“NEITHER PLAN NOR MARKET”. PROBLEMS AND COHERENCE OF THE GRADUALIST REFORM APPROACH

Marcel Kunzmann, Freie Universität Berlin, Institute of Latin American Studies
marcel.kunzmann@gmail.com

ABSTRACT
The role of plan and market were always topic of constant discussion and change since the 1959 Cuban Revolution. The 2011 adopted reform program, amended in the following party congress and enshrined into the 2019 constitution, did mark one of the main turning points during the recent theoretical reassessment of the country’s socialist model. This paper aims to take a fresh look at the ongoing debate about the role of plan and market institutions in Cuba and the current state of SOE reform.

1. INTRODUCTION: KORNAI IN THE CARIBBEAN

To the surprise of many observers, it took socialist Cuba more than 15 years, with many experiments and “on the fly” reassessments of basic premises, until the country finally executed its first five-year plan 1976-1980, using soviet-style planning techniques. What the Hungarian economist János Kornai defined as the “mature form” of the classical socialist system has then finally become reality in Cuba. Kornai’s comprehensive analysis of socialist economics does not only deliver useful categories for evaluating the Cuban model, but also sheds new light to the ongoing debate about the perspective of economic reforms in Cuba, giving fresh insights to increasing contradictions affecting the coherence of the current gradualist approach.

With “The Economy of Shortage” (1980) Kornai identified many concepts, like the soft budget constraint or the role of vertical relations in planning, that were able to explain the deeper reasons behind commonly known problems in socialist countries like excess demand for certain goods, low quality and overall efficiency problems in the economic system. With his oeuvre “The Socialist System,” released in 1992, Kornai presented his most comprehensive account of the function of classical socialism and the alterations made after the post-Stalin era. But what are Kornai’s main lines of analysis and how do they relate to the current Cuban model?
First, it is important to note that Kornai did not mean to analyze a specific country at a specific time. As the title of his book implies, he was looking for the common properties of all societies of “real socialism”, from Moscow to Havana who, “even though their actual systems differ in many details are all members of a broader, clearly identifiable class of social-political-economic systems” (Kornai, 1992: 5). Exactly like Marx proceeded with his analysis of capitalism 100 years before, Kornai aimed to define the “properties and [...] laws of movement” of the socialist system (Kornai & Bossányi, 1990: 315).

Kornai’s analysis starts with the role of the communist party, which was constituted in Cuba no earlier than 1965, five years after the “socialist character of the Revolution” was officially declared by Fidel. The Communist Party as the “organized vanguard of the nation”, plays the leading political role and constitutes thereby the political core of the socialist system. It is structured by the principles of democratic centralism and highly interwoven with the state and its branches, so “all major appointments, promotions and dismissals are decided upon the various bodies of the party”. The Party and the state, as Kornai quotes an Hungarian party ideologist, “are not one, but they are not two either” (Kornai, 1992: 37). This phenomenon is also observable in Cuba, with the doubling of party and state structures in many ministries as well as the interdependence of state, party and enterprise structures in the running of the economy (Feinberg, 2011: 54).

Ideologically, Cuba’s Communist Party adheres, like all ruling parties of the socialist countries, to the principles of Marxism-Leninism with the aim to “organize and guide common efforts in building socialism and advance towards the communist society” (Article 5 of the Constitution). In this line of thought, socialism is not only perceived as a more human form of social organization superior to capitalism and it’s inevitable heir in the course of history, but also as a mean to overcome economical backwardness and poverty as fast as possible. In Cuba (as in other developing countries), socialism was always seen as a way of nation-building. Its construction foresees the abolishment of private property and the market, who are substituted by the instruments of public ownership and planning, hereby advancing to a classless communist society. The construction of socialism requires not only willing sacrifice and discipline by the people, but also the establishment of a differentiated state apparatus, led by the communist party as representative of the working class (Kornai, 1992: 53ff.).

According to Kornai, all elements of classical socialism – like the party, the official ideology, public ownership of the means of production and central planning – have an organic affinity for each other and form a coherent system that reinforces and reproduces itself. But ongoing shortage and the failure of keeping in line with its basic promises of superiority in contrast to capitalism lead the way to reform, as happened in eastern Europe in the second half of the 20th century. During reform, new forms of ownership are introduced, and coordination mechanisms change. At this point, macroeconomic tensions appear, undermining the central planning apparatus and the system loses its former coherence. Finally, Kornai’s argument goes, the party will lose its power, a “change of system” will take place and capitalism will be restored as seen in Eastern Europe after the Fall of the Berlin Wall. Kornai quotes the soviet dissident Yuri Orlov to illustrate his point: “[...] the system designed by Lenin was such that once you pulled out one brick, the whole thing fell apart.” (Kornai, 1992: 571). During the course of the Cuban Revolution, certainly more than “a brick” was pulled out of the system. But how did these reforms unfold, and to which extend did they affect the function of the system?

1. Although the Communist Party of Cuba (PCC) was officially constituted in October 1965, the merger of the three different parties and organizations compounding the PCC’s “protoplasma” already began two years after the Revolution with the constituency of the “Integrated Revolutionary Organizations” (ORI) in summer 1961.

2. Some socialist countries, like the GDR, had a multi-party system in which the Communist Party did not even hold a majority of seats in parliament but the party’s dominance is always safeguarded by the anchoring of its leading role in the constitution. In the Cuban case, only the PCC exists and is defined as “the superior leading force of society and state” in the constitution.

3. Here some constraints must be made. Like in other socialist countries, national ideological heritage plays an increasingly important role in Cuba. The thoughts of national liberation hero José Martí are enshrined in Cuba’s socialist constitutions since the first proclamation in 1976. The 2019 constitution also includes references to the ideological legacy of Fidel Castro while the party’s ideology is not defined as “marxist-leninist” anymore but “martiano, fidelista, marxista y leninista” (emphasis by author), see: Constitución de la República de Cuba (2019:1). Due to brevity’s sake, the (albeit limited) significance of these changes cannot be further examined in this paper.

