoretically deepest misgivings by supporters of Cuba’s project of building socialism with its projected expansion of cooperatives concerns their nature as non-state property and their use of markets, this chapter’s discussion of the interaction of Cuba’s expansion of cooperatives with its socialist project will be organized largely, though not exclusively, around a careful consideration of these two issues in the process of constructing socialism.

II. Background: Expanding Non-state Means of Production, Expanding Cooperatives, Expanding Markets

Article 120 of the Conceptualization document from the 7th PCC Congress defines five “principal forms of property of the means of production.” For the use of the most comprehensive and authoritative single source of economic data from Cuba, the *Anuario Estadístico de Cuba* (AEC) which will be used here, it will suffice as an approximation to consider just three of the five from article 120, “socialist property of all the people,” “cooperative property” and “private property.”⁵

Employment figures give one useful measure of the relative size of the state and non-state⁶ sectors of the economy, and from that their change from the old economic model to what is emerging. Of the roughly 20 percent of the total work force in agriculture⁷ in 1989, just over 20

⁵ In both the current documents from the 7th Congress and the Guidelines from the 6th Congress in 2011, “cooperative property” is defined as a form of socialist property (as it has been in Cuba since the Cooperatives of Agricultural Production were set up in the 1970s) and not as private property. It is unimportant to this work to discuss the debated issue of whether that is an appropriate definition, but it is important for understanding the data that follows to know that they define it that way.

⁶ The AEC frequently gives state and non-state totals, where non-state is the sum of private and cooperative.

⁷ This figure does not include forestry in 1989, which was just under 1 percent.

percent worked in the non-state sector (ONE 1990, Tables IV.1 and IV.2).⁸ In agriculture in the evolving model as of 2014, the non-state sector had exploded to almost 95 percent.⁹ (ONEI 2015, Tables 7.2, 7.3)

The expansion of the non-state sector in the dominant nonagricultural sector of the economy is also dramatic, but its projected endpoint is markedly different. In 1989 this sector had 25,200 self-employed and 16,300 salaried workers, for a total non-state employment of only 1.5 percent of the total of 2,805,500 nonagricultural¹⁰ workers. (ONE 1990, Tables IV.1 and IV.2) It would not be seriously misleading to say that then the majority nonagricultural part of the economy, unlike the agricultural sector, was entirely state run. By 2014, the nonagricultural non-state sector of the emerging new model had 488,900 non-state workers out of a total of 4,030,700 workers, 12.1 percent, in the slightly over 80 percent nonagricultural part of the economy.¹¹ (ONEI 2015, Tables 7.2, 7.3) Academic and political discussions in Cuba consider that the non-state part of the nonagricultural sector could rise to 40 or even 50 percent. This would be a major further expansion from what has already occurred, but also qualitatively different from the non-state share in the agricultural sector.

Given this major expansion of the non-state sector in both the agricultural and nonagricultural sectors of the economy, the question arises, what part of that is expansion of the cooperative sector and what part is expansion of the private sector? Again, the issue of the expansion of cooperatives in the new emerging economic and social model in Cuba has been markedly different in the agriculture and nonagricultural sectors. In 1989 there were 64,500 agricultural cooperativists out of the agricultural sector workforce of 690,300, 9.3 percent. By 2014 this sector experienced a major expansion under the evolving new model to 226,000 cooperativists, 24 percent of the agricultural workforce of 939,100.¹² The private agricultural sector was nearly twice as large as the cooperative agricultural sector in 1989, with 123,100 workers, 17.8 percent. By 2014 it was almost three times as large with 663,600 workers, 71

⁸ Tables IV.1 and IV.2 are not quite consistent since one uses the population December 31 while the other uses the average for the year, but they are close enough to give the rough figures that will show the dramatic change to 2014.

⁹ $(1,147,000 - 483,400 =) 663,600$ private agricultural workers plus $(231,500 - 5,500 =) 226,000$ agricultural cooperativists equals 889,600 non-state agricultural workers, out of 939,100 agricultural workers.

