

RAÚL'S PLAN: EXAMINING THE 2010 CUBAN REFORM INITIATIVE

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In 1920, at the Eighth All-Russian Congress of Soviets, Vladimir Lenin claimed that communism was “Soviet power plus the electrification of the whole country.”² Somewhat ironically, socialist practice turned out to be a poor means of the modernization Lenin envisioned. The finer points of this problem have been embellished in the aftermath of the Cold War, and even become a joke. In *The End of Poverty*, for example, Jeffrey Sachs teasingly describes the interior decor of the Soviet planning agency, Gosplan.³ Socialism is no longer taken seriously as a plan for economic advancement.

When in the autumn of 2010 the Cuban government announced plans to reform the state-led economy, liberal interpretations differed only in the severity of their diagnosis. Primarily two views were taken as to the future of socialism in Cuba. The first was that the whole system, economic and political, was on the verge of collapse. For example, in a November 11th article, *The Economist* stated that reform “represents an opportunity for those who hope that Cuba

will eventually join the rest of Latin America in accepting democracy and the market economy.”⁴ The second was that, like China, the Cubans were combining the market with single-party authoritarianism. Columnist Patricia Smith, writing in *The New York Times Upfront*, suggested that “economic, but not political, freedom” in Cuba was a real possibility.⁵ Few publications dared suggest that Cuba was in anything but a transition away from socialist principles. Stephen Wilkinson, who contended in a BBC article that “this is not the end of communism or socialism in Cuba,” was a lonely dissenter.⁶ Nonetheless, this essay will contend that this perspective is the correct one. Cuban socialism is changing profoundly, but there are few reasons to suggest that it is ending.

This essay is divided into three parts. The first will discuss the economic problems facing Cuba, the key ways in which they promote reform, and the content of Raúl Castro’s plan. The second will analyze the potential long-term direction of reform. Finally, the essay will examine potentially intervening variables,

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1. Editor’s Note: This essay was awarded First Prize in the ASCE 2011 Student Prize Competition for undergraduate students.
 2. Vladimir Lenin, “Report on the work of the Council of People’s Commissars, December 22,” in *V.I. Lenin: Collected Works*, ed. Julius Katzer (Moscow: Progress Publishers, 1966), 516, accessed November 29, 2010, <http://marx2mao.phpwebhosting.com/Lenin/ECS20.html#s2>.
 3. Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Books, 2006), 131.
 4. “Raúl the pragmatist: Bold changes intended to preserve Cuban communism may herald the beginning of its end,” *The Economist*, November 11, 2010, accessed November 29, 2010, http://www.economist.com/node/17463463?story_id=17463463.
 5. Patricia Smith, “Is Change Finally Coming to Cuba? With the economy in desperate shape, the government may finally be loosening its grip,” *New York Times Upfront*, October 25, 2010, accessed November 29, 2010, <http://web.ebscohost.com>.
 6. Stephen Wilkinson, “Cuba lay-offs reveal evolving communism,” *BBC* online, September 14, 2010, accessed November 29, 2010, <http://www.bbc.co.uk/news/world-latin-america-11302430>.

including sudden economic pressures and an American rapprochement. It will use Jeffrey Sachs' *The End of Poverty* as a key reference throughout, especially its assessment of the Eastern Bloc breakdown and the Chinese reform process.

THE STATE-SOCIALIST ECONOMY IN 2010

In the chapter of *The End of Poverty* entitled "Poland's Return to Europe," Jeffrey Sachs comments on some of the problems facing European socialist economies in the late 1980s. He writes that "The economy was broken; planning had collapsed; black markets, inflation, and extreme shortages were pervasive."⁷ The Cuban economy displays many of the same ills. Three problems are especially pernicious. These are: poor labour productivity; insufficient investment in state industry; and a bureaucracy-strangled private sector. All of the problems are integrally connected with the Cuban government's budget difficulties, which appear to be the main cause of reform. Also important is the public's perception of state efficacy, which precipitated collapse in the European context.

