



# The Political Economy of Change in Cuba

International Cuba Symposium  
March 31 - April 2, 2011

“Recent Evolution of Cuba’s Non-Cane Agriculture: *Another Step Towards Market Socialism?*”

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- The Evolution of Cuba's Non-Sugar Agriculture
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- Towards Market Socialism?

# Thesis

- The need to transform agriculture to increase production and reduce external dependency represents one of the most urgent economic priorities for Cuba today.
- Agriculture matters!
  - Even though it accounts for roughly 5% of GDP, close to 20% of the labor force works in agriculture  
(Nova Gonzalez, 2006).
  - Agriculture touches every aspect of Cuba's socioeconomic fabric.
  - *“Sin agricultura, NO hay pais!”*
- Therefore, transforming agriculture, through the integration of alternative (i.e., market-oriented) coordination mechanisms and experiments with alternative property forms, represents a logical initial step towards a uniquely Cuban form of “market socialism.”



# Principal Characteristics of Market Socialism

- “Market socialism” combines market-based coordination mechanisms and planning to “perfect” (or improve) socialism.
- “Market socialism” is characterized by:
  - a) The expansion of non-State actors (i.e. the private sector)
  - b) Increased autonomy for State-Owned Enterprises (SOEs)
  - c) Modification of the price system

**(Kornai, 1992)**



# Principal Characteristics of Market Socialism

## a) The expansion of non-State actors (i.e. the private sector)

- Reduction or elimination of bureaucratic constraints
- Creation of “alternative economic spaces”
- Insertion of large segment of the economically active population (EAP) into the emerging private sector
- Expansion of consumption possibilities frontier (CPF) through self-employment and privately-owned micro-enterprises
- Ambivalent/contradictory relationship between the State and the emerging private sector

## b) Increased autonomy for State-Owned Enterprises (SOEs)

- More efficient SOEs are granted greater managerial autonomy
- However, they remain vertically dependent on the State
- The State retains control through subsidies and regulations

## c) Modification of the price system

- Changes in the methodology used by the State to fix prices
- Application of new principles or methods to set prices
- Transformation of the tax system (or tax code)
- Reduction or elimination of State subsidies through the price system

(Kornai, 1992)

# The Evolution of Cuba's Non-Sugar Agriculture

Recent Policy Measures	Category	Economic Impact
Increases in prices that <i>Acopio</i> pays for selected products (e.g. rice, milk, potatoes, etc.) (2007)	Price reform	Increased output Improved quality
Repayment of arrears owed by <i>Acopio</i> to farmers (2007)	Price reform	Increased output
<b>Reorganization of Ministry of Agriculture (2007)</b> -Closing 83 SOEs -Transforming 473 unprofitable units -Transfer of 7,300 workers -Reallocation of some 40,000 to other sectors	Structural reform	Administrative consolidation Managerial restructuring
<b>Approval of Decree Law No. 259 (2008)</b> - Transfers of non-productive State-owned lands to private farmers and cooperatives in usufruct	Structural reform	Increased output Improved quality
<b>Transfer of <i>Acopio</i>'s marketing functions in Havana to MINAGRI and MINCIN (2008-2009)</b>	Structural Reform	
<b>Creation of State-operated retail outlets to sell limited inputs to farmers in convertible pesos (CUC)</b>	Price reform Structural reform	Improved access to inputs
<b>Introduction of small-scale, local, experimental projects in “suburban agriculture”</b>	Structural reform	Limited increases in output/quality
<b>Elimination of selected agricultural products from the rationing system – “price liberalization”</b>	Price reform	Increased output Improved quality

