

CUBA'S VII PARTY CONGRESS—LISTENING TO RAÚL

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Cuba's VII Party Congress has been viewed by many inside and outside of Cuba as a disappointment. After a hopeful period following the VI Party Congress, it appeared that Cuba was taking tentative, but seemingly important, steps to "update" its economy by reducing central planning, allowing more room for the private sector and market pricing, and even making itself open to much greater foreign investment. As time has passed, however, progress has slowed. Many of the proposed reforms have not been enacted, others have not been implemented, and there has been backtracking on still others. It is not surprising therefore that the Declaration of the VII Party Congress was received with a yawn, and a told-you-so reaction by those who never believed that Raúl Castro and the Communist party wanted any significant change.

I take a different view. I share the pessimism of the other commentators, that further change may be slow in coming. I do, however, believe that Raúl Castro and many of his colleagues recognize the need for change, but are struggling with the process. This makes the Report of the Central Committee to the VII Congress worthy of attention. The guidelines produced by the VI Party Congress talked of change, but their wording suggested drafting by committees that sought to cloud opposing views. In the end,

most of the guidelines left open a great deal to interpretation.

By contrast, the results of the VII Party Congress delineate the tensions within the updating process, between ideology and private accumulation of wealth, between market efficiency and political stability, and between private and public ownership. Its statements recognize the risks the system faces. The *Report* suggests a broadening acceptance of the realities of a modern economy only to then, again and again, be pulled back by ideology or political risk.

Very importantly, Raúl is frank about the opposition to the updating effort by members of the Party and bureaucracy. Most writers on Cuba, including myself, have traditionally analyzed Cuba's political system through the perspective of a single actor state with Fidel as the absolute leader. Reading the documents, I believe we need to adjust our perspective.

There are three basic documents that emerged from the Congress. The first and central focus of this analysis is the *Report* of the Central Committee, presented by Cuban President Raul Castro¹, which seeks to stress consistency with the Party's missions². The other two documents are presented in one publication with two individual titles: "Conceptualización del modelo económico y social Cubano de desarrollo

1. For the rest of this paper, I will refer to the document as the *Report* or for literary ease, "Raúl's statement." This does not mean that Raúl wrote it or it might not reflect a consensus of senior party officials, especially the Central Committee. It assumes, however, that he has carefully directed its preparation and is in agreement with its content. For reasons explained later, I do not assume the same of other documents submitted and approved by the Congress.

2. "The development of the national economy, along with the struggle for peace and our ideological resolve, constitute the Party's principal missions". Retrieved July 18, 2016 at <http://en.granma.cu/cuba/2016-04-18/the-development-of-the-national-economy-along-with-the-struggle-for-peace-and-our-ideological-resolve-constitute-the-partys-principal-missions>. The translation was *Granma's*.

socialista” (henceforth referred to as “Conceptualización”) and the “Plan nacional de desarrollo económico y social hasta 2030: propuesta de visión de la nación, ejes y sectores estratégicos” (henceforth the “Plan”).³ The latter documents have a slight but noticeably different tone than that taken by the *Report*, which could reflect differences among the authors or simply an unwillingness of the authors to risk stronger statements that might contradict orthodox policies.⁴

THE PROCESS OF DEVELOPING CONSENSUS

In Cuba, the various Party Congresses have not been convoked to debate policy, but rather to bring the Party's base in line with the decisions of the Central Committee so that they might move forward in a coherent and consensually-based effort to achieve the stated goals. There is considerable evidence in the Central Committee's *Report* that the Sixth Party Congress fell short of that goal.

In presenting the *Report*, Raúl dwelt on the role and actions of the Party and the government officials tasked with carrying out the implementation. Four years ago, at the 2012 ASCE meeting, Harvard Professor Jorge Domínguez gave a speculative analysis as to what was happening in Cuba. He argued that the evidence suggested that, unlike his brother, former Cuban President Fidel Castro, Raúl Castro could no longer dictate his commands to the government and Party. Raúl has confirmed that hypothesis with the *Report*. Discussing the slow pace of implementing the guidelines of the VI Party Congress, Raúl said:

We have continued to steadily advance in this process, without haste, but without pause, that is, with the necessary speed and perspective to achieve success. *The main obstacle we have faced, just as we had*

predicted, is the issue of outdated mentalities, which give rise to an attitude of inertia or lack of confidence in the future. There also remain, as was to be expected, feelings of nostalgia for the less difficult times in the revolutionary process, when the Soviet Union and socialist camp existed. At the other extreme there exists veiled ambitions to restore capitalism as a solution to our problems.⁵

Later, discussing the administrative reorganization of the provinces of Artemisa and Mayabeque, he speaks of deficiencies in state organizations (italics added):

Just as was expressed in the conclusions of the proposed report regarding the results of the Guidelines implementation process, there continue to exist shortcomings and deficiencies in state organizations and entities, including by the Policy Implementation and Development Permanent Commission itself, causing delays in the application of certain measures, drawing up of incomplete proposals or of limited scope, above all regarding risk assessment, and the accurate determination of cost-benefit relations for certain measures.

