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Political Economy of Cuba’s Market-oriented Reforms: the Role of Intellectuals

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How did intellectuals on the island of Cuba participate in the creation of market-oriented economic reforms in the 1990’s? How do academic actors engaged in social science research inform policy creation?

This paper uses the case of the Centro de Estudios sobre America (CEA) in Havana, Cuba to examine the role of intellectuals within the theoretical framework of participatory publics. The case of Cuba remains unique because of the nature of the Castro regime and its lack of mechanisms for binding public deliberation. Yet, this paper argues that intellectuals engaged in scholarly activity in Cuba influence policy broadly speaking through involvement in research institutions that foster discourse, and specifically in periods of relatively open political spaces. I describe policy shifts in the 1990’s within the context of alternately opened and narrowed political spaces in which various actors must maneuver, and describe the ways in which Cuban social science researchers are able to influence policy.

The most visible manifestation of intellectual input is apparent in reformist activity taking place within research institutions prior to the economic reforms themselves. However, an alternating pattern of political opening and closing becomes discernable: space for political deliberation occurs when the regime is least politically threatened and the economy sound; economic contraction leading to political instability closes those spaces. A second pattern is apparent in implementation and reversal of reforms. Policy switches in the reform process illustrate tensions between market-oriented reforms and regime type. The pattern is first evident in this paper during the Rectification of Errors Process of 1986, whereby the regime sought to correct the ills of
socialism. During this period, although the market-oriented reforms already in place were dismantled, intellectuals enjoyed a relative freedom consistent with the idea of socialist perfection. During the second period, shortly after Soviet collapse when the market-oriented reforms of the 1990’s were implemented, intellectuals did not enjoy the same freedom, and those that drafted and advocated reforms were moved from their positions and the CEA disbanded.

The case of the CEA presents an interesting story of the interplay between intellectuals and the state apparatus, and provides a window for examination of the public sphere and deliberation on the island of Cuba, and how non-administrative actors engaged in social science research are able to influence policy. The case also serves as a model of how non-governmental researchers everywhere are able to inform policy creation through parallel institutions that sometimes act as supplementary governments in terms of issue articulation, policy formulation, and policy implementation.

When asked how intellectuals influence policy in Cuba, the scholars themselves consistently reply, “They don’t”, then offer scattered bits of evidence that are exceptions, rather than rules. This author is both instinctively and intellectually convinced otherwise. It is typical, if not expected, of social science researchers to continually direct their gaze outwards rather than inwards in attempts to understand policy formation. This paper is an attempt to draw those same scholars under the lens, within the theoretical framework of how intellectuals internationally engaged in think tank activity influence policy.

The implications of this research are two-fold: on the one hand is presents an opportunity to better understand the nuances of how policy is configured under the current regime in Cuba; on the other, it carries implications in the event of democratic
transition on the island, because those same social science researchers will be an
incredible resource on actual preceding events, and possibilities for an interim or
permanent state structure.

Thus, this paper first uses the method of agreement to highlight common variables
in regime type in terms of think-tank influence on policy, and then turns to the case of the
market-oriented economic reforms of the 1990’s in Cuba as case study. This case is
chosen because it is the most transparent set of policy measures, and the most prominent
(or at least visible) instance of scholarly influence.

**Intellectuals and Policy**

The relationship between policy and the ideas that form it is of critical importance
to the study of governmental decision-making. Without the advice of social science
researchers, decision-makers would be bereft of a large amount of expertise. Think tanks
provide a kind of “supplementary government”, a device that binds innovative thinking
and problem solving at the public level with administrative choices at the political level.
This mechanism takes the preceding action, grounded in discourse theory, and creates a
permanent occupation of the public sphere that moves beyond the provisional nature
around which communities sometimes organize (for example, social and human rights),
to present new analyses of situations that may be bound into policy prescriptions.
Although a large amount of skepticism may be due in any discussion of discourse theory
in Cuba, it is here meant in the broader sense: that think tankers, such as those of the
CEA, behave in a similar manner to those elsewhere under democratic regime types.
That is, members of think tanks in Cuba, as elsewhere in the world, provide a talent pool of employment and policy wisdom for the government, use various public and private venues to extend their influence, and deal with a host of opportunities, constraints, and incentives. Typically, think tank members internationally affect the policy process through methods such as media outlets, seminars, conferences, and meetings, and other forums for discussion. The extent to which these methods will be effective depends upon a number of factors such as the responsiveness of governmental officials, perceived costs and benefits of adoption of recommendations, the priority assigned to a particular policy issue, and how strong ties to government officials are (Abelson, 73).

