

POLITICAL IMPLICATIONS OF RECENT ECONOMIC REFORM TRENDS IN CUBA: THE 2014 STATUS

Vegard Bye

This paper is an attempt to interpret the implications of the most recent economic reform trends in Cuba in terms of where they are taking the country politically.

Several articles in this volume of ASCE Proceedings go more systematically through the state of the economy. In this article, there is only a brief summary of the economic trends that I find most relevant for the political development. Most emphasis will be on a discussion of how such changes can be read through the lenses of some leading theories of links between economic and political transformations: Linz and Stepan,¹ Saxonberg² and Kornai.³

Let me first emphasize that this is not in any way meant to be a deterministic thesis about “democratic transitions” leading unavoidably to the establishment of a liberal market-based democracy. We are well past the dogmas of last century, particularly after the

demise of the USSR, about the “Third wave of democracy”⁴ and “The end of history.”⁵ Fukuyama⁶ himself seems to have come to other conclusions: from predicting markets and democracy as a historically unstoppable tandem formula, he now tends to see a modern-day China as proof that you may create a competent state without the benefit of western trademarks of democracy and rule of law.

There is now plenty of empirical evidence and political science literature questioning the entire democratic transition paradigm,⁷ and there is much literature on how the intrinsic correlation between economic and political transformations plays out in comparable socialist countries like China and Vietnam.⁸ The direction and probable outcome of such processes is highly uncertain; in the case of Cuba the Government does not even seem to have a develop-

1. Juan J. Linz & Alfred Stepan (1996) *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*. The Johns Hopkins University Press.

2. Steven Saxonberg (2013) *Transitions and Non-Transitions from Communism: Regime Survival in China, Cuba, North Korea and Vietnam*. Cambridge University Press.

3. János Kornai (1992) *The Socialist System: The Political Economy of Communism*. Princeton University Press.

4. Samuel P. Huntington (1991) *The Third Wave: Democratization in the Twentieth Century*. University of Oklahoma Press.

5. Francis Fukuyama (1992) *The End of History and the Last Man*. Free Press.

6. Francis Fukuyama (2014) *Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy*. Profile Books Ltd.

7. Just to cite two scholars, Thomas Carothers, “The End of the Transition Paradigm,” *Journal of Democracy*, Volume 13, Number 1, January 2002, pp. 5–21; Laurence Whitehead, “Losing the Force? The ‘Dark Side’ of Democratization after Iraq,” *Democratization*, Vol. 16, No 2, April 2009, pp. 215–242; and Laurence Whitehead, “The crash of ‘08,” *Journal of Democracy*, Volume 21, Number 1, January 2010, pp. 46–57.

8. See Martin Gainsborough (2010) *Vietnam: Rethinking the State*. Zed Books; and Saxonberg, op. cit.

ment strategy (either economically or politically) for the post-Castro era, now only a few years away.

MOST RELEVANT ECONOMIC DEVELOPMENT TRENDS IN 2014

In spite of all reform efforts made since the 2011 Party Congress, results are still very disappointing. The official growth forecast for 2014 was put at 2.2%; by midyear it was downgraded to 1.4%, which would be the lowest growth rate since 2009. Most economists—and apparently the President himself—consider that a growth rate of at least 5% is necessary in order to re-establish sustainability in the Cuban economy. But even these meager results failed to set the alarms ringing: at the mid-year session of the National Assembly, where these figures were made public, the President's message was that there was no reason to speed up the reform process.

Agriculture

Two of Cuba's leading agricultural economists concluded recently that sustainable growth and development is “unlikely without take-off in the agricultural sector,” and that such take-off is not yet taking place in spite of several years of cautious reforms.⁹ For the first time in many years, a significant increase in national food production was reported for first-half 2014,¹⁰ but the high hard currency expenditures on food imports are apparently the same.

A significant transfer of land from the state to the non-state sector has taken place: CCS cooperatives (see next section) and private land increased their share of land-holdings from 18.5% in 2007 to 51% in 2014. While these two categories still only comprised 27% of the land, they produced as much as 70% of the food in the country, which really says a lot about their productivity.¹¹ But the main challenge remains: farm producers do not yet have real auton-

omy to decide “what to produce, to whom and where to sell,”¹² i.e., their complete production and sales cycle. Some wholesale markets have opened in the Havana region—with great success—whereas wholesale markets for agricultural implements have not been set up with the exception of a small experiment at Isla de la Juventud. The same two experts emphasize the need to permit horizontal organization of peasants and farmers, very different from the vertical and centralistic manner in which the peasant organization ANAP functions today.

A potential “big bang” in agricultural organization did occur in mid-year 2014, when the Minister of Agriculture announced that the state-run organization for wholesale buying of food products, Unión Nacional de Acopio (UNA) would be closed and that as many as 6,000 “agricultural bureaucrats” (41% of administrative personnel at all levels in the Ministry, in ANAP, in state-dominated cooperatives, etc.) would be dismissed.¹³ This could potentially have tremendous importance. It seems to be the case that the bureaucratic burden with which peasants and farmers have been struggling has been particularly heavy at local levels. But it is not yet clear what this announcement means in practice.

AGRICULTURAL COOPERATIVES

The expansion of the least state-controlled cooperatives, the CCS (credit and service cooperatives), and the number of peasants leasing state-owned land (called *usufructuarios*) has been very impressive over the last years. There has also been an offensive for the purpose of preparing cooperative members to become more autonomous, less dependent on the state. The United Nations Development Programme (UNDP) has been invited by the Ministry of Agriculture to work together on a quite comprehensive training programme (37 municipalities in 7 provinc-

9. Anicia García Álvarez and Armando Nova González (2014) “Despegue del sector agropuecuario: condición necesaria para el desarrollo de la economía cubana,” paper presented at *Seminario Científico por el 25 aniversario del CEEC, 25–27 de junio de 2014*.

10. First-half 2014 food production was said to be up 17.6% compared to the same period the previous year, but still to be below the 2009 production figure (*Juventud Rebelde*, 23 August 2014, citing an *ONEI* August 2014 publication).

11. García and Nova, op. cit.

12. Ibid.

13. martinoticias.com, 5.07.2014.

es) on cooperative principles, basically building on internationally recognized principles developed by the International Cooperative Union (ICA). The training manuals fully reflect these principles, which are very different from the traditional centralist, state and party-dominated practice of managing cooperatives in Cuba. But the impression one gets when speaking to UNDP staff who have been involved in the process is that there is heavy resistance against applying those principles, particularly when it comes to issues of real autonomy, internal democracy and voluntary participation. The bottom line seems to be that Cuba is still far away from creating a cooperative culture.

Non-agricultural Cooperatives

Since a new legal framework for non-agricultural cooperatives was established in 2012, a total of 570 such cooperatives have been authorized,¹⁴ but only about half have actually been constituted. Three quarters of them are of state origin (state companies being converted into cooperatives), whereas 25% are non-state businesses (of self-employed workers) joining efforts to set up cooperatives. Most are in the sectors of commerce and restaurants, some in construction, very few in industry or production; 80% are concentrated in the greater Havana region (including Artemisa and Mayabeque). There is an extremely complicated authorization procedure for these cooperatives: each has to be approved by the Council of Ministers after a series of mandatory studies having been carried out at different administrative levels.

The legal principles for these cooperatives, set out in decree-law DL 305/2012, are not very different from the international ICA principles. Rather than “democratic control by members,” the Cuban statutes speak about “collective decisions and equality of rights”; rather than “autonomy and independence” there is a concept called “autonomy and economic sustainability.” There is no reference—as there is in the ICA

principles—to economic participation, open membership and training/information.

