CHAPTER II
CRISIS PERIOD AND RESPONSE OF THE REGIME

The first Chapter presented an overview of the salient social, political and economic trends and the trajectory of the building of socialism in Cuba in the aftermath of the 1959 revolution and almost up to the mid-1980s. An analysis of the revolutionary process and social change conveys and confirms the various phases Cuba passed through during this period, such as Sovietisation of the Cuban economy, the first and second Congresses of the Communist Party of Cuba (PCC) held in 1975 and 1980, Cuba’s trade and economic relation with the Soviet Union and the eastern Europe and Cuban perception of political and economic developments in the 1980s in Soviet socialist bloc.

In the backdrop of the preceding chapter, the present chapter makes an attempt to assess the crisis that engulfed the revolutionary regime in the mid-1980s and the subsequent campaign in the form of rectification of errors. The section attempts an analysis of the internal and external dynamics of the crisis and rectification of errors in the form of series of changes and their sequencing. It also details the convening of the third Congress of the PCC as well as analyses the debate, important decisions and changes within the party hierarchy to fight the negative ideological tendencies, and recalibration of relation between the party and the government institutions. The debate within PCC and the changes within its functioning provide new insights into the thinking of the leadership and the rank-and-file members of the party. It also shows an incipient power struggle among various tendencies and personalities for domination, and the direction the Cuban economy and polity needed to take in order to overcome the crisis.

A separate section analyses the ‘Special Period in Times of Crisis’- a euphemism to denote the systemic crisis that ensued in 1989 following the withdrawal of special Cuban-Soviet relations. The section describes the major initiatives during the ‘Special Period’ to resurrect the economy along orthodox economic lines, their social impact and political-ideological justifications for the introduction of capitalist norms and policies.
Revolution in Crisis and the Rectification Campaign

To understand the nature of the crisis in Cuba, it is essential to grasp the material limitations that stemmed from the disintegration of the Soviet Union and the collapse of the Socialist bloc. As Cuba was economically tied with the Council of Mutual Economic Assistance (CMEA) - the economic union of the Soviet Union, eastern European countries and Mongolia- its economy went into a precipitous decline when CMEA disappeared. During the early 1980s, Cuba had a "qualitatively higher level of industrial development than elsewhere in the Caribbean" (Thomas 1988). Indeed, during this period, compared to rest of the Caribbean and Latin American region, Cuba's economic performance was 'an island of Sanity and Stability'. But, Cuba's dependence on the Soviet Union was qualitatively different from the historical conditions of dependency witnessed in other Latin American and Caribbean countries. Here dependency had sustained the revolution since 1959 and, in return for Soviet assistance and protection, Cuba had modelled its economy and polity along Soviet lines. For almost a quarter century, the principal challenge before Fidel Castro and his regime was how to 'manage' the dependency on the Soviet Union and retain a measure of autonomy in shaping domestic and external policies to respond to deep-seated aspirations of revolution, as well as to regional and external exigencies.

The dependence on one single trading community and not searching other modes of production caused difficult economic situation. In the first chapter, under the title 'Material Incentives and the Sovietisation of the Economy', the process of all modes of economic activities has been discussed. During this period, many distortions and lapses had crept into the functioning of the revolutionary regime, such as uncontrolled growth of bureaucracy, wastes in utilisation of national resources, unlimited appeal to individual material incentives, emergence of different forms of corruptions and practice of misinformation, technocratic approach to the direction of economy, use of materials and services for private ends and, payments of bonuses to which workers were not entitled. Social differentiation increased at the highest and, the vestiges of privileges irritated and angered the masses. The masses felt unrest at social, political and economic levels. These developments led to weak rapport between the party and the masses. To
overcome the negative tendencies, the need for the campaign to rectify the errors and correct negative tendencies was felt to reconsolidate faith among the masses.

The process of ‘rectification’ began around mid-1980s to address both internal and external factors that had contributed to the making of the crisis. However, it is also necessary to make it clear at this stage that rectification campaign fell short of desired results. As the decade wore off, the Castro regime had to initiate a more thorough process of economic and political restructuring without however, abandoning its socialist character and ethics of the Cuban revolution (Dilla 2000).

In terms of Cuba’s external economic relations, it was evident by the 1980s that membership in the CMEA had created very limited opportunities for the Cuban economy and the country had only a small place in the international market. In 1986, Cuba was unable to meet its external debt obligations of US$6-7 billion, and had to call a unilateral moratorium on bilateral hard-currency debt repayments; in 1989, the debt-to-export ratio stood at 649 per cent (Fitzgerald 1997). To adjust to the external adversity, imports from the capitalist world had to be cut drastically, and there was no other way but to expand and increase exports, reduce domestic consumption, increase foreign direct investment, and improve domestic economic efficiency. These are orthodox economic measures of neoliberal variety. However, in the case of Cuba, the understanding of the economic crisis was essentially political. It was stated that new economic regulations and controls were to be a conscious political process of choosing priorities, and not considered as ‘inevitable’ economic result of technical specialisation or the necessary effects of the anarchy of market forces.

By 1986, it had become clear that immediate changes in economic policy and planning were required. The planned socialist model of economic development under the guidance and supervision of SDPE had its grave limitations and these were evident for quite some time. The announcement of the ‘Campaign of Rectification of Errors and Negative Tendencies’ was a frank admission of the limitations, even failures, of the past economic policies¹ (Azicri 1988).