In Cuba, many of these same factors hold true. For example, members of the CEA regularly host seminars, meetings, lunches, dinners and conferences in order to discuss and share research, as do think tankers elsewhere. They also produce a publication, *Cuadernos de Nuestra America*, as well as reach other media outlets, again another method employed by other think tanks. Members of the CEA also travel abroad a great deal, and share their research with economists, sociologists, and political scientists off the island, and are surely influenced the same.

However, there are also important differences in the behavior of think tank members in democratic and communist regimes. The case of Russia provides an interesting looking glass through which we may now, in retrospect, view the activities of think tanks under communist regimes and their relationship with the State.

In Russia, like Cuba, the first thing to become immediately problematic is the term “think tank” itself. Under republican parliamentary systems of governance, think tanks are typically non-governmental and independent of the State. However, under
communist systems of governance think tanks are what might be called relatively independent of the State, that is, they are funded by and considered organs of the State, yet at times reached a fairly high degree of autonomy from it as the tension between ideological control and the need for innovative thinking waxes and wanes, based largely on the shifting configuration of political forces due to external processes. That is, the need for a talent pool of experts in a given field that may contribute sound policy advice on a given issue balances precariously with the regime’s need to maintain ideological legitimacy. In Russia and Cuba, as elsewhere in the world, these think tanks remain outside of the bureaucracy of the State apparatus, although (unlike elsewhere) funded by it. In both Russia and Cuba, therefore, intellectuals are held ideologically accountable, while at the same time drawn upon for sound policy recommendations in times of necessity, such as the Cuban economic crisis of the early 1990’s.

Another commonality shared by Russian and Cuban think tanks is that similar patterns of opened and closed political opportunity appear when viewed chronologically. That is, that Russian think tanks experienced the same sort of relatively increased autonomy followed by immediate closure of that political space in a pattern very much akin to the one described later in this paper in the CEA.

The social sciences in Cuba, as is the case more broadly, are shaped by the specific issues that a society faces at any given time period, the dominant theoretical and methodological approaches used by the international scientific community, the specific cultural traditions of that society (Martin: 2003), and tensions within the ideological framework that simultaneously require informed research for policy creation and efficient political control.
Like Russia, Cuban social sciences are organized around a number of research institutions specific to discipline, with scholars affiliated closely with the University of Havana or the Communist Party’s Central Committee (PCC) (or both). These institutions share a kind of linked autonomy from the State, where scholars occasionally move from center to center, and are informed of the other’s activities. Disciplinary functions sometimes overlap, for example in cases of the Instituto Superior de Relaciones Internacionales, the Centro de Investigaciones de la Economia Internacional, and the Centro de Estudios sobre America.

Central to this network of institutions is the Centro de Estudios sobre America (CEA). The CEA, established in 1977 as an organ of the PCC, was organized as a center for intellectuals to research and compile social scientifically based information, with the objective of providing reports, plans, and debriefings for the party (Garcia: 2001) on dominant issues relevant to the Americas. The center was originally to be a closed circuit, with information moving circularly through the government, the party, and the center itself. In 1984, this function began to change, as a new director more closely aligned with the research interests of the scholars took lead, and the center began to attract national and international attention, which provided protection and room for “negotiation” with the party, essentially creating new political spaces for information creation and dissemination. As the center developed, mechanisms to cultivate substantial intellectual research and an environment of tolerance evolved, through seminars, which opened new spaces for academic debate, and publication of said results.

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1 All work from Spanish language sources translated by the author.
2 In 1983 the Secretary of the Central Committee approved the publication of Cuadernos de Nuestra America, a semesterly publication that provides a vehicle for broader dissemination of academic results. Academics took it as a concession from the PCC (Garcia: 2001).
The “Rectification of Errors Process”\(^3\), begun in 1986, further integrated the social science discipline into society through provision of diagnosis, evaluation, economic projection analyses, and proposals (Martin: 2003). The process represented a shift in Cuban academia from ideas very much like those adopted in the Soviet Union, to more meticulous evaluation of potential for perfecting the socialist system. A dramatic decrease in academic exchanges with Eastern Europe and the Soviet Union, coupled with increased exchanges with Europe and Latin America, led to diversified relations and collaborative projects in the field.

In 1987, although ideological content did not change, the CEA officially became a non-governmental entity, and began collaboration with the Ministry of External Relations, the Ministry of the Commercial Exterior, the State Committee for Economic Collaboration, the Ministry of the Revolutionary Armed Forces, the Ministry of the Interior, the National Assembly of the People’s Power\(^4\), and became active in consultations, coordination, event participation, and various initiatives that increased the center’s public influence (Garcia: 2001). As the center’s relative autonomy grew, non-academic relations with the Ministry of the Interior also developed under the tutelage of the Intelligence Service, and as the tensions between academia and revolution increased, limitations in the social sciences- the reduction of previously opened spaces- ultimately brought about the liquidation of the CEA in March of 1996. (Garcia: 2001)\(^5\)

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\(^3\) The Rectification of Errors sought to correct the mistakes of socialism that might lead to collapse, while maintaining its successes, preemptive to austerity measures introduced in 1990.