¹⁰ Here including forestry

¹¹ $483,400$ self-employed plus $5,500$ non-agricultural cooperativists equals 488,900 nonagricultural non-state workers. $4,969,800$ workers minus $939,100$ agricultural workers equals 4,030,700 nonagricultural workers.

¹² In 1989 agricultural cooperativists were in the Cooperatives of Agricultural Production (CPAs). A law for a new type of workers' cooperative was passed in 1993 creating Units of Basic Agricultural Production (UBPCs) (so a subcategory of "cooperatives"), largely out of dismantled state farms.

percent of the agricultural workforce.¹³

The situation of the expansion of cooperatives in the dominant nonagricultural sector of the economy is entirely different. Here there has been very minimal expansion to date. There were no cooperativists in the nonagricultural sector in 1989, and there were still none at the end of the first two decades of the development of the new economic and social model. In the last five years nonagricultural cooperatives have been started. But as of 2014, of the 4,030,700 workers in the nonagricultural sector, only 5,500 were cooperativists, 0.14 percent.

There are a number of strong reasons to believe there will be a major expansion of cooperatives in the nonagricultural sector in the near future. First, the government has launched an experiment with nonagricultural cooperatives, a procedure they frequently do before implementing major social programs nation-wide. They announced in December 2012 that they would create 498 nonagricultural cooperatives, and then study their performance for problems before promoting them further. The large majority of those were created between April 2013 and June 2014. There have been scores of careful studies of these (and the agricultural cooperatives). Second, as noted above, cooperatives were defined as socialist property in the Guidelines and the Conceptualization. This would suggest that the government might well favor them, in line with its goal of building a socialist society, as the form of non-state property that significant parts of state property should be converted to. Third, while Cuba has not yet written its general law for the nonagricultural cooperatives,¹⁴ the government has stated repeatedly since 2013 that it will favor cooperatives over private enterprises in its tax policies, its state purchasing policies, its specification of what sectors of the economy non-state enterprises can operate in, and through other measures.¹⁵ And finally, the LTP and especially the Conceptualization documents currently being socially debated give much more attention to nonagricultural cooperatives than did the

¹³ In 1989 private agriculturalists consisted of individual private agriculturalists and members of Credit and Service Cooperatives (CCSs), which are producers' cooperatives, not workers' cooperatives. In 2008 a law was passed creating the category of *usufructuarios*, people given the right to work the land essentially as private farmers (so a subcategory of "private"), although the state formally maintains ownership of the land. Of the 663,600 private agriculturalists in 2014, the old categories of individuals and CCS were up to 350,300, 37 percent of the agricultural workers, while the 312,300 *usufructuarios* alone made up 33 percent. (ONEI 2015, Tables 7.2, 7.3 and 9.4)

¹⁴ The idea is that the general law will be strongly informed by the results and experiences of the government experiment.

¹⁵ At present, however, it is much more difficult to form a cooperative than a private enterprise. This is not inconsistent with the government's stated intent to favor them. The government has indicated it wants to discourage cooperatives from forming until it has decided on the appropriate legislation, based on the experiments, so that when they are formed the cooperatives will function well socially as well as economically as part of Cuba's project to build socialism.

earlier Guidelines, suggesting not only a continuation but a deepening of the commitment to the project of a major expansion of nonagricultural cooperatives.

For the “expansion of the role of markets” it is much harder to produce any quantitative measure than for the expansion of the non-state sector or the expansion of cooperatives. “The fraction of economic activity that is market versus nonmarket” is not a standard economic statistic compiled by any country. Further, notwithstanding the largely accepted view that command economies related to the Soviet model had quantitative targets at the center of their production process, there is a debate far beyond what this chapter can consider about what role particular types of markets, certain processes of exchange based on values computed at administered prices, played in those economies. For the purposes of this chapter it will suffice to simply accept the standard view of both those who want to see Cuba’s construction of socialism continue and those who want to see Cuba return to capitalism, that the emerging new model has an expanded role for markets. The concern of this chapter again is what this expansion means for Cuba’s socialist project.

III. State and Non-state Property, Cuban Cooperatives and Building Socialism.

The starting point for considering the possible relations of state and non-state property to the project of building socialism has to be a consideration of the goal of socialism.

