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Economic theory

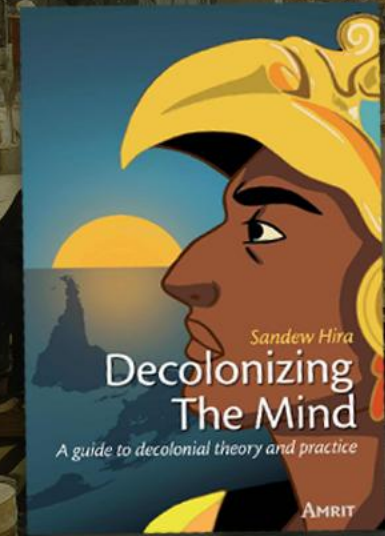
Theories and practices about the production, distribution and financing of goods and services



Decolonial economic theory: the experience of Cuba



Decolonizing The Mind,
the final frontier of colonialism
with Sandew Hira



#042

13-05-2024

Timeline Cuba revolution - 1

- ❑ 1823 (Monroe doctrine): US president James Monroe proclaimed that the Western hemisphere should be controlled by America and European colonial powers should end their dominance of the region.
- ❑ 1848: America offered Spain US\$ 100 million to buy Cuba, but Spain rejected the offer.
- ❑ 1898: US army invades and occupies Cuba. American companies dominated the Cuban economy. They controlled every sector from sugar production to electricity and gambling. The Cuban economy was at the service of American capital.

Timeline Cuba revolution - 2

- ❑ 1953 26 July: 136 revolutionaries led by Fidel Castro attacked the Moncada army barrack in Santiago de Cuba, 900 km west of Havana. It failed. Castro was arrested; 60 revolutionaries were executed. Castro was sentenced to 15 years in prison.
- ❑ 1955 15 May: Castro released from prison.
- ❑ 1956 November 26 – December 2: 82 revolutionaries led by Fidel Castro sailed with the Granma from Mexico to Cuba to launch a guerilla war. It failed. Of the 82, about 21 had survived.
- ❑ 1959 1 January: Triumph of the Cuban revolution.

Agrarian reforms

- ❑ 1959 - First Agrarian reform: Large scale private ownerships and granted ownership and titles to workers who previously worked on those lands, as well as previously foreign-owned land, especially in the rural areas were nationalised, and exploitative conditions such as paying rent for land were abolished.
- ❑ 1963 – Second Agrarian reform: All property holdings over 67 hectares became nationalised. The reforms allowed for the state farmlands to dominate the agricultural sector—70 per cent of the arable land was under the state control and the government became the largest employer, while 30 per cent was privately owned. As a result, between 80 and 85 per cent of Cuba's land was expropriated.

Towards a planned economy

- ❑ The Cuban government started a nationalization process and brought most of the companies under state control. The US reacted with an economic boycott that lasts until today.
- ❑ In 1961, the US organized a failed invasion of Cuba at the Bay of Pigs.
- ❑ After some years of experimenting with different planning techniques, at the beginning of the 1970s Cuba adopted the Soviet Planning and Management System.

The role of private enterprises

- ❑ In 1978, small private companies were allowed to operate. Small manufacturers obtained raw materials, used machinery, hired workers with the permission of the state and sold their products to state enterprises. There were 10,000 private truck owners who transported products from the manufacturers and private farms. But self-employment amounted to a maximum of 1.2% of the total labor force.
- ❑ In 1980 private farmers' markets were established. In 1982 foreign direct investment was legalised. The private companies boomed in the housing sector. Between 1981 and 1993, 400,000 housing units were built, of which 63% were by private companies or by private people.

Internationalism and the economic costs

- ❑ 1975: MPLA had announced the independence of Angola scheduled for November 11 1975.
- ❑ 1975 October 14: Angola invaded by South African apartheid regime
- ❑ 1975 November 5: Cuban troops and material were flown in to support the Angolan people in an operation codenamed Carlota, after a female leader who led an uprising of enslaved Africans in Cuba in 1843.
- ❑ The war lasted thirteen years, from 1975-1988, when South Africa was finally defeated in the Battle of Cuito Cuanavale.

Result of operation Carlotta

It ultimately led to the fall of the apartheid system in South Africa and the release of Nelson Mandela. During the whole period Cuba had sent 300,000 combatants and 50,000 civilians to Angola. The Angolan experience was a lesson in morality and the ultimate aim of the Cuban revolution. Angola is a mineral rich country, but Cuba did not bring any of those resources home, only the bodies of its deceased fighters.

