

CUBA'S ECONOMIC POLICIES: GROWTH, DEVELOPMENT OR SUBSISTENCE?

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These Fidelistas are excellent when it comes to stirring up people politically or creating militias, but they are less well prepared to organize the economy; this might harm the Revolution, and we want to prevent this.

—Carlos Rafael Rodríguez,² May 1960, as quoted by Dumont (1970:31)

In this paper I adopt Schumpeter's (1934) distinction between economic growth and economic development, which views growth as a strictly quantitative category while development encompasses also qualitative factors such as the institutional and structural diversity of an economy. Such qualification fits very well in the analysis of the Cuban economy and its performance during the revolution given the profound nature of the changes that took place since 1959. During its first two years, the revolution was presented by the Cuban leaders as an attempt to improve the economic conditions in the country, focusing on the diversification of the economy, especially the export sector, reduction of pervasive corruption in fiscal affairs, and general improvement of the quality of life of all Cubans with the intention of making the distribution of income and wealth more egalitarian. Economic growth per se, in a strictly quantitative sense, was an essential part of the declared government program but was to be accompanied by other structural forms of development such as industrial-

ization. Now, in a 50-year retrospective, we can observe that what took place after the initial two years radically departed from the declared economic agenda, yet the distinction between growth and development became more fitting.

One of the most basic tasks of economists is to assess the performance of economies. The reasons for such assessments are many, among them to evaluate government policies and their presumed impact on the economies. Cuba is not an exception. With the advent of the revolution in 1959, at a time when Cuba held the third highest Gross Domestic Product (GDP) per capita among Latin American countries, the expectations raised by Cuban government leaders and many prominent foreign sympathizers generated a great deal of interest in assessing Cuba's economic performance under the new economic, political and social regime. Among those interested in Cuba's economic performance were academic researchers, foreign governments, business concerns, news organizations, and intelligence specialists. And their interest grew more intense after Fidel Castro declared in 1961 that his revolution was socialist.

But how can economists evaluate the performance of an economy that, as a result of neglect or mismanagement of economic affairs by its government, does not provide enough information for such an exercise?

1. I am grateful to Ernesto Hernández-Catá, Paul Meo, Carmelo Mesa-Lago, Jorge Pérez-López and Carlos Quijano for their excellent comments on early drafts of this paper, but I remain solely responsible for its final content.

2. Rodríguez was an old guard communist leader who held important positions in Cuba after 1959: President of the Agricultural Reform Institute (INRA); Vice President of the government; and member of the Politburo of the Cuban Communist Party.

The insufficiencies of reliable national account statistics do not arise from a decision on the part of the government to keep them classified, as the government does with other data, but because they were not considered sufficiently important to produce them on a consistent basis. As this is highly unusual, researchers of the early stages of the revolution were likely unaware of this lack of quality and may have erroneously assumed that official economic statistics were robust enough for thorough evaluation exercises. At some point, a few researchers discovered and acknowledged that the data they had been analyzing did not allow them to reach reliable conclusions about Cuba's economic performance. Mesa-Lago (1969) was probably the first to warn us about the lack of reliability of some of the most important Cuban economic statistics. In fact it is impossible even today to measure how much the Cuban economy descended from its level of development in 1959 to more recent levels that approach those of the poorest economies of Latin America. Despite the problems with statistics, research efforts conducted have not been in vain, as they help provide a view of the unorthodox ways the Cuban government under the Castro brothers has been operating since 1959. The dedicated work by Mesa-Lago (1969, 1981, 1982), Pérez-López (1987), and Hernández-Catá (2012), among others, are cases in point.

Cuba started compiling national accounts statistics in 1948. At the time macroeconomic statistics were very poor, as recognized by Alienes (1950), and with the efforts of the Economic Research Department of the National Bank of Cuba (the Central Bank), the system of national accounts statistics matured and developed until it was suspended in early 1960 by Ernesto Che Guevara, a guerrilla leader appointed as President of the Central Bank. The reason for such action was that the officials in charge of the national accounts statistics had estimated a rate of growth for the previous year of only 1%, which Guevara found unacceptable, as it contradicted official propaganda, as discussed by Sanguinety (1999). The compilation and periodic publication of national account statistics was suspended until 1966 but continued to be plagued by omissions, inconsistencies and doubtful reliability until today. One can only wonder how a

government committed to economic development was depriving itself of a reliable and fundamental indicator of its performance.

From the beginning of the revolution, Cuba's economic development appeared to be at the top of the government's agenda, together with calls for social justice, elimination of corruption, and guarantees of individual freedoms. What appeared to be a serious agenda, repeatedly and publicly proclaimed in multiple speeches and forums by the main leaders of the revolution, was received with great enthusiasm and confidence by the general public, who bestowed Castro with unqualified support.

A new era seemed to be dawning in Cuba. There were calls for the industrialization of the country, agricultural diversification to reduce export instability caused by extreme dependence on sugar, reduction of structural and chronic unemployment, and increases in the standard of living of the poorest segments of the population to diminish inequalities in the distribution of income. Therefore it was to be expected that government policies would be designed and implemented consistently with the public utterances, which were taken seriously by the Cuban people and by the world.

One notorious example of the widespread development enthusiasm was Ernesto Che Guevara's announcement at the Punta del Este United Nations Conference in August 1961 that Cuba's economy would grow at the rate of 16.7% per annum, as reported by Lataste (1968). Another example was the public pronouncement by Juan Noyola (1964), a prominent economist from the United Nations Economic Commission for Latin America, and a top adviser to the Cuban government, that "one of the most valuable aspects of the Cuban revolution for the Cuban people and for all of the peoples of Latin America was economic development." As Edward Boorstein (1968:120) reports "the leaders of the revolution were confident that the Cuban economy [could reach annual] rates of growth of 10 to 15%." The sense of generalized optimism regarding economic growth among the Cuban people in the early stages of the revolution is also well described in Pérez-Stable (1993).

In synthesis, from these and many other instances it could be inferred that the Cuban revolution was about the economic development of the country. It was Castro's selling point to the Cuban people: that a revolution was necessary to improve the standard of living of the Cubans. Yet, the discrepancies between the declared goals and actual economic decisions did not become apparent until later and were never officially acknowledged or openly discussed. The fact is that there is no evidence that the Cuban government, under the absolute control of Fidel Castro until 2006, and more recently under the not-so-absolute command of his brother Raúl, was ever seriously and consistently committed to the country's economic development as its main goal.³ The available evidence is consistent with my view that Fidel Castro's agenda was to use the country's economy to foster and consolidate a self-serving political system whose objective was to: (a) maximize his political power in Cuba; and (b) maximize his influence in world affairs, especially in Third World countries and against U.S. predominance. A corollary to such hypothesis is that evaluations of Cuba's economic performance and its government policy goals from 1959, or over any particular period since then, should take into account that such policies were guided by an objective function where economic variables carried much less weight than they generally do in other societies.