\(^4\) The National Assembly of the People’s Power is the elected legislative body of the republic.

\(^5\) The CEA exists to this day, however, most employees were dismissed in March of 1996 and replaced with academics more closely aligned with the party; a member of the Ministry of the Interior was named director. He has since been replaced, and the CEA is regaining a little bit of its legitimacy (as of earlier this year). Given the current climate, this author doubts if any substantive work is now happening within the institution.
External Economic Conditions

Cuba is in the process of recovery from an economic crisis caused primarily by the shift in trade and economic relations with the collapse of the former socialist countries. During the 1980’s, the Council of Mutual Economic Assistance (CMEA), including the former Soviet Union, Eastern Europe, and the socialist countries in Asia (China and Vietnam) provided markets for 85% of Cuba’s exports and similar shares of its imports (Mesa-Lago: 1994; Perez-Lopez: 1997). In 1986, the island stopped servicing its debt, and an insufficiency of credit led to further decreased trade with Western Europe, the United Kingdom, Japan, and Canada (Mesa-Lago: 1994). Cuba at this time experienced very marginal economic activity with other nations in the Western Hemisphere. Those trade flows that existed were not only relatively insignificant, but also quite volatile (Gonzalez-Nunez: 1997). For example, the current account balance, which records transactions such as two way flows of merchandise, at this time fluctuated wildly from $-1,454 to $-420 between 1991-92, forcing Cuba to limit imports to what it could finance through exports (Bulmer-Thomas: 1999).

In 1994, the Cuban economy ended its freefall begun in 1989 (Perez-Lopez: 1997) and resumed modest growth. Cuba’s GDP had contracted by one third between 1989-93, exports by 79% and imports by 75% (Bulmer-Thomas: 1999), with the steepest decline after the breakup of the Soviet Union in 1991. The government responded with a “special period” of austerity measures, whereby fiscal discipline required a reduction in government expenditures. This led to import shortages in foodstuffs, machinery, and raw materials.

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6 Cuba asked Paris Club creditors to refinance its $10.5 billion in foreign debt, and to help Havana get access to softer credits, according to the National Bank of Cuba. (www.worldbank.org/transitionnewsletter/novdec96/doc12htm)

7 In a state-of-the-nation speech following the break-up, Castro said Cuba will avoid the former Soviet Union’s “disastrous” embrace of capitalism and follow instead the example of China and Viet Nam by combining socialism with gradual economic reforms. (www.worldbank.org/transitionnewsletter/so95/oct-ar7.htm)
materials for industrial production. The standard of living of the Cuban people was severely impacted, as shortages everywhere led to blackouts, transportation breakdowns, and unavailability of even necessary consumer goods. For example, one Cuban described a soap shortage, where for six months in the early 1990’s there was no soap for purchase anywhere in Cuba. Similar shortages existed across the board while, simultaneously, the tax system was reformed to increase taxation on non-essential consumer items, and stronger discipline was enforced in the confiscation of illegal incomes.

Although the shift in trade and economic relations with formerly socialist countries is presumably the principal cause for the Cuban economic crisis of the 1990’s, other factors are responsible as well, such as inefficiencies in a centrally planned economy and the Rectification Process of 1986, whereby the few market-oriented mechanisms in place at the time, such as artisan and agricultural markets, were dismantled (Perez-Lopez: 1997). That is to say, although the island suffered sufficient external shocks, domestic policies aimed at stabilization and control backfired to increase the downward spiral.

Reforms

Cuba began to make structural and institutional changes aimed at adjusting to the new international trade environment. Prior to the 1990’s, its trade institutions mirrored those of the Soviet Union and eastern European nations: the trade of exports was organized and conducted by specialized enterprises of the Ministry of Foreign Trade (Ministerio de Comercio Exterior), and imports through the State Committee on Technical-Material Supply (Comite Estatal de Abastecimiento Tecnico-Material). This

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8 Interview from February, 2001.
centralized system held foreign trade as a state monopoly, according to Article 18 of the Socialist Constitution of 1976.