# The Evolution of Cuba's Non-Sugar Agriculture

Table 1. Cuba: Non-sugar agricultural output, selected indicators, 2004 - 2009

Crop	Tons						Percentage Change 2008 - 2009
	2004	2005	2006	2007	2008	2009	
<b>Viandas <sup>(a)</sup></b>	<b>3,162,000</b>	<b>2,575,300</b>	<b>2,202,000</b>	<b>2,369,500</b>	<b>2,150,700</b>	<b>2,236,000</b>	<b>4.0%</b>
Roots and tubers	1,946,400	1,801,800	1,330,200	1,378,600	1,392,500	1,565,600	12.4%
Potatoes	328,700	313,100	286,200	143,700	196,100	278,600	42.1%
Boniato	486,100	449,987	303,000	414,000	375,000	437,100	16.6%
Malanga	244,000	225,873	175,000	207,800	240,000	199,400	<b>-16.9%</b>
<b>Plantains</b>	<b>1,215,600</b>	<b>773,500</b>	<b>871,800</b>	<b>990,900</b>	<b>758,200</b>	<b>670,400</b>	<b>-11.6%</b>
Bananas	454,200	289,013	339,517	385,900	280,800	245,400	<b>-12.6%</b>
Plantains	761,400	484,487	532,283	605,000	477,400	425,000	<b>-11.0%</b>
<b>Vegetables</b>	<b>4,095,900</b>	<b>3,203,500</b>	<b>2,672,100</b>	<b>2,603,000</b>	<b>2,439,300</b>	<b>2,548,800</b>	<b>4.5%</b>
Tomatoes	788,700	802,600	636,000	627,900	575,900	750,000	30.2%
Onions	145,100	129,428	111,990	105,100	128,100	131,300	2.5%
Peppers	91,722	81,815	62,141	55,807	63,677	56,672	<b>-11.0%</b>
<b>Cereals</b>	<b>887,600</b>	<b>730,100</b>	<b>739,600</b>	<b>808,400</b>	<b>761,700</b>	<b>868,400</b>	<b>14.0%</b>
Rice	488,900	367,600	434,200	439,600	436,000	563,600	29.3%
Corn	398,700	362,500	305,400	368,800	325,700	304,800	<b>-6.4%</b>
<b>Legumes</b>	<b>132,900</b>	<b>106,200</b>	<b>70,600</b>	<b>97,200</b>	<b>97,200</b>	<b>110,800</b>	<b>14.0%</b>
Beans	132,900	106,200	70,600	97,200	97,200	110,800	14.0%
<b>Tobacco</b>	<b>31,700</b>	<b>26,000</b>	<b>29,700</b>	<b>25,600</b>	<b>21,500</b>	<b>25,200</b>	<b>17.2%</b>
<b>Citric Fruits</b>	<b>801,700</b>	<b>554,600</b>	<b>373,000</b>	<b>469,000</b>	<b>391,800</b>	<b>418,000</b>	<b>6.7%</b>
Oranges	495,000	389,469	178,357	302,800	200,400	261,000	30.2%
Grapefruit	225,000	134,090	169,556	140,000	166,100	121,500	<b>-26.9%</b>
Lemon	22,000	8,028	6,134	6,000	5,400	8,301	53.7%
<b>Other Fruits</b>	<b>908,000</b>	<b>819,000</b>	<b>746,500</b>	<b>783,800</b>	<b>738,500</b>	<b>748,000</b>	<b>1.3%</b>
Mangoes	243,163	254,147	206,662	198,000	228,700	269,300	17.8%
Guava	91,538	116,188	101,547	113,500	126,500	84,900	<b>-32.9%</b>
Papaya	119,000	91,797	90,309	89,700	89,400	95,700	7.0%
<b>Cocoa</b>	<b>1,846</b>	<b>2,067</b>	<b>2,120</b>	<b>1,379</b>	<b>1,100</b>	<b>1,387</b>	<b>26.1%</b>

<sup>(a)</sup> Includes roots, tubers, and plantains.

