

NATION, SOCIETY AND ECONOMY IN POST-CASTRO CUBA

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In this brief paper a very general outline will be presented of the author's view in regard to the strategies to be followed in the processes of reconstruction, development and desocialization in post-Castro Cuba, and of concurrent state action to that effect.¹

In the first place, it is extremely important to understand that the social system (or subsystem which we define as the economy) never functions in a totally autonomous fashion, even in those postindustrial nations that are highly modernized and secularized. In reality, the economy is always conditioned by an enormous set of noneconomic factors—historical-cultural, sociopsychological, political, religious, and legal, among others. These elements greatly influence the selection of our economic goals and objectives and also the ways, means, and methods followed to achieve them. They frequently dictate or mold our strategies and policies, set priorities, point out prohibitions, restrictions and limitations, and thus define our areas of freedom of action and of economic choice. The foregoing explains the decisive importance of formulating a general social model within which the economic subsystem may function in an effective and acceptable fashion. This, in turn, requires a profound understanding of the historical evolution of a people, of their institutions, beliefs, values, and motivations, as well as a correct interpre-

tation of how the cultural medium permeates the thought and conduct of a society.

In keeping with the above, it may be inferred in principle that there are many roads leading to development and desocialization in each particular case. That is, it may be reasonably assumed that given the flexible nature of most of the variables involved and their range of potential values, multiple stable equilibrium solutions would exist to the economy's equilibrium system. The choice of one or the other solution is a very complicated process which definitely must be left in the hands of the people and their representatives in mass democratic or politically participative systems. Thus, any suggestions made by a particular individual, even if a professional or expert in economic or political matters, must be taken only as a partial and personal expression of a multifaceted reality.

In regards to the specific instance of Cuba, the preceding observations lead us to offer a few indications with respect to the nature of possible strategies for the reconstruction, development and desocialization of the nation. As I envision it, viable strategies should generally conform in their broad outline to the spirit and purposes of the modernizing Cuban socio-economic and political developmental stage which can conveniently be dated as beginning in 1927. It is es-

1. The material used in this paper is for the most part an adapted version of another of the author's works: *A Reconstruction Strategy for Post-Castro Cuba* (Coral Gables: The North-South Center, University of Miami, 1991). See also, "Small, Developing Economies in Transition: Prospects for Post-Castro Cuba" in *Cuba's Transition to Democracy*, proceedings from a conference sponsored by the Cuban American National Foundation's Endowment for Cuban American Studies, The Center for Strategic and International Studies, The Institute for Soviet and East European Studies of the University of Miami, the USA-Canada Institute, and the Academy of Sciences of the USSR, held in Miami, Florida, November 21-23, 1991.

essential to the evaluation of the likelihood of this thesis to understand that the interval that goes from the close of the 1920s to the end of the 1950s had its own singular identity and continuity in the Republican period of the nation. This was certainly the case in the economic area, independently of the vicissitudes in the political arena which seriously fragmented Cuban society during that time and afterwards. A strong nationalist ethos; accelerated economic development and diversification in both agriculture and manufacturing; advances in social empowerment and modernization; growing technicalness in the productive and administrative spheres; an accelerated movement toward social integration; progressive legislative programs and an institutional order incipiently oriented toward creating a more humane and close-knit society in greater control of its own destiny, in conjunction with an active policy of political management, accompanied by vigorous entrepreneurial activity—these together constituted some of the most salient characteristics of the period from the end of the decade of the 1920s to the close of the 1950s in Cuba.

As the process of development unfolds, it is obvious that the future of a society cannot and should not seek to mechanically copy its past. The historical processes of evolution make this impossible, even in the absence of violent institutional ruptures or the reversal of established tendencies and secular movements. What is most feasible and desirable, nevertheless, is a creative reinterpretation of the cultural essence and national character of a people so that they may evolve freely in a new society without losing the sense of their own identity.

In trying to retain that cultural essence of the society, the following conditions, parameters and potentialities should be kept in mind by the policy maker. Cuba is a small nation with an open economy, still marked by monoculture, but with great potential for socioeconomic progress. Its people are vivacious, independent, intelligent and alert, living in a strategically situated country with an abundant and productive environment. As for its future, it could be said that Cuba is a society in search of a system of social market economy which will agree with its particular

traits. That system should be able to maintain a dynamic balance in the macroeconomic sphere in order to pass safely over the hurdles of a globalized international panorama in constant flux, while also promoting the sound and balanced internal development of the economy in a climate of relative efficiency and rationality. The system should also manage the difficult art of promoting and channeling individual and private activity in an atmosphere of constructive freedom and social responsibility, avoiding the extremes of excessive intervention and chaotic atomization (*laissez faire*). These are the most important challenges posed by the creation of a new social and economic order in Cuba at the beginning of the twenty first century.