Throughout their entire *oeuvre*, Marx and Engels were very clear on the goal of capitalist production. In a particularly well-known pithy passage, Marx expressed it: “Accumulate, accumulate! That is Moses and the prophets.” (Marx [1867], 591) The goal of production in capitalism is to obtain profits (through seizing surplus value), to be reintroduced into the circuits of capital and thereby drive capital’s self-expansion. “Accumulation for accumulation’s sake, production for production’s sake.” (ibid.)

The goal of production (and all other aspects of society) in socialist theory is to promote human development¹⁶ by meeting human needs. This immediately poses the questions: first, who decides what society’s human needs are, second, who decides how best to use existing resources to meet those needs, and third, who will execute and monitor those decisions? An essential

¹⁶ Many other expressions encountered in the literature refer to this same human goal of “human development: “development of one’s human potential,” “realization of one’s potential capabilities,” etc. Freire ([1970]: 40) stated it particularly poetically; “man’s ontological and historical vocation to become more fully human.” For more on this central goal for socialism see Campbell (2006, p 113 ff).

corollary of the modern socialist vision is that the ensemble of people who compose the given society must themselves collectively be the agent that decides what their collective needs (society's needs) are, and how they (society) can best allocate available resources and human labor to meet those needs, including the desired distribution of the net output to individuals. For Marx and Engels this is more than just an economic recipe for having social decisions made, and actions for production and distribution undertaken, once capitalist decision makers are removed. For them this is the issue of popular sovereignty or collective self-determination by humans in all the institutions they are part of, here applied to their economic institutions, as part of socialism's support and promotion of humanity's goal of human development.

Under the assumption that the first step in a revolution to transcend capitalism would be the creation of authentic democracy¹⁷ by taking control of the state by the majority working class¹⁸ from the minority capitalist class, Marx and Engels saw nationalization¹⁹ of the means of production as equivalent to socialization (control by all society), which their vision of socialism required.

The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the State, *i.e.*, of the proletariat organized as the ruling class. (Marx and Engels, [1848], 504)

A number of social experiments in the twentieth century claimed to attempt to construct a Marxist inspired socialism, nationalized the means of production, failed to develop anything that resembled Marx and Engels' ideas on socialism or a transition to it, and in the end returned to capitalism. There is an enormous ongoing debate on why these experiments failed. For the concerns of this section of this chapter on state property and the current discussions in Cuba, however, the following very brief and very general statements are all that are needed. Many socialists reflecting on the failed experiments concluded that contrary to what socialism requires, a bureaucracy became separated from and opposed to the rest of the people. It came to serve its own interests instead of being a tool for effecting the social will, controlled by society through socialist democracy. In the terms Marx used in the quote above, the proletariat did not become

¹⁷ "The first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy." (Marx and Engels, [1848], 504)

¹⁸ Which the transition to socialism was to make into the entire society.

¹⁹ Both in common discourse and in socialist discussions, the term "nationalized" has come to nearly universally mean "statized," the transfer of ownership to the state. It will be used in this chapter also in this standard way.

the ruling class.

By the end of the 20th century and in the 21st century the above considerations led many Marxist-socialists²⁰ to begin to call for social property, as specifically counterposed to the historical call for state property. This terminological counterposition immediately poses the question of what the difference is, in particular in regards to the process of building socialism. This world-wide discussion takes a particular concrete form in the debates and resulting policies in Cuba today: are cooperatives, when part of a social process of building socialism, social property?²¹

A first possible answer to the question of the difference between state property and social property was dominant among the socialist critics of the processes in the USSR and China in the 20th century, who held those processes were not in fact building socialism. It continues to be an important current of socialist thought around the world today. This position holds that to be social property as required by socialism it must really be controlled by society as a whole, and that the only vehicle by which society can operationalize its collective will is through a state controlled by society. Hence this position holds that state property of the means of production is a necessary but not sufficient condition for the socialist requirement of social property. The additional condition needed is, as Marx and Engels indicated above, that the state be “the proletariat organized as the ruling class,” that the state be controlled by proletarian or socialist democracy. Note specifically that this position does not consider workers’ cooperatives, even as a component of a national process of building socialism, as social property.

