

Cuba's cooperative policy:

Building socialism or moving towards liberalism?

Lefteris Karamitrou, PhD candidate, leftkarami@gmail.com

Abstract:

This paper attempts to address Cuba's cooperative policy, developed since 2011 and the 6th Congress of the Communist Party. After half a century of traditional socialism, with the strong presence of the state in all economic activities, Cuba seems to move towards a new kind of *market socialism*. A critical instrument, in order to make this transition milder, is considered the form of *cooperative* as more familiar to the collectivistic ideals of socialism (in contrast to private enterprises, which are also allowed since 2008, but with more restrictions). The choice of denationalizations via *Workers' Cooperatives* has sparked an interesting debate around the future of Cuba's social system with fears and hopes growing on every side. Through the following research, I seek to contribute my perspective on that procedure. First, I will refer to Cuba's long cooperative tradition, which flourished after the 1959 socialist revolution, in the context of a wider experimentation was allowed by Cuba's ties with the Soviet Union. Then, I will focus on the remodeling of the economic framework, after the *Special Period*, caused by the dissolution of the Soviet Union and the rupture of these ties. I will bring out the importance and the differences among Cuba's cooperative policies in this long period, too. Finally, emphasis will be placed on the contemporary decisions of the Communist Party and the General Assembly in order to give my own assessment on the main question if cooperatives can indeed refresh the Cuban socialism or are merely the prelude to a neoliberal conversion.

Keywords: cooperatives, state, socialism, market, liberalism

1. The Cuban Revolution: A socialist state is born

On the 1st of January 1959, Cuban rebels, under the general guidance of Fidel Castro, overthrew the dictatorship of Fulgencio Batista. That was the beginning of the construction of a socialist state, which would prioritize national independence and social justice as opposed to the old colonial regime (Chomsky 2015, 7-8). The main enemy of the new state would become the United States of America (USA), which had supported the dictatorship of Fulgencio Batista during the Cuban Revolution (1953-1959) (Benjamin 2021, 121-124).

For all the national liberation movements of the post-war era in broader Latin America, USA was the power that imposed its economic and political domination and, through modern forms of dependence, had replaced the decadent colonialism. In turn, the new Cuban regime considered fundamental to nationalize all the companies of strategic importance, which belonged to USA capitalist groups (Chomsky 2015, 57-58; Official Documents 1961). The USA imposed an economic embargo as an answer to it and, following this decision, tried to overthrow the new regime through an armed operation (Bay of Pigs Invasion, 1961) (Chomsky 2015, 64). This aggressive approach, combined with the new regime's socialist policies (Land and Urban Reform Laws, for example), led Cuba to the conscious decision to collaborate with the Soviet Union.

Subsequent to this decision was the formation of the Communist Party of Cuba (Partido Comunista de Cuba, PCC) in 1965. The PCC founded by the three main progressive parties of the Cuban Revolution and is still the core of the Revolutionary Government. Thus, Cuba was gradually turning into a socialist country, the first one in Latin America. The most important milestones in this transition were the joining of Cuba into COMECON (Council for Mutual Economic Assistance) in 1972 and the constitutional establishment of Cuba as a socialist state in 1976 (Fagen 1978, 73; D'Zurilla 1981). However, in essence, the most crucial decisions that marked the transition from colonial capitalism to state socialism were the redistribution of the land (1959-1963) and the full nationalization of private businesses (1968).

The most important element of *Agrarian Reform* was the introduction of *agricultural cooperatives*, through which Cubans were called upon to organize the main sector of national economy: the agrarian sector. However, as it will be shown below, that procedure created a mixed model in agriculture, which consists of state, cooperative and small private farms, and -with some variations- is valid until nowadays (Alvarez 2019a). Even in this mixed model, the role of the state remains central and decisive.

However, a centrally planned "state economy" was not complete until the total nationalization of the commercial and services private sector. This decision, which was the main part of the *Revolutionary Offensive* program, aimed to the nationalization of small businesses, since medium and large enterprises had already

been expropriated in 1960 (Farber 2018). The result was the expropriation of almost 55,600 small businesses, as the official press reported (Farber 2018). This number included wine shops, barber shops, restaurants and all kinds of commercial and service stores.

Therefore, the Revolutionary Government of Cuba retained a central role for the state in organizing the production and distribution of national wealth. This willingness reflected an ideological commitment to the socialist model of Soviet Union, but also the necessity for the Cuban economy to break free from the patrons of colonialism and imperialism, without at the same time collapsing under the weight of difficulties and obstacles posed by external factors, as the USA's embargo.

a) The Agrarian Reform Laws and the first cooperatives

The *Agrarian Reform* began with the redistribution of land carried out with the First Agrarian Reform Law (1959). That was characterized as the revolution's "basic law", pointing up the central place of agriculture in Cuban economy (O'Connor 1968, 169). Through that, the revolution eliminated the large-scale land ownership, which had been held since Spanish colonial era, and distributed it to land workers and peasant farmers. The immediate result was to benefit 100,000 rural people (Alvarez 2019a). The state organization that conducted this procedure was the new National Agrarian Reform Institute (Instituto Nacional de Reforma Agraria, INRA).

