Cuba 2015

Balancing the Goals of a Socialist Revolution with Market-Driven Growth

Isabella Smull

For over fifty years, antagonistic relations between the United States and Cuba yielded little beyond a rigid impasse in formal communication channels. During the Cold War period, the relationship included a failed armed invasion of Cuba (popularly known as the Bay of Pigs), escalated tensions between the ideological poles of the global "East" and "West" bringing the world to the brink of nuclear disaster (the Cuban missile crisis), and an intensifying series of measures by the US government to reverse the Cuban social and political revolution in the name of national security (ranging from economic sanctions to assassination attempts). In the bipolar international system dominating the second half of the 20th century in which decision-makers were largely operating under realist power-politics assumptions, it is remarkable that Cuba existed as a rebel small state in the sphere of influence of a hegemonic power on whose agenda the country ranked as a supreme security threat. Proximity adds another noteworthy dimension: Cuba is 90 miles away from Florida. What accounts for Cuba's prolonged "survival" with relatively little impingement on the country's ability to self-determine its internal socio-political and economic configuration? How Cuba pulled off the feat is worth noting (Section II) to contextualize and contrast Cuba's present-day challenges in a changed and changing international landscape.

2015 looks very different for Cuba and Cuban-US relations. It is characterized by an increased flexibility in the United State's diplomatic stance and an increased willingness of the Cuban Communist Party (PCC) to amend the country's socio-economic architecture away from one dominated by central planning and state-ownership. Cuban President Raul Castro, however, has made it clear that a major overhaul of the country's political system won't accompany the normalization of US-Cuban relations. Shortly before 2014 drew to an end, the president reiterated:

> "We can't pretend that by improving ties with the Unites States, Cuba will renounce the ideas for which it has fought for more than a century, for which its people have shed a lot of blood and have run the biggest of risks." (Mitchell, 2015)

In this context, Cuba is feeling its way cautiously towards market-socialism. In 2010, Cuba's trade union (the CTC) published a statement in the PCC's official newspaper (the Granma) announcing a series of sweeping changes aimed at raising economic productivity. (Granma, 2010) The statement repeated points made previously by Raul to the effect that "oversized social spending" has to be reduced and that "excessive subsidies" and "unwarranted gratuities" had to be eliminated. (Castro, 2010) To this end, the PCC is introducing new - and expanding its limited existing - legal categories of domestic private entrepreneurial activity, increasing licenses for self-employment, and simultaneously downsizing the state-sector. (Pérez-Stable, 2010) The party is also continuing to actively attract targeted foreign direct investments in sectors including agriculture, infrastructure, sugar, nickel mining, and real estate development. Cuban citizens are creatively exploiting the new breathing room formally and informally allowed by the state. What will the update to the economic model mean for the socialist project? Can the social gains of the revolution supporting community and personal development—from universal housing, education, and health care to accessible and vibrant artistic and

recreational venues—be reconciled with elements of market driven growth? This article will explicate this inevitable tension: keeping intact the precincts of the revolution while opening the door to capitalist forces driven by certain inherently opposing tendencies. If not well-managed, the transition threatens the very social-ills that the revolution has heretofore averted.

Cuban Survival

The revolution's early success in resisting U.S. encroachment hinged on mass mobilization of Cuban nationalism. A deliberate socialization process cultivated a revolutionary consciousness loosely summarized as a belief in one Cuba for all Cubans by Cubans. The vision was instrumental in legitimizing the regime internally. By convincingly presenting itself as the political force championing sovereignty and a flat distribution of wealth, the Cuban state derived its legitimacy at home through an anti-systemic movement that challenged a neoliberal logic for societal organization. The resulting internal popular support helped mute US efforts to fan dissident coals in the countries unyielding attempts to light destabilizing counter-revolutionary fires. Cuba's relatively cohesive internal commitment to revolutionary principles was not only the founding basis of the PCC's Cuba, but it conferred to the country credibility that it was a promoter of its espoused principles. As such, the Cuban socialist model became recognized as a viable and visionary one by other states and movements in the international community involved in liberation struggles against Western impingements on sovereignty and self-determination. A genuine collective revolutionary consciousness, therefore, was also instrumental for garnering external recognition. Cuba had a clear global vision, and the vision was recognized as a competitive one in the international order, and the recognition, in turn, translated into material benefits indispensable to maintaining power. In Cuba's case, this meant preferential trade agreements with Russia and full integration into the Soviet trade orbit. The relationship secured a market for Cuba's primary export - sugar - at subsidized prices along with subsidized inflows of Russian industrial goods, foods, medicine, weapons, and oil that Cuba could use domestically as well as mark-up and resell on global markets for profit. This economic integration diluted the strangulation effect of U.S sanctions that had proven crippling in countries like Nicaragua and Chile. It was precisely because Cuba was recognized as an actor worth backing that a better-endowed benefactor did, in fact, back it. The result was a Cuba able to secure enough material wherewithal to deliver on its socialist promise. This minimized the discrepancy between the PCC's revolutionary rhetoric and its ability to deliver – a costly discrepancy that might have arisen had the party not been able to finance the social programs at the heart of the socialist project. What would happen when the better-endowed benefactor was no longer so well endowed?

