RAND CORPORATION

INDEPENDENT RESEARCH

CHILDREN AND ADOLESCENTS
CIVIL JUSTICE
EDUCATION
ENERGY AND ENVIRONMENT
HEALTH AND HEALTH CARE
INTERNATIONAL AFFAIRS
POPULATION AND AGING
PUBLIC SAFETY
SCIENCE AND TECHNOLOGY
SUBSTANCE ABUSE
TERRORISM AND HOMELAND SECURITY
TRANSPORTATION AND INFRASTRUCTURE
U.S. NATIONAL SECURITY

This PDF document was made available from www.rand.org as a public service of the RAND Corporation.

Jump down to document

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world.

Support RAND

Purchase this document

Browse Books & Publications

Make a charitable contribution

For More Information

Visit RAND at www.rand.org

Explore independent research at RAND

View document details

Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents.

This product is part of the RAND Corporation monograph series. RAND monographs present major research findings that address the challenges facing the public and private sectors. All RAND monographs undergo rigorous peer review to ensure high standards for research quality and objectivity.

CUBA AFTER CASTRO

Legacies, Challenges, and Impediments

Edward Gonzalez, Kevin F. McCarthy

Prepared for the National Defense Research Institute

Approved for public release, distribution unlimited

RAND CORPORATION

The research described in this report was sponsored by the RAND Corporation using its own funds.

Library of Congress Cataloging-in-Publication Data

Gonzalez, Edward.
Cuba after Castro : legacies, challenges, and impediments / Edward Gonzalez, Kevin F. McCarthy.
p. cm.
"MG-111."
Includes bibliographical references.
ISBN 0-8330-3535-5 (pbk. : alk. paper)
1. Cuba—Politics and government—1959– 2. Cuba—Social conditions—1959– 3. Social problems—Cuba—History—20th century. 4. Cuba—Economic conditions—1990– 5. Cuba—Forecasting. 6. Economic forecasting—Cuba. I. McCarthy, Kevin F., 1945– II.Title.

F1788.G58823 2004
320'.097291—dc22

2004000924

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

© Copyright 2004 RAND Corporation

All rights reserved. No part of this book may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing from RAND.

Published 2004 by the RAND Corporation
1700 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
1200 South Hayes Street, Arlington, VA 22202-5050
201 North Craig Street, Suite 202, Pittsburgh, PA 15213-1516
RAND URL: http://www.rand.org/
To order RAND documents or to obtain additional information, contact
Distribution Services: Telephone: (310) 451-7002;
Fax: (310) 451-6915; Email: order@rand.org

Executive Summary

Cuba's economy is in trouble. Social tensions are rising. Fidel Castro is aging. Now 77 (as of this writing), the end is thus looming for the linchpin who has held the political system together for more than 44 years. Once this *caudillo,* or strongman, departs, his successors will be saddled with a weak state, along with daunting political, economic, and demographic problems—in short, a vast array of dysfunctional legacies from the *fidelista* past.

A post-Castro regime that tries to remain communist may soon find itself in a cul-de-sac where old policies and instruments no longer work. If or when such a regime falters, there is a remote possibility that a democracy-oriented government could replace it. But Cuba's civil-society and market actors look too embryonic, and democratic political opposition forces too decimated, for a pro-democracy upheaval to take hold naturally. A more likely scenario is that the military, arguably Cuba's most important institution, will take control of the government (perhaps much as General Wojciech Jaruzelski did in Poland from 1981 to 1989).

Cuba's Weakening, Distorted State

The conditions that enabled the Castro regime to function well for so many decades have deteriorated sharply since 1989. Three of the four pillars—Soviet support, the Revolution, and the totalitarian state apparatus—that long sustained the regime have collapsed or

weakened. The fourth—Fidel Castro himself—will cease to exist with the *caudillo*'s passing, leaving his successors to face a far more precarious future than what would have been the case 15 or 20 years ago.

