
Cuban Political Economy

Controversies in Cubanology

edited by
Andrew Zimbalist

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Series in Political Economy and Economic Development in Latin America

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Errata

On page 191, lines 17–18 should read: “Epistemology is still not a central part of Cubanology.”

On page 205, line 10 should read: “of the Freudian superego or George Herbert Mead’s concept of the me.”

Cuban Political Economy

Series in Political Economy and Economic Development in Latin America

Series Editor
Andrew Zimbalist
Smith College

Through country case studies and regional analyses this series will contribute to a deeper understanding of development issues in Latin America. Shifting political environments, increasing economic interdependence, and the imposing problematic of debt, foreign investment, and trade policy demand novel conceptualizations of development strategies and potentials for the region. Individual volumes in this series will explore the deficiencies in conventional formulations of the Latin American development experience by examining new evidence and material. Topics will include, among others, women and development in Latin America; the impact of IMF interventions; the effects of redemocratization on development; Cubanology and Cuban political economy; Nicaraguan political economy; and individual case studies on development and debt policy in various countries in the region.

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About the Book and Editor

This comprehensive and authoritative book assesses in theoretical and empirical terms some of the most widely debated issues in the study of Cuban political economy over the past two decades. Contributors discuss the Cuban economy's rate of growth, structural changes that have accompanied economic development, the extent of Cuba's economic and political dependence on the Soviet Union, the reliability of Cuban statistics, the performance of Cuba's system of central planning, and the progress Cuba has made in promoting equality for women. Without extolling or condemning the Castro government, these essays provide a timely analysis of the methods, theoretical approaches, and conclusions of the literature in Cuban studies since the 1960s and offer a new understanding of the Cuban reality.

Andrew Zimbalist is professor of economics at Smith College. He has written widely on the Cuban economy and has published several books in the fields of comparative economic systems and Latin American development.

*With lots of love
to Lydia, Jeffrey, and Michael*

Preface

This book presents a broad critique of the mainstream scholarship in the United States on Cuban political economy. Mainstream Cubanology encompasses a wide range of theoretical approaches, methodological inclinations, intellectual backgrounds, and political preferences. It is as essential for the mainstream's critics to recognize this diversity as it is for the mainstream Cubanologists to recognize the same diversity among the critics. The contributors to the present collection are unified only by a common perception of inadequacy in the existing studies of Cuba's political economy.

Originally, I intended this book to include contributions from both the critics and the mainstream. The idea was stillborn, however, when Carmelo Mesa-Lago and Jorge Pérez-López, the two leading mainstream economists of Cubanology in the United States, turned down an invitation to participate. Lively discussions of the issues, I trust, will proceed nevertheless in other forums.

Many important and interesting topics related to Cuban political economy are not covered herein. For instance, a presently thriving controversy on human rights in Cuba receives little more than a few passing references in the chapters of this book. The Valladares book (*Against All Hope*), its problems notwithstanding, raised many vital issues. Much can still be learned about the treatment of political prisoners in Cuba.

Researching Cuba is no easy matter. The maze of hurdles one has to negotiate is well known to all who have tried to study post-1958 Cuba. Writing about Cuba, given the prevailing disinformation, ideological cascade, and emotional overlay, is also fraught with obstacles. One can scarcely run the gauntlet alone. I am indebted to too many friends, colleagues, and research assistants for their intellectual and emotional support to acknowledge here. I would, however, like to single out the following individuals: Lydia Nettler, Susan Eckstein, Carmen Diana Deere, Nola Reinhardt, Stuart Brown, Sinan Koont, Ophelia Yeung,

Gretchen Iorio, Lisa Genasci, Lisa Morris, Claes Brundenius, Arthur MacEwan, Roger Kaufman, Charles Staelin, Tom Riddell, Mieke Meurs, Marifeli Pérez-Stable, Ernesto Ortega, Fidel Vascós, José Luis Rodríguez, Jesus Molina, Miguel Figueras, Jean Stubbs, Juan Valdés Paz, Nestor Garcia, Juan Carlos Martínez Triana, Ariel Ricardo, and Armando Santiago. Finally, my deep gratitude goes to Jean and Harvey Picker for their personal encouragement, intellectual stimulation, and financial generosity.