¹ On the launching of the Rectification Campaign Castro proudly asserted ‘...we do not take such measures as leering senior citizens without help, reducing pensions for retired people, giving less medical care to the sick, or less resources to hospitals or schools; we do not sacrifice our social programmes’, as quoted in M. Azicri, Cuba: Politics, Economics and Society, London : Pinter, 1988.
Seeing its ineffectiveness, the SDPE was abolished in 1988. Other important changes included a major crackdown on economic activities that had produced inequalities such as farmers' markets that had been operating since 1980 (Cole 1998). Tourism was given increased importance, with the aim of reducing Cuba's dependence on sugar as a source of earnings foreign exchange. Under the rectification process, imports were reduced to the minimum to find its own solutions and reduce external economic dependence as much as possible. Changes in the structure of wages and labour were also made. Regarding labour, rectification meant relating wages to output. At the same time, Castro emphasised on voluntary labour. The rationale behind the idea of voluntary labour was two-fold: to utilise the surplus labour and to raise the voluntary consciousness of the workers. The party began a campaign against epleaomania i.e., overstaffing. Studies were conducted in hospitals and factories across the country studies were following which workers, sometimes 30 or 40 per cent of the staff, were dismissed, shifted to other employment, sent home, or sent to work in the micro-brigades. In this belt-tightening process not even the communist party was spared. Castro introduced some new measures to reform the PCC during the third Congress.

The economic initiatives under the aegis of rectification programme produced the desired results but only to an extent. Level of domestic consumption fell considerably from 1984 through 1987; consumer purchases of food, clothing and household appliances were nearly negligible in the period. As a consequence of the application of new rules on bonuses, average monthly wages dropped from 203 peso in 1987 to 182 pesos by mid-1988 which in turn contributed to strong growth in cash savings. Under yet another new programme, the Cubans who wanted to purchase Western goods in special stores were to pay by selling their family jewellery. Such jewellery was then converted into export for hard currency.

Under the circumstances, Castro justified his reluctance to further liberalise the economy along free market lines and underlined at the same time the need for Cubans to make greater economic sacrifices to safeguard the revolutionary goals. The justification for economic rectification measures was that these were oriented towards the dominance of the country's interest over those of enterprises, and towards eliminating the notions and behaviour which for years attempted to sustain a level of consumption of industrial products totally divorced from Cuba's productive capacity and economic development (Zimbalist 1989). As with changes
in the past, the emphasis was once again placed on the political weaknesses of economic management. At the core of ‘Rectification’ debate, it was acknowledged that the lack of popular participation in the economic and political decision making process was on account of the un-programmed application of democratic centralism through the SDPE.

The rectification campaign, which has been described as ‘Cuba’s Perestroika’, actually preceded by a number of years the unravelling of Soviet system after Mikhail Gorbachev came to power in 1985 (Frank 1993). Certainly, it was firmly in place before perestroika and glasnost became the process, and became subsequently associated with the disintegration of the Soviet Union (Ibid). According to Castro, inexperience of the leadership and administration was the major cause of the inadequate functioning of system. Castro emphasised, if the institutional apparatus was perfect, then where were the obstacles arising from, and why the system was not functioning adequately? In his view, two types of mistakes were committed: one of idealism and next, while trying to correct the mistakes of idealism, mistakes of economicism and mercantilism i.e., commercialism.

Rectification process, born out of Cuba’s internal as well as external problems, appeared as a ‘reactionary’ policy to overcome the prevailing deficiencies and errors. But the problems were genuine and grave and had piled up over decades. Cuban economy and polity were laden with myriad problems defying any easy solution: the uncontrolled growth of the bureaucratic hurdles, bureaucratisation as a system, the technocratic approach to the direction of the economy, the waste in utilisation of the national resources, different forms of corruption, the practice of misinformation, the payment of bonuses to which workers were not entitled, the use of materials and services for private ends, the way in which enterprises circumvented legal norms and economic rules for self-aggrandisement, and the advantages derived from one’s official position to gain privileges and material goals. Despite rhetoric of socialist egalitarianism, growing trend towards social differentiation, discrimination and prejudices and a weak rapport between the party and the masses plagued the system. One also needed to rectify the increasing formalism in the ideological field, the unwelcome rigidity in the state power structures, and a general trend in the social sciences to conform to orthodoxy and rigid ideological reasoning.
To overcome the negative tendencies, the need for the “Campaign to Rectify the Errors and to Correct the Negative Tendencies” was felt for immediate recovery from the adverse situation. To implement the campaign, the role of the PCC was stressed and efforts were made to purge the party and the administration. According to a report in Granma, more than 400 administrative cadres were removed from their posts, including over 120 directors of enterprises or managers of factories. At the same time, about 85 grass-root party leaders, including 44 general secretaries were removed from their posts (Granma weekly review, 14 Dec 1986).

The logic behind the rectification process was that the main features of the 1976-85 period, (i.e. the SDPE period) required a serious review. While some of the features, such as the free peasants’ market, decentralisation of power at the local level and to the managers, were to be curtailed, the exercise of conciencia as the exemplary behaviour of a true revolutionary was to be emphasised upon. For Cuban leadership, moral upliftment of the society was more important than profit oriented economic plans. To justify the position of the government, it was emphasised to uproot every vestige of privilege that irritated and angered the masses. In pursuit of ‘clean up’ process, in July 1989, the Cuban government initiated action even against high-ranking officials abusing their positions for private gain. The corruption charges led to public trial of General Arnaldo Ochoa, a top ranking official, and about a dozen other officers. Ochoa along with three other officers was executed on charges of corruption, including drug smuggling (Rabkin 1991: 185).

With the commitment to rectify the errors with immediate effect, the third Congress of PCC was held on 4-7 February 1986. The climate in which the third Party Congress was held and the impact that rectification process had on the party admittedly significant impacted its functioning and underlying ideology. The third Congress took many decisions of far-reaching political and economic importance.

