Angela’s paper helps to answer a question that has always intrigued me: how did Cuba, a relatively small, trade-dependent economy, manage to survive an external shock of the magnitude that occurred after the collapse of the Soviet Union, without a social implosion? Her data show that between 1989 and 1993 imports fell by roughly 70%, GDP by 34% and real wages by 50%. It is impossible to imagine this happening in most Caribbean societies that I know without a total breakdown in social order.

Reforms

The paper divides the period since 1989 into three parts: (i) 1989-1993, “external shock”, (ii) 1993-1995, “structural transformations”, and (iii) 1995-1996, “results and readjustments”. It indicates that the maintenance of social consensus was a conscious priority in the 1989-1993 period. The policy was to maintain nominal employment and nominal wages in the state sector, which embraced almost the whole economy. Hence people still had “a job” to go to, even if they often had little actual work to do; and they still took home their pay packet, even if it was worth far less. Rationing was extended to cover all basic foodstuffs. Supplies were inadequate—about 63% of nutritional requirements, on average—but what was available was equitably distributed, at least in principle.

Very importantly, the policy of providing universal access of the population to educational and health care services was maintained, subject to supply availability. Angela’s paper makes a crucial distinction between the material component of these services, which inevitably contracted, and the human component, which remained in place. So that schools, hospitals and clinics remained open and teachers, doctors and nurses by and large remained at their stations, even if school books and medicines went into short supply.

This may have given people the feeling that the Government was somehow “keeping faith” with the population, and that the education and health care workers were doing the best with what was available.

The sense of fairness in the distribution of the burden of adjustment is what is often lacking when demand compression is effected mainly through devaluation, price liberalization and reliance on market mechanisms a situation which often leads to a breakdown of social consensus. In the currently fashionable jargon, the Cubans had developed a stock of “social capital” represented by the systems of rationing and of universal provision of basic necessities, on which they were able to draw in the initial period of adjustment to external shock.

Costs

The costs of this policy, as is evident from the paper, were steep falls in the unit labour productivity and the real wages of the employed labor force. Labour force participation also fell as young people withdrew from job-seeking in the knowledge that very few new jobs were becoming available. And the national rate of investment fell from 24% of GDP in 1989 to 6% by 1993.

However, Angela’s claim that devaluation was not used as an adjustment mechanism in the Cuban case is true only in the formal sense. Her data show there was a massive de facto devaluation of the Cuban peso in the informal market up to 1993, which underlay the fall in real wages. The crucial point is that the effects of this were limited to nonessentials i.e. goods outside of the basket of basic goods provided at fixed prices through the ration system. The reforms of 1993 and after also legalised a large part of the informal market in both peso goods and in dollar goods. The remaining informal market in both peso and dollar goods formed a smaller, fourth segment of the consumer market which is monitored statistically, if not officially sanctioned.

This pragmatic policy evidently preserved flexibility as to where the overall weighted average rate of exchange would eventually settle. It paid off insofar as the price of the dollar on the free market fell by 75% from its peak price on the informal market in 1993. A formal devaluation would have raised difficult questions of where to fix the rate of impact on the cost of basic necessities, of irreversibility, and of sustainability of the new rate in the face of continuing uncertainty.

After 1993 state employment fell as were allowed to lay off workers as part of a programme to
eliminate enterprise subsidies and close the huge public sector deficit. Non-state employment grew with the legalization of self-employment and the cooperativisation of state farms. We recognise here some of the more familiar features of structural adjustment programmes elsewhere.

One gathers that the state regained some of the market share it had lost to the informal market by freeing up the prices of a substantial portion of the goods it supplies, as well as by the measures to legalise the informal market in dollars. One can interpret this as a legalization of many of the survival strategies which the population had developed in the first phase of adjustment as a matter of necessity. The results are evident in the stabilization of the exchange rate and hence decline in prices on the dollar and informal markets after 1993, in the positive rates of growth recorded in 1994-1997, and in the closure of the public sector deficit by 1996.

The most dramatic development has been the 17% per annum rate of growth in tourism, and its displacement of sugar as the single biggest foreign exchange earner. Presumably, all these developments suggest that there is light at the end of the proverbial tunnel for the population, and have also helped to maintain a minimum degree of social consensus.

Inequality

Angela's paper glosses over the problems of inequality associated with the legalization of the dollar market. We know from casual observation and conversation that a waiter or taxi driver can earn, in a couple of days, the equivalent of the monthly salary of a medical doctor or engineer. And we know that this is not good for morale and the sense of justice in the adjustment process.

Cuban economists have told me, in private conversation, that an estimated 50% of the population have access to dollars. But even if this is so the access is evidently highly unequal. It would be good to have estimates of the personal or household distribution of income taking into account the "dollar effect". Even if, as is claimed, this is an acceptable price to be paid for getting dollars into the official system to finance the importation of food and medicines and other essentials, the data are important so that the social and economic consequences can be continuously analysed.