Andrew Zimbalist

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Cuban Political Economy and Cubanology: An Overview

Andrew Zimbalist

Mirroring the dynamism of Cuban political economy, scholarship on Cuba is in a period of debate and reformulation. Despite ongoing impediments, access to Cuban society has improved markedly in the 1980s. The consequent growth of an empirical base has facilitated a reexamination of existing interpretations of policy, performance, and structure.

Much of the extant literature is characterized by ideological dogmatism, from either end of the political spectrum, and gives a superficial and distorted view of Cuban reality. Given Cuba's geopolitical identity, few observers are able to regard Cuba dispassionately. The U.S. trade and travel blockade of Cuba and the research barriers confronted by the tenacious few who make it to the island further diminish the possibilities for penetrating and rigorous scholarship.¹

The temporary thaw in U.S.-Cuban relations during the Carter administration resulted in unrestricted, though inconvenient, travel to Cuba for U.S. citizens. Many social scientists took advantage of the opportunity to explore the research terrain and make the requisite contacts to begin investigatory projects. At the same time, Cuban political institutions had stabilized, and the economy had developed sufficiently to allow the emergence of centers of academic research in Cuba. Further, from the early 1970s the Cuban economy entered a period of rapid growth, and authorities were obviously anxious that aspects of this economic success be appreciated and disseminated abroad. These auspicious conditions permitted many researchers to lay the groundwork for projects coming to fruition in the mid-1980s.

The mainstream interpretations of Carmelo Mesa-Lago, Jorge Pérez-López, Sergio Roca, Jorge Salazar-Carillo, Jorge Domínguez, Edward

Gonzalez, Cole Blasier, and other Cubanologists, previously unchallenged by serious research, have come under careful scrutiny from this new body of scholarship. This book brings together for the first time the work of various scholars who have participated in the reevaluation and critique of traditional Cubanology in the United States.

The underlying debates are encompassing, ranging from the use and understanding of statistics, to the conceptualization of political reality, to the dynamics of change and the interpretation of economic structure and performance. In the next section, I will summarize the state of our knowledge on the Cuban economy as it pertains to the most salient controversies.

Economic Structure and Performance

Economic Growth

Economic growth is probably the most common yardstick employed to assess economic performance. Thus it is not surprising that much of the debate on the Cuban economy has focused on this issue. In Chapter 3 in this book Claes Brundenius and Andrew Zimbalist point out many of the methodological and statistical questions that underlie this controversy, but they do not present their own estimates of Cuban growth.

From 1980 to 1985 real per capita gross domestic product (GDP) in Latin America fell at an average rate of 1.7 percent (for nineteen countries excluding Cuba), according to Economic Commission of Latin America (ECLA) calculations based on official government statistics.² In sharp contrast, again according to official statistics, constant price per capita gross social product (GSP) in Cuba grew at an average annual rate of 6.7 percent during the quinquennium.³ If the official Cuban statistics could be accepted at face value, Cuban growth performance during the first half of the 1980s would be remarkable by Latin American standards.

Estimating Cuban growth or making it comparable to Western data, however, is not a simple matter. The largest problem resides in the Cuban system of national income accounting (referred to as the system of material balances or MPS), which is common to the countries of the Council for Mutual Economic Assistance (CMEA; the Soviet trading bloc) and quite different from the system used in the United States (referred to as the system of national accounts or SNA). MPS uses gross value of production instead of value added for several of its measurements of aggregate output, and it does not include the value of nonmaterial services (which account roughly for between 25 and 35 percent of national income). These methodological differences together with ad-

ministered (as opposed to market) prices, the dubious meaning profits, changes in the Cuban accounting system over the years resulting in broken time series, and concerns over hidden inflation have created fertile ground for disagreement. These ambiguities notwithstanding, there are rigorous and acceptable procedures for estimating output growth in centrally planned economies provided that reasonable prices and weights are used.