Problems with the implementation and supervision of approved policies, and the dissemination and training at different levels of leadership have also been identified. In regards to the latter aspect, *it was discovered that certain individuals believed that the problem would be solved by simply creating a document and sending it from one end of the country to the other, and requesting that cadres study it. In the follow up, we saw that everyone had applied the policy in its own way; . . .*

In some cases, there has been a complete lack of a sense of urgency to deal with undesired results which, in certain instances, have even gone against the spirit of the measures adopted...⁶

Later in the *Report*, when referring to the need for the “broadest and frankest exchange of views, both within the Party organization and in its links to the grassroots, with the workers and the population”, Raúl re-

3. Retrieved July 18 at <http://www.granma.cu/file/pdf/gaceta/Copia%20para%20el%20Sitio%20Web.pdf>. The author has not found an official English translation.

4. At the end of the two documents there is also a special section in the form of a glossary of terms entitled, “Acepción de algunos términos en los documentos que se presentaron al 7mo. Congreso del Partido”. The definitions are often clearer than the text.

5. Italics added.

6. In the *Report*, Raúl often shifts from concept to concept. There may be a good reason for *the Report's* organization, but this author has chosen to organize the quotes along specific concepts. Thus, many of the quotes in this text are not in the same sequence as in the original *Report*.

turns to his concerns about attitudes within the Party:

We know that the Party and the Revolution have the majority support of the people, this is a fact that nobody can deny, however, we are aware that in certain sectors of the population there are manifestations of a lack of commitment and interest in the affairs of our political life, and negative opinions remain regarding the merit of some members and cadres, as well as their disengagement from our people.

In the most recent period we have seen an increase in actions aimed at fostering the values of a consumer society: division, apathy, discouragement, alienation, and a lack of confidence in the leadership of the Revolution and the Party, sowing a matrix of opinions that attempts to present us as a society without a future.

Raúl's comments can readily be attributed to his concern about incompetence, but any student of bureaucratic behavior can also find ample justification for finding apathy and passive-aggressive behavior. The resolutions, discussion and plans of action coming out of the VII Party Congress are clearly designed to achieve consensus with more explicit statements of policy and greater exhortation, but the tensions in the current resolutions provide only a certain amount of clarity.

THE DUAL EXCHANGE RATE

Raúl and the Central Committee seem perplexed as how to reconcile updating the economic model by letting the market work while achieving its social and ideological objectives.

The *Report* recognizes the need to fix the dual exchange rate:

The most eloquent example of the complexity of the process is the country's dual currency and exchange system, an issue which we have been working on continually for the last four years, and the solution to which will be found as soon as possible, given that, although it doesn't represent the magic answer to the structural distortions of our economy, it will have an important impact on moving forward with the rest of the tasks related to the updating of the Cuban economic model.

The reorganization of the country's currency system will contribute to establishing the necessary conditions to overcome the damaging effects of egalitari-

anism and fulfilling the socialist principle: "From each according to his ability, to each according to his work."

Following this precept, it will be possible to rectify the so-called "inverted pyramid" situation, which does not allow work to be compensated in a fair manner, in accordance with its quantity, quality and complexity, or that living standards reflect citizens' legal income, generating an unmotivated workforce and cadres, which also discourages employees from seeking out positions of greater responsibility....

The state enterprise system, which constitutes the main management mode in the national economy, finds itself in (sic) at a disadvantage when compared to the growing non-state sector, which benefits from working in monetary system with an exchange rate of one CUC to 25 CUP, while the state system operates on a basis of one CUC to one CUP. This serious distortion must be resolved as soon as possible and a single currency reestablished.

This anomaly, in addition to the modest performance of our national economy, has prevented us from making substantial progress in the implementation of guidelines linked to the gradual elimination of unnecessary gratuities and excessive subsidies, bearing in mind that a general salary increase for all workers has still not been achieved, nor has the stable supply of certain goods in the unregulated market.