During the 1990’s, structural rearrangements opened up new areas for semi-autonomous organizations that produce goods and services to also import and export and sign trade agreements, with many working on self-financing schemes (Bulmer-Thomas: 1999). The new model essentially created a system of privatized companies, which function within market logic on the margins of a centralized economy, whereby increased roles of the market are used for internal stabilization. At center stage are huge holding companies operating in the dollar economy, in organizations called Sociedades Anonimas, or S.A.s. The biggest corporations are Cubanacan, Gran Caribe S.A., Gaviota S.A., and Habaguanex S.A. Although development of these corporations, and attempts to industrialize in order to avoid unnecessary imports in the tourism sector looks a lot like import-substitute-industrialization, the Cuban government has so far made no traditionally ISI attempts at favoring or protecting domestic markets. The intention is to upgrade local industry using hard currency made in joint-ventures, and thereby increase exports, but without the protectionist barriers to trade.

The principal export destinations for Cuban products such as nickel and sugar in the 1990’s were Canada, China, Japan, the Netherlands, Spain, France, Italy, the United Kingdom, and Germany, which accounted for 75.4% of Cuba’s total exports in 1996, and similar figures in previous years. Principal importers for the same year were Canada,

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9 For more detailed data on corporate market shares and shareholders, see Brundenius “Tourism as an Engine of Growth: Reflections on Cuba’s New Development Strategy”, 2003.
10 “Cuba has released publicly so little information…that analysis is tantamount to a guessing game. The balance of payment statistics provided by the Cuban government group together all elements…into a single datum…[and] are only available for three years” (Perez-Lopez, 275).
Mexico, Argentina, China, France, Italy, Germany, and the Netherlands (Bulmer-Thomas: 1999).

Because it has been difficult for Cuba to compete in the international market without the protection and aid of the former Soviet Union or line of credit, and because the economies of other Latin American nations are competitive rather than complementary to Cuba’s own (sugar, coffee, oil exports, etc), it is now up to Cuba to develop domestic policies which are conducive to economic growth and international investment. Cuba seems to possess the institutional capacity for such policy-making activities.

A good example of the gradual economic reforms and policies, as well as an atmosphere favorable to international investment can be witnessed in the tourist industry. According to estimates released by the Caribbean Tourism Organization (CTO), Cuba’s 1990 tourist dollar intake approximated 243 million\textsuperscript{11}, and by 1999 that figure would reach 1.7 billion US dollars contributed by 1.6 million visitors\textsuperscript{12}. Figures for exactly how much of that money enters the informal sector are not available, but nonetheless these monies do trickle down into the domestic economy. A secondary benefit of the blossoming tourist industry is the introduction of modern managerial techniques in joint ventures that could potentially spread to the state sector and increase efficiency\textsuperscript{13}.

In the tourism industry, at the forefront is the Ministry of Tourism (MINTUR), which is not directly involved in the operation of the industry but rather works to set and modify industry standards, collect data, promote public relations, and coordinate with

\textsuperscript{11} Revenue generated by tourism rose by 467% between 1990-96, surpassing nickel exports in 1991 and sugar exports in 1994 (Bulmer-Thomas, 273).

\textsuperscript{12} When mentioned, all CTO figures are calculated using their own estimates, and when available, estimates from appropriate national ministries. For further detail visit www.onecaribbean.org

\textsuperscript{13} At the forefront of this has been the Ministry of the Revolutionary Armed Forces, MINFAR, that was the first to adopt management techniques such as employee efficiency over job security in its joint-venture agreements. More will be said about this later.
other players (government, public/private agencies, joint venture associations, and third country operators). (Miller: 1997) Most foreign investment in Cuba is in the tourist industry because of structural constraints in other sectors such as shareholders rights, and because tourism is the most prominent budding industry. (Miller: 1997; Mesa-Lago: 2000) Therefore, MINTUR is a resource for potential joint-venture projects and also development.

The Foreign Investment Law of 1982, expanded and updated in September 1995, also facilitates growth in the tourism industry. The law provides, theoretically, for full ownership by foreign investors, but encourages joint ventures through tax advantages and other incentives. Article 3 of the law provides for full protection and security, and insures against expropriation by the government. The article also provides room for the transfer of capital and unrestricted cash repatriation of dividends (Miller: 1997; Mesa-Lago: 1994).