# The Evolution of Cuba's Non-Sugar Agriculture

Table 2. Cuba: Agricultural yields, 2004 - 2009

CROP	2004	2005	2006	2007	2008	2009	Percentage change 2008 - 2009
<b>Viandas <sup>(a)</sup></b>	<b>8.7</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.7</b>	<b>6.3</b>	<b>-17.5%</b>
Roots and tubers	<b>8.1</b>	<b>7.2</b>	<b>7.3</b>	<b>6.8</b>	<b>7.1</b>	<b>6.4</b>	<b>-10.4%</b>
Potatoes	26.4	25.4	24.6	14.7	20.0	22.3	11.4%
Boniato	6.7	6.1	6.4	6.4	6.4	5.6	-12.5%
Malanga	10.8	10.0	10.0	9.7	9.0	7.4	-18.3%
<b>Plantains</b>	<b>9.9</b>	<b>8.1</b>	<b>8.7</b>	<b>9.7</b>	<b>9.1</b>	<b>6.3</b>	<b>-30.5%</b>
Bananas	13.4	15.5	13.2	13.6	12.0	7.4	-38.1%
Plantains	8.6	6.3	7.2	8.2	7.9	5.8	-27.0%
<b>Vegetables</b>	<b>13.1</b>	<b>10.3</b>	<b>11.5</b>	<b>11.3</b>	<b>9.4</b>	<b>9.1</b>	<b>-2.8%</b>
Tomatoes	13.6	12.7	12.0	11.0	9.3	10.8	17.0%
Onions	15.2	14.8	14.2	11.8	11.6	11.3	-2.2%
Peppers	10.7	11.5	9.1	9.5	9.1	7.8	-14.2%
<b>Cereals</b>	<b>2.9</b>	<b>2.6</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.1</b>	<b>-22.7%</b>
Rice	3.1	2.9	3.0	3.2	2.8	2.6	-6.8%
Corn	2.7	2.3	2.5	2.6	2.5	1.5	-40.7%
<b>Legumes</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>1.2</b>	<b>1.0</b>	<b>0.7</b>	<b>-27.9%</b>
Beans	1.2	1.1	0.9	1.2	1.0	0.7	-27.9%
<b>Tobacco</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>0.9</b>	<b>1.0</b>	<b>8.7%</b>
<b>Citric Fruits</b>	<b>13.8</b>	<b>9.9</b>	<b>6.7</b>	<b>9.6</b>	<b>8.6</b>	<b>8.7</b>	<b>1.6%</b>
Oranges	14.2	12.7	4.9	9.3	6.5	8.2	25.0%
Grapefruit	13.2	6.4	10.4	10.1	12.6	9.8	-22.2%
Lemon	5.4	2.8	4.6	5.8	6.0	7.4	23.6%
<b>Other Fruits</b>	<b>11.9</b>	<b>10.1</b>	<b>9.7</b>	<b>7.8</b>	<b>8.9</b>	<b>8.2</b>	<b>-8.2%</b>
Mangoes	9.9	11.1	8.2	6.6	9.2	7.2	-21.1%
Guava	12.5	15.7	10.3	10.4	12.5	6.5	-47.9%
Papaya	19.5	15.6	20.2	14.9	20.3	17.6	-13.1%
<b>Cocoa</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>-5.8%</b>

<sup>(a)</sup> Includes roots, tubers, and plantains.