So far so good, but the Central Committee and the economic authorities have discussed unification for four years, missed their last deadline to achieve it in 2015, and still remain afraid of the consequences.

When evaluating the pace of transformations underway, we must not lose sight of the fact that in Cuba, we will never allow so-called "shock-therapies" frequently used to the detriment of the poorest sectors of society to be applied. This premise, which corresponds to our principle that no one will be abandoned to their fate, greatly affects the speed of progress made in the process of updating the country's economic model, while the impact of the global financial crisis and specifically the effects of the economic blockade against Cuba, are also undeniable.

Decisions made with regard to the Cuban economy will never, under any circumstance, mean a break with the ideals of equality and social justice of the Revolution and much less rupture the strong union between the majority of the people and the Party. Neither will we allow such measures to generate instability or uncertainty within the population.

The unification of exchange rates is necessary to alter relative and absolute prices and to redirect resources to more efficient activities. Exchange rate unification would result in a significant devaluation for much of the economy. In Cuba, that almost certainly means a significant rise in the cost of food and other basic necessities. It will also mean the closure of many industries that depend on the 1:1 or 1:10 exchange rate for their imports, although it could make import substitution more profitable or stimulate new manufacturing. The problem for the government is that it is afraid of the political consequences of economic changes that might adversely affect the population. The warning given by an editor of *Granma* has been reported as follows:

The deputy director of Cuba's official *Granma* newspaper has warned that street protests like those that erupted in Havana the summer of 1994 are possible if reports hinting at electricity blackouts this summer are true.

"A perfect storm is brewing ... this phenomenon of a cut in fuel, a cut in energy," Karina Marrón told a meeting of the Union of Cuban Journalists (UP-EC). "People, this country can't withstand another '93, another '94 [economic crisis]... we don't want to see protests on the streets."⁷

She could have equally been speaking of food prices and other scarcities. Her remarks track the same comments I have heard from Cuban economists. The government's decision to impose price controls following the recent rapid rise in food prices is another example of their concern.

Unification of the exchange rates will increase the demand for greater subsidies by state enterprises, but that will conflict with a decade long policy to reduce and eventually eliminate such subsidies. Closing enterprises that are not economically viable will, however, generate what are likely to be significant job losses. That will have its own political costs.

THE ROLE OF MARKETS

In the *Report*, Raúl seems to understand that unregulated markets can promote efficiency and the need to pay attention to supply and demand in both the state and unregulated markets. However, there is little recognition that further deregulation is needed. The *Report* states:

Despite the reduction or elimination of certain subsidized basic family goods, that is, from the famous ration book, which are now available in the unregulated market at non-subsidized prices, a high number of basic products and services continue to be subsidized.

Recognizing the market in the functioning of the socialist economy does not mean that the Party, government and mass organizations are no longer fulfilling their role in society—which is to combat any situation which may harm the population, nor must we adopt the attitude that "it's a government matter, so I can't get involved."

The introduction of the rules of supply and demand is not at odds with the principle of planning. Both concepts can coexist and complement each other for the benefit of the country, as has been successfully shown by China's reform process and the renovation process in Vietnam, as they call it. We have used the term updating to describe our process as we are not changing the fundamental objectives of the Revolution.

The *Conceptualización* and *Plan* documents pay more attention to the role of markets, with 53 mentions of the term, of which at least 11 express the importance of markets, the need to incorporate them in planning, and the need for regulation.⁸ In general, one comes away with the impression that the authors consider markets an important part of the planning process, but by no means sacrosanct. In this, few Western economists would disagree with their words, although not in their application. Still, in the context of the Revolution's history of economic thought, the stress on the consideration of markets in the economic planning should be seen as progress.

7. "Granma deputy editor warns of protests in Cuba if blackouts return," *Cuba Today*; July 2, 2016; accessed at <http://www.incubator-day.com/news/article87381627.html>.

8. See sections 86,94, 101,103,191,211,216,239,247, and 249 of the *Conceptualización* and sections 31,69 and 86 of the *Plan*. In section 18 of the definitions of terms there is a good discussion on the need to regulate markets.

ROLE OF STATE AND PRIVATE PRODUCERS

Raúl starts the *Report* with a strong defense of the socialist model and does not waiver much throughout his speech, though in all three documents there is an emphasis on correcting the weaknesses of state enterprises. Raúl states in the *Report*:

Furthermore, greater rigor and control in ensuring that investment plans are successfully carried out has also been seen, with an overall improvement in relevant indicators. However, issues still remain with regard to quality assurance and availability of a suitably qualified and motivated work force, while poor planning and a lack of comprehensiveness persist, the result of inadequate training, which leads to deadlines not being met and problems with the quality of work.