Cuba's state-owned enterprises, like their Soviet counterparts of yesteryear, are hampered by low productivity. The workers' physical and intellectual abuse at work is an important part of the Marxist critique of capitalism. Socialist countries have traditionally tried to address this problem through guaranteed employment and embedded benefits. A 1981 assessment by Carmelo Mesa-Lago of the University of Pittsburgh suggests that low productivity is closely related to these theory-derived initiatives. Although industrial statistics are difficult to come by, he contends that as a result of full-employment policies, "labor productivity declined steadily and dramatically in three major sectors (agriculture, industry, and commerce) in the 1960s."⁸

Although in the intervening decades the Cuban government has experimented with quotas and other methods of improving productivity, cursory data suggest these efforts have had little effect. For example, the CIA reports that despite unemployment of only 1.7 percent in 2009, industrial production failed to grow whatsoever.⁹ The full-employment policy spreads wage funds thinly, decreasing workers' material incentive to be productive. It also eliminates the potential threat of unemployment, and eats up enterprise funds that could be used to boost production.

But the "work-for-all" drive is not the only factor that grinds down productivity—the structure of state social spending also harms enterprises. Benefits outside of the workplace can often boost productivity by relieving employers' financial burdens. However, the Cuban model of integrating benefits with economic activity is detrimental at both the micro and macro levels. One example of this largesse, eliminated in 2010, was the provision of a hot lunch to industrial workers. Employers must not only pay their workers a living wage, but also internalize services not at all related to their area of production. This can add to the enterprise's wage fund, which must be covered by its slim operating budget. Alternatively, it can divert some portion of a stable wage fund to peripheral activity, entirely unhelpful as far as the plant's real productive task is concerned. It is likely that the latter occurs more in a full-employment situation that consistently generates oversized workforces. At the national level, particular problems become generalized tendencies. If each enterprise covers a range of activities unrelated to its responsibility, the sum trend is distortion of the division of labour throughout the economy. This is expensive insofar as it precludes material and labour efficiencies that could be achieved by centralizing these operations into distinct enterprises. If the state must subsidize

7. Sachs, 111.

8. Carmelo Mesa-Lago, *The Economy of Socialist Cuba: A Two-Decade Appraisal* (Albuquerque: University of New Mexico Press, 1981), 133.

9. "Cuba," *CIA World Factbook*, accessed December 2, 2010, <https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html>.

many factories, or if it must fiddle with input and output prices to the detriment of those outside the given industry, this may be caused in part by the vast and unnecessary cost of providing peripheral services within companies.

Besides the day-to-day expense of allowing sprawling, multi-tasking economic units, the integrated-benefit system severely hampers the economy's longer-term growth prospects. Any semi-developed economy, having completely absorbed a given quantity of labour, must begin to expand by material intensification and the exploration of new industries. Labour displaced by intensification can be reabsorbed through linear expansion in traditional fields, or redirected to new areas. The organization of production in Cuba distorts both halves of the growth equation. Insofar as labour must be ejected from production in order to be reabsorbed, there are two points to be made. The first, minor point is that it is difficult to find labour efficiencies in those tasks at the factory's periphery that do not achieve economies of mechanization or scale. The second and more important point is that because enterprises—supported by direct subsidy and wholesale price manipulation—spend such a vast sum on internal social welfare, they cannot make material investments that would let them economize on labour. The labour reabsorption mechanism is broken in a similar way. The Cuban state bears a heavy fiscal burden for the inflated operating costs of enterprises. Accordingly, it cannot enlarge or create industries that would allow the economy to grow. This is to say nothing of the full employment ethic, which contributes greatly to the problems of bloated wage funds vis-à-vis operating capital, inability or unwillingness to eject workers, lack of state money for new start-up capitals, et-

cetera. While the enterprise organizational structure hardly means that the economy cannot achieve some slow growth of material output through economization at a given technological level, it *does* mean that rapid reinvestment, change, growth, and labour relocation are all very difficult; in short, it almost guarantees stagnation.