Cooperative organization in Cuba will enjoy several advantages compared to other non-state businesses (based on self-employment). The most important is that cooperatives, as legalized companies, are eligible to receive foreign investment according to the new foreign investment law. That is not the case for self-employment companies.

A review of experiences with these cooperatives through the first quarter of 2014 (limited to Havana) shows that the non-state based cooperatives are much more successful than the state-based, in spite of very limited access to information and incentives. Members of this cooperative category have, for instance, experienced a tripling of their incomes. The principle of internal democracy is reported to be frequently violated.¹⁵ The problem also in this case is that no real cooperative culture has been created, although it is hardly to be expected after so short an experience.

Performance of Other Non-State Economy

The number of self-employed workers (*trabajadores por cuenta propia*, TCP) is now hardly growing. By August 2014 it was reported to be 471,000, with gastronomy and transport being the dominant sectors. Companies in this sector (in the form of small and medium enterprises, SME) are still not legally recognized as such. But companies are being informally constituted. What we see is that 80% of the TCPs are working on their own (or often with family members, friends); 20% of them sell their workforce to other TCPs, which is to say that they join companies of other TCPs. This means that business development is very slow: whereas the global average is for one self-employed to employ five others, the situation in Cuba is completely the opposite (only one out of five creating one additional job). If Cuba had followed the global pattern, the TCP would have created almost 2.5 million jobs, representing 50% of employment in Cuba.

14. This is the figure including the third round of authorizations at the Council of Ministers' meeting in September 2014 (*Granma*, 24.09.14).

15. Camila Piñero (2014) “Las nuevas CNA en Cuba. Un diagnóstico preliminar en la provincia de La Habana.” Paper presented at *Seminario Científico por el 25 aniversario del CEEC, 25–27 de junio de 2014*.

It is also worth noting that only 15% of the TCPs are ex-state employees, which means that real transfer of workers from the state to the non-state sector is probably no more than half a million, whereas the 2015 aim of 35–40% reduction of the state payroll would require a transfer of between 1.75 and 2 million former employees. Cuba is obviously very far away from that goal, which would require an explosion in non-state job creation—a tripling or quadrupling of the current rate. But all in all, non-state employment has increased, from a level of 6% in 1989, to 16% in 2010 and 26% in 2013.

The problem is that there are few real incentives and heavy resistance in the bureaucracy against private business growth. As one leading economist has pointed out: “The (state) institutions do not consider the non-state sector as a true component of development.”¹⁶ Still, the private sector enjoys a growing position, and potentially more power, in certain sectors and regions. It is particularly strong in tourism, and in places like Trinidad, Viñales, Baracoa, and the colonial part of Havana, crucial areas for international tourism and consequently for hard currency incomes. Businesses with 25–30 employees are becoming common in these areas. In a very special sector like shoe production and sales, the private sector seems to be dominant. But we are still talking about heavy resistance against letting the private actors into mainstream business, for example, as noted above, by excluding them from foreign investment.

Also in this case, there is not yet any opportunity for horizontal interest-based organization, although some informal attempts are cautiously emerging.

New Foreign Investment Regime

After a disastrous fall in foreign investments (the number of foreign companies in Cuba dropped by 50% over the last ten years, total investments now being assumed to be around 5 billion USD¹⁷), two

very important initiatives were taken: the establishment of the Mariel Special Development Zone (ZDEM) in 2013 and the enactment of a new foreign direct investment law (Ley 188) in March 2014. According to President Castro, annual investments of 2.5 billion USD would now be required in order to reach a minimally acceptable growth rate of 5% per year, thereby also doubling the extremely low gross capital formation from its present level of below 10% of GDP to a Latin American average (which is still low by international standards) of over 20%. The intention of the new law is to offer more fiscal incentives, more transparency and less discretionality than the previous law (from 1995). The main drawbacks, highlighted by potential investors, is that non-state businesses are excluded, that state control of human resource recruitment is maintained, that there are limited rule-of-law guarantees, and the very limited access to internet and other infrastructure weaknesses. So far, although the time is very short for an assessment to be made, the Mariel port and development zone is off to a very slow start, and there are no real signs of a surge in foreign investment.¹⁸ It was obviously a tremendous disappointment that visits by both the Russian and the Chinese presidents in July 2014 led to so little concrete investment contracts. It was also a blow to foreign investment conditions when six major European banks were obliged by the US anti-terrorist legislation to close their transactions with Cuba, having to pay quite significant fines.

Re-structuring of State Companies

Some apparently big news came in April 2013, when the Reuters news agency reported a planned decentralization of most large state enterprises, by freeing them of direct control instruction from their respective ministries. They would be allowed to keep 50% of their profits (up from 30%), to design their own wage system, and to have much more production

16. Omar Everleny Pérez, interviewed by Ariel Terrero (2014) “Doce economistas en pugna” (“Twelve economists in conflict”), published on the website *Cubaprofunda*, hosted by an institution belonging to the Ministry of Culture.

17. Omar Everleny Pérez (2014) “El relanzamiento de la Inversión Extranjera en Cuba: una necesidad para el desarrollo económico,” paper presented at *Seminario Científico por el 25 aniversario del CEEC, 25–27 de junio de 2014*.

18. In November 2014, a portfolio of investment opportunities amounting to 8,700 million USD was presented to potential foreign investors (*Granma*, 16 November 2014).

and marketing flexibility, but also to be exposed to market criteria (“make profit or disappear”). However, it was soon announced that ministerial control would be substituted by an intermediary bureaucratic level, a new institution called *Organización Superior de Dirección Empresarial (OSDE)*, and that much of the announced corporate autonomy thus would be eliminated. According to one leading independent expert on state corporations, “(company) directors will (still) be lacking necessary conditions to assume risks and promote innovation,” and “companies are still missing key instruments for the development of productive forces in support of economic growth.”¹⁹

It is evidently very hard for the Cuban leadership to let go of the command economy and to increase the autonomy of publicly-owned firms, although there is an intention to separate state and company functions.

State companies were reported to receive a total of 650 million USD in state subsidies to compensate for losses in 2013,²⁰ hardly sustainable under the country’s present economic conditions.

INTERPRETING ECONOMIC REFORM TRENDS THROUGH THE PRISM OF TRANSITION THEORY

Cuban Evolution in Relation to Linz and Stepan’s Five Democratic Arenas

One of the classical contributions to the study of democratic transitions is by Juan L. Linz and Alfred Stepan. Their analysis defines five arenas seen as crucial for the transition to democracy: an institutionalized economic society; a civil society of self-organizing groups with relative autonomy from the state; a relatively autonomous political society with mechanisms to contest the exercise of public power; rule of law; and finally a state bureaucracy that is “usable by a new democratic government.” Let us look at them one by one in the case of Cuba.

The transformation has clearly started on the way to an institutionalized economic society, but at a very slow speed. Rules for self-employed work (TCP) have been maintained more or less the same over the last four years, and the expansion of this category is much slower than expected at the outset. It is still difficult to see this opening evolving into a more general permission, let alone incentive, to convert this sector of the economy from a survival option into a real non-state business sector. The latest figures show that only one in every five TCP licenses creates one job opportunity for other job seekers, whereas the international average is exactly the opposite: that each private entrepreneur creates five other jobs. So even if there are examples of TCP-based businesses having a workforce of as much as 25–30 employees (with owners as well as employees normally also being registered as TCPs), the figure of SME or other private company does not yet exist legally speaking in Cuba. This limitation is clearly seen in the new law on foreign investment: since there are no legally recognized private companies (apart from cooperatives), there is no way they can receive foreign investment properly speaking. A considerable degree of foreign investment does flow into such micro enterprises through family remittances. The total amount of such transfers, cash and in kind added to together, for one year (2013) may actually be equal the total formal FDI over the last 20 years (about 5 billion USD) according to Miami-based The Havana Consulting Group. Now, we do not know how much of this is converted into business investments, but probably a significant part. The new crack-down on “mule imports” beginning 1 September 2014, possibly reducing the value of products available for informal street sales from roughly 700 to 200 million USD per year²¹ is another illustration of the government’s policy of limiting the expansion of non-state business for fear that it will represent competition for state businesses. Such informal imports of consumer and even capital goods take place in the absence of wholesale markets, an-

19. Iliana Díaz Fernandez (2014) “Las nuevas medidas para las empresas estatales: ¿cambios en la autonomía?”, paper presented at *Seminario Científico por el 25 aniversario del CEEC, 25–27 de junio de 2014*.