In an effort to strengthen the role of the socialist state enterprise and its autonomy, we have advanced in the separation of state roles from those of enterprises, gradually modifying relations between government bodies and enterprises, with directors afforded greater faculties in order to successfully carry out their responsibilities.

Nonetheless, this process will not be completed in a matter of days, weeks or months, but will continue over the medium and long term at the rate at which organizational conditions are consolidated, workers adequately trained, and the habit of waiting for instructions from above is overcome, replaced by an attitude which encourages the use of one's initiative and an enterprising spirit.

In true Marxist fashion, Raúl believes the ownership of the means of production will determine the path of Cuba's social development and he reassures the Party that he has no intention to move towards capitalism:

One of the novel aspects that has attracted the most attention and even some controversy, is the question of property relations, and logically so, as *depending on the predominance of one form of ownership over another, a country's social system is determined.*

In socialist and sovereign Cuba, the ownership of the basic means of production by all the people is and will continue to be the main form of the national economy and the socio-economic system and therefore constitutes the basis of the actual power of workers.

The recognition of the existence of private property has generated more than a few honest concerns from participants in the discussions prior to the Congress,

who expressed concerns that on doing so we would be taking the first steps towards the restoration of capitalism in Cuba. In my role as First Secretary of the Central Committee of the Party, I have the duty to assert that this is not, in the least, the purpose of this conceptual idea.

As he continues below, Raúl appears to defend non-state enterprises and their participants, calling attention to the jobs and services they provide and indicating the need for new legal authority for non-state enterprises. However, he is also clear that the non-state enterprises are due for more regulatory control.

This is precisely, *compañeras and compañeros*, about calling things by their name and not hiding behind illogical euphemisms to mask reality. The increase in self-employment and the authorization to contract a workforce has led in practice to the existence of medium, small and micro private enterprises which *today operate without proper legal status and are regulated under the law by a regulatory framework designed for individuals engaged in small business conducted by the worker and his/her family.*

The expansion of the non-state sector of the economy has continued, as state employment was reduced from 81.2% in 2010 to 70.8% in 2015. Just over half a million Cubans are registered as self-employed; they provide services and generate much-needed production. *An atmosphere that does not discriminate against or stigmatize duly authorized self-employment is being defined;* however there have been cases of corruption and illegalities, the confrontation of which has proved, once again, to be too little too late, as is the example of evasive behaviors in terms of tax payments and illegal exercise of prohibited activities.

We are not naive nor do we ignore the aspirations of powerful external forces that are committed to what they call the "empowerment" of non-state forms of management, in order to create agents of change in the hope of putting an end to the Revolution and socialism in Cuba by other means.

Cooperatives, self-employment and medium, small and micro private enterprise are not in their essence anti-socialist or counter-revolutionary and the enormous majority of those who work in them are revolutionaries and patriots who defend the principles and benefit from the achievements of this Revolution.⁹

Guideline 128 from the *Conceptualización* indicates the non-state means of production are to be regulated by the state for reasons of efficiency and, in line with traditional Marxist analysis, should only be

viewed as a temporary phenomenon at the current stage of the construction of the socialist state. Guideline 132 refers to “the life of the lease” of non-state enterprises. Neither of these statements will provide either potential foreign or domestic investors in Cuba with a sense of stability and safety for his investment.

128. The ownership or management of certain fundamental means of production by non-state natural or legal persons is subject to temporality and other conditions stipulated by the law, framed within the economic and social development purposes, without compromising our principles.

131. The State steps away from the direct management of certain activities, gaining in ability to concentrate on its main functions.

132. However, (the state) defines the conditions of property leases, which require, among others, a definition of the principal activities to be undertaken, the basic rules of operation, the life of the lease, and the standards for termination, so that the State retains the ability of strategic decision or control over the resources.

133. This causes the increase of the non-State sector of the economy, which is a facilitating factor of Socialism in its current stage of construction, which is based on an increase in efficiency, social wealth and well-being.

134. The appropriation by the non-state sector of part of the wealth that is created by the use of national resources takes place under the regulatory and control framework, under the primacy of Socialist relations of production.¹⁰

One part of the *Report* is especially noteworthy: “Guideline No.3 approved by the 6th Congress and which we intend to maintain and strengthen in the updated draft categorically specifies that *“In the forms of non-state management, the concentration of property shall not be allowed” and it is added “nor of wealth”*; therefore, the private company will operate within well-defined limits and will constitute a complementary element in the economic framework of the country, all of which should be regulated by law.”