Another possible answer that has been growing in popularity in recent decades starts with the consideration above that at the heart of socialism is that all humans collectively determine the operation of all the institutions of which they are a part. In this approach the means of production are social property if their operation, and the distribution of the results of their operation, are determined collectively by those involved in their operation. Note in particular that under this approach workers’ cooperatives could be considered social property (discussed further below).

²⁰ This term simply intends to partially sidestep the arguments about who is “really a Marxist” by considering a broader group of people who consider themselves some variety of socialist, and also consider their views to be significantly related to those of Marx, regardless of some number of secondary disagreements.

²¹ Note the answer to this is not determined by the modifying clause “when part of a process of building socialism.” It is also not the same question as if cooperatives can help in the construction of socialism in Cuba today. Cuba holds that (regulated, small scale) capitalist property meets both these criteria in Cuba today, but it does not hold that therefore capitalist property is social property.

The Conceptualization document referred to in section II, which is presently being nationally discussed, makes no pretense to being a final theoretical treatise on the nature of socialist property. Nevertheless, as presently proposed (and very likely as ultimately enacted) it clearly adopts the second approach to the issue of the nature of cooperative non-state property just indicated. Under article 158, cooperative property, the first point it makes (article 159) is:

the types of cooperatives²² that the [Cuban Economic and Social] Model recognizes form a part of the socialist property system, in that they apply the principles of collectivity to production and to the distribution of the results of its production. (PCC 2016a, article 159)

Being understood as part of the socialist property system seems to suggest that cooperatives will be accepted as a permanent part of Cuba's project of constructing socialism. At the same time, an echo of the first position seems to remain in a clear statement of the intended priority of state property in that project. Already the 2011 Guidelines declared that in the developing new model "The management model recognizes and encourages socialist State-owned companies – the main national economic modality ..." (PCC 2011a, article 2) This position of the intended centrality of "socialist property of all the people" (state property) has been extensively further elaborated on in the (far from complete) presentation of the theoretical basis of the evolving model in the Conceptualization.²³

There is a rich discussion in Cuba today on what is the potential of cooperatives, if economically, socially, politically and ideologically appropriately structured and introduced,²⁴ to contribute to Cuba's project of constructing socialism. Little of this is known, or even easily accessible, outside the Island.²⁵ An edited collection of articles by Piñeiro Harnecker²⁶ (2013) is

²² Cuba classifies only workers' cooperatives as cooperative property, and in particular not consumers' (which it does not have) or producers' (which it does have, the CCSs) cooperatives.

²³ See article 10 in the Introduction, article 63 in the section "Principals of our socialism that sustain our Model," articles 117 and 118 that introduce the section "Property in the means of production," articles 121 through 157 that describe the "socialist property of all the people" at length, and elsewhere in the document. (PCC 2016a)

²⁴ The discussion of course necessarily includes debate of what is the economically, socially, politically and ideologically appropriate structure of cooperatives, given the specifics of Cuba's process of socialist construction today.

²⁵ First, most of the written discussion is only in Spanish, not in the world "lingua franca," English. Beyond that, (many) Cuban books and journals that are published have limited availability outside of Cuba, particularly if not obtained when first released. This situation is beginning to change with electronic availability particularly for some Cuban journals, but it's still problematic for many journals, and still almost universally problematic for books, a format extensively used in Cuba for engaging in current debates in edited collections.

²⁶ While the author of the piece is a respected voice in Cuba on this issue of cooperatives and their role in building socialism, it needs to be underlined here to avoid any misunderstanding that she is only one of a significant number of people there participating in this debate. While articles in English about cooperatives in Cuba are not numerous,

intended to revolve around exactly the question of concern to this chapter, are workers' cooperatives an adequate form of organization of work for a society committed to constructing socialism?²⁷ Four important points from her contribution to the collection, concerning the issue of the possible role of cooperative non-state property in building socialism, follow.