20. According to former Minister of the Economy José Luís Rodríguez, “Cuba y la compleja transformación de la empresa estatal,” *Cuba Contemporánea* 07.08.2014, and reproduced in *ASCENews*.

other prerequisite for a thriving non-state sector still missing in the country.

Another signal of bureaucratic resistance against private business is the frequent and often harsh control exercised against the TCPs. An example from Santiago province shows that during the first eight months of 2014, no fewer than 10,000 TCPs were controlled by state inspectors, that 40% were fined and as many as 80% were warned of having committed errors.²² In the legal jungle existing around such activities in Cuba, it is almost impossible to avoid being accused of some kind of irregularity by these over-anxious state controllers. This is again an example that private business, contrary to being stimulated is very often seen by the state bureaucracy as being a nuisance, or at the very best a necessary evil.

There are other signals, though, of an increasing recognition that the state is incapable of running small-service businesses. The announcement from the Minister of Internal Commerce that the government plans to sell off 9,000 restaurants to the private sector or cooperatives is very interesting.²³ The currently-existing 1,300 paladares (private restaurants) constitute probably the most dynamic private business sector, and if this plan is implemented it would represent a tremendous boost for the private restaurant sector. State tourism agencies have announced that they will be making increasing use of private establishments for foreign tourists, something unheard of until recently. The following statement by Havana-tur President is well worth noting: “The state must free itself from activities that aren't decisive for the economy and that experience is showing function better privately.”²⁴

The announcement might also be understood as a recognition that the simple hiring out of such busi-

nesses to their workers, a parallel to usufructuarios in agriculture, has not really had the intended results. These businesses are very often running at heavy losses, and many of them would go bankrupt if they lose state subsidies.

Linz and Stepan's definition of economic society also includes the emergence of norms, institutions and regulations that mediate between state and market. Such regulation mechanisms in Cuba are still of very incipient character. The wholesale agricultural markets established in the larger Havana region (provinces of Havana, Mayabeque and Artemisa) may be seen as the beginning of a significant change. But there is not yet any sign that the state recognizes any independent organization of private businesses that may represent their interests vis-à-vis the state, nor has the state established any formal negotiation mechanism. Informal mechanisms do exist, and there are several cases of TCPs making spontaneous protests in front of provincial government offices leading to talks and in some case government concessions. The moment such conflict resolution mechanisms become formalized, it would represent a significant step towards an economic society in the Linz/Stepan meaning.

Civil society, Linz and Stepan's second arena, understood as self-organized groups, movements and individuals that operate in relative autonomy of the state, is still very weak and vulnerable, but there is a trend to permit a wider space for civil society activity and debate. The state and party still have full control of the only legal trade union federation in the country (CTC), whereas for example in Vietnam, labor unions enjoy much more autonomy.²⁵ No entrepreneurial group is recognized, although we have noted an interesting and paradoxical effort to organize among private restaurant owners within the CTC.²⁶

21. The 1 September 2014 restrictions on the value of goods being brought into the country limited the value to 1,000 USD per traveller, compared to a previous average of 3,500 (totalling between 1.7 and 1.9 billion USD in 2013, of which roughly 40% was supposedly destined for resale in the black market, again according to a survey by The Havana Consulting Group, reported by *Associated Press*, September 2, 2014).

22. EFE, Havana, 12.09.14, citing the state agency Agencia de Información Nacional.

23. CNN, 19.09.14.

24. *Associated Press*, Havana, 27 September 2014.

25. Saxonberg, op.cit., p. 102.

Other professional groups exist under the same monopoly situation, although there are signs that journalists and artists may become slightly more independent. Strikes and protests do occur, but still quite isolated and not at all at a level comparable to Vietnam or China.

Regional and other pressure groups and pressure from below is hardly visible. We may to some extent observe a growing strength and voice of churches, but unfortunately, the Catholic Church has significantly back tracked in terms of its opportunity to take a lead in this process by limiting the space for political debate (e.g., the change of editorial line in the magazine *Espacio Laical*). But this change of line may have contributed to open a space for independent associations or think tanks, as with the new group *Cuba Posible*, although there are still tremendous barriers to obtain legal recognition for anything that is not firmly controlled by the state.

Open opposition or dissident movements exist more or less at the same level as before, that is without representing any significant political force in the country. Alternative political “dissenter” movements do exist, are tolerated and have been tolerated for some time, as long as they do not carry out public actions. But there is no real surge of the dissenter movement, in spite of its increased international attention. Repression against them is also continuing in the same form: extensive intelligence gathering against them, frequent use of arbitrary detentions and threats through the use of pro-government mobs. The number of internationally recognized political prisoners is still kept at a low level. Compared to most other authoritarian states, the repression level is not particularly high, but it may be sufficient for the effective avoidance of civil society developing into anything

similar to Vietnam, where Thayer talks about a political civil society.²⁷ This is not yet really existing in Cuba, but the potential may be there.

The third arena is a relatively autonomous and valued political society: mechanisms to contest the legitimate right to exercise control over public power and the state apparatus. As long as the Communist Party has a monopoly status with a decisive control over state affairs, this arena is basically not in the position to change. Raúl Castro’s statement from the Party Conference in January 2012 (a follow-up to the Sixth Party Congress held half a year earlier), that there should be an increasing differentiation of state and party functions, has not materialized to any significant extent. But the party seems to be constantly losing its position as an arena for political debate. Voices are increasingly heard from civil society and from tolerated intellectuals, that a Constitutional reform is required, including the abolition of the one-party system.²⁸ But this does not seem to have any impact on top decision makers.

It is interesting to compare the situation in Cuba to that in Vietnam, where there have been frequent cases of political initiatives from lower party organs managing to overrule the will of the Party hierarchy, and even of open votes in the Politburo leading to defeat for official proposals in such an essential matter as the re-election of the Party’s general secretary, or the National Assembly voting against the government.²⁹ Such a thing is so far unheard of in Cuba. Practically all decisions of the National Assembly are unanimous, in accordance with official proposals, and we hardly ever hear about any disagreement in the Party’ Central Committee, let alone the Politburo. There are no known factions; we hardly ever hear about diverging positions among the party leaders.

26. See a quite unique example of this in Vegard Bye, “Which Way Cuba? The 2013 Status of Political Transformations,” *NUPI Report* no. 3, 2014, p. 35.

27. Carlyle A. Thayer, “Vietnam and the Challenge of Political Civil Society,” *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, April 2009, Volume 31, No. 1, pp. 1–27.

28. The most far-reaching publicly tolerated document, calling for the recognition of full liberal democracy in Cuba, is the manifest “Cuba soñada—Cuba posible—Cuba futura,” issued by the group Laboratorio Casa Cuba and published in *Espacio Laical* no. 3, 2013. It is basically this same group which reorganized in the association *Cuba Posible* in 2014.

29. Saxonberg, op. cit., p. 101.

The level of external monolithic unity in Cuba is quite unique compared to other socialist systems, present or former. As long as the Castros stay in power, it is very difficult to see how this may change.