The Third Party Congress of PCC

With the purpose to get approval of Cubans and to institutionalise the rectification process, the third Congress of PCC was held in 1986. The Congress debated and delineated the idea of twin reforms, at political and economic levels.
The party emphasised on decentralisation to tackle bureaucratic hurdles, and called for greater inclusion of women, blacks and young people to make the PCC more participative. These ideas were carried further during the fourth Congress of the PCC. In a sense, the period between the two congresses was one of public deliberation and reflection; a period of three-four years which Castro felt Cubans needed to prepare themselves for changes and adjust their ideological orthodoxy. The developments in these years taught Cubans to be practical in approaches in a socialist system.

In the main report of the third Congress, Castro stressed the need to improve Cuba's inefficient, undisciplined and mediocre economy. His emphasis was on accelerating economic development, stimulating efficiency and productivity, competent management, and building discipline and ending corruption. He called for increasing the role of the state apparatus in setting economic priorities, closing down of free market mechanisms, and eliminating bonuses and material incentives that had been introduced earlier and had directly contributed to the making of economic crisis.

Some important outcomes of the third Congress were:

(i) An emphasis was given on the formulation of new ideological approaches to make the system more inclusive and participative.

(ii) New cadres were promoted in the Central Committee and the Politburo of the PCC and other mass organisations.

(iii) The responsibilities of the Central Planning Board (JUCEPLAN) were delegated to the central group, i.e., the revision of economic plan of 1985 and preparation of the 1986-90 economic plan.

(iv) Many important decisions were taken to intensify the rectification process, such as cutting consumption without reducing the population's standard of living, increasing efficiency in the use of resources, servicing the foreign debt with creditors, meeting export commitment to socialist countries and adjusting investment in development programmes to assure the external trade sector of the economy.

(v) The stand on religious practices was softened to reconcile the differences between Marxists and Catholics.

(vi) The party decided that the previous policy of promotion without demotions was not possible. Consequently, the number of full members in the
Politburo was reduced from 16 to 14 and alternate members from 11 to ten; thus, the combined members declined to 24. While the total number remained 225 in the Central Committee, the number of full members decreased from 148 to 146 and alternate members increased from 77 to 79. The younger ones were promoted and included.

During the third Congress, Raul Castro and his associates came to constitute the largest single bloc in the Politburo and the Secretariat. Although, Raul Castro did not acquire a new title, his position considerably strengthened. Four of the Politburo members—Vilma Espin, Abelardo Colome, Jose Machado Ventura, and Jorge Riquet Valdes were from the Raulistas. Among ten Politburo alternatives, division general Ulises Rosales del Toro and Senen Casas, along with Jose Ramirez Cruz and Jose Ramon Fernandez were Raulistas. There were at least three Raulistas in the nine member secretariat. In addition to Fidel and Raul Castro, only Risquet and Machado Ventura were members of both the Politburo and the Secretariat. It was speculated that the coordination between policy making and implementation came largely to rest in the hands of Raulistas. The evidence of Raul Castro’s enhanced status suggested that he had emerged from his previously behind-the-scene place as one of the regime’s strongest leader and as a hard-liner (Singh 1999: 137). From then, Fidel Castro initiated an attempt to strengthen the position of Raul Castro and to win the confidence of masses by consolidating a new strong face at the highest level.

Ideologically, Castro argued that what Gorbachev was implementing by way of economic restructuring was already experimented in Cuba and that it only contributed to further inefficiency. He therefore chose to move to the next phase i.e. rectification. He defended the rectification process as restoring a balance (perhaps a synthesis- to use a dialectical term) between idealism and materialism in economic policy. Castro said that “we have lived through the experience- we have lived through two experiences, the one before and now this one, the two of them; we have seen the negative consequences of both of them and we could see even some positive things in them” (Granma weekly review, 14 Dec 1986).

Elaborating further on the idea of rectification, Castro stated that the initiatives envisaged did not address the long-term illogic of the bureaucratic centralist economy. Arguing against the implanting of free market forces, Castro stated that
such market mechanism within socialist economic order would only produce negligible gains in efficiency and would weaken the political legitimacy of a socialist regime. So, there is no need in Cuba to choose between the ruthless pressure of market mechanisms and the bureaucratic distortions of central planning. Instead, a process of rectification would introduce central prioritising from above, supported by intensified political work and political supervision from below and, above all, help Cuba out from hard currency crunch (Granma weekly review, 11 Jan 1987).

During the third Party Congress, Castro also expressed solidarity with the Non-Aligned Movement, supported the national liberation movements, and a revolutionary ideology against capitalist imperialism. He explained the change in the following words: “I am neither pragmatic nor dogmatic. I am dialectical. Nothing is permanent, everything changes” (Habel 1991: 109).

In 1988, Castro shifted his emphasis from Marxism-Leninism and East-West conflict to nationalism, anti-nationalism and North-South conflict. In April 1989, Gorbachev during his visit to Cuba criticised the strategy of export of the revolution which according to him amounted to intervention in the internal matters of other countries. Defending the allegation of exporting revolution, Castro said that Cuba was engaged in a struggle countering United States’ intervention in the Western hemisphere and opposing South Africa’s intervention in African continent. In response, Castro criticised Gorbachev’s policies on grounds that they did not show sufficient firmness against United States’ military involvement in third world countries. Castro questioned whether Gorbachev’s diplomacy had evoked reciprocating concessions from the United States, and he doubted that the Soviets had sought to deepen détente between the superpowers at the expense of the interests of the world’s poor countries in confrontation with imperialism (New York Times, 11 Jan 1989).