The objective of this paper is to provide a different interpretation of the evidence accumulated over more than fifty years in support of this hypothesis and shed some light on the causes of the exceptionally erratic behavior of the Cuban economy. The discussion will also serve to characterize the current reform efforts by Raúl Castro as an attempt to consolidate Cuba's version of a subsistence economy, but this time without depending on external subsidies, such as those received from Venezuela since the early 2000s.

I will follow a chronological order to discuss the trajectory of policy decisions and other events that taken together demonstrate that other priorities were lexicographically preferred to economic growth and development. Nevertheless, as most of the radical changes in the Cuban economy took place during the 1960s, I provide a more detailed account of economic policies during those initial years to help the reader understand what happened afterwards; a form of path dependency that has constrained economic development until today and will exercise its influence in any future evolution.

THE MISLEADING 1959

Fidel Castro took over the Cuban government in January 1959 without a well-defined economic policy program, as acknowledged by many observers, including enthusiastic sympathizers of the revolution like Leo Huberman and Paul Sweezy (1969: 69). There was a statement outlining the economic policy of the revolutionary government written in July 1957 by Felipe Pazos, the founder of the Cuban Central Bank, and Regino Boti, later minister in charge of the Central Planning Board (JUCEPLAN), and endorsed by Fidel Castro and other prominent Cubans, a year and a half before the revolutionary government took over, as reported by Suárez (1967) and Henken (2004), and finally published in January 1959 in the newspaper *Revolución*. The most radical policy proposal of the document was a recommendation to lay the foundation for an agrarian reform, based on distributing idle land to landless peasants, but subject to paying appropriate compensation to the affected owners. It also called for reducing income inequalities, and increasing the proportion of businesses owned by Cuban nationals. The policy program was completely disregarded by Fidel Castro upon his ascent to power.

3. "The absolute control of Fidel Castro" is not a figure of speech, but a statement of fact. Any keen observer of Cuban affairs since 1959 would be aware of the extreme centralization of the government administration in Fidel Castro's hands. Thus in this paper I made many references to government decisions that should be understood as Castro's personal interventions because he actually functioned as if he owned the country, with no countervailing economic advisory agency or entity, either in government or in the Communist Party. This situation of extreme centralization and neglect of economic realities appears to be changing gradually under Raúl Castro's presidency.

In early 1959, one of the most important economic decisions made was to establish exchange controls for the Cuban peso artificially pegging it to the U.S. dollar, as the country's international monetary reserves had been depleted by the Batista administration. The revolutionary government (during these early days it was possible to talk about economic decisions without attributing them to Castro) also decided to undertake fiscal and budget reforms while enacting a law (Ley 40) to collect back taxes and establish good relations with taxpayers in order to collect enough cash to cover public expenditures, as described by the then-minister of finance Rufo López-Fresquet (1966). Another early decision with potential economic implications was the confiscation of properties ill-obtained by former politicians and high level officials.

In April of the same year, Fidel Castro traveled to Washington at the invitation of the American Society of Newspaper Editors with a delegation of economists and prominent business leaders that would hold discussions with the World Bank, the International Monetary Fund, the U.S. Departments of the Treasury and State, and business leaders. The agenda for the visit was not clearly defined, but it was supposed to be an opportunity to exchange views about the intentions of the newly-installed government and how to improve relations between Cuba and the U.S. Just before the delegation's landing in the U.S., Fidel Castro gave instructions to the five economists of the delegation not to hold any meetings in Washington. The economists were taken aback by this unexpected order. Castro explained that he did not want to give the impression that his visit to the U.S. was to ask for assistance.⁴ Nonetheless, his decision left the economic policy of the revolutionary government in limbo, and appeared inconsistent with the early public statements indicating that economic issues were high in his agenda.

Other measures with far reaching and deleterious economic consequences were implemented in 1959, such as the Urban Reform Law, which reduced rents by 50% for tenants paying 100 pesos or less, and the First Agrarian Reform, which nationalized some large landholdings.⁵ See Mesa-Lago (1971) for more details. The Urban Reform had the immediate effect of paralyzing all new construction and reducing economic activity at large, while the Agrarian Reform removed productive lands from large landowners and affected some crops and cattle farming. Both measures had a redistributive intention with a clear political objective, not a developmental one, and despite the lack of good statistics, it can be presumed that a degree of income redistribution from the richer to the poorer strata of the society actually took place, as Robinson (1965), Leontief (1969), Mesa-Lago (1971), Brundenius (1984), and many others report.

The immediate impact of those measures was arguably anti-growth, resulting from the paralysis of investment activity in all sectors of the island's economy. Actual performance during 1959 and 1960 can be presumed to be stagnant as reported by Sanguinety (1999). Government statements announcing that Cuba's agrarian reform would be the first in history that would not produce a drop in the levels of production were totally unsubstantiated, but they served to confirm the expectation that economic growth was still a major goal in the revolutionary agenda.

The year 1959 saw a continuation of the political power struggle that predominated over all private or public economic considerations. Early in 1960 the best informed circles in the island were working under the assumption that the government had a radical communist agenda that included massive confiscation of private enterprises, as related by López-Fresquet (1966), and all investment activity had stopped. The radicalization process reached its cli-

4. This information was provided to me by Carlos Quijano in an early comment to this paper. A retired senior economic adviser to the World Bank Vice President for Latin America, Quijano was one of the members of the economic delegation, together with Felipe Pazos, Rufo López-Fresquet, Regino Boti, and Ernesto Betancourt. For more details on the trip see López-Fresquet (1966) and Halperin (1972). Pazos, López-Fresquet and other members of the 1959 cabinet went into exile in late 1959 or early 1960.

5. Ironically the author of the First Agrarian Reform was Humberto Sorí Marín, later executed for conspiring against the revolution.

max in July with the nationalization of most foreign investments in Cuba, followed in October by the expropriation of large enterprises owned by Cubans. Such confiscations affected Cuban and American properties.

