



# Taking the capitalist road? The market reforms in Cuba

Fri, 21/11/2008 - 15:56

In February 2008 the resignation of 81 year-old Fidel Castro as Cuban president due to his deteriorating health, and his succession by brother Raul Castro gave rise to debate over the path that Cuba was now to take. Recent economic reforms, particularly those in agriculture have fuelled speculation that Cuba may be about to make a controlled turn towards capitalism, a fate which has already become reality for millions of workers and farmers in states like Vietnam and China.

The result has been accelerating levels of social inequality and widespread impoverishment. International conditions are creating added impetus for change in Cuba. The alignment with radical regimes in Latin America, like Venezuela and Bolivia, helped Cuba to survive but has also attached the island's fate to political struggles within these countries. America retains its embargo and hard line stance but should the Democrats retake the presidency it could quickly change its post-1960s policy if there were signs the Cuban regime was serious about restoring capitalism and fully integrating the country into the world market. Inside Cuba demographic change, the nearing of veterans of the revolution to the end of their lives and a hostile sentiment among young Cubans towards the regime has sparked calls for political change. Cuba's status as one of the last bureaucratically planned economies (along with the bizarre and tyrannical North Korea) and its popular status on the international left as the "nice" and radical face of Stalinism, makes its development hugely important. This is all the more so in the new conditions of global economic crisis, which we can expect to seriously destabilise states across the Americas both those friendly and hostile to Cuba. The political and economic changes taking place inside Cuba today are some of the most significant the island has seen since the collapse of the Soviet Union in the early 1990s and could end in full capitalist restoration. Here, the reform programme is discussed in the context of Cuba's historical development as a Stalinist state. We look at the determination of the regime to restore capitalism, the developing social contradictions and the revolutionary potential.

## **The Cuban Revolution and the creation of a command economy**

The Cuban Revolution was founded upon mass discontent with Fulgencio Batista, the political and military leader of the island on and off between 1933 and 1958. Despite repeatedly leading coup d'État and violating elections, Batista enjoyed support from the American government, who were happy to put up with his undemocratic activities so long as his regime acted in its interests. Batista's obsession with turning Havana into a Latin Las Vegas ensured hotel and tourism giants could reap the rewards of Cuba's tropical climate and cheap labour. By the early 1950s, sugar accounted for 83 per cent of agricultural production and the US was the main beneficiary of these cheap exports. However many Cubans, particularly the campesinos on the plantations and students in the cities had grown fed up of the poverty in the country, inequality in the city, corruption and a trampled on constitution. They made links between Cuba's colonial past, both at the hands of the Spanish and Americans, and turned the disillusionment into a nationalist and anti-imperialist movement against Batista and his links to foreign capital. At this time Cuban nationalist Fidel Castro, exiled in Mexico after a failed assault on the Moncada Barracks on 26 July 1953, was building up forces ready for his next attempt. He kept alive links to anti-Batista activists in Havana and elsewhere, and in November 1956 Fidel and 81 others including Ernesto Che Guevara and Raul Castro boarded a yacht, the Granma, sailed to Cuba and met a savage attack from Batista's forces. The Granma was 13 years old and designed for just 12 people - no wonder it is said to have nearly sunk by the time it reached Cuba! They became known as the July 26 Movement (M26J) after the attack on Moncada and a small fraction dissipated to the Sierra Maestra mountain range where guerrilla warfare against Batista's army was launched in late 1956. Castro and his forces continued fighting over the next three years with many victories and near defeats. Their eventual victory was thanks in large part to the Stalinist Partido Socialista Popular (PSP) joining