Rule of law, understood as a firm hierarchy of laws interpreted by an independent judiciary, is another arena with very little change in Cuba. Laws are often contradictory and characterized by arbitrary interpretations and implementation. Much of the economic activity is obliged to operate illegally or in the grey zone, so as to make it very vulnerable to state sanctions. However, the rule-of-law deficiencies are expected to come under heavy pressure from foreign companies being lured to invest. The recognition that foreign direct investments are critically required in order to restore economic growth may oblige the government to make the judiciary more independent.

Criminal cases against foreign businesspeople, based on what their companies perceive as arbitrary application of rules, is one of the factors that threaten foreign investors. The CEO of a Canadian company doing business in Cuba for two decades was in 2013 sentenced to 15 years in prison, along with two Canadian colleagues and nine Cuban government officials, allegedly for bribing officials with relatively minor incentives. The most prominent among the latter, a vice minister of sugar, ended up with a sentence of 20 years behind bars. The Canadian company, Tokmakjian, strongly claims that the process was rigged and completely lacked transparency, and it is warning other potential foreign investors against the lack of rule-of-law in the country. In a situation where this is so critically required, such pressure may become a positive change factor in the years to come. Also in this case, increasing voice for constitutional change may be an accompanying internal factor.

The fifth arena is what is called a state bureaucracy “usable by the new democratic government.” Whereas in many countries in transition the problem may be the lack of a competent state, the situation in Cuba is quite the contrary: an omnipresent state monopolising most functions in society. Raúl Castro himself has been complaining about the bureaucracy as a barrier against reform. It is quite obvious that the

bureaucracy is much more of a hindrance than a facilitator of any reform pointing towards the reduction of the role of the state in the economy. If political reforms should seriously come on the agenda, opposition from the state bureaucracy may be expected to be even stronger, unless there is a concerted effort from the top hierarchy to change it. One difference between Fidel and Raúl in this regard is that while Fidel could get the bureaucracy squarely behind almost any decision, no matter how haphazard it might be, Raúl’s insistence on a much more institutionalized way of government is paradoxically reducing his ability to get the bureaucracy in line, because he does not possess the unique charismatic powers of his elder brother.

Cuban Evolution in Relation to Linz and Stepan’s Four Regime Type Criteria

Linz and Stepan in their classical approach to the analysis of political transitions, have also developed four regime type criteria that may help shedding light on the Cuban process.

Pluralism: The situation in Cuba is still characterized by limited social, economic and institutional pluralism, although it is slowly increasing. Political pluralism is even more limited. The “second economy” is emerging, and the overwhelming state dominance may be on the way to be reduced, at least in non-strategic sectors of the economy. This latter factor is probably the only one so far indicating a potential for increased pluralism.

Ideology: The importance of ideology is clearly being reduced in Cuba with the change from Fidel to Raúl. The weakening of state dominance in all aspects of life, more frequent travel and exchange with the outside world as a consequence of the exit visa being abolished, increased consumer fetishism among young people, a de-politicized cultural message, all this points to a weakened commitment—perhaps an outright loss—of faith in utopia. There is clearly a shift from ideology to more rational decision-making, although, as we have said, decisions are often not implemented with the same rigour as before. As Linz and Stepan put it, there is a “growing empirical disjunction between official ideological claims”—e.g. the language in official party and even

government statements—“and reality.” It is often pathetic to read official messages, even those directed at an international audience through diplomatic channels. A probable consequence of this is that the regime needs to legitimize itself much more on the basis of performance, not least economic growth and social progress. When growth almost comes to a halt as in 2014, when social assistance costs are reduced by 60% between 2009 and 2013,³⁰ and the share of education, health and social assistance falls from 29.4% to 20.2% as share of GDP from 2008 to 2013,³¹ it becomes increasingly difficult for the population to keep the historical confidence in the *logros de la revolución* (the achievements of the revolution).

Mobilization: There is a clear loss of interest in popular mobilization, although May-day marches are still quite impressive. The *actos de repudio*, “condemnation acts” against dissenter manifestations such as those organized by “The Ladies in White,” are less and less spontaneous and often seen with indifference or outright rejection by ordinary people. “Boredom, withdrawal and ultimately privatization of population’s values” are characteristics taken from Linz/Stepan that prove to be of growing relevance in Cuba, and this trend will be further strengthened as people depend less economically on the state.

Leadership: There is not yet a clear trend that top leadership positions become available independently of party structures and careers, but this may become the situation in the economy if state companies are ultimately permitted to operate more independently of the ministries. The most probable alternative source of future leadership recruitment would be the military institution. The next Party Congress, supposedly to be held in 2016 or 2017, would be the event to watch in order to reach a conclusion on this point. Charisma, which Fidel had more of than almost any other state leader, is not a very prominent part of Raúl’s personality, and apparently even less of the appointee to follow him, Miguel Díaz-Canel (we

come back to the issue under the discussion of Weber’s theory of authority).

Cuban Evolution with Reference to Saxonberg’s Regime Characteristics

Steven Saxonberg has made a very interesting effort to elaborate on some key concepts of Linz and Stepan, and adapt them more specifically to transitions (and non-transitions) from Communism, with special reference to Cuba compared to China, Vietnam and North Korea.

Saxonberg’s key concepts: We need to introduce a note on some key concepts here. Post-totalitarianism, according to Linz and Stepan, is when totalitarian regimes start losing some of their absolute power and resort to a more institutionalized form of control. In early post-totalitarianism the regime still maintains many of its totalitarian characteristics such as the absence of an independent civil society. This changes in the late post-totalitarian stage, which is divided into mature and frozen variants in Linz and Stepan’s theory, while Saxonberg prefers the more and process-oriented concepts maturing and freezing post-totalitarianism. A maturing post-totalitarian regime would typically carry out reforms that allow institutional and social pluralism to emerge, whereas in a freezing post-totalitarian regime, reformist factions are purged and ruling conservative leaders seek to avoid change.

Cuba’s evolution according to Saxonberg: Saxonberg observes a very interesting evolution for Cuba in his discussion of Communist and post-Communist regimes types: totalitarian in the 1960s (along with the entire communist world); early post-totalitarian with patrimonial tendencies in the 1970s (Saxonberg uses the concept “patrimonial” rather than Linz and Stepan’s less culturally-appropriate concept “sultanist”); a certain relaxation of post-totalitarianism in the 1980s with a limited opening for reform debate within the bounds of official ideology; and freezing post-totalitarian (still with patrimonial tendencies) in

30. José Luis Rodríguez, “Revisando estadísticas recientes de la economía cubana,” *Cubadebate*, 7.10.2014.

31. Rolando Castañeda, “El deterioro social en Cuba,” *Cubaencuentro*, 15.10.2014. See also Armando Chaguaceda, “Cuba: Revisitando la Justicia Social en tiempos de reforma,” in *NUPI Report no. 3, 2014*.

the 1990s, partly as a reaction of Gorbachev's reforms and the fall of the USSR: reform debates were stopped, peasant markets and self-employment were first reluctantly allowed as survival mechanisms in face of a desperate economic situation (*período especial*), but rapidly strangled when they appeared to become too successful. Saxonberg fails to conclude clearly whether or not the on-going changes orchestrated by Raúl Castro—with a comeback for similar reforms yet this time of a strategic character—takes Cuba to his next category, the maturing post-totalitarian stage, a stage he claims to be typical for USSR under Gorbachev and even for China and Vietnam in the cultural and economic spheres starting in the 1990s. This latter regime type could, according to Saxonberg, lead to three possible outcomes: a negotiated change (as for instance in Hungary or Poland), retention of power (as in China), or a semi-revolution “when freezing begins again” (as in the USSR).

