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The Cuban Experiment
Economic Reform, Social Restructuring, and Politics

by
Haroldo Dilla Alfonso

It is axiomatic that contemporary Cuban society has been altered by the recent changes in its economic structure. Economic reform is producing changes in the distribution of power that will eventually manifest themselves in political institutions. Less clear, however, is what the systemic results of this systematic process will be. One of the central ideas of this article is that the Cuban reforms are creating a social structure that could conceivably lead to the restoration of capitalism. It also points out, however, that a return of capitalism is not inevitable—that there are alternative paths to economic development that can preserve a socialist structure by empowering the population in that structure.

LEVELING AND SOCIAL MOBILITY

Any appraisal of social conditions in Cuba and their political repercussions must begin with the Cuban Revolution of 1959. The revolution resulted in the virtual extinction of the bourgeoisie and a good portion of the middle classes by either emigration or proletarianization. A society reduced to the masses strictly speaking was slowly organized around the predominance of social and state ownership of the means of production. This social leveling was accompanied by overall social improvement aided by state programs focusing on employment and social services. For example, in 1953, 57 percent of the population lived in urban areas, illiteracy affected slightly less than 25 percent of the population, and only 11 percent of the people had a middle-school education or higher. By 1981 these figures had changed significantly: approximately 69 percent of the population lived in urban areas, illiteracy had been virtually wiped out, and 41 percent of the population had

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six or more years of education. By 1989, the last year the statistical yearbook was published, the population was reported at 10.5 million, 73 percent of whom lived in urban areas. Approximately 38 percent of the population lived in cities with more than 100,000 inhabitants, and more than 140,000 were receiving high-school instruction. More than half of the 33,199 graduates from Cuban universities in that year were women (CEE, 1981; 1983; 1989).

This intense social mobility, while creating an objective differentiation of the subjects, did not lead to any self-recognition by these new sectors. Sectoral identity was conditioned by factors that tended to emphasize the concept of the people as a sociopolitical tool for producing social change and national defense, and the political system recognized this situation by adopting the Leninist model of sectoral organization. This model created a system of transmission belts between the people and the political vanguard organized around the Communist party.

History has demonstrated both the virtues and the shortcomings of this structuring of sociopolitical activity. It worked efficiently while it was dealing with a society with a low level of what Giddens (1996) has called "universality and social reflection." On the one hand, it allowed Cuba to confront the external danger embodied in the aggressive stance of the United States and the regional isolation imposed on the country during the 1970s. On the other, it produced moderate but egalitarian well-being devoid of consumerism, a solid political culture, and a vast framework of popular participation and mobilization.

However, this sociopolitical organization contained a number of contradictions that emanated from its own goals of socializing power (officially referred to as the establishment of authentic popular power) and the ascendancy of a bureaucratic class. By the 1970s this bureaucracy, in the shadow of a strongly centralized economic and political system with a high capacity for mobilization and cultural-ideological reproduction, began to assume a greater role as a mediator between the revolutionary leadership and the popular masses, especially in the distribution of resources, in political communications, and in social promotion and control. This expansion of bureaucratic control increased the paternalistic-clientelistic relationship between the people and their government.

In systemic terms, the consolidation of a bureaucratic class could be achieved only by halting the process of socializing power and freezing the development of the socialistic project (see Dilla, 1995). However, it left in place a contradiction between the high value assigned to the social subject and the rigidity of the mechanisms for sociopolitical control. This problem produced dysfunctionalities such as political apathy and anomie, a phenomenon that has been termed in Cuba as a "dual morality." This situation began to
change radically when at the end of the 1980s Cuba was forced to seek integration into the capitalist world market on a competitive basis. One consequence was the internal redesign that some writers have termed “economic restructuring” (Carranza et al., 1995).

The adaptation of the Cuban economy to the demands of the world market is strikingly different from the corresponding processes in other Latin American countries. For one thing, the political leadership has attempted to avoid the harsher aspects of the adjustment. For example, it has maintained free and universal access to fundamental services and subsidized the population with basic foodstuffs. At the same time, it has maintained a significant role as owner and regulator. Cuba’s opening to the world market is taking place, however, in an environment marked by the aggressiveness of the United States, whose attempts to intensify its economic blockade to genocidal levels give the reform a feeling of imminent danger. Last, unlike the rest of Latin America, which can simply alter its existing capitalist operations, Cuba faces a radical restructuring of the political economy, the methods of social regulation, and the ideological and cultural production that have prevailed for decades.