with them in 1958 and mobilising the power of the working class. Despite the support from the PSP the character of the struggle was still primarily military few democratic organs of workers struggle were formed. There was little in the way of workers strike committees and factory occupations, let alone popular workers' assemblies in the municipalities. The PSP correctly understood the movement as a national liberation struggle against Batista's dictatorial pro-American regime. The problem, however, was, following the Stalinist popular front doctrine, the PSP argued the struggle should be limited to democracy alone, not extended to a revolutionary struggle for working class power. They rejected the strategy, historically advocated by Trotskyists, that communists should fight not only for unity in action with bourgeois and petit-bourgeois forces in the anti-imperialist struggle, but also combine this with agitation for their own revolutionary programme: soviets, the arming of the workers, factory occupations, etc. This strategy could bring the working class to the head of the struggle, while in contrast the PSP tailed the leadership of Castro. As for Castro and the M26J they had few connections to the organised working class and were for the most part interested only in capitalist democracy, along with a degree of economic freedom from the US. Some leading figures in the movement were even aggressively anti-communist. Despite its guerrilla tactics, the M26J did have a social base in the country. The concessions given by Batista to large US firms affected even some of the richer Cuban farmers and other business owners and Fidel wanted to keep these forces on side. For this reason the M26J made a point of continually reiterating that socialism was not on the agenda of the movement. As John Lister points out, in November 1956 the Manifesto of the July 26 Movement declared the objective of "seeking a constructive friendship" as a "loyal ally" of the USA, calling for "solidarity and harmony" between capital and labour to "increase productivity". By May 1958, Castro was even more insistent: "never before has the July 26 movement talked of socialism or nationalising industry".<sup>1</sup> With many different factions and ideologies operating within the M26J Castro quickly adopted the role of the centrist attempting to balance the competing different political tendencies. On the one side, figures such as Raul Castro and Che Guevara were influenced by Stalinism, with the 1958 intervention of the PSP increasing the influence of their ideas and, on the other, figures such as Huber Matos became increasingly concerned at communist influence in the group, particularly after 1958 he eventually left in September 1959 for this reason.<sup>2</sup>

On 1 January 1959 Batista fled Cuba upon hearing that the rebels had taken Santa Clara. The M26J movement then marched on to Havana unopposed. Upon arrival they found a power vacuum that they had to fill but, with no political programme, there was little agreement among the movement's leaders on how to do so. The rebel army was now the main locus of power in Cuban society and Castro as leader of the army was in a particularly strong position. He made liberal Manuel Urrutia Lleo the new President in an effort to appease all sides, particularly the United States. He was anxious to do so because the purges of the state they carried out to rid it of Batista supporters had received a hostile reaction from liberals who had initially supported the movement.<sup>3</sup> The new government was filled with forces representing national business and middle class interests and Urrutia's discontent at receiving a pay cut testified to the class outlook of the new government. Urrutia's puritanical closures of casinos and "frivolous" entertainment angered those working in these industries and Castro was soon forced to intervene. However, it was land reform that proved to be the key struggle. The will of the campesinos and Cuban workers, in particular the sugar workers, soon compelled Castro, instrumental in appointing Urrutia, to side with the masses and force Urrutia's resignation. Castro thus began on the path of economic reforms that, while benefiting his base of supporters amongst the workers and farmers, were commanded from above and implanted with a strengthened state apparatus. Castro attempted to do the impossible insofar as he granted social and economic reforms while also trying to keep the United States on board. Rate capping of utilities and rent were just about acceptable to the USA, but the moderate land reform, which hurt US business interests, was not tolerated and they intervened. One clause stated, by popular demand, that in the future only Cubans could own land a promise of compensation (not expropriation) was not seen as a sufficient sweetener. An official note of protest was sent by the US to the Cuban government, which soon became divided between the pro-American bourgeois elements and the anti-imperialist Stalinist wing. By February 1960 the US decided that cooperation with Castro's government was impossible and they began to plot its overthrow.<sup>4</sup>

The hostility from the USA was countered by an interest in the island from the Soviet Union who saw Cuba as a means for it to project power on America's doorstep, and the Stalinist wing of the M26J naturally wanted to develop these links. Cuba needed to sell sugar, and the USSR offered to buy it in exchange for oil and grain. The US responded by pressuring its oil companies on the island to refuse to refine it. The result was the nationalisation of US oil refineries.

