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Cuba: The Crisis of State Capitalism

by Hector Reyes

THE CUBAN Revolution of 1959 was a watershed in the long history of struggle against U.S. domination in Latin America. In Puerto Rico in 1961, it inspired the formation of the MPI (Movement for Independence) by activists opposed to U.S. colonialism. In Nicaragua, those who had been fighting for years against a U.S.-supported tyrant, Anastasio Somoza, were reassured that their struggle could be successful. As a Sandinista leader wrote much later, "For thousands of Nicaraguans, especially the young, the Cuban revolution brought a resurgence of hope. It told us that a revolution could triumph in an underdeveloped country."¹ Within a few years, the influence of the Cuban Revolution would extend beyond the confines of the Caribbean, standing as a revolutionary model to be emulated all over the world.

Today, Cuba no longer claims to be a revolutionary beacon, and national and revolutionary struggles around the world no longer claim its mantle as they once did. The people in revolt in Indonesia or East Timor don't cite Cuba as their revolutionary signpost, and neither do the Zapatistas in the Mexican state of Chiapas. Cuba has publicly disowned any real support for the Zapatista National Liberation Army—due in no small measure to increased investment of Mexican capital in Cuba, as well as the significant degree of trade between Mexico and Cuba.

The contrast between the revolutionary fervor and hope of the 1960s and the grim realities imposed by Cuba's economic crisis in the 1990s couldn't be more stark. The blunt fact is that the gains commonly associated with the Cuban revolution—such as improvements in the population's standard of living—have been severely eroded over the past 10 years. Between 1991 and 1997, Cuba's growth rate declined by 4.3 percent.² The collapse of the Eastern Bloc brought an end to Russia's substantial support for Cuba's economy, and debilitating economic sanctions imposed by the U.S. have also taken a terrible toll—estimated by one Cuban official to cost the regime about \$800 million a year. But, as this article will show, the crisis in Cuba began before the Russian aid spigot was cut off. Cuba's crisis was part of the general crisis of state capitalism that overcame the Eastern Bloc countries in the mid-1980s.

What are the causes of the crisis, and does the Cuban government's response to it represent a departure from the past? What is the character of the Cuban regime, and what is its future? In order to address these issues adequately, it is necessary to place them in their proper context. One must first look at the state of the country the guerrillas inherited in 1959, and then follow the Cuban government's attempts to overcome the country's economic backwardness throughout the following two decades.

A country run by gangsters

At the end of 1958, Cuba's economy was overwhelmingly dominated by sugar. Eighty-three percent of the available land was used to grow sugar cane, while 42 percent of the labor force was engaged in agriculture.³ The United Fruit Company and other American companies owned 1.2 million hectares of land.⁴ The U.S. had almost complete control of the Cuban economy, accounting for 70 percent of imports and exports.⁵ Another 20 percent of the labor force was employed in tourism, which was known as Cuba's "second harvest." Tourism workers catered mainly to Americans who came to the island looking for cheap rum, gambling and prostitutes. A large state machine—rife with gangsterism—developed. The main business of the state, which consumed some 25 percent of gross national product, was corruption.⁶

According to Fidel Castro, 700,000 workers were unemployed, while another 500,000 were seasonal farm laborers who starved for part of the year.⁷ The child mortality rate was 60 out of

every 1,000 births, while life expectancy was 55 years.⁸ Thirty-one percent of the population had no education at all; 29 percent had three years or less; 3.5 percent had some high school and only 1 percent had attended college.⁹

Cuba had been run by dictator Fulgencio Batista since 1934. His regime was corrupt and brutal. Although fully supported by the U.S., Batista was hated by everyone except for his immediate collaborators and hangers-on. In the late 1950s, this regime had no true left opposition. Gangsters ran the unions. The Communist Party (CP)—known at the time as the Popular Socialist Party (PSP)—was, like other Communist Parties of the 1930s, a useful instrument of Stalin's foreign policy. However, the PSP had decomposed far more than the average CP. It was linked to the Batista regime to such an extent that Castro could say,

What right does Señor Batista have to speak of Communism? After all, in the elections of 1940 he was the candidate of the Communist Party...his portrait hung next to [Communist leaders] Blas Roca's and Lazaro Peña's; and half a dozen ministers and confidants of his are leading members of the CP.¹⁰

The opposition to Batista that existed in the cities was overwhelmingly middle class, organized around the *Instituciones Cívicas*. Another component of the opposition was the student movement—also middle-class oriented. Although it would be a mistake to say that workers did not participate in opposition activity, their participation was not independent. Instead of putting forward their own class demands, workers were participants in a movement that was united in its shared hatred of Batista's regime.

Castro's July 26th Movement was made up for the most part of intellectuals, students, professionals and a limited number of peasants. Not only were its members mostly middle class, but its politics were decidedly middle class, too. It emphasized modest land reform and the development of Cuban capitalism without the obstructions of big business or imperialism. The guerrilla movement began its life in 1953 with an attack on the Moncada Barracks. In 1956, it re-launched its guerrilla struggle when it took to the *Sierra Maestra* mountains. The guerrilla strategy was one that explicitly rejected workers as the main revolutionary force. Che Guevara—who later became the worldwide symbol of guerrilla struggle—considered Cuban workers to be complacent and bought off by the system. In fact, he considered the cities an obstacle in the struggle:

It is more difficult to prepare guerrilla bands in those countries that have undergone a concentration of population in great centers and have developed light and medium industry...The ideological influence of the cities inhibits the guerrilla struggle.¹¹

In the first year of the revolution, Guevara explicitly denied its class character: "The Cuban revolution is not a class revolution, but a liberation movement that has overthrown a dictatorial, tyrannical government."¹² A few years later, Guevara reinterpreted the revolution as socialist—though workers hadn't played a central role in it—by redefining the term "proletariat" to refer to a moral code of behavior. The guerrillas became "proletarian" through identification with the suffering of peasants and workers and by living a harsh and frugal life.¹³

It took the guerrillas just over two years to topple the Batista regime. This is a strikingly short time when one compares it to the decades of struggle it took the Vietnamese or the Nicaraguan guerrillas to accomplish the same. However, it was the regime's isolation—indeed, its putrefaction—that allowed the army to crumble and the guerrillas to enter La Habana in January 1959. By their own account, the guerrillas were an almost absurdly small force—some 800 fighters.¹⁴ With the collapse of the regime, it was up to the guerrillas to build a new government and to reconstruct the country. Lacking any administrative experience, their most important assets were their honesty and enthusiasm.