The mention of preventing the concentration of property, now broadened to include “wealth”, is of course a long held tenet of the system. It is, however, inimical to economic growth. If the private sector is unable to accumulate capital, then it is indeed limited to small-scale enterprise and is denied the creation of dynamic firms that drive growth in modern market economies. I am not sure that the authors of the *Report* even understand the problem. In the *Report* of the Central Committee there is only one mention of entrepreneurial spirit, quoted above, in the context of a discussion of foreign and state investments. Neither in the *Conceptualization* nor in *the Plan* can one find a single mention of the concepts of “entrepreneur”, entrepreneurial or even innovator.

FOREIGN INVESTMENT

Cuba's stated interest in attracting foreign investment continues without reservations in the *Report* and the associated documents, despite the meager results so far. Perhaps a key to the slow progress in this area can be found in the statement “... we must do

9. In the *Report*, Raúl often swings from concept to concept. There may be a good reason for *the Report's* organization, but this author has chosen to organize the quotes along specific concepts. Thus many of the quotes in this text are not in the same sequence as in the original *Report*.

10. The original text is:

128. La propiedad o gestión de determina dos medios fundamentales de producción por personas naturales o jurídicas no estatales, está sujeta a la temporalidad y demás condiciones que estipula la ley, enmarcada dentro de los fines del desarrollo económico y social, sin comprometer nuestros principios.

132. No obstante, define las condiciones del contrato de arrendamiento, que precisan, entre otras, las actividades principales a emprender, las reglas básicas de funcionamiento, el período de vigencia, las normas para su terminación, de modo que el Estado conserva la capacidad de decisión estratégica o dominio sobre estos medios.

133. Esto provoca el incremento del sector no estatal de la economía, lo que constituye un factor facilitador de la construcción socialista en la actual etapa, ya que se realiza sobre la base de la elevación de la eficiencia, la riqueza social y el bienestar.

134. La apropiación no estatal de una parte de la riqueza que se crea mediante el uso de estos, tiene lugar bajo el marco regulatorio y de control, con la primacía de las relaciones de producción socialistas.

away with archaic prejudices toward foreign investment”. Raúl’s frustration with the problems of management throughout Cuba may be reflected in his comment that foreign investment would be useful in “promoting exchanges of technology and management systems about which the country knows practically nothing. . .”

The Foreign Investment Policy was approved, recognized as important and necessary to the development of the country, and a new law put into effect which, while offering incentives and legal protection to investors, also preserves national sovereignty, ensures the protection of the environment and rational use of natural resources.

The Mariel Special Development Zone was built and offers additional incentives to attract national and foreign investors. The Zone also benefits from a legal framework and the necessary infrastructure to establish and expand production with the aim of generating exports and substituting imports; *promoting exchanges of technology and management systems about which the country knows practically nothing*; creating jobs and long-term sources of financing; and developing logistics to facilitate high levels of efficiency.

... we must do away with archaic prejudices toward foreign investment and continue to advance with the formulation, design, and establishment of businesses.

Similar statements defending the role of foreign investments can be found in the *Conceptualización*.

As part of these changes, (we highlight) the role of the forms of property associated with foreign direct investment, the conditions that preserve the principles that underlie the Model, and simultaneously guarantee the rational use of resources, safeguarding the heritage of the nation and the environment.

Foreign direct investment constitutes a source of development and access to capital, technology, markets and management expertise, which contributes to the solution of important structural imbalances and productive linkages, in correspondence with the economic and social development.¹¹

And also in the *Plan*:

16. ... foreign direct investment (is conceived) as an essential part of the strategy of development of the

country and in particular, sectors defined as strategic.

NON-AGRICULTURAL COOPERATIVES

The sparse mention in the *Report* and other documents of non-agricultural cooperatives suggests that they are still considered experimental and little expansion should be expected in the near future.

The creation and operation of non-agricultural cooperatives continues in an experimental phase, mainly in trade, gastronomy, technical services, mini-industry and construction.

Within this activity, some achievements have also been made, but deficiencies have likewise been revealed, which stem from insufficient preparation and dissemination of the approved policy and regulations issued — to which we have referred on various occasions in this report — inadequate organization and accounting control, price increases and limited access to supplies and services in the wholesale market.