1) A central principle of "real cooperatives" is autonomy. Decisions concerning operating the enterprise must be made collectively and democratically by the associated producers. Her chapter and the whole edited collection clearly state and discuss a central concern ("it is the one most addressed in this book") of many socialists regarding this issue: are cooperatives "too autonomous and therefore irreconcilable with the interests of society"? (p 3) "Is it possible for a cooperative to respond not only to the interests of the group of people that constitute it but also to the social interests?" (p 5)

2) Considering this issue more concretely in terms of the standard institution in socialist theory (and past Cuban practice) for expressing the social interest in production, a national plan, that question becomes: "would it be possible to 'couple' an autonomous enterprise with a planned economy?" (*ibid.*) First, the chapter acknowledges what is practically defined by the words "autonomous" and "national plan": "when looked at in terms of absolute autonomy and authoritarian (non-democratic) planning, in terms of the group interests of a collective unit that are considered in advance as being alien to social interests, then the response is obviously negative."²⁸ (*ibid.*) But at the same time, the chapter strongly asserts that yes, "it is possible to reach agreements and coordinate with [cooperatives] so that they orient of their activities toward the satisfaction of social needs identified in the planning process." (p 3) The author refers to, only as examples to show that it is possible, the works of Devine (1988) and Albert and Hahnel (1991) as two different worked-out models with both social planning and relative work-place autonomy.

3) Given the incompatibility of workplace autonomy and social planning if they are defined as in the first part of point 2, their possible compatibility, which the author asserts,

ones addressing the concern of this chapter with a discussion of their relation to Cuba's project of constructing socialism are exceedingly scarce. This article has been selected to illustrate four central points in this discussion in Cuba because it is in English, and because it was published by a major First World publisher after its publication in Cuba and so is readily accessible to the reader of this chapter.

²⁷ Note that this question is not presented as a consideration of if cooperatives should be the unique property form for constructing socialism, but rather in the frame of them being one form along with possibly others (in particular, state enterprises).

²⁸ Note this would be just as true for Marx's "freely associated producers" as for cooperativists.

requires either that the planning be democratic and participative, or that the autonomy be only of a “high level.” (p 8) Or both, which is clearly Piñero Harnecker’s position. The nature of their relative autonomy is determined by the laws that establish the nature of cooperatives and the environment they operate in (pp 17 & 18), and by regulatory bodies that see that those laws and cooperative principles are adhered to. (p 19)

4) A final point concerning cooperatives and state property in the means of production, broached both by the author and by some current Cuban practice, partially side-steps the potential conflict. The author holds that “what characterizes a cooperative is not the legal ownership of the means of production (facilities, land, equipment) by the collective or group of people who make up the cooperative, but the fact that the decisions about their utilization are made collectively by all members.” (p 16) While cooperatives have come to be thought of as owning their means of production, that is because they evolved in capitalist societies where generally control is determined by ownership. Control and ownership (and even what the latter means) could have an entirely different relation under socialism. This understanding of cooperatives raises the possibility of the state (collective society) continuing to own the means of production while the cooperatives rent them, which is currently the case with some of the means of production used by some Cuban cooperatives. Note that this does not in itself resolve the issue of concern to this chapter of the potential conflict between workgroup autonomy and social interests. Society would still need to determine what sorts of decisions should be part of the workgroup’s “high degree” of relative autonomy, and what decisions should be retained for society as a whole as part of what it would mean that society socially own the means of production.

IV. Markets, Planning, Cuban Cooperatives and Building Socialism

Many supporters of Cuba’s commitment to build socialism fear, and all the advocates of a restoration of capitalism hope, that Cuba’s “expanded use of markets” will return it to capitalism. Members of the latter group often use the word “markets” to mean “capitalism” in order to be less open about their actual goal, the return of Cuba to the world capitalist system. As early as 1994 the dean of U.S. anti-socialist Cubanologists, Carmelo Mesa-Lago, wrote a booklet hopefully entitled *Are Economic Reforms Propelling Cuba to Markets?* For two and a half decades *The Economist* magazine has applauded every reform they call “pro-market” and

bewailed every “retreat from markets,” in the name of the need to promote a “market society” in Cuba. Presidents Obama and Bush included the same requirement of a “market society” as one of their central demands for “fully normalizing relations.” All use the word markets as a euphemism for their desired capitalism.