However, that was just a progressive reform, which embodied a basic social demand of a national liberation revolution, as was the fair distribution of arable land in small landholdings. The truth is that the leadership of the new state did not emphasize on the formation of agricultural cooperatives since 1959. Besides, the process of land registration and redistribution was so demanding and time-consuming, that decisive transition to a collectivist model might create problems. At the same time, the continuation of the production process was crucial for the survival of the new state. As the President of the INRA, Carlos Rafael Rodríguez stated: "This is the only agrarian reform in which production did not drop with the reform" (Rodríguez 1963, 26). Therefore, the continuation of production was vital for the cadres of the new state and there was no reason to jeopardize the alliance with the poor rural strata, which had just benefited.

The cooperative form had initially proposed by the Revolutionary Government as a free choice. The INRA was empowered to "promote agrarian cooperatives ... whenever possible" (O'Connor 1968, 192). Especially, with a broad campaign between First and Second Agrarian Reform Law (1959-1963), the INRA targeted to the creation of cooperatives by all who had recently gained land. The formation of agrarian cooperatives would be an option that would break the isolation among the

small owners, even before it was created, and would give the state the feature to coordinate and plan more effectively the agricultural production which was crucial for its survival. This central planning would go through the *local administrators*, who embodied the direct expression of the state's support and guidance. At this point it should be noted that *local administrators* would not be elected by the members of the cooperatives, but would be appointed by the state (O'Connor 1968, 192). Thus, the state's presence would become strong into first agrarian cooperatives, despite the stated intention that its involvement would just happen "during the initial stage ... and until greater autonomy is granted by law" (O'Connor 1968, 192).

Through this campaign, the Revolutionary Government managed to convince several small farmers to cooperate, with the result that the rural families were living from the cooperatives, either permanently or occasionally, reached 50,000 (O'Connor 1968, 193). Of course, apart from the fact that the number was not the required one, the above hierarchical management model created some practical issues. In the first instance, the *local administrators* and the *leaders* of the rural zones, who were above them, set up a booster body to the agricultural cooperatives. Though, in reality, and while revolutionary enthusiasm was not lacking, both of them lacked technical and administrative experience. In addition, perhaps because of the above fact, the model of administration was not unitary defined by the state. As James O'Connor, a researcher who was monitoring the process, states: "The main feature of the first cooperative movement was experimentation: On some of the cooperatives, the workers and ex-tenants had a collective voice in cooperative affairs; in others, the members played only an advisory role; and in the remainder, the administrator had absolute authority. Into this context, it was inevitable that irrationalities and gross blunders would marked the first attempts to collectivize the island's agriculture" (O'Connor 1968, 193).

The result was not disappointing, but the slow pace of the formation of agrarian cooperatives, the farmers' not-so-strong commitment to them and the administrative chaos created problems. Equally, there was no time to lose in relation to key products of agriculture, on which the nutrition of the general population and the export power of Cuba depended. The solution to the problem for the Revolutionary Government was to promote more decisively the formation of the *Peoples' Farms* (*Granjas del Pueblo*), which were large state farms (O'Connor 1968, 194). That kind of organization was large-scale and clearer as its function. The administrators and accountants had the general command (while they reported directly to General Administration) and the land workers were state employees (O'Connor 1968, 202). Thus, until December 1960 the most of the agricultural cooperatives had been abandoned or turned into these state farms.

Despite this decisive move, small property in sectors or in areas that were not front-line, remained intact. The most indicative element of cadres' desire for a smooth transition was that the main form of collaboration that was introduced, there was the

National Association of Small Farmers (Asociación Nacional de Agricultores Pequeños, ANAP) in 1961. That was a kind of loose unit among private farmers, which is common in all over the world and it arose through the small farmers' struggles against the local landlords and the multinational corporations. Despite the membership of ANAP restricted to farmers with fewer than 67 hectares, it surpassed 200,000 peasants (Alvarez 2019a). At the same time, the plan of ANAP was to encourage *Agricultural Associations* (Asociaciones Campesinas, AC) at a local level. As Fidel Castro stressed, 300 ACs had been created in 1961 (Castro 1963, 12). It is possible that the term "association" was used instead of the term "cooperative" because of the small farmers' reluctance (Mears 1962, 13), which was expressed from the low response even to this government's call.

The process of redistribution of arable land completed the Second Agrarian Reform Law of 1963. The first one targeted the expropriation and distribution of land belonging to foreign companies and large landlords (Alvarez 2019a). The second one deepened the above procedure, impacting the medium farmers. That was the first law directed against middle classes and continued the logic of a centrally planned administration of the main arable land, while maintaining and expanding small property on the margins of the rural economy.

b) Revolutionary Offensive: The state against small businesses

During the first decade after the revolution, the government seemed to oscillate between different perceptions on the *question of incentives*. The answer on that question was central as to which economic model would be more appropriate and effective. On the one hand, the Soviet perception had changed in the post-Stalin era and emphasized the importance of *material incentives*, seeking to compete with the capitalism as to the standard of living that socialism could provide. On the other hand, the Chinese concept of that time, trying to deal with the explosive problems of a huge population, emphasized the importance of *moral incentives* (Mesa-Lago 1972, 56). Although the general situation and the character of Cuban economy were closer to China's, Cuba oscillated between these two main socialist perspectives, because of the ties with the Soviet Union.

