*Cuba since 1959* Economic Policies and Performance Pg 107- Pg 135

*Key*

*Why were they implemented? Why*

*What was the impact of these policies? What*

*How far were these policies successful? How*

*General Info GI*

Cuba a nation inhabiting more than 11 million people is one of the finest nations within the Caribbean.

Today, Cuba is well known for its successful economy having a gross domestic product rise of 4.3% as estimated in 2008.

Cuba has also successfully managed to move away from its dependency on the sugar agriculture industry and onto the more developed and advanced tertiary industry.

77% of Cuba’s annual income comes from tourism

22.8% comes from the secondary or industrial sector.

And a shocking 4.4% comes from agriculture including the sugar industry.

Since 1959 Cuba has undergone rapid changes in its economy.

Since Castro’s rise to power, there have been many fluctuations in the economy

By judging Castro’s economic policies in the late 1900s we may have a further understanding whether or not Castro was successful in bringing Cuba to the rich nation it is known for today.

We will judge each of his policies with these three questions.

Why was the policy implemented?

*What was the impact of these policies?*

*And to what extent were these policies successful?*

***The 1960s***

*(Why)-* In the 1960s Cuba had an overwhelming dependency on the sugar industry.

Relying heavily on a primary industry, it was sign that Cuba was underdeveloped. Cuba aspiring to be a developed nation decided to receive foreign help to boost its economy.

*(What)-*In order to improve and develop Cuba’s economy Cuba adopted development plans from various other supporting nations particularly from the Soviet Union and her east European allies.

A central state ministry was also established. The Impact of these policies was rather negative.

The Cuban economy collapsed in 1962. As a result of this economic strain on Cuba the government were forced to fix prices as well as initiating a rationing system on most consumer goods on the market.

*(How)-* The extent of the success in this policy is relatively low. Cuba’s poor economy was not ready for economic change, especially to a planned economy by the Government.

Cuba did not have the qualified workforce in its homeland (most of the well educated immigrated to the United States) to carry out the development plans issued by foreign countries.

Cuba also lacked the data to devise the plan and the intellect in economics was poor. As a result the expected growth from the development plans could not be achieved and the Cuban economy collapsed in 1962.

The development plans were a failure to Cuba, as Cuba initially did not have the potential to carry out such plans.

Now onto the next policy.

*(Why)-* With the Failure of the adopted developing plans for the economy it showed to the Cuban government that they for one could not achieve economic growth as well as to redistribute wealth amongst Cuba’s poor with the basic necessities.

*What-* To redistribute wealth the Cuban government imposed Redistribution Policies to increase the Poor’s welfare as well as to restrict the wealth of the rich.

The government set the boundaries of the labour markets minimum and maximum wage rates.

Surprisingly without reason the government decided to change Cuba’s currency. Cubans who did not deposit their savings in a state bank were unable to transfer their old currency to the new currency. Savings became worthless.

*How-* As a result of the changing in Currency over one night many Cubans lost all of their savings resulting deep depression and poverty. We may note that the Cuban economy sloped downwards even more in 1963.

Cuba’s most important industry of sugar production was rising to a halt as supply fell by more than a third since its rate in 1961. This was mostly due to Cuba’s attempt to achieve economic growth with the aid of foreign planning and turn away from sugar production in 1962.

With falling revenue in sugar production Cuba could not earn back the money spent on imported machinery and technical equipment (for the development plan) with falling sugar exports. Thus more money was flowing out of Cuba than the amount of money flowing in. Cuba faced a balance of payments problem as its welfare began to diminish.

*Why-* With the fall in sugar revenue and negative BOP Castro decided to turn back to sugar production with his new strategy seeing this as his only option (knowing that economic growth would fail due to Cuba’s current lack of potential)

*What*- The strategy involved improving the development of sugar and lowering the strain on economic growth. This method was accepted in 1964 with the help of the Soviet Union.

At this time the Soviet Union signed a pact with Cuba for the first time that gave Cuba the benefits of non-fluctuating sugar prices as well as subsidies for the Cuban sugar industry.

The impact of this taken strategy in addition with the aid of the Soviet Union, Cuba set a new goal for itself, to produce 10 million tones of sugar in 1970.

The goal was bold and was a prideful target for the Cuban people. They believed by facing this target it will show the world that the Cuban people could achieve and control “their history against all odds.”

Just like the time when Batista was overthrown in the 1950s. It was a unlikely dream, but it was a dream that became true.

The strategy was rather convoluted.

There were two sides of planners who disagreed how the strategy should be carried out.