The most transcendental aspect of the reform process is the gradual mercantile colonization of the spheres of social action and, consequently, the emergence of multidimensional challenges involving the central theme of politics: the distribution of power.

**ECONOMIC REFORM AND SOCIAL RESTRUCTURING**

Under the present conditions, it is unlikely that an empirical study of the restructuring of Cuban society can be carried out. In the first place, it deals with a process that is both incipient and vertiginous, exposing the analyst to being overtaken by events. In the second place, no official statistics have been published in Cuba since 1989, and this forces the researcher to depend on scattered and unreliable sources. For this reason, the following pages attempt to describe only the more visible changes. In doing so I want to make clear that I refer almost exclusively to transformations related to society and class; aspects such as gender and generation deserve special treatment.

The most noticeable result of the opening process and economic reform has been the creation of a new social block that I will call the “technocratic-entrepreneurial,” with three basic components.

One component depends on foreign investment. According to official figures, in 1994 there were 176 partnerships with foreign capital, amounting to
some US$1.5 billion. This capital came from 36 countries and was being employed in 26 sectors of the economy. At the same time, there were approximately 400 commercial firms doing business in Cuba. In 1995 the number of investments had risen to 212, and in a report presented in Grama in 1996 there was a projected growth of 27 percent. By this time companies tied to foreign capital employed 53,000 workers, about 5 percent of the total workforce. While this sector is involved in partnerships with the state, these companies have close ties with a stratum of businessmen and managers who share life experiences, ways of life, and aspirations substantially different from those of the rest of the population. The current trends point to an expansion of this sector in the most dynamic areas of the economy, and this position gives it particular importance.

A second component of this emerging block is made up of directors of state enterprises that have achieved competitive positions in the world market (it is estimated that close to 20 percent of state enterprises belong to this group) and consequently a greater degree of autonomy. These new functions call for the replacement of the traditional administrator in a centrally planned economy, caught in the tragic triad of “don’t know,” “can’t do,” or “won’t do,” by a new type of national businessman, more concerned with profits than with politics. The number of state enterprises falling into this category should continue to increase as the reform continues.

A third component (potentially) of this block is represented by persons (prosperous peasants, commercial intermediaries, service providers, and others) who have accumulated large amounts of money by speculating, often with state resources, in the black market. Since most of the fortunes made in this sector have been achieved by illicit means, it is impossible to quantify its economic potential, but an approximation of this potential can be achieved by analyzing the structure of current accounts, the bank accounts in which approximately 60 percent of liquid assets are held and which in recent years have presented an alarming tendency toward concentration. By mid-1995 close to 6 million savings accounts reported holdings of more than 5.89 billion pesos, but only 14.1 percent of accounts held 77.8 percent of all savings (BNC, 1995). With the reforms liberating the agriculture and livestock and the industrial sector and permitting self-employment, this sector of the population has not only increased and laundered its fortunes but achieved more control of the internal market. In a not too distant future it may well play an investment role in small and medium-sized enterprises and in contracting with the formal sector of the economy, thus increasing its possibilities for accumulating wealth.

Another social sector that has experienced remarkable internal change is that of state wage earners, particularly those in the working class. Until 1989
some 3.5 million people, 94 percent of the civilian workforce, earned their living through the state economy (CEE, 1989). This group was overwhelmingly unionized and protected by a paternalistic labor code. The crisis and the reform process have produced a triple effect on this sector. They have weakened its economic status because its salaries continue to be based on a subsidized economy while in reality there is a dollar economy in most consumer goods and services. They have shrunk it both in percentage (through a reduction in hiring by state enterprises) and in absolute terms (through workforce layoffs in state enterprises and institutions), and if this trend were to continue in the productive and service industries it would amount to a virtual depoliterarianization. Finally, and probably most important, they have divided it on the basis of location of workers. Workers in the privileged areas of the new dynamic economy receive higher wages and incentives than those in the traditional sectors of the internal market. We are dealing with a virtual remodeling of the working and wage-earning class modeled on the norms of the international markets that could lead in the future to a type of "aristocratic working class" tied to the public or private sector with a proclivity toward co-optation by the technocratic-entrepreneurial block.

Yet another social sector consists of small farmers and agricultural producers united in cooperatives that for various reasons have been unable to reach a high level of profitability. This group has experienced a gradual reduction in absolute terms since the triumph of the revolution; whereas in 1970 it made up 11 percent of civil-service employees, by 1989 it had been reduced to 5 percent. In 1993, with the creation of the Unidades Básicas de Producción Cooperativas (Basic Cooperative Units of Production—UBPC), this trend experienced a sharp reversal. Although no official statistics are available, it is estimated that close to 400,000 people have joined the ranks of agricultural producers, and their numbers should swell even more in the future.

