

LABOR EFFECTS OF ADJUSTMENT POLICIES IN CUBA¹

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In the past two years, the Cuban government has devised several policy reforms in an attempt to overcome the most severe economic crisis since the revolution. These reforms have created new opportunities in several sectors of the economy for foreign investors and for self-employment by Cuban nationals. Yet, while many of these new initiatives are unprecedented, some even radical within the parameters of previous revolutionary practices, they continue to affect the basic human rights and welfare of individual citizens, particularly the three and one half million or so who actively participate in the official labor market.

In this paper, I argue that recent economic changes in Cuba are fomenting a segmented labor market which rewards allegiance to the regime. The state has managed to successfully take advantage of popular deprivation by its ability to regulate opportunities in the labor market to cultivate a new form of political acquiescence. This is done by regulating access to better paid jobs through informal networks controlled by former civilian and military high officials. Hence, those with “conexiones” or ties can bargain their history (or appearance) of revolutionary participation to improve their chances of obtaining well paid employment. In other words, structural opportunities in the labor market impose a disciplinary effect which ultimately reinforces the social order. This

might explain why in the midst of its worse economic crisis and concomitant discontent, the regime has managed to survive. My emphasis on networks and patronage also explains why the well connected fare better than the average worker even in non-skilled, yet lucrative, jobs.

To illustrate this point, I will examine five labor practices which contribute to a split labor market. I do so for two reasons. First, it is impossible to quantitatively document any evidence of segmentation and discrimination since the government does not release adequate data in this subject, and a survey of workers would be almost impossible to undertake without official approval. To substantiate my argument, then, I must rely on information I gathered following nonparticipant observation methodologies such as interviews and focus groups. All interviews were conducted in La Habana during the first three weeks of January 1995.³

More importantly, following Pierre Bourdieu, I view social practice as encompassing specific goals and interests of actors even when these actions are routine (Bourdieu, 1990). Thus, the practices of the regime reflect a particular agenda even if it claims otherwise. Based on the evidence I present here, one can conclude that this strategy is to only make sufficient re-

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3. I visited Havana as a Consultant to the Center for International Affairs at Brown University.

forms to stay in power without regard to the workers' welfare. This government goal explains the erratic nature of recent reforms. In the words of Carlos Lage, a Vice President of the Council of State, "... haremos reformas pero solo para salvar el socialismo" (*El País*, June 19, 1994, p.32).

With this in mind, I will proceed as follows. First, I will review the extent of the economic crisis and adjustment practices to demonstrate that the latter are sectoral and designed to reverse what James O'Connor (1973) calls "the fiscal crisis of the state" in Cuba. Then, I will discuss labor practices and their effects on workers.

THE EXTENT OF THE ECONOMIC CRISIS

The Cuban economy began to deteriorate in the late 1980s when economic relations with the former Soviet Union, Cuba's main trading partner, financial underwriter, and source of technical assistance, were transformed to reflect international market prices. Up to that point, the Soviet Union and its Eastern European allies accounted for about 85 percent of the island's trade and the bulk of its development financing. The economy also showed deteriorating effects from the rectification process, a development strategy designed by the government to reverse some of the tentative market reforms and economic incentives that characterized the late 1970's and early 1980s and which had improved economic performance. In addition, the Cuban economy was adversely affected by global forces beyond its control, such as the decline in the price of sugar and other traditional exports, the mounting cost of debt financing, and bottlenecks resulting from the U.S. economic embargo. To these factors one can add the regime's own highly politicized and bureaucratic decision-making process, low productivity, lack of diversification in production mechanisms, and other endemic political features of the Cuban economy.⁴

As Table 1 illustrates, at the steepest point of the "special period in time of peace," as the austerity pe-

riod that began in 1989 is known in Cuba, the economic deterioration was marked by four major trends.

First, there was a decline by half of the island's gross national product between 1990 and 1993. This downward trend was only reversed in 1994 when the economy reached a growth level of 0.7 percent, according to Lage (Lage, 1995, p.1). Second, the level of production in the agricultural and nonrenewable commodity sectors also fell sharply, causing major food shortages and steep loss of export revenues. As a result, in 1993, Cuba's imports were only 20 percent of 1989 levels (Ferriol, 1995, p.17). Revenues from sugar exports, still the most important export commodity, went down by 43 percent between 1989 and 1993. In 1994, sugar production was about 4 million tons, or 5 percent less than the production level of the previous year (Pérez-López, 1995, p. 2). Drops in sugar production alone resulted in a loss of US\$1.6 billion. Third, the ballooning budget deficit and external debt, estimated by economists at Havana's Center for the Research on the World Economy to be more than \$8 billion, is regarded as one of the major obstacles blocking Cuba's full participation in international financial markets. Still, by 1994 very little progress was reported on debt renegotiation and re-scheduling. The fiscal dimension of the crisis has also undermined investors confidence in the probability of recovery. Cuba was ranked recently by *The Economist* as the 116th out of 129 countries for investment safety.