These daunting tasks are compounded by a mix of historical, cultural and economic factors which call for a delicate and difficult blend of policies and institutions, perhaps not unlike, in its own way, to the one that characterized the developmental strategies of Taiwan and South Korea. A very high foreign trade coefficient and external dependency, along with the perennial instability induced by an economy dominated by the production and export of a few primary commodities in a highly competitive world market, are two fundamental traits marking the Cuban economy. To this must be added its very low efficiency and productivity, at present reaching catastrophic levels and threatening with a complete breakdown in the immediate future.

Concerning the socio-cultural and socio-psychological order, not only is Cuban society influenced as is the case of all formerly socialist countries by a paternalistic ethos and a pronounced sort of welfarism, but it also shares elements of historical corporatism with other Ibero-American societies. In pre-revolutionary Cuba this trait was reflected in a number of key institutions and policies such as: the provision of public and mutual health services, advanced labor legislation, regulation of the price of staples, and the politically determined distributional mechanism of the sugar industry, among many other instances.

Moreover, the relatively low level of Cuba's economic development and the urgent need to diversify its economy in the midst of imminent collapse, all the

while warding off external shocks generated by uncontrollable exogenous forcers, dictate the need for great prudence in devising an appropriate strategy for the transition from its peculiar variety of *caudillo* socialism to a full-fledged social market economy congruent with its people's underlying culture, basic personality traits and behavioral modes.

The suggestions contained in this short paper should be analyzed in the light of all the preceding considerations. It is merely intended as a very preliminary outline, obviously incomplete, without any pretensions to finality, in a field characterized by extreme complexity and rapid change. Its purpose is, therefore, to simply stimulate thought and the exchange of ideas.

PREMISES AND CONDITIONS

Let us now detail some of the principal premises and conditions that serve as a basis, and which also frame the recommendations contained in the strategies for reconstruction and development here presented. Those assumptions also underlie the *modus operandi* of the recommended processes of decollectivization and desocialization.

A first point of extraordinary strategic importance is the adequate coordination of the means or instruments of structural change (organizations and institutions) with those representing liberalization policies and stabilization programs (e.g., monetary and fiscal measures, and regulation of prices, subsidies and foreign exchange control, *inter alia*). At the end of the restructuring period of the economy (which, according to my estimations will probably last about to ten years), the basic structural changes and the policies of liberalization and stabilization will be substantially or fully adjusted and coordinated with each other. However, it would be practically impossible to try to orchestrate in a parallel or synchronic fashion both types of changes or to seek to achieve them instantly. It is in this vein, that we should consider the danger of trying over ambitious solutions in the process of desocialization, often referred to in the literature as the Big Bang approach. It should also be remarked in passing that, as a theoretical principle, the choice of the Big Bang strategy is a very attractive one, but it implies enormous political and social

risks, while at the same time requiring administrative, economic, human and moral resources which do not actually exist in socialist and communist societies. As a result, the gradualist approaches have become more popular and accepted in the former Soviet Union as well as in countries of Eastern Europe. Only Poland has represented in some aspects a partial exception to that preference, although it has now (late nineties) joined the gradualist camp to all intents and purposes. Clearly, the case of East Germany should be treated as a unique phenomenon without analogy in the rest of the former socialist world because of its having been integrally absorbed by West Germany.

The adoption and execution of the gradualist genre of solutions assumes the need to choose and prioritize the sequences of structural changes and economic policies to be followed, as well as the speed with which these are to be conducted. This is an enormously complex and difficult task to undertake for which, of course, there are no historical antecedents that would serve as a guide, just as there are also none for the alternative position of the Big Bang.

It is also necessary to emphasize that not opting for the solution of the immediate and total transformation to a market economy (Big Bang), does not mean that the opposite choice, gradualism, is exempt from dangers of its own. This was pointed out succinctly in the reference made to the topic in question in an article published in *Diario Las Américas* in its December 24, 1989, issue. In that article an attempt was made to explain in general terms the reasons for the failure of *Perestroika*, anticipated by this writer as early as 1986. In strictly economic terms, these reasons were principally related to the vagueness, lack of concrete definition, and absence of technical specifications necessary for the implementation of the reforms. The latter had been reduced to general statements of purpose and lacked the ordering, continuity, and sequential character that a transition plan requires. Moreover, until a few years ago the modifications in economic policy in the Former Soviet Union has taken place almost exclusively in the fiscal and monetary macro-economics plane, having avoided the difficult structural reforms in institutions and

