

## 9 Building a (very) new road to socialism?

### Cuba in the 21st century

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Both supporters and opponents of Cuba's 55-year effort to begin a process of constructing socialism are carefully watching the sweeping economic reforms<sup>1</sup> that have been introduced over the last 25 years. Ten years ago the pace of that process of change accelerated after Raúl Castro first temporarily assumed, and subsequently was elected to, the presidency. Five years ago the pace accelerated further following the publication of the *Lineamientos de la política económica y social del Partido y la Revolución* (hereafter referred to as the *Guidelines*) (PCC 2011). These were intended as a first contribution by the Communist Party of Cuba (PCC) and the government, following broad national popular input, to a comprehensive presentation of the nature of the new economic and social model that is being developed in Cuba. Based on both the practical experiences and the theoretical debates of the previous 20 years, they were intended, as their name implies, as broad guidelines for concrete laws and policies to be subsequently enacted. In April 2016 the PCC approved four additional documents intended as similar contributions to the continuously evolving discussion of the continuously evolving model. The two that will be referred to below are the *Conceptualización del modelo económico y social cubano de desarrollo socialista* (hereafter *Conceptualization*) and *Plan de desarrollo económico y social hasta 2030: Propuesta de visión de la nación, ejes y sectores estratégicos* (hereafter *LTP* for *Long-Term Plan*) (PCC 2016a, 2016b). The *LTP* is similar in nature to the *Guidelines*, intended to give broad directives for the specific content of the laws and policies to be subsequently enacted to create the new model, though over a longer time frame. The *Conceptualization*, on the other hand, is the first contribution by the PCC to the discussion that “presents the theoretical bases and essential characteristics of the Cuban Economic and Social Model of Development, which will result from the process of updating” (PCC 2016a, article 2).

All government documents discussing the nature of the updating stress that its goal is to build a new road to pursue the same goal as before, the construction of socialism. The opening sentence of the *Guidelines* from 2011 states their objective as “to guarantee the continuity and irreversibility of Socialism, the economic development of the country and the elevation of the standard of living of the population, together with the necessary

creation of ethic and political values among our citizens” (PCC 2011, 5). The much-used phrase “prosperous and sustainable socialism” introduced by Raúl into the national discourse emphasizes this maintained goal, as well as tersely referring to the popularly perceived inadequacy of past material growth. From its full title onward throughout the document, the current *Conceptualization* stresses that the evolving new model of economic and social development in Cuba is a model of socialist development. Nevertheless, some supporters of Cuba’s socialist project fear, and of course all its opponents hope, that the measures being taken will instead open a road back to capitalism.

This chapter will discuss three basic issues concerning Cuba’s process of developing a new road intended for building socialism. First, it will review why the sweeping reforms were necessary. Second, it will indicate what have been, and will be, the most important fundamental changes in the way the economy operates, resulting from the profusion of reforms to date and those currently projected. Finally, against a background established by those two sections, the chapter will consider the fundamental question of the relation of the reforms to Cuba’s declared goal of constructing socialism. It will look at this question from the perspectives of the two forms in which it is most discussed. First, it will examine the internationally much discussed issue of their potential contribution to a restoration of capitalism. Second, it will examine their potential contribution to improving the process of constructing socialism in Cuba today, their purpose according to the Cuban government which is implementing them.

### **Why the updating was necessary**

The starting point for considering the nature of the updating of Cuba’s economic model over the last 25 years and what that means for Cuba’s socialist project has to be why the updating was necessary in the first place.

The primary reason that deep reforms to Cuba’s pre-1990 economic model were necessary was the world-changing implosion of the non-capitalist economic and social systems in the USSR and its CMEA (Council for Mutual Economic Assistance, also abbreviated in English as COMECON) allies. Cuba’s subsequent economic performance has been frequently and extensively documented, and there is neither space nor a reason to carefully review here yet again the severe detrimental effects of this implosion. Rather, what is necessary for the purpose of this chapter is to briefly indicate just enough of those effects on Cuba to show why the reforms had to sharply increase Cuba’s ability to interact with the world capitalist economy.