Probably a decisive element here, as seen very clearly in the case of Vietnam's version of maturing post-totalitarianism, is the establishment of new business enterprises with a blurred line between public and private property and management, even amending the constitution so that private enterprises obtain the same legal rights as state-run enterprises. Foreign direct investment played a prominent role in the industrial development permitted by the Vietnamese market resurrection, leading to rapid economic growth with positive impact and social improvements, “encouraging the population to pragmatically accept continued one-party rule as a way to guarantee economic stability.”³² This situation is still absent in Cuba. To the extent it manifests itself in the years to come, it would be a strong driving force towards maturing post-totalitarianism in the economic (and perhaps cultural) sphere. The big question is whether this would allow power to be retained by the monopoly party, as in Vietnam and China (in what we have termed an authoritarian market economy), or pro-

voke a negotiated change as in Eastern Europe and the USSR.

Another significant difference compared to Cuba—typical for maturing post-totalitarian societies like Vietnam and China—is that the reforms began from below, “with local agricultural collectives experimenting with ways to improve production through greater freedoms for peasants to cultivate their own products,”³³ experiments that were later approved by the Party leadership leading to industrial renovation and economic growth. While Cuba is also moving, although slowly, towards more peasant autonomy, there is really no trend that this is led from below. The agricultural bureaucracy may often have been more authoritarian and anti-reform on local levels. Marc Frank (2013) claims—based on in-depth journalistic studies of the Cuban countryside during two decades—that Raúl Castro's reforms “were being sabotaged by local power structures built up around the state's agricultural monopoly,” out of fear for losing positions, power and privileges.³⁴ Saxonberg observes that “the reforms in Cuba have not been followed by the type of decentralization seen in China.”³⁵ He concludes that “Cuban peasants do not have the same incentives to revolt at the local level (in the hope of gaining support from the central government against local officials).” Well, if Frank's observation is right, which is very probable, it may rather be the other way around!

Actually, the above-cited decision in 2014 to fire 40% of the agricultural bureaucrats might represent a watershed in this regard. Whether this will release more local initiatives with national renovation consequences in other economic sectors remains to be seen.

A good summary of what the maturing post-totalitarianism implies in China and Vietnam, and what it potentially might bring in Cuba, is offered by McCormick: “(T)he reforms have significantly weak-

32. Saxonberg, op. cit., p. 96.

33. Saxonberg, op. cit., p. 98.

34. Marc Frank (2013) *Cuban Revelations: Behind the Scenes in Havana*. University Press of Florida, p. 262.

35. Saxonberg, op. cit., pp. 175–76.

ened the state's control over society. Groups such as farmers, workers, entrepreneurs, foreign investors and even intellectuals have more autonomy and greater chance of being heard than ever before in the history of these regimes.”³⁶

A similar trend may obviously present itself in Cuba in the years to come, once again raising the question whether monolithic political power may be retained as in the cases of China and Vietnam. The big challenge for these two countries, which is actually much more acute for Cuba, is summarized as follows by Saxonberg: “What will happen if the country eventually faces a sharp economic downturn, and the population sees little reason to pragmatically accept a Marxist-Leninist regime that no longer believes in Marxism, and which only keeps the part of Leninism that relates to a one-party dictatorship?”³⁷

Saxonberg puts the ultimate choice referred to above in stark terms: will the most likely option then be to shoot dissenters or to initiate negotiations with the opposition over institutional change?

Pragmatic acceptance: In China and Vietnam, there still seems to exist a “pragmatic acceptance” of the regimes as long as economic and social progress is so obvious, the latter having started from a very modest point of departure. Pragmatic acceptance is supposed to be dependent on a reasonably well functioning economy with social progress, or alternatively strong, charismatic leadership, often with appeal to nationalism. This was exactly the case in Cuba under Fidel; already much less under Raúl. Cuba, in stark contrast, now finds itself in a deep economic crisis with a constant deterioration of social benefits (as noted above). State paternalism is being dramatically reduced. Raúl Castro has made repeated statements that some observers have summarized with the words “there is no more free lunch in Cuba.”³⁸

Freezing or maturing post-totalitarianism in 2014

Cuba: To what extent is Saxonberg's criteria for “freezing” vs. “maturing” post-totalitarianism manifesting themselves in 2014 Cuba, and to what extent are they mixed with “(neo-)patrimonialism” (see discussion of the latter concept below)?

The first question to ask is: do we observe signs that economic or social hardships are endangering people's “pragmatic acceptance” of the regime?

The response so far is probably: “not really.” The market reforms are after all improving access to goods and services for a larger part of the urban middle classes, who also have increasing access to family remittances from their diaspora relatives, and even to travel abroad themselves (after the abolition of the exit visa). Those most affected by increased social differentiation and drastic cuts in social welfare are older people and those without access to convertible currency. In the latter group, Afro-Cubans are clearly over-represented. Representing the historical core supporters of the revolution, and being concerned about what the alternative to the status quo would be, they do not yet seem to represent a serious political challenge. The decisive group to watch here is urban young people of all colours. They seem to enjoy increasing degrees of cultural freedom; they continue to leave the country whenever they have the opportunity, so that “exit” (cultural or physical) rather than “confrontation” still seems to be their choice. But the urban youth culture definitely deserves to be studied more systematically to find out about their expected future mode of political behaviour. 2014 marks the 20th anniversary of the only relatively massive popular uprising in Cuba since the revolution: the so-called Maleconazo on August 5, 1994, which was successfully repressed with 100 persons detained and a minimum of violence. One big question is obviously whether something similar might happen again, and what could trigger it.

36. Barrett L. McCormick (1998) “Political Change in China and Vietnam: Coping with the Consequences of Economic Reform,” *The China Journal*, No. 40, Special Issue: Transforming Asian Socialism. China and Vietnam Compared (July), pp. 121–143, 129.

37. Saxonberg, op. cit., p. 103.

38. Claes Brundenius and Ricardo Torres Pérez, editors (2014) *No More Free Lunch: Reflections on the Cuban Economic Reform and Challenges for Transformation*. Springer International Publishing.

One of the factors that may determine this is the gradual loss of charismatic power and appeal to nationalism. If these factors are losing importance under Raúl, that trend will definitely increase with the departure of the revolutionary generation, and perhaps even more so if the relationship with the US is normalized. If there is a new Cuba-US confrontation, things might change in the opposite direction.

Saxonberg's thesis about a possible military coup in Cuba ("a considerable risk that military officers will consider a coup d'état (as) the only means of saving the nation"³⁹) seems very farfetched. In Cuba, the position of the military in party and state institutions is already so strong that a coup would hardly make any sense. But strengthened political power by the military is clearly an element to watch.

One important observation from Vietnam, worth continuing analysis in Cuba, is the emergence of a semi-opposition (see what was said above about "political civil society"), increasing autonomy in unions, youth organizations and other mass organizations historically under strict party dominance, beginning to pressure the regime to democratize. This is still not very visible in Cuba. But again, these are phenomena to follow. More than formal organization, the important aspects are general social and cultural forms of behaviour, including the effect of increasing cell phone and internet penetration.