organizations which a real change of system demands. Thus, the Soviet experiment was doomed to fail. Lacking coherence and balance, it did not constitute a feasible option. We should keep this lesson uppermost in our minds in the case of Cuba. Gradualism should not be confused with inertia nor with the search for halfway solutions which are not really such. An inescapable condition of the gradualist strategy is to implement or effect structural transformations according to a preconceived plan which will clearly outline the path to be followed in order to eventually recreate fully and completely a social market economy. Likewise, we must remember that stalling and pseudo-reforms in areas such as privatization patterns and radical enterprise restructuring in Russia, the Czech Republic and Hungary, has resulted in stagnation or lower rates of growth in these countries at various points in time during the past decade.

A STRATEGY FOR RECONSTRUCTION AND DEVELOPMENT

Having stated the basic or key premises for our analysis, let us now point to some objectives to be adopted and sequences of movements to be followed in the strategy for reconstruction and development here outlined. For the short term, as previously indicated, there is no more expeditious, safe and effective way than to adopt (obviously bearing in mind the modifications which may have taken place in the Cuban production matrix from approximately 1961 on, as well as the political-economic conditions and restrictions arising from future international economic agreements and the availability of foreign real and financial resources) the general economic scheme that was followed by the country during the period 1927 to 1958. Conceptually, it was intuitively based on a balanced growth, backward linkages building genre of developmental program. In essence, that strategy constitutes the best route for the economic reconstruction of the nation as well as for the simultaneous beginning of the process of decollectivization and desocialization of the Cuban economy.²

The policies of agricultural diversification and of rational economic self-sufficiency, applied as much to the production of basic goods for general consumption as to primary activities in general, as well as to agribusiness and cattle ranching, should enjoy maximum priority under the proposed strategy in the dual programs of reconstruction and decollectivization. A second but close priority should be given to light industry for the production of consumer goods and intermediate manufactures in general. Here we include the reconstruction and development of the broad production base already existing in the 1950s in the field of semi-durable consumer goods, as well as the gradual expansion of the production of industrial raw materials and of light-heavy industry, the latter in close connection with the growth and needs of the national agro-industrial complex.

This succinctly formulated program would yield optimum results along a gamut of fronts and would accomplish several objectives: (a) it would serve to reestablish relatively quickly and massively personal and private initiative as well as private enterprise in society; (b) it would contribute decisively over the short period to the diversification and stability of the economy and to a greater degree of self-determination over both the national destiny and economic policy itself; and (c) it would be of great value as well in the promotion of the country's domestic and external financial stability. The first two objectives would be attained by means of the stimulation of entrepreneurial activity and the accelerated increase in the production of highly necessary consumer goods. This, in turn, would help to establish a stable equilibrium in price levels, a high level of employment, and the continued expansion of the gross national product (GNP). The third objective, financial stability, would be promoted by means of policies tending to favor an export oriented strategy and an adequate inflow of foreign capital and others designed to increase domestic savings of hard foreign exchange

2. It would be impossible within the confines of this paper to attempt an even preliminary discussion of the various and subtle meanings of the term reconstruction. We will simply mean by it in the present context the enabling of the economy to institute an autonomous process of sustained growth.

with the consequent accumulation of reserves in convertible currency.

All of the preceding would serve to facilitate the gradual and orderly transition from a collectivist, centralized economy, to a healthy market-system economy through spontaneous natural growth and expansion. The growth of a market system economy would primarily result from the flourishing of the personal and private initiative of the economic agents, presently repressed by the political system. In turn, the outlined program would constitute the best vehicle (and the easiest, least bureaucratic road) for introducing and developing free markets for goods, services, and real inputs of all kinds. It would also serve to facilitate the creation, once the process is launched, of financial and para-financial and credit markets in general and later on—perhaps in a period of three to four years—of the corresponding system of private institutions for their operation.

This approach would undoubtedly represent the simplest path, the one requiring relatively least government intervention in important sectors of the economy (barring, of course, a *laissez-faire*, free for all inclination on the part of policy makers), and also the least upsetting in relation to existing economic activity, facilitating the sound organic growth of markets and the new economic institutional order. The outlined strategic option would definitely stimulate the process of the structural evolution of the society towards a full market economy. At the same time, it would make possible the staggered introduction of highly sensitive stabilization policies, such as the withdrawal or cancellation of subsidies for production and consumption purposes and the elimination of policy limitations on salary increases. This, in turn, would make unnecessary, after an initial period, other unpopular measures such as the freezing of savings and a drastic increase in taxation, or still other more onerous restrictions, which would affect the consumption of domestic or imported goods.