TRAJECTORY OF POLICIES IN THE 1960s

The socialist (the term communist is more appropriate but it was always avoided in official statements) character of the new regime was officially declared in April 1961 by Fidel Castro in a public speech; economic central planning was to begin that year under the direction of JUCEPLAN, with 1962 proclaimed as the “Year of Planning.” The expropriated assets were consolidated or merged into state monopolies and assigned to ministries according to their sectors of economic activities. As a result new ministries were created contributing to an unprecedented growth of the government bureaucracy. The enterprises and ministries were then directed to prepare economic plans for their relevant sectors for the period 1962–1965, following a Stalinist central planning methodology developed by Czechoslovakian advisers, but also coached in Cuba by a number of foreign economists, mostly from Latin America. To properly interpret what happened next with the Cuban economy it is critical to understand that central planning started more as the urgent need to administer the overwhelming mass of confiscated assets than as an organized transition from a market to a highly centralized communist economy.

Between 1960 and 1962, the industrialization of the country had been set as a fundamental development goal of the revolution. Nevertheless, this was not part of a coherent economic policy package or development strategy. The government had declared the need to significantly reduce the extreme dependence of the Cuban economy on the sugar industry, which in 1961 generated around 85% of Cuba’s exports, according to figures published by Alvarez-Díaz et al. (1964). The industrialization program combined an

import substitution mentality with a Stalinist view of the predominance of heavy industry to diversify the economy, but it lacked a corresponding counterpart in agriculture. The program consisted in the haphazard acquisition of dozens of turn-key manufacturing plants purchased by Ernesto Che Guevara in what can be characterized as a shopping spree through communist countries.⁶ All of the purchases were made on credits directly granted by the corresponding governments. There were no feasibility studies made at any level and minimal considerations of costs, external and domestic markets, profitability or skilled labor requirements.⁷ The central planning apparatus had been totally left out of this obviously important and costly endeavor and JUCEPLAN, the Central Planning Board, had to deal with it as a fait accompli when formal planning preparations started in 1961. And while the government was drastically reducing areas dedicated to sugar cane, there was no plan for the development and diversification of agriculture, an increasing proportion of which was in government’s hands due to additional expropriation after a new (second) Agrarian Reform. Some of the land previously dedicated to sugar cane was allocated to the production of fruits and vegetables but the substitution process failed to reach the set targets.

Although central planning formally started in 1961 with the formulation of the Quadrennial Plan (Plan Cuatrienal) 1962–1965, there were no economic policy guidelines beyond the general statements made in public speeches, mainly by Fidel Castro and occasionally by Guevara. Though industrialization and agricultural diversification represented key elements of a policy framework that could presumably provide some guidance to the planners, the state enterprises and their corresponding ministries were instructed by JUCEPLAN to produce 4-year output projections and their corresponding input requirements.⁸

6. Guevara had become the champion of Cuban industrialization and as such was transferred from the Presidency of the Central Bank to head the newly-created Ministry of Industry. For some details about the status of the plants in 1963 see Sanguinetti (1999).

7. There are numerous cases of turn-key factories that could satisfy the annual demand for its output in a few weeks at an unaffordable cost. Many other factories were never installed.

The combination of planning with industrialization represented the most categorical expression of an economic policy seemingly committed to development. Yet the planning process was doomed from day one for several reasons: (1) there was no statistical base at any level (individual production units, consolidated enterprises, or ministries), and 1962–65 production projections (or “plans”) could not be formulated with internal consistency or an acceptable degree of accuracy; (2) few officials really understood the planning methodology, and ministries ended up inventing the figures that were supposed to be produced at the enterprise level; (3) there was no guidance on precise economic growth targets by JUCEPLAN or any other organization; and (4) there was the uncertainty about what prices to apply in the formulation of the plans, the eternally unsolved dilemma of central planning, so planners applied current prices, which were already distorted by government interventions.

At the end of 1961 it was evident that whatever plan was produced during the previous months did not make any sense, because of its many incompatibilities, poor statistical base, and erroneous assumptions. For example, with the severance of Cuba-U.S. economic relations, external sources of supplies, their specifications, and purchase conditions (in hard currency) changed drastically in a year, requirements that the new partners in the socialist bloc could not fulfill. Also, the U.S. embargo in 1961 made either impossible or extremely expensive to obtain spare parts for the equipment and machinery operating in Cuba, almost all from an American origin. Government officials and managers wrongly assumed that the Soviet Union would supply or produce the needed spare parts domestically and could easily set aside a small portion for export to Cuba. Besides, as Cuba was traditionally very dependent on imported inputs,

the severe reduction of the country's capacity to import was underestimated by planners at all levels, rendering the production plans unrealistic from their first round of formulation.

On top of all these problems, many if not most of the now state-owned enterprises had already lost their previous managers and key technicians, as well as technical support from headquarters in the U.S. of many nationalized American companies, so that operations were in the hands of personnel that could not operate them under the new conditions or cope with technical emergencies, as reported by Karol (1970). The new managers not only had problems supervising the day-to-day operations of their units (with different, unstable and fewer inputs), but they were not prepared to respond to the planning requirements. In fact, such requirements would have been a great bureaucratic burden for the previous managers had they been still at their jobs. In the old days, enterprises oriented their operations in response to product and factor market conditions and therefore the introduction of central planning represented a traumatic game change on its own. Thus 1962, proclaimed the Year of Planning, started without a plan. Neither the Cuban government nor any of its leaders recognized the abandonment of the Four-Year Plan. Admitting it would have been a major embarrassment for the leaders of the government, but it was easy to avoid as there was no public record given the lack of independent means of expression in Cuba since 1960.

In March 1962 the government decided to ration consumer goods nationwide, establishing a distribution system of physical quotas and fixed prices; many items completely disappeared from the markets, especially imported goods or those with a high imported input requirement. Unknown to the Cuban people, the economy had become insolvent.

8. The projections were supposed to be the independent variables to determine input requirements in what was part of central planning. As a result, the output projections turned out to be arbitrary and totally disconnected from the availability of domestic and external resources. JUCEPLAN was supposed to make the different plans compatible among themselves, an impossible task at the microeconomic level, as it could barely accomplish a low degree of coherence regarding the availability of what they called “strategic goods” through the clumsy method of “material balances.” To make things worse, the prices of all goods and services perfunctorily applied in this exercise were historical ones, divorced from any supply-demand considerations reflecting the new economic conditions in the country.

