

The Decline of Rentier Communism in Cuba

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Since July 11, 2021, when there were many street protests throughout the nation's territory, Cuba has been in a state of persistent agitation. According to the Cuban blog *El Toque*, between September 28 and October 12, ninety-two protests took place in thirty-six municipalities, twelve of them located in Havana's metropolitan area. These were due to a large extent to the damages caused by hurricane *Ian*, including a nation-wide blackout. Many Cubans went out to protest in the streets, helped by the darkness that made more difficult their identification by the repressive organs of the state. Although this blackout was very extensive and long-lasting, it has not been the only one in recent times caused by the lack of maintenance, official negligence, and energy shortages due to a significant degree to the reduction of oil shipments from Venezuela. The long blackout resulted in thousands of Cubans losing their refrigerated food, worsening the already critical food situation.

The shortage of energy sources and the poor and inadequate upkeep of the electrical plants in Cuba is part of a broader economic crisis that has affected the country for a long time. International left circles attribute the responsibility for that crisis to the United States' economic blockade, which has been in force since the beginning of the 1960s. There is no doubt that the blockade, which deserves to be regarded as criminal, has damaged the island's economy as for example in its obstructions of Cuba's economic relations with other countries, because of the American retaliations against foreign capitalist firms and individuals who invest in Cuba. During the presidency of Donald Trump, the economic blockade was deepened by restricting the number of airline flights and the limited financial and commercial transactions that had been formerly allowed. In addition, Trump designated Cuba as a "state sponsor of terrorism," a serious accusation with negative political and economic consequences. For its part, President Joseph Biden's Democratic Party administration has made no major changes in Cuba policy and has maintained the designation of Cuba as a state sponsor of terrorism. However, the Biden administration did relax the restrictions on the sending of money remittances to Cuba, allowed more flights, and permitted some categories of U.S. citizens to travel to the island.

Nevertheless, the very nature of the economic system that prevails in the island has been more important than the U.S. blockade as a cause of Cuba's problems. This system promotes far greater indifference, apathy, and lack of responsibility and incentives, be they economic or political, than would be the case if there were democratic control by the workers and the nation in general, especially in the predominant state economic sector. The apathy and lack of incentives is reflected in

the fact that only 55 percent of Cubans in their productive years participate in the labor force, one of the lowest rates in Latin America.

Additionally, the blundering politics of the Cuban government have worsened the gravity of the economic problems in the country. This was the case of the long postponed monetary unification, to make the Cuban peso the only currency in circulation thereby eliminating the CUC, a species of substitute for the dollar and the euro created in 1994. The government decreed that the supposed monetary unification would occur on January 1, 2021, based on a 1 to 24 ratio between the dollar and the Cuban peso. But such an exchange rate was in fact very generous given the state of the Cuban economy because it assumed a notable increase in the productivity of labor, which of course did not occur in the absence of the indispensable structural transformations. The proposed monetary exchange also ignored the considerable scarcity of dollars and euros due to the major reduction in the number of tourists because of the Covid pandemic. The numbers speak for themselves. In 2017, tourism in Cuba reached its historic peak with 4,143,000 tourists. Trump's hostile measures against Cuba, which made the visits of people residing in the U.S. to Cuba more difficult, was the principal factor in the reduction of the number of visitors to 3,651,000 in 2019. But the expansion of the Covid pandemic delivered a mortal blow to tourism when the number of visitors to Cuba dramatically went down to 1,085,000 in 2020 and only 356,000 in 2021. It is not surprising that because of the pandemic, the GDP dropped 10.9 percent in 2020. It is true that it grew 1.3 percent in 2021, although over a lower base.

Faced with the economic situation in Cuba at the end of 2020, Cuban economists like Carmelo Mesa Lago, among others, predicted that the monetary unification would not be successful and would provoke a high rate of inflation. Indeed, the rate of inflation rapidly rose to 77.3 percent in 2021. Meanwhile, the shortage of dollars and euros led to a considerable rise in their values, to the extent that as I am finishing this translation on November 14, the US dollar is worth 178 pesos or 7.41 times the official rate of 24 to 1.

The shortage of dollars and euros had widespread repercussions, both social and political. The Cuban economy increasingly came to depend on Cubans abroad, with the creation of the MLC (Monedas Libremente Convertibles - Freely Exchangeable Currencies) stores that only accept currencies such as the dollar and the euro. It is worth mentioning the very high prices that prevail in those stores, taking advantage of the absence of alternatives for Cuban consumers. The obligation imposed on those consumers to deposit the money coming from foreign remittances in MLC credit cards, serves the purpose of minimizing any *leaks* from the remittances for other purposes not controlled by the monopolistic and undemocratic Cuban state.