Of course, there was the new communists' line of thinking, which tried to emphasize the importance of *moral incentives*, expressed by Ernesto Che Guevara (Mesa-Lago 1972, 61). The emblematic figure of the Cuban Revolution considered that revolution's purpose had to be the formation of a *new man*, who would build the socialist economy inspired by the moral motives of justice, altruism and solidarity. He considered that material stimulus was essential, but could not be statutes of socialist economy, because its overemphasis would create a general bourgeois aberration. Although Che Guevara, as a Minister of Industries and Finances, were faced with the

question if the cultivation of a communist consciousness would delay economic growth, he believed that the opposite could happen (Mesa-Lago 1972, 61-62).

This point of view, due to the indecision of Prime Minister Fidel Castro, who until mid-1966 proposed an equivalent between material and moral motives (Mesa-Lago 1972, 65), managed to prevail within the PCC. The culmination of this prevalence was the plan of *Revolutionary Offensive* in 1968. The prelude to this initiative was the commitment of small farmers via ANAP to stop selling their products on the free market and start selling them to the state in low prices (Mesa-Lago 1972, 70). But the most decisive action was the elimination of the private sector in trade and services. Until the summer of 1968, almost 55,600 small businesses (like family businesses) had been expropriated and the former businessmen and workers all became state employees. After that, Cuba became an essentially socialist country, and with the largest share of state ownership in the world (Mesa-Lago 1972, 71).

The new system was a rare hybrid, with the only private sector remaining a small part of the agricultural sector, consisted of cooperatives and small farmers. The last ones owned the 30% of the land (Farber 2018). However, even them, they had as their sole customer the state, to which they were bound, basing their survival. Thus, even when the agricultural cooperatives would be re-introduced in 1974, the state would already become the regulating factor of the economy, so crucial, that any decision to coordinate and divide production was passed through its appointed officials.

Of course, there were objective problems that the Revolutionary Government was trying to answer through this extensive nationalization. Although such an aggressive tactic against private initiative, or at least an attempt to limit it into a strict state planning, caused concern even among the supporters of state intervention, in reality, through this, the government sought to respond to the crisis caused by the social transition, as well as the USA's embargo. Some of the main problems the government was called upon to address were: the sale of agricultural products from private farmers to private merchants at higher prices, reducing the amount available to the state, and also the abandonment of jobs, caused by the shortage of consumer goods (Farber 2018).

c) Agricultural Production Cooperatives (CPA) - Credit and Services Cooperatives (CCS)

Although the term "cooperation" was introduced first, during the *Agrarian Reform*, the term "association" prevailed, describing the local collaboration of small farmers and their coordinated action (via ANAP) at the national level. The term "cooperation" -with a sense of collectivism- would be re-introduced more decisively much later. Fidel Castro in his speech on the 15th Anniversary of the Agrarian Reform (1974)

would propose agrarian cooperatives as the new form that the unstoppable *Agrarian Reform* had to take (Alvarez 2019a). In particular, the leader of the revolution suggested that it was time for private farmers, who had benefited from the *Agrarian Reform*, to put their 1.5 million hectares into cooperatives (Pampín Balado and Trujillo Rodríguez, n.d.). As such, cooperatives would be presented as “a higher form of collective production of social ownership that began after the farmers’ decision to integrate their land and other fundamental means of production” (CEE 1989, 178).

At the suggestion of Fidel Castro, this policy was soon implemented. It was a milder form of continuation of the *Revolutionary Offensive* and the restriction of private ownership in the agricultural sector, but once again into a voluntary basis. However, Law 36, which formalized this procedure, was enacted in 1982. Under this law two types of cooperatives could be established: *Agricultural Production Cooperatives* (Cooperativas de Producción Agrícola, CPA) and *Credit and Services Cooperatives* (Cooperativas de Crédito y de Servicios, CCS).

As Brian Pollit believes:

“The CPAs had come about for reasons familiar to historians of socialist agriculture. By pooling their holdings in larger enterprises, it was argued that individual farmers achieved economies of scale through rational, specialized use of land and labor combined with modern means and methods of production. Socially, the concentration of dispersed peasant households simplified the provision of electricity; sanitation; and better housing, schools and medical care.” (Pollit 1996, 23)

The most interesting thing about this *cooperative reform* was that, in addition to the voluntary nature of its call to private farmers, *material incentives* were introduced again for participants, which were addressed both to the farmers themselves and to their communities (Deere, Meurs and Pérez 1992, 120-121). Under the new situation, from profits of each CPA: 40-50% would be distributed at the end of the year among the members according to the amount of their work; 25-30% would be returned to the members for the land and equipment they had contributed; 10% would be saved for investments; and 5% would be allocated to the community for utilities (Alvarez 2019a). The CCSs in turn would operate complementary, providing credits as well as inputs, such as seeds and fertilizers, and services, such as scientific farming advices. They would also acquire and supply CPAs with “tractors, trucks, pumps and other types of machinery and equipment” (Alvarez 2019a). While, finally, they would dedicate themselves “to the construction of collective projects such as dams and warehouses” (Alvarez 2019a). If to the above *material incentives*, we add the possibility of producers, through their integration in the above cooperatives, to join the national insurance system, to obtain a guaranteed pension, as well as sick leave and compensation for loses, we could say that this plan was part of a general welfare policy (Deere, Meurs and Pérez 1992, 121).