In spite of their shortcomings, the guerrillas in power were able to institute a significant number of reforms. Mass mobilizations of students and intellectuals achieved a literacy rate of 90 percent in a few years. Over the next two decades, the standard of living of Cubans rose to levels that surpassed those of most of the other countries in Latin America. Schools were nationalized and education was made free. While in 1956 only 27,000 children finished their education, by 1976 the number had reached 700,000.¹⁵ The child mortality rate dipped to 15 per 1,000 births by 1983, which contrasts sharply with the corresponding figure of 18 for Blacks

in the U.S.¹⁶ Life expectancy jumped in the 1980s to 72 and 76 years for men and women, respectively. By contrast, the corresponding figures for Salvadorans and Haitians were 58 and 67 and 53 and 56, respectively.¹⁷ According to the World Health Organization (WHO), the minimum recommended caloric intake for an adult is 2,600 calories per day. By the late 1980s, the average Cuban intake was 120 percent of the minimum, versus 88 percent for Guatemalans, 80 percent for Hondurans and 70 percent for Haitians.¹⁸

The quest for national development

The economic crisis that has gripped the Cuban economy during the past decade has undermined many of these social gains. In order to understand how the crisis developed, one needs to examine the goals of those who have led the country since the revolution. In spite of all of the eventual rhetoric about socialism, most of the guerrilla leaders—with the exception of Che Guevara¹⁹—did not profess any affinity toward socialist ideas or programs. Their goals were the establishment of a liberal democracy and the development of the economic infrastructure of the island. Thus, Castro could proclaim,

Our revolution is neither capitalist nor communist!...Capitalism sacrifices the human being, communism with its totalitarian conceptions sacrifices human rights...Our revolution is not red but olive green. It bears the color of the rebel army from the Sierra Maestra.²⁰

And,

Any attempt at wholesale nationalization would obviously hamper the principal point of our economic platform—industrialization at the fastest possible rate. For this purpose, foreign investments will always be welcome and secure here.²¹

But the new regime's strategy clashed with the interests of American capital. Alarmed by the new regime's redistribution of land owned by foreign capital to poor peasants, the U.S. threatened to end the sugar quota. U.S. capitalists had one billion dollars invested in Cuba, mainly in sugar—95 percent of which was exported to the U.S. In retaliation, Castro began nationalizing land owned by former Batista supporters. In early 1960, the U.S. cut the sugar quota—a move that pushed Cuba to further nationalization. Then, when the U.S. refused to allow Cuba to refine Soviet oil in U.S.-owned refineries, the Cuban government began nationalizing industries. The U.S. finally imposed a total embargo on Cuba, which has lasted to this day—accompanied by innumerable attempts at sabotage, assassination attempts on Castro and the failed Bay of Pigs invasion in 1961.

With Cuba's largest trading partner imposing an economic blockade, the guerrilla-led government was compelled to seek the assistance of the so-called socialist bloc. This is why Fidel Castro declared the revolution socialist—in April 1961, retroactive to January 1959. This was a "socialism" defined as state ownership of the means of production. It had nothing to do with workers making fundamental decisions about the Cuban economy or society. Cuban revolutionaries expressed "an absolute determination to carry through *from the state* a program for economic modernization and development. "They embodied the drive for industrialization, for capital accumulation, for national resurgence"—in other words the unfulfilled tasks of a disabled national capitalist class."²²

In the context of the early 1960s, the state was seen by many as an instrument of economic progress. Even countries not claiming to be socialist, such as Japan and South Korea, made extensive use of state-directed investment.²³ The rate of annual growth of the USSR was around 10 percent throughout the 1950s. Cuban leaders looked to Russia and saw it as a model for development. However, before fully allying itself with the Soviet Bloc in the 1970s, Cuba first went through a series of zigzags throughout the 1960s.

Evolution of the revolution

Prior to the onset of the current economic crisis, Cuba went through various phases between 1959 and the 1980s. Before it fully allied itself with the USSR, Cuba attempted to swerve between the USSR and China. In part, this was due to the fact that the former guerrillas did not have a thought-out strategy before coming to power and therefore developed their economic strategies eclectically. However, the Cuban leadership also did not fully trust the USSR,

complaining frequently of being treated unfairly—Guevara being the loudest complainer.²⁴

The zigzag policy also reflected the influence of the Chinese version of state capitalism—Maoism. In the late 1960s, Cuba tried to emulate Mao's voluntarism, the assertion that willpower alone was enough to overcome major social and economic obstacles. In the process, Cuba managed to reproduce on a far smaller scale the catastrophic mistakes of the Chinese CP—as exemplified by Mao's disastrous "Great Leap Forward."²⁵ Recoiling from these failures, Cuban leaders finally decided to adopt the Soviet-style planning model. The following is a brief summary of the frequently drastic adjustments in policy made by the Cuban leadership during the first two decades of the revolution:

- 1959–61

This is the initial period of enthusiastic reform symbolized by the literacy campaigns. It involved mild land reform, and ended with extensive nationalization followed by the embargo. It ended due to a complete lack of resources resulting from the monumental loss of trade with the U.S.