The social consequences of the predominant role assumed by the foreign remittances are enormous, because only 40 percent of the Cuban population receives them (obviously in substantially varying quantities). That implies that 60 percent of Cubans do not get them and therefore confront great difficulties in obtaining food and other essential articles that are only available for those who have access to foreign currencies. It is very important to note that the Afro-Cuban population is very disproportionally represented in that 60 percent. It is very evident that inequality and poverty have significantly increased in Cuba, although this cannot be documented with the relevant statistics because the authorities have not published them for over twenty years. Faced with such a situation, one would expect an increase in state social expenditures, but the opposite has occurred.

The legalization of small and medium-sized enterprises (PYMES) in 2021, which allows private companies to employ as many as 100 workers, has created a new economic and social phenomenon the consequences of which we cannot yet entirely appreciate. So far, we must note that some of the new rich owners of the PYMES are linked to the Cuban government, and particularly to State Security (Seguridad del Estado). This seems to be the case of the apparently successful *Jona's Surl*, a

shoe factory located in Camajuaní in Central Cuba. Its legal advisor is a man called Yoandry Riverón, identified as “agent Cristian” of State Security, involved in the expulsion of several students and professors from the Universidad Central de Las Villas. In this context, the resemblance between this and what has happened in the Russian Federation, is not surprising. As we know, the *siloviki*, the “strong men” close to Putin, come from the Russian secret and intelligence services, the police, and the armed forces. It is also the case of Putin himself, who was for many years a state security agent of the USSR in Germany. This group has played a critical role in the development of authoritarian capitalism in that country.

The Rentier State

One of the significant causes of the decline of the Cuban economy and society in the last several years is its growing *rentier* tendency, which has become particularly noticeable among its ruling circles. We can clearly understand the nature of *rentier economics* in the classic case of the owners of property in the cities, who obtain profits not through the productivity of their invested capital, but primarily because of the economic and social changes in the geographic spaces within which their properties are located. As we know, the improvements that a proprietor may make in a house or apartment form a relatively small part of the commercial value of that property, compared with the value of the land on which it was built. Hence the American expression common in real estate circles, “location, location, location” to refer to the source of the value of the real estate they are buying and selling.

With respect to land ownership, Karl Marx – who always tried to avoid the use of moral and ethical categories in his economic analyses – nevertheless argued in his *Economic and Philosophic Manuscripts of 1844* that landlords’ rights had their origin in theft. In that context, Marx extensively cites Adam Smith with approval when the latter argued that landlords love to reap where they never sowed and demand a rent even for the natural produce of the earth. Such rentier politics and attitudes frequently encourage an economically opportunist attitude because they allow obtaining maximum advantage from the situation in which owners find themselves since the rate of profit does not primarily depend on what proprietors may do to improve their holdings.

This was the case of the prerevolutionary Cuban big landlords and can also express itself in an indifferent if not hostile attitude towards the productivity of agriculture and of manufacturing industry in extractivist economies such as that of the big oil-producing countries. This is the case of Venezuela, for example, a rich nation due in great part to the accidental fact that it possesses rich oil reserves in its territory, where we can notice the indifference to if not the abandonment of agriculture, a development that took place long before the economic crisis of recent years.

Rentier Economics and Politics in Cuba

By the time of the post Second World War period, the economic ups and downs created by the cyclical nature of the world’s consumption of sugar, encouraged in the island a climate of uncertainty that had an impact on all social classes, although obviously to very different degrees. The rentier mentality that resulted from such a situation affected broad sectors of the wealthy classes in a way that discouraged entrepreneurship and risk taking. In 1951, the already classic *Report on Cuba* published by the International Bank for Reconstruction and Development (predecessor of the World Bank) pointed out that Cuban banks had a high degree of liquidity and the profits accumulated by Cuban capital tended to be exported or invested in real estate or financial speculation inside the country.

Beyond this phenomenon, the dependency on a single economic activity and product encouraged a fatalist attitude towards economic diversification, expressed by the sugar magnate José Manuel

Casanova with his famous phrase, "there is no country without sugar." It is not surprising that an attitude expressed by important sectors of the ruling class influenced the peoples' mentality to reinforce the importance of fate and chance and the notion that the favorable circumstances that people may encounter should be put to maximum advantage, even for reasons that these people themselves may not have yet understood. These were some of the principal manifestations of the rentier ideology of those years.