2. Does the path to “market socialism” run through cooperatives?

This peculiar state-led agricultural cooperative policy had resulted in the achievement of large-scale agricultural production with emphasis on the cultivation of sugarcane, tobacco and cocoa, with sugar in particular being Cuba’s main export product, exchangeable for oil from the Soviet Union (Fagen 1978, 74; Radell 1983, 374). However, in addition to the inherent contradictions that can be detected in a *state cooperative model*, various problems came to the forefront due to the dissolution of the Soviet Union, the main guarantor of Cuba’s political and economic stability. Thus, due to this dramatic event, cooperative policy will be re-adjusted and inevitably, with the consolidation of the new situation, it will expand so as to include commerce and services, essentially laying the foundations of *market socialism*.

However, the same choice has sparked an interesting debate around the future of Cuba’s socialism. On the one hand, the communists fear that cooperatives will act as a Trojan horse for an unconditional surrender to the market economy. On the other hand, neoliberals see exactly the same opportunity, praise the government for its initiative and denounce it for its limitations. Looking at the decisions of the Communist Party and the government, I seek to contribute my perspective on the question whether cooperatives can indeed be part of a new type of socialism or are merely the prelude to a liberal conversion. In particular, I claim that a strong cooperative sector is able to absorb the social shocks of a transition to a market economy and it can function as a crucial part of *market socialism*; more simply, I consider that a transition through cooperatives “makes a difference” in relation to a transition through private businesses.

Through this perspective, I also seek to contribute some useful conclusions to a general debate that deals with whether and in what terms the cooperative sector is capable of being an “opponent of awe” of capitalism and the basis of building a more decentralized and democratic socialism. I will address these questions through the prism of theories about *market socialism*.

a) The Special Period sets new tasks

While Cuba, through its interconnection with COMECON, a large-scale agricultural production and a flourishing tourism sector, had begun to achieve political and economic stability, its main partners, Soviet Union and all the Eastern European states collapsed. These states’ rapid pass from socialism to capitalism affected the Cuban economy decisively. In 1991, Cuba dealt with a sharp fall in imports and exports, a sharp fall of Gross National Product and dramatic oil shortages (Cuba platform). The

direct dramatic result was the reduction of food and medicine. Through these facts, it can easily be understood that the effects of the USSR's dissolution were dramatic on Cuban people.

These developments internationally marked the beginning of a long period, in which the main element would become the aggressive advance of private capital's interests at the expense of working class rights and the welfare state. For Cuba, where movements of protest or overthrow did not occur, these developments meant entering into a *Special Period*. In order to preserve the popular character of the revolution, the government should find viable solutions that would not lead to denationalizations and unconditional surrender to multinational companies. Also, the state had to keep people unified and find ways to deal with the upcoming survival problems (Mesa-Lago 2006, 160-161).

The dramatic effects of the oil imports' stoppage soon became evident. Agricultural, transport and industrial sectors were paralyzed, as they were completely dependent on fossil fuels for their operation. Consequently, the first thing that the Cubans were deprived of was the most basic: food. In the context of solidarity with the Cuban people, various experts decided to help in every way, especially by teaching Cuban farmers the techniques of organic farming, which extended even within the urban centers, where urban crops were created, the so-called *Organopónicos*, which exist until nowadays and are a kind of communal cooperatives (McNamara 2018). Thanks to central planning, international people's (not states) solidarity and mass mobilization of the population, malnutrition was avoided, but unfortunately persistent hunger lasted for a long time. Last but not least, cuts in transportations and electricity made the situation unbearable.

b) Basic Units of Cooperative Production: A step closer to the contemporary framework

One of the most immediate political measures to deal with the crisis was the introduction of cooperatives into agricultural production once again, through the *Basic Units of Cooperative Production* (Unidades Básicas de Producción Cooperativa, UBPCs) and in particular into the old state farms. Through this reintroduction the state was trying to share with the peasants the responsibility of an intensive and efficient agricultural production that would be the basis of the general population's survival. This would be accomplished by returning a portion of the state's lands to ownership and responsibility of the farmers through new forms of cooperatives, believing that this would more easily mobilize them to produce more, under adverse conditions (Alvarez 2019b).