The drop in Cuba’s GDP from 1989 to 1993 was a bit over 35 percent, about the same fall over about the same length of time as the US Great Depression of the 1930s. But unlike the US, Cuba is a small and therefore a fairly open economy. To produce many goods (particularly manufactured goods) at any acceptable level of productivity requires that it produce at scales larger than

its national market. As a small economy, it cannot do this for all steps in the productive chains for many products. This means that it needs to be able to import significant parts of the necessary inputs for production, and that it must have markets willing to buy what it produces above what it consumes internally. Cuba's production was integrated into CMEA such that both these conditions were guaranteed, and in addition it received technical assistance and credit needed for production.

Cuba's efforts to develop industry over the course of the Revolution had earned it the label of an industrializing country from the United Nations by 1989. But while GDP fell by "only" somewhat over a third, imports fell from 8.6 and 9.1 billion pesos in 1988 and 1989 before the crisis to 2.0 billion in 1993. Manufacturing capacity utilization in turn fell to only 10 to 15 percent in 1993 of what it had been in 1989. It was not only the size of the shock but also its nature that meant that this external shock by itself would have been enough to require sweeping economic reforms in Cuba, even if its economy had run perfectly before 1989. The possibility of regenerating the non-capitalist types of economic relations that the economy operated with before 1989 did not exist. The only way to reactivate the massive unemployed labor and productive capacity was to obtain the physically necessary inputs, and sell the outputs, in the world capitalist markets. From this it follows that the nature of the necessary updating of its economic mechanisms had to be such that it would make Cuba's economy able to function in this fundamentally different way. At the same time, the nature of the reforms was shaped by the intention to resist the pressure this change would generate to restore capitalism. Specifically, it was intended that the reforms that were necessary to enable Cuba to economically interact with the capitalist world would have a nature such that at the same time the Island could continue to try to build socialism.

There is an important set of secondary reasons for the necessity of deep reforms to Cuba's pre-1990 economic model. Even before it was hit by the massive external shock, Cuba had recognized that it had internal problems with its economy and its approach to building socialism. In narrow economic terms, its rate of growth had fallen precipitously in the second half of the 1980s<sup>2</sup>. More broadly, Cuba had already decided by the mid-1980s that its model for building socialism needed important changes. Just as today, the narrowly focused discussions on economic performance and the broader discussion on an appropriate model for constructing socialism were thoroughly intertwined in what became known as the Rectification Process<sup>3</sup>. An example of reforms that were central to this pre-1990 process is the issues of a reduction in the excessive over-centralization of the economy, and the related issue of a quantitative reduction and qualitative change in the nature of Cuba's bureaucracy. These additional considerations of why updating was necessary are important in that some key aspects of the current reforms have their roots more (not exclusively) in these internal factors, such as the important issues of decentralization and debureaucratization just referred to.

## **Central changes in how the Cuban economy operates as a result of the reforms**

The multitude of reforms to the Cuban economy over the last 25 years has been frequently and extensively documented. For the concern of this chapter with their impact on Cuba's project of building socialism, what is important is what sorts of major changes this updating has made, and is projected to make in the future, to the nature of Cuba's economy. Here we will consider four aspects of the 1989 Cuban economy that were central to its performance then, have significantly changed in the current evolving new economic model, and are important issues in the discussions in Cuba today on what socialism is and how to build it. They are presented in the order they will be discussed in this and the next section, more or less from least to most in their importance to the determination of the socialist versus capitalist nature of what Cuba is building.

### ***Cuban economy in 1989***

In 1989 the Cuban economy

- 1 received external capital for productive investment, and hence both growth and development, beyond that available from domestic savings;
- 2 was extremely centralized;
- 3 was almost entirely state run and owned; and
- 4 produced according to a combination of long- and short-term plans.

This section will indicate how the Cuban economy has changed in regard to these four issues, while the next section will present some of the discussion and debates about what those changes could, or will, mean for Cuba's socialist project:

- 1 As a member of CMEA (particularly as a member considered less developed), Cuba received from it external capital for productive investment. This allowed more growth and development than would be possible from only domestic savings. This important contribution to Cuba's pre-1990 economy ended with the end of CMEA and the non-capitalist nature of the economies that composed it.

While Cuba regularly publishes a large amount of data on its economic performance, data on the amounts of foreign investment since 1990 have been almost entirely unavailable to either foreign or Cuban researchers. The absence of this data is widely believed to be a response of the Cuban government to the permanent campaign of the US to disrupt whenever it can whatever foreign investment into Cuba it discovers.