The UBPC were created by the state for the decentralized production of higher agricultural yields. Under this plan a significant amount of state land was given to groups of workers to do with as they saw fit. The Cuban leadership shrewdly chose not to pass on the state’s weaknesses to the individual, instead promoting cooperative organizations and collectives wherever possible. The UBPC are undoubtedly the revolution’s best socializing measure of recent decades. It must be recognized, however, that they have lacked a clear political purpose, and consequently they continue to be considered a utilitarian emergency measure. At first, lacking access to the free market, they were bureaucratically constrained and subject to the administrative whims of state enterprises. At the end of 1994 they were granted access to the market, and this produced a dynamic response. Without further political action, however,
this response could develop in a direction opposite to the one intended and inconsistent with internal democracy. A common pattern in cooperative projects the world over has been their tendency to evolve from democratic, egalitarian, and socially conscious projects to oligarchical and increasingly unequal ones. Avoiding these effects will depend not on their economic success—although this is indispensable—but on the general political design in which these cooperatives evolve (Pérez and Torres, 1996).

With the legalization of self-employment at the end of 1993, new private businesses focusing on providing services and foodstuffs began to emerge. Behind this so-called system of self-employment lie great fortunes that have survived the country's regressive income tax. Most of the businesses affected by this tax system, however, are small individual or family units whose income, although well above that of the average Cuban worker, does not provide them a base for capital accumulation. By February 1994 there were close to 142,000 legal self-employed workers, and this figure rose to 160,000 in June of that year and to 208,346 in January 1996. This constant growth, however, does not accurately reflect the dynamics of this process. By January 1996, of a total of 401,807 applications for self-employment licenses 158,597 had been abandoned. Only 9 percent of businesses were in the most lucrative sector, private restaurants, while 27 percent were small grocery and nonalcoholic-beverage stores.

Of the total number of people granted self-employment licenses, 26 percent were also working in the formal (state) sector, 30 percent were unemployed, 18 percent were housewives (a euphemism frequently used to designate unemployed women), and the rest were retired. These figures indicate that the main objective of the program—the generation of work for the unemployed—has met with only mild success. That 73 percent of the licenses granted went to men suggests that women play a subordinate role in this economic activity. Another interesting fact is that 80 percent of the legal self-employed workforce has more than nine years of education.

This is not to say that we cannot consider the hundreds of thousands of self-employed Cubans part of the popular masses, but at the same time there is no guarantee that these increasingly individualistic people will not become a social base for the restoration of capitalism in Cuba. It is precisely here and in the UBPC that a new mode of political activity within a socialist framework is most called for.

Cuban society is beginning to learn how to cope with unemployment. The state has tried with every means at its disposal to prevent unemployment's taking hold in Cuba—establishing programs for retraining laid-off workers, offering new options in the private sector, and postponing the firing of surplus workers. However, even if the economy manages to achieve high rates of
growth, it is inevitable that the number of unemployed workers will rise in the next few years. This is because one of the conditions of economic restructuring is the expulsion of the surplus workforce, which could amount to 600,000 people. According to unofficial estimates, overt unemployment in Cuba should fluctuate around 10 percent of the economically active workforce. In Havana, where employment opportunities are more abundant than in other parts of the country, unemployment was reportedly somewhat more than 8 percent by the end of 1995. Unemployment figures may be higher among young adults and women.

**THE NEW POLITICAL COORDINATES**

Contrary to right-wing predictions of the imminent collapse of the Cuban regime, the government has been able to maintain political power in the midst of acute economic crisis, and it has done so with the support of the majority of the population. This is a political feat with continental repercussions and one that will constitute an invaluable legacy for popular movements around the world, but we should not be misled by it. Having avoided economic collapse and counterrevolutionary revenge from Miami does not guarantee continuity of the socialist project. This accomplishment has had its price. One of its repercussions has been a gradual alteration of the social relations of power that could lead to a restoration of capitalism. Cuban society is experiencing a rearticulation of its social alliances that has as its focal point the relationship between the traditional bureaucracy and the emerging technocratic entrepreneurial block. As I have said, the former achieved its consolidation as a legacy of the 1970s, with the implementation of the centrally planned model of growth. The crisis of the 1990s robbed it of much of its regulatory capacity, from the vertical and hierarchical allocation of resources to the production of a credible legitimating ideology. However, it has proved capable of coping with the rise of the market and the social actors linked to it by providing the social control necessary for the accumulation of wealth in return for the economic surplus needed for the reproduction of its sectoral power. In the final analysis, these new managers and industrialists have either emerged from its midst or been shaped by its politics. This is the source of the continued invocation of a more palatable Chinese model that praises its economic and communist achievements and omits its depressing social, political, cultural, and ecological results. This is the social basis for a Cuban Thermidor.