On September 20, 1993, the Council of State enacted Law-Decree No. 142 establishing the UBPCs on old state land (Gaceta 1993, 15). Articles 1 and 2 stated

that UBPCs would: 1) link again peasants to the land; 2) provide self-sufficiency for the workers' collective and their families through cooperative efforts and improved living conditions; 3) achieve strict relationship between workers' earnings and production results; 4) establish management autonomy in the organization of the production process and the administration of the resources; 5) gain the usufruct of the land for an indefinite period of time; 6) make peasants the owners of their production again; 7) sell their production to the state which would guarantee its absorption; 8) pay insurance premiums; 9) manage bank accounts; 10) purchase the fundamental means of production on credit; 11) elect their administrators who would report to their members; 12) fulfill the corresponding fiscal responsibilities as their contribution to the general expenditures of the nation. (Alvarez 2019b)

The initiative of turning to more open and democratic cooperative forms in the agricultural sector was an important step, marking the beginning of a long period of reflection of the Cuban leadership onto the role of the state, the limits on property and working incentives. Despite these cooperatives referring to the agricultural sector, they reshaped the relationship of the state with arable land and farmers, too. The state seemed to be partially withdrawing from the land and giving more and more initiatives and incentives to new cooperative farmers. Specifically, in 1994 about 50% of the state land passed to the new cooperatives. In particular, the "93,5% of state cane area going to cane UBPCs and 29% of state non-cane area allocated to non-cane UBPCs" (Alvarez 2019b). It is notable that UBPCs would have an average size of 1,125 hectares and 97 members per each (CEE 1994, 2). Finally, it is important to note that UBPCs were medium and more democratic structures than state farms, as that was the first time that cooperatives' administrators were elected by land workers rather than appointed by the INRA.

All these, of course, cannot be seen outside the historical context which was marked by major shortages, mainly in oil. This fact created great problems for large-scale production and distribution, in whatever form (state or cooperative) it took place. The problem was nationwide and fundamental. The new cooperatives net -coordinated with the state- could only limit the consequences of that problem through mass mobilization and a new combination of material and moral incentives. In any case, that initiative was doomed to be judged on how effectively it addressed the food crisis and not on how much prosperity it could offer to an unhindered growing economy.

The UBPCs brought significant changes in the agricultural sector, and in fact at a difficult time for the Cuban economy. Some of these positive results, according Pérez Villanueva, were: 1. a gradual recovery of agricultural production via rational use of resources and reduction of the average size of agricultural units; 2. the introduction of material incentives, through the participation of workers in the distribution of profits; 3. the introduction of self-management model due to the election of cooperative's administrators and the massive participation of producers in the decision-making process. (Villanueva and Everleny 2000, 87)

However, despite the positive gains, several problems constantly arose for cooperatives, due to the shortcomings, the lack of experience on the model of self-management and the inherent contradiction caused by the emergence of workers' initiative in production into a national economy where trade and services were state businesses (Alvarez 2019b). Nevertheless, I humbly consider that UBPCs' introduction contributed at least partially to a long period of recovery of the Cuban national economy. Of course, the decisive factors remain external, the main ones being the election of the left government of Hugo Chavez in oil-producing Venezuela in 1999. The conclusion of a favorable agreement with Venezuela had significantly reduced shortages, increased production and facilitated distribution (Gonzalez 2016).

c) Cuba in the new era: The cooperative as the superior form of enterprise

The last decade, Cuba, after its partial recovery from the suffering of the *Special Period*, has been on a *cutting edge*. The structure of global capitalism becomes increasingly complex. At the same time, despite the resilience of traditional colonial and imperialist powers from the vacillations and internal contradictions of the 2008 crisis, new forces seem to emerge on the horizon. In particular, China, which in its typical characteristics maintains the model of state socialism, is the one that sets the tone among them. After the complete liberalization of private initiative, while maintaining a strong state sector, China tends to form a curious hybrid of socialism and capitalism. Despite the absurd contradictions of this model, it is a sign that the former economic periphery can lead and compete in economic and geopolitical terms with the USA, UK, EU and Japan – the traditional forces of global capitalism. This realization poses a challenge for the Cuban economy to get back on its feet and progress within the new framework that is being formed.

Indeed, from 2011 and the 6th Communist Party Congress, the Cuba's economic and social policy appears to be reversed, with all kinds of denationalizations at the top of the government's agenda. The context in which denationalizations are set is carefully defined by the famous Economic and Social Policy *Guidelines* for the Party and the Revolution (Proyecto de Lineamientos de la Política Económica y Social por el Partido y la Revolución) (Yaffe 2017). The *Guidelines* seem to leave behind the logic of the *Revolutionary Offensive* and set new criteria on which work is remunerated. With the turn things have taken, Cuba seems to be returning, from the communist conception of labor, to the basic socialist principle, outlined by Karl Marx in his *Critique of the Gotha Program* “from each according to his capacity to each according to his work” (Ranis 2016, 125). Cuba certainly does not abandon the moral incentives, but it is now giving clear priority to material incentives, setting a new framework for retribution.