Notwithstanding this lack of data on investment, the well-documented overall performance of the Cuban economy makes it clear that two large

inflows of private capitalist investment into the Island were important to both its survival in that first post-CMEA decade, and to the shape of its economy subsequent to that. The first was foreign investment into international tourism to Cuba. It needs to be underlined that Cuba also invested great amounts of its own resources, including both the conversion of much of its existing tourism facilities that were previously dedicated to domestic tourism, and much construction of new tourism facilities with Cuba's then very scarce investment resources. But the growth of this industry was far above what domestic resources could have funded. The short payback period on investment led to a tidal wave of foreign investment into this area. The result was a foreign tourist industry in Cuba that exploded from practically nonexistent in 1989 to being the engine of the Island's economic recovery from 1993 to the end of the decade.

The other major private foreign investment in the first decade of the reforms was into Cuba's nickel industry. This took longer to show the results. But by the second decade of the reforms this foreign investment (again, accompanied by major Cuban investment) raised the nickel industry's level of operation to where it rivaled tourism as the leading earner of foreign exchange<sup>4</sup>.

In the first decade of the 21st century, Cuba received important capital inflows from sources other than private capitalists. Large credits from China (usually linked to purchasing Chinese goods) and from Brazil (for building the Mariel port) were important. Most important were numerous capital inflows from various arrangements and projects with Venezuela. Given the political situation there at the time this article is being written, it seems very possible that capital inflows from Venezuela will be dramatically reduced or completely suspended by 2018.

Given the lack of detailed data on what sort of capital inflows exist, it is hard for Cuban or foreign researchers to argue how much more is needed to obtain the rate of growth of 4 or 5 percent annually that is generally felt to be necessary to meet popular desires and create the intended "prosperous and sustainable socialism." Many economists in Cuba talk of the need to increase it massively, speculating on perhaps threefold or more.

Given this, Cuba is currently taking steps to attract more private foreign capitalist investment. The most fundamental reforms have been changes to its basic law on foreign investment, and subsequent enabling legislation and policies, with Law 77 in 1995 and Law 118 in 2014. Their central concern has been to make the investment process faster and less burdensome. In 2014 Cuba launched a new initiative, the preparation and dissemination of an official Portfolio of Opportunities for Foreign Investment. Presented at the Havana International Fair in November, they solicited 246 projects worth 8.7 billion dollars that year.

- 2 It is accepted by those working to build a new road to socialism, just as much as by those who would like to see a return to capitalism, that the Cuban economy was too centralized. The strong need for decentralization is the official position of the Cuban government, as reflected in the *Guidelines, Conceptualization* and *LTP*. In the pre-1990 model, while various economic decisions occurred at various locations in the economic and political structure, the more fundamental and strategic they were, the more they tended to be made in the various national ministries and by the national government, and at the national center of Communist Party. The further removed from the center they were, the more the decisions tended to concern implementation of an orientation determined more centrally. Three different processes of decentralization have been occurring over the course of the economic reforms, with a fourth process projected but not yet significantly advanced. Those who are trying to build a new road for constructing socialism and those who want a return to capitalism have very different things in mind when they argue for the need for decentralization.

One process of decentralization involves shifting economic activity out of the state sector and into the capitalist sector, which in Cuban statistics is the non-state noncooperative sector. In agriculture this has consisted of a shift from state farms to private individual farmers, Cooperatives of Credit and Services (CCSs), and especially recently to *usifructuarios*<sup>5</sup>. In the nonagricultural sector there is a shift to *cuentapropistas*, a category that, despite its name meaning “self-employed”, includes petty commodity producers, small capitalists, and workers employed by the latter. As opposed to the other two processes of decentralization to be discussed below, we can get some measure of the quantitative dimension of this large expansion. In 1989 almost all the nonagricultural workforce worked in the state sector. By 2014, of the 4,030,700 workers in the nonagricultural sector of the economy, 483,400 were non-state noncooperative workers (*cuentapropistas*), 12.0 percent (ONEI 2015, Tables 7.2 and 7.3).