Cuba does not have a stereotypically planned economy, in that although development is highly regulated, a blueprint for national tourism development does not exist. Instead, potential investors submit proposals to the Ministry of Foreign Investment and Cooperation (Article 55 of the Foreign Investment Law), which are reviewed and submitted to the Ministry of Science, Technology, and Environment for sustainability evaluations, which assesses environmental impact. Foreign investment is required to be made “in the context of sustainable development” with “protection of the environment and the rational use of natural resources” (Houck: 2000). This is arguably a necessary requirement for a country with little resources to expend on pollution control or management programs.
The workings of this law are consistent with the regional multilateral institutions of which Cuba is part. For example, to promote regional tourism the ACS completed ratification of the Sustainable Tourism Zone of the Caribbean in early 2001. The function of this zone is to designate natural and cultural landmarks that would be most promoted by the ACS, thus giving impetus to those countries who wish to receive increased tourism to reach and maintain appropriate levels of sustainability. A set of tourism sustainability indicators has been approved outlining environmental, social, cultural, and economic measures, but as of yet ratings remain unpublished.

Cuba’s distancing from Caricom and the merely symbolic treatises with the ACS demonstrate that it is actively concerned about the international perspective of its tourism sector, but is restrained in how it manages this. Of its own accord Cuba has designated over 11% of its national territory to nature tourism which alone accounts for 30% of tourism arrivals, however the areas remain as yet undeveloped. The next logical progression would be the installation of tourism facilities, but with a lack of cash flow, Cuba will need to find partners to quickly develop these areas to meet the growing needs of its clientele.

Although Cuba is making strides towards policy conducive to growth and international investment in the tourist industry, the industry itself is still plagued with difficulties and economic disadvantages. For example, the aforementioned bureaucratic process is long and arduous. The infamous Torricelli Law\textsuperscript{14} and Helms-Burton Act\textsuperscript{15} prohibit U.S. subsidiaries abroad from trading with Cuba. The island is also sadly lacking in communication infrastructure; delivery deadlines are consistently missed, input

\textsuperscript{14} The Torricelli Law, or Cuban Democracy Act, was signed in 1992 and added new sanctions to existing ones (Bulmer-Thomas, 258).
\textsuperscript{15} The Helms-Burton Act, or Cuban Liberty and Solidarity Act, was signed in 1996.
shortages plague the entire industry, from construction to delivery (compensating deadlines as well as service), and Cuba is still considered to be a high-risk investment. (The Economic Intelligence Unit ranks Cuba 116 of 129 in terms of investment safety). (Mesa-Lago: 1994) Although the poor condition of the economy is offset by a high accumulation of human capital provided by Cuba’s renowned social services, the risk of expropriation by a future government, the likelihood of changes or reversals in economic policy, and the risk of sanctions fuel a general mistrust of the Cuban government by potential investors.

Also, although the external sector has gained institutional support and opened considerably, its coupling with the centralized internal sector isolates it from market forces and creates a sort of dualism and tension between the two sectors.

To offset these disadvantages, Cuba has sought institutional and structural changes like the decentralization of the state into several ministries, and legislation conducive to investment. For example, the government works to support entrepreneurs through the creation of a financial umbrella group, Nuevo Banco. This national conglomerate of banks and financial agencies is a holding company intended to support short-term hard currency financing and currency exchange. The group works together to enhance, automate, expand, modernize, and support business enterprises in Cuba, and includes an international bank of commerce, an export-import bank, foreign exchange houses, and an investment bank.

Also, although risks in Cuban investment are relatively high, they are partially offset by high returns on investment; investors can typically expect a 35-45% rate of return. (Miller: 1997)
Although Cuba works to compensate for the risk it poses, and has also made great strides in its institutional capacity to attract and maintain foreign investment, these changes make for turbulent political processes on the island. (ECLAC: 1997; Mesa-Lago: 1994) One manifestation of this is the aforementioned rectification process of 1986, whereby reforms of the early 1980’s were reversed. Politically, the tensions between external and internal sectors created by a centralized, regulated economy coupled with market-oriented reforms result in high-regulated reforms: the new laws do not necessarily create anything new other than an environment more conducive to foreign investment, but rather legalize what has already been happening within the economy. (Mesa-Lago: 1994) For example, the legalization of US dollars in 1993 did not introduce dollars into the economy, but rather legalized existing circulation and encouraged increases in remittances, tourist spending, and investment. If anything, the new framework works to constrain an economy blossoming out of necessity by legalization coupled with increased regulation. For example, legalized self-employment at once injects opportunity for capitalist tendencies, but simultaneously restricts itself through long and complicated tax forms that present intricate equations for restriction of income.\(^\text{16}\)

Some of these changes were born of the failure of the food program, the pillar of domestic strategy, in 1993. This program, based on plans for large-scale production, was designed to stimulate agricultural and livestock production, which had stagnated due to climatic and organizational factors. The program called for a decrease in the import of food items, the development of livestock, and for state marketing of produce (Bulmer-