The inefficiencies described above, combined with falling exports, manifest themselves in an extreme dearth of fixed and circulating capital investment. Fixed-asset investment was equivalent to only 10.3 percent of GDP in 2009, or 148th in the world.¹⁰ The causes and effects of this neglect in the case of Cuba's sugar industry are discussed by Brian Pollitt in "Crisis and Reform in Cuba's Sugar Economy." In the late-1980s, according to Pollitt, Cuba received highly inflated prices for its sugar from the Soviet-led COMECON.¹¹ This was reinvested in processing plants and foreign machinery and fertilizers.¹² However, when the Soviet bloc disintegrated in the early 1990s, so did Cuba's export market. "As Cuba's capacity to import needed inputs collapsed," writes Pollitt, "so did productivity in both field and factory."¹³ Despite efforts to restructure the industry, which Pollitt describes, subsequent data suggest it has fallen further behind. In *Cuba's Aborted Reform*, Carmelo Mesa-Lago and Jorge Pérez-López compile an index of major outputs over time. Between 1989 and 2003, sugar production dropped 73 percent, from 8.1 to 2.2 million metric tonnes.¹⁴ Although nickel production increased from 47 to 73 thousand tonnes in the same period, it was almost alone. Besides sugar, the textile, cement, fertilizer and fishing industries suffered similar declines.¹⁵ Another statistical analysis by Mesa-Lago and Pérez-López suggests that underinvestment has hit exports hard; the Cu-

10. "Cuba," *CIA World Factbook*.

11. Brian H. Pollitt, "Crisis and Reform in Cuba's Sugar Economy," in *The Cuban Economy*, ed. Archibald Ritter (Pittsburgh: University of Pittsburgh Press, 2004), 69.

12. *Ibid.*, 70.

13. *Ibid.*, 71.

14. Carmelo Mesa-Lago and Jorge F. Pérez-López, *Cuba's Aborted Reform: Socioeconomic Effects, International Comparisons, and Transition Policies* (Miami: University Press of Florida, 2005), 43.

15. *Ibid.*, 43.

ban government earned 70 percent less from them in 2003 than it did in 1989.¹⁶ Low hard-currency income limits Cuba's ability to pay for imports, further harming productivity and creating a negative feedback loop.

A third crucial weakness in the Cuban economy is the state's inability to accommodate private enterprise. If the longer-term growth prospects for the state economy are slim, those of Cuba's small shops are, at least from an organizational point of view, more optimistic. A large covert economy has developed beyond the government's control. According to Archibald Ritter in "The Taxation of Microenterprise," published in *The Cuban Economy*, total private employment "could reach 30 percent or more of the labor force."¹⁷ Onerous rules still confront entrepreneurs. These include prohibitions on "public marketing" and "the hiring of labor outside of the family."¹⁸ While public enterprises continue to employ many people unproductively, more effective economic activity is quashed. The private enterprises are more effective not only for reasons of incentive—the worker is compensated more better for his time, and puts in greater effort—but because they suffer none of the state's employment rigidity. The private businesses, where they do have employees, would probably not hesitate to jettison them to save profitability. They follow different priorities than the SOEs, where employment and benefit policies intersect cores of Party control and loyalty to socialist principles. For this reason above all, entrepreneurship is a thorny issue. The problems of investment, growth, and competitiveness that come with the territory of Soviet-type economies cannot simply be chalked up to indecisive bureaucracy or pampered workers, although both may exist. On the contrary, the policies derived directly from Marx's energetic condemnation of worker exploitation prevent the

state from effectively generating and deploying surplus value, although the individual worker still receives an exploitatively low wage. This despite the obvious necessity of surplus value collection to achieve advances of productive forces, another core socialist tenet. By enabling private enterprise, the Party would achieve the latter, but be forced to either abandon populist Marxism or seriously rethink and rebrand socialism as a developmental epoch.