Let us point out that the type of solution we are sketching seeks to avoid sudden breaks or discontinuities in the economic process with their unwanted deflationary aftermath in terms of production and employment. It also excludes the forced or sudden

structural and financial changes which inevitably lead to errors in economic and social policy, such as some of those which have been made in East Europe especially in connection with austerity and stabilization policies, and from which we surely must learn in order to avoid their repetition. Finally, this particular path is one which most easily adapts to the disastrous Cuban economic situation obtaining at present; to the country's low level of development; its small market extension; limited productive resources; relatively abundant land availability; present population level; benign climate; favorable topography; insufficient energy infrastructure; inadequate transportation and communications grids and distribution networks, as well as many other economic and social factors to be taken into consideration in the conceptualization of the best strategic approach to accomplish the task ahead. As a new social and economic reality emerges as a consequence of the process which has been thus far described, basic structures, organizations and institutions, incentives, motivations and forms of behavior will begin to take shape. Some of these are essential and others merely supporting elements in a true, modern market economy, one whose nature would be socially compatible with the historical and cultural characteristics of Cuba and its people.

Moreover, this gradualist, organic process is the only one that can solve the antinomies and contradictions which a radical change in the economic system would inevitably present. The author has often referred to this question in addressing the serious problems faced by the Eastern European countries such as the Czech Republic, Poland and also Hungary to a lesser degree, in their attempt to institute a market based, legitimate program of privatization without having created beforehand the conditions which could assure its success. By way of illustration, let me quote from an article of mine published in the November, 1990 edition of *Diario Las Américas* (p. 7A):

Ideally, in order to privatize the means of production one must be able to first evaluate them economically. But in order to do that rationally one must project the present and future yield of productive assets. However, this in turn would require the existence of a free market where supply and demand prices, not only of finished products or consumer goods but also

of the means of production, whether in the form of physical capital, land or labor or entrepreneurial or administrative services are present. Free markets, in turn, require a regime of private property and the use of financial and commercial instruments or of investment credit which only private banks can facilitate. Moreover, the assessment of the financial assets of productive entities necessitates the existence of a stock market.

In order to function effectively, all of the above assumes the implementation of a stable fiscal and monetary medium which, in turn, presupposes budgetary austerity and the control of the money supply. This would in turn imply the hardening of budgetary constraints and the limitation of subsidies to businesses, without which many existing enterprises would go bankrupt.

Naturally, in a complex process such as this, we will run up against many obstacles, such as the relationship between the amount of free monetary reserves, the financial state of the current account balance and the balance of payments; monetary, salary, and trade policies, and the convertibility of national currency. Still another illustrative example of complexity is the interdependence between the levels of production, wage policies, the regulation of prices and foreign trade policy, and so forth *ad infinitum*.

The answer to this apparently unsolvable puzzle which the complex interpenetration of economic factors posits and which constitutes the Gordian knot of decollectivization and desocialization processes, resides in the growth and expansion, as in concentric circles of increasing diameter, of the structural and functional network that make up the material substratum of that entity which we refer to as a social market economy.

Nonetheless, these processes of circular causation must start at some point. There must be an inception and a winding of the clock for the market mechanism to work in accordance with its basic design. If the aim is to expeditiously create a true market system with all of its normal attributes, then an entrepreneurial model of privatization should be pursued from the very beginning. Many of the problems confronted by the former Soviet Union and Eastern Eu-

ropean countries arise from the fact that this issue has not been straightforwardly dealt with. *A fortiori*, in the case of Cuba, entrepreneurial privatization must be vigorously and resolutely pursued *ab initio*. The country's geo-economic and geopolitical characteristics, comparative advantage in trade and investment, supply sources of financial resources, in conjunction with its own historical and traditional economic psychology and sociology, as well as that of its immediate neighbors and natural economic partners, unequivocally dictate a pattern of economic institutionalization based on the centrality of the entrepreneurial function in society, albeit within the frame defined by the overall goal of nation building. In other words, all of the social and economic externalities of investment projects, sectoral development and economic activity in general must be taken into account, as well as their relative priority and holistic congruity with an integral and well articulated vision of the future.