- 1961–63

An attempt at economic diversification through industrialization was made at the expense of agriculture. Machinery and technology were obtained from the Eastern Bloc at a cost of one-quarter of the national income. Heavy emphasis was put on planning and labor discipline while the state bureaucracy expanded rapidly. Efforts to improve labor productivity were labeled "socialist competition." The government was caught in a contradiction: It needed the sugar income to pay for machinery, but it had neglected agriculture in order to industrialize. This period came to an end with a disastrous sugar harvest in which sugar output dropped nearly 50 percent compared to two years earlier.

- 1963–65

Heavy land collectivization was undertaken in order to gain full control over agricultural production—with sugar cultivation taking 70 percent of the land. Industrialization efforts were postponed while funding for education and housing decreased by 25 to 30 percent. Industrial production stagnated. This period is characterized by the Cuban government's increasing dissatisfaction with the extent of aid received from the Soviet Union.

- 1965–70

The intense dissatisfaction made Cuba attempt an autonomous course from the USSR. There was a rapprochement with China—which, at the time, was bickering with the USSR in the international arena over which country was the legitimate leader of the "socialist" world—and a turn toward Latin America. This is the period in which Cuba acquired its reputation as the revolutionary model for the Third World. There was a decline in working-class consumption—and virtually no economic growth (0.4 percent between 1965 and 1970). Since material resources were scarce, "moral incentives" were used to compel workers to work harder. Due to the developing economic crisis, by 1968 Castro began a slow process of rapprochement with the USSR—by supporting the USSR's military crushing of the workers' revolt in Czechoslovakia.²⁶ Finally, by 1970, Cuba had fully joined the Soviet camp.

- 1970–mid-1980s

During these years, there was full-scale Soviet intervention in the Cuban economy. The USSR's economic model of bureaucratic state capitalism was faithfully reproduced—especially with the introduction of full-scale "economic planning," which explicitly pursues the profitability of each enterprise. New labor laws were passed to tighten labor discipline. Cuba also joins the Eastern Bloc common market, the COMECON.

It is important to note here that despite these various efforts to develop and diversify Cuba's economy, at no point was Cuba able to break its economic dependence on sugar as a major source of foreign exchange. To cite one study, written in 1981,

Sugar monoculture is more pronounced now than before the Revolution. In 1962, harvested sugarcane in state land was 30.4 percent of the agricultural-cultivated state land; the proportion increased to 34.9 percent in 1974. The United Nations reported that sugarcane took

63.7 percent of major cultivates...in 1960; sugarcane took 71.6 percent in 1975...When in 1976 declining sugar prices in the international market negatively affected the goals of the 1976-1980 plan forcing a curtailment in imports and food rations, Castro stated that no return to an "anti-sugar attitude" would occur. Cuba would "stick to sugar" because of the comparative advantages of that product.²⁷

The early 1980s represent the highest stage of achievement of the Cuban regime—but they also show the early cracks in its project, as evidenced by the massive emigration of some 100,000 Cubans through the port of Mariel. This exodus was given the green light by Castro himself, who saw it as relieving some of the pressure on the economy.

Contradictions of Cuban "socialism"

We need to place the character of the government and the reality of the conditions faced by the Cuban working class in the proper perspective. The gains of the revolution, although significant when contrasted with the living conditions faced by many Cubans before the revolution, were fairly modest with respect to the overall needs of the population and to the socialist goal of human liberation. Socialism is a system of shared abundance accomplished by unleashing the productive potential created by capitalism on a world scale. In Cuba, socialism was lauded as the widespread sharing of scarcity: the rationing of goods, the unavailability of many basic goods, the persistence of visible poverty amongst pockets of the population, and the lack of housing, child-care facilities and public transportation.

Take housing, for example. According to one study,

In the early 1970s housing dropped to the bottom of construction priorities, thus dwelling construction per 1,000 inhabitants declined from 2.3 in 1959-63 to .5 in 1970 and then increased to 1.5 in 1979, still below the 1959-63 level. The estimated housing deficit created under the Revolution stood at 700,000 units in 1977.²⁸

Although every socialist and anti-imperialist needs to oppose the U.S. embargo, we need to understand that the economic woes of Cuba can in no way be fully ascribed to it. The embargo makes it more difficult to acquire medicines, all sorts of high-tech goods and investment. But these are also problems that Cuba would face, as an underdeveloped country, even if there were no embargo. Although, in the early years of the revolution, Cuba suffered immensely when the U.S. cut off all trade, it was able to compensate significantly for this loss by increasing its trade with other Latin American, European and Asian countries—in addition to the significant trade it carried out within the COMECON. Thus, between 1958 and 1980, Cuba increased its trade with Japan, Canada, Mexico, Spain and France by 5.7, 6.6, 34.8, 6.0 and 9.9 times, respectively²⁹—the combined value of which in 1980 reached roughly the one billion pesos worth of trade Cuba had carried out with the U.S. in 1958.

In Cuba, a small number of state officials and bureaucrats have always had a monopoly over all major decisions affecting society and the economy. The mass of the population has no way of modifying these decisions or removing the decision makers from their posts. In Cuba, the ruling class around Fidel Castro, his brother Raúl and a whole layer of highly placed bureaucrats have used the Cuban Communist Party (CCP), the *Asambleas del Poder Popular* (People's Power Assemblies), the Committees for the Defense of the Revolution (CDR) and the Union of Communist Youth (UJC) to pursue their economic policies. Anyone questioning their priorities has consistently been accused of being counterrevolutionary or, at least, a useful tool of U.S. imperialism—and has paid dearly for it. They have been the victims of harassment, loss of jobs and imprisonment. Thus, the alleged government of the "masses" feels that it has to suppress their voices and even their freedom of movement in and out of the country.