The challenges mentioned here in no way exhaust the list of problems facing Cuba today. Nonetheless, they have made reform inevitable in two ways. The first is that they weigh heavily on the state budget and foreign currency reserves. In terms of the budget, full employment and workplace-embedded benefits are a substantial drain. It is likely that state banks help enterprises with both loans and investment capital. Nonetheless, the government's finances are doubtless damaged by ongoing subsidies in the form of direct payment and decreased revenues from intermediating wholesalers. Domestically, expenses are outpacing revenues: the country ran a 3.26 billion dollar deficit in 2009, equivalent to 2.9 percent of its GDP.¹⁹ This suggests diminishing returns from the state economy. In the case of foreign exchange holdings, the same forces are at work. As the country's export capacity declines, it has less and less money to pay for crucial imports. Moreover, it is difficult to acquire the foreign credit needed to rejuvenate the economy. According to the US State Department, because Cuba defaulted on external debt in 1986, loans are difficult to find and interest-heavy.²⁰ The well-publicized "doctors-for-oil" program with Venezuela is an excellent example of the lengths to which Cuba must go to maintain imports. In his case study of Poland, Jeffrey Sachs suggests that unserviceable government debt was an important cause of Polish reform in 1989.²¹ If, as in Polish case, mounting for-

16. Ibid, 34.

17. Ibid, 123.

18. Ibid, 124.

19. "Cuba," *CIA World Factbook*.

20. "Background Note: Cuba," U.S. Department of State, accessed December 3, 2010, <http://www.state.gov/r/pa/ei/bgn/2886.htm>.

21. Sachs, 109.

eign debt forced Cuba to restructure with outside help, key victories like the country's health and education systems would be threatened. Moreover, outsiders could insist on multi-party elections, threatening the state's character. For a variety of fiscal reasons, Raúl Castro must renovate the socialist edifice.

The second way in which poor Cuban economic performance makes reform necessary is in its domestic political impact. The state is not the only actor paying the price for poor productivity. Recent decades have seen steep declines in Cubans' allotment of life's necessities. Mesa-Lago and Peréz-López demonstrate this with a table comparing foodstuff quotas in Havana in 1979 and 2002. In 1979, Havana residents could expect to receive 1.5 pounds of lard or oil per month, but by 2002 this had been cut to 0.5 pounds.²² Moreover, rationing has been expanded to other commodities: whereas in 1979 eggs were free, in 2002 citizens could receive a maximum of 8 pounds in a month.²³ Bread was free in 1979, but in 2002 Havana residents could expect only one roll per day.²⁴ Supply shortages like these can have a real political impact, as Sachs demonstrates in *The End of Poverty*. Sachs recalls that, upon meeting Lech Walesa, the trade unionist told him that he wanted to "get banks into Gdansk," not talk about macroeconomic indicators.²⁵ Nonetheless, as Sachs makes clear, macroeconomic problems did not just exist on paper, but were manifest in real life—a shortage of savings banks, for instance. In the Polish case, economic problems spurred on people like Walesa, making political reform inevitable. The same could be said for Cuba. Raúl Castro's administration must move

quickly to boost public sector productivity, rejuvenate exports, and legitimise the private industry that is already part of economic life. It must do so not just for budgetary reasons, but because if it does not, it may increase domestic support for opposition movements. It was personal suffering that turned the Polish public completely and irrevocably against socialism. To avoid the same fate as the Polish Workers' Party, the Cuban Communist Party must make life better for ordinary Cubans.

Raúl Castro appears to recognize the budgetary and political inevitability of change. Once considered a military hardliner, he clearly established his reformist credentials in 2010. The reforms announced in September 2010 were sudden and far-reaching. According to the BBC, approximately 500,000 state jobs were to be cut by March 2011.²⁶ The government hopes that many of these workers will be absorbed by private business, for which 250,000 new licenses are to be issued.²⁷ Some businesses will be permitted to employ others, but taxes on expansion will be steep: the government will impose a payroll tax of 25 percent.²⁸ The required contribution of the self-employed to social security is also high, at 25 percent of income.²⁹ Some larger public enterprises will become workers' cooperatives.³⁰ While the government is clearly intent on keeping private industry peripheral to the public economy, the 2010 reforms are earthshaking. Where does Cuba go from here?