\(^{16}\) Persons in the self-employment sector face extreme regulation. At one paladare, the tongue-in-cheek name of the restaurant is sported on a placard in front: “Paladare 12 Asientos”, for the twelve seats privately owned restaurants are allowed to have. (Henken: 2003)
Thomas: 1999). With its failure, three pivotal and necessary reforms resulted: 1) the legalization of US dollars as hard currency 2) approved self-employment 3) allowed transformation of state farms into cooperatives (Mesa-Lago: 1994). These reforms were intended to establish macroeconomic balance, stimulate domestic production, and attract foreign investment. Cuba has tried to salvage its economy and spur economic growth through institutional market-oriented reforms which are attractive to foreign investors; simultaneously it has opened itself to cash remittances and visits by Cuban exiles, resumed flights to and from Miami, legalized the dollar, self-employment, black market agricultural markets, and privately owned restaurants. Yet the orthodox element of Cuban government would seek to constrain all these in order to relinquish government control and maintain ideological principles, but without policy alternatives is forced to concede.

Prior to 1993, dollars (such as remittances) in civilian possession were given to the government at an exchange rate of 2 pesos per dollar. The result was Cubans asking tourists on the street to buy goods in dollar shops, rampant black market activity, and in mid-1993, bank savings slipped to their lowest level, as people withdrew deposits to buy in the black market or immediately changed dollars into pesos to beat the devaluation of the peso (Mesa-Lago: 2000). In 1991-92, before dollarization, black market transactions totaled fourteen billion dollars, while the net official market captured seven billion dollars (Mesa-Lago: 2000). Although the dollarization of the island could have initiated an immediate positive economic response, the effects were offset by increased enforcement by U.S. treasury department regulations, political pressure in Miami on Cuban-Americans not to travel to Cuba, confusion over laws between the two nations, and a wait-and-see attitude by exiles (Mesa-Lago: 1994).
The reforms legalizing self-employment are somewhat more successful, although, again, legalization only legitimized what was already happening in the informal economy. To its benefit, it is the one reform that relies on individual initiative instead of state planning. By 1995, the government had authorized 208,000 workers engaged in some form of self-employment (Perez-Lopez: 1997). It is generally more profitable than state-sponsored employment in the formal economy, but, like other areas of Cuban economic life, beset with regulations and inconsistencies.

For example, one of the largest sources of income for the newly self-employed is the operation of paladares, or privately owned restaurants named after the restaurant chain in a popular Brazilian soap opera, and legalized in Cuba in 1995. Although these small business ventures are generally profitable and flourishing since their legalization, they operate under very strict regulations. Also, paladares suffer the same inconsistencies and shortages prevalent throughout the economy. Owners cite main challenges to their businesses as being a lack of access to a wholesale supply system or predictable basis for price/profit margins, regulations designed to limit competition with state enterprises, and fears that the government might reverse reforms (Peters).

The third reform, that of agriculture, legalizes agricultural markets, providing incentives for farmers as well as income for the state. Farmers are first required to meet the acopio, or production obligation to the state. Farmers are also required to pay taxes on the goods they sell, as well as a fee for selling. Still, the markets flourish, and the reform is, apparently, successful.

Political Spaces and Political Economy

17 Restaurants are not allowed to accommodate more than 12 customers, and were not allowed to hire employees outside of the family until 1999 (Peters).
18 Agricultural and artisan markets were also legalized in the period from 1980-86, but later eliminated during the rectification campaign (Perez-Lopez, 19).
As mentioned above, previously opened political spaces were simultaneously closing at the time of reform implementation, and alignment and coordination between various ministries and the intellectuals grew, hypothetically signaling a lack of autonomy on the part of the intellectuals. For example, the llamamiento of March of 1990 called for increased public input prior to the reforms (and thereby open a political space), followed shortly after in July of that year with a declaration of a “Special Period in a Time of Peace”, which immediately closed that space, began a crackdown on dissidents, and increased the feeling of political austerity. Cuban liberals began to hedge their language, and the reformist academic exchanges within intellectual circles lessened. This atmosphere continued throughout the reforms, culminating in the previously mentioned 1996 disbandment of the CEA.

Periods of relative stability had opened political spaces (during the Rectification of Errors process, for example), followed by economic downturn that later narrowed it, whereby economic changes led to political adjustments, a source of instability, which signaled the regime to respond, which they did with a kind of “political austerity”.

Indeed, even the word “reform” linguistically implies counterrevolution in Cuba. One criticism of the reforms themselves suggests that the inability to use the analytical words to describe reforms, the lack of public debate and official recognition of the reform process, leads to a lack of coherence that mitigates their success, and is a strong indication of constraints on the island (Hoffman: 1994).¹⁹ This is the milieu in which the Cuban economists who drafted reforms necessary for economic growth must work.