4. Coherent as used by Kornai means exactly like described before: a system with affiliate elements that interlock and reproduce each other, see Kornai (1992: 360-377).
2. PATTERNS OF DEVELOPMENT: PLANNING IN CUBA 1959 – 1990

2.1. Early planning and the “Great Debate”

To understand the roots of the ongoing reform discussion and the shifting role of plan and market in Cuba, it is necessary to look back some time in history. Planning in Cuba is actually older than the Revolution itself. Even during the Batista-regime, some rudimentary tools of development planning have been utilized, a common feature of many developing countries at that time. There seems to be no clear testimony in the historical sources which specific economic model the Rebels of the July 26th movement originally envisioned, but the discussions within the movement before 1959 seem to indicate a “market economy under indicative planning” with different forms of ownership and government-sponsored industrialization (Mesa-Lago, 1971: 146).

In March 1960, 14 months into the Revolution, the Central Planning Board (Junta Central de Planificación, JUCEPLAN) was established, which paved the way for first attempts of economic planning. But due to the emigration of skilled worker and technicians in the early years of the Revolution, planning capacity was fairly. During the first years of the revolution, albeit various attempts of establishing the fundamentals for central planning, the economy went into disorder. Policies for a more egalitarian distribution of resources prevailed, while the new government was learning how to manage the freshly nationalized enterprises (Mesa-Lago, 1971: 152–154).

In the aftermath of the failed Bay of Pigs Invasion, in April 16th 1961, Fidel Castro officially declared the “socialist character of the Revolution” in one of the countless mass rallies held at that time. At this point, it was already clear that some sort of a planned economy would define Cuba's future economic model. During 1961/62, Cuba tried to further boost central planning by implementing the Czeheslovak Model with its 500 material balances, introduced by a delegation of that country’s State Planning Commission. But the experiment failed, mainly due to a rather mechanical approach of implementation, the lack of reliable data and statistics and serious miscalculations made by JUCEPLAN’s bureaucracy. In March 1962, the monthly ration book “Libreta” was established (Mesa-Lago, 1971: 154).

As the Cuban revolution gained international attention, famous economists like the polish planner Michael Kalecki, the French Marxist Charles Bettelheim and the russian economist A. Evinov prepared some medium-range development plans from 1962 onward following soviet techniques. All those attempts proved unsuccessful and never materialized, again partially because of a lack of sufficient information about the economy as well as immature institutions and insufficiently qualified personnel (Mesa-Lago, 1971: 155). What followed was the “Great Debate” where Che Guevara promoted its highly centralized “Budgetary Finance System” in contrast to the position of Charles Bettelheim on the other pole of the debate, who argued similar to the German Marxist Ernest Mandel for the utilization of the “law of value” embedded in a Cuban version of the recently reformed soviet-style planning framework (Mandel, 1969: 132; Guevara, 1969: 65f.; Bettelheim, 1969: 95).

In contrast to soviet economic thinking, Guevara’s ideas foresaw the construction of socialism and communism at the same time, with a heavy emphasis on the education of the masses in order to transform their consciousness. The use of voluntary labor and moral incentives with the purpose of forming the “New Man”, a morally altered, altruistic human being free of the flaws of the previous society, were some of the basic premises of Guevaras concept. Different to the soviet

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5. Though planning is the “natural” mode of economic organization to the socialist system, some sort of planning schemes have been utilized in capitalist countries as well, e.g. South Korea but also in Latin America. As Mesa-Lago recollects, at the OAS-Conference in 1962 the Latin American governments did agree that “planning should be the fundamental instrument for mobilizing national resources”, reflecting the “spirit” of those times; see: Mesa-Lago (1971:146).

6. However, it is said that the early program of the movement was more conceived by tactical reasoning, rather than with the aim of developing a coherent strategy.

7. First planning attempts were mainly based on the agricultural development, which maybe explains some the deeper roots of the still pretty much centralized approach in agriculture.

8. As Mesa-Lago summarizes: “In fact, it was difficult with a few trained people, no previous experience, and inadequate data to convert the chaotic Cuban economy into a planned one in such a short period of time”, see: Mesa-Lago (1971: 154).

9. The Marxist political economic term “law of value” is the counterpart to what is commonly referred to as “market coordina-
model of economic accounting with its individual material incentives, Guevara promoted the good example, constant education and collective awards to unleash the forces necessary for rapid economic development. According to Guevara, Communism can and should be constructed “as fast as possible” and parallel to socialism. The abolition of capitalist categories like the law of value, private property and money as a basic precondition should therefore already begin in the early stage of socialist construction (Guevara, 1969: 65–67). Hence, the country’s factories should not operate as relatively independent economic units with own financial responsibilities anymore, but rather develop into centrally administered entities in order to guarantee a “more rational use of the national fonds” and to gradually achieve the abandonment of money and market prices\(^\text{10}\) (Guevara, 1969: 76–77).

Bettelheim argued, contrary to Guevaras position, that the existence of independent producers, different forms of ownership and the objective level of development of the productive forces necessitated the existence of commodity production and therefore the law of value, money and the different forms of property would continue to exist during the socialist period for a long time to come. The level of the development of Cuba’s productive forces was “relatively low”, he observed, stating that “the economic organization can never be higher than the forces of production”. Recurring to Lenin, Bettelheim concluded that the formal ownership of the means of production by the whole society “doesn’t converge with the possibility to actually make use of those as such”\(^\text{11}\). So Cuba should instead continuously make use of the law of value within a framework of central planning to develop its productive forces (Yafee, 2012: 23). Although Mandels Position significantly diverted from Bettelheim, he also agreed on the use of the law of value, adding that only after a very high level of development of the productive forces is reached, where the “full satisfaction of the fundamental needs of the citizens” can be “automatically guaranteed”, communist consciousness could be achieved.

During and after the “Great Debate”, Che Guevaras Model was partially implemented along with some characteristics of the soviet model, but the problems continued: Annual plans didn’t have the foreseen compulsory character, while “millions of economic microrelations were destroyed at once, breaking the automatic mechanism of market distribution when the state system was not ready to take over these functions”, which led to severe economic distortions especially in the agricultural sector. At the same time, during 1964–65, parts of the market socialist approach proposed by Bettelheim (e.g. self-financing of enterprises, attention to cost and profitability) were implemented parallelly in around one third of SOEs, though the system at that time overall “resembled the budgetary-finance model more than the market socialist model” (Mesa-Lago, 1971: 156).