As of 2014 the cooperative sector was almost entirely agricultural. There were 226,000 members in the two types of agricultural cooperatives, *Cooperativas de Producción Agropecuario* (CPAs) and *Unidades Básicas de Producción Cooperativa* (UBPCs). There were only 5,500 members of the newly formed nonagricultural cooperatives (ONEI 2015, Table 7.2). It is nearly universally held in Cuba that from their inception mostly out of dissolved state farms in 1993, the UBPCs had minimal autonomy. The large majority of decisions on what to produce, where to sell it, prices to sell at, where to get inputs, etc., were made by the ministries and related central economic state institutions. Here it is asserted that while the CPAs had more autonomy, the state still made many (not all) of the fundamental decisions that determined their production, in particular concerning obtaining inputs and where to sell outputs, and on the prices to do so. As such, the shift from the centralized state economy to cooperative

production should not yet be considered a form of decentralization. The government has stated that the newly forming nonagricultural cooperative sector, which is expected to grow dramatically, will have extensive autonomy, as likewise will the CPAs and even the UBPCs. It can be expected that the shift from the state sector to the cooperative sector will in the future be a fourth form of decentralization, but it cannot be considered to be so yet.

A second form of decentralization is the shift of the location of many economic decisions from the central state economic apparatus to the state productive enterprises. The importance attached to this decentralization by the government is indicated by its extensive discussion in the *Guidelines*, the *Conceptualization* and the *LTP*. No concrete quantitative data exists on how much this has changed to date from the previous model, though the government asserts the management model in state enterprises has already changed significantly in this regard, and will change further in the future as the new model continues to evolve. As all the guideline documents stress that the state sector is intended to remain the “fundamental” part of the Cuban economy, this has the potential to be a major part of the total decentralization of the economy.

The final form of decentralization is the shift of the location of many economic decisions from the central state economic apparatus to the regional and local state economic apparatuses. As for the decentralization of economic decisions to the state enterprises, no concrete quantitative data exists on how much this has changed to date from the previous model. As this is a form of the concept of “local development” which at present has significant support worldwide<sup>6</sup>, this is one important dimension of several of the limited foreign aid projects Cuba receives. In particular the UNDP and the Swiss COSUDE have produced much material and held supporting seminars on local development in Cuba in recent years.

- 3 Employment data provide a useful metric for the shift in state ownership in the economy from 1989 to today. The agricultural sector comprised 20 percent of the Cuban workforce in 1989, and about the same in 2014. In 1989 20 percent of the workers in the agricultural sector were non-state workers. By 2014 the proportion of non-state workers had exploded to 94.7 percent, 889,600<sup>7</sup> out of the 939,100 agricultural workers. In 1989 in the nonagricultural 80 percent of the economy, almost the entire workforce was employed by the state. Of the 4,030,700 workers in that part of the economy in 2014, 488,900<sup>8</sup> worked in the non-state sector of the economy, 12.1 percent. At present Cuban government and academic figures speculate that this could continue expanding to 40 or even 50 percent.
- 4 It has been unequivocally indicated in the various guideline documents and in all government statements that Cuba intends that the economy will continue to be guided by conscious human planning. Already in

the first publication explaining the overall nature of the new evolving system, 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 2011, 8). The *Conceptualization* has dedicated the third of its four chapters, and 63 of its 330 articles, to a much fuller discussion of “The Planned Direction of the Economy”.

For historical reasons, “socialist planning” came to be identified with the type of planning and economic structure developed in the USSR. There is nothing in the theories of the early socialists that indicates their desired planning and the related structure of the economy should take those particular forms. Of course, anything resembling the pre-1990 system of planning is not an option for Cuba in any case (this author would add “fortunately”). Hence, because it is committed to continuing to direct the economy via socialist planning, the nature of the planning will have to be radically different. Partly because the new economic structure for building socialism is still evolving, there is minimal writing on an 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 while the quantitative planning that was central in the old system will still have some role in particular sectors and at particular times, the new system will give a much greater role to planning and direction that use price and other indirect control mechanisms.

One aspect of the new planning system is particularly unclear. To be social planning, it must give direction to the full economy. The Cuban government has indicated it intends the new system to do this. “The system of planning includes all the actors in the economy and society, taking into account the definite policies and assuring their material backing” (PCC 2016a, article 217). It is not at all a priori clear how social planning, which sets goals to promote human development and well-being, will be able to plan for the performance of private capitalist operations, which pursue maximum return on their capital even when that is at the expense of social well-being.