As the US moved in to slash its imports of Cuban sugar, Cuba responded with the nationalisation of sugar mills and plantations, with the Soviet Union eager to take up unsold sugar to support its new ally. As President Eisenhower moved to sign a bill slashing sugar import quotas in July 1960, Castro proclaimed, "they will take away our quota pound by pound, and we will take away their sugar mills one by one"<sup>5</sup>. By November 1960 eighty per cent of Cuba's industrial capacity was nationalised. From 1962, the 'JUCEPLAN' was in operation, a central planning agency for Cuba's nationalised economy. This centralised planning from the Cuban state apparatus confirmed an economic change from capitalism to a bureaucratically planned economy and political dictatorship what supporters of Fifth International have termed a degenerated workers' state, sharing as it did all the core features of the Soviet Union following its bureaucratic degeneration.<sup>6</sup> The Cuban bureaucracy focused its economy increasingly around the needs of the Soviet Union and trade pacts with Eastern Europe. This led to major problems in the early 1990s as capitalism was restored in these states. **The fall of the Soviet Union and a 'Special period in peacetime'**

The aggression of the United States trade embargoes from February 1962 onwards and the alliance with the USSR led to Cuba's economy being almost entirely reliant on Soviet subsidised trade agreements. Cuba's exports still relied in the main upon sugar and the island had done little to diversify the economy to the frustration of Che Guevara before his death. As the USSR faced its own difficulties in Europe, fuel and wheat imports to Cuba became increasingly unreliable. The fall of the Soviet Union in 1990 precipitated a crisis in the Cuban economy of massive proportions. Between 1989 and 1993 Cuba lost 78.9 per cent of its exports and 75.6 per cent of its imports.<sup>7</sup> Fuel imports were reduced from 13 million tons to 5.3 million. In order to deal with this crisis and keep Cuba's head above water drastic measures were taken and Fidel Castro announced the dawn of a "período especial" (special period) to the Cuban population. One of the first priorities was to sort out the food crisis. Cuba had been reliant on Eastern European food imports with its own fertile land devoted almost entirely to cash crops. Food imports halved between 1989 and 1993 and agricultural machinery no longer had the fuel it needed to run on. Farmers were encouraged to use animal labour instead, strict rationing was put in place and thousands of workers in the cities were moved into the countryside to farm.<sup>8</sup> Volunteers from the cities moved into the country to work for two-week stints, with an incredible 146,000 residents of Havana participating in voluntary agricultural work in 1991.<sup>9</sup> However, food was still scarce for Cubans and fuel shortages resulted in frequent ten-hour power cuts. The crisis sparked waves of emigration to Florida and some incidents of public disorder. However the centralised nature of the economy, the ability of the state to make radical economic changes extremely quickly and a strong anti-imperialist sentiment amongst the population who blamed the problem on the US trade embargo meant that against all the odds the Cuban system managed to weather the storm. Nonetheless, some in the Cuban government saw a need to restructure the economy on a more permanent basis, which set a precedent for future economic reform carried out by Raul Castro, Fidel's successor from 2008. One of the most significant reforms to the economy took place in 1993 with the legalisation of the US dollar. Whilst there had always been an illegal black market in dollars, it was now an explicit aim to keep the currency circulating in the market to keep the economy buoyant. This was accompanied by a turn to the tourist trade, which became the major investment priority. The result was a serious blow to equality in Cuba, creating a divide between those with access to the dollar and those without. Highly skilled workers such as doctors and engineers joined the tourist sector to get access to dollars, enabling them to buy a range of otherwise unobtainable consumer goods that were rationed or unavailable with pesos. Worse still, increasing poverty combined with a reliance on the tourist trade, led to a huge growth in sex tourism and prostitution, with many young Cuban women facing family pressure to earn dollars by soliciting from rich tourists in resort areas. Freedom was given to many small enterprises and businesses to operate outside the national planning apparatus in September 1993. By 1995 200,000 of those in the service industry were declared self-employed including handymen, hairdressers but most notably restaurants (called Paladares), bars and hotels.<sup>10</sup> These were to be limited in size, however, many still made a huge income of dollars from tourists, creating a section of the population with a clear interest in more freedom for business, for less regulation and for the ability to expand opportunities for capital accumulation. Private farmers' markets, which had been abolished in 1986 were brought back and rapidly increased in number - spreading from small towns and becoming widespread in Havana.