Fourth, the magnitude of the crisis and the austerity initiatives has adversely affected employment and consumption levels as well. Economists calculate that up to 80 percent of the manufacturing sector stood idle between 1993-94 and 40 percent of the labor force is either underemployed or unemployed (Pérez-López, 1995, p. 2). To compensate for the loss of personal income, the government continues to provide 60 percent of monthly wages to the unem-

4. There have been many reports showing evidence of lagging economic troubles throughout the revolution. One of the most revealing was published in *The Latin American Times*, Vol. 8, No. 10 (1989). According to this publication, the Communist Party took a survey of 10,756 participants in the province of Holguín in 1988, and 87.6 percent had an unfavorable opinion of the Party's performance.

Table 1. Macroeconomics Indicators of the 1989-93 Austerity Crisis

Issue-Area	Date	Proportion
Growth levels	1989-1993	Decline by half
Sugar exports	1989-1993	Down by 43 percent
Manufacturing	1993-1994	Idle by 80 percent
Employment	1993-1994	40 percent unemployed and underemployed
Import levels	1993	20 percent of 1989 levels
Fiscal policy	1994	Ranked 116th in investment confidence

Note: Figures were taken from Centro de Investigaciones de la Economía Cubana, *Economía Cubana--Boletín Informativo*, No. 19 (Enero-Febrero 1995).

ployed. Yet since wages are generally depressed, unemployment benefits are not enough to purchase basic necessities for the average worker, inducing many to engage in illegal activities, informal markets, and unreported employment practices. These activities are periodically repressed by the regime as a demonstration effect to keep the population in line.

The rise of structural unemployment threatens to exacerbate existing social inequalities within the revolution in various ways. One indicator of these growing inequalities already generated by the crisis is in the area of savings. Official figures indicate that 70 percent of all savings is concentrated amongst 6 percent of the population and only 10 percent of all citizens account for 70 percent of the money supply (*Boletín ANEIC*, 1995, p.11).

A less quantifiable but important effect of the crisis nonetheless is evident in worker attitudes. Several people I interviewed in 1995 stated that they felt under compensated for their job productivity and that they had lost interest in, and dedication to, their work. Most of their efforts, they claimed, were directed at not antagonizing their supervisors so that they would be left alone to “resolver”: meaning, to negotiate access to food and other household necessities through contacts in the informal sector while at work.

Finally, there is evidence of a burgeoning informal sector. The exact number of people engaged in this activity is difficult to estimate, but their presence is evident in all sectors of the economy, at least in the capital city. Opportunities in the informal sectors are drawing professional and skilled labor away from government services and entrenching a widespread

perception of inefficiency and bottlenecks in the formal sector.

RECENT ADJUSTMENT POLICIES

In light of the extent of the economic crisis and its potential social and political repercussions, the government of Fidel Castro embarked on a series of legislative reforms starting in 1993 aimed at reversing these indicators. These changes have altered state-society relations in the realm of economics to a considerable extent. Still, as I will argue later, many of these reforms actually strengthen the authority of the state considerably.

In many cases, the new legislation has created new opportunities for foreign investment and increased participation by Cuban nationals in some economic sectors. However, as Cuba moves cautiously away from a “commando economy” towards more private initiatives and market reforms basic human rights of individual citizens, and workers in particular, continue to be adversely affected. This section discusses some of these recent economic initiatives and their social impact (see Table 2).