Central planning and corruption

Helen Jaffe: *“There were companies that were profitable because they stole, that fulfilled the plan and distributed prizes for fulfilling the plan in ‘values’ but not in supplies, that produced for profit, not in order to meet production needs. Monetary bonuses for surpassing work norms were designed to be easy, so that: ‘on certain occasions, almost all of the workers met them twice and three times’. Bonuses were paid without regard to increased or terminated production. Workers were corrupted by the pursuit of money, even moving jobs in pursuit of the highest incentives.”*

Campaign against corruption

In 1986 the third Congress of the Cuban Communist Party (CCP) launched the Rectification of Errors and Negative Tendencies campaign. The campaign centred around how to close the growing gap between party leaders and rank and file members and how to increase efficiency.

The economic effect of new threats

In 1983, the Soviet Union withdrew that guarantee that had been given to Cuba in the Cuban Missile Crisis of October 1962 that Soviet armed forces would defend Cuba. The government of Ronald Reagan stepped up its aggressive rhetoric against Cuba which led Cuba doubling its defense budget from 5.8% in 1980 to 10.8% in 1988. The army began to reorganize Cuban defense along the lines of a people's war to resist a possible US attack.

Russia drops support for Cuba

In 1985, Gorbachev began to terminate all special deals between the USSR and other socialist countries. Cuba had to sell its sugar and nickel at lower prices than before leading to a 21% decrease in trade with the Soviet Union. From 1990 onwards every transaction between Cuba and the USSR would be conducted in free currency (dollars instead of rubles) and at market prices.

The Special Period in the Time of Peace: 1991-2000

GDP fell 35% in the three years from 1990 to 1993. Manufacturing industry declined by 90%, construction by 74%, agriculture by 47% and imports by 75%. Imports of machinery and transportation equipment fell by 91%, manufactured products by 70%, fuels and lubricants by 65% and food and oils by 51%. Government investment fell 86%. State administration was slashed with the elimination of 15 ministries. Real wages plummeted 50%. And on top of this came the US blockade of Cuba that made Cuba lose up to \$30 billion by 1990.

Austerity program

- ❑ Subsidies went down for electricity, transport, food, textile supplies, meal provisions for government employees and nursery meals. There were cuts in rural school transport, television broadcasting, quotas of petrol, cars, expenses of government officials and hard currency spending money whilst abroad.
- ❑ In any other country this situation might have led to social unrest and widespread protests against the government that might bring down the whole political system. In Cuba this did not happen. Why?

How to save the workers from austerity

1. Even in the period of abrupt economic contraction, workers were not dismissed from their jobs and continued to receive at least their nominal income. Unemployment never rose above 7.0 percent.”
2. A very gradual employment adjustment process began as part of the process of reforming economic enterprises.
3. The nominal income of all pensioners under the social security and welfare system was maintained.
4. The majority of available consumer goods was shifted to the rationing system so that their distribution would be as equitable as possible.
5. The government attempted to preserve the social programs in health care and education in their entirety.

The spiritual component of economics

In 1965 Che Guevara offered an analysis of what socialism means for human beings: *“To build communism it is necessary, simultaneous with the new material foundations, to build the new man and woman... In moments of great peril it is easy to muster a powerful response with moral incentives. Retaining their effectiveness, however, requires the development of a consciousness in which there is a new scale of values. Society as a whole must be converted into a gigantic school.”*

Institutions for political education

- ❑ Media
- ❑ Communist Party
- ❑ Trade Unions
- ❑ Women'organization
- ❑ Neighbourhood Committee's for the defense of the revolution

Get people involved in decision making

In October 1991 the CCP organized a six-month long nationwide debate about economic policy. They involved the different mass organizations. Each and every proposed economic measure was discussed by millions of Cubans in their workplaces, neighborhoods or mass organizations. They led to large numbers of revisions to the original proposals. The debates were not only about specific measures, but also about general problems such as whether Cuban society should pursue material consumerism as is done in the United States or should it continue to pursue the humanist vision of a better life in Cuba (social inclusion, culture, and human development) despite its limited resources.