### **Relation of Cuba’s economic reforms to its process of building socialism**

The major changes in the operation of the Cuban economy, which have resulted from its ongoing economic reforms, immediately pose the following question to both supporters and opponents of Cuba’s goal of constructing socialism: Will the changes promote, as intended, or harm that project? This section will consider this question in relation to each of the four major changes in the operation of the Cuban economy discussed in the last section. It will consider the question from the perspectives of the two forms this question is discussed in most frequently. First, it will consider each change in relation to

its potential contribution to a restoration of capitalism. Second, it will consider each change in relation to its potential contribution to what the Cuban government continually asserts is the goal of the updating, the improvement of the process of constructing socialism:

- 1 A first problem for Cuba with basing any of its growth and development on foreign capital inflows also holds for any developing country, the lack of sustainability. If the capital inflows stop or even slow for any reason, this will stop or slow the projected growth and development. This section will not elaborate on the potential problems for all developing economies from foreign investment based growth and development, since its specific concern is the impact of such an increased dependence on Cuba's project of building socialism. (For a clear exposition of the general problems with basing growth and development on international private capital flows, see Grabel 2003.)

Some supporters of Cuba's project to construct socialism fear that foreign capitalist investment could promote the Island's return to capitalism. Among the various channels through which it could do this, the following four are particularly important and frequently noted:

First, if a capitalist sector of foreign capital and joint ventures flourishes as desired, while the non-capitalist rest of the economy does less well or especially if it does poorly, the view that the project to construct socialism should be abandoned in favor of returning to capitalism could become socially widely accepted. Simply by providing higher individual wages, particularly in a country with low individual wages even if it has a high social wage, foreign private capital can promote the development of this social view.

Second, foreign capital can use its great wealth to directly intervene in Cuba's regulation of outside investment. In particular, foreign capital naturally wants to eliminate the barriers that restrict foreign investment to projects that benefit Cuba's growth and development (discussed next), and open up the economy to any investments it wants to make in pursuit of its own profits. In the first place, if this was allowed, it would make the obvious direct contribution to restoring capitalism from the resulting expansion of this capitalist sector. But beyond that, this would have the even more important indirect effect of supporting the ideology that whatever is privately profitable is socially beneficial – a view that if widely accepted would quickly generate a return to capitalism. Note that while some such "participation" by foreign capital in Cuba's determination of how to regulate it is legal (consultations, etc.), it is the potential illegal interventions, especially through corruption facilitated by its great wealth, that would generate the most powerful and dangerous support for a restoration of capitalism.

Third, given its desire to sharply increase foreign investment, the Cuban government could come to see the restriction of foreign investment to

projects that contribute to national growth and development as a major disadvantage relative to its competitors for foreign investment. Then, as opposed to the elimination of such restrictions resulting from the efforts by foreign capital just discussed, their elimination could result from the aspirations of the Cuban government itself. The resulting increased dangers of a return to capitalism from the same elimination of the restrictions on foreign investment would, of course, be the same.

Finally, in a setting where a domestic capitalist sector is also developing, a foreign capitalist sector can promote the growth of the domestic sector either consciously or simply through the way capitalist enterprises operate. To begin with, this enhancement of the development of a domestic capitalist sector could promote a return to capitalism in the same way discussed above for the expansion of the foreign capitalist sector itself, through its effects on popular consciousness if the private domestic sector does better and offers better earnings than the non-capitalist sector. But beyond that, and a more immediate danger from foreign capital's enhancement of the development of a domestic capitalist sector, is that this would increase the number and the scale of operation of domestic capitalists. A restoration of capitalism can be effected only by a domestic capitalist class, even if it is dependent and comprador; it cannot be effected directly by foreign capital.

While there clearly is nothing in foreign capitalist investment that could deepen the socialist nature of Island's economy (unlike subsequent changes to be discussed), it has the potential to contribute to the Cuba's project of building socialism by contributing to its overall economic growth and development. The various documents that give the guidelines for the new model of socialist development and the general laws governing foreign investment are not only very specific on what contributions Cuba is looking for from foreign investment, but they also require that proposed foreign investment make some such contribution to be accepted. Foreign investment must satisfy various objectives, such as access to advanced technologies and methods of management, diversification and expansion of export markets, import substitution, the supply of medium- and long-term financing for realizing a productive goal and the provision of working capital for its operation, and the generation of new employment (PCC 2011, article 97).