# The Evolution of Cuba's Non-Sugar Agriculture

CROP	2008		2009	
	State	Non-State	State	Non-State
<b>Viandas <sup>(a)</sup></b>	<b>14.8%</b>	<b>85.2%</b>	<b>14.4%</b>	<b>85.6%</b>
Roots and tubers	13.4%	86.6%	13.9%	86.1%
Potatoes	30.2%	69.8%	34.8%	65.2%
Boniato	13.0%	87.0%	14.8%	85.2%
Malanga	13.7%	86.3%	12.3%	87.7%
<b>Plantains</b>	<b>17.3%</b>	<b>82.7%</b>	<b>15.5%</b>	<b>84.5%</b>
Bananas	18.2%	81.8%	16.8%	83.2%
Plantains	16.8%	83.2%	14.7%	85.3%
<b>Vegetables</b>	<b>17.9%</b>	<b>82.1%</b>	<b>19.6%</b>	<b>80.4%</b>
Tomatoes	11.7%	88.3%	11.6%	88.4%
Onions	7.5%	92.5%	7.7%	92.3%
Peppers	12.7%	87.3%	17.8%	82.2%
<b>Cereals</b>	<b>10.0%</b>	<b>90.0%</b>	<b>12.1%</b>	<b>87.9%</b>
Rice	12.5%	87.5%	14.2%	85.8%
Corn	6.6%	93.4%	8.2%	91.8%
<b>Legumes</b>	<b>3.0%</b>	<b>97.0%</b>	<b>5.5%</b>	<b>94.5%</b>
Beans	3.0%	97.0%	5.5%	94.5%
<b>Tobacco</b>	<b>1.2%</b>	<b>98.8%</b>	<b>1.1%</b>	<b>98.9%</b>
<b>Citric Fruits</b>	<b>62.1%</b>	<b>37.9%</b>	<b>61.2%</b>	<b>38.8%</b>
Oranges	58.7%	41.3%	67.1%	32.9%
Grapefruit	74.5%	25.5%	63.4%	36.6%
Lemon	10.8%	89.2%	12.5%	87.5%
<b>Other Fruits</b>	<b>7.8%</b>	<b>92.2%</b>	<b>9.2%</b>	<b>90.8%</b>
Mangoes	7.3%	92.7%	9.4%	90.6%
Guava	8.1%	91.9%	14.4%	85.6%
Papaya	13.8%	86.2%	11.0%	89.0%
<b>Cocoa</b>	<b>5.5%</b>	<b>94.5%</b>	<b>4.0%</b>	<b>96.0%</b>

<sup>(a)</sup> Includes roots, tubers, and plantains.

# Towards Market Socialism?

- The experiences of the countries that have transitioned from Classical Socialism to Market Socialism suggest that:
  - The transition process is primarily driven by the need to improve total factor productivity (TFP) and economic efficiency
  - Salaries (or wages) and prices are used to improve labor productivity, increase efficiency, and improve profitability in SOEs undergoing a process of “enterprise perfecting”
  - The emerging private sector increasingly plays a greater economic role
  - Its share of national output increases significantly during the transition period as it absorbs excess inputs (i.e., labor and capital) released by the State sector
  - At the same time, the State sector’s share of total output and employment declines, as more labor and capital “migrate” to the emerging private sector attracted by higher wages and return on capital.

**(Kornai, 1992; 2008)**

# Towards Market Socialism?

In the case of Cuba:

- Despite recent policy changes developments, which have had some limited positive results, non-sugar agriculture remains under the “shadow” of the State
- Price controls, subsidies, and other forms of non-market allocation contribute to shortages, the production of lower quality output, inefficient resource allocation, and other distortions commonly used with centralized planning
- As a result of existing constraints and distortions, non-sugar agricultural output levels and yields remain significantly below 1989 levels
- Given the strategic importance and contributions of agriculture in the Cuban economy, the transformation of this vital sector is likely to remain a top national priority.

# Towards Market Socialism?

- *Possible policy measures to reactivate Cuban agriculture?*
  - Allow the development of alternative property forms, including private farms and autonomous cooperatives with clearly defined and transferrable property rights
  - Privately-owned farms and cooperatives should be allowed to coexist and compete
  - Expand on the recently introduced model of “suburban agriculture”
  - Facilitate the development and expansion of market-based coordination mechanisms to link production, distribution, exchange, and consumption of agricultural products
  - Authorize foreign investment and the insertion of technology and private capital into the agricultural sector
  - Facilitate the mobilization of credit and financial capital in the agricultural sector
  - Facilitate the development of competitive input (i.e., factor) markets linked to the agricultural markets
  - Monetary unification
  - The reduction of market segmentation (i.e., market and price unification)