Fiscal Reforms

The central aim of these reforms is to achieve fiscal stability by reducing the public deficit and increasing productivity while holding back on political reforms—in short, a tropical version of the Chinese model. Finance Minister José Luis Rodríguez targeted a 4.6 percent reduction in public spending and 19.5 percent cutback in subsidies for state-owned enterprises for 1995. These cuts are likely to increase unemployment since the practice of self-employment as it stands now can not absorb jobs lost to downsizing, in effect forcing more spending on entitlement programs. According to Pedro Ross, President of the

Table 2. Summary of Austerity Measures

Policy	Social Effects
Fiscal reforms and currency devaluation	Dollarization of the economy, inflation.
Privatization	Discriminates against nationals, a split-labor market
Tourism	Exacerbates relative deprivation and discontent
Self Employment	Controls labor market

Cuban Workers Union, 500,000 out of the 2.2 million workers employed by the public enterprises will lose their jobs if restructuring policies announced by Rodríguez are carried out (Stern, 1995, p.2). Other fiscal reforms include the new license fees for business, a progressive tax on personal income,⁵ and currency devaluation. In 1994, a new convertible peso pegged to the U.S. dollar was introduced, and the U.S. dollar was made legal. The new peso is accepted in all legal establishments where dollars are required for payments. This program is designed to eventually eliminate some of the problems associated with running a double currency market; however, as of this date results are mixed. The abolition of Article 140 of the Penal Code which prohibits national from trafficking with foreign currencies, has contributed to inflation and an erratic exchange rate. In 1991, the going rate was 30 pesos. However, less than five years later, the exchange rate increased by 1400 percent (FBIS, 1995, p. 8) before it recently came down to 1991 levels again. The psychological effects of this fluctuation has meant that consumers hold dollars as if they were an insured commodity, since it withstands the market fluctuation better than the peso.⁶ Finally, in this regard, fees for licenses have been increased and the government is contemplating the idea of charging a nominal fee for some of its services⁷. Regarding the former, the Price Ministry set these monthly fees at between 100 and 400 pesos as of June of 1995 (FBIS, 1995, p. 5).

Privatization

The Cuban government has also aggressively engaged in privatization. These efforts, however, are sectoral, not structural, and involve promoting joint ventures, giving this program a resemblance of the passé import substitution industrialization (ISI) strategy which Latin American nations implemented during the 1960s. Much of the privatization activities cluster around the real estate, tourist (19), mining (10), energy (9), agriculture (6), manufacturing (4), and telecommunication (3) sectors. Investment in the service sector alone accounts for more than half of the 60 FDI reported in a recent study by the AFL-CIO (1995).⁸ According to this report, Canada, Spain, and Mexico account for the majority of foreign investment on the island. In 1993-94, foreign investment and joint ventures generated an estimated U.S. \$1.5 billion, according to the Cuban Chamber of Commerce. There is a widespread perception among Cubans that the regime is gradually selling off the island to foreigners. This popular mood prompted a government official to declare recently "... all of this talk about Spain buying up Cuba piece by piece is simply not true" (*The Miami Herald*, April 18, 1995, p. 1A).

In March 1995, Fidel Castro announced at the Fourth Congress of the Cuban Women's Federation that the government was considering introducing "more elements of private property, capitalism, and market forces" (*The Miami Herald*, March 5, 1995, p. 20A). With this announcement he proceeded to say that the government was contemplating the pos-

5. Since I wrote the first draft of this paper in the Fall of 1995, the Cuban government has announced a progressive personal income tax for the self employed which ranges from 5 to 50 percent of earnings. In addition, self-employed workers must pay a monthly license fee. In some cases, the cost of operating a small business could reach up to 60 percent of earnings.

6. In a recent phone interview I conducted, I was told "what everyone wants is dollars."

7. During my recent trip to Cuba, officials were informally even talking about charging fees for education and health services, two of the most highly touted programs of the revolution.

8. According to Lage, as of the end of 1994, the number of joint ventures totaled 176 with capital from 36 countries (Lage, 1995, p. 1).

sibility of opening small and medium enterprises to foreign investment. During the same time there was talk among government officials of allowing foreigners to buy real estate on the island. Both measures will exclude nationals, even if they manage to accumulate enough dollars to enter this market, illustrating the discriminatory effects of many government adjustment policies.

Tourism

Tourism illustrates some of the mixed results associated with foreign investment in Cuba. In 1994, 617,000 tourists visited the island, about 13 percent more than the year before, but short of the government's goal of 700,000. Visitors contributed a mere \$850 million to the national economy, with only one third of it retained by the government as profit (*The Miami Herald*, April 18, 1995, 1A). Part of the reason for the revenue shortfall is that, with the exception of Cuban exiles, the island primarily attracts middle-income tourists with a fixed budget who often do not return for further stays on the island. Moreover, tourism has not generated the spillover economic activities normally associated with leading sectors since Cuba does not have the production capacity to supply the services and products demanded by this industry. The Grupo Sol Meliá, a Spanish tourist management firm with various investments throughout the island, flies in food for its restaurants at a cost of 45 to 90 cents a pound. The food alone for a \$22 buffet costs Meliá \$8 (*The Miami Herald*, April 18, 1995, p. 1A).