These *Guidelines* choice of *Workers' Cooperative* as the main form of denationalization appears as the essential limit in order to maintain the socialist core of the state. Of course, it is not only this choice that maintains this core, since the state sector remains the most mass field of work (Ranis 2016, 126). Additionally, the strong public systems of education and medical care, the provision of housing and basic consumer goods (despite the problems in distribution) are, in my point of view, the most powerful elements of a socialist state. However, I believe that as the field of work is being transformed, and will be transformed even at a slow pace in the coming years, it is important that the cooperative sector becomes stronger over the private sector and also an economic form of expression of what Gramsci would call *civil society* (Ranis 2016, 127). This *civil society* could be the scope of a hegemonic policy of the socialist government, while at the same time could be flourishing economically and facing *scarcity*, staying away from the perspective of an extreme consumerism, which proved to be anti-social and anti-ecological via the consequences of inequality and climate change.

d) The principles and structure of new Cuba's cooperativism

The *Decree Law 305* voted by the National Assembly in 2012 have been characterized as “the most explicit governmental support for cooperatives ever produced anywhere in the world” (Ranis 2016, 119). In support of the above, the government through this law commits to make the *Workers' Cooperatives* a crucial part of the continuation and deepening of the socialist revolution. These cooperatives are an integral part of Cuba's agricultural cooperative tradition, although it is the first time they have been introduced in the trade and services sector. It is also the first time that cooperatives are by no means state-led. Of course, the fact that ownership of buildings and facilities throughout the territory belong to the state, as well as the provision of logistical infrastructure and know-how, keeps cooperatives in interaction and interdependence with it. Nevertheless, it is the first time that employees are masters of their businesses, make the decisions on their own, elect their managers and cooperate freely with other businesses, creating an “ecosystem”, with degrees of freedom from the state in terms of inputs, outputs and salaries.

As Peter Ranis observes, the main principles of Cuba's new cooperative law are the *seven principles* of International Cooperatives Alliance (ICA). The main characteristics of a Cuban cooperative are the: “1) voluntary and free association of its members; 2) the cooperation and mutual support of its members; 3) the democratic nature of its collective decision-making; 4) the autonomy to distribute income proportionate to the workers' contributions after meeting their tax obligations; 5) members' commitment to the aims of the cooperatives; 6) the responsibility of the members to contribute to the planned development of the Cuban economy, to the welfare of the cooperative's members and their families, to the protection of the

environment and to promoting its activities without speculation; and 7) collaborating and cooperating with other cooperatives and state entities by way of contracts, agreements and lawful activities. Their charter is in line with global cooperative principles and commitments to voluntary, participatory and democratic cooperative procedures". (Ranis 2016, 119-120)

If we read the above principles closely, we shall find that the first non-agricultural cooperatives promoted by the Revolutionary Government are characterized by total freedom as far as the internal organization and the relationship among them are concerned. They have a lot of similarities with agrarian cooperatives and seem like a kind of continuation of them. Of course, it is evident that these cooperatives promote *entrepreneurship*, but with an emphasis on maintaining the socialist elements of collective work, collective discussion and decision, wage parity and substantial bond with local communities (as a kind of a more imperative Corporate Social Responsibility).

As far as the *administrative structure* of these cooperatives is concerned, it is democratic and based on the principles of *direct representation*. In particular, in any case, the superior decision-making body is the *Workers Assembly*, where all the employees of a cooperative enterprise participate. Depending on the cooperative's size, the workers assembly may elect a small *board* consisting of a *president*, *vice-president* and *secretary*, or more hierarchical structures of representation. Cooperatives with up to 20 members can elect an *administrator*; these with 20 to 70 members can elect an *administrator council*; while these with over 70 members can elect also a *board of directors* (Ranis 2016, 120). In any case, the representatives and all the above decision-making bodies are elected and are revocable by the *Workers Assembly* and accountable to it. This is the instrument through which all decisions are made concerning the day-to-day operation of the cooperative as well as its long-term planning: from procurements and organization of labor to the criteria of payment, wage scale, distribution of profits, treatment of losses and possible investments.

In addition, as far as the entry of new members into cooperatives is concerned, certain protocols are observed. These protocols mainly ensure the right of cooperatives to define the criteria and to choose the new members among delegates. The above occurs with deletion and dismissal of old members of cooperatives. The most interesting clue is that cooperatives can also hire seasonal workers, covering occasional needs, without committing to permanently integrate them into their workforce. Of course, driven by socialist values, the law stipulates that seasonal workers (without the right to vote) whom a cooperative can hire correspond to up to 10% of the cooperative's total workforce. Seasonal workers also can be hired for up to 3 months and then can apply for permanent membership in the cooperative (Ranis 2016, 120). It can be observed that cooperatives gain powers like the one that capitalist businesses have. The difference is that cooperatives are collective, democratic and ethical businesses, while the above powers are limited by a socialist state which protects workers' rights.

There is another crucial question regarding the relationship between *cooperatives and ownership*. The Cuban model promotes collective and equal ownership of the cooperative enterprise by its founding and future members. This ownership is expressed through the power that members have over the means of production, facilities, inputs and outputs of the cooperative enterprise. The state cannot guide the cooperatives or decide for them. The state can only encourage their formation and facilitate it through the favorable rental of means of production and facilities, as well as a mild taxation. Finally, it can also consult and educate cooperatives' members through special university programs (Ranis 2016, 121).