WHAT'S NEXT? PERSPECTIVES ON REFORM

As stated previously, outside interpretations of the Cuban reform process take broadly two views. The first is that the reforms indicate a severe economic

22. Mesa-Lago and Peréz-López, 101.

23. Ibid.

24. Ibid.

25. Sachs, 118.

26. BBC, "Cuba sets out rules and taxes for self-employed workers," *BBC* online, October 26, 2010, accessed December 3, 2010, <http://www.bbc.co.uk/news/world-latin-america-11625472>.

27. BBC.

28. Ibid.

29. Ibid.

30. Ibid.

and political crisis, in short, the beginnings of an Eastern bloc-type disintegration of socialism. The second is that the Cuban Communist Party intends to develop the country along Chinese or Vietnamese lines, that is, to create a market economy while retaining the single-party structure. This portion of the essay will address these perspectives, arguing throughout that neither is immediately applicable to Cuba.

The Poland of 1989, witnessed by Jeffrey Sachs, was in extreme crisis. This was the state of affairs in most Eastern European economies: external debt skyrocketed while the planned economy stagnated, precipitating a complete breakdown of socialism economically and politically. Cuba displays many of the same features of the European experience, especially the “scissors” problem of falling export earnings and mounting foreign debt.³¹ However, a number of points distinguish the Cuban crisis from that of the Eastern Bloc. One of these is that Cuba suffers fewer budgetary problems than those states. According to the CIA *World Factbook* of 1991, the Soviet government ran a budget deficit of 88 billion rubles, or approximately 51 billion US dollars (1990 exchange rate), that year.³² This amounted to approximately 20 percent of total state revenues, which were 422 billion rubles.³³ Cuban budget problems do not come close to this degree of fiscal carnage. State expenditures were equivalent to 50.34 billion U.S. dollars in 2009, while revenues were 47.08; the deficit amounted to only 6.9 percent of total revenues.³⁴ Insofar as the Cuban and late Soviet states own(ed) similar proportions of their respective economies, the vast discrepancy in deficit spending as a percent of revenue may suggest that Cuban enterprises are less dependent on subsidy. Alternatively, the Cuban govern-

ment may be bolder when pricing consumer goods, gouging citizens but recouping necessary cash. The former possibility has at least some backing in statistical fact: the Cuban economy continued to expand, albeit slowly, in 2009, while in 1991 the CIA estimated that the Soviet GNP had fallen by somewhere between 2.4 and 5 percent.³⁵ Whatever the case, more limited deficit spending may be linked to comparatively low inflation in Cuba, which, according to the CIA, was 1.5 percent in 2009.³⁶ Another difference between the two cases is that of external debts. In his account of the Russian crisis, Jeffrey Sachs states that foreign lenders were beginning to recall loans made to Moscow, “paving the way to economic collapse.”³⁷ While many will no doubt never lend to Cuba again for its earlier default, those parties from which it now borrows, including China, seem to be relatively stable partners. A substantial caveat should be made, of course, for the possibility of a post-Chavez Venezuela. None of this detracts from the assessment that the Cuban economy is stagnating and that reform is urgently required, especially to rejuvenate exports. However, it does suggest that from an economic standpoint, Cuba’s problems are less severe than those of Eastern bloc states in their final years. Cuba’s industries are ineffectual, and the government has massive external debts. It is not, however, in the state of free fall that destroyed Europe’s Stalinist states.

As the Cuban economy shows more signs of slow disintegration than rapid collapse, there are few signs that the one-party state is in imminent danger. In Poland, the Solidarity movement began with a strike. Protest also accompanied other moments of socialist reinvention, including the 1956 Hungarian uprising and the 1968 “Prague Spring.” Although it is impos-

31. Sachs, 132.

32. “The 1991 CIA World Factbook,” *Project Gutenberg*, accessed December 3, 2010, <http://www.gutenberg.org/cache/epub/25/pg25.html>.

33. *Ibid.*

34. “Cuba,” *CIA World Factbook*.