After 1965, the leaderships economic preferences moved towards sectorial “mini-plans”, which undermined the parallel establishment of a rudimentary soviet-style framework for central planning with about 200 material balances (Mesa-Lago, 1971: 167). The Russian economist and inventor of the input-output analysis, Wassily Leontief, commented after his visit to Cuba in 1969: “Fidel apparently has for some time emphasized what he calls ‘mini-planning’, that is separate planning of the operation of each individual sugar mill, textile plan, or electric station. No wonder bottlenecks develop everywhere, inventories run down, and unforeseen shortages occur resulting in frequent extremely costly shutdowns”\(^\text{12}\) (Mesa-Lago, 1971: 158).

As centralization with the gradual establishment of the planning system was growing in the late 1960s, Fidel proclaimed the “simultaneous construction of socialism and communism”, emphasizing Che Guevaras ideas of a abandoning money and radical egalitarianism in salaries through the massive use of moral incentives and voluntary labor. The idea was to gradually eliminate money through

\(^{10}\) Che had to admit that his concept lacked a coherent mechanism to form prices and getting to know the real production costs without recurring to the world market, a problem which contradicts his argument of a “more rationale utilization of national fonds” by using central coordination and which he hoped could be solved sometime in the future through the establishment of a socialist world economy, see: Yafee (2012: 27).

\(^{11}\) Bettelheim touched an interesting point, relevant to the context of the current reform debate, when he argued that the cooperatives in the USSR are a “more adequate form of socialization according to the [current] level of development of the productive forces” as state ownership, see: Bettelheim (1969: 91–92).

\(^{12}\) As Leontief reported, there was a high academic interest in developing input-output balances for the whole economy as well as utilizing methods of linear programming at that time, but this was contradicted by a lack of trained cadres, up-to-date statistics and reliable data. A Cuban economic administrator commented in 1969 that the level of Cuba’s planning capacities and administrative techniques at that time was “similar to that of Russia in the year 1921”, see: Mesa-Lago (1971: 170).
the expansion of free social services such as transportation, telecommunication and housing (Torres Pérez, 2020: 170). This approach culminated into the “Revolutionary Offensive” in Spring 1968 with the closure of all 56,638 still existing small private businesses, leading to serious shortages and organizational problems. Until 1970, “wage differentials proved to be almost meaningless” in Cuba and the role of the market had been marginalized more than in most other socialist countries. (Karl, 1975: 31–34). Official growth rates went down from an average of 3.7 % in the 1962-65 period to a mere 0.4% during the 1966-70 period. (Zimbalist & Eckstein, 1987: 8). But it was the failure of the “Gran Zafra” (Great harvest) in 1970, according to Karl the “largest mobilization in Cuba’s history with more than a million of workers doing voluntary labor day and night”, that market the turning point in Cuba’s voluntarist approach of simultaneous construction of socialism and communism. Albeit the so far largest harvest in the country’s history with 8.5 million tons of sugar was accomplished, the campaign fell short of its 10 million goal and came with high costs for the economy which basically stood still during the campaign. Fidel then took personal responsibility of the failure (Karl, 1975: 34–35).

2.2 The SDPE: Establishing an institutional framework for central planning

After the failure of the Gran Zafra, the economic strategy of the country underwent its first radical reassessment since the revolution. In November 1973, Fidel announced:

“When we declared on July 26, at the celebration of the Twentieth Anniversary, that we must bravely correct any idealistic errors we may have made, we meant that if at certain times we had tried to advance more than what was possible, it was now necessary to rectify. [...] We must apply the formulas which correspond to this actual phase of our revolution, and apply them in every area [...]” (Roca, 1986: 157)

What followed was the most comprehensive wave of institutionalization during the Cuban revolution, which lead to the establishment of the legislative body of the “People’s Power” (Poder popular) in the political sphere together with the PCC’s first congress in 1976. In the economic sphere, the “Economic Planning and Management System” (Sistema de Dirección y Planificación de la Economía, SDPE), a decentralized, state of the art version of soviet planning was installed in order to “achieve maximum efficiency in the state enterprises” (Roca, 1986:158). Core properties of the system included: financial autonomy of SOEs which should create own stimulus funds, the use of financial rather than physical production indicators, the introduction profitability at enterprise level, the application of differentiated wage scales and material incentives and as well as the reduction of planning indicators in order to stimulate enterprise autonomy (Zimbalist, 1989: 72).

The full implementation of the SDPE was scheduled to proceed over a ten year period until 1986, but serious shortcomings again undermined the function of the new system whose introduction came to an halt by the mid-1980s (Roca, 1986: 161-162). The SDPE, albeit never fully implemented, delivered respectable results compared with all previous systems of economic management. Growth rates went up since 1971 and averaged at fairly well 5.7% in the 1976 to 1985 period, permitting the massive expansion of Cuba’s social services, like free healthcare, education, and extensive consumer subventions during that period (Zimbalist, Eckstein, 1987: 8). Despite its shortcomings, the SDPE led to the execution of the country’s first five-year plan (1976-80), finally lifting Cuba’s planning ability for the first time towards a medium-term timeframe. The establishment of a comprehensive institutional framework between 1973 and 1976 marked a qualitative leap away from the various inconsistent previous attempts of central planning towards to what Kornai calls the “mature form” of classical socialism (Kornai, 1992: 20).

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13. Including the financially planning aspects of the 1965 Soviet economic reform.
14. One of the most severe amongst these problems was that the envisaged autonomy of SOE management never materialized as ministries continued to give direct orders. A document from 1986 that evaluated the problems with the reform in rural Havana province analyzed: “One of the key stumbling blocks is the persistent limited economic autonomy in the fulfilment of enterprise functions. What happens is that while the central planning system reduces its directive indicators, the ministries increase them [to the enterprises] and the intent of reform is lost in an excessive paternalism [...]”, see: Roca (1986: 161-162) In addition to that, elements of micro-management by the top leadership remained, e.g. in the sugar and agricultural sphere, which continued to distort the plan, see: Roca (1986: 171). Zimbalist mentions as the most serious shortcomings of the SDPE: bureaucratic resistance, pervasive shortage and an irrational price structure, see: Zimbalist (1989: 72).
In accordance with the decentralized SDPA framework that resembled a good part of Bettelheim’s proposal during the “Great Debate”, Cuba withdrew some of the results of the “Revolutionary Offensive”: in 1980, the Government allowed – for the first time since 1968 – significant private initiative, like farmer’s markets and small repair shops, to compensate the shortcomings of the state economy and generate additional income in form of taxes. A fresh variety of vegetables turned up in the streets of Havana while in 1981, the recently established cooperatives for housing construction were responsible for 38% of all new Cuban homes of that year. In 1982, Cuba issued its first law on foreign direct investment (FDI) since the Revolution and in May 1983, a new tax regime was established to regulate the emerging private sector (Zimbalist, Eckstein, 1987: 13–17). In 1985, official statistics counted 39,000 self-employed workers in Cuba, only 30% less than on the eve of the “Revolutionary Offensive” 17 years before (Díaz Fernández, 22 Aug. 2019). Contradicting the commonly held view that reforms in Cuba did not start until the dissolution of the Soviet Union, market reforms were already in full swing on the island during the first half of the 1980s.