Once the question of property rights over the means of production has been settled in the spirit just indicated, the serious difficulties to be faced in the process of implementing the reforms stem from the fact that it is necessary, when selecting a reconstruction and development strategy, to address in advance the following matters:

- Choice of key sectors or activities to start the process.
- Determination of the legal and administrative provisions which would give viability to the establishment of the new institutional and organizational order, as well as the functional modes of administration and policy which would make possible the execution of the transformation process by stages towards a market economy.
- Estimation of the stock of available resources and their allocation as to mode and manner in the application of the pre-established investment pattern for the reconstruction and development of the economy.
- Ascertain the extent and method of the state's intervening and regulating activity in the promotion and guidance of the complex network of in-

terrelations between sectors, industries, activities and projects, which will result from the new production matrix created by the emerging market economy.

The most important step to be taken, however, is defining the long, medium, and short-range objectives to achieve the final goal, which is the creation of a social market economy and the corresponding, anticipated formulation of the corrective policies which should be applied in the event, which is quite likely to materialize, of deviations and nonfulfillment in substance and time of the sequence of predetermined objectives.

THE RATIONALITY AND LOGIC OF THE STRATEGIC PROCESSES

All that has been stated thus far has had for its purpose the clarification of the essential logic of the process of decollectivization, by means of the application of an appropriate reconstruction strategy which, by making use of economic relationships and mechanisms, would serve to promote the formation of a social market economy in the particular case of Cuba.

In this short paper—the sole purpose of which as already noted is to identify in a schematic and abstract form the inherent logic of the processes of decollectivization, desocialization and reconstruction—it is impossible to describe in a detailed or concrete form the policies and measures to be employed in this intricate project and the specific socioeconomic outcomes that would follow from such policies. We must limit ourselves to offer some remarks on the rationality and internal logic involved in the strategic processes themselves. These must obey a double condition in their formulation: (a) a clear, precise vision of the final objective to be achieved, namely, the creation of a social market economy adapted to the specificities of the Cuban nation, and (b) the adoption of orthogenetic (stage sequential) and epigenetic (developmental) programs of decollectivization, desocialization and reconstruction. This means that the programs in question have to reproduce mimetically the ordered, sequential, harmonic, and gradually differentiated evolution of the natural organic processes of market growth and development. That is, they must imitate or mimic the procedures and spon-

aneous patterns that govern the creation of the intricate interrelationships that characterize biological entities in their developmental process.

If the evolutionary mechanism behaves in keeping with the norms and policies of a system of natural economics, those apparently perplexing difficulties will disappear. Among the most important norms and policies to be applied by a successful program, are the following: clear and legally enforceable definition of property rights; establishment of semi-rational (non-purely and non-perfectly competitive) price systems; designing of policies of austerity and stabilization (including tax reform, reduction in public expenditures, phasing out of subsidies, introduction of hard budgetary controls and a restrictive monetary policy); implementing limited convertibility of the national currency; determination of a flexibly managed rate (or rates) of foreign exchange geared to the control of the current account and fiscal deficits, as well as compatible with an export oriented commercial policy and an activist developmental strategy of the domestic sector; formulation of the patterns to be followed in the interweaving of businesses, projects, activities, industries, and sectors, of the economy, and in the allotment of resources to them in the process of implementing the corresponding strategies; the creation of private financial, banking, and credit systems in general (in a period of perhaps three to four years as already noted); and many other issues which, due to their circular character, would seem to frustrate any rational (efficient) solution of the conundrum facing former socialist societies traveling the road to market.

From all of the above, it is evident that the emergence of rational price system(s), and truly competitive markets in the economy, comparable to those existing in developed countries, will not take place in the predictable future. In effect, no matter how intellectually satisfying that outcome would prove to be, it is practically impossible to attempt to create rational prices and perfect markets at one fell swoop. In the same manner in which a market system cannot be constructed by the intervention of a *deus ex machina*, so textbook-like competitive prices cannot be formed by the mere waving of a magic wand. Even Marshal-

lian competitive markets are to be found only at the end of a prolonged institutional evolutionary socio-economic and cultural process. In a similar fashion, it is essential to avoid the false dilemma posed by those who argue in favor of either first, instituting competitive market structures or else, bringing about immediately a complete liberalization of prices. To cast the reform of the economic system in that light is to incur in a logically fallacious causal relationship. Actually, the appearance of a truly free price system is an end product that must itself be preceded by the emergence of vigorous competitive market structures and prices, *a la* Marshall. The latter, in turn, are dependent upon profound societal and economic changes that may take, indeed, a very long time to come about.

However, it is also crucial to realize that, ultimately, the functions of a rational price system are different in an advanced market economy from what they are in a developing marketing economy. Also, the order of the functional priorities involved will radically vary in both cases. The reason for the variation in question resides in the nature of the differing long term goals of the developed and less developed market economies. Whereas in the former case, maximum aggregate satisfaction of the consumers is postulated as the standard goal or *raison d'être* of a modern, liberal economy, in the latter case, in an ambience characterized by poverty and acute scarcity, a more production oriented or mercantilistic approach is called for.