In the initial period of rectification (1986-88), the government initiated few pragmatic approaches to bring the economy on track. Considering changes in the structure of the PCC, Castro also introduced reforms to the different elected bodies of the government. In fact, election of representatives to the grass-root municipal bodies, known as Organ of People’s Power (OPP), was on the basis of nominations from the PCC though voting was compulsory and universal. The elected members of the OPP, in turn, elected delegates to Cuba’s fourteen provincial assemblies, as
well as deputies to the National Assembly. In other words, the PCC was in full control of the selection, nomination and campaign process. This led to a new debate on need of some other political parties by the dissidents and unsatisfied masses. However, Castro made it clear that Cuba needed only one political party and denied any pocket party in Cuba

(i) Some Important Governmental Measures

- Re-establishment or Resurrection of Mini Brigades: The mini-brigades of the early 1970s were resurrected to construct day-care centres, housing, hospitals, etc. The professional and industrial workers released from their regular jobs on full pay and other unemployed, such as students, housewives and retirees, made up the mini-brigades. The brigades were subsequently widened to include ‘social brigades’, employing unemployed and diligent youth in renovation projects of neighbourhood areas.

- Voluntary work: In 1987, there was a call by the party for forty hour of voluntary work on ‘community projects’ in which more than 400,000 people contributed 20 million hours of voluntary labour. The reorganisation of work at the Che Guevara Industrial Complex, known as the ‘Revolutionary Armed Forces Initiatives’ became a model to emulate. These experiments in 1987, with new management techniques and participation in decision-making, showed positive results. Later, it was extended to other military enterprises in 1989 and to some civilian enterprise in 1990.

- Workers Brigade or Contingents (Contingentes): The most famous contingent was Blas Roca Contingents. Generally, the contingents were operated in the construction sector or where the work was hard and dirty, sectors which had suffered from relatively high absenteeism.

- Continuous Planning: In 1988, the SDPE system of planning was replaced with a system of ‘continuous planning’ as part of the rectification campaign. The number of commodities subject to planning was reduced as per the number of directive indicators to the enterprises. In the year 1988, continuous planning was applied to 32 enterprises, while in 1990, 900 more were included, accounting for about 50 per cent of productive outputs and 38 per cent of productive labour.
• Reform of Wages Structure: In 1988, following the rectification campaign, the work norms was restructured upon which basic wages were based. The pre-1986 complex system of incentives could pay the workers twice or thrice for the same work. The subsequent reform of the wages structure, while rationalising the incentive structures with an increased emphasis on voluntary labour, raised the wages of the lowest paid in agriculture, as part of a general drive to reduce hurdle by bureaucracy, administration and management (Saney 2004).

Special Period in Times of Crisis

What followed in 1989 was worse than the crisis Cuba had accumulated over the decades since the 1959 revolution. Cuba’s loss of Soviet market and economic assistance, and nearly all other sources of external financing from 1989, initiated a six-year production crisis that resulted in a major economic contraction. Cuba had maintained some 87 per cent of financial dealings with the Soviet Union and other socialist countries. From 1989 to 1993, Cuban earnings from exports dropped from an estimated US$ 5.4 billion to US$ 1.7 billion. One prominent casualty of the decline was sugar production. After the termination of the annual Soviet help of US$ 2.1 million, sugar production fell by 50 per cent. As exports and foreign earnings decreased, imports also declined from US$ 8.1 billion in 1989 to US$ 2.2 billion in 1993 (Jatar 1995). The removal of Soviet economic assistance created a financial vacuum between 1989 and 1993, and the lack of business relations with western world caused a reduction in export production, resulting in lower foreign exchange earnings, which, in turn, led to the purchase of fewer foreign inputs, crucial to the production process. In the same period, the gross domestic product (GDP) decreased by more than 40 per cent.

In a market economy, such a drastic contraction would normally necessitate a massive currency devaluation that would hopefully return the economy to equilibrium through a reduction in the demand for imports and an increase in the demand for domestic goods and exports. This phenomenon of returning to equilibrium is widely acknowledged to be the product of free market forces. Currency devaluation also tantamount to reduction in wages. The leaders of the centrally-planned Cuban economy had no use of free market forces; instead, they allocated the country’s meagre foreign exchange earnings to wherever they were
most needed. This involved reducing the already low levels of financing in various sectors while maintaining prices at artificially low levels (Ibid).

The arbitrary nature of allocating foreign exchange earnings generated even greater inefficiencies in the Cuban economy. (i) Since official prices were kept artificially low, they were, in effect, shielded by the government from the market forces of supply and demand. Consequently, producers’ profitability declined and shortages developed as output contracted and demand grew. Thus, the command economy failed to generate the necessary price incentives to increase production. (ii) The centrally-planned redistribution proved to be more painful than necessary because key export sectors contracted dramatically due to the lack of foreign exchange to import the necessary inputs. For example, sugar and nickel, two crucial sources of foreign exchange for Cuba, suffered reductions in yield of over 50 per cent from 1989 to 1993, largely because of a lack of imported inputs, including fertiliser and fuel oil. The effect was similar in the mining industry, where the lack of inputs caused bottlenecks in production, which resulted in reduced foreign exchange earnings. The vicious circle that ensued further undermined the country’s dollar earnings (Ibid).