The reorganisation of agriculture in the special period was of particular significance. Material incentives were provided on some of the state farms by allocating groups of workers to a certain agricultural space and then workers' pay was calculated on the basis of the yield. The system introduced in 1990 was by 1992 extended to the entire Ministries of

Agriculture and Sugar. In 1993 state farms started to be replaced by agricultural cooperatives, the Unidades Básicas de Producción Cooperativa (UBPC) still technically nationalised, but separated into collectives with a large degree of autonomy over management, run by elected committees and only allowed to sell produce to the state. The UBPCs were to be financially independent but could take out loans from the state bank in order to purchase tools, fertilizer and other essentials. Despite the limited elections the cooperatives did not allow genuine workers control, but rather regional state bodies in charge of large agricultural areas pushed through their favoured management for the UBPCs. In addition to these reforms of the state farms, peasant or campesino farms were to become more bureaucratically controlled by the state, with a huge increase in staff monitoring production and providing the means (or quite often not!) for the distribution of yields. This was in part due to the mushrooming black market in food towards 1993. In this way Fidel's Castro's reforms illustrated a conflict between maintaining the maximum state control of surplus in the agricultural sector, whilst relying on further autonomy, market mechanisms and financial incentives to increase production.<sup>11</sup>

### **Raul Castro taking Cuba down the capitalist road**

The succession of Raul Castro in February 2008 interested many, particularly given that the trajectory of Cuban economics after the special period had been to increase reliance on small-scale enterprise. Raul has been widely identified as a potential pro-capitalist reformer in the West and it is curious that his background is on the left of the Communist Party of Cuba. Raul made very clear the future path of Cuba on 11 July when addressing the first session of the Cuban parliament since the presidency of his brother Fidel. "Socialism means social justice and equality, but equality of rights, of opportunities, not of income"<sup>12</sup>. In practice, in terms of the agricultural sector, the regime post-Fidel has taken a further turn to small-scale privatisation, leasing a sizeable amount of land owned by the state cooperatives to private farmers. This is being carried out along with an increase in the price the state pays for buying the yield from private farms. The role of the private farmers' markets has also increased because the state has allowed a much larger percentage of yield to be sold directly on such markets. In some cases this is as much as 70 per cent and thus represents a serious erosion of the monopoly the state once had in distributing the agricultural yield.<sup>14</sup> The state has increased sales of fertilizer, tools and machinery to private agricultural enterprise, and has lessened restriction on private farms buying such items elsewhere. Marta Lomas, Minister for Foreign Investment, has also hinted that ventures with foreign capital could be considered within agriculture, particularly in rice production. Huge rises in foreign capital invested over the last few years in the tourism sector also look set to continue.<sup>15</sup> In terms of pay, workers wage ceilings have been removed and bonuses are to be awarded to a greater spectrum of the workforce, extending performance related pay in agriculture to pay based upon fulfilment of personal targets in other industries. In particular, managers in various different sections of the economy have been given the ability to earn bonuses of up to 30 per cent if they increase the productivity of their work teams.<sup>16</sup> Inherent in these new reforms is increasing inequality in Cuba. An increase in the size of small-scale enterprise and influence of sections of the population who would benefit from decreased state restrictions on the sector will have political consequences on the island. Recent policy changes such as the decision to allow mobile phones and computers to be bought and sold to Cubans, and relaxations on the ability of Cubans to stay in hotels, seem to reflect a move towards more economic freedom for the emerging middle strata, increasing the consumer choice for the very few people who can afford such goods and services. Even a market in housing is on the cards with some state employees being given the option to own their state homes outright. An increase in the availability of consumer goods and private property for more affluent Cubans will increase the dynamic of consumerism in Cuba and put growing small business owners in a privileged position in the country. Use of cell phones and computers with Internet access could allow such a class to organise politically and push for their own agenda within Cuban politics. This would be a gift to the United States which has long attempted to organise and expand the few 'dissidents' on the island, providing them with money, advice and even pumping out a pro-capitalist radio station (Radio Martí) over the airwaves to encourage a right wing movement to be formed by discontented Cubans.