That is, for advanced or relatively advanced socialist economies seeking to transform themselves into market economies, the primary goal is to substantially increase their factor productivity and overall productive efficiency. To that effect, rational prices are required to eliminate biases in factor and commodity pricing and to approximate optimal resource allocation among sectors, activities and projects throughout the economy, as well as to attain cost minimizing factor combinations in the relevant production functions and also in the choice of technologies. By contrast, less developed socialist economies like Cuba traveling the road to market have to be mindful of their particular objectives, such as stimulating eco-

nomical development by creating attractive investment opportunities, by reducing economic and political risks and, generally by promoting the stability of the economy and the society. Their governments have to devise diversification strategies, hedge against sharp fluctuations in world market primary commodity prices, insure continuity of the domestic flow of investment resources, induce a net inflow of external capital resources and technology, and many other related matters. In the particular case of Cuba, which as previously described, is an impoverished and very open kind of monoculture economy, the typical difficulties of backward economies are severely compounded.

Almost by definition, less developed, open and lopsided economies like Cuba's, have with almost total single mindedness to direct their energies to a rapid acceleration of their rate of growth. This, while coextensively pursuing the diversification of production and a higher level of stability, at the same time that they must try to satisfy, even if minimally, the expectations of the population with regard to its well being. Naturally, none of this negates the importance of orthodox economic efficiency as a central goal. Quite the contrary. What it signifies though, is that the dynamic requisites of growth are such, that Pareto optimal static efficiency solutions will not be conducive to a near optimal multi period dynamic growth path. It also means that social and political parametric values are to be seriously recognized as necessary conditions for a successful ride on the growth turnpike, even if this were to mean frequent detours into second-best roads.

In economic terms, the above translates, among other things, into different functions for the price system. Some of those whose fundamental importance is being increasingly realized at present are: the elimination of a pervasive anti-export bias in resource allocation; the correction of the persistent undervaluation of capital and overvaluation of labor; the use of the price system as an incentive to induce effort, and as an opportunity cost guideline in orienting public policy, in areas such as the provision of public goods and the introduction of compensatory and offsetting measures, as is the case with various kinds of subsi-

dies, tariffs, fiscal exemptions, concessionary financing and the like. In this regard, the experience of Asian countries, most especially, that of South Korea, is extremely pertinent.

Although it goes without saying that the introduction of a larger dose of competition, the drastic reduction in overregulation, the freeing of trade, the pursuit of fiscal balance and monetary restraint; in sum, the set of measures which are encompassed in the category of austerity and stabilization policies, are highly desirable, in fact, indispensable in improving the economic efficiency of developing countries, it is also no less true that this group of nations, and particularly Cuba in its present situation, should not aspire in the foreseeable future to the creation of a pure and perfectly competitive market structure and a corresponding Hayekian price system, directed at providing perfect information, price fluidity, and utility maximizing, consumer oriented choices. Cuba is in no position to use prices as an index of subjective preference rather than as a social cost indicator.

Finally, let us remind ourselves once more that generic terms such as competition, profit maximization, cost minimization, optimality and so on, are all culture bound. Their meaning and content, as well as related forms of human behavior are contingent upon cultural variation in the broad sense of the latter term. Likewise, the functions and operations of the price system will differ, as well as their relative importance, from one society to the next. Cuba is no exception to that rule.

The foregoing analysis in terms of strategic steps, sequences and policies do not exclude, but instead is complemented, by the fostering and stimulation of certain key projects for economic maintenance and/or development in areas where Cuba enjoys a clear, comparative economic advantage at the present time or potentially. These projects can contribute to the stability and economic growth of the nation and provide substantial income in much needed convertible currency. Among these are the sugar industry in particular, others such as tourism and mining and, on a lesser scale, fishing and liquor. Other products for export, such as tobacco, citrus fruits, and various so-called minor fruits and vegetables were meant to be

included in the preceding considerations regarding the agricultural sector, but because of their present or future importance in the area of foreign trade, should also receive immediate and special attention in the formulation of the nation's developmental strategy.