In sum, one can witness in Cuba the following interactive elements: 1) economic contraction, which make reforms necessary; 2) intellectuals established in research

¹⁹ All information from Hoffman source translated from German by the author.
institutions that at different times function more or less as an organ of the state, including varying degrees of ministerial and governmental coordination; and, 3) periods of enlarged spaces for political discourse and party negotiation, followed by narrowing. The culmination of all these elements is economic policy.

How is economic policy in Cuba thus shaped by Cuban intellectual input? As is evident, shifts in trade and economic relations rendered reforms necessary, while tensions between reformist elements and orthodox ideologues continued to shape policy formation. Together, these components play out in a network of intellectual and political actors.

Central to this network are the reforms themselves, because these are the objects through which impact of various actors is visible. Reforms are created and implemented, ultimately, by the leadership\(^20\). Various ministries, containing both hard-line\(^21\) and reformist elements, domestically influence the leadership. Eras of alternating reformist or hard-line dominance precipitate the leadership and stability or security of the regime. The intellectuals, especially visible in the case of the CEA, reciprocally influence and collaborate with the ministries. Again, composed primarily of reformist or hard-line ideologues contingent upon variations in political spaces. The mechanisms through which intellectuals can disseminate information are predominantly in written works, such as periodicals, debriefings, and relationships with various ministries, although a few scholars from the CEA have also experienced mobility into government advisory offices. The shape of this work is dependent upon the relative autonomy of the institution itself.

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\(^{20}\) I purposely use the term “leadership” in the case of Cuba particularly, because of the ambiguity between official and unofficial decision-makers; namely in the People’s Power, the legislative organ, and the central leadership, or presidency (or “Central Consensus Builder”).

\(^{21}\) Or, as previously mentioned, hard-liners who adopt reformist notions for lack of clear economic alternatives.
Ironically, it would seem that the periods in which the CEA has the most autonomy is when it is least connected to the ministries, while most effective when it is most linked to the ministries, and involved in active coordination for the government.

For example, between 1985 and 1990, the CEA, which had achieved relative autonomy and official NGO status, actively collaborated with the State Committee for Economic Collaboration, and published numerous reports and books outlining detailed plans for reforms. Economists like Pedro Monreal, Julio Carranza, Luis Gutierrez\textsuperscript{22} have published numerous documents describing such plans; their colleague, Jose Luis Rodriguez, an academic and reformist supporter, was named chairman of the State Committee for Finance (Gunn, 37).

An example of the interplay of these forces is in the role of the Revolutionary Armed Forces, which are connected to the CEA, act as a ministry under central leadership (MINFAR), are directed by one whom could presumably be considered hard-line, and benefit most from the reforms. That is, the CEA actively collaborates with MINFAR (Garcia: 2001), thus somewhat losing its relative autonomy, and therefore less able to engage in reformist speak. The director of the armed forces, Raul Castro, can only be considered hard-line and therefore least reformist, due to his alignment with the leadership.

Yet, because of the profitability of reforms that render joint-venture agreements with facilities own by the armed forces, linkages between MINFAR and reforms persist. MINFAR also directs the largest and most efficient construction company on the island, the Union de Empresas Constructores, which builds joint-venture hotels that are paid for

\textsuperscript{22} Published materials appear to be alternately extremely progressive and present concrete proposals for reform, or couched in revolutionary language such as “Specific policies should be adopted to pursue the optimum, not the maximum, degree of insertion”, whereby insertion [into the world economy] is described as a system where “exploitation, dependency, and marginalization are standard features” (Monreal: 1998)
in hard currency\textsuperscript{23}. In addition, MINFAR owns and operates one of the largest holding companies, Gaviota S.A., which owns 17 hotels and numerous management contracts. Gaviota is the fastest growing holding company in Cuba, with market shares jumping from $30.9 million to $106.6 million between 1995 and 2000 (or roughly ten percent of the market shares in the tourism industry) (Brundenius: 2003). Clearly, MINFAR finds the reforms both profitable and useful.

The example of MINFAR serves only to illustrate the interplay of relations and ideology among various actors in the case of economic reforms: MINFAR, as a ministry, has a collaborative relationship with the CEA; it is also traditionally hard-line; it also benefits most from reforms. No single conclusion is evident as to whether a single actor is dependably reformist or hard-line, but rather that many factors work together to determine the policy stance in a given period of time: in times of stability reformist ideas flourish somewhat; in times of economic contraction hard-line elements against reforms were at once forced to accept reforms due to lack of economic alternatives, but reduced autonomy of intellectual activity. It should here be added that it is precisely during this moment, in 1992, shortly after the previously described incident of political closing triggered by economic instability, that the US responded with a tightening of the embargo, which lawmaker Robert Torricelli said would bring down the regime within weeks. This in turn increased economic contraction, threatened the regime, and further closed what political space remained.