### **For a political revolution in Cuba**

Poverty, stifling bureaucracy and lack of democratic rights has caused political discontent in Cuba, particularly amongst young people. As the generation of Cuban revolution veterans approach the end of their lives, youth in Cuba

are questioning the regime, and demanding better jobs, housing and basic democratic freedoms. Due to media censorship on the island it is often difficult to gauge the organisation and level of struggle against the state bureaucracy. However, back in February video footage obtained by CNN showed students at the University of Computer Science putting hard questions to Richard Alarcon, chair of the Cuban National Assembly. The intervention into the discussion of one student was telling. Eliecer Avila, started his intervention by stating "it seems to me that the revolution cannot advance without a plan". He then asked why Cubans cannot access search engines like Google and Yahoo, complained about the dual currency and asked why Cuban families are not able to travel to different countries. He added that he wanted to travel to Bolivia to visit Che Guevara's grave. Despite slants put on the video by various different US media sources, the video shows discontent amongst Cuban youth over poverty and a lack of freedom, and did not even hint that they want to see a return to capitalism. It is still widely recognised by the Cuban population that their education and healthcare systems are far superior to that of any country of a similar size, and even some of the richest countries, notably the USA. It is for precisely this reason that the gains of the Cuban revolution must be defended both against US imperialism and the trajectory of the government bureaucracy towards restoring capitalism. There is no doubt that the regime under Raul is set on this path. They are obviously influenced by the impressive growth and wealth China has achieved in the last few years and unconcerned for the enormous class inequalities it has also introduced. The increasingly influential Cuban and foreign businesses will at the same time be pushing for the break up of the plan and for an end to all restrictions on capital. If they succeed in restoring capitalism this will be a disaster for the population the great majority of whom would end up super exploited by domestic and foreign capital. They would in all likelihood witness the destruction of the island's welfare infrastructure leaving them vulnerable to the dire poverty and terrible conditions faced by the people in other Caribbean islands, such as Haiti and Jamaica.

Trotskyists have historically pace those "Trotskyists" that spent their lives capitulating to Stalinism fought the Stalinist theory of "socialism in one country" as an unworkable betrayal of working class internationalism. Cuba is no exception. It is not a "socialist country" but remains a degenerate workers' state with planning infrastructure serving the interests of a corrupt, privileged bureaucracy. Cuban workers and farmers need an alternative to the bureaucratised planning system and the emerging capitalist market. The formation of a revolutionary party that defends the planning system, opposes capitalist restoration, stands for workers democracy and the political overthrow of the bureaucracy will be a key task in the period ahead even if only tentative steps towards it can be taken clandestinely in current conditions. Such a party would need to develop a radically different internationalism to that practiced by the Cuban state. Instead of uniting with other capitalist regimes it should stand for the organisation of workers fighting in Bolivia, Venezuela and all over the world against their capitalist rulers. Working class independence should also be an aim of revolutionaries in Cuba too. We need working class independence from the Central de Trabajadores Cubanos (CTC), which is tied absolutely to the Cuban state and allows no freedom for workers to struggle for their interests against the Cuban state. Independent trade unions are currently illegal in Cuba and attempts to set up such bodies have been plagued by the sabotage of offices, arrests of organisers and exile of militants.<sup>17</sup> Forming an independent trade union movement and fighting for legality and recognition is a key task, even if organising this too has to be done clandestinely at first. Such attempts have met with some success in countries where independent trade unions are also banned, for example in China, which has seen significant strikes in recent years from the independent unions. A movement like this in Cuba could organise in the factories and on the farms and fight to control their own workplaces without the bureaucratic intervention of over-paid and privileged Communist Party bureaucrats. If such workers organisations were formed alongside movements of those still subject to oppression and bigotry in Cuba in particular youth, women and LGBT groups then it is only a small step to local popular assemblies in towns, cities and municipalities, which could act as an alternative to the undemocratic "Committees for Defence of the Revolution" (CDR) (in reality these act as a secret police force to prevent workers and the oppressed organising independently of the regime). It is however a certainty that force would be used to crush such a movement, to protect the position of the bureaucratic dictatorship. The questions of organising the army rank and file and fighting for their democratic rights will thus be key tasks of a future workers' revolution in Cuba. We can, in short, afford no pacifist illusions: the democratic workers' assemblies would need to arm themselves, organise defence squads and forcibly break up the Stalinist CDRs. As the Cuban state takes a turn towards capitalism and continues to deny basic democratic freedoms, we can be sure the Cuban people will be thrown into struggle. But a political revolution is far from an assured outcome and