The economic future and welfare of Cuba and the Cuban people make particular development projects such as those mentioned above not simply important but, actually, imperative. Therefore, the creation of developmental activities should be facilitated in every way possible and without any delay. Still, from the standpoint of the mechanics of the decollectivization and desocialization of the special projects (which constitute by virtue of their magnitude entire industries and even whole economic sectors), they are to operate, in effect, as relatively autonomous centers of economic activity that will not be initially totally integrated into the general national strategy of investment and reconstruction. The pace and means for the expanding of the development projects, their links and connections with other sectors, industries and activities, their need for resources and, by extension, their accounting price systems, technologies and use of economic factors, will not be governed at first by the discipline and norms of the general social market system. However, the latter by expanding in a gradual, measured and consistent fashion, will eventually occupy the total extent of the national economy.

How can this apparently irreconcilable conflict between the specific needs and particular mechanics of the individual development projects and the overall reconstruction processes of the national economy be solved? An efficient formula for their reconciliation in time would rely on a gradual integration of those projects, industries, or special development sectors, into the general organism of the economy. Out of necessity, this should be done sensibly, through a process of iterations or successive approaches, like the smooth descent of an airplane making a perfect landing. Ultimately, this conception reflects the very logic of a consciously articulated approach to economic development. Theoretically, it represents an attempt at introducing optimal imbalance in an otherwise balanced growth developmental strategy.

The prices and markets generated by those developmental projects or semiautonomous industries will gradually converge with the general systems of prices and markets of the national economy until they are completely replaced by the latter. That is, the time will arrive when those projects, industries, or special development sectors will cease to be separate entities and will become a structural part of a unitary social market system. However, until the system reaches that point of final balance, there must necessarily exist parallel systems of internal or domestic prices (so-called social accounting or administrative and shadow prices) and external or foreign exchange prices. These parallel systems will, without doubt, be a source of imperfections and will detract from the ideal of static optimal economic efficiency or Pareto optimality, as the classical and neoclassical economists conceive of it. Nevertheless, as has already been indicated, the imperative need to promote growth rapidly imposes a burden upon the economy in the form of a dual strategy: reconstruction on the one hand and development on the other, inevitably creating friction and diminishes the static (at each point in time) efficiency of the general economic process. The reward lies in the acceleration of economic development by the exploitation of key activities with a real or potential dynamic comparative advantage, mainly through the generation of exports to international markets and the creation of a denser domestic production matrix.

With the passage of time, perhaps five years for decollectivization, ten for reconstruction and fifteen years or possibly more for the creation of a full system of social market economy, these dualities and antinomies will gradually disappear. The value of the investment needed to complete the process will most likely exceed the \$50 billion figure. At the end of an indeterminate time period a single system of internal and external prices will prevail, as well as unified, fairly competitive markets for all the resources, goods and services of all kinds, whether their uses are in production or consumption, in this or that sector, industry, activity or project, now or in the future. However, this outcome must await the eventual termination of a so-called big leadership or socially driv-

en process of economic development in the nation-building mode of the European nation states during their formative stage.

CONCLUDING REMARKS

A few concluding comments in connection with the role of the state during the period of desocialization, reconstruction and development, are in order at this point:

- As readily apparent from the nature of the desocialization and developmental strategy advanced in this paper, in the case of an underdeveloped, monoculture and very open economy, which to boot is in an extremely precarious economic situation, the role of the state must perforce, at least initially, be a very prominent one. Especially so, if to the preceding characteristics one were to add the political and social uncertainty which will inevitably materialize in the case of Cuba in the immediate post-Castro stage as institutional and behavioral megachanges are unleashed.
- In effect, working under those difficult conditions the state is charged with the function of providing the institutional and organizational frame within which economic relations generally, and a social market system in particular, are to operate. Such a state is not the contemporary liberal or benevolent one of welfare economics, nor the pluralist state of developed, modern western democracies, but the nation building state of old with social goals of its own. Invidious terms such as protectionism or statism are not appropriate when referring to long run historical processes of societal transformation. Clearly, considerations of allocative efficiency and Pareto optimality become historically relevant only after the foundations of society are firmly established. Domestic classical perfect competition, rational prices and free trade are kind of the icing on the cake. That is, albeit static efficiency is not to be underestimated as an important economic goal, it nonetheless is a contextual and not an absolute value. It certainly cannot antecede the overriding objective of creating a sound and stable society and polity.