That changed with the start of the Rectification campaign (Rectificación) in April 1986, when Fidel Castro tried to find a new balance between the “utopian” mistakes of the early revolutionary period and the “rightist” errors during the time of the SDPE. According to Castro, some transportation drivers for the supply of the farmers’ markets earned up to 10 times more than the top surgeons of the country at that time, while many others neglected their jobs in the state sector for a greater participation in the private economy. The growing private sector, with its higher salaries and the increasing use of the market mechanism in the economy, undermined the coherence of the system and was increasingly perceived as a threat to the hegemony of the state economy (Zimbalist, 1989: 84). Ideologically, the rectification campaign tried to re-emphasize the Guevaran conception of voluntary labor and moral incentives. Wage scales in the state enterprises were harmonized in order to reduce inequalities and in May 1986, farmers’ markets were finally shut down. At the same time austerity measures had to be taken as the hard-currency revenues in 1986-88 went down to only one third of their 1984 level due to growing tensions in the external sector and the accumulation of debt. But the campaign was not a complete revision of the SDPE policies, indeed, apart from the hold on the private sector it resembled more a “fine-tuning” of the planning apparatus, trying to tackle some of the SDPE’s problems mentioned earlier by again reducing the role of market relations (Zimbalist, 1989: 76–78).

As can be seen in Table 1, Cuba’s economic development from 1959 to 1990 followed certain patterns of de- and recentralization with a constantly changing role of plan and market:

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**TABLE 1: PATTERNS OF ECONOMIC DEVELOPMENT IN CUBA**

<table>
<thead>
<tr>
<th>Period</th>
<th>1959-61</th>
<th>1961-71</th>
<th>1971-80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase</td>
<td>Transitional period</td>
<td>Building the classical system</td>
<td>Mature classical socialism</td>
</tr>
<tr>
<td>Coordination mechanisms</td>
<td>Market, rudimentary planning</td>
<td>Rudimentary planning, marginalized market</td>
<td>Material and financial planning, minor market</td>
</tr>
<tr>
<td>Main economic policies</td>
<td>Nationalization of enterprises</td>
<td>“Revolutionary Offensive”</td>
<td>Consolidation of central planning institutions, SDPE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>1980-86</th>
<th>1986-90</th>
<th>1990 - ongoing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase</td>
<td>Reform socialism</td>
<td>Reform socialism (on hold)</td>
<td>Reform socialism (partly on hold)</td>
</tr>
<tr>
<td>Coordination mechanisms</td>
<td>Material and financial planning, minor market</td>
<td>Material and financial planning, marginalized market</td>
<td>“Neither plan nor market” *</td>
</tr>
<tr>
<td>Main economic policies</td>
<td>Rise of a small private sector, decentralization</td>
<td>Closure of farmer’s markets, “Rectification”</td>
<td>Various waves of de- and recentralization</td>
</tr>
</tbody>
</table>

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Expression by T. Bauer, borrowed by Kornai to describe the coordination mechanism of reform socialism. As reforms in the 1980s still didn’t alter too much of the classical system, this expression becomes gradually applicable only in the aftermath of the dissolution of the socialist camp during the 1990s and holds truth especially today, as will be examined in Chapter 3, see: Kornai (1992: 508).

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15. Although some private initiative, like car repair work and carpentry on a of self-employment basis was allowed from the very beginning of the SDPE in 1976, the early 1980s mark their more rapid and comprehensive expansion, see: Zimbalist, Eckstein (1987: 13).
The triumph of the Revolution followed a transitional period, like in most socialist countries in Eastern Europe from 1946 to 1949, during which the system established itself politically with the creation of the single-party system and social reforms. As mentioned before, Cuba is here an atypical case, where the communist party was founded six years after the revolution and held its first congress no earlier than 1976 – although the basic political conditions were set with the declaration of the “socialist character of the Revolution” in April 1961. Economically, while market mechanisms still played the dominant role during the period of transition, the central planning apparatus was already under construction and increased its control over the economy. In the Cuban case, planning was very premature until the early 1970s as many shifts of policies delayed the development of a coherent framework for central planning while the marginalization of the market reached its greatest extend in the period from 1968 to 1973.

With the beginning of the gradual implementation of the soviet-inspired SDPE in 1976, the first party congress and the establishment of the legislative state branch of People’s Power (Poder Popular) all in the same year, Cuba finally reached the mature form of classical socialism. With the pursued decentralization of political and economic power, Cuba then was already to embark towards the reform phase of the system\(^\text{16}\) with a revaluation of monetary and financial relations in the state sector along with the resurgence of a small private sector which reached its peak during the first half of the 1980s.\(^\text{17}\) Beginning with the “Rectification” in 1986, market relations outside the state sector were marginalized again, though financial categories of planning and material incentives remained intact. However, albeit the fact that market reforms came to a temporary halt, the “Rectification” was far from a “second Revolutionary Offensive”. Cuban socialism formally remained in the reform mode during those years, which was reflected in the overall maintaining of monetary relations in the state sector.\(^\text{18}\)

It must be stated that history does not always follow sharply distinguishable categories like those outlined in the table. For example, elements of “reform socialism” can also be found during the “classical” period of Cuban socialism, when elements of the private sector first re-emerged in 1976, while its development in a broader scope did not start before the early 1980s. Also, the timing of the establishment of “mature classical socialism” is far from a clear-cut historical event: one could argue, subsequently to the implementation of the soviet model in the aftermath of the failure of the Gran Zafra in 1971, that “classical socialism” was fully established in Cuba, or, that the creation of the legislative body and the start of the SDPE’s implementation after the first party congress in 1976 do mark the turning point. The same is true for the role of plan and market since many policies and properties of each phase tend to overlap and contradict each other in the different time periods.\(^\text{19}\)

Albeit this limitations, a general pattern becomes clear: while different policies concerning the rise or decrease of the utilization of the market mechanism and moral incentives, favoring or neglecting different forms of ownership, Bettelheim and Guevaras concepts as the two poles of the “Great Debate” both demonstrated their long-lasting influence in economic policies in Cuba.  