It can be easily understood that the state remains the principal owner of the means of production, and that cooperatives resort to it to rent and use the above to produce merchandise and profit. So, who is the real owner of the means of production here? This question is one of the most critical in socialist political and economic literature and divides the Left into reformists and communists. Social ownership is fundamental to the communist tradition to which Cuba and the PCC historically belong. The fact that throughout communist tradition social property is expressed through the state and its bureaucracy is an extremely interesting finding, whose analysis goes beyond the limits of the present work. However, it could be said that Cuba's cooperative program is the first that openly combines Karl Marx's "freely cooperative producers" with state ownership of the means of production. As Jesús Cruz Reyes and Camila Piñeiro Harnecker point out, "what is important is not the legal owner of the means of production (assuming this owner is willing to lease under reasonable, stable terms), but the fact that the members have these resources at their disposition and are able to manage them democratically with a common goal" (Reyes and Harnecker 2013, 27).

As for the favorable framework that the state forms for the creation of cooperatives, it should be seen, compared to the restrictions it places on *cuentapropistas*. In 2008, with the election of Raul Castro to the leadership of the PCC, an attempt was made to reduce shadow economy, which was flourishing mainly in trade and services, around tourism (Ranis 2016, 126). The government legalized people who offered services to survive as self-employed and enabled others to do the same and be released from state payroll. These self-employed people are called *cuentapropistas* and can still form small businesses with many institutional and financial constraints, which cooperatives do not have. The main constraint is that a *cuentapropista* can hire up to 5 employees without being taxed, while for every other employee he/she is taxed incrementally every month (Ranis 2016, 121). His/her income is also taxed, depending on the size and the profits of the business. The maximum number of employees that a private business can hire is 15. Via these measures, the state tries to reduce the size and number of private businesses from the beginning, as well as the concentration of wealth, which results from the exploitation of labor power by private employers.

On the contrary, cooperatives are not subjected to these restrictions. A cooperative can rent premises from the state for a long time at better prices and with payment

facilities. In addition, it can have an unlimited number of members and activities, without paying taxes for them. Besides that, it is able to employ occasionally a limited number of workers without being bound to them or be taxed extra by the state, as we have already seen above. Finally, it can get low-interest loans, preferential credit options and raw materials at wholesale prices (unlike private firms that acquire them at retail prices) (Ranis 2016, 133-134).

As can be seen from the above, cooperative enterprises in Cuba are governed by all those characteristics that give cooperatives a uniqueness. The main characteristic is that cooperatives constitute free associations of workers, who equally participate in decisions and profits. These associations maintain their autonomy and create broader associations and networking among themselves. The uniqueness of the cooperative sector consists of its positioning between the private and the state sector and that it functions complementary either to the free market or to the welfare state, depending on what the general context is (Reyes and Harnecker 2013, 33-40). In any case, I claim that the expansion of Cuba's cooperative policy from the agrarian to the non-agrarian sector is an intersection that -under certain conditions and in the long run- could create a new kind of market socialism, consisting of a socialist state and a broad cooperative economy.

3. Speculations about the future of Cuban socialism

The debate on independent or autonomous cooperatives in the agricultural and non-agricultural sectors is connected with the general debate on free market and the role of the state. A deeper look into the history of "existence socialism" will provide us with historical analogies of Cuba's shift towards cooperatives with policies implemented in different phases of the Soviet Union, for example. The first time cooperatives were promoted by Soviet power was in 1921, when the shift to a *New Economic Policy* took place, with its main feature being the establishment of the free market (Griffin and Soderquist 1991, 601). After economy's bloom and stabilization, the Soviet power returned to a central planning and maintained the dominant role of the state. Apart from the different views on that phase, the *New Economic Policy* was one of the starting points of the Soviet system. The last time that the Soviet power emphasized cooperatives was during the implementation of *Perestroika*, a large-scale economic reform which re-established free market and profit. The defining moment in which cooperatives were re-introduced in the soviet economy was in May 26, 1988 with the Cooperative Law (Griffin and Soderquist 1991, 599). The difference was that *Perestroika* ended up to the dissolution of Soviet system.

It is obvious that cooperatives were part of similar policies implemented in different phases of the Soviet system and with diametrically opposite results. Therefore, the most important element is the context in which cooperative policy is implemented,

having different responses from “civil society” and offering different perspectives each time. On the occasion of Cuba’s cooperative policy, various concerns, expectations and speculations are developed regarding the prospects of Cuban economy as a whole. Camila Piñeiro Harnecker conveys three different views, developed on the adoption of cooperativism by the Revolutionary Government: The first one considers that the implementation of cooperatives is utopian and that they will not survive far from the state. The second one considers that the new cooperatives will not be truly autonomous, and therefore effective. The third one dismisses them as truly autonomous, considering them as “seeds of capitalism” (Harnecker 2013, 1-2).

As far as I am concerned, the cooperative program is an option of milder denationalization that aims to maintain the state’s ownership and power over the basic means of production and facilities, its planning and regulatory role over the national economy, attributing the responsibility of enterprises’ operation to the workers themselves and their elected representatives. The incentives given for the formation of cooperatives as opposed to the restrictions imposed on small entrepreneurs (*cuentapropistas*) set the tone. It is clear that the Cuban economy is driven in a mixed model, with the state remaining dominant and the economy becoming more open, democratic and participatory. This shift signals the PCC’s desire to pursue a hegemonic policy and renew its ties with “civil society”. It also marks the recognition of the need to move the economy in capitalist terms, yet retaining elements of socialist culture.