- It is of much interest to point out in this context, that there is an ample and growing body of evidence showing the absence of a clear and significant relationship between modest, and even not so small effective protection rates and price distortion indexes, and differences in productivity and growth increments among nations. There is no decisive evidence either of a firm or strong link between classical competition and productivity growth, the latter being a most important (and a very large residual) in explaining differential growth rates among nations.
- Furthermore, managerial and organizational factors are increasingly at the forefront of explanatory attempts of dynamic efficiency, productivity advances and secular growth. Bureaucratic control of the self-serving and asphyxiating kind existing in most less developed countries is certainly detrimental to vigorous economic growth and the sound performance of the economy. However, state guidance of the nation building kind geared to laying the groundwork of the economy and the proper relationship that should obtain between the public and private sectors at a given stage of socio-economic development is of course, an entirely different matter. Such grand strategies and broad policy making are not to be governed by the optimization rules of microeconomic theory. In the longest of long-runs, historical sense and a correct course of social development is definitely the decisive factor in promoting sustained growth and, ultimately, a maximum benefit for society. Certainly, the developmental and nation building state should not be dismissed as an anachronism of the mercantilist era.

It is within this universe of thought that I would like to comment on two germane questions. One, directly related to the thoughts discussed immediately above, has to do with the fascinating and relatively unexplored topic of development and growth under conditions of cultural variation and institutional and organizational diversity. This topic, one of the greatest importance, has been almost entirely left to the curiosity of social anthropologists and economic soci-

ologists, with some interest of late being shown by those in the fields of international management and organizational theory.

One can do no more than to call attention in passing to the increasing recognition and sensitivity on the part of scholars concerned with this matter of the so-called phenomenon of *functional equivalence*. That is, to note the observed fact that different sets of institutions, organizations and policies may be equally efficient in the attainment of the same socio-economic goals and objectives. The existence of a cultural indifference map, so to speak, and of an isoquant efficiency curve relating diverse cultural forms to a common level of efficiency is, perhaps, the most important insight and fruitful field of investigation to be explored in the immediate future in the entire area of socio-political modernization, economic development and institutional economics. Much is still to be learned from the examples of Japan, South Korea and Taiwan and their organizational and institutional arrangements.

The second question pertains to the much debated issue of the effectiveness of alternative developmental strategies in promoting their avowed goal of maximizing economic growth over a given time horizon. It seems that as more empirical evidence becomes available for examination, the less certain appears to be the conclusion that ultra outward oriented or export promotion type of strategies are superior to moderately inward-bound ones. This is especially so the poorer the country happens to be and the slower the growth of world trade during the period under investigation. As has already been observed, "getting the prices right" *a la* IMF or World Bank is not always necessarily the best policy. As a matter of fact, it can be shown that a certain degree of price distortion and a slant towards investment goods may be positively correlated with higher rates of growth. This, in turn, is related to the notion of a developmental state, like in the case of the newly industrialized countries of the Asiatic periphery, where the public sector has assumed a proactive role in leading the market, sometimes even in a big leadership kind of way, socializing the risks of investment, making resources available to some sectors or industries on

preferential terms and diminishing the impact of foreign competition.

Lastly, it is essential to realize that the overall efficiency of a socio-economic system and its degree of both efficiency and, is related not only, perhaps not even importantly, to competitiveness in the traditional or textbook sense of a pure or perfect market but, rather, to the little explored issue of the absolute levels of human effort and to the so-called traditional work-ethic of labor in a general fashion. If that is indeed the case, nation and state building, along with the proper set of incentives, expectations and institutions in an appropriate cultural context is as relevant, if not more so, to development, as is the accumulation of physical or human capital or other growth related factors.

The preceding remarks are exceptionally pertinent in the case of Cuba. As detailed in the opening section of this paper, the country's historical-cultural and economic characteristics are such as to merit singular consideration in the formulation of its institutional, organizational, political and socio-economic policy contexture. In fact, some general similarities with the Korean and Taiwanese experience should not be overlooked and could prove to be very intriguing in a comparative analysis of those societies.

One final observation: in the opinion of the author, the only way in which Cuba is going to be successful

in reconstructing and developing its society and economy after the disaster of the last four decades is by recovering and creatively reinterpreting its historical-cultural background, where its essence and national character lies, instilling into its people a new life and a renewed sense of hope and faith in the future of the society.

Carrying out that program for the new Cuba requires a remodeling of the role of the state and its relationship with the private sector, as well as a reconsideration of the specific tasks to be performed by the price system. It will also necessitate require a redesigning of the proper investment, reconstruction and developmental strategies to be adopted by the society and a determination of the kind or type of market structures, financial institutions and socio-economic policy panoply to be created. However, all of the foregoing has to be based upon and cohere with our philosophical outlook on the nature and content of the fundamental socio-political values on which the new Republic will be founded, more immediately reflected on the prospective relations between the individual members of society and the state, the individual and the various social groups, and finally, the individuals among themselves. No trivial matters, indeed. But, then, neither is the creation of a new society and nation *ex nihilo*.