The principal limitations to the strengthening of this power relationship and the consolidation of a new hegemonic block are structural and circumstantial. First of all, in its current stage, the economic reform still maintains a
sharp division between economic sectors. In this sense, the behavior of the market is still limited by the state, and this is an obstacle to horizontal relationships between sectors and even within them. Except for very loose associations of little relevance such as the recently formed Association of Spanish Industrialists, there are no corporate groups, and this means that decision-making capacity is limited to the economic arena, with little access to political structures.

In a structural sense, there is something unique about a socialist revolution dependent on an alliance between the popular classes and a political elite born out of revolutionary struggle and characterized by a patriotic and solidarity political culture. As I have said, the warning signs pointed to by the political leadership with regard to the market and reforms, whatever their technical validity, reflect its ongoing social compromise. Even this structural condition, however, can be affected by the strength of the market if it is not accompanied by a change in the popular block and its projection as an autonomous force with its own political positioning. A great deal of acumen—much more than the economic programs call for—will probably be required to bring Cuba’s immersion in the world market to a satisfactory conclusion.

RETHINKING THE FUTURE FROM THE LEFT

Rethinking Cuba’s future from a leftist perspective is a necessity transcending national boundaries. Cuba’s defense of its national sovereignty and social gains is the object of worldwide admiration and the source of a solidarity movement of great moral and political value. These things are very important but not sufficient. Cuba has another opportunity: to become an integral part of the shaping of an anticapitalist project. This project, although having various national outlooks, can be viable only on an international scale. We have no choice but to move forward, even if this march is accompanied by the loud protests of opponents united in their despair and fatalistic apathy.

Above all, this is an economic issue. No political project can be viable without a dynamic economy guaranteeing an expanded production. But if we are dealing with a socialist economy, we have to recognize that it cannot be just any type of reproduction.

Cuba is facing serious challenges to its survival not only because of its condition as a Third World country but also because of the North American embargo. This implies—*independence aside*—the acceptance of a set of world market rules tied to the so-called era of globalization, but it does not
imply the fatalistic acceptance of those rules or the impossibility of finding alternative paths that substantially modify the existing scenario.

As a matter of fact, the Cuban government has shown a high degree of social sensibility that in itself implies the basis for an alternative. What we are dealing with is a substantial modification of the model of economic development and the role of the popular masses. In the first place, it has to do with the construction of a popular economy, understood as the grouping of productive activities or services performed by individual or collective agents that would depend fundamentally for their reproduction on their own work and are characterized by self-regulation based on solidarity and partnership (Corraggio, 1994). In the Cuban case this would lead to the establishment of horizontal relationships, including self-initiated projects, cooperatives of goods and service providers, consumer associations, and the existing democratic state and political institutions, which would serve as regulators of the conduct and the internal dynamics of the associations. This has been the missing element in many of Cuba’s economic reforms. It has sometimes occurred as an attempt to produce a fragmentation of the subjects involved (e.g., self-employed workers). In other cases, such as that of the UBPC, the cooperative goals have been confined to the more utilitarian activities of the organizations in question.

It is important to note that contemporary Cuban society is already witnessing new forms of social organization. These organizations are emerging at the neighborhood level and attempt in a preliminary way to offer an alternative to the traditional market-state antithesis that has dominated public discourse in Cuba for so many years (and, unfortunately, is apparently being resolved in favor of the former). In contrast to similar experiences in Latin America, in Cuba we are dealing with a participative practice that includes highly qualified subjects with broad political experience acquired through decades of local mobilization and participation. But like their Latin American counterparts, these embryonic social movements and their citizens suffer from the misunderstanding or the utilitarianism of the bureaucracy, trained in the control and vertical allocation of resources (Fernández and Otazo, 1996).