At their best, the *Asambleas* are no more than the equivalent of glorified city councils or state legislatures that operate at the regional and national levels, but with two significant qualifications. First, those elected into them come from a list of candidates that has to be approved by government officials. Second, the scope of the decisions made by the *Asambleas* is restricted to simple local matters or to ways of implementing the important decisions made by upper-level officials at the government ministries—officials that the "masses" have no way of replacing.

The CCP is a closed structure over which the "masses" have no trace of control. It is made up mostly of intermediate and upper-level bureaucrats, and few workers belong to it. Those

workers that join the CCP enter it through a process that resembles Catholic beatification. While workers are not allowed to personally join the CCP or to vote anyone out of it, they are asked to nominate other workers who embody the qualities desired by the bureaucracy from a worker: unquestioning loyalty, high productivity and the ability and willingness to improve their technical skills. Once these workers join the CCP, they can attempt to move up the ladder of the state bureaucracy—of course, losing their connection to the working class.

The CDR and the UJC are “mass organizations,” but neither is controlled by the masses. They are organs for the mobilization of the population behind national production targets (e.g., sugar) or political campaigns. The CDRs have lost much of their original usefulness to the ruling class, but they still function as a sort of neighborhood watch committee, helping to suffocate political dissent. The UJC targets schools and universities, where it has helped to rally students behind political campaigns such as promoting voluntary labor.

The lack of genuine democracy in Cuba does not mean that the regime hasn't had widespread popularity, especially in the early years of the revolution, for defeating U.S. imperialism and raising living standards. Castro has also been able to use the very real threat from the North as a way to shut down any and all criticism of the regime. But as the economy began to unravel, conditions began to emerge that have resulted in drastic changes in both the way the bureaucracy wants and needs to run the country and in the way the working class sees itself. For a new layer of young Cubans, the only reality they remember living is one of continuous privations and sacrifices. How long can this situation sustain itself without major social explosions?

The current crisis

Since the early 1980s, both Cuba and the USSR were heading toward their respective economic crises. In the second half of that decade, the USSR's *perestroika* and *glasnost*—championed by the now political ghost Mikhail Gorbachev—was matched by Cuba's rectification campaign. This campaign involved zigzags in economic policy accompanied by purges of prominent officials. The important question here is why were these drastic swings in economic policy required?

The Cuban Communist Party (CCP) believed that labor productivity and the rate of growth had been slowing down at a perturbing rate since the start of the 1980s. This was the main topic of discussion at its Third Party Congress in 1986:

[In 1981-85, growth] was insufficient where we most needed it, that is to say, in the export of goods and services, and in the substitution of imports...The growth of sugar production, our primary national industry, despite the advances achieved, has been below the possibilities in relation to the resources invested in it.³⁰

In other words, a severe crisis was developing in which there was diminishing output growth in relation to investment. This bears a striking resemblance to Marx's theory of the falling rate of profit, which argues that under capitalism, as investment increases, the ratio of machinery to labor becomes higher and higher, leading to a fall in the rate of profit (i.e., of the return on total investment). In Cuba, this process accelerated during the second half of the 1980s. According to Cuban economist Julio Carranza Valdés,

Calculating the productive response to investment between the period 1981-85 and 1986-90, there is produced a notable reverse from 53 centavos of growth in production per peso of investment in the first case, to two centavos in the more recent period.³¹

This crisis reflected itself first in terms of Cuba's debt. By 1989, Cuba owed the USSR 17 billion rubles, and by 1987 it had accumulated a hard currency debt of roughly six billion dollars—which corresponded to 102 percent of Cuba's annual export earnings.³² After the collapse of Stalinism in the Eastern Bloc and Russia, Cuba's military, technical, economic and political support disappeared. Subsidies estimated at anything between 2 and 5 billion dollars per year vanished. Then Russia and all other Eastern European countries demanded the debt to be paid in hard currency.

A significant source of hard currency for Cuba used to come from the resale of Russian oil in the world market, which accounted for 42 percent of its hard currency earnings in 1985.³³ After 1991, this source disappeared. Even worse, the lack of hard currency also meant no oil for local

consumption and no spare parts to repair the Eastern European technology. The economic crisis that ensued was monumental: From 1989 to 1991, the economy shrank between 35 and 50 percent. Total exports in 1993 were only one-fifth of what they had been in 1990, and imports were reduced by 75 percent.³⁴ Sugar output declined steadily throughout the 1990s. In response, the CCP established severe austerity measures—the “special period.” The government introduced a series of economic changes meant to relink the Cuban economy to the world market, including the legalization of U.S. dollars, the legalization of markets for agriculture and services, the opening up of the Cuban economy to foreign investment and the acceleration of trade with states outside of the former COMECON countries.

The net effect of the shortages and austerity measures has been a severe erosion of living standards. Before the crisis, each person was allocated a monthly quota of rice, beans, meat and other foods. Periodically, they would also receive items such as soap and shoes. Now, the food ration lasts half a month and shoes and clothes are no longer available by this means. As a consequence, the daily adult caloric intake has fallen sharply from 3,100 in the 1980s to 1,863 in 1994—72 percent of the minimum recommended by the WHO.³⁵

During the current crisis, a complex web of markets has evolved on the island, which Cubans use according to their resources and connections. Bear in mind that the monthly salary paid by the state to an average worker is 150 to 200 pesos, while that of a state doctor is between 300 and 400 pesos—and the exchange rate is some 20 pesos per U.S. dollar.