Cuba’s economic shock and its insufficient attempt at adjustment generated an enormous fiscal deficit. The government simply could not reduce its expenditures quickly enough to offset the reduction in its exports and fiscal revenues. Given the absence of both external financing and internal capital market, the government had almost no alternative but to print money to cover its deficit. Consequently, the economy was flooded with liquidity. The amount of pesos in circulation increased from 5 billion in 1990 to 11.4 billion in 1993. Since official prices did not change, people suddenly had more money to spend than products to buy. Huge shortages spurred the proliferation of black markets, which paved the way for development of a separate ‘parallel’ economy within Cuba.²

² Ibid, Agriculture is key to the Cuban economy, and the crisis in agricultural production led to Cuba’s economic decline. Even after 1989, and the end of the Soviet subsidies, agriculture continued to dominate the island’s foreign exchange earnings. However, Cuba’s agricultural Industry is outmoded, and production still lags behind, the pre-1989 year’s sugar harvest was the worst since the revolution. In the previous years, ‘poor’ sugar yield were 4-5 million tons. Last year’s sugar yield was 3.3 million tons, less than half that of yield harvested with Soviet subsidy. However, this trend may have been reversed with a 1996 harvest approaching 4.5 million tons and spurring the economy to nearly 5% growth (see table 1).
As a result of great economic contraction, a ‘Special Period in Times of Peace’ was declared in 1990, and it involved for the first time, policies more commonly associated with capitalist economies. In many ways, the changes that took place were akin to structural adjustment programme imposed on developing countries by the International Monetary Fund (IMF) and the World Bank. However, in the case of Cuba, these changes were self-imposed. They were not an orthodox economic adjustment within an existing capitalist economy but a radical restructuring of entire socialist political economy, the forms of social regulations and cultural ideological production. It entailed reworking the idea and place of state planning and control; envisioning the relation between the socialist state and an inevitable incipient market; material incentives over ideological rewards for work and efficiency; and reorienting its external economic relations with capitalist world including those in the developing world. It would certainly also strain the rule of the communist party and its legitimacy as the vanguard of revolutionary transformation.

The difficult situation elicited a policy of resistance and survival in difficult time, whose main objective was to maintain the ethos of revolutionary regime amid a scenario of crisis, uncertainties and international pressures. It was obvious that the inevitable decline of the economy would produce a contraction in the population’s standard of living, and that in these conditions it would become more difficult to sustain the social consensus in regime favour and, thus, the political direction of the government. The leadership of the country based its discourse on the need to resist as a way of preserving the sovereignty of the nation and the social feats of the revolution (Ibid).

In such a situation, it is difficult to discern a clear strategy of economic development, given that the measures undertaken were pragmatic ones with fundamentally political intentions of sustainability of socialist ideology. Cuba was trying to do something which was hitherto impossible in theoretical terms: integrate the Cuban market to the global market while preserving the essence of socialist nature of economic activity. (i) It must be noted that during this period attention continued to be paid to sugar production, and that greater attention was paid to the expansion of other export-oriented sectors, viz. tourism, biotechnology, and oil exploration. (ii) Further, a new policy opened the country to foreign direct investment, the presence of which in Cuba had been very limited during previous
decades of the revolutionary government. (iii) Centralised planning was reformed to adjust the interests and a considerable autonomy was granted to industries in order to directly establish international economic relations. But, the government kept a close watch on the foreign companies that began coming in, with a view not to allow them exploit excessive surplus, as is practiced in capitalist way of functioning.

In order to tackle the manifold crisis and save the revolution, a number of initiatives were introduced:

(i) A Food Plan (Plan Alimentario) was launched in 1989 with the aim of creating self-sufficiency by making larger state farms use more intensive methods.  

(ii) In 1993, many large state farms were broken up into smaller basic units of cooperative production, called Unidades Basicas de Produccion Cooperativa (UBPCs). The UBPCs were self-managed and financially independent, though the nature of their output was managed by the Ministry of Agriculture.

(iii) The political attitude taken towards foreign direct investment was relaxed and a range of concessions were offered. Foreign investment was to be the means to inject much-needed capital, technology, and raw materials into the economy.

(iv) Foreign direct investment was mainly targeted at tourism, which overtook sugar as the largest export and hard-currency earner in the economy. Foreign direct investment was also encouraged in nickel industry, oil prospecting, steel, and transport and communications.

(v) The legalisation of US dollar, alongside the Cuban peso arose from a situation of ‘monetary overhang’ or excessive liquidity in which people had pesos but nothing to spend them on. ‘Monetary overhang’ was also dealt with by reducing the fiscal deficit decreasing enterprise subsidies, raising selected prices and imposing tax on some economic activities.

---

3 A Food Plan (Plan Alimentario) was intended to make Cuba more self-sufficient in food. The attempt was to reassert national self-determination.

4 Developing countries generally have abundant sources of talent, productive capacity, and natural resources, among other resources. Transforming these resources into effective instrument for development requires constant increase in its potential economic utility through investment: investments in some specialised knowledge and human resources and investments in physical capacity for production (this is case of Cuba and other Countries that invested a lot in human resources). This requires that resources that are acquired by fully channelled through effective distribution.
(vi) Related economic reforms included the reintroduction of rationing for the distribution of durable and non-durable consumer goods and the promotion of self-employment in selected private services such as restaurants.

(vii) Social policies remained the priority even during the ‘special period’ and social spending increased in social sectors like food, public health, education, culture and arts, employment, community services, social security etc.

(viii) Some major changes were also made in the legal and political system, and the civil system for survival of the revolution. The aforesaid issues have been discussed in details in the next chapter.

(a) Economic Impact of the ‘Special Period’

Disappearance of the USSR and the collapse of the socialist block with which Cuba had maintained 87 per cent of its financial exchanges had provoked the crisis, referred to as the ‘Special Period in Times of Peace’. The most difficult years of the crisis were from 1990 to 1993, when the accumulated fall of the GDP was more than 35 per cent and the contraction of imports was 88 per cent. At the beginning of the crisis, the goal of the government was to achieve the possible equitable distribution of its goods. For this purpose, it implemented three important measures: (a) to place all available products under a generalised regimen of rationing, thus making it possible to freeze all prices and avoid inflation; (b) to subsidise all loss-making industries- the majority of the three thousand existing in the country to prevent massive and uncontrolled growth in unemployment; and (c) to maintain the priority of education, health care and social security, as evidenced by the fact that no school or hospital ever closed down, pensions were paid on time and the level of social assistance was preserved.