The role of intellectuals is increasingly critical in Cuba. Just to take the example of economists—perhaps the most important group of academics since it possesses the expertise the government needs in order to find a way out of the economic crisis of the country: economists in research institutes formally under the control of universities and even party bodies, most of them party members, are more and more outspoken and critical about the reform process, generally

claiming it is too modest and too slow. Many of them do participate in formal consultation mechanisms for the implementation of reforms, perhaps without being listened to a great extent. At the same time, they do not shy away from criticism in scientific papers and lectures, and even in the media and public websites.⁴⁰

Weber's three sources of authority: The patrimonial aspects of the Cuban political regime also deserve some attention.⁴¹ What are they, and to what extent are they directly linked to the Castro family and/or the leading personalities of the revolutionary generation? In many ways, Cuba under Castro—particularly Fidel—has been a prototype combination of two of Max Weber's aspects of authority:⁴² patrimonialism (power being wielded on the basis of personal relations, discretionary exercise of power by the ruler, while Weber's criterion "no differentiation between the private and the public sphere" has not been so clearly present) and charismatic authority. There is no doubt that Raúl has strengthened the third Weberian category of authority, legal-rational authority while he has definitely weakened the other two, so that today we may speak about a completely hybrid regime where all three forms of authority co-exist. The post-Castro era may take this mix in two different directions: while charismatic authority will definitely be further reduced or completely disappear, the exercise of power may either move towards more patrimonialism (blurring of the separation between private and public spheres, more corruption, nepotism and rent-seeking), or towards legal-rational authority. The former is very much related to a scenario of authoritarian market economy, the latter will clearly strengthen more liberal democratic forms of government.

39. Saxonberg, op. cit., p. 316.

40. Interviews by Ariel Terrero (2014), op.cit. The fact that the website *Cubaprofunda*, and thereby implicitly the Ministry of Culture, gives so much attention to these critical economists is a good illustration of the degree of criticism now being tolerated and perhaps even encouraged by those responsible for the economic reforms in today's Cuba.

41. See Karsten Bechle (2010) "Neopatrimonialism in Latin America: Prospects and Promises of a Neglected Concept." Working Paper no. 153, German Institute of Global and Area Studies (GIGA).

42. Max Weber (2005) *Herrschaft*. Tübingen: Mohr.

With Saxonberg's terms in mind, we may conclude that the future source of authority or legitimacy will be decisive for the choice between freezing and maturing post-totalitarianism in Cuba. Neopatrimonial aspects will arguably delay the maturing process. A worsening or lack of improvement of socio-economic conditions may be a factor gradually moving the regime in a maturing direction, with a self-fulfilling prophecy that more market activity will be necessary to save the economy.

A Cuban Reality Test of János Kornai's Work

Part Three of Kornai's classical work⁴³ is about "Shifting from the classical system," meaning the classical socialist or communist system more or less modelled after the USSR. He distinguishes between "post-socialist transition" and "revolution." The former, which is more or less synonymous with his concept of "political reform," is defined as "changes in the power structure and the official ideology (that) are appreciable and substantive but do not go more than halfway toward instituting real political democracy."⁴⁴ "Revolution," on the other hand, means a qualitative leap from one family of systems to the other (from capitalism to socialism as in Russia in 1917, or the other way around as in Eastern Europe in 1989). He fits China after 1978 and Vietnam after 1987 into his reform category, even though the Communist Parties have maintained their monopoly of political power.

Kornai's line of causality: It is important to point out that Kornai's thesis about relations between economic and political transformation is contrary to mine: he claims that the main line of causality runs from power and ideology toward lasting economic phenomena. Ultimately, he claims, the sphere of politics, power, and ideology is the decisive one, although he recognizes important feedback mechanisms.

Political Changes: So far, there is so little change on the political level, that it is quite meaningless to study this thesis in Cuba. Political reform was explicitly

ruled out when the latest Party Congress in 2011 launched the "updating" process, limiting it to the economy. The limits to political reform are obviously linked to the fear of losing power. But even so, we may look closer at what has happened "on the ground" regarding some of Kornai's criteria for political reform.

Is the party monopoly loosening up? The one-party system is still strictly in place with a monopoly of state power. This includes all state appointments; there is no effective separation of state powers; all important state appointments and promotions in the armed forces are made at the party's discretion. This will no doubt continue to be the case as long as Raúl Castro is the Party's First Secretary and President of the Council of State (with legislative power between the sessions of the National Assembly, thereby making Raúl Castro the Head of State); and of the Council of Ministers (the executive branch of government, "Cuba's Cabinet," also making Raúl Castro the Head of Government). The big question is what will happen to this monolithic structure in the post-Castro era, and particularly if a non-military person like Miguel Díaz-Canel takes over: the question is simply whether the armed forces in such a situation will continue to be subordinated to the Party.

What are the constant and the variable elements in official ideology about the relationship between public and private ownership? As noted, when we discussed the economic arena according to Linz and Stepan, public ownership is still seen as superior to private ownership when it comes to leading sectors of the economy, but private property is growing in importance. We may be approaching a situation where previous bombastic statements about state planning being superior to the market are losing absolute value, although Cuba is not yet prepared to embrace Deng Xiaoping's classical statement opening up the market revolution in China: "As long as a cat can catch a mouse, it is a good cat regardless of whether it is white or black."

43. Kornai, op. cit.

44. Kornai, op. cit., p. 409.

Are original dogmas being loosened? Yes, to a certain extent: more independent and critical opinions are heard and tolerated.

Do we see the seeds of pluralism and a more independent civil society? This was commented under the discussion of the five arenas, and the answer is that seeds of pluralism are seen, but they are still quite slow in germinating.

Some of Kornai's symptoms of disintegration of the "classical socialist system" are obviously present in Cuba. There is an accumulation of economic difficulties. There is public dissatisfaction due to shortages, bureaucratic arbitrariness and myriad forms of more or less light repression. But that has been a constant since many decades ago, and most people—particularly in Cuba's version of the middle classes—will probably still make a comparison with the hardships of the 1990s and perceive that they are better off now.

An interesting element to watch, according to Kornai, is whether there is a loss of self-confidence by those in power, including the bureaucracy. This is difficult to judge, and to the extent it starts manifesting itself it is not yet very visible. Related to this is the question of whether one may observe any easing of repression by the bureaucracy vis-a-vis the private sector? Yes, probably there is some easing, particularly if we compare to the 1990s when private business was exclusively seen as a necessary evil.

Kornai, by particularly studying the transformation processes in Eastern Europe, quite logically puts emphasis on the outside example and the possible domino effect. The most important outside examples for Cuba today are probably China and Vietnam, where market reforms have come much further. The Cuban leadership is paying a lot of attention to economic reforms in these two "socialist brethren" countries, but has so far been much more careful and slow in allowing the market forces to develop, assumingly for fear of losing political control. A parallel interest is what is happening in Latin America, where a mixed economy combined with democratically elected and re-

lected Cuba-friendly governments undoubtedly represent very interesting role models. The fact that a considerable degree of authoritarianism has been maintained in many of the leftist governments on the continent may make these examples less threatening from a Cuba perspective, leading to a belief that face-saving political change is possible in combination with increasing market economy. Carrothers characterizes the Latin American transition processes from authoritarian to liberal democratic regimes as "unfinished," claiming they have become stuck in a grey zone in between the two categories, in the form of "hybrid regimes."⁴⁵ This analysis is admittedly quite out-dated, from before most of the leftist governments came to power, but there is still probably some truth in it. One may even perhaps today speak about some of these popular and participatory democracies showing neo-authoritarian signs.

Another sign singled out by Kornai is whether an opening towards the capitalist world is observable, for instance whether personal relations with the "capitalist world" become more widespread and intensive. With tourism exploding from the 1990s, such contacts became an everyday occurrence for people in Havana and other tourist destinations, but also elsewhere in the country. With the abolishment of exit visas in 2013, Cubans got an unprecedented opportunity to travel themselves. There are increasing international intellectual and business contacts, including with the US. But on one point there is little change: the party leadership protects itself very carefully against such contacts. Apart from official state and party visits, there is no mingling with outsiders. Even diplomats in Cuba have very limited access to the top leadership of state and party. Different from Fidel, top leaders hardly ever give press interviews. Almost nothing is known about their thinking about Cuba's future, apart from official statements. Cuba's leadership is more protected from exposure to the outside world, and they stand out as more monolithic, than leaders in almost any other country.

