

Planning and Market in the Cuban Economy

By: Dr. Armando Nova González
Centro de Estudio de la Economía Cubana
Universidad de La Habana
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Lines of thought regarding the role of the Plan and the Market

- **The role of the plan and the market:**
 1. Is a relevant and important topic in the context of the economic transformations taking place in the Cuban economy.
 2. At the same time, this is a controversial topic, which generally **lacks sufficient debate**, although it has occupied certain spaces in academic circles, but perhaps not enough.
 3. It is possible that the fact that in some occasions a certain identity between the **market and capitalism** has been established, has contributed to the limited debate (about this topic), and sometimes when it emerges, a warning emerges: be careful with the market!
- Apparently, there **are three (3) (well-known) lines of thought** with regards the plan and the market:
 1. Those that attribute the principal role to the plan and ignore the existence of the market and its function(s).
 2. A second line, which attributes the principal role to the market, and ignores the role of the State and of the plan (or centralized planning).
 3. Those that propose establishing an objective relationship between the role of the plan and the role (and functions) of the market.

Questions about the Theme (Topic)

1. Is economic planning synonymous to socialism, taking into account the fact that the Plan also exists under capitalism?;
2. Is the concept of a market economy synonymous to capitalism, when markets (or the market) also exist (exists) under socialism?;
3. Aren't the plan and the market more than just economic mechanisms?;
4. Is the existence of a little bit more of planning or a little bit more of the market what (essentially) distinguishes socialism and capitalism?;
5. Is the structure of the form(s) of property what determines if a society (or economy) is socialist or capitalist?

Antecedents

- In the case of Cuba, it is obvious that the centrally-planned economy (CPE) that existed until the early 1990s did not correspond with the objective reality, considering the new economic conditions encountered by the country and the period of economic crisis (“Special Period”) under which still to some degree the Cuban economy operates. In other words, the centrally-planned model did not facilitate the development of the country’s productive forces, and required a gradual process of economic transformations.
- Certain forms of rigid (centralized) control over economic entities still prevail in the Cuban economy, limiting the autonomy in both State and Non-State entities, which in turn limit the application of the “law of value,” the functions of the market, enterprise competitiveness, and the development of the country’s productive forces..
- In reality, the market is not (solely) associated with the capitalist system (or mode of production), given the fact that it has existed in primitive societies that pre-dated capitalism. Marxist theory postulates that commodities are only able to realize their social recognition (or value) through the process of exchange (market).
- The market exists. This is a fact in both the capitalist mode of production and the socialist mode of production, as long as there are relations based on the exchange of goods and money.

¿How is the internal food market (in Cuba) segmented?

- ***Mercado de Alimentos Racionados (Rationed Food Market)***: (Created on March 13, 1962). This market has been recently transformed by the creation of a “market within a market,” which consists of designated products that are sold at “free market prices” – normally above rationed prices.
- ***Mercado Libre Agropecuario (MLA) (Free Agricultural Markets)***: This market is operated by the *Ministerio de Comercio Interior (MINCIN)* (Ministry of Interior Commerce): It was created to allow prices to be determined by market forces (or the forces of supply and demand).
- ***Mercado Agropecuario Estatal (MAE) a precios topados (State-Run Agrarian Market, fixed prices)***: (Created in 1999, in different locations from those used for MLAs). This market is operated by the *Ministerio de la Agricultura (MINAG)* (Ministry of Agriculture).
- ***Tienda de Recaudación en Divisa (TRD). Shopping (operan en CUC)*** (Hard Currency Stores, operate in convertible pesos – CUC).
- ***Ferias Agropecuarias (Agricultural Fairs)***: These “farmers’ fairs” are occasionally organized by the *Ministerio de la Agricultura (MINAG)* (Ministry of Agriculture).
- ***Ventas en los huertos y organopónicos (Sales in plots and urban farms)***: These operate under the jurisdiction of the MINAG.
- ***Puestos de ventas y placitas: CPA, CCS, privado y la EJT (estos se han agrupado y registrado modificaciones)*** (Sales stalls (kiosks): CPA, CCS, private farmers, and the EJT (Youth Army/Brigades).
- ***Cadena Imágenes del Poder Popular*** (Images Chain of Stores operated by the People’s Power):
- ***Mercado subterráneo*** (Undeground or “Black” Market)
- ***Ventas directa a trabajadores en la unidades productoras agrícolas*** (Direct sales to workers in agricultural production units)
- ***Los carretilleros (recientemente autorizados)*** (Recently authorized cart vendors of agricultural products)

The market for agricultural food products in the City of Havana

The capital (City of Havana) has an estimated population of 2.141 million, in addition to an “itinerant population” of some 225,000 (primarily from nearby *Artemisa* and *Mayabeque* provinces; with a distance between 28 and 88 km.)