On the other hand, these relative gains need to be weighed against growing widespread popular discontent, frustration, and a sense of relative deprivation generated by the affluence and special privileges enjoyed by foreigners. The average Cuban does not have access to the food, transportation, and recreational facilities designated by the government for tourists unless they are rewarded by the state as model workers. Here again, we see how the state has strengthening its capacity to reaffirm order and consent through incentives. Cubans nationals, for instance, are discouraged from visiting the lobby of hotels in Havana, and prohibited from visiting restaurants and rooms in these hotels. Taxis rarely

pick up the average citizen in the streets. While tourists drive around the city in rented modern cars, most Cubans must be content to move around on bicycles.

There is no evidence that foreign investment has generated sufficient jobs to alleviate unemployment, either. Thus far, tourism has only generated around 54,000 jobs nationwide. In fact, one of the first decisions made by many foreign companies is to streamline the over-staffed, state-run enterprises they took over. When the Guitart Investment Group from Spain took over the management of the Habana Libre Hotel, the number of hotel employees was reduced from 1,200 to 400 without any rights to appeals. Recently, Guitart had difficulties with the government and withdrew its investments from Cuba.

Self-employment

Self-employment is another of the innovations recently introduced by the government. The initial rationale for this change was that it was needed to alleviate the growing number of workers who lost their jobs because of downsizing. Today, as these microenterprises provide essential services, not only has the number of the self employed grown, but the state seems to consider them a permanent feature of the government reform plan. Already, early in 1995, government figures estimate that more than 170,000 people, or about 5 percent of the working population, hold licenses to provide close to 100 services and trades; to this number one must add several thousand more that work full- or part-time in the informal sector (*FBIS*, March 22, 1995, p. 4). Yet the government is determined to firmly control these numbers. Besides demanding taxes and fees for those self employed, in 1995 the government issued Joint Resolution 4, restricting the number of employees private businesses can hire. For instance, in the case of home restaurants (*paladares*), no more than 12 persons can be hired. The Resolution also bars many university graduates and professionals from self employment jobs. One of the complaints I often heard with regard to self-employment was that the regime governing this practice fluctuates constantly, thus creating uncertainty and bafflement among entrepreneurs.

Farmers have been one of the primary beneficiaries of this legislation. Starting in 1993, the government turned 55 percent of state-controlled land into Basic Units of Cooperative Production (UBPC). The UBPC farmers must sell the bulk of their products at very low prices to the state in exchange for free lease of the land, and are permitted to sell their surplus in Farmers Markets. There is increasing evidence that this double-tiered pricing system is in fact contributing to shortages at local supermarkets, since it provides an incentive to the farmers to sell the same produce at highly inflated prices in the Farmers Markets.

THE SOCIAL AND POLITICAL IMPACT OF ECONOMIC REFORMS

Several theories of political economy in the social sciences assume that economic liberalization erodes the power of nondemocratic regimes and that increased economic opportunities foster individual empowerment. The current situation in Cuba contradicts these assumptions. Reforms have fostered an environment where new forms of human rights abuses related to economic rights have emerged while organized political dissent is still repressed (Amnesty International, 1996). The recent crackdown on *Concilio Cubano* among others, demonstrates the intolerance on the part of the government when confronted with an emerging, peaceful opposition.

In this section of the paper I will discuss four recent forms of economic rights violations that directly affect workers to demonstrate how the regime manipulates the scope and extent of reforms to its advantage. I do not consider political rights since they are more evident and have been well discussed by others.⁹ These violations are: 1) lack of worker representation in joint ventures; 2) depressed worker's salaries; 3) a controlled labor market; and 4) the use of economic opportunities as a new form of political patronage.

Union Representation

Cuba's version of ISI has, as in years past in Latin America, resulted in the demobilization of labor.

This is done to offer incentives to foreign investors. In a speech at the 1994 World Economic Forum in Davos, Switzerland, Carlos Lage, Vice President of State and chief economic advisor to President Castro, said that much. He said that Cuba was "an orderly and stable nation, a society where terrorism and drug trafficking does not exist... a place where all of the labor resources are utilized rationally"(CIEM, 1995, p.2).