The Regime's Eroding Pillars of Support

The first pillar to give way was the Soviet Union. The economic support that contributed 21 percent to Cuba's gross national product (GNP) in the 1980s disappeared after 1991 following the collapse of the Soviet Union, and the island's GDP soon plummeted by one-third. Although the economic free fall was subsequently checked, growth rates fell in 2002 and 2003, with the 2003 sugar harvest being the worst harvest in 70 years. The result is that Cubans no longer can expect to regain their 1989 living standards by 2009, as was once the case.

The loss of Soviet (and Council of Mutual Economic Assistance [CMEA]) trade, aid, and subsidies undermined a second pillar: the "Revolution" and the social compact it represented for ordinary Cubans. Soviet largesse had enabled the Cuban government to provide citizens with an array of free or subsidized goods and benefits, which helped maintain Cubans' allegiance. But following the demise of Soviet assistance, Havana had to enact a "Special Period" of heightened austerity, a period that started in 1990 and continues to this day. The oft-heralded system of free health care deteriorated badly as basic medicines became unavailable. Employment in the state sector had to be cut. Subsidized monthly food rations were slashed to ten days' worth, and shortages in consumer goods spread—all of which forced Cubans to turn increasingly to the black market and other illicit activities in order to "*resolver*" (make do). Meanwhile, income inequalities grew exponentially between those with pesos, who were losing their purchasing power, and those with dollars. And even those Cubans with dollars found themselves barred from stores, restaurants, hotels, and resorts reserved exclusively for tourists. Hence, as popular disillusionment has deepened, Cuba's "failed revolution" is unlikely to provide Castro's heirs with a legitimizing mystique.

The regime's third pillar, the totalitarian state apparatus, had been in place since the 1960s. It had long enabled the regime to pene-

trate, control, and mobilize the population until the collapse of the Soviet pillar undermined its power and reach. It then mutated into a less penetrative, less controlling post-totalitarian state, which had to cede some economic and social—but not political—space to society in the early 1990s. A small private sector was thus legalized so that consumer shortages and unemployment could be eased. The Roman Catholic Church, Protestant denominations, and Afro-Cuban sects became more active. Political dissidents, human-rights activists, and independent journalists and librarians came forward, challenging the regime's grip on all power and information. And in 2002, the Varela Project collected more than 11,000 signatures for a petition calling for political and economic reforms. Faced with these challenges, and wary of the growing prospects of unrest, the regime rounded up and imprisoned 75 dissidents and independent journalists and librarians in spring 2003, which decimated the opposition and emerging civil-society actors. But if Castro's successors try to compensate for the state's weakness by continuing to use open, heavy-handed repression, they will further risk delegitimizing the new regime.

The fourth and final pillar of support has been Fidel Castro himself. Despite age, illness, and growing irascibility, the *líder máximo* still casts an aura of legitimacy over Cuba's government, state, and Party institutions. He also gives the regime a sense of direction and cohesion. His passing will leave a leadership void that is unlikely to be filled by his designated successor, Raúl Castro, or by any other government or Communist Party leader. Regime divisions are certain to erupt in the absence of *el comandante.*

Dysfunctional Political Legacies

A post-Castro government, whether communist or noncommunist, will find itself burdened by two troublesome legacies from the Castro era: caudilloism, and totalitarianism/post-totalitarianism. The first legacy will hobble the new government; the second legacy will leave society deformed.

The culture of caudilloism (rule by a strongman) will exacerbate the sense of a leadership void and hamper a new regime's ability to govern and embark on policy shifts. Rule by Castro led to the stunt-

ing of autonomous institutions after 1959, serving to ensure his own power and that of his brother and other ruling elites. In addition, Castro pursued populist policies that a successor government may find difficult to deviate from, even if they are known to be not in Cuba's best interest. A case in point is Castro's ultra-defiant posture toward the United States; continuation of that posture by a new government is certain to deprive Cuba of needed economic and technical assistance. Another is Castro's pursuit of a "moral" economy—essentially an egalitarian, classless, nonmaterialist, socialist system. This stance has kept him from accepting market-type reforms, and it may limit a successor government's ability to change course for fear of a *fidelista* backlash.