JUCEPLAN had to add to its mission the unexpected and improvised task of grossly estimating the size of the expected imbalance between aggregate demand and supply for the following year in order to start negotiations with the Soviet Union of significant economic assistance to keep the economy afloat. The year 1962 was the first but not the last year of reckoning for the Cuban leaders regarding the complexity of economic affairs. The redistribution policies of 1959 and 1960, and the concomitant improvement of the standard of living of many of the poorest Cubans, especially in the countryside, were achieved at the expense of the available stocks of commodities. As Leontief (1969, 1971) pointed out, the higher standard of living for sugar cane-cutters reduced the availability of cheap labor in the fields, affecting the economic prospects of Cuba's main export.

Economic growth was not to be taken for granted and neither could rapid industrialization in a small country alienated from its most natural market, the United States, and conducting a large proportion of its international trade now on the basis of barter and with distant countries. The U.S. embargo on trade with Cuba added to the Cuban government-imposed constraints to the domestic economy (what I call the internal embargo or actual "blockade," in fact much more restrictive than the American embargo) jointly disrupting the production and distribution systems based on highly complex microeconomic networks developed in the island over centuries. Central planning was in fact a complexity-reducing proposition that would disable Cuba's production capabilities for many years to come, rendering its economy dependent on external aid to reach a permanently precarious level of subsistence.

In 1962 and 1963, a major debate on economic policy took place between two groups of prominent government officials, arguing about how to organize and manage the Cuban economy under socialism. One group, led by Alberto Mora, minister of international trade, and Carlos Rafael Rodríguez, a high level official from the old Cuban communist party, proposed that the Cuban economy should be based on a system of decentralized enterprises making their own

decisions and being responsible for their own efficiency. This proposal, called "autogestión," was along the lines of the Lange-Lerner model of market socialism, though it was not identified as such at the time, and consistent with Lieberman's ideas in the Soviet Union. The opposing group, led by Ernesto Che Guevara, proposed that Cuba's economic activity should be managed by a highly centralized apparatus, where enterprises would respond to centrally issued guidelines, and their revenues and costs would be pooled in a gigantic central budget system.

The first group argued on behalf of efficiency, based on productivity and material incentives (through wages and profits). The second group favored moral incentives, consistent with the creation of a socialist "new man," devoid of greed and monetary motives while working for the common good. The debate, which took the form of articles published in official periodicals, was abruptly suspended, but it soon became apparent that Guevara's views prevailed as Fidel Castro would soon show in his public speeches and actions. Alberto Mora was eventually removed from his post and replaced by Marcelo Fernández, one of Guevara's supporters in the controversy. See Leontief (1971) and Halperin (1994) for more details about this debate. Few would argue that the setting of the development of a new man as the central goal of the revolution was consistent with the need to develop the country's economy.

While the debate was going on, JUCEPLAN was scrambling for effective ways to carry out central planning and allocate physical resources to ministries and state enterprises without a plan. The debate on how to manage and organize the economy did not include economic policy or development strategy alternatives, creating a great deal of uncertainty among planners, as reflected by Alban Lataste (1968), a Chilean economist who served as director of investment planning and top advisor to the Cuban government. JUCEPLAN focused on a number of troubleshooting activities, beginning with the allocation of physical resources according to the demands of still-ongoing industrialization projects, the military, and some badly formulated agricultural initiatives launched personally by Fidel Castro. Such activities

were carried out through the improvisation of “material balances,” following the anachronistic tradition of Soviet planners. The year 1962 was in fact similar to 1961 regarding a search for some kind of administrative system to manage effectively the recently expropriated enterprises. The macroeconomic transition from market to planning was accompanied by a transition that reduced recently-socialized enterprises to simple shops at the microeconomic level. In this process the newly socialized enterprises lost all autonomy to make decisions regarding functions such as investments, human resources, financial affairs or production technologies. The marketing function disappeared, as consumers would no longer count in defining what to produce. Managers were not able to decide on prices or influence levels of productivity or profitability, as they were limited to mechanically follow instructions (“directivas”) from their corresponding ministries on economic affairs and from the Communist Party on political and ideological activities.

THE RETURN TO MONOCULTURE

By then it had become apparent that the industrialization program was seriously faltering and in 1963, Fidel Castro declared a return to sugar production as the main economic activity of the country, a 180 degrees turnaround that infuriated many staunch government supporters, including militants of the Union of Communist Youth at the University of Havana.⁹ Similarly to the formulation and implementation of the industrialization policy, JUCEPLAN had been left out not only of the fundamental economic decision-making process in Cuba, but learned about the decision through Castro's public declarations reported by the state-owned media. Meanwhile, JUCEPLAN was also struggling to develop a planning methodology that was mostly based on physical allocation of resources. The radical return to sugar

took place only two years after the equally radically-mandated reduction of the levels of sugar output, at an enormous cost to the country, and this was only the beginning of a major economic upheaval as we discuss below. To go from a harvest supporting 3.8 million tons of sugar to 10 million tons in six years, with a reduced work force of cane-cutters (long before mechanized cane cutting was available), scarcity of hard currency to import the necessary equipment, and the poor management of the sugar mills and sugar cane plantations, was an impossible task, but the new policy was to be implemented, not debated.

Lataste himself, a freethinking socialist economist, had become privately critical of the government regarding its management of the economy under Osvaldo Dorticós, at the time president of the country and minister of economy in charge of JUCEPLAN. Lataste's frustration with the ancillary role given to economic planning in Cuba is reflected in the following quotation from his book (1968:31):

Under Cuban conditions the political aspect of [government] decisions was separate from the economic. The center of national planning was receiving as data the decisions that were taken by the political authorities in strategic fronts such as redistributive policies, socialization of means or production, investment decisions, etc.

Similarly, many other foreign advisers and friends of the revolution had expressed their frustration at what they saw as the government's, or Fidel Castro's, failure to adopt a coherent economic policy, consistent with the development of the national economy and subject to the discipline of central planning, which they faithfully believed was a good way to transition to an efficient socialist economy.¹⁰ Despite their advice, Fidel Castro continued making capricious decisions that involved costly investment projects, with no previous studies or evaluations. Upon the failure

9. I witnessed this phenomenon personally and there is no supporting documentation. Their deep disappointment was voiced privately as their political and ideological allegiance to the revolution predominated over their more honest and rational reactions. The reader must take into account that many important things happen in a totalitarian society that unfortunately can only be reported as anecdotal evidence, collected by direct observation.