The other dimension of this policy is that independent labor unions are not permitted to organize. The official labor union (the *Central de Trabajadores de Cuba*, CTC) has little power in foreign-operated firms. The impression among many workers I interviewed is that there is a labor-management consortium of some sort that works against workers. Many were cynical in their remarks about union representation and some said they had gone as far as to stop paying their union dues. The lack of union representation and collective bargaining usually lead to abuses, exploitation, discrimination, and illegal dismissals. I was told repeatedly that employers based their hirings, promotions, compensation, and even benefits on subjective judgments regardless of what the labor legislation stated. Schemes for severance pay do not work well and seem to linger forever in court and appeals processes.

Intimidation and threats to send workers home without pay were common even by *delegados* or union representatives. Workers were also told that if they did not have discipline at work, they could lose their jobs and would have no choice but to work in the fields where there is always a need for labor. This attitude by union representatives and, in some cases even employers, results from two conditions. First, there is an excessive supply of labor coming from the under- and unemployed on the one hand, and from the intensive competition for high-paying jobs on the other. Moreover, there is no accountability in labor-management relations. These conditions undermine the value and efforts of employees.

9. The Cuba program at Freedom House, Amnesty International, and Human Rights Watch have published a newsletter and several briefing papers documenting the systematic abuses of political rights.

The lack of collective bargaining represents a serious legitimization dilemma for the regime, since it claims that its unconditional support for workers' rights is radically different from previous governments in Cuba and calls the Communist Party a workers' organization. Yet, in practice, the average worker does not see the benefit of union representation. Besides, older Cubans still reminisce about the relative high standard of living and populist policies of the various governments during the Republic.

Wages

Another problem with the government's economic plan is its depressed wages. Cuban workers are paid in Cuban pesos while the government obtains fees from investors in hard currency. Even in cases where the workers are partially compensated in dollars or paid overtime in dollars, this amount is so minimal that is not enough to pay for groceries.

Given the dollarization of the national economy, this practice has two effects on the average citizen. First, most consumer items, and increasingly most service transactions as well, are in dollars, yet Cubans do not earn hard currency legally unless they work in officially designated sectors of the economy where labor competition for the few jobs available is intensive. This practice has increased the state's power over the distribution of opportunities.

The average salary is the equivalent of about \$4.50 dollars a month. Government subsidies make some basic social services cheap. However, basic staples, clothing, and household items are mostly available only in dollar stores. For instance, last year during my trip, vegetables in the farmers markets were being sold for a dollar a pound, and a meal in some of the small *paladares* or family owned restaurants for two dollars or more. Inflation in Cuba is due to a combination of excess demand and insufficient competition.

The other dimension of these wage structures is that the best and the brightest defy labor legislation and

whenever possible desert government jobs to work on their own. When they cannot leave, many become demoralized by their relative deprivation. This has resulted in a serious deterioration of public services and an increase in the commodification of social relations. What is more, many university graduates are leaving the universities to work in hotels and drive taxis for tourists in order to make dollars and provide for their families. After the government has made a substantial investment in education, Cuba is then losing on the next generation of professionals and wasting some of its human capital investment.

Increasingly, government officials state that incentives are applied "to each according to his efforts." This practice creates a lot of ethical and practical problems. Not only does it contradict the socialist nature of the regime, but more importantly it leaves a lot of room for abuse and patronage since it commands government officials to determine which and whose effort will be rewarded, when, and how. In addition, workers may put a lot of effort and dedication at work in their jobs in an industry that is not considered essential and so go unnoticed. Finally, this policy rewards the better endowed workers. This is normally not a problem in a situation that resembles a market meritocracy. But in Cuba, opportunities are highly politicized. In effect, this policy ends up rewarding those who supported the regime, gained access to more education and skills, and today can demonstrate their efforts more clearly than others.¹⁰

Labor Market

Tight labor markets are also affecting the structure of incentives and social justice in another ways. Salary structures are designated by professions, not by industries or collective bargaining, which are usually more competitive. Salaries are standardized nationwide by the state according to occupation. This was done as part of an attempt to assure egalitarianism during the 1970s. This experiment seems to have worked to a certain extent then when the economy was heavily subsidized. Today, the reality is different.

10. It is important to keep in mind that until recently educational and professional opportunities were exclusively open to those with unquestionable revolutionary credentials. For instance, the right to learn English or travel had to be earned with devotion to the revolution. Today, those who possess these endowments have a comparative advantage over the rest of the population.

With the government restructuring, earnings have become more significant and necessary than ever.

