Julio Carranza: The most important thing is the integrity of the reform

The portal [Joven Cuba] is currently publishing a series of articles by renowned Cuban economists on the island and abroad, titled "[Urgent proposals for the Cuban economy]. Cuba Today is publishing a selection of the articles in English translation, which are subject to a Creative Commons license. Today's guest author Dr. Julio Carranza is a Doctor of Economics from the University of Havana, former Deputy Director of the Center for Latin American Studies (CEA) in Havana, and former UNESCO consultant for social sciences and humanities in Latin America and the Caribbean. He is currently a full professor at the Center for Cuban Economic Studies (CEEC) at the University of Havana. The [post] originally appeared in Spanish on January 8, 2025, with highlights added by the author.

Valuable economists have written different proposals for changes to the Cuban economy. If you review them, you can see that there is a significant level of agreement between them; this means that as time has progressed and the crises and complexity of the Cuban economy have increased, so has the level of consensus among economists, fundamentally those located in academic institutions in the country, about the need for changes and the nature of these.

I say in academia because at the level of the economy, the dialogue with the authorities on the one hand and the more conservative sectors on the other, continues to be difficult, although there are important agreements regarding the historical principles of Cuba's national and revolutionary project, that is to say: national sovereignty, social justice and economic and democratic development, however, with notable differences about how to advance it in the current national and international circumstances.

Integral reforms

An essential point on which we have constantly insisted is the **integral and systemic nature of the reform**. Now, to be more emphatic, we feel it is necessary to clarify that without this there can be no progress; isolated, disconnected and sectoral measures have a short lifespan and limited impact, if not negative or questionable results.

As we have said on other occasions, the most obvious examples of this have been the monetary reform of January 2021 and, more recently, the banking penetration, which we have questioned, not because of their objectives, which are undoubtedly necessary, but because of their errors in sequencing, connection, contexts and conditions for their successful implementation, as well as some points of their very conception. To these examples we could also add the measures established for agriculture: in themselves and seen separately they are not negative, many are even common sense, but they do not address the problem integrally or in its essence, hence the results.

Taking into account the difficulty of the situation, it has rightly been pointed out that some things are important and others urgent. Our point is that we share this view, but we must take action, above all, trying to preserve the integrality of what is done, even when dealing immediately with urgencies such as the current inflation and social crisis.

In this text we have been asked to express in a concise manner and as a contribution to the debate, what we consider should be done. However, this very concept of integrality makes it difficult to define just a list of measures without sacrificing the issue of the sequence and the systemic and integral nature of the reform that we consider the national economy needs, and in which we have insisted on everything we have written for years.

With this in mind, we will try, very briefly, as we have been asked, to express what we consider to be the essential components of the reform.

Necessary measures

Obviously, the problem of **macroeconomic equilibrium, controlling inflation and reducing the budget deficit** is fundamental; it is very difficult to successfully pilot change under the current turbulences. It is also essential to take control of the foreign exchange market.

An even more active response should be added to the problem of the **country's external debt**, which is tightening with increasing force and impeding both trade and investment. Several economists have proposed, and we agree, that some formulas for swapping debt for certain assets should be analyzed. It is a decision that needs to be carefully reviewed, but there do not seem to be other options at hand given the magnitude of the problem. Cuba is the subject of various lawsuits for this reason.

All of this is directly connected to what we consider to be the two core elements of reform: **the profound transformation of the agricultural production subsystem** and the **reform of state-owned enterprises** as part of the country's business system.

Agricultural production is based on obsolete forms of production and commercialization that should be transformed, from the size of the private production units, which are the ones that produce the most food in the country, to the way the so-called collection and commercialization mechanism works.

In agriculture there is a problem of structures, of incentives and also of very low levels of investment that prevent the minimum conditions necessary to produce more from being met: water, machinery, fuel, fertilizer, herbicides, etc. It is true that there is a severe shortage of foreign currency, affected among other factors by the US blockade, however, national investment remains strongly concentrated in other sectors such as tourism, which is clearly inappropriate when food production remains depressed. We have always said that food production is also an issue of national security, which takes on even greater importance on the eve of a new US administration that will very probably increase the level of hostility and aggression against the country.

The other core of the reform is the **transformation of state-owned enterprises**, currently affected by inefficiency or very low levels of profitability which, among other things, limit their contributions not only to production but also to state revenues and therefore prevent the deficit from being reduced, which in turn prevents effective action on inflation, etc.

On the subject of business reform we have written extensively and have always said that it is about transforming it so that it ceases to be inefficient, not so that it ceases to be public.

Plan and market

The transformation of the business system should give rise to a complex fabric covering all the activities required by a modern economy and with different forms of ownership and management — public, cooperative, and private — preserving the prevalence of public enterprise but with levels of efficiency that allow it to exercise that leadership authentically.

Companies should be companies that act in the markets and not administrative units subject to central decisions and the tutelage of ministries and other intermediate structures such as OSDEs, the need for which is most often — although there are exceptions — not justified, and without being subject to bureaucratic planning, the nature of which should change towards more financial and strategic planning. This assumes, of course, the existence of the indispensable exceptions corresponding to certain companies, very limited by the nature and scope of the function they perform.

The failure of centralized and bureaucratic planning was more than demonstrated by the experience of European socialism, and surpassed by the successful experiences of Vietnam and China.

This means **markets that must be consciously constructed, and function with transparency, information, and adequate regulations**, including those of the means of production and the monetary system, with strong financial restrictions, with a company law and a **bankruptcy law**; all as part of a system that must function integrally. The participation of public companies in the money market is essential; the segmentation and monetary chaos that exists today is incompatible with the well-coordinated functioning of the economy, and without this, growth is chimerical.

In other words, all these markets must be attended to by all economic actors — public, cooperative, and private — without distinction. The private sector must have all the conditions and essential regulations in place for it to function with both order and initiative.

Essential elements include the proper management of fundamental economic policy tools. We have already referred to the exchange rate, which applies to fiscal policy, customs policy, credit policy, industrial policy, investment policy and, of course, increasingly important, social policy.

The different sectors in turn need specific decisions, as is the case, for example, of the energy sector, currently in crisis, whose matrix must be changed by giving greater weight to alternative energies.

On the other hand, the reform, which is increasingly urgent, must define stages and **clearly defined goals** to move Cuba's economic model from where it is now, whose exhaustion has been more than evident for years, to a new one that allows it to recover dynamism, efficiency, capacity for growth, and a more favorable international insertion, despite the fact that it must continue to suffer, resist, and condemn the policy of blockade and aggression. As I have said on several occasions, time is running out and is a critical variable; the coherent progress of the reform must be now, without pause, in an orderly and hasty manner. (Cubaheute)