- State market of non-rationed goods: It operates either in pesos or hard currency. Its inventory is very limited, mostly to cigarettes and rum, at prices that have risen substantially in recent years.³⁶
- Free markets of farmers’ produce and industrial-artisan products: They sell in pesos at high free market prices. In 1996, rice cost five pesos per pound, and pork—the only meat available—cost 25 pesos per pound (equal to three days’ pay). A limited range of products, such as shoes, pots and pans, can be bought at steep prices.
- Dollar shops: Most of these shops are run by the state, while the remainder are owned by foreign capital. Their inventory is vast. Since the dollar was legalized in 1993, these goods are available only to those with access to dollars received from relatives abroad³⁷ or from interaction with tourists. A stereo costs about \$600—roughly five years’ pay for an average worker.³⁸ In 1994, these stores sold \$200 million worth of goods, which was higher than the earnings from tourism that year.³⁹
- Black market: All sorts of goods can be obtained in the black market—most of them stolen from state enterprises (e.g., food and building materials). For the bulk of the population, this market and the dollar stores are the only sources of powdered milk and cheese. The economic importance of the black market has sharply increased throughout the 1990s. In 1990, goods were sold having an approximate value of two billion pesos. By 1992, the value had reached ten billion pesos—compared to seven billion pesos in the official retail markets.⁴⁰

Both education and health care have suffered significantly as the crisis has unfolded. While education is still free, there is no money for books, pencils and notebooks, and there is anecdotal evidence of classroom overcrowding. Health care has deteriorated in the same manner. A doctor visit is still free, but most drugs now need to be paid by the patient—usually in dollars. The number of surgeries dropped by 45 percent between 1990 and 1993.⁴¹ The combined effects of worsening nutrition and services have led to blindness epidemics (1992), an increase of 150 percent in deaths from diarrheal diseases between 1989 and 1993 and a tripling of the tuberculosis rate between 1990 and 1994.⁴²

An array of additional social problems has exploded as a result of the crisis. The severe shortages have led to significant levels of unemployment—7.1 percent in 1994.⁴³ Scarcity and unemployment have prompted thousands of women to work as prostitutes in areas frequented by tourists—bringing back memories of the Batista years.⁴⁴ Theft, not only from government warehouses but also among desperate ordinary citizens, has become an everyday problem. The social consensus that prevailed during the first 30 years of the revolution has disintegrated into an intense daily struggle for individual survival. Thousands have tried to escape to the U.S.—many in homemade rafts, which have led to frequent drownings. A revealing incident took

place in 1995, when thousands congregated at La Habana's *Malecón* (beachfront). The angry crowds were too large and, fearing riots, Castro opted to allow all those willing to risk their lives in the open sea to leave the island unobstructed. Soon enough, the large numbers of Cubans attempting the dangerous trek alarmed President Clinton—who was in the middle of an anti-immigrant campaign—and led him to suspend a 34-year-old policy granting automatic political asylum to any Cuban attempting to leave the island.

The strategy of the Cuban government

The U.S. economic embargo certainly has made it more difficult to access basic goods, or has made the cost substantially higher—particularly that of medicines. However, Cuba's nightmare remains its underdeveloped economic infrastructure—something it shares with the rest of the so-called Third World. The government's most pressing need is access to hard currency to pay for imports and to rebuild its industry. Thus while trade with the U.S. is off limits, Cuba can still pursue trade with the rest of the world. In spite of all of the political posturing and pressures of the U.S. government, the main impediment remains Cuba's lack of hard currency to pay its potential trade partners in the economically advanced countries.

The response to this challenge has been to impose severe austerity measures in social services and transport, and to sacrifice sectors of the economy that are considered marginal. Not surprisingly, the CCP has privileged those economic sectors that bring hard currency: sugarcane, tourism, biotechnology and enterprises receiving foreign investment. The \$1.9 billion tourist industry is once again Cuba's "second harvest," joining sugar and dollar remittances from Cubans living in the U.S. as the country's main source of foreign exchange. The government has also experimented with export processing zones (EPZs) similar to those found elsewhere in the Caribbean and Central America. EPZs are meant to attract foreign capital by creating special production zones that offer cheap labor and tax shelters for companies who produce for the international market. In 1998, there were three EPZs and plans to build more.⁴⁵

In 1995, the government approved a new law allowing for up to 100 percent foreign ownership of enterprises. During the presentation of its draft to the National Assembly of the People's Power, Ernesto Meléndez Bachs proudly said that foreign entrepreneurs should feel reassured because they would "operate in a stable country, without terrorism, without drugs, without the kidnapping of executives."⁴⁶ According to Meléndez Bachs, this new law would further expand foreign investment, which by 1995 involved 34 economic sectors and 50 countries, and which also included Cuban investment abroad in construction, shipbuilding, banking and nickel and cobalt refining.

The benefits of the new law for the working class are minimal. Foreign firms pay their Cuban workers through a state agency. The firm pays the state in dollars, and the state pays the workers a lower amount in pesos—comparable to the average state salary.⁴⁷ However, the Cubans who get themselves appointed to a management position in these firms are employed and paid directly by the firms—frequently in dollars and without any cut taken by the state.

Since there are no independent unions in Cuba, there are no basic mechanisms for collective self-defense for the working class. The official trade union, the CTC (Congress of Cuban Workers), and other "mass organizations" such as the UJC (Union of Communist Youth) serve as a transmission belt for the implementation of the economic directives decided by the upper layers of the bureaucracy in the CCP. In a speech to mark the opening of a new hotel—a joint venture with Spanish capitalists—Castro said that the CCP, the CTC and the UJC would "continue to be the watchman of efficiency and discipline and fight so the work will be the best possible...Are they going to want to tell the manager what to do? No! They will have to support the efforts of the management, whether the manager is Cuban or Spanish."⁴⁸

In order to impose the kind of labor discipline desired by Castro, a central element has been the so-called socialist emulation, which is nothing more than a combination of moral exhortations and rigid labor rules to increase worker productivity. For example, chemical workers in the basic industries sector are graded according to the Coefficient of Labor Productivity (CPL). Your CPL falls if you are tardy or absent. Every month the CPLs are evaluated, and those workers above a certain level are labeled "compliers," which grants them points that can be used at a company shop to obtain basic items such as cooking oil, soap and shampoo—unavailable for pesos. Those with higher CPLs can be labeled as "outstanding" and "vanguard," which allows them to have access to shoes or clothes that otherwise can only be bought at dollar stores. Understandably,

maintaining your CPL is literally a matter of survival—people will come to work sick or use vacation days to take care of sick relatives.⁴⁹