Several Cubanologists have maintained that Cuban growth statistics are exaggerated because of hidden inflation. They point, in particular, to the wholesale and retail price reforms of 1981 as being more inflationary than officially acknowledged and argue that this bias engenders an overstatement of growth in the 1980s. Jorge Domínguez, for instance, in the September/October 1985 issue of *Problems of Communism*, asserted that "Cuba's statistical system has yet to generate credible data about the obviously economically troubled 1980-82 period, for which official figures unconvincingly suggest an economic boom."⁴ One year later in the same journal a similar allegation appeared, this time authored by Jorge Pérez-López: "More important, there is reason to believe that a significant portion of the reported GSP growth in 1981-1985 may be attributable to inflation."⁵ The "reason to believe" this, it turns out, is data about retail price increases for a limited sample of consumer goods. Among other problems here, this claim is a nonsequitur since Cuban national income measures are based on wholesale, not retail, prices. Wholesale and retail prices are separated by an extensive system of subsidies and turnover taxes and do not generally track each other very closely. The Cubans have published their own implicit GSP deflators based on a nearly complete sample of the one million plus goods produced in the country. Pérez-López provided no convincing argument to question these deflators.⁶

Elsewhere I have published an estimate of Cuban industrial growth based on constant prices and value-added branch weights over the period 1965-1984.⁷ Although the procedure and data I used involved a net downward bias, the resulting estimate of a real average annual rate of growth of 6.3 percent suggests a very impressive performance. In light of the concerns about hidden inflation, it is important to underscore that since this estimate is based on constant 1981 prices it cannot be distorted by this factor. This estimate of 6.3 percent is below the official figure of 7.5 percent but considerably above the estimate of Pérez-López of 2.3 percent (for the period 1965-1982).⁸

In Chapter 3 of this book Brundenius and Zimbalist elucidate the improper methodology of the latter estimate. The difference between the official estimate and my estimate can be attributed largely to the restricted sample of industrial products included in the *Cuban Statistical*

Yearbook—a sample of some 200 commodities that has changed little since 1965 and hence significantly underrepresents the newest and most dynamic product groups in the Cuban economy. When this and other factors are controlled for, the inescapable conclusion emerges that there is little reason to distrust the presentation of output and growth data reported in Cuban official statistics. To be sure, if the national income statistics of other Latin American countries were subjected to the same scrutiny as Cuba's statistics have been, there is reason to suspect that the comparison would further enhance the credibility of Cuban statistics.

Cuba's industrial sector, of course, has grown more rapidly than the agricultural sector and the economy as a whole. Thus, overall national income growth has been slower than that suggested by the industrial figures.⁹ Cubans have estimated the real average annual growth rate of the economy to be around 4.4 percent since 1959, though they acknowledge readily that data from the early years are incomplete. Although 4.4 percent strikes this writer as a bit optimistic, it does appear that the post-1959 growth record has been reputable overall and laudable since 1970. We shall discuss the sources of this growth in the following sections.

In light of this growth performance, it is ironic, though not unexpected, that U.S. press accounts, sustained by studies by Cubanologists, consistently denigrate the Cuban economy. A passing condemnation of Cuba's economy seems to have become almost obligatory, a litmus test of professionalism, for press stories about Cuba whether or not the piece deals explicitly with the economy. Thus, in a recent review of a biography of Castro in the *New York Times Book Review*, Susan Kaufman Purcell declared that Castro has presided over, no less, "the destruction of the Cuban economy."¹⁰ And Stanley Hoffman, reviewing a different biography of Castro a month later in the same publication, passed a more moderate judgment: "The economy is in a wretched state."¹¹ As we shall see in the following sections and throughout this book, such assessments apply neither to Cuba's record of economic growth nor to other aspects of structure and performance.

Equity

The claim that Cuba has succeeded in achieving substantial economic growth along with distributional equity was first made rigorously by Brundenius.¹² As José Luis Rodríguez points out in Chapter 2, the claim has since been disputed by Mesa-Lago, Nicholas Eberstadt, and others.¹³ The argument put forward by Eberstadt is that Cuba's accomplishments in the areas of education and health have been overstated and that when compared to the records for other countries in the Caribbean

Basin Cuba's record does not distinguish itself. To reach this assessment Eberstadt (1) misused Cuban statistics; (2) overlooked definitional and registration changes; (3) ignored questions of data reliability in other countries, and (4) selectively compared Cuba to those countries in the basin with the lowest infant mortality rates. In fact, given the diminutive size, colonial history, and the service orientation of these countries (e.g., Bermuda, Cayman Islands, Martinique, Guadeloupe), the comparison makes little sense. Eberstadt does not compare the Cuban record with that for any country in Latin America that has as much as one-third of Cuba's population; if he did so he would find that the Cuban health performance is unparalleled. In this regard it is interesting to note that the 1986 infant mortality rate in Cuba fell from 16.5 per 1,000 births to 13.6. In Chapter 6 Sarah Santana explores Cuban health statistics as well as Eberstadt's claims in considerable detail.