Poverty

One of the most notable points of the paper is the distinction which it draws between the condition of "poverty" and that of being "at risk" of lack of access to essential goods and services, which is claimed to be the relevant category in the Cuban case. It is worth quoting Angela at some length on this point.

"In the Cuban case, the first point to note is that as a result of the model of social policy that has been implemented, although supply inadequacies of greater or lesser degree can exist at specific points in time, poverty associated with marginality or lack of access to essential human rights such as health, is not observed."

"Hence in Cuba it is not coherent to speak of poverty, but rather of persons at risk of not satisfying some basic necessity and who for that reason ought to be protected by social policy. The principal differences between a person at risk in Cuba and a Latinamerican in poverty are in the areas of food supply, health, education and housing."

"What distinguishes a person in poverty from a person at risk in the area of food supply is that the former has no guarantee of meeting his food requirements, while the latter may not be able to satisfy all his necessities, but is guaranteed the satisfaction of a part of them at low prices and in accordance with the total availability of food items. (Ferriol 1997: my translation)."

However it has never been claimed that a person "in poverty" is not in a position to satisfy any of their food and other basic necessities, only that they cannot satisfy all of them at existing prices on their current income. In both cases only a part of basic necessities may be satisfied, but in the first this is due to inadequacy of income while in the second it is due to inadequacy of supply. Does the difference matter?

The answer may turn on the meaning and implications of "guaranteed access" (subject to supply availability) and of being "at risk". The argument in the paper is that as long as supplies are available, the Cuban population is guaranteed, as of right, a package of basic necessities in food, education, health care, and housing. This is effected not through the market but essentially by administrative means. The social cost of adjustment is represented by the increase in the proportion of the urban population "at risk" of not accessing all of this package, from 6.3% in 1988 to 14.7% in 1996. Finally, Angela argued in her verbal presentation that even if this figure is taken as a proxy for "poverty" in Cuba, it is far lower than in most, if not all, Latinamerican and Caribbean countries which have
been structurally adjusted. It is these data and arguments which, if valid, could form the basis of a claim that Cuba has managed a process of severe structural adjustment with "a human face".

Other questions

Finally, there are some questions that seem to me to arise out of Angela's paper which are not addressed at all. One, which I have already mentioned, has to do with the extent and impact of income inequalities associated with differential access to dollars since the legalization of the market. Secondly, I would want to know if the use of the term "special period" implies that the reforms instituted are regarded as a temporary compromise/concession to the "market", or are regarded as a stage in the transition to a new model of development, and if so how can the new model be characterized.

Third is the old question of the role of material incentives, which has surfaced again in a new form. In effect, the survival strategies of the population and the subsequent legalization of self-employment and of "free markets" through the reform process have legitimized the pursuit of material self-interest as a form of economic behaviour. At the same time, appeals to socialist morality and for disinterested, voluntaristic behaviour remain an important element in the system (for example in the speech of Fidel to the recent Party Congress when he talks about the need to raise production in the sugar industry). If you like, there seems to be an unarticulated tension between the competing paradigms of homo oeconomicus or "economic man" (which admittedly does not exist anywhere in the real world) and "socialist man", (which probably does not exist anywhere either).

Associated with this is the possible contradiction between the emerging role of market mechanisms in resource allocation vis à vis that of the more traditional mechanisms of command and popular mobilization-similar in style to a military campaign—which have been marked features of the Cuban brand of a centrally planned economy.

One would guess that these contradictions will intensify as the reform process proceeds. There will therefore be a need to work out an explicit mix of the two sets of principles of economic behaviour and resource allocation so as to manage the process as smoothly as possible. At the same time it could be observed that Cuba has no ready-made model applicable to its own peculiar history and circumstances on which to draw, that it is for that reason on a kind of social and national "learning curve", and that it is far easier for us to carry out postfacto analysis of mistakes than it is to formulate up-front prescriptions that are certain to work.

My final question refers to the implications of the new insertion into the global economy which Cuba is now pursuing, for innovation and competitiveness at the enterprise level. My guess is that in the old system of trading relationships with the Soviet Union and other East European countries, exporting enterprises focused on meeting contractual supply commitments, with costs, product quality, and product innovation relegated to secondary concerns.

The new insertion requires a radically different culture of competitiveness among enterprises, marked by flexibility, innovation, close attention to quality, meeting customer needs, after-sales service, and in general continuous learning. How will Cuban enterprises effect this culture change? Some successes have apparently been recorded in the hotel industry. Are there lessons from this sector which can be applied in manufacturing and other activities? As you can see, Angela's paper has served to stimulate many questions and observations.

* Professor and Director of the Consortium Graduate School of Social Sciences, University of the West Indies, Mona, Jamaica. A comment on La reforma económica en Cuba en los noventa ("Economic Reforms in Cuba in the 1990s") by Dra. Angela Ferriol Muruaga presented at the 5th Conference of Caribbean Economists, Havana, December 2, 1997.