- According to recent studies meeting the demand for food in the capital requires 22,300 tons per month, distributed as follows:
 1. 15, 200 Viandas; 4 100 Greens; 900 Grains and 2 100 Fruits.
 2. Social consumption and medical diets are excluded from these estimates.

Some current difficulties:

1. Production problems and problems with the (State-owned) transportation system.
2. Insufficient equipment and deficient control in the (State-owned) packaging system.
3. Excessive manipulation of the products (State system).
4. Intermediaries in the commercialization of agricultural and food products create “desvios” and losses (State system).
5. Multiple distribution channels in Havana and excess personnel (State sector).
6. Lack of managerial autonomy; excessive centralization and regulation (for all markets).
7. Centralized prices for 21 products; issues with unfulfilled contracts (State system).
8. Insufficient offer (supply) of products (available to the population) and variety of quality and quantity.
9. Consumer rights violations.

Retail Chain	Amount
Empresa Provincial Mercado Agropecuario (MINCIN)	891
Mercado Agropecuario Estatal (MAE)	310
Placitas	548
Mercado Oferta y demanda	33
Minag puntos y Kioskos	912
UBPC	109
CPA	24
CCS	602
Empresa Estatal	177
Puntos y Kioskos	470
Carretileros	1887
TOTAL Retail Chain	4160

Presupuesto
del
ESTADO

FLOW OF SALES AND PAYMENTS OF AGRICULTURAL PRODUCTS (TO THE TOURISM SECTOR)

Author: Dr. Armando Nova

(asigna compensación: 6CUP x cada CUC)

Ministerio
Turismo

Fintur
S.A.

(Intermediación financiera)

-Hotel
Establecimiento
turismo
(Trabaja En
CUC)

2

Tasa de cambio Banco Central

$$\Rightarrow \frac{24.0}{6.0} = 4\text{CUC} + (1 \text{ CUC})$$

6.0 (compensación)

1

Venta (precio oferta-demanda en CUP
Ej: 1 libra tomate en 24 CUP)

3

- Libera orden de pago en CUC (Ej: Tomate 4+1= 5 (CUC)
- Solicitud de pago al productor en CUP y el instrumento pago pactado

Productor

Agrícola
-CPA
-CCS
-Emp. Estatal
-UBPC

4

The “Lineamientos” (Guidelines), the Plan and the Market: Some Considerations

- The **introduction** (to the “Guidelines”) categorically and absolutely states the **primacy of the Plan NOT the Market**.
- Guideline (“Lineamiento”) 01 states that: “ **Planning will take the Market into account, influencing the market itself considering its characteristics.**”
- Guideline (“Lineamiento”) 05 indicates that: “**Planning will include the State enterprise sector, budgeted activities, international economic associations and will regulate other forms of management in the Non-State sector...**”

It is important to clarify the type (form) of planning that we are referring to:

- The type of planning designed to coordinate even the most miniscule details, without any margin of flexibility to allow it to adjust to practical realities, lacking a systemic approach, which in the end turn it into a restraint, or
- The type of planning, which is flexible in nature, and is designed to address macroeconomic issues systematically, in a complementary role with the market, in search of balance, the rational use of resources, efficiency, and balanced (sustainable) development, with a systemic territorial focus in harmony with the environment.

With respect to the Market, the Guidelines lead us to consider that there is still a lack of real and objective recognition of the role of the Market.

- a) Even though the implementation of a significant portion of the Guidelines requires the existence of market-based coordination mechanisms (14 points in the Guidelines refer to the use of market-oriented coordination mechanisms)
- b) The importance resides in the complementarities between the Planning and the Market.**
- c) The restrictions with regards to fixed prices (set through a central planning mechanism, which eliminates one of the main functions of the price system: sending price signals)
- d) The emphasis on the free commercialization of the output produced by Cooperatives, only after they fulfill their delivery agreements with the State (to what magnitude?),
- d) In addition, this conditions (or subordinates) the commercialization of Cooperatives in the free (liberalized) market(s), bypassing intermediaries.

The points highlighted before lead us to consider that in the theme related to the Market, the real and objective existence of a role for the Market and its use as an economic tool, is still not completely understood nor solved.

Thank You Very Much