The expansion of foreign capitalist investment has already made important contributions to Cuba's growth and development, and in that way to its socialist project, over the last 25 years. At the same time, foreign capitalist investments have the potential to contribute to a return to capitalism through various channels. The Cuban government is aware of these potential dangers to its socialist project. Its continued commitment to building socialism indicates that it believes it is capable of neutralizing these threats, not only at the current level of foreign investment, but also at a level two or three times greater that it hopes to achieve.

- 2 The debates on the dangers and advantages to Cuba's project of building socialism from decentralization are confused by two issues. The first is the failure to distinguish between decentralization and capitalist destatization. The second is the failure to distinguish between the idea that not only the Cuban model that existed in 1989 but also what exists today strongly need decentralization, and the idea that more decentralization is a priori always better for constructing socialism.

When people who desire a restoration of capitalism on the Island speak of the economic need for decentralization in Cuba, they have in mind the first form of decentralization discussed above, the change from production governed by centralized economic decisions by the state to capitalist production. As indicated in the discussions on the expansion of the capitalist sector in the preceding and following parts of this section, that expansion does involve dangers of contributing to a restoration of capitalism. Likewise negative, it does not contribute to the deepening of the socialist nature of Cuba's economy, though it can contribute to Cuba's socialist project, as discussed. But these results come from the capitalist destatization involved in this form of decentralization, not from decentralization itself. The processes of decentralization through cooperative destatization and state decentralization discussed above do not involve these contributions to the danger of the restoration of capitalism, nor do they have the absence of contributions to the deepening of the socialist nature of Cuba's economy.

Those who want to see a restoration of capitalism in Cuba of course favor as much decentralization as possible, where for them, as noted, decentralization means transforming centralized state production to capitalist production. For those who support the construction of socialism, the starting point for a consideration of centralization must be the necessity under socialism for people to collectively control all the institutions that they are part of. The appropriate group for a person to collectively make decisions with is all others "significantly affected" by such a decision, where of course the appropriate group to make a given decision will be an issue that must be repeatedly socially decided. Since people have local, regional, and national interests, decision-making by all "significantly affected" people needs to mirror these various scales. The theoretical criterion for the appropriate level of centralization to make a decision at is straightforward, though of course putting it into practice always involves a political debate: each economic decision should be made at the most appropriate level of centralization/decentralization. Local communities should not be deciding by themselves if there will be a cement factory in their community, given the small number needed for the country, and central authorities should have next to nothing to say about how many tomatoes are grown in a given neighborhood. A correct centralization/decentralization balance is necessary. Either too much centralization or too much decentralization impedes the socialist goal of people

democratically controlling all the institutions they are part of. While the various guideline documents make clear that extensively increased decentralization is a key characteristic of the projected new model, they also make clear that some centralized aspects remain essential.

Increased decentralization that does not increase the size of the capitalist sector will not increase the danger of a capitalist restoration. To the contrary, this key reform, when carried out in the frame of achieving the appropriate centralized/decentralized balance for socialism, will deepen the socialist nature of Cuba's project, in that it will increase the power of people to collectively control all the institutions that they are part of.

- 3 If the reduction in state property involved only the expansion of real self-employment, it would pose little significant support for a capitalist restoration. Real self-employment involves not living off the labor of others, not capturing the surplus value created by others, no exploitation. It is petty commodity production and not capitalism. But a significant part of the nearly half-million *cuentapropistas* in Cuba today are actually hired labor. Two important issues indicate Cuba's awareness of some of the dangers from an actual domestic capitalist sector, and its reactions to them. First, in the East Bloc a significant part of the restoration of capitalism resulted from the privatizing (generally at very low prices) of state enterprises. This generated major capitals quickly. Cuba has indicated it will not sell off any functioning state enterprises. Second, even large numbers of small capitalists cannot restore capitalism. Restoring capitalism requires the political leadership and coordination of large capital. In regard to this, Cuba has stated that while private capital will be part of its updated economic model, it will not be allowed to become large. At the very beginning of the *Guidelines* it states: "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 2011, guideline 3). The repeated changes in the restrictions on the allowed number of tables and employees over the last decade in the *paladares* (small private restaurants) are the best-known example of Cuba's actual efforts to limit the concentration of capital. Though less discussed, the prohibition of chains of *paladares* is actually a more important restriction on the concentration of capital; individuals cannot own more than one *paladar*<sup>9</sup>.