If we look at theories of *market socialism*, we will notice that this mixed model developed in Cuba, with a focus on cooperatives and state too, has many similarities with the vision of David Schweickart. The foundation of Schweickart market socialism is an *Economic Democracy*, governed by a combination of the positives of a protectionist state on the one hand and a free market for goods and services on the other (Schweickart 1998, 17-19). Into this vision, “self-management” is the most effective and democratic form for enterprises and it is a prerequisite for the market to be socialist. This proposal presents as a conscious alternative against globalized and voracious capitalism.

Of course, Cuban socialism belongs to the communist tradition that emphasizes the socialization of the market (even through the state). For the communist tradition, the timeless and fundamental problem of the free market is its tendency to create social contradictions. So, why Cuba chooses a more mixed model? In my opinion, although Cuba starts from communist tradition, ends up implementing a kind of market socialism, motivated by the need that cause the absence of a socialist center and a network of socialist states, such as the Soviet Union and COMECON. In any case, Cuba’s cooperative policy is an interesting experiment and the response that already finds from Cuban people proves its essential character. Official figures indicate that 498 new cooperatives had been already approved by 2015 (Ranis 2016, 125). Equally

important to mention is that the average income of workers in current cooperatives has increased up to seven times the income they had as state employees (DuRand 2017). The question if the state will be able to be a convincing guarantor and regulator of a free market with this dynamic in a socialist direction remains open.

Of course, the question if this model could lead Cuba to become China remains open, too. To my mind, this model is quite different from China's. The main similarity concerns the dominant discourse of the Communist Party in both cases. The main difference, however, relates to the preservation of the agrarian character and popular socialism in the case of Cuba, as opposed to the complete capitalization in the case of China. I speculate that the PCC's main desire is to curb the social inequalities that always result from the opening of a state economy -even if limited- to the free market. The option of creating a national network of cooperatives can act as a social protection net. Another element is that, beyond the estimated intentions of the PCC, Cuba is impossible to become China, equally for objective reasons. Its land area, population, location, infrastructure, and the ongoing U.S. embargo are not conducive to turning Cuba into a national economy that could mass-produce a part of the world's wealth. Thus, in a way, pressures in a direction of a total free market with cheap labor do not have a solid foundation.

Therefore, it could be said that contemporary era requires Cuba to become more productive and open to the capitalist world. At the same time, however, the dangers of extreme competition, social inequalities, dissolution of the welfare state and rapid climate change require the presence of the state and the increasing workers' and citizens' participation in political and economic power. The creation of a model of market socialism is possible and cooperatives in agriculture, trade and services sector -why not also in industrial sector- can be a powerful complement to state enterprises. To conclude, the main question, if Cuba's cooperative policy is a step in the process of building socialism, or a step towards a surrender to free market, the answer, I consider, is that a strong cooperative sector could be an essential tool in building a different kind of socialism: a market socialism that will retain the basic positive achievements of the revolution (free housing, public and free health, public and free education, labor rights and social security).

Conclusions:

The aim of this paper was to follow the course of the relationship between the socialist system of Cuba and cooperatives from the revolution of 1959 until nowadays. I considered it appropriate to highlight the milestones through which this relationship was expressed, always emphasizing the context in which it was manifested. I sought to see the relationship of PCC with cooperatives through its every time strategy onto the issues of private property and market freedom,

considering them interrelated. It has been observed that the *Agrarian Reform*, the *Revolutionary Offensive* and the *Special Period* were the basic contexts in which the cooperative policy in each case was manifested, exclusively in the agrarian sector and in close connection to the state. The rise of the revolutionary process and its fluctuation after the dissolution of the Soviet Union were witnessed, in order to reach the current context of the adaptation of socialist Cuba to a multipolar capitalist world.

Looking back at Cuba's cooperative policy when it was predominantly a rural economy, I hold the view that the importance of cooperatives was demonstrated, even in a non-advanced and state-led context. This cooperative policy equally generated incentives, built socialism and dealt with crises. The modern cooperative policy referring to a more tourist economy, to my mind, could demonstrate the potential of cooperativism to create wealth and assist in raising living standards, especially when it is at the heart and not on the margins of a market economy. In addition, it seems intriguing that cooperativism has been chosen from Cuba as a main form to preserve the core of its social system, the choice and construction of which Cuba has been paying with a criminal embargo against it. Safe conclusions as to whether the rise of cooperativism and the preservation of socialism can go hand in hand, could only be drawn through a long-term observation.

As far as the claims and declared intentions of the state are concerned, Cuba's modern cooperativism is a combination of international experience of cooperativism and the national socialist agrarian cooperativism (Peiso 2013, 338). Through the dynamics of this combination, the Revolutionary Government seeks to marry two strong and opposing socialist traditions, the one of self-management with the one of central planning. This marriage aspires to integrate Cuba into the developing regional forces, maintaining its socialist orientation. The medium-term positive outcome of the above could serve as an example for the multiform anti-capitalist movement internationally. It could show that the possibility of building a rival awe in extreme capitalism remains open and that this, beyond various resistances, can be expressed also through political and economic entities, even states capable of uniting the early socialist tradition with a modern socialist framework.

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