The legacy of totalitarianism/post-totalitarianism will leave post-Castro Cuba without the rule of law and other legal requisites that can help restrain the power of the state, promote a market-based economy, and enable civil-society organizations to act vigorously in support of a democratic transition. This legacy is bound to exacerbate polarization between committed *fidelistas* and those "outside the Revolution" who have suffered directly from not only state repression but also betrayal and condemnation by their neighbors, fellow workers, and even family members.

Pervasive societal mistrust and politicization have left a growing number of Cubans, both old and young, politically exhausted, disenchanted, and disengaged. This condition does not bode a smooth democratic transition or even continuance of post-totalitarianism, because sectors of the population already are resisting the kinds of mass mobilizations that were once routine during the Castro era.

A People at Odds: Generational, Racial, and Demographic Divisions

The specter of a people united by Castro and the Revolution conceals a different social reality. Cuban society exhibits three major and potentially divisive cleavages that involve youth, race, and an aging population.

An Alienated Youth

Following a common pattern in Cuban history, the Revolution was made by a new leadership generation: Fidel Castro was 32 years old when he seized power; his brother and others in the victorious Rebel Army were younger still. Almost at once, the new government set out to ensure the permanency of the Revolution by creating, in Castro's words, "a more perfect generation" among the young. To this end, it employed education, the mass media, and membership in the Young Pioneers and the Union of Young Communists, aiming to mold Cuban youth (the 16-to-30-year-old age group) in the image of Che Guevara's "new communist man."

However, relations between the state and Cuba's youth began to deteriorate in the late 1970s, when exiles returning to the island gave young Cubans a new view of life in the United States. Further strains developed in the 1980s, when, contrary to Castro's anti-liberalization stance, the advent of *glasnost* and *perestroika* in the Soviet Union garnered enthusiastic support among Cuban youth. Tensions intensified after 1989, when the young faced heightened austerity, few opportunities for upward mobility, and unfulfilled aspirations—not only material, but also creative and spiritual. As a result, more and more youths turned away from official dogma and prescribed norms and began embracing Western pop music and other fads, dropping out, hustling, and engaging in prostitution. Cuban youth became increasingly disaffected and disconnected from politics as the 1990s wore on.

The regime tried to win back their support by, among other things, giving young "loyalists" positions in the Party, in state and military structures, and in enterprises in the new-dollar sectors of the economy. Although the bulk of Cuban youth remain disaffected, they have split into two remaining camps. On the one hand, the "in-betweens" are alienated because their personal expectations have been dashed, but they might still support a socialist state if it provides greater personal freedom and authentic political participation than the current regime. The "opponents," on the other hand, reject socialism, attend religious services, adopt Western mores, and are generally more self-absorbed. The challenge facing the present re-

gime—and a successor—is to win over the "in-between" group or at least prevent it from moving into the opposition camp, both of which actions may become impossible to achieve if heightened repression continues and the economy worsens.

The retreat from politics among Cuban youth may pose problems for not only a successor communist regime but also a democratically oriented one, because each would lack support from this pivotal, alienated sector of the population. Democratic institutions, norms, and practices cannot take root without active acceptance and participation. Mass emigration by disaffected young, in turn, could prove devastating to the island's future economic prospects.

A Growing Racial Divide

Castro's government made great strides in promoting racial equality after 1959. Afro-Cubans benefited from the outlawing of overt racial discrimination and from the government's commitment to improving the lot of the poor, a disproportionate percentage of whom were blacks and mulattos. When white middle-class flight opened up job opportunities and housing stock for blacks and mulattos in the 1960s, Afro-Cubans became the most enthusiastic supporters of the new regime and of the persona of "Fidel" in particular.