On one side a more leftist planner was the Minister of Industries Che Guevara. He believed the strategy should ignore the free market and rely on central planning to bring Cuba on the socialist road to communism.

The other side disagreed with Minister Che Guevara. They believed that the Cuban economy should enable free entrepreneurs to independently operate their firms as well as having nationalized firms controlled by the government. In other words they believed that Cuba’s economy should be a mixed economy with public and private firms.

The Mixed economy believers won the argument when Che Guevara relinquished his position as Minister of Industries.

*How-* Even when Che Guevara left Cuba some of his policies were adopted. Unfortunately Cuba’s economy did not recover in the late 60s as a result of this. Much of his policies were taken to the extreme helped with Castors support and his entourage.

His radical planned economy lead to managerial chaos halting Cuba from its economic recovery.

As a result of this failed strategy Castro recited a memorable speech on 26 July 1970 on Cuba’s crumbling economy.

***The 1970s***

*Why-* By 1970 Cuba had suffered to major recessions with little recovery. People’s welfare was poor and many people were dissatisfied with the economy. Castro took the blame for Cuba’s disastrous economy and sought to make economic reforms in the 70s.

*What-* The world sugar market brought reassurance to the Cuban economy. Sugar prices on the world market rose from an average price of 3.68 cents in 1970 to 29.60 cents in 1974.

Cuba having relied on sugar exports for four fifths of its income in exports had a massive economic recovery in the early 70s.

The government also altered its economic management by using Soviet economic models as a framework for their managerial system.

As a result of this influence Cuba was able to embrace their first 5-year plan in 1975. It went from 1976-1980.

*How-* The first five year plan initiated due to Soviet influence was neither successful nor a failure. For one the goals placed upon the five-year plan were rather high, and Cuba was only able to achieve two thirds of its desired level.

This was due to the reliance on the high sugar prices in the early 70s. However as primary goods usually fluctuate now and then the prices were not fixed and so Cuba was unable to achieve its goals with falling sugar revenue.

However the five year plan was a realistic plan that enabled Cuba to give its very best to improve its economy.

In addition at 1977 a central budget was used to improve Cuba’s economy in these aspects:

Financial accounting, auditing implemented

Reform in monetary, price and wage policies (This improved Cuba’s free market enabling entrepreneurs to refer to the market and the labour market to fix prices and wage rates according to well aligned forces of supply and demand.)

Soviet Union aided Cuba by shipping resources to their land.

***The 1980s***

*Why-* By 1986 Castro in the third party Congress announced that Cuba lacked a complete national planning system for “economic development”.

Castro also mentioned that the “new management system” lacked:

“Consistent follow through”

“Initiative” and “creativity” needed to “adapt this system to our own conditions”

“budget” was “ineffective”

Thus with the problem of not having a complete national planning system in April 1986 Castro initiated the “rectification” process.

*What-* The impact of this process was thatCuba cleared its system of Capitalism.

Many entrepreneurs were denounced, as well as the banning of farmers markets in May 1986.

Castro also castigated the use of bonuses and wages to give the workers an incentive to work harder. He believed by doing so Cuban society would take morality as their incentive to work hard.

This was all done due to the economic recession in 1986-1987, Cuba no longer trust the inefficiency of capitalism.

An unexpected problem fell upon Cuba from a long-term event during the late 70s. At this time two African wars were fought and many Cubans were sent overseas to combat as reserves in Ethiopia, Angola (four fifths of Cuban troops), and Grenada (“almost all Cuban personnel”).

Cuba had an urge to succeed and achieve victory militarily. Thus Cuba sent their best of the best including managers, technicians, engineers and workers overseas as part of the army!

This left Cuba with hardly any qualified personnel to support its crumbling economy in the late 70s.

*How-* Looking back at Cuba’s failure in economic growth at the 60s, the failure of the 5-year plan in 1975 Cuba was desperate to find a solid national planning system.

Even with Castro’s rectification process it did little to diversify its production and solely relied on sugar and the Soviet Union to survive.

However the government did succeed in the redistribution of wealth.

The government put a lot of effort to ensure employment for “able bodied citizens” even if it resulted inefficiency in firms.

Every one had the share of daily necessities at reasonable prices through rationing and subsidies.

The 1960 redistribution of wealth policies were very successful by reducing the inequality of the rich social class to the poor working class. By doing so it boosted the welfare of the poor and improved their purchasing power.

The use of material incentives gave further incentive to the working class, which improved their capabilities as well as improving administration.

Above all Cuba kept its promise or commitment to the people to provide everyone with “basic needs” and “Cuba remained a very egalitarian society by Latin American standards.”