The discussions on the role of markets in building socialism is seriously confused by the failure to distinguish markets in general from capitalist markets.²⁹ Four brief definitions are necessary to address this conflation of markets and capitalism. As defined in a dictionary, *markets* are any place (or institution, or process) for the regular exchange of anything. Hence as long as a society has a division of labor and people get through exchange what they need but do not produce themselves,³⁰ such a society will have markets. *Commodities* are anything produced not to be consumed by the producer, but to be traded. Then *capitalist commodities* are commodities that are part of a capitalist process, commodities produced to be exchanged in order to accumulate and expand capital.³¹ *Capitalist markets* involve the exchange of capitalist commodities.

With this terminology one can easily present the role Cuba intends for markets in its updated economic model. Commodities will be exchanged in Cuba’s new markets, but commodities produced mostly by self-employed workers to exchange, via money, for what they want to consume. This will resemble the producers in the first chapters of *Capital* or the feudal shoemakers in footnote 31. In particular, production will not be “determined by markets,” meaning by the drive of capital for accumulation and expansion through exploitation, achieved by the production of capitalist commodities that are sold in capitalist markets. The Guidelines from 2011 already indicate at their beginning Cuba’s chief legal barrier to the petty commodity production morphing into capitalist production: individual capital’s goal of continual self-expansion is disallowed. “In the forms of non-State management, the concentration of property in the hands of any natural or legal person shall not be allowed.” (PCC 2011a, article 3) Thus the intention is for (most of) Cuba’s markets to not be capitalist markets, and hence for them to be

²⁹ The following three paragraphs draw heavily on Campbell (2016).

³⁰ Note this would exclude Marx’s higher stage of communism where people get what they needed on the basis of their need, but it would include his lower stage. See Marx ([1875], respectively pp 87 & 86).

³¹ Note the commodities described in the first chapters of *Capital* are not produced or exchanged to expand capital (that concept has not yet been introduced in those chapters). Likewise, shoes produced by feudal shoemakers were mostly produced for exchange for food and other necessities, or even for luxuries, made by other producers, not for the expansion of capital. Neither this theoretical nor this real-world example involve capitalist commodities.

unable to contribute to the creation of large-scale domestic capital and a domestic capitalist class, and through them the restoration of capitalism.

The foreign press often refers to Cuba's market reforms as steps toward market socialism. While the term "market socialism" is used in sharply different ways by different authors, the common meaning is that enterprise members will produce for their collective profit (hence produce capitalist commodities) and the state will intervene to limit the system's tendency to inequality. But Cuba has stated that it does not intend to establish this sort of system of production. Cuba has repeatedly declared that it will have socialism with markets (*socialismo con mercados*), but not market socialism (*socialismo del mercado*).

Eliminating capitalist markets as the engines of the economy requires the replacement of their role in capitalism of determining production. Marxist-socialists have always seen planning in a dual role. Functionally, it enables production to occur in the absence of capitalism by establishing its goal. More broadly, democratic social planning represents the collective self-determination, here applied to the economic sphere, that is part of socialism's goal of humans "becoming more fully human."

In the Guidelines from 2011 and again in the current Conceptualization from 2016, Cuba stresses that planning will be central to the operation of the economy. The first sentence of the first guideline reads: "The socialist planning system will continue to be the main way to direct the national economy." (PCC 2011a, 8)

Because for historical reasons "socialist planning" came to be identified with the type of planning carried out in the USSR and countries that later developed related economic structures, it needs to be stressed both that there is nothing in Marxist-socialist theory that indicates that planning (and the related economy) needs to be organized that way, nor is anything even similar to that an option for Cuba's socialist project today. Partly because the new economic structure for building socialism is still evolving, there is minimal writing on the appropriate new planning system even in Cuba. Just as one indication of how different the new planning system will be, it is worth noting that there is a broad consensus in Cuba that the new system will give a much greater role to planning using price mechanisms instead of the almost complete centrality of quantitative planning in the old system.³² For the purposes of this chapter, the point about

³² This is not to say there will be no quantitative planning in the new system. Recall that during WWII both the UK and USA had extensive and effective planning systems that involved both quantitative targets, particularly in serval

planning is that because the direction of the economy by the drive of capitalist markets to accumulate is precluded by Cuba's human-centred goal of constructing socialism, some sort of system for humans to socially and collectively determine the nature of their economic activity and the distribution of its output needs to be developed. Any such system constitutes a form of planning.