35. “The 1991 CIA World Factbook.”

36. “Cuba,” *CIA World Factbook*.

37. Sachs, 132.

sible to ascertain the Cuban government's popularity with its people, it is notable that large-scale protests have not taken place. There is evidence of frustration with Cuba's political system. The "Ladies in White" movement, which has organized small protests against the policy of keeping political prisoners, is a good example of this. However, while many oppositional movements exist to call attention to insufficient representation, they are not anti-Party or anti-state.

This is attested to in "Dreams and Pragmatism: Cuba Today," by Katherine Gordy, a political scientist at San Francisco State University. For example, while Gordy acknowledges that students have expressed frustration at economic hardship, they "do not identify as dissidents," but rather "insist on their particular role in the Cuban Revolution as organic intellectuals whose loyalty lies with the principles of Cuban socialism."³⁸ Scepticism is required here, and many in the Cuban exile community would surely disagree. While Gordy's claims could plausibly be applied to leftist dissidents, it may not apply to all or even the majority of intellectuals. However, the way the government treats left-wing dissenters is important. While the Party is evidently unafraid to brutally suppress genuine anti-state activists, leftist opponents are comparatively well received. For example, according to Gordy, in 2008 student activists at the University of Havana met with the president of the National Assembly to express concerns and air grievances.³⁹ Again, this sort of participation cannot be universal. Nonetheless it is significant that students in Cuba were conversed with publically. From a political standpoint, there is no indication that the Party's position is especially tenuous. In Eastern Europe, re-

forms were initiated by governments desperate to gain legitimacy. Although there is certainly dissent in Cuba, there is no reason to believe that the reform effort signals the beginning of a collapse of Party authority.

The second major interpretation of Cuban reform in liberal-democratic countries is that Cuba is undergoing a transition to a Chinese-style authoritarian market economy. These interpretations are often misleading. From both economic and political standpoints, there is considerable room for error in comparing two very different countries.

The Chinese economy's rapid growth is well known, and widely lauded as an example of successful transformation from stagnant state-socialism to dynamic capitalism. While elements of such a transformation existed in China, dismantling state industry can hardly be called the key factor in China's transformation. On the contrary, China's development shows every sign of a capitalist revolution in the traditional sense. Jeffrey Sachs hints at this in *The End of Poverty*, when, in his chapter on China, he compares China and the Soviet Union. Especially important is his account of workforce distribution in China; he reports that in 1980, at the beginning of the reform era, almost 70 percent of Chinese workers were farmers.⁴⁰ Chinese collective farms, moreover, were low-yielding conglomerations of smallholdings.⁴¹ Thus, writes Sachs, when in the late-1970s Chinese farms were returned to their owners, yields increased and massive surplus labour flowed to export-processing zones.⁴² Cuba differs from China in much the same way as the Soviet Union did. Most importantly, as Sachs demonstrates, the spatial and sector distribution of labour was very different in the Soviet Union; Cuba is similarly bound by development as it stands.⁴³ As of 2008, according to the CIA, 76 per-

38. Katherine Gordy, "Dreams and Pragmatism: Cuba Today," *Against the Current* 24 (2009), 24, accessed December 4, 2010, <http://web.ebscohost.com.proxy.queensu.ca/>.

39. Gordy, 24.

40. Sachs, 159.

41. Ibid, 163.

42. Ibid, 160–161.

43. Ibid, 163.

cent of Cubans lived in urban areas.⁴⁴ Most people work for state enterprises. While hundreds of thousands of workers are to be “laid off,” in practice this means privatizing very small public enterprises and transferring ownership of larger ones to cooperative associations. While this may in time yield a large surplus labour force ready to be employed in new productive activity, this possibility should certainly be distinguished from China’s peasant-based manufacturing boom. Moreover, in the Chinese case, a huge potential market and minimal labour rights ensured the interest of foreign capital. Cuba has neither of these attractions. In sum, while Chinese development has followed a traditional capitalist trajectory, Cuba is beginning the reform process from a very different position. A Cuban economic “miracle” along Chinese lines is, from a structural standpoint, impossible.