The starting point for looking at the possible effects of Cuba's expansion of non-state property in the means of production on its project of building socialism has to be a consideration of the goals of socialism. It will suffice for the examination here to use the widely accepted goal among socialists of collective self-governance of all institutions of society by their members<sup>10</sup>. Under capitalism, ownership of some aliquot of society's means of production gives the owner both the legal right to determine how they will (or will not) be used, and claim to the output produced with them by the hired labor. Marx, Engels and many early

socialists therefore advocated the following procedure: First, “win the battle of democracy” (Marx and Engels [1848], 504), replacing the dominant political power of the minority capitalists with that of the majority laboring classes. Second, “wrest, by degree, 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” (ibid.). Then, with the state popularly controlled by the proletariat, the desired collective self-governance of the economy is achieved.

The history of the 20th century demonstrated that control of the economy by the state did not guarantee control of the economy by society, the socialist goal of collective self-governance of the economic sphere. In an attempt to reassert the original socialist goal, by the end of the 20th and beginning of the 21st century a number of socialists began to call for “socialized property” as directly counterpoised to “state property”.

The essence of socialized property is that it is collectively governed by the people affected by it. One position is that it is necessary but not sufficient for the state to own something for it to be social property. The main concern here is that if the workers own the enterprise, they could choose to pursue profits for themselves, in effect becoming “group capitalists”. Hence some ownership by society on a social scale above the collective must have ultimate power to assure this does not happen. The alternative current view is that what is important is control of the operation of an enterprise by those strongly affected by it (usually the workers and members of the adjacent communities). To understand the issue involved, consider if there is an important difference in this regard between a cooperative that owns its means of production, a cooperative that owns its means of production but is not allowed to sell them, a cooperative that rents its means of production from the state (as some do in Cuba), and Marx’s minimally specified idea of Associated Producers, where they worked in enterprises in which the state owns the means of production.

This chapter cannot enter into the many facets of this discussion of whether, in the construction of socialism, all the means of production must be the property of the socially controlled state. Rather, it will here indicate only two points about Cuba’s position today on the role of state property in the means of production in the construction of socialism.

- a The position that ownership of the means of production is of secondary importance to the issue of their collective self-governance by the people who use them is particularly strong among advocates of cooperatives in Cuba.

What characterizes a cooperative is not the legal ownership of the means of production (facilities, land, machinery) 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, either directly or through elected representatives, under the conditions and with the powers that the members decide  
(Piñeiro Harnecker 2013, 6).

- b In government documents, cooperatives are considered “part of the socialist property system” (PCC 2016a, article 159). Their nature as part of the socialist property system does not depend on if they own their means of production, but rather that they “apply collective principles of production and distribution of their product” (*ibid.*). If who owns the means of production is not determinant of what is a cooperative, as here and in point (a), then the inclusion of cooperatives as part of the socialist property system implies that state ownership of the means of production is not needed to build socialism.
- c However, at the same time that the Cuban government defines cooperative property as part of the socialist property system, it repeatedly stresses that it intends that

In the Model, socialist property of all the people (meaning state-owned property) over the means of production is fundamental and determines the relations of production, distribution, exchange, and consumption, including the appropriation of wealth, which constitutes a principle characteristic of our socialism  
(PCC 2016a, articles 118).

Hence one sees the two points on Cuba’s position on the role of state property in constructing socialism. First, the logic of their position on the socialist nature of cooperatives regardless of ownership of the means of production implies they hold that socialism does not require state ownership of the means of production. Second, Cuba has nevertheless clearly indicated that it intends for the core of its socialist economy to be state property.

- 4 Maintaining conscious and comprehensive social planning and direction of the economy cannot be argued to support a return to capitalism. Because such planning is incompatible with capitalism, the opposite proposition actually holds. Conscious and comprehensive direction of the economy would need to be eliminated for a restoration of capitalism.