V. Cooperative's Potential Contribution to Building Socialism in Cuba Today

The previous two sections have argued against the position of some supporters of Cuba's process of constructing socialism that cooperatives are harmful to that project. This section will take the stronger position that today in Cuba cooperatives, properly designed and properly embedded in the socialist project, would actually strengthen the process of building socialism. While there are other arguments that could be made to support this position, this section will present only the following four, which this author considers the most important in Cuba today: cooperatives will impede the expansion of capitalist markets, they will impede the formation capitalist property, they will impeded the concentration of capitalist property, and they will contribute to the human transformation that is necessary for a socialist society. The first three of these points will draw heavily on the material developed in the last two sections.

1) As noted in the last section, to the extent that cooperatives are considered to be created as substitutes for the creation of capitalist enterprises, they do not harm Cuba's socialist project by expanding the use of markets, since both use markets. But here it is argued further that, to the extent that they are formed as "genuine cooperatives" as advocated by many proponents of cooperatives on the Island, they strengthen Cuba's socialist project.

"Our aim is to show that real cooperatives operate under a logic diametrically opposed to that of capitalist businesses. Instead of maximizing the individual profits of shareholders, cooperatives are motivated by satisfying their members' needs of the necessities of the human development of their members, which are inevitably linked to the needs of their surrounding communities and of the nation, and even the "greater human family."
(Piñeiro Harnecker 2013, 13)

As discussed in the last section, such units would produce non-capitalist commodities. They

key industries, and planning through controlling prices. While as indicated the debates on the specifics of the appropriate new planning have basically not even begun, many Cubans involved in developing the new economic structure assume that overall it will be a hybrid, in the sense of involving a greater use of prices and yet still involving some priority quantitative targeting.

would thus impede the expansion of capitalist markets by their supply of the desired goods through non-capitalist markets. This would reduce the expansion of capital and thereby strengthen Cuba's socialist project through the reduction of this threat to it.

2) Cooperatives strengthen Cuba's socialist project by impeding the formation of capitalist property in the means of production. As discussed above, to be capitalist production the goal of production must be the self-expansion of capital. As that is not the goal of cooperative production, destatized means of production which are made cooperative instead of capitalist block the formation of that as new capitalist property. Additionally, the ongoing operation of cooperatives creates no additional capital property as does the constant expansion of capitalist means of production, again impeding the formation of capitalist property.

3) Cooperatives strengthen Cuba's socialist project by impeding the concentration of capital. The restoration of capitalism is only possible if not only a significant part of the economy is capitalist,³³ but if that capital has sufficient concentration to coordinate itself to act politically. Cooperatives do not have an inherent tendency to concentrate while private capital does. Hence any displacement of capitalist production by cooperative production does more than just reduce the amount of capitalist property discussed in the last point, it also contributes to preventing the concentration of capitalist property that is necessary for a capitalist restoration.³⁴

3) Advocates of socialism have long argued that being a worker in a capitalist enterprise deforms a person (relative to their potential to "be more fully human") in various ways.³⁵ Certain potential human traits and skills are penalized, or at a minimum allowed to atrophy. Among these, five are particularly important for building a socialist society. First, the human trait of

³³ Logically, of course, if anything approaching 100 percent of the economy were capitalist, it would indeed be a capitalist economy. The point being made here is that the restoration of capitalism in the real world does not result from the simple growth of the capitalist sector, but requires a political act. If a government committed to building socialism had power and 50 percent of the economy was capitalist (far above the current percent in Cuba) without a significant economic concentration to give it political coordination, that large capitalist sector would not have the power to disrupt the process of building socialism, not to speak of restoring capitalism. Note that this claim does not ignore the potentially lethal ideological influence such a large sector could have either on the population or particularly on the political leadership of the country, especially in the presence of some combination of a capitalist domination of the world economy, a domestic economy that the population considers to be performing weakly, and insufficient socialist political and economic democracy in the country.