Despite Afro-Cubans' obtaining near-equality with whites in terms of longevity, education, and occupation, many racial inequalities persisted in the 1980s. Blacks and mulattos make up nearly half the population, but they continue to represent a disproportionate share of the prison population, and they still live in the most dilapidated areas of Havana and other cities. Blacks and mulattos remain heavily concentrated in the poorest, easternmost provinces, which formerly formed the province of Oriente.

In the 1990s, racial inequality and discrimination rose sharply during the Special Period. While most Cubans suffered from the Special Period's austerity, the plight of Afro-Cubans—especially blacks—was made even worse by the dollarization of the economy in 1993, which has divided society into those with access to dollars and those without access to dollars. Afro-Cubans find themselves in the latter camp. For one thing, they receive far fewer dollar remittances

from the mostly white Cuban-American exile community. Second, they are less likely to be small peasant farmers, who can sell surplus produce for dollars in the farmers' markets. Third, they (particularly blacks) have been largely excluded from employment in the tourist sector due to discrimination. Internal migration from the less-developed eastern provinces by so-called darker-skinned *palestinos* has also been blamed for rising crime rates in Havana, which has increased racial tensions and prompted Afro-Cubans to complain of discrimination and police harassment. In the meantime, blacks and mulattos remain quite underrepresented in the leadership ranks of the regime's key institutions.

Such racial issues spell trouble for any future government in Cuba. Not even a successor communist regime may be able to attract the fervent support that Afro-Cubans once offered to the Castro regime, and to Fidel above all. Any type of post-Castro government will have to better the lot of Afro-Cubans substantially if it is to win their support. But a new government, communist or not, will likely find its policy options for expanding the economy constrained because so many Afro-Cubans, along with other skeptical sectors of the population, may oppose liberal economic reforms and increased foreign investments as a result of their already-negative experiences with the new economy. Meanwhile, a new government will need to develop the eastern half of the island if it is to improve employment for Afro-Cubans and stem internal migration. However, such a development will require allocating scarce resources away from other regions and constituencies, a move that could intensify Cuba's looming racial and regional divide.

In short, race is likely to compound divisiveness in the new Cuba because it overlaps and reinforces other divisions between Afro-Cubans and whites. Race is a factor in Cubans' religious affiliation (*Santería* and other syncretic Afro-Cuban sects versus Catholicism and Protestantism), preferences for the economic system (socialist versus market-driven), and competing notions about political power (race-based representation, versus continued white control of the government).

An Aging Population

Cuba's prospects for economic recovery and sustained growth will be further hampered by its overall demographic structure, which resembles that of a developed country more than the demographic structures of its Caribbean and Latin American neighbors. Cuba's population has been growing at less than 1.0 percent per year since 1980, with an even slower growth (0.2 percent) projected for the 2003–2025 period. Its aged population (65 years and older) will become the most rapidly growing segment over the next two decades. As its population grows older, the size of younger cohorts entering the workforce will decrease.

As a consequence of these demographic changes, demand for social services for the older population—retirement pensions, health care, etc.—will increase at the very time that the working population needed to support such services will itself be aging and decreasing. This demographic conundrum will be compounded by the depressed state of the economy, because Cuba will lack the financial resources to continue providing early retirement with a state pension for its elderly, starting at age 55 for women and 60 for men.

Hence, any new government will face difficult public policy choices with respect to (a) supporting Cuba's aging population, (b) allocating scarce resources among competing social programs, and (c) developing a labor force to pay for future increases in social expenditures. Finding solutions to these problems will entail political risks that a future, presumably weaker, government may prefer to avoid and that, in any case, may be unrealistic in the Cuban context. Details of each problem are discussed briefly below.

Revising the pension system by raising the retirement age, for example, is likely to produce a sharp reaction from future retirees. Requiring workers to contribute to their own retirement could also provoke strong opposition from younger workers, especially if the real value of their wages remains low and the economy depressed. Moreover, shifting pension responsibility from the state to private employers hardly seems feasible in the Cuban context, because the state has played the overwhelmingly dominant role in the economy and social sector for the past 44-plus years. Even if a market-based system were

adopted, saddling the nascent private sector with paying for pensions would place an enormous burden on it.