It is true that the first years of the revolution witnessed a rebellion against many old Cuban ills, including rentier ideology and practices. These would be fought with an agrarian reform that would transform agriculture into a modern sector and with social justice, and with a rapid industrialization based on the same principles. In addition, the proposed changes for both sectors were conceived in the context of creating a balanced economic development for the country without the eight-months long "dead season" of the sugar industry for rural workers or the massive unemployment for the fifty thousand young people that, according to the estimates, joined the labor force every year.

Nevertheless, by the end of the sixties, and to a certain degree facilitated by the far-fetched and fanciful economic ideas and practices of the government, as well as by the lack of experience of most of the new administrators, the international division of labor was imposed by the powerful pressures of the Soviet Union's empire. The leaders of the USSR succeeded in *convincing* Fidel Castro that Cuba should fully return to the kingdom and cult of sugar. Fidel Castro fulfilled his part of the agreement, way beyond what the USSR might have expected, with the disastrous 10-million-ton sugar crop campaign in 1969-70. Fidel Castro's campaign not only failed, but also disorganized the rest of the Cuban economy with the diversion of resources, such as the transport of raw materials and consumer goods, to incorporate them into the sugar campaign.

While it is true that in subsequent years important changes were made in the sugar industry, such as the mechanization of the gathering and collection of sugar cane, there was not at the same time an integral modernization of the industry. The huge land extensions reserved for the cultivation of sugar cane were ill-treated for many years, including the years immediately preceding the crisis of the nineties. As a result, these lands suffered erosion, overexploitation, salinity, high acidity, inadequate drainage, and compactness. The big sugar crops of the eighties worsened those problems. Average production of sugar in the first half of the eighties was 7.35 million of tons, while in the second half of that decade it was 7.48 million tons. In 1988-1989 the sugar crop was 8.1 million tons. A consequence of these huge sugar crops was that according to the information provided by the Cuban Ministry of Agriculture in November of 2009, 70 percent of the arable land lost considerable fertility.

Thus, long before the crisis of the nineties the Cuban government had adopted a type of rentier politics, perhaps because it became accustomed to and took for granted Soviet subsidies year after year and did not even consider that there might be great reductions, let alone their complete elimination. It was perhaps due to this kind of rentier politics that the Cuban government made insufficient efforts to diversify agriculture during the relatively good years of the eighties. This would have included the production of renewable energy based on *bagazo* (leftovers of sugar cane after it has been ground in the sugar mills), alcohol, paper, and animal feed, besides of course using sugar to develop ethanol, which was the diversification road followed by other sugar giants such as Brazil.

In contrast with other Soviet-type states, Fidel Castro's Cuba almost never developed a serious developmentalist orientation, and it is highly doubtful that the present political bureaucracy has that orientation, beyond mere survival. On one hand, this has been a good thing to the extent that the country did not develop a systematic economic growth offensive in Stalin's or Mao Zedong's style, who totally ignored working class and popular welfare. Nevertheless, it is important to note the

innumerable government campaigns to increase the rate of exploitation of urban and rural workers as well as peasants through the grossly misnamed “voluntary labor,” “socialist emulation” and other manipulative techniques. To a great extent, such campaigns were caused not only (as the Cuban government argued) by the U.S. imperialist blockade, but also by the systematic inefficiency and waste of time and resources by the island’s political bureaucracy.

The great emigration from 2021 to 2022

Today, the government’s rentier practices manifest themselves in its exploitation and dependence on the remittances sent by the growing number of emigrants. This politics and attitude are also reflected in the systematic exploitation of the Cuban emigrants by their own government as in the cases of the high cost of all kinds of passports, licenses and permits. For example, Cubans abroad must pay 225 dollars to renew their passports.

It is worth noting in this context that since November 2021 the government of Nicaragua, which is very close to Cuba’s, has allowed the free entry of Cuban citizens and has become the indispensable bridge to undertake the costly and dangerous road to the United States. Such Nicaraguan “liberality” has facilitated what has become one of the biggest emigration waves in Cuba’s history. During the U.S.’s last fiscal year - from October 1, 2021, to September 30, 2022 - almost 200, 000 Cubans entered the United States as asylum seekers or refugees, which is much higher than the 125, 000 Cubans who departed from the Cuban port of Mariel and entered the United States in the spring of 1980. As usually happens with relatively voluntary emigration waves, the people who leave are the younger and potentially more productive part of their home countries.