3. PLAN, MARKET AND THE COHERENCE OF THE SYSTEM

Following the dissolution of the socialist camp in 1990, Cuba entered the so called “Special period in peacetime”, a phase marked by harsh rationing, frequent electricity cuts and severe shortage. Austerity measures and a drastic reduction of imports had to be implemented amid the contraction of 35% of Cuba’s GDP until 1993 (Mesa-Lago & Pérez-López, 2005: 28). The disintegration of JUCEPLAN, whose functions were transferred to the Ministry of Economy and Planning (MEP) in 1994, highlight the end of the old soviet planning model, which was followed by constant improvisation and crisis

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\(^{16}\) According to the criterions laid out by Kornai, “reform socialism” to set in requires at least a “partial, moderate change” in either the political sphere, property relations or coordination mechanism, see: Kornai (1992: 388).

\(^{17}\) Overall, Cuban reforms during the 1980s were quite modest compared to other socialist countries at that time and never reached the level of market use like those in Hungary, see: Pinkstone, Farrell (1997: 78).

\(^{18}\) Due to the limited extend of this paper, the emerging new model of reform socialism during the 1990s will not be subject to a deeper analysis, but many of its still persisting aspects will be examined in the analysis of the current state of market reform within the following chapters.

\(^{19}\) For a more detailed scheme of Cuba’s economic development patterns, see: Mesa-Lago & Pérez-López (2005: 4).
management. The opening up to tourism and foreign investment, as well as the mutual economic assistance from Venezuela since the early 2000s allowed a great part of the “classical” system to survive in Cuba with modest reforms and a small private sector albeit the tightened economic embargo of the United States which caused great damage to the economy (Alonso & Vidal, 2019: 12).

Amidst the conditions of forced integration into the world market, inefficient state factories, ongoing shortage and the lack of basic consumer goods together with the growing black market continued to erode the countries productive base. Import dependency was high and the material trade balance negative, albeit the exportation of professional medical services, mainly to Venezuela, could compensate for the low exports of goods. Real wages were still 76% below their 1989 level in 2007 and Raúl Castro admitted in the same year that they were “clearly insufficient to satisfy needs” (Mesa-Lago, 2008: 17). A new liquidity crisis, following the devastating consequences of two hurricanes in 2008 and the world economic crisis of the same year, marked a new turning point in Cuba’s pattern of development as the leadership began again to reassess the countries development model – it became clear that Cuba’s socialism could not be built while “balancing on a razor’s edge” (Gabriele, 2011: 652).

In this chapter, two main cornerstones of the reforms will be examined: the emerging private sector and the reform of state-owned enterprises. It will be shown how the interaction of those two sectors affect the functioning of the coordination mechanism and therefore the overall coherence of the reform system.

3.1 The emerging private sector

Following some years of humble reforms after Raúl Castro took over Cuba’s presidency in 2006, it became increasingly clear that modest adjustments will not resolve the structural problems of the economy. The leadership once again opened a public debate about the future curse of the country. As a result, the “Economic and Social Policy Guidelines” (Lineamientos de la Política Económica y Social), approved at the 6th party congress in 2011, aimed to change to model by promoting the creation of a “complementary” private sector (self-employed microbusinesses and non-agricultural cooperatives), decentralization of SOE management and reduction of unnecessary workforce in the state sector, land-lease for private farmers and the attracting of foreign direct investment as its core pillars. Central planning, according to the Guidelines, shall be the dominant coordination mechanism but it “will influence on the market and take into account its characteristics” (PCC, 2011: 12)\(^22\). The Lineamientos and their further amendment at the 7th PCC congress in 2016, resemble nearly exactly what Kornai describes as the core concept of reform socialism: “The public sector should retain its dominant position, but it should change over to market behavior. At the same time, there should be a private sector, but only with a complementary, secondary role. The two sectors should cooperate while concurrently engaging in market competition with each other.” (Kornai, 1992: 506).

Following the implementation of the “guidelines”, the number of self-employed workers (cuentapropistas) in the private sector rose from 152,600 (with a 3.2% share of total employment) in 2006 to 617,974 (14% share) until December 2019, with most of them working in gastronomy, transportation, house-renting for tourism and other services (Cubadebate, 2020; ONE, 2018: 7). By December 2018, there were 434 non-agricultural cooperatives (much less than originally envisioned) with 18,100 members. Together with the agricultural cooperatives, the non-state economy in Cuba (except the widespread informal sector) accounted for 32% of Cuba’s total employment by the End of 2018 (ONE, 2018: 7).

20. As Cuban Economist Juan Triana explained: “We don’t do planning in Cuba. What we have is a system of administrative allocation of scarce resources”, see: Triana (2019).

21. The leadership’s awareness of the structural problems of the model reaches way beyond the special period, as a remarkably quote of Fidel Castro from 1985 confirms: “(We always assumed that) everything was available always without asking ourselves how it all came about. (This) gave shape to a wasteful mentality, a mentality of little thrift, a consumption rather than export mentality, an import rather than export mentality”, see: White (1987: 156).

22. The “Conceptualization of the New Model Economic and Social Model for Socialist Development”, approved at the 7th Party congress in 2016, justified the existence of the “objective laws of the market” with “the level of the development of the productive forces, the social division of labor and the coexistence of different forms of ownership and management” delivering a Leninist explanation for utilizing the “law of value”, following Bettelheim’s line of argument during the “Great Debate”, see: PCC (2017: 8).
Albeit these numbers, neither quality nor scope of the private sector did develop enough for it to substantially lift off the economy or come anywhere near to the role of service exports, tourism and foreign remittances for generating income (Cubadebate, 2020). There are 123 license categories for private enterprises (mostly requiring non-professional labor), while non-agricultural cooperatives (Cooperativas No Agropecuarias, CNoAs) still cannot be freely established. In 2015, Raúl Castro warned of the "massification" of this type of property because cooperatives would need further "perfection" in their management. Their expansion came to a halt. The same holds truth for Cuentapropismo, when no new licenses were issued for the period of over one year beginning in summer 2017. Like the CNoAs, the private sector underwent a restructuring of its organizational frame, with the approval of some more activities, while many core demands for a proper functioning (like access to a wholesale market) still could not be met. The official claim was to "perfect" the non-state sector, to better "control" and bring "order" into those economic activities (Torres Pérez, 2020). Despite the continued public affirmations to support the development of the non-state economy as an important part of the economy, with the goal to absorb excess labor from SOE layoffs, so the state could focus on the development of the "command height's" (as Lenin put it) of the economy instead of micro-managing non-strategic activities, it's development practically stalled until today. What happened?