³⁴ The recognition by the Cuban government of the importance of a concentration of capital to a restoration of capitalism, independent of the contribution to impeding that by cooperative discussed here, is indicated at the very beginning of the *Guidelines* where it sets out a frame for the legal prohibition of such concentration. "In the forms of non-State management, the concentration of property in the hands of any natural or legal person shall not be allowed." (PCC 2011a, guideline 3).

³⁵ While the situation is different, there are numerous important similarities for workers in state enterprises in societies attempting to build socialism, if they are not involved in collectively managing their enterprise.

solidarity (the ability to feel empathy with other individuals). Second, the human trait of collectivity.³⁶ Third, the skill of complex social communication. Fourth, the closely related but distinct skill of complex social decision making. Finally, and this requires the third and fourth skills, the skill of acting collectively.

Working in a cooperative clearly would promote these human traits and skills that humans must develop for a socialist society to function. Human history has shown, however, that the issue of scale is important for this issue. From the time of hunter-gatherer societies forward, solidarity, collectivity, and the development of the skills for collective communication, decision-making and activity, have often arisen quite naturally and readily in small groups with extensive personal contact. Beyond such a scale, however, extensive development of these traits and skills has been rare. From this comes the general position of most of the Cubans who advocate cooperatives as potential contributions to Cuba's socialist project. The development through work in cooperatives of a number of human traits and skills that must be developed in Cuba for socialism to function tends to occur "rather automatically" on the level of the cooperative workplace.³⁷ Their extension to the local, regional and national levels, to the contrary, requires a conscious political-ideological-educational process. Hence, while the development of these traits and skills at the level of the cooperative is not sufficient for building socialism, it can form the concrete social basis for their necessary conscious construction on all scales of a socialist society.

VI. Conclusion

Cuba is twenty-five years into a process of deep economic reforms, with projections of more economic updating to come. The Cuban government maintains that these reforms will strengthen its social-economic goal of building socialism. Some supporters of Cuba's socialist project fear, and all opponents hope, this updating will in fact take Cuba back to capitalism. Key

³⁶ Marx saw this as part of our species-nature. What this involves is the way we see the relation of ourselves to larger collectives of humans that we are part of. It involves viewing our potential individual actions as being a part of the collective activities that are necessary for our survival in the first place, and our human development beyond that (of which production is just one important part). It stands in opposition to the Robinson Crusoe view of the relation of the individual to the collective that underlies neoclassical economics and classical liberal political theory.

³⁷ There will be some rather automatic spillover effects, especially to their communities, as some people who develop these skills in the workplace then want to exercise them in other institutions that they are part of. "The desire to participate and the ability to participate develop in a symbiotic relationship ... participation feeds on itself." (Devine 1988, 159)

reforms have included expanding non-state property in the means of production while declaring its intent to keep state property central, expanding the use of markets while maintaining planning, and decentralizing and de-bureaucratizing (not yet enough) the economy.

This chapter has addressed the expansion of cooperatives throughout the economy, a change that involves all three of the reforms just mentioned. Its focus has been the interaction of the projected expansion of cooperatives with the Cuban Revolution's historical project of building socialism. It has specifically looked at this interaction in terms of the two forms it is most discussed in. The first form is the feared/hoped for restoration of capitalism. The chapter concludes this is not an inevitable outcome of the ongoing updating process. It is, however, a danger, where that danger is strengthened whenever the process of implementing the reforms makes economic, social, political, or ideological errors. The second form the interaction is extensively discussed in is if the reforms have the potential to improve the process of building socialism in Cuba, the position of the government. The chapter agrees with this position as to their potential, while again arguing the danger of those potential improvements not being obtained if the implementation process makes too large and/or too many errors. The chapter holds that the final determination of whether the reforms will restore capitalism or improve the process of building socialism will be determined by the outcome of the class battle between capitalism and socialism in Cuba and on a world scale. The quality of how the updating process is constructed and implemented in Cuba, including how the potentially important cooperatives are constructed and implemented, are important factors in that battle.

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