These policies are not new. A speech by Castro on the twentieth anniversary of the revolution that asked workers to tighten their belts reads no differently than if it were a Mexican or U.S. political leader pushing austerity measures:

It would be demagogic to say that the coming years which face this generation are going to be easy ones...I firmly believe that we actually should not think of increasing our consumption...we should not speak of improving living conditions...It is more important for us [to concentrate on development], to put our economy on a sound footing, [to maintain the levels of production] and change the structure of our economy...We should aim our efforts mainly in this direction in the next seven or eight years...There is always a generation whose lot is to do the hardest work...This generation must make sacrifices...Other generations will live better.⁵⁰

Whether by economic compulsion (as with the CPL) or through moral exhortations, the idea is to increase worker productivity. The issue of “socialist emulation” or “socialist competition” is simply a ploy to get workers to consent to increased exploitation. At various stages of the revolution, it has been part of campaigns to promote voluntary work and “exemplary” status recognition—Guevara used to be the greatest defender of these so-called “moral incentives” through his arguments about the “New Man and Socialism.”

The reality is that if the government lacked resources to compensate its workers (material incentives), it offered to pay them for working harder for less with moral satisfaction. Not surprisingly, when Cuba stumbled into its severe crisis in the early 1990s, the government resorted to a campaign that resurrected the image of Guevara—and of course the virtues of moral incentives and voluntary labor. Some uncritical defenders of Cuba’s regime argue that since the country is socialist—based on the fact that industry and commerce are nationalized—any attempts at extracting more labor from the workers simply results in more benefits for all workers. As we have seen, workers have no mechanism of control over their working conditions or the economy. Everything lies in the good hands of the “well-intentioned leaders”—whose economic priorities subordinate consumption needs to increasing output and making Cuban products more competitive on the world market. The Cuban ruling class has always attempted to participate in the international market as a means of developing the country. This has come only by extracting higher and higher productivity from its workers and holding down consumption—capitalist exploitation by any other name. In straight terms, it means that, notwithstanding Fortress Cuba’s claims of “socialism on one island,” its economy is in reality state capitalist.⁵¹

The combined effects of the economic crisis and the government’s policies have produced a sharp economic differentiation among the various sectors of the population—a fact reluctantly acknowledged by the government.⁵² What the government won’t admit is that if you are part of the bureaucracy that rules over Cuba—particularly in the upper layers—your access to food, clothing and comfortable accommodations is guaranteed. The farmers’ market and the growth of the black market have created a new middle class. For example, someone running a tire repair shop can earn 1,000 pesos per month, while a lawyer representing business people can earn 1,500 pesos per month, in addition to presents and tips—which should be compared to the average state salary of 150 to 200 pesos per month. Well-connected government officials can get themselves appointed directors of mixed enterprises with access to substantial amounts of dollars or large sums of pesos. What we are witnessing is the direct, but gradual, transformation of state bureaucrats and managers into a private bourgeois class.⁵³ This process is not peculiar to Cuba. When Stalinism collapsed in Eastern Europe and Russia, the bureaucrats who ran the most promising state industries were able to place themselves as the directors of the newly privatized enterprises, or even as the new private owners. In Cuba, the process has not moved that far. However, the 1995 law allowing for full foreign ownership of enterprises certainly has eased the way for an eventual, similar scramble by Cuban bureaucrats.

A different road

The severe hardship imposed on most of the population by the combined effects of economic crisis and government policies, and the extensive pursuit of foreign investment, make a mockery of Castro’s 1986 speech in which he passionately stated that “Cuba will never adopt capitalist methods.”⁵⁴ In fact, even when the internal market was significantly curtailed during

the phase of USSR tutelage, the time-honored capitalist methods of increased productivity, tight labor discipline and enterprise profitability were actively pursued by Cuba's rulers through their eager participation in the international market. Now that the island has been thrust even deeper into that market, all of the ills that seemed to disappear with the revolution have reemerged with a vengeance: malnutrition, theft, hoarding, prostitution tied to tourism and a rapidly increasing dependence on foreign capital, which doesn't feel it has to disguise its profit motive.

The truth is that when the guerrillas took power in 1959, they amounted to no more than armed reformists. They managed to get rid of a hated despot, but they did not accomplish a revolutionary social transformation. They introduced beneficial reforms in health and education. But these reforms were no different in character, and significantly less extensive due to the severe economic underdevelopment, from those instituted by reformist social democratic governments in Sweden, Britain and other countries of Western Europe in the 1950s and 1960s. A socialist revolution is much more than setting up social programs that can be taken back at the whims of the rulers. It involves not only the working class taking direct control of state power, in order to redirect production for human need, but also the reorganization of society to gradually rid it of all sorts of ills such as racism and sexism—what Marx called the muck of ages.

The worst aspects of racism were confronted in the early years of the revolution, but it has worsened during the current crisis. The police regularly stop young Black men on the streets to demand their papers, Blacks are concentrated in the poorest neighborhoods and racist sayings are spouted as a part of normal conversation. Women have also been affected more severely by the crisis. Often they are the first ones to be laid off or demoted—which has surely contributed to the increase in prostitution—and sexist images of women in string bikinis have become prominent in the promotion of tourism.⁵⁵ Although the persecution of gays has lessened during the past decade—there was an open gay festival in La Habana in 1992⁵⁶—some aspects of gay sexuality remain a criminal offense.⁵⁷ More importantly, one needs to ask, if socialism is about the liberation of all humanity, why did it take the CCP until 1987—nearly 30 years after the revolution—to remove the law penalizing public homosexual behavior, which had been in effect since 1938 when Batista ruled the country? The answer again is that the Cuban regime has nothing to do with socialism. A nationalist armed uprising is not a socialist revolution.