It is worth noting that Eberstadt's last piece was published in a special issue of *Caribbean Review* (15, no. 2, 1986) devoted to Cuba. Two other articles in that issue impugn Cuban statistics. In his article, Sergio Diaz-Briquets cited an interview by Sergio Roca of a Cuban exile living in Miami. The interviewee, an ex-public health worker, alleged that in one instance medical records were falsified to make it appear as if a dengue fever epidemic had been brought under control. The interviewee was promised anonymity by Roca, however, and cannot be held accountable for his extreme charge.

In the other article, Jorge Salazar-Carrillo argued that (1) the real Cuban economy is unknowable because of its indecipherable statistics and (2) Cuba's changes in statistical methodology reflect changes in Soviet dominance over the island. Ironically, from Salazar-Carrillo's discussion of indecipherable statistics, he appears to have at best a vague understanding of the MPS methodology: Many of his specific points are misleading; others are simply wrong. For instance, on page 25, he wrote: "The physical indicators reported in *Boletines* and *Anuarios Estadísticos* represent value rather than volume indicators, the result of the inflationary process." Only 4 of the 206 products listed in the physical indicators are given in value terms. The rest are in physical terms—units, tons, cubic meters. The inflationary process has no effect whatsoever on these figures. The second contention regarding Soviet dominance is a powerful example of the extremes to which the Sovietization of Cuba thesis (analyzed in Chapter 8 by Frank T. Fitzgerald) can be carried.

Structural Change

For those analysts who have attempted to diminish Cuba's growth record, a standard corollary is that the Cuban economy has not diversified or

industrialized and is still dependent. These arguments are analyzed by Brundenius and Zimbalist in Chapter 3. A few additional comments here, however, are in order.

Sugar has been dubbed the albatross of the pre-1959 Cuban economy. During the 1948–1958 period, sugar exports averaged 84.1 percent of total Cuban exports. Despite the beginnings of bagasse processing after 1956, forward and backward linkages to sugar production went largely undeveloped. Employment was seasonal, land use was wasteful, large profits were repatriated, and prices were volatile. Under these circumstances, sugar's ability to stimulate a broader economic development was nonexistent. Lack of diversification and dependency went hand in hand with underdevelopment and stagnation.

In a quantitative sense Cuba is certainly as dependent on the Soviet Union in the 1980s as it was on the United States in the 1950s. Dependency theory, however, whatever its limitations, is an effort at analytical explanation not just empirical description of the development process. It is impossible to conclude that the qualitative relationship of dependence on the Soviet Union is commensurate with that of the earlier dependence on the United States. Just as in a parent-child relationship dependency is to some degree unavoidable during early development and according to its nature can either nurture eventual strength and growing independence or lead to weakness and ongoing dependence.

Cuban dependence on the Soviet Union is not altogether benign, but its effects on Cuban development have been, on the whole, salutary. Terms of trade have been stable and favorable, technological transfer and training have been readily forthcoming, machine tool/heavy-industry production has been encouraged,¹⁴ the nature of the sugar industry and its market has been transformed, spin-off industries have been promoted, and profit repatriation has ceased. These issues are addressed in greater detail by Fitzgerald in Chapter 8.

The main point is that a simple number like the share of sugar in total exports does not have the same implications for Cuban development today as it did thirty years ago. Depending on world market conditions, Cuba still sells between 10 and 40 percent of its sugar on the volatile world market, but the CMEA market provides a soft and reliable cushion. Sugar has also been the basis for significant forward and backward linkages since 1959, and harvest mechanization, production integration, and labor force reorganization have eliminated the noxious social and economic effects of seasonal *zafra* labor. Still the argument could be persuasively made, in my opinion, that given prospects for world sugar demand, Cuba is putting too many eggs in the cane basket.

Although Cuba continues to invest in expanding production and milling capacity, investments in other, nontraditional export products