As examined in the previous chapter, development in Cuba follows certain patterns, during which the proportion and supposed role of markets and private property is differently assessed. Although the Guevaran approach of economic growth and socialist construction through the rapid elimination of private property has proven unsuccessful, its "political DNA" remains part of the apparatus. This creates a dilemma situation for the bureaucracy (what Raúl repeatedly denounced as the "persistence of obsolete mentality"), or, as Kornai put it:

"[...] the bureaucracy behaves ambivalently toward the private sector in the reform phase. Sometimes it reassures and assists it, and sometimes it undermines its confidence and hinders its operation. The ambivalence may take the form of support for the private sector in one branch of the bureaucracy coupled with obstruction of it in another; or of an alternation of periods favorable and unfavorable to the private sector. Both kinds of behavior have their reasons [...] But although one of the bureaucracy's mental compartments is aware that it needs the private sector, another compartment of the same mind nurses a smoldering distaste and hatred for private ownership and individual activity.” (Kornai, 1992: 450)

In addition to that, the private sector "siphons off some of the labor force, often the best white-collar and manual labor”23, because the state sector is unable compete in form of salaries which leads to the situation that workers prefer to work in the private sector even if they're way overqualified for their employment (Kornai, 1992: 506). Counting on a highly qualified labor-force, this leads in Cuba to the common-known phenomena of taxi driving academics and university professors doing the accounting for private restaurants to improve their living conditions. So the “threat” has a real base: As long as the state sector does not operate in an competitive and efficient way, the private sector, albeit and indeed because it has proven its ability to create relatively well-off salaries, goods and services the state is unable to provide in the same quantity and quality, distorts the state economy. Especially the CNoAs have demonstrated in recent years their ability to operate in an efficient and competitive manner, which may point to parts of the reasons of the more than half a decade long delay in the free approval of this form of economic organization (Bye, 2020: 41).

Another factor is the lack of sufficient input goods and a coherent market environment, which prevents the private sector from operating in a proper manner. Fraudulent practices, arbitrary pricing and a lack of worker’s rights become a common property of the private economy in reform socialism, fueling popular anger towards the sector. This pushes the leadership to implement harsher regulations, like the establishment of price-caps, as happened in Cuba during 2016 for the agricultural sphere and 2019 for private gastronomy and transportation, in order to demonstrate its ability to "act on behalf of the people” while temporarily sacrificing its own long-term goals of reforming the system (Bye, 2020: 271). Kornai’s analysis of the reform socialist economies of eastern Europe

23. Interestingly this phenomenon is not new in Cuba as the pattern of the 1980s Reforms is partly just repeated on a qualitatively higher level.
and Asia during the 1980s again delivers an astonishingly accurate description of the situation in today's Cuba:

“[…] the position of the private sector under reform socialism enters a vicious circle. The ambivalent actions of the bureaucracy and the prejudice in society cause insecurity in private owners and entrepreneurs, who often show under these conditions the worst, not the best, side of capitalism. That heightens the antipathy toward them, which is a stimulus and argument for the bureaucracy to be even more hostile toward them, so that the negative features of their activities come to predominate even more. The system needs the private sector, and the private sector has to acknowledge the power of the bureaucracy, which is hostile toward it. But the result is a bitter coexistence, replete with mutual suspicion and conflict.” (Kornai, 1992: 455)

3.2 The Reform of Planning and State-owned enterprises in Cuba

The state-owned enterprises are the backbone of the socialist system. During the classical system, state-owned enterprises’ residual income flows directly to the state’s budget, while the planning bureaucracy centrally decides each product’s selling price, wages and allocation of input goods. State property in socialism belongs “to the whole society”. But “property in this sense is not only depersonalized, but eliminated. State property belongs to all and to none”, leading to low incentives and phenomena of alienation24 (Kornai, 1992: 73–75). The companies operate under a soft budget constraint, resulting in their managers’ interest focusses primarily in meeting the material output targets, even if this implies financial losses for the company. Hence, during the elaboration of the plan, SOE managers in socialist countries develop a particular interest to underestimate the firm’s real capabilities in order to gain weaker plan targets while overestimating the need for input goods, instead of acting on behalf of the whole economy. The hoarding of goods is a quite common phenomenon not only for consumers, but also for state enterprises in socialism. Even in the reform mode of the system, when financial criteria gain a greater weight as in Cuba with the SDPE, plan fulfillment remains the core goal of the SOEs rather than profitability, making management decisions merely responsive to price signals and consumer demands (Kornai, 1992: 140–148).

Various reform attempts have been made in order to tackle these problems. The “Enterprise perfectioning system” (Perfeccionamiento Empresarial) aimed to revive SOEs by giving them greater autonomy, decentralizing their management decisions (like wages, recruitment of workforce and prices) and retaining a higher share of their profits for investment decisions. Also it was stated that worker participation, a basic promise of the classical system, could be better implemented with a more decentralized framework for decision-making at enterprise level (Campbell, 2004/2005:70). The program started in 1987 in some military enterprises (who are mainly in charge of tourism and foreign trade) and later extended to around one third of SOEs until 2002 (Travieso-Diaz, 2002: 129–133). In 1998, the so called “Higher Organizations of Enterprise Direction” (Organizaciones Superiores de Dirección Empresarial, OSDEs) were founded in order to substitute the enterprises’ direct management by the ministry with a more entrepreneurial, less political body (Travieso-Diaz, 2002: 125).

Another reasons for the ongoing shortfalls of Cuba’s state sector is monetary duality, which creates serious disincentives for production: while the exchange rate between the two official currencies, the Cuban Peso (CUP) and the Convertible Peso (CUC, equaling the US-Dollar) is 24:1, the exchange rate within the state sector is arbitrarily set at 1:1. This makes imports cheaper (as they are charged only 1/24 of their actual price) and hereby discourages SOEs even further from generating income by exporting competitive goods. Additionally, the monetary dualism distorts the overall evaluation of efficiency throughout the economy, hiding subsidies and prevents managers as well as the bureaucracy from taking rational decisions based on real performance results (Doimeadiós, et al., 2011: 118).