Castro had to take up arms in the 1950s because of a heavy, sovereignty-bending fact of contemporary capitalism: U.S. imperialism. In 1898, the U.S. snatched Cuba as booty of the Spanish-American War. In 1902, due to popular resistance, it was forced to grant Cuba its independence. But it was a sham independence because the U.S. inserted into the Cuban constitution the Platt Amendment—which guaranteed the U.S. the right to intervene militarily in Cuba at anytime if its "national interests were threatened."⁵⁸ From that point and up to 1959, the U.S. supported every vicious and corrupt dictator in Cuba. Peaceful methods of change were completely cut off even to liberal reformers.

Since the revolution, the U.S. has continuously attempted to undermine the Cuban state. The most recent act of economic sabotage, the 1995 Helms/Burton law—which penalizes countries and companies that do business in Cuba—confers on the U.S. president the prerogative to define what constitutes democracy in Cuba. Nothing could be more arrogant and hypocritical given the overt support the U.S. has provided to every kind of murderous dictator in Latin America, from Nicaragua's Somoza to Chile's Pinochet. This is why we celebrate the Cuban Revolution, because it gave U.S. imperialism a black eye—proving that it could be defeated in its own backyard. But defending Cuba against American domination is not the same as identifying with Castro's regime.

Cuba's crisis is not separate from the severe economic recession that currently affects nearly 40 percent of the world. In country after country, the political parties traditionally associated with reforms—social democrats and liberals—have proven unwilling and incapable of effecting significant reforms. On the contrary, they have presided over extensive attacks on their working classes. Cuba's population is facing a situation similar, but much sharper, to that of workers in Britain, Germany and the U.S., who are suffering from drastic cuts in the welfare state. The strategy of the guerrillas-turned-bureaucrats has always been playing the international market—a dead end for the Cuban working class. For in order for the Cuban economy to compete favorably in that market, continuous increases in productivity are demanded from its workers—in the form of longer working hours, speedups and lower wages. Even in their own terms, the bureaucracy's goals of national development and of overcoming the dependence on sugar have failed wretchedly.

There is a different road. It involves not playing the market, but fighting to end the international capitalist system that relies on that market. Cuba's working class needs to fight its struggle on two fronts simultaneously. One is to defend its living standards against the impositions of its ruling class organized in the CCP. The other is against U.S. imperialism. Cuba's fate has showed that there cannot be an island of "socialism" in a capitalist world. Even at its best, the conception of international revolution espoused by some revolutionaries in Cuba—such as Che Guevara—amounted to no more than a collection of nationalist revolutions that could come together to resist the policies of the advanced countries.⁵⁹ That was in the 1960s. Such rhetoric has been abandoned by the Cuban leadership for many years. The liberation of the Cuban working class will come by means of a different strategy—through its own self-activity, defending its own interests and joining the workers of the world in a common fight to end the international system of capitalism, which causes misery in Cuba and imperialist siege and wars and destruction everywhere.

1 Quoted in D. Tijereno, "Cuba: Adapting to a Post-Soviet World," *NACLA Report on the Americas*, Vol. 29, No. 2, September/October 1995: p. 43. I am greatly indebted to David Viinikka for access to this and much other invaluable information regarding Cuba in the 1990s through his unfinished manuscript *Cuba: Between Dreams and Nightmares*.

2 Economic Commission on Latin America (ECLAC), 1998 report cited in "Sea Changes: The New Cuban Economy," *NACLA Report on the Americas*, Vol. 32, No. 5, March/April 1999, p. 23.

3 Quoted in P. Binns and M. Gonzalez, *Castro, Cuba and Socialism: The Economics of State Capitalism* (Cleveland: Hera Press, 1981), p. 4.

4 T. Ruiz Fernández, "La larga marcha de la revolución cubana," *Tiempo e Historia*, December 1976, p. 15.

5 Comité Estatal de Estadísticas, *Anuario Estadístico de Cuba*, 1985, pp. 377-91.

6 Binns and Gonzalez, p. 5.

7 "History will absolve me," speech reproduced in F. Castro and R. Debray, *On Trial* (London: Lorrimer Publishing Ltd., 1968), p. 28.

8 F. Castro, *Informe al Primer Congreso del Partido Comunista de Cuba* (Barcelona, 1976), p. 134.

9 Binns and Gonzalez, p. 6.

10 Quoted in H. M. Enzenburguer, *Raids and Reconstructions: Essays on Politics, Crime, and Culture* (London: Pluto Press, 1976), p. 200.

11 Quoted in T. Cliff, *Deflected Permanent Revolution* (London: Bookmarks, 1986), pp. 14-15. Originally in C. Guevara, "Cuba: Exceptional Case?" *Monthly Review* (NY), July/August 1961, pp. 65-66.

12 *Che Guevara Speaks: Selected Speeches and Writings*, G. Lavan ed. (New York: Pathfinder, 1967), p. 13.

13 See H. Reyes, *Guevara and Cuba: Beyond Vilification or Romanticism* (Chicago: Bookmarks, 1993).

14 Quoted in T. Cliff, p. 14. Original reference is a speech made by Castro on December 1, 1961, and reported in *El Mundo: La Habana*, on December 22, 1961.

15 *Anuario Estadístico de Cuba*, Table XIII.4.

16 *Anuario Estadístico de Cuba*, p. 134.

17 *The Economist Book of Vital World Statistics: A Complete Guide to the World in Figures*, editors of *The Economist* eds. (New York: Times Books, 1990), p. 214.

18 *Vital World Statistics*, p. 64.