10. The list of friendly advisors is long and included Wassily Leontief, Joan Robinson, Charles Bettelheim, René Dumont, Jacques Chonchol, Paul Sweezy and many others. Bettelheim and Dumont became disenchanted and wrote critical books and articles about the Cuban revolution.

of the 1962–1965 Quadrennial Plan, Castro became obsessed with a number of agricultural and livestock projects, not only dumping unexpected requests for scarce resources on JUCEPLAN, but also disrupting already poorly-planned projects. His interventions included personally giving orders *in situ* to reallocate resources from projects already in progress to those he sponsored. The result was, as witnesses report, that neither project would be completed. Thus, central planning was not only intrinsically deficient but also made chaotic by Castro's random interventions. In an effort to introduce a modicum of order in this process and at least have a record of what was going on, JUCEPLAN labeled Castro's pet projects as "Special Plans." Such plans, and other varieties of investment improvisation known as "mini plans" and "sector plans," became the main planning activity after national or macro long-term planning was abandoned until its resurgence in the 1970s.

Meanwhile, government-induced "voluntary" (unpaid) work in the fields was becoming more demanding and encompassing, representing another source of serious disruption of economic activity and uncertainty about the real costs of production. Launched between 1960 and 1961, voluntary work was since then an essential feature of life in Cuba until it was recently abolished by Raúl Castro due to its inefficiency. This provides one of the most convincing pieces of evidence of Castro's revealed preference for political control through mass mobilizations and ideological objectives in detriment of economic growth. The revolutionary version of voluntary work consisted in the mobilization of hundreds of thousands of workers from urban centers across the island to work in the fields, during weekends, vacations and sometimes on weekdays during high labor demand periods, such as the sugar harvest. Voluntary work was triggered by the scarcity of manpower in the cane fields caused by the redistributive policies of 1959 and 1960 and the concomitant massive exodus from the countryside to the cities and by the recruitment of personnel into the armed forces and the internal security system. At the time, and for many years, the Cuban military establishment was considered among the world largest in per capita terms, at par with Israel's.

The rationale offered by the government to justify voluntary work was the need to educate the masses on the virtues of hard physical labor, and thus reduce class differences in a socialist or communist world, as the "new man" was being forged. The disruption of Cuban productive activities increased as the decade advanced towards the ten-million-ton sugar target for 1970, while direct costs of workers' mobilization plus opportunity costs in terms of foregone production in the original workplace continued growing unchecked. Even though there are no records of the costs and benefits of voluntary work in Cuba, anyone familiar enough with this experience can assume with confidence that the exercise represented a net loss of unknown but enormous magnitude to the Cuban economy and had a negative impact on its development.

IDEOLOGICAL EXTREMISM IN PRACTICE

In 1968, in what was declared the "Revolutionary Offensive," the government eliminated all remaining private small businesses and microenterprises, including street vendors and peddlers, while criminalizing all forms of private exchange in Cuba. This move, which started with the seizure by the government of 56,000 microenterprises, was fundamentally ideological, but there are those who believe that it was additionally motivated by the need to increase the supply of manpower to devote to the 1970 sugar harvest. The government also changed the accounting systems, excluding financial statements and replacing traditional accounting by what were called "economic registers," under the utopian idea that money would not be necessary in the communist society that Cuba was purportedly building. This was an interesting and telling development as enterprises lost all visibility of the costs and revenues of whatever they were producing. It should be noted that in Fidel Castro's speeches, references to economic variables were generally made in terms of physical units, rarely referring to monetary units or aggregates such as the Gross Domestic Product (or Global Social Product in the official terminology) or the profits of a given enterprise or sector. A glaring example was the 1970 sugar harvest, for which the target was 10 million tons, without any consideration for the levels of for-

eign exchange to be earned or expected profits to be generated. In his book, Lataste (1968:7) indicated how “the Cuban system of economic management and planning was oriented to completely abolish, in not a very long term, money.” As outlandish as it sounds, Fidel Castro confirmed in 1968 what it had been anticipated by the Chilean economic advisor years ahead.¹¹

Paradoxically, however, that same year Castro was forced to silently adopt a more realistic course of action as a result of two forces: (1) the need to mobilize all necessary resources, especially labor, to reach the target of 10 million tons of sugar; and (2) significant pressure from the Soviet leaders, already exasperated by Castro's maverick and economically irrational behavior. As Karol (1970:517) put it, “in the immediate present, good *macheteros* were obviously more useful than *hombres nuevos*,” and the appeal for their effort could not depend on idealistic calls for moral incentives or patriotism any longer. The Soviets had been very critical of Cubans for their inability to seriously implement central planning, a failure they considered the main cause of Cuba's dysfunctional economy. They were also annoyed by Castro's whimsical conception of the development of a communist society, as expressed by his “Revolutionary Offensive,” and his insistence in sponsoring guerrilla movements in Latin America and other interventions in Africa, which with the exception of the Angola and Ethiopia campaigns, were often at odds with Soviet foreign policy. The straw that broke Soviet patience seems to have been Castro's initial indifference to the Czechoslovakian crisis and the Prague Spring. The Soviet leaders demanded Castro's public support for the invasion to crush the Prague Spring and some important changes in Cuba's policies lest they withdraw their support for Cuba's crippled economy. In fact, the supply of Soviet oil had already declined in 1967.

The revival of central planning however did not take place until after 1970, indicating that Castro was forced to grant more importance to the economy as we discuss below.

The 1960s came to an end with the extraordinary mobilization of virtually the entire economy to produce ten million tons of sugar. Castro had made such an ambitious target “a matter of national honor,” increasingly affecting the productive capacity of the country as the moment of truth approached. The harvest started at the end of 1969 with the premature cutting of cane, reducing yields and the profitability of the industry. Paradoxically, Cuba was closing the 1960s with a higher than ever dependence on the sugar industry, despite the early revolutionary promises of economic diversification and the end of sugar cane monoculture. Moreover, the country was now much more dependent on the Soviet Union than it ever was on the United States since the establishment of the Republic of Cuba in 1902.

But the end of the decade also witnessed a number of other important outcomes. In its quest for a communist society, where the state guarantees basic needs to the population (a number of services were already free though rationed to the population or at extremely low cost, such as education, health care, housing, telephone service, burials, sports events, movies, etc.), the country had been moving towards a special form of subsistence economy, but it was an insolvent and stagnant one, as it depended on significant subsidies from the Soviet Union.¹² At this point Cuba had become addicted to subsidies and apparently incapable of undertaking a vigorous growth and development path on its own, something that the Soviets were not willing to underwrite any longer without a serious commitment by Castro to manage the economy under an orthodox conception of central planning. The Soviets hoped that this would put the Cu-

11. Lataste wrote the book before 1968, and after being expelled from the country in 1966. Previously working for Che Guevara, he was one of the many foreign advisors who took at face value official statements regarding economic development as one of the main policy goals of the Cuban government. What he and many others saw as irrational decisions was partly a reflection of an agenda in which economic growth was secondary to other goals.