In 1991, Gorbachev announced that the Soviet Union would end the 4-5 billion dollar annual subsidy to the Cuban economy and withdraw troops and advisors from the island. The dissolution of the Soviet Union also meant the collapse of its sponsored trading bloc. Cuba's economic juggernaut was severely injured virtually overnight: no more preferential prices, no more delivery of critical resources (oil, food, medicine), and no more guaranteed markets for Cuban sugar to finance domestic government expenditures. During the period between 1990 and 1993, Cuba lost over 80 percent of its foreign trade, and its GDP plummeted by 30 percent. (Mesa-Lago, 1998) In an apparent effort to capitalize on the ensuing Cuban desperation, in hopes that critical conditions might force the PCC

into making political and economic concessions, the U.S passed The Cuban Democracy Act in 1992 and the Helms-Burton Act in 1996. The acts intensified efforts to isolate the Cuban economy and coax its implosion by deterring the FDI Cuba was desperately trying to attract and by cutting into its remittance hard-currency revenue. (Kornbluh & LeoGrande, 2014) The economic strangulation came with a manipulative peace offering: sanctions would be lifted if Cuba democratized.

Energy shortages and food shortages became commonplace, along with malnutrition and the deterioration of infrastructure. Despite this, Cuba once again resisted external dictates and reoriented to adapt to the loss of Soviet subsidies and US pressure. The struggles characterizing the period combined with the PCC's responses to assuage them, however, have had repercussions for the relationship between the state and its citizens: Cubans began losing faith in the ability of the state to meet their needs and the state began signaling that perhaps, it too, was losing faith in its ability to micromanage society sustainably and effectively. While Cuba "survived" what became dubbed the "special period," it was not without trauma to the Cuban psyche and the country's revolutionary socialist framework, validating inklings that the Cuban model was in need of update.

Before the special period, the Fidel solution to low economic productivity tended towards "mobilization politics" that rallied the people behind moral incentives and the righteousness of the revolution (rectification campaign in the late 80s, Committees for the Defense of the Revolution, youth armies to wage a "battle of ideas" in the early 90s). (Pérez-Stable, 1993) This time, nationalistic appeals to "la patria" (the fatherland) to maintain consensus over the status quo would not be enough. Public dissatisfaction over falling living standards produced over fifty dissident groups during the mid-90s, suggesting that Cuban citizens were increasingly looking to shape political and economic processes alternative to the existing state structure. (Carriel, 2011) Faced with a severely floundering economy and growing popular discontent, the PCC was pressed to begin structurally amending its economic model. Relative recovery out of the dismal decade has come on the back of exploiting the country's competitive advantage in the tourist sector, decentralizing certain economic activity (notably in food production and distribution), and allowing market incentives to spur production. Thus, it is in this period that the PCC's introduction of market mechanisms began Cuba's transition towards a more mixed economy.

Adding wind to the sails of change, the day-to-day difficulties of the special period are etched into a new collective memory of Cuban Millennials who did not live through the revolution. One Cuban student at University of Havana recounts:

> "You couldn't find meat or dairy anywhere. My mom fried the skin of papayas and put them on rice to help us pretend. Most of our days were spent looking for food because government rations weren't enough. My friends and I would look at the Havana pier everyday, and everyday it was empty. I just wanted to live better—another way." (Chaviano, 2015)

While more substantive ethnographic work is needed to make conclusive statements, it is worth noting that the many Cubans of this generation I came into contact with rarely wanted to speak of the past. My questions about the revolution—of its heroes, its principles, its shortcomings and successes—were quickly redirected into fervent efforts to highlight a more nuanced Cuba. They were eager to show the ways in which they are creatively pushing the envelope in all social spheres from tech to art. (Helft, 2015) The message was clear: there is a burgeoning community of Cubans who want to be—and are already—part of a global community whose ambitions exceed historic limitations on integration with modernity.