The measures taken in this period contributed to mitigating the first impact of the crisis. But, by the middle of 1993, the need for new measures was felt as sugar production continued to decline and food production became an issue of concern. The tourism sector ably managed considerable rates of growth, as even in decline in production and import. As a consequence, monetary expenditures increased due to the policy of subsidies, and the budget deficit reached up to 30 per

5 A reoccurring question in the discussion of the changes implemented by the Cuban government in the 1990s is to what extent they correspond to a new understanding of the need for new forms of economic, political and social management in the wake of crisis.
cent of the GDP. The activity of black marketing began to get a place with an inflationary character of market and at that time national currency peso had devaluated at the equivalent of 150 pesos per dollar in 1993.

In 1992, amendments to the Constitution modified its doctrinal principles. The reforms created the juridical basis for the changes which began one year later and included considerable levels of economic decentralisation. The results of the changes introduced during the "Special Period" were on the whole positive. The economy was saved from collapse, and, in fact, after 1995 began to show significant rates of growth: 0.7 per cent, 2.5 per cent and 7.5 per cent in 1994, 1995, and 1996 respectively, compared with an average annual growth rate of 4.3 per cent from 1959 to 1989. Expansion continued, with growth in the GDP of 2.5 per cent in 1997, 1.2 per cent in 1998, and around 6.2 per cent in 1999 (Mandel 1998). But, such a performance must be considered in the context of the economic crisis out of which the Cuban economy emerged in the early 1990s, the fall in world sugar price, and the economic costs of natural disasters, particularly hurricanes. Even more, one needs to take into account the effects of strengthening of US embargo. The Torricelli Act of 1992 and the Helms-Burton Act of 1996 added further to the problems facing the Cuban economy.

(b) Social Impact of the 'Special Period'

The high priority accorded to social policy could not prevent it from being seriously affected by the economic crisis of late 1980s. The strategies of survival and recovery implemented since then, however, have made it possible to preserve and develop to an extent social policy aims. Undoubtedly, the implemented reforms in economic policy came out with positive results in social sphere. Here, two issues bear significance: the impact of the economic reform on society and the changes in the social policy welfare and schemes.

(i) How the social policy and programmes were sustained in the initial period of 'special period'? It can be said that, in all the economic policies and strategies implemented since 1990, the policies of social welfare were prioritised. The central component of the Cuban model, allowing equal and free universal access to the entire population of social provisions was maintained (Paz 2000). This priority is demonstrated by the nature of public expenditure and its allowance for social spending in the 1990s.
Social spending increased during each of these years, from US$ 4.517 billion in 1990 to US $5.565 billion in 1998; likewise, special projects for healthcare and education notably expanded between 1999 and 2003 (Ibid). An analysis of some components of social spending indicates various trends as tendencies of the period.

- The decrease in food production and in imports of agricultural and industrial goods, led to a decline in food consumption and in the nutritional level of the populace. The situation led to a comprehensive rationing of food and the establishment of new, lower family food quotas. By early 1990s, the recovery in food supply, the surge in free market, and the continued subsidies to the canasta basica however allowed a slow improvement in the nutritional levels of the populace, particularly among its most vulnerable groups. Though food production was unable to cover the canasta basica during this period. So much has remained dependent on the ability of the agricultural-livestock sector to meet internal demand, as well as the sustained increase of annual 2.5 per cent family consumption (Ferriol 1998)

- The problem in the public health sector was the lack of provision and medicines. Nonetheless, improved organisation and a greater emphasis on preventative medicine sustained the essential quality of services. All health indicators remained the same or had improved towards the end of the 1990s, including those of infant mortality rates, hospital and community services and life expectancy (Paz 2000).

- In addition to the accumulated deterioration of schools and the decrease in supplies, the main effect of the crisis was the reduction in the number of teaching personnel, particularly in intermediate and higher education. However, the measures adopted allowed educational coverage to be preserved. Attendance increased at pre-elementary level, the total number of schools increased slightly, graduates in elementary education continued to increase and the levels of participation in intermediate and higher education recovered. In fact, one out of every five residents was part of the educational system in the early 1990s.
• The crisis of the 1990s hit hard the world of art and culture, freezing spending at 1996 levels. However, a more defined approach and the priority given to these activities since 2000, led to an editorial, cinematographic and performance recovery. Literary artistic creation has been strong during the period, with many works having significant internal and external exposure. New stages and new generations of artists have contributed, as has a more supportive official policy.

• The economic crisis did not alter spending levels in the social security system (there was an increase of 36 per cent from 1990 to 1997), though it did affect the net value of loans as a result of the inflationary process that was unleashed in 1991 (Togores 1998). The currency devaluation was compensated for, in part, by the relative revaluation of the national currency and the increase in pensions to sectors with fewer earnings (Paz, Valdes et al. 2002).

• Community services were severely affected by the crisis, adding to the previous deficit spending levels on communications, transportation, electric and water services, domestic repairs and construction upkeeps among others. The result has been decline in citizen welfare and a hardening of daily life.

• The level of employment achieved in previous decades which concealed a notable level of sub-employment, low labour-productivity and subsidised economic activities became depressed due to the sudden contraction of the economy, mainly in the industry and construction sectors. Emergency policies, and later those of recovery, led to all kinds of measures for employment protection, such as the retention of superfluous employment, the transference between sectors of the economy, agrarian transformations and the authorisation of individual labour. As a result, by the end of the 1990s, employment had reached 96.5 per cent of the 1991 level; and an annual growth rate of 1 per cent (Paz 2000).