12. Some observers believe that the Soviets were willing to subsidize or actually invest in Castro's revolution in return for the significant gains the military attained by the intelligence surveillance system they installed in and operated from Cuba. Yet the willingness to subsidize Castro's revolution seemed to have had a limit, something that did not become apparent until the late 1980s under Gorbachev.

ban economy on its feet, without suspecting that such a model of economic management was paving the road to their own eventual disintegration as a Union.

THE MORE PRAGMATIC 1970s

In this period the Cuban economy is defined by two main events: (1) the aftermath of the calamitous failure in the attempt to produce 10 million tons of sugar together with its devastating impact on the rest of the economy; and (2) the resulting public critical introspection by Fidel Castro that led to a serious effort to allow central planning to work, seeking higher productivity and efficiency. But the magnitude of the economic catastrophe was not only measured by the failure to produce the desired quantitative output target, which only reached 8.5 million tons, but by the direct and opportunity costs of the attempt.¹³ The total cost of producing such level of output was not known even by the government, and perhaps it will never be known as accounting standards had been decimated by the Revolutionary Offensive of 1968, and reportedly abandoned by many enterprises. But even if they had kept the traditional accounting standards in the sugar mills, the financial statements would have been seriously distorted as production costs were greatly understated by the government decision to keep the Cuban peso officially at par with the U.S. dollar. At that time the peso might have been overvalued as much as 90%. Besides, the cost of voluntary cane cutters and their transportation to the fields was not factored in, further hiding actual sugar production costs, especially as the productivity of volunteer cane cutters was reported as only 20% of professional cutters.

But the opportunity cost of mobilizing hundreds of thousands of workers outside the sugar sector was as important or even more than the direct cost of producing the harvest. The lack of information on both counts however was partially offset by Fidel Castro's speech of July 26, 1970 that included a very frank assessment of the failure, albeit without quantitative

references to profitability or costs. In a short article Wassily Leontief (1971) expressed his surprise by the speech's candor which included what he reported as "the list of subsidiary failures [...] itemized in Castro's speech is distressingly impressive. Milk production fell 25% in one year, delivery of steel 38%, the output of cement 23%, and so on, and so on."

There is no documentation of the discussions that certainly must have taken place within government and Party ranks in Cuba those days, and much less about exchanges with the Soviet Union. Under Castro's rule, Cuba was and still is a closed society where government affairs, including those of the state enterprises, are considered state secrets. The fact is however that after the failure to produce the 10 million tons of sugar, Cuba undertook a major revision of not only economic policies but also of prevailing concepts and attitudes towards planning and organization in general. Even the official rhetoric changed somewhat, from a utopian/idealistic tone towards a more pragmatic one. Waste of resources had become so widespread that it could not be hidden, and even without sufficient statistical information on economic performance, the government finally came to grips with that stark reality and publicly recognized it. Thus, concepts such as productivity and efficiency started to re-emerge and to gain a degree of attention never granted before by Castro, though it had been a topic of contention with domestic and foreign advisers and, especially with Carlos Rafael Rodríguez, who had been advocating for more decentralized economic management and planning system since the days of the debate with Che Guevara in 1962–63. Rodríguez' words to René Dumont, quoted at the start of this paper, turned out to be prophetic. The new approach even included the introduction of so-called material incentives to raise productivity levels, yet without officially abandoning the role of the moral incentives and the quest for the *hombre nuevo*. Sugar was to remain the mainstay of the Cuban economy, as part of the division of labor within the socialist bloc.

13. Arguably, Cuba was probably better off by producing less sugar at the time since there are persuasive reasons to believe that the entire industry was already operating at a loss under increasing average and marginal costs.

The new approach was centered on strengthening central planning. The government appointed Humberto Pérez as head of JUCEPLAN in 1975. At this time, the scarcity of consumer goods in Cuba had reached a critical level. The resulting disequilibrium between the salaries paid to workers and the value of consumer goods available to them at fixed prices generated a significant monetary overhang and its sequel of labor absenteeism, an endemic factor since the beginning of rationing in 1962.¹⁴

Under Pérez the government allowed the creation of “parallel markets” in which a portion of consumer goods, until then only available through the rationing systems or the black market, would be sold at prices above the officially fixed levels, presumably at close to supply-demand equilibrium conditions. It must be noticed that Cuba never published price statistics until much later. A few non-essential rationed consumer items, like cigarettes, cigars, and alcoholic beverages, were also available at very high prices. This partial price liberalization was complemented with a limited supply of imported durable goods, such as radios, TV sets and some appliances that had practically disappeared from Cuban markets since 1960. The parallel markets were also selling items that were produced in such meager amounts that were not suitable to distribute through the rationing quotas, like butter and cheese.

Simultaneously JUCEPLAN formulated a five-year economic plan for 1975–1980 with emphasis on organization, efficiency and productivity, but still devoid of a long-term vision for economic growth. At the time the focus was on recovering output levels attained long before the 1970 fiasco, but there was no visible game plan to reduce dependence on the Soviet subsidies by vigorous economic growth. Castro's reluctance to lift some of the constraints to Cuba's productive potential, and his obsession against material

incentives, was revealed again when ordering that appliances, already in limited supply, would not be sold at high prices in government stores but distributed through labor unions (also controlled tightly by the government) to those workers who excelled in their jobs. The rewarded workers would have to pay the going prices. It was an attempt to keep the moral incentives alive by a hybrid association with material incentives that encouraged productivity. Castro continued playing political and ideological games with the economy at the expense of growth.

During the 1970s, Cuba's economic growth prospects were basically tied to the sugar industry, deepening Cuba's dependence on the commodity and on the Soviet Union. Meanwhile, the level of aid and subsidies from the Soviet Union grew, peaking in 1985, as Castro became interested and increasingly involved personally in the African wars, especially in Angola and Ethiopia, this time with Soviet support. His involvement in international affairs seemed to have prevented him from playing the chaotic role on the economy he played in the sixties, when his haphazard interventions in all aspects of the island's economy impeded the workings of an already intrinsically inefficient central planning system. The decade closed with a modicum of improvement for Cuban consumers though still under a rationing regime and significant subsidies from the Soviet Union.