Programs on micro level - 1

- ❑ A Food Programme was launched in December 1990 to expand local food production for self-provisioning.
- ❑ An Economic Defence Exercise program helped factories, offices, households, schools and hospitals in rehearsing emergency responses to the loss of electricity and water supplies.
- ❑ In December 1991, the 'forum for spare parts' program helped local initiatives to recycle machinery and make substitutes for imported spare parts.
- ❑ In January 1992, an Energy Plan was launched to instruct households, enterprises and local authorities to cut fuel consumption.

Programs on micro level - 2

- ❑ In 1993, state ownership of arable land was reduced from 75 per cent to 33% as state land was distributed to workplaces and public institutions to enable them to produce food for their own cafeterias and sell it cheaply to their workers, cooperatives and to individuals.
- ❑ By 1996, over 43,000 individuals had been given land to farm in 'usufruct', a rent-free loan on the condition of productive use of the land.

Programs on macro level

On a macro level Cuba began to develop new industries such as tourism and biotech. In September 1993, a policy to strengthen the private sector was introduced. The number of activities in which Cubans could be self employed was raised from 41 to 158. Licences were given to retirees, the disabled and the poorest applicants. Selfemployment rose from 15,000 people to 208,000 within three years. Tourism really took off and helped in stabilizing the growth of the Cuban economy. The Cuban government was able to lead the country through the special period not only because of its economic policies that had put human needs above economic austerity, but especially because of its ability to get the majority of Cubans actively involved in dealing with the crises.

US Gallup poll November 1994

A poll in Cuba on the population's attitudes toward various aspects of the Revolution and their lives. Among the forty-six questions, there were two questions regarding the support for the Revolution and its policies. One question was about how the respondents identified themselves: 10% identified themselves as Communists, 10% as Socialists, and 48% as Revolutionaries. So 68% identified themselves as supporting the revolution. The second question asked respondents to evaluate the achievements and failures of the Revolution: 58% said there were more achievements than failures, while 31% said the opposite. Population of Cuba: 11 million.

The challenges for the future

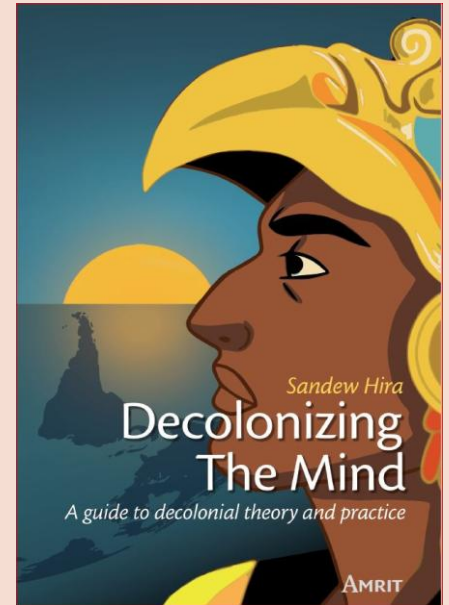
On July 11, 2021, Cuba received a political shock when hundreds of people demonstrated in San Antonio de los Baños (in Artemisa province) over prolonged power outages and the lack of Covid-19 vaccines. The protests spread to six provinces out of 14, and peaked in Havana where an estimated 3,000 people marched, many chanting anti-government slogans. There were many instances of violence between protestors and counter-protesters (who responded to president Diaz-Canel's statement on television, "Let the revolutionaries take to the streets"). Police cars were overturned in several places, a children's hospital was stoned, and stores were attacked and looted. The protests eventually stopped, but they had generated a big discussion in Cuba on how this had been possible and how to prevent it in the future and especially what kind of economic policy was needed to improve the lives of the Cuban people.

The debate on markets and planned economy

José Luis Rodríguez, a Minister of economy and planning of Cuba from 1998 to 2009 sums up the dilemma: *“Truly free markets are contrary to socialism’s social and political goals. Adopting market mechanisms while failing to understand that they contradict socialism would propel Cuba toward capitalism, and hence end its revolutionary project. At the same time, market mechanisms are necessary in socialism as long as the forces of production are insufficient for the collective nature of labor to express itself without mediation. Failure to understand this, particularly in the specific context of a small open economy in crisis in a world thoroughly dominated by capitalism, would have led Cuba to reject the market mechanisms necessary to survive its economic crisis and hence also would have brought about the end of its revolutionary project.”*

Source in the DTM book

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