Moving Forward

The international system of the 21st century is characterized by changes in the distribution of power away from U.S unipolar dominance. It is under revisionist pressures from recognized great power contenders who have organized their political economies differently than the plural democratic, neo-liberal formula historically propagated by the U.S. The hegemonic presumption is under attack by rising heavyweights like China, India, and Brazil: abridging sovereignty to impose internal reconfigurations (militarily and economically by conditioning loans and trade) is becoming a more costly diplomatic move. In this context, what it means to "liberalize" and "democratize" is increasingly understood as a nuanced, context-based concept. This said, the 21st century world remains favorable to institutionalized, rule-based, and capitalist modes for organizing political economies. The security, diplomatic, and economic benefits conferred to participants and upholders of this order do not compel radical system overhaul, but incentivize revisionist agendas to operate from within its bounds. The endurance of liberal institutional hallmarks—open, rule-based, and integrated state relations—remain, at present, enshrined in international institutions, multilateral diplomacy, and free trade agreements. Conversation regarding the merits and drawbacks of such configurations aside, enough states have hopped on the "rule of law and market mechanisms" bandwagon that it can be dubbed the "common language." As such, integration into the liberal order may vary in pace and in terms, but the debate about national choice regarding economic development strategies seems to have shifted: it is increasingly about varieties of capitalism. (Hall & Soskice, 2001) It is about different usages of market mechanism to foster growth and different ways by which to engage with global markets rather than "to be or not to be."

In light of the trajectory of Cuba's reforms, has the country's "resistance" to integration into the liberal order only changed the timeline of its inevitable submission? Perhaps. This determinism, however, is not entirely helpful in fashioning potential Cuban evolutionary trajectories and the impacts they could have on Cuban society regarding education, health care, the spatial and economic bifurcation of society, food security, artistic development, and so on. Although the "Cuba model" of the Cold War era finds itself outdated, certain virtuous socialist precedents have been successfully institutionalized, and many negative externalities wreaked by the brash and naive youth of a nascent globalizing capitalist order have been attenuated thanks to Cuba's isolation, or insulation, from the phenomena. This unique evolution could enable Cuba's development into a highly socialized democracy that uses market mechanisms for economic development in a controlled and equitable fashion.

Still, by neoliberal standards, Cuba's embrace of the global economy under Raul Castro's leadership since 2006 has been modest, at best. I will progress with informed speculation: What is the driving logic behind continued limitation on domestic entrepreneurial activity? How much longer can the PCC control this activity, and, as it loses some measure of control, what will it mean for the authority of the regime? Will the space created by moderate liberalizations embolden and empower civil society to make demands for more reform? How will the PCC respond to the increasing pressures for inclusion by dissident interests presenting opposing agendas?

Give them an inch, and they'll take a mile.

Understanding why the PCC is keeping careful limits on domestic liberalizations necessitates exploring both the fallacies

in a "free-market for optimal social well-being" logic and the risks entailed by allowing private capital too much freedom, too soon.

To understand Cuban fears of the free-market model, one need not look farther than the effects of private capital in the country's northern neighbor. As the U.S. makes its way into the 21st century, the American urban landscape is marked by an unprecedented degree of spatially and racially concentrated urban poverty devoid of a significant industrial sector. Urban poor remain isolated in degrading locales that have been milked of financial capital, industry, and jobs that pay a livable wage. Briefly, this outcome is explained as follows: Since the onset of the country's industrialization, the less that private capital has been subject to an international and national regulatory regime and the more that technological innovations have permitted its rapacious mobility, the relationship between communities, the private sector, and the political sector has become increasingly imbalanced. The negotiation process over the terms of the relationships between the aforementioned players has increasingly become one where each comes to the table with predetermined winning and losing hands. What's more, the impact of a "win" and of a "loss" has become ever more consequential, and there exists a growing inequality in who bears the brunt of the losses and who has access to the wins. Absent appropriate regulations, market mechanisms have largely been utilized to maximize profits for the few at the expense of the public good.