Beginning in 1999, a group of programmes had been reinforced for the development of the social sector which formed part of what the Cuban government had called “the battle of ideas”. It consisted of over 50 programmes designed to strengthen and develop some public services and
the ideological-cultural sector. One might add to the list the increasing levels of cooperation with various developing countries; the offer to foreign student of scholarships, mainly in medicine and in sports; and the contingents of doctors, nurses, teachers and sports trainers that were being sent abroad.

(ii) How social policies adjusted with restructured economic programmes? The crisis of the 1990s and the strategies implemented to overcome it called for partial or complete improvement of some of the deficiencies. The crisis felt by Cuban society in the 1990s initiated a development of the institutional system, albeit within the context of new challenges and more adverse circumstances. The co-relation between economic development and social policy has been the chief characteristic and achievement of the socialist order established by the revolution. A curious question comes to the mind that how the entire gamut of socialist welfare policies were adjusted to the economic restructuring? However, by the late 1980s, the order exhibited some flaws, including the pyramid design of subordinate entities; highly centralised decision-making process; institutional and functional dispersion; total state control of social services; and bureaucratisation.

Constrained by the new conditions, the Cuban leadership initiated careful and gradual changes to face the crisis and recover economic growth. Their slogan, ‘Save the Fatherland, the Work of the Revolution and Socialism’, expressed the emphasis on political consensus and the order of priorities (Gutierrez and Monreal 1997). The main institutional changes during the ‘special period’ were as follows:

- In 1992, an initial constitutional reform was proclaimed and the legislation that endorsed the new changes was updated. The constitutional reform varied the forms of property and management, and introduced changes in aspects of the political system.

- Under the political reforms, the administration of the state was separated at all levels from the representative bodies of the state. The state’s central organisms were rationalised in number and quantity of officials. New development in local government administration created new capacity to coordinate with the popular councils.
• Property rights regarding means of production were diversified and extended to include non-agrarian private property (foreign investment and individual labour), the joint venture and the cooperatives. Trade relations were increased with greater entrepreneurial autonomy and with the creation of free markets for food products and artisan crafts. The state budget continued to be the primary tool of social policy but was limited by the planned deficit.

• Civil society association and NGOs with external ties increased, and a diverse group of international NGOs elevated their participation in the financing and advising of social policy matters. Kinship relations also came into the economic process via the establishment of micro-industries or the sending of foreign remittances. Despite these changes and a greater presence of private and cooperative property, as well as, the presence of international capital in Cuban society, over all social policy, however, remained an exclusive function of state institutions.

The broken connection with the Soviet bloc had left Cuba in an extremely vulnerable situation as external sources of trade, aid and investment dried up. For the second time, in less than forty years, Cuba faced a major rupture in its external economic relations. (a) It is estimated that the dissolution of the CMEA cost Cuba a minimum of US$ 10 billion. By 1992, the trade with the Eastern Bloc declined to only 7 per cent for its 1989 value (Petras and Morley 1992). (b) From 1989 to 1993, Cuba's (GDP) declined by 35-40 per cent and per capita income dropped by 39 per cent. (c) From 1989 to 1992, oil imports from the former Soviet Union fell more than 85 per cent to only 13.3 million tonnes in 1992. (d) Overall import capacity declined by over 75 per cent, from US$ 8.1 billion to US$ 1.7 billion. (e) Grain imports declined by more than 50 per cent and (f) the budget deficit began to spiral out of control, amounting in 1993 to 33.5 per cent of the GDP.

The declining trends almost paralysed the country's economy. The unavailability of oil directly affected the electricity supply and thus production. The oil shortage forced the closure of over 60 per cent of the factories, leaving the rest to operate considerably at below level of capacity. The forced closure or reduced activity of many enterprises, factories and other production and service
centres left more than 100,000 people unemployed. The fuel shortages, coupled with the inability to obtain fertiliser, animal feed and spare parts for machinery, decimated agricultural production. The impact on the production of sugar, the largest export earner, was even more severe.\textsuperscript{6}

With the rupture in external economic relations, the domestic socio-economic conditions worsened further. For instance, in 1995, sugar harvest was reduced to 3.3 tonnes – the lowest in the last fifty years. It further declined to 3.2 million tonnes in 1998. Food production, especially of milk and eggs, was severely affected. During the early 1990s, the average daily calorie and protein intake of the Cuban population may have been as much as 30 per cent below that in the early 1980s. Due to the food shortage, a lot of health related problems occurred. The hospitals and health-care clinics witnessed shortages of medical supplies. It was estimated that there was a shortage of more than three hundred kinds of medicines, vaccines, surgical materials and spare parts for hospital equipment. The education system was also afflicted by a lack of resources. The cultural sphere faced significant limitations and curtailment (Mesa-Lago 1998). The public transportation system was crippled. In Havana, the number of daily bus trips was reduced from over 50,000 to fewer than 7,000. As public transport was scaled back and petrol supplies diminished, one third of the city’s population resorted to riding bicycles. Clothing, shoes and other daily use items were also in short supply. The crisis was compounded by adverse developments in the world economy and unfavourable weather conditions particularly Hurricane Georges and drier-than-usual growing seasons contributed to economic problems (Susman 1998). The shortage of cement, raw materials and tools had a drastic impact on construction activities. The construction industry was forced to reduce the amount of cement used to make reinforced concrete, from 700 kilograms to 304 kilograms per cubic metre. Thus, housing construction came to a virtual standstill. All areas of Cuban society felt and still feel the drastic impact of the economic down-turn (Eckstein 1994).