24. See section 3.3 for practical examples.
Today, the majority of SOEs is still generating chronic losses while a small share of the sector (e.g. mining, tourism) is responsible for generating the necessary means for maintaining the rest of the state economy. Since 2006, the number of SOEs in Cuba more than halved from 3,519 to 1,776 at the end of 2018, mainly due to regrouping attempts, although one third of them were definitely shut down between 2009 and 2017. In 2016, 6 out of 10 state firms were still in “deficient or bad” state, according to the Controller General. (ONE, 2018: 4; Bye, 2020: 30). As can be seen in Table 2, the slow recuperation of industrial output and modest SOE reforms did not contribute to a growth of export revenues. Exports of goods more than halved between 2011 and 2019 and GDP growth fell short of the official goal of 5 to 7 %, which was calculated as the target mark to accomplish sustainable growth. Gross Capital formation (as percentage of GDP) grew due to the rising rate of investments and money allocated to the productive sector, but still averaged at only 9,7% between 2013 and 2018 – far from the 25% that is necessary according to economists for hitting the projected growth rates. The revival of the state-owned enterprises currently remains the main key for the success of the reforms due to their dominant position, but their decentralization (as the state abstained from parts of the SOEs revenues) also contributed to a rise of deficit spending (Mesa-Lago, 2019: 4).

Following the implementation of the Lineamientos, the OSDEs were gradually expanded throughout the whole economy, with the aim to change vertical state-enterprise relations. Since 2014, SOEs are allowed to keep 50% (instead of 30%) of their profits for creating stimulus funds and taking own investment decisions, albeit on a limited scale (Cubadebate, 2013). Five Years after these modest reforms, the planning mechanisms again underwent serious reshuffle. The same problems from the time of the SDPE appeared again. As the state media portal “Cubadebate” quotes a state factory manager, the juridical framework of the new OSDE-enterprise relation after five years is still not “totally clear”. Some OSDEs arguably began to act as “mini-ministries”, giving direct orders instead of granting autonomy. There was a “role confusion” and enterprises received “contradicting orientations”. At the one hand, enterprises were expected to react to market signals now, while on the other hand, autonomy exists only on paper. Or, as Roca describes one the former SDPEs main problems: “[...] the enterprise director was obliged to fulfill the output plan, [...] but in terms of decision-making; [...] it was always necessary to consult with the superior level, with the organ that had created the enterprise” (Roca, 1986: 161).

Again, the micro-management inherited from the classical system proofed to be more persistent than expected (Cubadebate, 9 Apr. 2019). With the new planning model presented in summer 2019 by economy minister Alejandro Gil, SOEs are now encouraged to take “own initiative”, negotiate contracts with other enterprises in the state and private sector, and therefore making the plan “more flexible”, substituting its “top-down” for a “bottom-up” approach. SOEs should get credits for creating new lines of products and form value chains autonomously. Above-plan surplus can be sold freely, also to foreign enterprises in the 2014 established Mariel Special Development Zone (ZEDM). Prices shall be flexibilized, gradually replacing the centrally set mechanism by agreements on both parties. The first measures of this concept will be implemented in 2020, according to Gil, although results in form of higher growth rates are expected to materialize no earlier than 2022 (Gil Fernández, 2019; Mesa-Lago, 2019: 18).


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</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>2.8%</td>
<td>3%</td>
<td>2.7%</td>
<td>1%</td>
<td>4.4%</td>
<td>0.5%</td>
<td>1.8%</td>
<td>2.2%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Gross Capital formation (% of GDP)</td>
<td>8.5</td>
<td>8.6</td>
<td>9.4</td>
<td>7.6</td>
<td>9.4</td>
<td>9.6</td>
<td>10.3</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Physical Industrial output (1989 = 100)</td>
<td>46.8</td>
<td>46.7</td>
<td>55</td>
<td>55.5</td>
<td>62.1</td>
<td>68.7</td>
<td>67.6</td>
<td>67.7</td>
<td>-</td>
</tr>
<tr>
<td>Exports of goods (million US$)</td>
<td>6.17</td>
<td>5.89</td>
<td>5.56</td>
<td>5.14</td>
<td>3.57</td>
<td>2.54</td>
<td>2.7</td>
<td>2.74</td>
<td>-</td>
</tr>
<tr>
<td>Fiscal deficit (% of GDP)</td>
<td>1.7</td>
<td>3.7</td>
<td>1.3</td>
<td>2.2</td>
<td>5.8</td>
<td>6.7</td>
<td>8.7</td>
<td>8.2</td>
<td>-</td>
</tr>
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</table>
3.3 Market reform and coherence

How does the appearance of the new private sector together with the changing planning model affect the coherence of the system? As Kornai describes, market reforms undermine the coherence of the classical system, which, despite its flaws, operates in a consistent manner with well-defined functions and competences. Macroeconomic disequilibria appear during the reform phase, as market and plan coordination tend to block each other: “The result of the ambivalence in the reform of the public sector is that the shortcomings of the bureaucratic and market mechanisms, far from correcting each other, tend to reinforce each other. The sector falls between two stools. What takes place in the name of coordination is ‘neither plan nor market’” (Kornai, 1992: 508). As a result, shortage and public dissatisfaction tend to be more severe than before the phase of reform. The formerly coherent administration of the society gets more and more blurred by the loss of consistency, affecting not only the economical coherence but the very core values of the system:

“The semideregulated public sector shows few signs of being influenced by respect for industry and thrift associated with private ownership, the market, and competition. What it does display is a spirit of cheap commercialism. This permeates the whole society: personal connections with officials in the bureaucracy are used by state-owned firms and private entrepreneurs in matters of production and by individuals in their own affairs, and bribery is often attempted. Buyers suffering from shortage, whether firms, self-employed artisans, or consumers, try to do the same. The wealth of the state has no value in the public’s eyes; people do not sense that it arose out of the taxes and sacrifices of taxpaying citizens, or that those handling the nation’s wealth could be held responsible for it. Many of the public do not condemn defrauding or stealing from the state.” (Kornai, 1992: 509)

In Cuba, these problems were perfectly mirrored by Raúl’s speech about “social indiscipline” from July 2013, when he criticized the increase of corruption, illegal activities and anti-social behavior, concluding that “despite the undeniable educational achievements made by the Revolution […] we have taken a step back in citizens’ culture and public spirit […] I have the bitter sensation that we are a society ever more educated, but not necessarily more enlightened” (AP, 2013).