19 Guevara was one of the few in Castro's group who had sympathies for socialism before they took power. His ministry was in charge of one of the first waves of nationalization in 1960. However, Guevara's conception of how socialism could be achieved was paternalistic at best, and bureaucratic and undemocratic in practice. For him, workers were not the central actors in building socialism—this was a task for the state through highly committed technocrats. The result was that, even in spite of his best intentions, his project led elsewhere, to a highly centralized form of state capitalism that he was never able to fully implement because of disagreements with Castro, and because he left Cuba in 1965. For more about Guevara's politics see H. Reyes, *Guevara and Cuba*.

T0 Speech delivered by Castro on May 21, 1959, quoted by Binns and Gonzalez, p. 9.

21 From an article published by Castro in the magazine *Coronet*, February 1958, quoted in Cliff, p. 15.

22 M. Gonzales, "Can Castro Survive?" *International Socialism* 56, Autumn 1992: p. 94.

23 See N. Harris, *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology* (Middlesex, England: Penguin, 1986).

24 See E. Guevara, "La Lucha Antimperialista No Tiene Fronteras," in *El Socialismo y el Hombre Nuevo*, José Aricó ed. (México, D.F.: Siglo Veintiuno, 1977), pp. 231-32.

25 For a brief and useful account of Mao's rule over China see C. Hore, *China: Whose Revolution?* (London: Bookmarks, 1987).

26 For a discussion of how the supposedly socialist government of the USSR militarily crushed the Czech workers see C. Harman, *The Fire Last Time: 1968 and After* (London: Bookmarks, 1988).

27 C. Mesa-Lago, *The Economy of Socialist Cuba* (Albuquerque: University of New Mexico Press, 1981), pp. 64-65.

28 Mesa-Lago, p. 196.

29 *Anuario Estadístico de Cuba*, pp. 377-80.

30 *Informe Central al 3º Congreso del Partido Comunista de Cuba*, La Habana, February 1986 (Buenos Aires : Editorial Anteo, 1986), pp. 31ff. Quotation translated by D. Viinikka.

31 J. Carranza Valdés, "Cuba: los retos de la economía," *Cuadernos de Nuestra América* July/December 1992, No. 19: p. 138. Quotation translated by D. Viinikka.

32 Cuba suspended the payment of its foreign debt in July 1986. Debt figures quoted in R. A. Sandoval, "Cuba: Dolarización, endeudamiento externo, proceso de ajuste y otras reflexiones," *Economía y Desarrollo*, 1995, No. 2, pp. 53ff.

33 Sandoval, p. 54.

34 "Sea Changes: The New Cuban Economy," *NACLA Report on the Americas*, Vol. 32, No. 5, March/April 1999: p. 23.

35 R. Garfield and S. Santana, "The Impact of the Economic Crisis and the US Embargo on Health in Cuba," *American Journal of Public Health*, January 1997: p. 16.

36 Carranza Valdés, p. 20.

37 According to Cuban American writer and journalist Achy Obejas, the annual remittances of Cuban exiles to the island approach one billion dollars. (*Chicago Tribune*, October 31, 1999.)

38 Viinikka, *Dreams and Nightmares* (unpublished), p. 6.

39 O. E. Pérez and H. Marquetti, "La Economía Cubana, Actualidad y Tendencias," *Economía y Desarrollo*, 1995, No. 1: p. 41.

40 Sandoval, p. 52.

41 *El País* (Barcelona), March 28, 1996.

42 Garfield and Santana, pp. 16-17.

43 Pérez and Marquetti, p.36n.

44 I. Lumsden, *Machos, Maricones [sic] and Gays: Cuba and Homosexuality* (Philadelphia, Pa.: Temple University Press, 1996), p. 171.

45 "Sea Changes," p. 27.

46 This and other valuable information can be obtained through Cuba's Web site at <http://www.cubaweb.cu>.

47 *Ley de la Inversión Extranjera* (La Habana, 1996), Art. 33.

48 Quoted in Viinikka, *Dreams and Nightmares* (unpublished), p. 12. From a speech by Castro on May 10, 1990, in Varadero, Cuba.

49 Viinikka, *Dreams and Nightmares* (unpublished), p. 10.

50 Mesa-Lago, p. 198.

51 In the most sophisticated justification of Cuba's masking of state capitalism as socialism, Guevara describes the workers not as the central agents of the construction of socialism, but as mere tools to be molded by the true agent of "socialism," the state bureaucracy. See Reyes, *Guevara and Cuba*.

52 See J. Triana Cordovi, "Cuba: Consolidación de la reanimación económica," *Economía y Desarrollo*, 1995, No. 2: p. 20, and Castro's speech of May 1, 1994, which can be found at <gopher://lanic.utexas.edu:70/11/1a/Cuba/Castro>

53 Viinikka, *Dreams and Nightmares* (unpublished), p. 24.

54 F. Castro, *Cuba will never adopt capitalist methods* (New York: Pathfinder Press, 1988).

55 M. Vilasis, *NACLA Report on the Americas*, Vol. 29, No. 2, September/October 1995: pp. 28-29.

56 J. Waller et al., *AIDS in Cuba: A portrait of prevention* (London: Cuba Solidarity Campaign, June 1993), p. 15.

57 Lumsden, p. 85.

58 The Platt Amendment was dropped from the constitution in 1934, after a successful general strike forced dictator Gerardo Machado out of power in 1933. This incident clearly demonstrates the capacity of Cuban workers for independent action—the missing factor was a revolutionary socialist party that could have actually led the working class in 1933. The party at hand, the CP, was thoroughly Stalinized and wasted that historical opportunity by reaching an agreement with Machado: In exchange for legalization of the CP, the CP would pull the plug on the strike. This established the precedent that eventually allowed the CP to become a Batista supporter, and which led to the CP's political bankruptcy. For an account of this period see L. A. Pérez, Jr., *Cuba: Between Reform and Revolution* (New York: Oxford University Press, 1988).

59 See H. Reyes, *Guevara and Cuba*.

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