At the same time, the management and control of this experiment by the corresponding bodies has been unsuitable, which is why we decided to focus efforts on consolidating already created cooperatives and to advance gradually.

AGRICULTURE

The *Report* provides little sense of the plans for Cuban agriculture, where the updating has clearly slowed and even risks being reversed as the Government is clearly concerned by rising prices in both regulated and unregulated markets. Throughout the *Report* there is evidence that recent events in the agricultural sector may contribute to the skepticism of markets.

Furthermore, a set of measures are being introduced designed to remove obstacles that discouraged the different productive forms of our agriculture, but these have not yet matured and the growth rate of agricultural production is still insufficient, while, on average, each year the country must spend approximately two billion dollars on food imports, half of which we could produce in Cuba and even export the surplus.

A clear example of this is the increase in prices for agricultural products, a phenomenon which has

11. Guidelines 89 and 90.

seen the resurgence of a trend of speculation and hoarding, benefiting the few and negatively impacting the majority of the population.

Although we understand that the fundamental factor in the rising prices resides in insufficient production levels unable to satisfy demand, with progress made in this area affected by objective and subjective factors, we cannot remain unresponsive to citizens' frustration at the unscrupulous manipulation of prices by intermediaries whose sole consideration is to make more money.

SOME CONCLUSIONS

There are at least two ways to interpret the VII Party Congress and the continuing process that started with the VI Congress. The process can be viewed as a means by which Raúl and the Central Committee bring the Party and the Cuban people along with their updating of the economy and the Party. Another interpretation is that the leadership is unsure how to move and are generally looking for ideas. The two interpretations are not incompatible. Whichever interpretation one chooses, however, there is no doubt that the updating process has slowed and the documents presented to the Congress give little indication that we will see any acceleration in the near future.

The *Conceptualización* paper is supposed to serve as “the theoretical bases and essential characteristics of the social and economic model” for the updating process. Yet it is hard to find a sentence that breaks from the past or existing policy, except to call for more controls on the non-state sector. After 4 years of work, the *Plan* is still not ready, but Raúl “hopes” it will be ready by 2017. The solution to the problem of dual exchange rates “will be found as soon as possible”. So what is going on?

The answer I believe is found in ideology, bureaucracy and fear. The resistance of the bureaucracy has already been discussed. Jorge Domínguez's speculation appears justified. Raúl reigns but does not always rule. Two years ago, a Western reporter based in Havana privately observed that he would like to know what was going on in the Party's ideological committee.¹² Based on the three documents it seems fair to

say that the Party ideologues have made a good showing. Although recognizing the need for change, there is no weakening in the commitment of the socialist ownership of the means of production, nor the existence of a single guiding party. The objection to the concentration of wealth has even been strengthened. While the need for a private sector is recognized in the *Conceptualización*, the authors clearly reflect the Marxist analysis that such ownership is transitory in the steps to full socialization.

Fear is also readily discernible. The government's inability to unify the exchange rate, even though it is economically needed, is an example. There appears to be a greater understanding of the need for markets, but the need to regulate, control and, when perceived necessary, suspend such markets is stressed throughout all the documents. Raúl's comment, “we cannot remain unresponsive to citizen's frustration at the unscrupulous manipulation of prices by intermediaries whose sole consideration is to make more money” does not bode well for a free market system. If Cuba is again headed for severe belt tightening, it seems unlikely that they would take bold moves that might tighten the belts of its citizens, even if such moves might lead to higher incomes later.

Both factors come into play in the attitude towards the domestic private sector. In the late 1990s I wrote that the emergence of legal *cuentapropistas* weakened the control of the Party and the Committees of the Defense of the Revolution. The one party system remained in control, but personal freedom increased. Raúl understands this phenomenon very well as illustrated by the statement quoted earlier, “... as depending on the predominance of one form of ownership over another, a country's social system is determined”.

Given this attitude, the new welcoming of foreign private investment may seem paradoxical, but foreign investors are more easily controlled than the domestic business community. All three documents contain expressions of hope that foreign investment will

12. The question was rhetorical. He was not sure if such a committee existed.

make a large contribution to the nation's economic growth.

Finally, one last note on entrepreneurship. It is not found just in the private sector. In my 32 years in government, I encountered many bureaucratic entrepreneurs. However, if entrepreneurial spirit is discouraged in the private sector, it is unlikely to be

prevalent in the state bureaucracy where the task is more difficult, the rewards are less, and the risks from failure possibly just as great. The failure of the Cuban government and the Communist Party to even recognize the problem is perhaps most discouraging of all.