Economic Changes: According to Kornai, the rise of the private sector is the most important tendency in

45. Carrothers, op. cit.

the economic sphere during the process of reform. But it is an ambivalent process, accompanied by a countertendency to obstruct and restrict. This is clearly the case in Cuba, as seen in the harassment we have already noted against the self-employed.

Complementary private activity: As noted, small-scale family agricultural holding is expanding quite rapidly. Small family undertakings in other branches are also rapidly expanding, although in a less systematic way. Complementary private activity in the non-agricultural branches is a massive phenomenon, what some have called GESPI: (government employees who earn substantial private income at least equal to their meager state wages) engaged in a myriad of creative activities. Altogether, Feinberg claims that as many as 2 million enterprising Cubans (representing 40 percent of the total workforce), and possibly more, can be counted as GESPI.⁴⁶

Leasing of state property: This is becoming a more common modality, first with the so-called usufructuaries in agriculture and now with the leasing out of state-owned service businesses to former employees.

Firms in joint public/private ownership: This has so far not been introduced, but the idea was proposed by an ex-Minister of Economy, now researcher and “advisor” at the *Centro de Investigaciones de la Economía Mundial* (CIEM), José Luís Rodríguez. In order to increase the level of competitiveness in state companies, he launched the idea of creating joint ventures with the non-state sector, considering this might be more favourable than the leasing of state property. He has also proposed the creation of financial mechanisms for what he calls “social participation” in family remittances “entering the country as capital.” It is difficult to understand this proposal as anything else than a system for legally recognizing public-private partnership and allowing co-investment with the Cuban diaspora, i.e., a kind of tripar-

tite joint ventures that really could have made a difference in the Cuban economy.⁴⁷ This proposal would also imply a legal recognition of foreign investment in private companies, something that would match very nicely with an idea being floated in the US: that President Obama, without abolishing the Helms-Burton embargo law, could permit US investors (not least from the diaspora) to invest in non-state Cuban companies.⁴⁸

Rodríguez’ proposal is very interesting in the context of what Kornai calls “*the private sector and the official ideology*,” or Marxism vs. private property. The Cuban Communist Party, particularly Fidel and probably less so Raúl, has consistently shown a contempt for what is called unearned income and getting rich without working, although at the Sixth Party Congress Raúl explicitly ruled out private capital accumulation, which had been *explicitly permitted* in Vietnam four years earlier. But in reality, this is not at all different from the way Gorbachev explained his *perestrojka* in 1988, a policy which soon after came to be so despised by Fidel Castro:

Thus *perestrojka* in economic relations is called for in order to unearth the opportunities inherent in our system, in the various forms of socialist ownership. But private ownership, as is well known, is the basis of exploitation of man by man, and our revolution was accomplished precisely in order to liquidate it, in order to hand over everything to ownership of the people. Trying to restore private ownership means to move backward, and is a deeply mistaken decision.⁴⁹

So after all, the use of the term *la actualización del socialismo*, “updating of socialism,” in Cuba, may not be so different from what Gorbachev had in mind when he launched his economic reforms in the USSR.

But there is still a rejection of Chinese and Vietnamese brands of capitalism. Cuba is indeed a very good

46. Feinberg (2013) *Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes*. Brookings, Foreign Policy/Latin America Initiative, Table 3.1, p. 12.

47. Rodríguez, “Cuba y la compleja transformación de la empresa estatal,” op. cit.

48. Feinberg, op. cit., p. 50

49. Kornai, op. cit., p. 445, quoting from Gorbachev’s speech to the Presidium of the Supreme Soviet of the Soviet Union, reproduced in *Pravda*, November 26, 1988.

illustration of what Kornai says about “reform socialism (being) incapable of putting forward a consistent system of ideas of the subjects of private property.”⁵⁰

The market requires an infrastructure of institutions (that is, what Linz and Stepan call an institutionalized economic society) that is hard to set up in reform capitalism, frequently being biased by public and bureaucratic instruments, says Kornai, referring to wholesalers, commodity exchanges, warehousing, investment firms and a broad decentralized financial sector. All this is a problem in Cuba, and very particularly the wholesale institutions both for inputs and sales. This problem is now gradually being addressed at least in the agricultural sector, but there is still heavy bureaucratic resistance against it.

The private sector and bureaucracy (Linz and Stepan’s fifth arena): “(A)lthough 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”⁵¹. This is also very much the case in Cuba, and even Raúl is complaining about it. One of the consequences of this arbitrariness is the growing black and grey markets, where “masses of people perform semi legal, informal economic activity tolerated by the authorities.”⁵² The resistance against letting small-scale businesses grow into larger companies through a myriad legal and political measures is what these businesses see continuously. There is a general arbitrariness without access to redress. Kornai is again hitting the Cuban reality, when he speaks about a vicious circle: “private sector under reform socialism ... often show(s) ... 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 ... resulting in a bitter coexistence.”⁵³

The bottom line of Kornai’s analysis of reform attempts in post-totalitarian regimes is about “*the incoherence of the tendencies to reform*”: in the end, “revolution,” i.e., the full introduction of market economy, is unavoidable. “The Communist Party, amid the processes of reform, wants to retain its monopoly of power, but in the meantime, it releases political forces that immediately demand the abandonment of this monopoly.”⁵⁴ In other words: any reform will undermine the entire system. This is how Yuri F. Orlov, a Soviet dissident who emigrated in 1986 and returned on a visit to the USSR in 1991, eloquently characterized the situation:

Gorbachev understood nothing when he began ... All he knew was that socialism must be improved. His idea was simple, and close to Western thinking: if you take socialism and add democracy and free speech, all will be well. But what he discovered was that the system designed by Lenin was such that once you pulled out one brick, the whole thing fell apart. Now he’s trying to push the brick back in. This is the farce and the tragedy.⁵⁵

Fidel Castro will probably nod if he reads this statement, and that is also why he resisted *perestroika* and even more *glasnost* (which we may translate with “transparency”) in the first place, when Gorbachev launched campaigns for this. The reforms proposed by Raúl Castro may in many ways be seen as an attempt to have “perestroika without glasnost”, which in a way is economic reforms without institutional and political reforms. The government system is now being increasingly criticized by Cuban reform economists for its continued vertical, centralized and non-transparent character. But even the “perestroika” efforts in the economy are still so careful that market success such as seen in China and Vietnam is almost completely absent.

50. Ibid., p. 447.

51. Ibid., p. 450.

52. Ibid., p. 452.

53. Ibid., p. 455.

54. Ibid., p. 571.

55. *New York Times*, February 10, 1991, p. 4,

CONCLUSIONS AND SCENARIOS

There are not yet any clear signals as to the direction in which Cuba is moving in Linz and Stepan's five arenas, in relation to Saxonberg's freezing or maturing post-totalitarianism, or in Kornai's "post-socialist" landscape. We may have to wait until 2018 to get any reliable indication of the direction of movement.

Judging by Linz and Stepan, transformations towards some kind of liberal democracy have not yet gone very far, although one may say with McCormick that more economic autonomy gives more voice to those who are challenging the system. In Saxonberg's terminology, there are trends pointing to freezing as well as maturing post-totalitarian directions, implying everything from a return to even more authoritarian rule to an unavoidable choice between a definite democratic breakthrough and heavy repression to stop it. Kornai is in a way more deterministic: once the system starts to introduce reforms, and particularly when it does not produce the expected results, more and more radical reforms are required, leading to the entire system being undermined—some kind of suicide.