The method behind the outcome: private sector mergers. Monopolistic configurations grant business leverage in the economic, political, and social realms. As such, the more that control over production and distribution of an industry is consolidated under a singular firm, the more profit the firm can derive. Economically, less competition in a market means more leeway to inflate prices and rake in profits above market value, passing on the cost to consumers. Politically, concentrated private control over a vital commodity means that a firm has substantial economic power to leverage for political influence: it need only withhold supply by restricting output to passively manipulate policy in its favor. Furthermore, as economic power becomes more concentrated, the number of important decision-makers shrink. This means that a decision to divest or relocate capital represents a larger share of the industry and jobs in a community, consequently affecting a larger share of the residents in which the industry resides. When labor becomes dependent on fewer providers of work, it is put in a subordinated negotiating position absent alternative employment options. The power dynamic tilts towards a dependency of labor on capital, disposing labor to make more and more concessions just to keep capital—with their livelihood in hand—from leaving. From the PCC's vantage point, centralizing control over the means of production has meant avoiding these dynamics that would impinge on an equitable and stable distribution of goods and services.

To understand Cuban fears of liberalizing too hastily, we can look broadly at the struggles that have plagued the Latin American developmental states subject to speedy neo-liberal reform packages in the post-WWII era. Social spending and human capital investment tended to suffer while macro-economic growth was prioritized. In this structure, it was in the interest of regional elites to cater to profit-maximizing needs of private entrepreneurs since their own economic and political power was inextricably bound to the wealth they amassed or the wealth that backed them. As such, they did take extreme measures to ease supply and demand constraints. While some measures were more benign in nature (supplying credit to preferred private firms and sectors, privatizing areas of the public sector, etc.), they just as often included the suppression of the masses to create a ready supply of cheap labor. Such phenomena resulted in

externally oriented economies that overemphasized the export of lucrative monocultures for the consumption of the global core at the expense of both the production of food staples for local subsistence and diversified local markets that might root capital in communities and offer labor more negotiating power. Furthermore, the abrupt nature of the transition to a radically liberal economic model outpaced the development of institutions equipped to manage it, giving way to a narrow ruling coalition between profit generators and the representatives of state muscle capable of ensuring those profits. There is no natural firewall between the economy and politics: Those who have acquired money from the economic sector can put this money to work in the political sector. It follows that a natural outcome of too intimate a contact over a prolonged period between the political and private sector absent institutional buffers is a realignment of the political ruling coalition to include a domestic capitalist class.

I suspect that the institutionalization of a state-private sector relationship is exactly what the PCC wants to avoid. The party is wary of unbottling entrepreneurial forces with the understanding that once let out of the cage, they will be very difficult to re-captivate. An emerging private sector allows for the private accumulation of wealth and state-independent ownership of the country's means of production. As such, this sector would not only depend less and less on the state, but the direction of dependency would switch: private production would become indispensable to the health of the macro-economy. Leogrande notes that as this happens, "their desire for less government interference is certain to take a more explicitly political direction.". (Kornbluh & LeoGrande, 2014) In other words, a capitalist class will have ample material power to leverage in placing demands on the government for favorable business policies that are rarely in line with equity or distributive justice. Furthermore, it is likely that demands on the government by a growing private sector will not stop at lobbying efforts but will escalate into efforts to institutionalize a state-business alliance to procure preferential treatment in the long term. If a resilient political apparatus is not firmly in place to deflect this imposition, the socialist fabric of Cuba's revolution will be deeply threatened. The prevalence of pro-domestic, private business policies without proper regulations will be accompanied by some degree of inequality, placing redistributive socialism on the back burner.

Conclusion

Given that the floodgates have been opened, the PCC will probably not be able to keep a cap on the growth of a domestic capitalist class in the long term, nor, however, will it necessarily want to. Aggregate economic growth, job creation, and elevated standards of living generated by domestic entrepreneurial activity aren't awful things. The concern may be more a question of extent and pace. The pace needs to be calibrated by the development of Cuban institutions able to effectively check the inequitable logic of capitalism and harness its growth capacity for the public good. If this is true, it is likely that the PCC will look to suppress the growth of a domestic capitalist class for enough time to allow current reforms to the legislative decision making process to anchor their roots and begin to work systematically.

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