Another critical factor was the intensification of US economic embargo and other aggressive measures. Washington stepped up its economic pressure, most notably with the passage of the \textit{Cuba Democracy Act of 1992} (commonly referred

\textsuperscript{6} Rising import prices, high interest rates and limitations imposed by Cuba’s external debt further exacerbated the situation.
to as the Toricelli Act), and the *Cuban Liberty and Democratic Solidarity (Libertad) Act* (Helms-Burton Bill) in 1996. The two legislations were drafted to asphyxiate Cuba's remaining sources of capital, commercial opportunities and trading links. It is estimated that the US economic blockade had cost Cuba around US$ 60 billion over the years.

**Summary and Conclusion**

The previous chapter stated that the dictatorship of Fulgencio Batista was overthrown by Fidel Castro Ruz and the army prepared by him in 1959. Following the 1961 incident of Bay of Pigs, Cuba's diplomatic relations with the United States ruptured, and Soviet Union became the major economic and commercial partners of Cuba. The name of Integrated Revolutionary Organisation (*Organizaciones Revolucionarias Integradas* – ORI) was changed to the Communist Party of Cuba (*Partido Comunista de Cuba* – PCC) after a massive membership drive, in October 1965. In 1975, the first Congress of PCC was meant to institutionalise the Communist Party of Cuba. In the Congress, it was declared that the PCC shall be the only political party in Cuban political system and the five year plan (1975-80) was charted out for social and economic development. The PCC also approved a new Constitution in this Congress. After holding a national referendum in 1976, the new Constitution was approved which guaranteed a number of fundamental political rights and freedoms to the citizens. In the second Congress of PCC in 1980, emphasis was given to decentralisation of the decision making process so as to revitalise the PCC and to correct the mistakes done in previous five years.

In the present chapter it has been observed that the dependence on one single trading community and not searching other modes of production caused difficult economic situation. During this period, many distortions and lapses had crept into the functioning of the revolutionary regime like; uncontrolled growth of bureaucracy, wastes in utilisation of national resources, unlimited appeal to individual material incentives, emergence of different forms of corruptions and practice of misinformation, technocratic approach the direction of economy, use of materials and services for private ends. Due to all these negative developments social differentiation increased at the highest, the vestiges of privileges irritated and angered the masses. These developments led to weak rapport between the
party and the masses. To overcome the negative tendencies, the need for the campaign to rectify the errors and to correct negative tendencies was felt to reconsolidate faith among the masses.

The rectification process presented the appearance of an initiative to revitalise socialism. It also called for increasing the role of the party in the economic supervision with a view to ensure that state priorities were carried out. At the political sphere, since 1986, there has been more open criticism within the revolution and a revision of short-term priorities. By way of a summary, it must be mentioned at this point that, the ‘rectification’ was most emphatically not merely a Cuban version of perestroika. First of all, the initiation of the rectification occurred before reforms in the Soviet Union and elsewhere, and when those reforms did take place, Cuba moved even further from the Soviet bloc position. Although the revolutionary leadership moved towards a more ‘open door’ polity vis-à-vis foreign investment, Castro, distanced himself politically from both East and West, and repeatedly affirmed that he did not intend to build socialism using the tools of capitalism, and that the rectification is a Cuban solution to Cuban problems. Nonetheless, the demise of the Soviet Union at the beginning of the decade of 1990s, had a drastic effect on the still dependent country, which led to the restructuring programmes.

In this view, the third congress of PCC was held in February 1986 in which the younger leadership got place at all levels in the state, political organisations, social and political institutions. In the Congress, Cuban Communist Party took some important decisions to face the negative tendencies of the economy and corrections in bureaucracy. Simultaneously, the Government took some important steps to satisfy the emerging frustration in the masses. Even though, the depth of economic crisis was severe in 1989. And, Castro declared ‘special period in times of peace’ in 1990. In the special period a number of new policies were introduced which resulted in a positive direction of the economy in few years. And further, despite the precipitous economic decline of the early 1990s, no stock-market policies have been applied. Thus, Castro reconsolidated the faith in socialism with introduction of market element without compromising the essence of revolution.

In Special Period, the political attitude towards foreign direct investment was relaxed and a range of concessions were offered. At that time, Foreign Direct Investment (FDI) was mainly targeted at tourism nickel industry, oil prospecting,
steel, and transport and communications. A Food Plan (Plan Alimentario) was launched in 1989 with the aim of creating self-sufficiency by making larger state farms use more intensive methods. Many large state farms were broken up into smaller basic units of cooperative production, called Unidades Basicas de Produccion Cooperativa (UBPCs). The UBPCs were self-managed and financially independent, though the nature of their output was managed by the Ministry of Agriculture. The legalisation of US dollar, alongside the Cuban peso, arose from a situation of ‘monetary overhang’ or excessive liquidity in which people had pesos but nothing to spend them on. It was dealt with by reducing the fiscal deficit, decreasing enterprise subsidies, raising selected prices and imposing tax on some economic activities. During the ‘special period’, Social policies remained the priority and social spending increased in social sectors like food, public health, education, culture and arts, employment, community services, social security etc.

In nutshell, as opposed to the experience in many countries where the introduction of markets, privatisation, and decentralisation has deepened poverty and dislocation, the Cuban working class and farmers benefitted from the socially sustainable changes. As a consequence of these developments, Cuba compares favourably with the industrialised world in many social indicators.

The government continued the programme of reform in the coming years. The chapter three delineates the reform measures in details during 1991-95. An emphasis will be given to critically evaluate developments in fourth Congress of PCC in 1991, constitutional changes and Electoral-Political Reforms in 1992, the role of civil society and mass organisations.