A significant counterpoint can be made to the structure-based dismissal of “Chinese-style” reform in Cuba. This merits discussion, particularly because it hinges on a particular understanding of the Cuban political situation. The counterpoint can be articulated as follows: This paper’s rebuttal of the “Chinese-reform” proposal misunderstood the proposition. The essential point is not that the Cuban process of development must mimic the Chinese one, which is organically capitalist. On the contrary, proponents of the so-called Chinese model do so only superficially, in that they expect the market economy to supersede the state one, and to do so without toppling the Communist Party. How the market comes into being is hardly the point. Such a perspective would require the Party to gradually enable capitalist enterprise while simultaneously reforming and dismantling the state sector. It may indeed be possible to achieve a more flexible market by slowly reforming the state sector while encouraging cooperatives. However, one should not expect that the state will disappear as a major employer, or that tax policy

will change in such a way as to really encourage for-profit business. The Cuban government has imposed major taxes on the growing private sector. These help support the social programs that are the Revolution’s crown jewels. Enabling capitalism by lowering taxes would threaten these programs and damage the regime’s legitimacy. Even more important is that, politically, egalitarianism remains important. Katherine Gordy attests to this, writing that “Raúl admires the Chinese model, but is aware that Cubans would not tolerate the levels of inequality associated with this.”⁴⁵ The major components of the “Chinese-reform” proposal, that the state simultaneously enable large-scale capitalism while breaking apart public enterprises, would create opposition that could only be overcome by force. Marx may never have called for many of the benefits now distributed by the Cuban government, but, having sold them as part and parcel of the socialist project for decades, the Party is in some sense the hostage of its own history. In 2010, the Cuban government acquiesced to the “Ladies in White,” and released political prisoners. It is unlikely that it could hold its own against the outrage that would follow major job losses and Chinese-level wage divergence.

So if Cuban socialism is not on the verge of Soviet-style collapse, and if a Chinese-style transition is neither possible nor desirable, where is the Revolution going? Stephen Wilkinson contends that while socialism is far from over, the system is changing from a state-administered to a state-regulated one.⁴⁶ Especially important for Wilkinson is the nearby Venezuelan model, which, he claims, “includes encouraging workers’ co-operative enterprises.”⁴⁷ While the Venezuelan economy has real problems, the point on co-operatives is important. In Marxist theory, the worker suffers because he is forced to sell his labour-power to a capitalist, who owns the factory, tools, and raw materials. Socialism is the historical stage in which the worker controls the conditions of his labour. In

44. “Cuba,” *CIA World Factbook*.

45. Gordy, 24.

46. Wilkinson.

47. *Ibid.*

the traditional Soviet economic model, the state directs the economy. This is justified theoretically by claims that the Party is the representative of workers' consciousness, and coordinates production for the peoples' benefit. However, the essential point of Marxism is that the worker should have a say—price fixing, output quotas, and autarky are not theoretically mandated. On the contrary, provided that work is organized cooperatively rather than hierarchically, market-based socialism is justifiable in Marxist terms. Current interpretations of Cuban reform have taken the “private sector” to mean that Raúl is fundamentally betraying socialist principles. Where people are permitted to hire others, this may be the case. Nonetheless, earlier periods of liberalization suggest that *capitalist* private enterprise (that is, expansive or valorizing economic activity) will continue to be a tightly restricted concession to fiscal reality. The question of cooperatives is crucially important, particularly because if they succeed, they may gradually relieve the state of responsibility for full employment without having to openly denounce the principle. Should cooperatives flourish, Raúl Castro may achieve what Mikhail Gorbachev never did: a genuinely post-Stalinist socialist economy.

BUMPS IN THE RED BRICK ROAD

“Gradualism,” as Jeffrey Sachs calls it, is so far the name of the game in Cuba. However, as in the case of Soviet *perestroika*, successful reform is contingent on macroeconomic and political stability. This last portion of the essay will discuss two potential threats to reform. These are a sudden budgetary shock or external debt crisis, and a change in American policy toward Cuba.