Comprehensive social planning promotes the deepening of Cuba’s socialist project in two ways. First, as just indicated, in the absence of the determination of production by capital’s drive for self-expansion, conscious planning is necessary simply to make an economy operate. But, much more profound for the goal of constructing socialism, social planning deepens Cuba’s socialist project in that it represents the form of collective self-governance, applied to the economy, which is a goal of socialism.

Centralized planning is the way of being of a socialist society, its defining category and the point where man’s consciousness eventually manages to synthesize and channel the economy toward

its goal: the full liberation of human beings in the frame of a communist society

(Ché, translated into English in Álvarez 2013, 114).

## Conclusion

For the last 25 years, Cuba has been engaged in carrying out the most sweeping reforms to its economy since it declared its goal of building socialism in 1961. Recalling the reform processes of many non-capitalist economies at the end of the 20th century, many supporters of Cuba's socialist goal fear its reforms will similarly restore capitalism to the Island. The Cuban government, to the contrary, has consistently maintained the updating not only will not return Cuba to capitalism, it will to the contrary significantly improve its process of constructing socialism. This review of its reforms reaches two conclusions in regard to this issue. First, it concludes that the reforms indeed bring with them a significant possibility of opening the door to a return to capitalism. Second, it agrees with the position of the Cuban government that if the updating process is carried out correctly economically, politically, and socially/ideologically, the reforms do have the potential not only to avoid promoting capitalism, but also to significantly improve Cuba's socialist project. The outcome of which way Cuba ends up going will be determined by the course of the class struggle between capitalism and socialism that is going on today, both inside Cuba and around the world.

## Notes

- 1 The Cuban government refers to them as an "updating" of its previous economic model to stress the continuity of the goal of the new models with previous ones, to build a socialist economy. Furthermore, the word "reforms" was used by other non-capitalist economies to describe the very different process of their intentional return to capitalism. As the plethora of new procedures involves major changes as well as this central continuity and hence is reform, this chapter will use the terms "updating" and "reforms" interchangeably.
- 2 Beyond the usual ideological reasons for arguments about Cuban data, there is legitimate debate about the rate of growth of the Island's GDP over the first several decades of the Revolution, because Cuba then kept its economic data in the Soviet accounting system. This author holds that the most careful and ideologically neutral treatment of the conversion of that data into standard National Accounts data was done by Zimbalist and Brundenius (1989, 165). They found that in Latin America over the period of 1960 to 1985, only Brazil grew faster than Cuba's average 3.1 percent. This dropped to around 1 percent at the end of the 1980s, even before the effects of the external shock were to cause the subsequent much greater declines.
- 3 See Castro (1989) for an indication of both the issues involved in the Rectification Process, and how the Cuban government saw those issues.
- 4 Low commodity prices after the Great Recession and a renewed expansion of tourism growth and earnings after December 17, 2014, mean that foreign exchange earnings by tourism are again well above those of nickel, but nickel remains among the most important sectors of the economy.

- 5 “Cooperatives” is used in Cuban data only to refer to workers’ cooperatives. The CCSs are producers’ cooperatives, small capitalist farmers that coordinate their use of equipment, credit, and so forth. The *usufructuarios* are people given the right to farm specified state-owned land. For a detailed discussion of the expansion of these groups beyond what is useful for the topic of this chapter, see Campbell (2016).
- 6 The difference between Cuba’s interpretation of local development and its usual capitalist interpretation is returned to in the next section.
- 7 In 1989 non-state agricultural workers consisted of private individual farmers and CCS members, plus CPA cooperativists. In 2014 the total of 889,600 non-state agricultural workers consisted of 351,300 private farmers and CCS members, 312,300 farmers in the new private category of *usufructuarios*, and 226,000 cooperativists in CPAs and the new UBPCs (ONEI 2015; Tables 7.2, 7.31 and 9.4) in 2014.
- 8 That is, 483,400 *cuentapropistas* and 5,500 nonagricultural cooperativists (ONEI 2015, Tables 7.2 and 7.3).
- 9 Naturally, some people work around this restriction by having family members and relatives as the official owners of additional units. So while the prohibition is not impervious, it does serve its purpose, to prevent the large concentrations of capital of big restaurant chains.
- 10 For a brief but much fuller treatment of the goals of socialism that presents this as a sub-goal of the central goal of human development, see Campbell (2006, 113).

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