depends in large part on whether revolutionaries armed with the correct programme and ideas can successfully organise a section of the Cuban working class. History nonetheless adds force to our arguments. The destruction of the planning system in the Soviet Union was an unmitigated disaster for the working class, creating mass unemployment, and the steep impoverishment of all but a small stratum of state officials and the nascent bourgeoisie. Neither are international conditions exactly encouraging to those who want to see capitalism restored, as capitalism faces its most serious crisis since 1929. In the political struggles ahead, revolutionaries have every chance of winning the argument let's hope we do.**ENDNOTES**

1 John Lister, Cuba: radical face of Stalinism, 1985, p.11-12

2 He was later to be accused of supporting US attempts to sabotage the revolution.

3 Richard Gott, Cuba: a new history, 2005, p. 162

4 Ibis p.183

5 Cited in Richard Gott, Cuba: a new history, 2005, p.184

6 Workers Power, The Degenerated Revolution, p.85-6

7 Cuba: is the 'special period' really over?, International Advances in Economic Research, 1 Feb 2005, [http://goliath.ecnext.com/coms2/gi\\_0199-5087196/Cuba-is-the-quot-special...](http://goliath.ecnext.com/coms2/gi_0199-5087196/Cuba-is-the-quot-special...) [1]

8 Richard Gott, Cuba: a new history, 2005, p. 289

9 Carmen Deere et al, Cuban agriculture in the 'special period', 1993, Journal of Peasant Studies 21:2 p. 199

10 Richard Gott, Cuba: a new history, 2005, p. 292

11 Carmen Deere et al, Cuban agriculture in the 'special period', 1993, Journal of Peasant Studies 21:2 p. 229

12 Cuba under Raul: creeping towards capitalism, Llana & Clarke, 23 July 2008, Christian Science Monitor, <http://www.csmonitor.com/2008/0724/p01s01-woam.html> [2]

13 Cuba to lift wage caps for workers, CNN, 11 June 2008, <http://www.cnn.com/2008/WORLD/americas/06/11/cuba.wages.ap/> [3]

14 Bill Van Auken Cuban "reforms" promote private property and social inequality, 17 April 2008, World Socialist Website, <http://www.wsws.org/articles/2008/apr2008/cuba-a17.shtml> [4]

15 Cuba mulls more foreign investment in farming sector, Forbes.com, <http://www.forbes.com/markets/feeds/afx/2008/04/10/afx4873747.html> [5]

16 Cuba to abandon salary equality, BBC News Website, <http://news.bbc.co.uk/1/hi/world/americas/7449776.stm> [6]  
[NB contrary to the title of this article, Cuba has never had full salary equality JB]

17 International Confederation of Free Trade Unions, Cuba: annual survey of the violation of trade union rights, 2006, <http://www.icftu.org/displaydocument.asp?Index=991223866&Language=EN> [7]

---

**Source URL:** <http://www.fifthinternational.org/content/taking-capitalist-road-market-reforms-cuba>

**Links:**

[1] [http://goliath.ecnext.com/coms2/gi\\_0199-5087196/Cuba-is-the-quot-special.html](http://goliath.ecnext.com/coms2/gi_0199-5087196/Cuba-is-the-quot-special.html)

- [2] <http://www.csmonitor.com/2008/0724/p01s01-woam.html>
- [3] <http://www.cnn.com/2008/WORLD/americas/06/11/cuba.wages.ap/>
- [4] <http://www.wsws.org/articles/2008/apr2008/cuba-a17.shtml>
- [5] <http://www.forbes.com/markets/feeds/afx/2008/04/10/afx4873747.html>
- [6] <http://news.bbc.co.uk/1/hi/world/americas/7449776.stm>
- [7] <http://www.icftu.org/displaydocument.asp?Index=991223866&Language=EN>