During these cyclical episodes, which were initiated during periods of briefly overlapped relative political opening and economic instability, the combination of both

\textsuperscript{23} The diminished international role of the military has downsized armed forces, which render absorption into the civilian economy necessary. This manpower is thus channeled into employees of the construction company (Gunn: 1993).
signaled political instability and the regime responded. For example, the cycle could be seen chronologically in a series of events that culminate in the migration crisis of 1994: 1) reformist intellectual activity increased during a period of relative political stability and institutional autonomy; 2) the llamamiento of March 1990 peaked political openness, although during the beginning of economic depression, which signaled its end; 3) economic austerity measures were introduced, and discontent, instability, and hardship narrowed political spaces; 4) reforms were adopted and implemented, while crackdowns maintained political austerity; 5) discontent needed an escape valve for regime stabilization, and in 1994, the latest migration crisis ensued, and 17,000 balseros arrived in Florida (Garcia, 79).

The economy of Cuba does not exist in isolation; it is a product of domestic and international factors, one of which being the U.S. embargo. Cuban response to international forces is partially the product of domestic actors on the island. These actors work in a political environment alternatively relatively open or relatively narrow, which affects the intellectual community and the social sciences specifically. The stops and starts in political austerity are paralleled in reformist ideas and activities; reforms are repeatedly implemented and then halted. Political austerity also renders changing reciprocal relationships between government entities and intellectual influence, depending upon the relative autonomy granted said intellectuals.

Cuban intellectuals can thus be seen to operate within the social science framework in a network of interactive elements including research institutions, the Communist Party, and various ministries. Their work is a product of the ebb and flows of

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24 Which, if one looks at it this way, is contrary to but not necessarily undesirable when contrasted with the rest of Latin America. The history of reforms in those nations repeatedly brings about political unrest and instability, economic shocks, and extreme hardship for the most vulnerable segments of the population.
their relationship with each, depending on the relative autonomy of research areas, which is in turn dependent on alternative atmospheres of relative political openness or narrowness and stability of the regime. This affects the ways in which said intellectuals are able to impact policy, whereby one can witness patterns of greater reformist activity in times of greater autonomy and enlarged political spaces, and greater political impact during times of less autonomy and narrowed political spaces. Intellectuals working within the organization of research institutions impact policy through published work and ministerial collaboration.

Conclusions

It remains the conviction of this author that intellectuals in Cuba, engaged in academic activity, influence economic policy on the island. Lack of primary sources and transparency in the Cuban government make this hypothesis difficult to support, but this paper attempts to trace the mechanisms through which academics do influence, and the party’s response to this. The most visible manifestation of intellectual input is apparent in reformist activity taking place within research institutions prior to reforms, which is evident in written publications and accounts from the authors\textsuperscript{25}, the collaborative projects with the ministries, and government response. Here a lag between reformist intellectual activity and reform implementation is apparent.

Also, a pattern of political opening and closing becomes discernable. Political opening occurs when the regime is least politically threatened and the economy sound. These periods grant intellectuals the most autonomy. Political closing occurs when economic contraction leads to political instability, and the regime is threatened by

\textsuperscript{25} In Garcia and Nunez, \textit{Intelectuales vs. Revolucion}, the former members of the CEA describe the activities within, their collaboration and relationships with the ministries, and the periods of discourse and lack of; the account is published from exile in Puerto Rico.
dissent. During these periods, intellectuals appear to have the least independence but the most collaboration with the ministries.

A second pattern is apparent in implementation and reversal of reforms. Policy switches in the reform process illustrate the tensions between market-oriented reforms and semi-authoritarian rule. The pattern is first evident in this paper during the Rectification of Errors Process of 1986, whereby the regime sought to correct the ills of socialism. During this period, although the market-oriented reforms already in place were dismantled, intellectuals enjoyed a relative freedom consistent with the idea of socialist perfection. During the second period, shortly after Soviet collapse when the market-oriented reforms of the 1990’s were implemented, intellectuals did not enjoy the same freedom.

Thus, intellectual freedom, reformist activity, and political openness are most apparent during times of economic stability. When economic conditions render reforms necessary, the political space narrows, intellectuals lose a degree of autonomy, and reforms are implemented in the absence of strong reformist activity, which is during these periods considered a threat or dissent. It is precisely when intellectual input on the reform process is most needed by the regime, that those scholars must act with the most hesitation and care. This network of interacting elements ultimately creates economic policy on the island of Cuba.
Bibliography