However, when comparing Cuba to what has happened in China and Vietnam, it is difficult to be deterministic about relations between economic and political transformations: market reforms have come much further, there is much more economic but also social and political pluralism in these countries—particularly in Vietnam, even within the ruling Communist Party, there is much more social unrest, yet there are few signs that the power monopoly of the Communist Party is threatened. When a classical believer in the supremacy of liberal democracy like Fukuyama concludes that China today may have a more competent state than the US, it really undermines most conventional wisdom of democratic transition theories. In the multi-polar world we have in 2014, with alternative world systems welcoming Cuba without demands about liberal democracy, there may be many alternative avenues for this country searching for a new development model and a new identity.

There are some serious problems with these alternatives, however.

The first challenge is economic. The present Cuban economic model is simply not sustainable. It is almost impossible to see any other way for Cuba to gain necessary economic growth than by giving the market economy substantially more space. The country needs to allow real entrepreneurship, either in the form of autonomous private capitalists or through cronies linked to the party and state, such as in Vietnam and China and several other authoritarian market economies (Angola, Myanmar, to a certain extent Venezuela, just to cite a few). The problem with crony capitalism in Cuba—which would most likely have to be through the military corporations—is that there are no huge natural resources or other easily exploitable economic growth potential.

The second challenge is the question of post-Castro legitimacy. The "pragmatic acceptance" of political status quo in China and Vietnam is a result of tremendous economic growth and social improvements. Without growth, and with a historical track record of very successful social sectors and generous benefits that are no longer sustainable given the country's economic situation, this "pragmatic acceptance" is up against heavy odds in Cuba. Since the change of generation will represent no less than a paradigm shift when the Castros and their revolutionary brothers-in-arms leave power, the crisis of legitimacy with neither economic nor social sustainability will be dramatic. Charismatic authority will disappear; the choice will be between neo-patrimonial authority dominated by the military, and legal-rational authority. This will also probably imply a choice between an authoritarian and surely quite corrupt and crony-dominated capitalism on one hand, and a more liberal market economy with better institutions for transparency, checks and balances and accountability on the other. At this point, whereas the former will gain more space once the social-ethical anti-corruption values of the revolutionary generation may be weakened, advocates of the latter are difficult to see within the present Cuban power system. What may tilt the balance in the second direction may be a consolidation of a more robust private sector in the economy giving rise to a more self-confident middle class,⁵⁶ in alliance with foreign investors not least from the diaspora, a strengthening of the critical intelligentsia, and

some kind of popular mobilization by civil society groups and young people once the revolutionary legitimacy disappears.

This leads us to try and summarize how we may see the three main scenarios being strengthened or weakened at this point in time.

Scenario 1: Deepening economic pluralism with movement towards qualified democracy

There is still strong resistance against consistent market reforms. Some important steps have been taken during the last year, with the launching of a new law on foreign investments, announcements about a massive sale of state interests in the restaurant sector, measures to provide state companies with more management autonomy, closing of state purchasing centers for agricultural products and experimenting with private wholesale markets. But there seems to be a trend that every step forward is rapidly matched by a step back. It is obvious that strong political and bureaucratic forces are putting up resistance to let go of state control of the economy and to seriously permit a thriving private sector. The result is close to zero growth, hardly any generation of new employment and a continued dependence on massive food imports (although there *may* be some beginning signs of growth in agricultural output). Most leading academic economists in the country claim that the implementation of reforms is far too modest and slow.

So far, there are very few signs that the economic pluralism that after all is slowly increasing (in terms of percentage of jobs and income generation outside of the state sector) is accompanied by more political pluralism. If there is resistance in the party leadership and in the state bureaucracy against market reforms,

this resistance is even stronger when it comes to political reforms. But it is becoming more and more common for leading Cuban academics to point out the need for institutional *cum* political reforms to go hand in hand with economic reforms in order to make the latter really effective: the need for decentralization, for more transparency in decision-making, for less secrecy in the media.⁵⁷

The possibility for this scenario to be strengthened would probably lie in the further aggravation of the economic crisis, leading the regime to accelerate the market reforms (as most independent economists are proposing), thereby also accelerating the internal contradictions characteristic of the “maturing post-totalitarianism” (according to Saxonberg), or “post-socialist transition” (according to Kornai), with a choice between “reform” and “revolution.” So far, the correlation of political forces in the country is definitely not favourable to Scenario 1. It would take a significant reallocation of this correlation—probably with new political actors entering the scene and possibly allying themselves with reformist elements in the party and state leadership—for such a scenario to prosper. And even if this were to happen, it is difficult to see Cuba develop into a full-fledged democracy anytime soon.

Scenario 2: Authoritarian capitalism with a patrimonial state

This is an adapted version of the Chinese and Vietnamese models, perhaps with elements from countries like Angola and Myanmar. Also for this model, more decisiveness in the introduction of market reforms would be needed. But one big difference lies in the continued political control of the new entrepre-

56. Feinberg, op. cit., is quite generous in his definition of the Cuban middle class: by adding together self-employed, private and CCS peasants, non-agriculture cooperative members, and also including the large number of state employees with additional incomes outside of the state sector, he concludes that perhaps as much as 40% of the workforce may be fully or partly employed outside of the state and making most of their living outside of the state sector. This is also probably the group of the population receiving the lion’s share of family remittances. This, according to Feinberg, is Cuba’s real middle class. Apart from methodological problems with the calculation, it is very doubtful whether this highly heterogenous group of people, many of them living almost at subsistence level, would *subjectively* perceive themselves as a middle class and act accordingly in political terms. But with the growth of the non-state economy, we cannot rule out that at some point an emerging Cuban middle class, often seen as the main driver of democratic reform, may become a significant political actor.

57. The latter issue is the only one where the supposed heir to post-Castro state leadership, Miguel Díaz-Canel, has made some relatively clear statements

neurial sector, and the blurring of party/state and business interests. Perhaps the main reason for resistance against this model in Cuba is the general resistance against accumulation of private wealth. The *authoritarian capitalism with a patrimonial state* model goes hand in hand with heavy corruption, something that is strongly at odds with still surviving ethical standards of the Cuban revolution. Leaders of military corporations are probably the only candidates to take a role similar to the state-protected entrepreneurs having emerged in the above-mentioned countries. But also in this case we would probably need to wait until the post-Castro era to see a clear model coming to the surface.

In the present world, Cuba has no problems to find considerable alliance partners in what has been termed a “second world bloc” of quite successful less-democratic or authoritarian alternatives to the western liberal democracy, what Whitehead has referred to as “developmental semi-authoritarianism.”⁵⁸ Even in Cuba’s own home region, Latin America, there is considerable sympathy for this bloc, also in countries with formal democratic regimes and strong market economies—although often with active state intervention (not too different from the “Nordic model”).

The US embargo against Cuba is clearly strengthening the attraction of this bloc, both in Cuba itself and among its friends in Latin America. It is far from clear, however, whether such a regime would have sufficient legitimacy to avoid the choice between a popular revolt and more repression in the post-Castro era. That will probably depend on its economic and social performance, and consequential degree of “pragmatic acceptance.”

Scenario 3: Economic and political collapse

This would be the outcome if the economic reform efforts fail, and the country becomes unable to produce the most necessary goods and services to keep the economy afloat and provide the population with its basic needs. It is difficult to see any foreign country taking over a protection role similar to that of the USSR during the first thirty years of the revolution, or Venezuela during the first dozen of years of the 21st century, if the domestic economic sustainability disappears. In such a situation, there would probably be social forces willing to put up a popular struggle in favor of Scenario 1, and military-supported *nomenklatura* forces pushing for something similar to Scenario 2. The outcome of such a struggle would be anybody’s guess.

58. Whitehead, “The crash of ‘08,” op. cit., p. 56.