THE EXPERIMENTS OF THE 1980s

The economic improvements achieved in the 1970s continued during the first half of the 1980s. The development of the parallel markets was very successful due to the liberalization of the farmers markets, where private producers could sell their produce with a degree of freedom unheard of until then.¹⁵ It seems that in this decade Cubans attained the highest level of consumption since 1959, though the available data does not allow to ascertain its geographical dis-

14. Until recently, there were no incentives to save in Cuba due to lack of markets in real estate or any other major good, including travel, or private investment opportunities. Therefore consumers/workers preferences favored buying more leisure time than usual. Instead of an inflationary process, the economy was suffering from a deflationary spiral affecting levels of production as prices were fixed and could not adjust to the changing economic conditions. It is puzzling, however, why the government complained so much about absenteeism in the presence of so much redundant labor through disguised unemployment. One can only wonder if those more frequently absent from work were also the most productive. The newly-implemented reforms by Raúl Castro are trying to change the ways the Cuban economy operates through the creation of market incentives.

tribution. But the increasing prosperity of many private farmers was too much for Fidel Castro, who publicly denounced their enrichment as contrary to the interests and ideological purity of his revolution and therefore intolerable. Thus in 1986, he launched what was called the “Campaign to Rectify Errors and Negative Tendencies.” It was in fact an ideological resurrection of Ernesto Che Guevara’s thinking, with overtones of the Revolutionary Offensive of 1968, as the essence of the campaign was that no one would be allowed to accumulate too much material wealth. Pérez was sacked by Castro, as he became associated with reforms that Castro saw as leading the country in the wrong direction, away from the development of the new man. In the 1980s, however, Cuba started opening the economy to foreign investment and tourism, but under strict government control through a regime of mixed enterprises. In synthesis, at the same time Castro was smashing a modest form of economic growth based on limited private initiative, he was looking for other sources of income, probably as he perceived that the Soviet subsidies were coming to an end with glasnost and perestroika.

COLLIDING WITH ECONOMIC REALITY IN THE 1990s

The collapse of the Soviet Union and the abrupt interruption of trade, aid and oil supplies from that country put into evidence the weaknesses of the Cuban economy, a combined result of its systemic addiction to subsidies that hid structural insolvency, and Castro’s incapacity cum unwillingness to do what it would take to develop Cuba’s economy. With the abrupt elimination of the subsidies, not even Cuba’s economic subsistence was guaranteed and the government had to scramble to confront a crisis of such a magnitude that raised fear for the stability of the regime. Cuban GDP fell 35% in 1990–1993, representing a deeper crisis than what the country suffered during the Great Depression of the

1930s. Castro reluctantly accepted a number of liberalizing measures to save the economy. One of the most important was the development of the tourist industry with strong participation by foreign investors and operators, as Cuba had neglected this sector from the beginning of the revolution, and had lost the capacity to develop it with its own resources.

A second critical measure was to allow self-employment, as the government could not keep paying salaries to workers employed in factories that could not operate without supplies of inputs. Self-employment, however, was allowed only in a limited number of trades with the added prohibition to hire additional labor. It is important to note that in a police state like Cuba when citizens start working on their own, the government loses some control over their activities.¹⁶ The fact that the dissident movement that was born in Cuba at the time of this crisis could be a result of the degrees of freedom gained by some citizens—a topic that deserves further investigation—might have not been a random coincidence. Therefore, Castro granted the new freedoms on self-employment under the proviso that the self-employed would return to their original jobs in government organizations as soon as the economic situation improved. This stipulation is consistent with the hypothesis that Castro was not willing to sacrifice political stability on behalf of economic improvements, unless forced to do so by an impending crisis.

But the most humiliating decision for the government and for Fidel Castro personally must have been the decriminalization of the circulation of U.S. dollars to facilitate their capture from foreign tourists and remittances from Cuban exiles, a powerful new feature of the Cuban economy that has operated since then on a dual monetary system that in real terms reflected a dual economy. In effect, foreign remittances became a partial substitute of the Soviet subsidies. Simultaneously, some foreign direct invest-

15. The exodus of about 120,000 Cubans in 1980, known as the Mariel boatlift, suggests that the economic conditions were still difficult for many.

16. This is hard to understand for those lucky enough to have lived all their lives in a society where individual freedoms predominate and are protected by the state. It is also difficult for researchers of economic conditions in Cuba to convey an accurate sense of the day-to-day living conditions in a totalitarian society and how they affect the economy at all levels.

ments were allowed to generate badly needed income in hard currency. All these changes, erroneously characterized at the time by some analysts as reforms towards a market economy, had a positive impact on the economy but were not sufficient to make up for the loss of Soviet subsidies. The gap created by the loss of Soviet subsidies was partially bridged later in the early 2000s by the Venezuelan government, suddenly led by a Castro admirer, Hugo Chávez, who began to extend generous subsidies and credits to the Cuban government, and eventually created an exchange of Venezuelan oil for Cuban medical services and other services of a political and security nature. This aid was so significant that Castro considered it safe to roll back some of the emergency measures, which confirms his lack of interest in forms of economic growth that were not strictly limited to the funding of his government while keeping the population at a subsistence level. Despite the many calls for some meaningful economic reforms, even from socialist and government ranks, the government did not budge and continued following a policy of subsidized subsistence.

RAÚL CASTRO'S REFORMS

Upon the replacement of Fidel Castro as head of the government in 2006 by his brother Raúl due to the former's health condition there was a renewal of expectations for reforms. See Mesa-Lago and Pérez-López (2013), henceforth ML/PL, for a detailed analysis of this latest reform process in Cuba. Nothing significant happened immediately in the economic realm until it dawned on the Cuban leadership that they could lose the Venezuelan support due to political changes in that country. It then became apparent that Raúl wanted to improve the Cuban economy, or at least the living conditions in the country, without completely abandoning socialist tenets, but Fidel was still vetoing initiatives similar to those implemented in the 1970s and 1980s before the Rectification Campaign.

Nonetheless, on July 26, 2007, Raúl Castro recognized in general terms the serious economic problems the country was facing and promised to implement structural but gradual reforms without elaboration. Thus began a reform process that can be subdivided

into two batches of government decisions. The first batch consisted of what ML/PL (2013:182) categorized as "administrative measures" and "nonstructural changes" which started in 2007. This group of reforms consisted of lifting restrictions for private citizens to buy mobile telephones, allowing them unrestricted access to international tourism hotels, legalizing limited transactions in real estate, and the sale and purchase of used cars between private owners. Though these measures are not structural in nature, they represent important changes towards the improvement of living conditions of private citizens, especially those with access to foreign sources of income, such as the ones receiving remittances from abroad, employed in international tourism hotels and resorts, or employed by foreign entities operating in Cuba.