The Cuban government and its people are accustomed to austerity. Since the death of the Soviet benefactor both have lived on meagre means, and managed to survive. However, with the state's finan-

cial position so tenuous, another economic shock could easily condemn the Revolution. According to the American State Department, 2009 saw an 11 percent drop in tourism revenues due to the world financial crisis.⁴⁸ Another recession in Canada or Europe could severely hurt the government's budget. Similarly, a natural disaster or a drop in nickel or sugar prices could destroy foreign exchange revenues or raise expenses uncontrollably. Venezuela is scheduled to hold presidential elections in 2012; a loss for Hugo Chavez could greatly raise the cost of oil imports. Without easy access to credit, the Cuban government would have to make pressured choices between essential imports, destroying its internal legitimacy. As Sachs demonstrates, the Soviet Union had many ongoing structural economic problems. However, it was the debt crisis precipitated by dropping export revenues and confrontational creditors that irrevocably condemned the system.⁴⁹ Cuba's budget is less of a disaster than that of the Soviet Union, and its exports are more diversified. A shock or series of shocks, however, could threaten Raúl's reform efforts and Cuban socialism in general.

The half-century old American trade embargo on Cuban goods and travel is a fact of political life in both Havana and Washington. In 2010, despite ending travel and remittance restrictions for Cuban-Americans, Barack Obama renewed the broader blockade. While the American government will not admit it, there is widespread recognition in the United States that the embargo failed to confront, and even empowered, socialism. In “An Ocean of Mischief,” Wayne Smith writes that “trying to pressure and isolate Cuba is demonstrably counterproductive” in promoting human rights.⁵⁰ According to Smith, the 1992 Cuban Democracy Act, and Helms-Burton act of 1996, both of which restricted investment further, only alienated the international community.⁵¹ While, as Smith states, the president cannot remove

48. “Background Note: Cuba.”

49. Sachs, 131–132.

50. Wayne S. Smith, “An Ocean of Mischief: Out Dysfunctional Cuban Embargo,” *Orbis* 42 (1998), 541, accessed December 4, 2010, <http://journals2.scholarsportal.info.proxy.queensu.ca/tmp/3423767296166484237.pdf>.

51. *Ibid.*, 536–539.

the embargo unilaterally, as executor of foreign policy Barack Obama has the authority to initiate negotiations and lift parts of the trade ban. Such a change in the diplomatic atmosphere could endanger the reform process. It is likely that many Cubans support, or at least put up with, the one-party state because of hostility toward America. A major change in American policy would shift the burden of change to the Castro administration, focussing public attention on its own political shortcomings. Even those who believe that socialism is the right development model would probably be swayed by a friendlier United States. American tourists would flood Cuban businesses with funds for expansion, providing an alternative economic paradigm and undermining the state economy. For a variety of reasons, Raúl Castro should hope that the embargo remains a constant in American politics. In light of recent American policy, however, he has no cause for immediate alarm.

CONCLUSIONS

Common interpretations of Cuba's reforms typically predict a Soviet-type crash or a Chinese-style eco-

nomie reinvention. Few analyses suggest that socialism can continue. However, detailed analyses of Cuban economic problems, the reform proposal, and the conditions necessary for a Soviet- or Chinese-type change suggest that this is a real possibility. Raúl Castro has initiated a major shift in how the socialist economy is structured. Out of sheer necessity, he has given some ground to independent capital. Nonetheless, the Cuban reforms, particularly because of their cooperative emphasis, show every sign that ideology remains a priority. The reform process is extremely dangerous for Raúl personally and the Cuban Communist Party generally. As Jeffrey Sachs demonstrates in his comments on the USSR's collapse, slow industrial decay can combine with circumstantial economic factors to derail even the best-intentioned plan. Likewise, a friendlier United States could embolden opponents of the government and its ideology. Despite these real perils, Cuba has a chance to remake itself. If all goes well economically, and Raúl manages to hold onto power, Cuban socialism may yet surprise its many critics.