According to Kornai, its lack of coherence makes reform socialism “doomed to fail” (Kornai, 1992: 25). The History of reform socialism in eastern Europe seems to proof his point. But is the same true for market socialism as practiced in China, Laos and Vietnam? In stark contrast to Kornai’s statement from 1992, that any form of a market socialism could never form a coherent new model that leads to sustained growth, the Chinese approach of “dual-track”-reform, in which the plan load of SOEs is gradually substituted by market coordination under the framework of strategic macroplanning, has not only proven to be highly successful, but also led to the formation of a new model over a sufficiently long period to qualify at least as “viable”, if not “coherent” (Qian, 2002: 19). As Alberto Gabriele points out, market socialism could be the most viable alternative for Cuba, solving the structural problems of its economic model, as “the tension between Cuba’s exceptional human development achievements and the weakness of their material foundation cannot be maintained indefinitely” (Gabriele, 2011: 671–672).

Indeed, the Party’s current economical concept papers (approved at its 7th congress in 2016) already do point towards the envision of a market socialist system that shall be constructed until 2030. However, “market socialism with Cuban characteristics” would not necessarily resemble his counterpart in China and Vietnam in every aspect, as the starting conditions in those countries differ. For example, Cuba has much more developed social security systems and a higher skilled workforce compared to China and Vietnam during the start of market reforms and the political and cultural conditions are vastly different. Still, many properties of the Chinese and...
Vietnamese model could prove to be useful for future reforms in Cuba, as all three countries stem from the same family of socio-economic formations, facing similar system-specific challenges.28

Summarizing the previous chapters, Table 3 shows the three different forms of historical existing socialism with their respected differences in main economic aspects using the criteria laid out by Kornai (1992: 393) and Gabriele (2012):

TABLE 3: DIFFERENT TYPES OF THE SOCIALIST SYSTEM

<table>
<thead>
<tr>
<th>Political system</th>
<th>Classical socialism</th>
<th>Reform socialism</th>
<th>Market socialism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forms of property</td>
<td>∼80% SOEs, little or no private property of the means of production</td>
<td>Dominant state sector, increasing number of private businesses and cooperatives</td>
<td>Mixed economy with predominant state sector</td>
</tr>
<tr>
<td>Dominant coordination mechanism</td>
<td>Bureaucratic (Plan)</td>
<td>“Neither plan nor market”</td>
<td>Market (with strategic planning)</td>
</tr>
<tr>
<td>Planning method</td>
<td>Mainly material</td>
<td>Material &amp; financial</td>
<td>Mainly financial</td>
</tr>
<tr>
<td>Market situation*</td>
<td>Seller’s market</td>
<td>Seller’s market</td>
<td>Buyer’s market</td>
</tr>
<tr>
<td>Formation of prices</td>
<td>Centrally set</td>
<td>Partly free</td>
<td>Mostly market driven</td>
</tr>
<tr>
<td>Budget constraint of SOEs</td>
<td>Soft</td>
<td>Soft</td>
<td>Partially soft</td>
</tr>
<tr>
<td>Coherence</td>
<td>Coherent</td>
<td>Incoherent</td>
<td>Coherent (?)</td>
</tr>
</tbody>
</table>


For an explanation of the Seller’s- vs. Buyer’s market under the conditions of socialism, see: Kornai (1992: 218-19, 245-52).

This overview tries to display typical characteristics of each “version” of the system, rather than a complete list of all their respective properties. Also, as explained with Table 2 in the previous chapter, the boundaries between the different types are sometimes overlapping and vary over the course of history.

4. CONCLUSION: TOWARDS A NEW FORM OF MARKET SOCIALISM IN CUBA?

As this paper tried to demonstrate, economic development in Cuba since 1959 followed clearly distinguishable patterns, with phases of de- and recentralization and different combinations of coordination mechanisms. After the “Great Debate” 1963-65, Guevara’s approach of eliminating the market “as fast as possible” reached its peak with the “Revolutionary Offensive” in 1968. The subsequent “Great disenchantment” after the failed sugar harvest in 1970 lead to the first fundamental reassessment of the economic system, connecting the objective conditions of economic development with the states management abilities. The institutionalization wave since the mid-1970s reflects this shift of assessment along the first experiments of market reform in socialist Cuba.

After many years with various phases of reforms and their partial reversal, in 2011, the PCC for the first time recognized the existence of the market as integral part of the socialist economy. The essence of the reform concept was even enshrined into the new constitution of the country in 2019, when in article 18 it is stated that central planning should “consider the market and regulate its functions”. Different forms of private property were recognized. Planning, according to the new Constitution, should “essentially project and conduct the strategic development” instead of micro-managing the economy (Constitución de la República de Cuba, 2019: 3). Bettelheim, in the end, seems to have won the “Great Debate”29.

28. For a discussion of the question how market socialism in Cuba potentially could look like, see: Gabriele (2011); Wilkinson (2012).
29. Though many aspects in the conceptual papers even go further than the original proposal made by Bettelheim.
But the implementation of the reform program falls short from the height of the theoretical concepts. At the 7th party congress in 2016, Raúl Castro had to admit that only 21% of the Lineamientos have been implemented so far. As examined before, Reform since then stagnated on many fronts amid the aim of short-term resolving tensions, leaving the current state of economic coordination in Cuba at the level of “Neither plan nor market”. Although some indicators point towards the envision of a Chinese inspired dual-track reform framework with strategic planning, currently, Cuba’s reform process is “stuck in the middle”, leaving many questions in the air (Alonso & Vidal, 2019: 17). The influence of external factors, like the decreasing assistance from Venezuela and the further tightening of the embargo under the Trump administration remains to be considered into this analysis and could be subject for further research.

Only time will tell, whether or when Cuba manages to take the step forward from the gradual reform approach towards a market socialist model on its own foundation, which potentially could create the material base for sustained and dynamic growth and hereby restoring great parts of the lost coherence by solving the structural problems of the economy.

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