The second batch of measures, denominated "structural reforms" by ML/PL, did not take place until 2011 though one of them, the distribution of land in usufruct, was implemented previously. During the fiscal crisis of 2010, when the government could not make payments to foreign suppliers, import food and cover government expenses, Raúl Castro announced that 1.5 million workers, or about 38% of the Cuban labor force, were redundant and would be laid off gradually. It had become obvious that the levels of labor productivity were dismally low probably not only due to the redundant labor per se, but also as a result of negative marginal returns generated by too many "workers" practically trampling onto each other.

At the time Raúl Castro announced the reduction in the government's payroll, there was no public statement explaining how the government would implement such a drastic and potentially risky move. It was obvious that other sources of employment had to be rapidly created to absorb 1.5 million workers, an overwhelming proportion of the country's labor force. Meanwhile, the government decided to allocate idle lands to farmers in an effort to stimulate agricultural production to substitute food imports for domestic production. The land would be granted in usufruct, however, without defined private property rights, a constraint that would limit the farmers' incentives to invest in improving the land they re-

ceived. But the government also allowed the farmers to directly supply Cuban hotels and restaurants catering to foreign tourists.

The solution to how to generate new sources of productive employment was proposed at the Sixth Congress of the Cuban Communist Party, held in April 2011, where a reform program titled Economic and Social Policy Guidelines was adopted, focusing on massive employment creation outside government structures. The program consisted of liberalizing private self-employment, still timidly yet well beyond the limits imposed in the 1990s, and allowing small enterprises and hiring of workers within certain limits. Concurrently, the government would allocate resources to make supplies available to the new private sector to stimulate domestic economic activity in services, construction, retail commerce and transportation. The government would retain its monopoly of international trade and finance, along with its control of investment activity, including foreign investment.

But missing from the Guidelines was a game plan or concrete proposals for further and vigorous stimulation of the economy, as there was no mention of the need to undertake large investments or the development of the export sector. Despite the fact that unlike the reforms of the 1990s, the current ones were to be taken seriously, the Guidelines still fell short of providing evidence of the government's commitment to develop the Cuban economy beyond its current level of subsistence. Though public utterances insisted on the irreversibility of the measures, especially considering the incorporation of private entrepreneurs into the national economy, they still expressed remarks disapproving the excessive accumulation of wealth, without indicating what was to be considered excessive.

Upon reading the Guidelines one is left with the impression that if any significant economic growth is to take place in Cuba, it will be severely constrained by the lack of development of an external sector and the limited access the country has to international finance. It is doubtful that the self-employment of almost 40% of the Cuban labor force by itself, without large investments, could elevate the economy above

the level of subsistence. Besides, even if this new reliance on private initiative bears fruit and reduces the country's dependence on external aid, large investments in the external sector will still be necessary to completely eliminate dependence. As the prospect of such a development is at this time exclusively in government hands, based on its performance during the past fifty years coupled with the renewal of commitment to stay married to the old socialist organization of the economy, we can expect at best a sluggish economy. The political and internationalist agenda of Fidel Castro is dead and his brother Raúl seems to be more interested in stability than in growth, simply because significant economic growth will have to depend on a private sector that looks for growth and empowerment, a politically intimidating proposition to the Castros and the *nomenklatura*.

CONCLUSIONS

Despite the initial promises about economic development, growth and diversification the Cuban economy is today much more dependent on foreign inputs and actions than it ever was before the revolution. The country's economy remains as insolvent and dependent on external aid as in the early years of the revolutionary transformation that began in 1959. It took half a century for the Cuban government to accept harsh but simple economic realities such as the fact that full employment cannot be achieved by inflating payrolls. In coming to grips with basic economic facts of life, Raúl Castro has been actually telling the Cubans on the government payroll that the state cannot continue paying their salaries, and that from now on many would have to fend for themselves. It is a way of saying that the socialist government is no longer in charge of their standard of living or their poverty. In pushing many of those workers into a greatly underdeveloped private sector, a move that many optimistic observers have wrongly categorized (and is denied by the authorities) as a return to capitalism, the government in effect was privatizing poverty, a clever but undeclared move. Now, as the message goes, the socialist government will no longer be responsible for the standard of living or poverty of those workers, as the dream of full employment with prosperity was fully chattered. Paradoxically however

this effort to salvage socialism in Cuba will unavoidably facilitate the enrichment of the most entrepreneurial and best well-placed members of the society, as it is reportedly happening already among artists and some professionals.

It is however ironic too that so far not enough workers have left the ranks of public employment to become micro or small entrepreneurs or farmers, while the government has not dared to implement the first installment of the announced layoffs of half a million. The statistics on self-employment reported by ML/PL (2013:228) confirm this fact. The impact of the reforms in the agricultural sector is still to be seen but perhaps it is too early to observe any significant impact, as ML/PL recognize. Nonetheless, the recent liberalization of real estate markets and the lifting of the prohibition to buy and sell used cars in Cuba may be injecting a degree of incentives for Cubans to work harder and increase their levels of productivity in both the state and private sectors. However, these liberalizing measures would have more impact on economic growth if they were complemented with true structural reforms. The obstinate decision of the government to “update” the current economic model and stick to a centrally planned economic system do not allow us to be optimistic about the capacity of Cuba to break away from secular subsistence.

Fifty years searching for the new man was not a way to nurture entrepreneurship of the kind Cuba needs now to attain solvency, let alone economic growth. Even though the experience of the 1970s and 1980s showed that there were many individuals capable of responding to the incentives created by government liberalization, this time the evidence of a repeat act is lacking. Yet, good old *homo economicus*, not the utopian new man, can be assumed to be awakening in Cuba, waiting for the incentives and degrees of freedom he needs to rebuild the country's economy.

Finally, it is also ironic that Raúl Castro is the champion of economic reforms in Cuba, a decade after he personally directed the 1996 purge of young economic researchers at the Center for the Study of the Americas (CEA) who were advocating moderate economic reforms, as Giuliano (1998) reports. This episode carries at least a couple of lessons worth remembering. One is that the logical mind of the economist keeps working in the midst of seemingly irrational government decisions even when there is no freedom of expression. The other lesson is that in a totalitarian society who owns good economic ideas matters more than their intrinsic logic or social value. It is dangerous to think ahead of the dictators.

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