It is possible, however, that a large segment of the Cuban economy will be organized not in accordance with cooperative norms but in terms of a decentralized industrial system (whether under the heading of state, mixed, or private property). This would resolve the old demands for greater decentralization but not at a cost to democracy or the socialization of power. I have discussed this issue earlier; here I will just say that the decentralization taking place by economic-administrative means (including the transfer of functions from the political subsystem to the economic, with its potential for centralization) is producing greater fragmentation of the popular masses and a
strengthening of the technocratic sectors. This phenomenon does not carry with it any clear project for the expansion of popular participation and is severely limited in its scope by its pursuit of efficiency. What is at issue is the implementation of comanagement or self-management projects (depending on the type of economy and property) with company workers—replacing the existing system of limited participation with more autonomous unions.⁵

To state it more clearly, unless popular organizations are given greater autonomy and the mechanisms of participation are expanded, it will be impossible for the state to function with political efficiency or to argue that democratic reforms are progressing, much less to repel a mercantilist offensive. All this comes with costs. For example, if a more aggressive union begins representing the interests of its members with its “own voice,” it may discourage less sophisticated foreign investors wishing to maximize profits in the least possible time, and the establishment may resist any proposal that would limit its power. These are not insignificant costs or consequences, but they are inevitable.

This framework of analysis points toward a redesign of the political system that meets three requirements: guaranteeing the unity of the nation against imperialist interference, strengthening the popular subject and its organizations in the light of their increasing complexity, and taking social diversity into account on the basis of popular hegemony and the negotiated subordination of the emergent sectors not included under this rubric.

The first link in this chain would be a more cooperative and capable municipal subsystem as the primary place for the settlement of interests and political maneuvering, areas in which Cuba has had valuable experience (Dilla et al., 1993). In this context there would be little space left for the traditional decision-making process set forth in a centralized economic plan. In a scenario based on negotiation, decisions on economic planning and proposals should be achieved by way of either consensus or economic means. At a macro level, there must be a redefinition of the way representative governmental agencies are organized at every level. At this point they are organized territorially, and this has meant a lack of representation in local government for worker groups in these territories and the underrepresentation of marginal groups such as women. We can also see an erosion of the deliberative capabilities of representative institutions and a recurrent legal fiction aimed at ensuring institutional representation in those places deemed indispensable. A redesign would suggest a reshaping of these institutions that would satisfy the demand for territorial, sectoral, and interest-based representation, bearing in mind that this must carry real validation by the legal precepts conferring greater state power on representative governments in each territory.
The Communist party would not be untouched by this transformation. The party, in fact, would have to be its main protagonist. Only the party—the central organization of the political system, with more than half a million members (all politically educated and committed to the socialist cause)—can give impetus to these indispensable changes with a minimum of disruption on the threshold of the consolidation of genuine popular power. However, this would require the transformation of the party—finding a form of organization better suited to the representation of different social and political interests. In the best scenario, this would lead to a more democratic party, open to debate and permissive of different tendencies in the pursuit of common strategies. But it would not be far-fetched to speculate that this could lead to the establishment of a multiparty system, particularly if the Communist party loses its role as vanguard. In this sense, a shift of the political system in this direction could help the emergence and growth of loyal and responsible parties working for the perpetuation of the system.

These are only reflections intended as contributions to the debate; they are not meant to serve as an alternative political project. Any alternative project will have to be the collective work of the millions of Cubans who look to the past with pride, guarantee the present with colossal efforts, and have every right to control their future.

NOTES

1. Public recognition of this phenomenon and the need for change has come from official spokesmen and has been made explicit in the Communist party’s Fourth Congress documents calling for a public discussion of this “dual morality.” Unfortunately, the deep economic crisis of 1990 buried this attempt.

2. These data were provided at the Twelfth International Fair in Havana. A high government official in charge of the opening ceremonies for the fair assured the businessmen attending, “We offer an orderly country, a policy open to investment capital that is coherent and irreversible, an expanded and coherent economic infrastructure, a productive sector in the process of altruistic (and unselfish) change toward efficiency, a hard-working people with a high level of education and technical skills, and a society that has no experience of terrorism or drugs. We offer you a sovereign nation and an honest and incorruptible government” (Cuba Foreign Trade, July-December 1994).

3. I am referring only to deposits made in Cuban dollars. Obviously, for lack of information no data can be given on the amount in dollars held by this sector, as well as the billions of pesos not deposited. It is likely that this amount is even larger than that recorded.

4. The Cuban government has declared its intention to establish a progressive tax once it possesses credible information on net sales and income. In the meantime, it depends on a tax system that severely penalizes small businesses in favor of those with substantial capital, thus fostering the concentration of wealth.
5. For reasons of space, I cannot expand on the role of the unions. It is worth mentioning, however, that they have shown the most courage and political originality of all the groups in Cuba in dealing with the economic adjustment and reform. I have partially analyzed their role in Dilla (1996). After this paper was written, the celebration of the Seventeenth Union Congress gave new signs of efforts by Cuban unions to renovate their movement.

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