These rigid salary structures are practically impossible to overcome, regardless of individual experience, qualifications, or job performance in some cases. It stimulates low productivity and encourages illicit speculation. It also contributes to the desire to work in the informal sector. In fact, almost everyone I met during my trip was engaged in some form of unlawful activity justifying this practice as the only means to survive. But more importantly, these strictures violate the workers' basic rights to be rewarded for their labor and seem to contradict the official principle stated before of compensating each according to their efforts. Ironically, it was Marx who said that workers were only free when they were able to sell their labor freely in the market. He envisioned this as being one of the compliments of capitalism. In Cuba, we have a government of the people that denies the people's right to be free.

Networks and Hiring Practices

Lastly, but no less importantly, the fact that employment opportunities are not advertised anywhere encourages political patronage and arbitrariness in hiring practices. There is evidence that those with access to the most liberalized sectors of the economy, and therefore the most profitable jobs, are former government officials, their relatives or friends, and the supporters of the regime. This group has the contacts, the know-how, and experience to capitalize on emerging market opportunities. They are also given the benefit of the doubt about their revolutionary credentials and thus are less likely to be labeled or stigmatized as "capitalist" even if they behave like one. More importantly, many of these individuals still have friends in high government positions who can offer protection and information. They are also the most likely to be appointed to head the private or semiprivate enterprises in the island. The lack of institutionalized hiring practices not only encourages corruption, but also mediocrity and complacency. Individuals know "that it is not what you know, but who you know that matters." The extent of labor supply and widespread need increases the social pre-

mium, i.e., favor, obligation, etc., one pays for have access to good jobs.

Another recent trend in Cuba is to staff private companies with former military officers. A case in point is former General Julio Casas Regueiro, who at least until late 1995 was the head of the Gaviota Investment Group, a tourist conglomerate organized by Defense Minister Raúl Castro, with earnings in 1994 of \$200 million or 15 percent of Cuba's foreign currency earnings, and a payroll of about 12,000 (*The Miami Herald*, January 23, 1995, p. 8A). During his military tenure, Mr. Casas Regueiro was, among other assignments, in charge of logistics for the military campaigns in Angola and Ethiopia. The argument can be made that many of the private companies set up in Cuba are designed to employ former military officers with the hope of diminishing any possible discontent and the possibility of a coup.

The problem with staffing private business with retired officers is that these ex-soldiers are socialized into not suppressing dissent. They tend to view those with little or no established track record of commitment to the revolution as enemies or simply not worthy of an opportunity to prosper. Furthermore, former military personnel view the armed forces institution as a fraternity and they are more inclined to assist those who were partly or closely associated with it. Finally, since there are no institutionalized employment channels personal networks and contact are the only way to grasp the best jobs available. Only a handful of people with strong ties to these former government officials might capitalize on labor market opportunities. Granted, not all job opportunities are controlled from above. Yet, based on my observations, workers, particularly the nonskilled, have had to rely exclusively on social ties for career advancement.

In sum, with regard to the political implications of the current changes underway in Cuba today, I would argue against those who assert that they are slowly eroding the authority of the state. Instead, I would argue that these reforms have increased substantially the power of the state, at least in the short term. With the current fiscal crisis, the regime has managed to get rid of some of its waste in the name

of capitalism, which usually has a positive connotation. It is able to change patronage from ideology to market opportunities, thus giving the changes the appearance of reforms and legitimacy among sympathizers in Cuba and abroad. Since the unfolding, uneven market reforms have created much discontent, and hard-liners can claim some ideological gains which would make it easier for them to reverse these changes in the name of national welfare.¹¹ The government now has more information than ever about who is involved in which commercial trade, so if these trades become illegal again, presumably those who practiced them could be persecuted. More importantly, it is worth keeping in mind that the pace and extent of reforms continues to be dictated by the state. This is not a market-driven phenomena but one guided by political considerations, the most important of which is survival.

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CONCLUSIONS

The reforms underway in Cuba today are not necessarily beneficial for the average citizen on the island and in fact may have enhanced the power of the state at the expense of human rights. Part of the problem is that the existing political impasse has made changes underway sectional rather than structural. It is clear the government of Fidel Castro has shown once more its determination to hold power rather than secure the comprehensive reforms the island needs to reverse its deteriorating living standard and infrastructure. Since the regime controls the extent of reforms, it is not clear that more "liberalization" would bring about the desired political changes everyone hopes. Rather, these initiatives will continue to strengthen the capacity of the regime to prolong its rule, since they are controlled from above.

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11. This is in fact occurring at present. A new wave of repression and demand for discipline is being undertaken by the old generation of orthodox Communist leaders who fear the tentative reforms promoted by a younger generation of scholars and government officials who did not participate in the insurgency against Batista.