Considering the demographic crisis that Cuba has been undergoing for several decades, with an increasing proportion of retirees and older people, the current migratory wave will worsen the lack of demographic equilibrium, and the corresponding economic problems. But in the meantime, the 200,000 Cubans who have just emigrated will send remittances to their families. Nevertheless, a time will come when so many people will have left that far fewer will remain to expect, receive, and even demand that they be sent remittances.

In what economic activities is capital invested in Cuba?

Cuba saves and invests a very low proportion of its GDP (Gross Domestic Product), and certainly much less than it is necessary for a sustainable economy to grow and be able to significantly improve the standard of living of its population. Aside from that, it is worth noting how the *distribution* of state investments minimizes economic *transformation* activities such as agriculture, in favor of the construction of new hotels, many of which will be administered by foreign firms (especially Spanish ones). According to figures provided by the *National Office of Statistics and Information - Oficina Nacional de Estadísticas e Información (ONEI)* — in 2021, the year in which the pandemic wreaked major havoc in Cuba, 35.2 percent of state investments were made in tourism, 2.9 percent in agriculture, cattle and forestry, 1.2 percent in education and 1.7 percent in public health and social assistance. This has been the pattern of investment during the last several years. What is ironic and shocking is that - as was pointed out by the Cuban economist Pedro Monreal - even though in the three years before the pandemic the rate of hotel room occupation was low (around 50 percent between 2016 and 2020) the Cuban government kept increasing its tourist investments.

The situation we just described leads us to two conclusions. In the first place, we see the similarity between what was observed by the *Report on Cuba* at the beginning of the fifties and what is taking place now in terms of the rentier options chosen by the current government. In the second place, these options demonstrate the great power, without accountability to the people, that has been

acquired by government groups such as GAESA (the business arm of the Cuban Armed Forces) that administers a huge economic emporium and plays a critical role in the construction of new hotels. This institution acts more to enlarge its own power and influence than to achieve a significant improvement of the Cuban economy. Here we can see how democratic control from below of the most important decisions, and public protest, not only constitute real democracy and the self-determination of people but are an economic necessity for the working class and the people in general. Instead of spending fortunes to build new hotels for non-existing tourists, the government should be forced to improve agriculture, provide a better supply of energy and electricity, and start a long-range program to improve housing.

The Erosion of the Legitimacy of Rentier Communism in Cuba

There are clear signals that the legitimacy of the Cuban regime has declined in the last few years. We must consider the substantial changes in the generational composition of the Cuban population. Approximately one third of the people were born since 1990, when the Soviet bloc collapsed. This generation continues to experience crises after more crises. Their parents and grandparents also went through many crises, but at least enjoyed the compensation of the social mobility of the first revolutionary decades, especially Black Cubans. It was then a very austere social order that nevertheless guaranteed the satisfaction of the most basic needs.

While such a demographic change is occurring, the historic generation of political leaders is gradually meeting its inevitable biological destiny and dying. This was the case of Fidel Castro who retired for health reasons in 2006 and died ten years later. His younger brother Raúl, who is already 91 years old, substituted for him for several years, and although on several occasions has continued to appear at public events, retired from the presidency of the republic in 2018 and from the leadership of the Cuban Communist Party in 2021. Other historic figures like José Ramón Machado Ventura and Ramiro Valdés Menéndez are both over ninety years of age and no longer members of the Political Bureau of the Cuban Communist Party, although the latter continues to hold a high government position as vice president of the Council of State. Many armed forces generals, including those who fought in Angola, Ethiopia, and other African countries, have retired, or died.

The present president, Miguel Díaz-Canel Bermúdez, was born after the victory of the revolution in 1959, as is also the case for Prime Minister Manuel Marrero Cruz. Both are typical of the second generation of bureaucrats, who did not participate in the guerrilla insurrection in the mountains or in the even more difficult and dangerous urban struggle against the Batista dictatorship. Their popular support and prestige, like that of the other members of their generation of leaders, are far below that of the historic leaders.

In the popular explosions that have taken place since 2021, thousands of Cubans have publicly insulted Díaz-Canel with an obscene epithet signifying that he is a very bad person. It is hard to imagine the Cuban masses yelling the same insult at Fidel Castro or even at Raúl Castro. To sum up, this is the price that these purely bureaucratic leaders must pay for replacing the historic leaders. Of course, much more important is that these new leaders do not have the political capital or capacity of their predecessors to stay indefinitely in power.

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