A new government will have to decide how much of Cuba's gross domestic product (GDP) should be devoted to social services and how to allocate that amount between the young and the old. Reducing current consumption levels, including those for social services, in order to invest in future growth should, in theory, yield higher incomes and resources for future consumption. But such a cutback would be painful, if not impossible, given the island's low levels of income and economic development. However, devoting a larger share of GDP to social services would increase the burden on workers who have already absorbed cutbacks in real wages and would further increase political disaffection among the young.

As to allocating social spending between the young and the old, a new government will find it difficult to find the resources to satisfy both sectors. An expected decline in the school-age population should result in a decline in total government expenditures for the young, especially for education. But that reduction will surely be insufficient to fund a significant increase in expenditures for Cuba's aging population. It may make more sense to allocate greater resources to improving education, particularly at the university level, given Cuba's critical need for economic growth and global competitiveness.[1]

Finally, post-Castro Cuba will face not only a shortage of capital and natural resources, but also a shrinking labor pool. To expand the size of its workforce, it could raise retirement ages and/or increase labor force participation among prime-age workers. However, both options would require major departures from the policies of the Castro era: Wages would have to be tied to productivity, thereby reversing the Revolution's commitment to reducing income inequalities.

---

[1] We recognize that increasing the resources Cuba devotes to its higher education system runs counter to World Bank and Inter-American Development Bank (IDB) experience in the less-developed countries, where investment in basic skills appears to have a higher development payoff. However, we believe that our approach is better suited to Cuba's economic situation. Cubans' basic educational levels are already high by most developing-country standards, and Cuba's long-term economic growth will likely hinge on the availability of highly skilled and professional labor.

Moreover, an emphasis would have to be placed on promoting economic efficiency, thereby reversing the Revolution's old commitment to full employment. Thus far, the Castro regime has refused to take either step. Whether a weaker, successor government can reverse course remains to be seen.

Cuba's Ever-Failing Economy

Cuba's economy, never in good shape, is now approaching a critical juncture. To stem the economic free fall after 1989, the Castro government opened the economy to foreign investors and rebuilt the tourist industry in order to recapture hard currency. For a while, these and other modest reforms helped stop the hemorrhaging, but by 2002 new signs indicated that the economy was slowing again.

Indeed, unless Castro defies all expectations by further altering course, he will displace onto his heirs the task of making the systemic changes Cuba needs before it can achieve the sustained economic growth that can help legitimize a post-Castro government. It will thus be left to a new government to raise labor productivity and stem corruption in both the state and society. And the new government will be faced with the equally formidable tasks of overturning the command economy, ceding a measure of control to a revitalized private sector, and transforming the island's distorted industrial structure.

An Unproductive Labor Force

Among the key factors affecting the prospects for revitalizing the economy is Cuba's highly educated but low-productivity labor force. The low productivity has been exacerbated by the declining state of Cuba's capital stock, its shortage of investment capital, and its lack of raw materials. But the Castro regime's policies regarding full employment and wages have also played a role. The commitment to full employment transformed open unemployment into rampant underemployment prior to 1989, when Soviet economic support was available, and then worsened it during the Special Period, when the economy was at its lowest ebb. Thus, despite the closure of 45 percent of

the island's most inefficient sugar mills in 2002, the Castro regime has kept the displaced workers on the state payroll. Setting wages according to a national pay schedule has further compounded the problem of low productivity by divorcing workers' wages from their productivity—a policy that has motivated poor work habits and created disincentives for maximizing production among the labor force. The new regime will thus be faced with a long-term task of motivating workers anew through market incentives.

A Repressed and Deformed Private Sector

Another impediment is the weakness of the small, deformed private sector that will be left from the Castro era. The regime has resisted the development of a healthy private sector, mainly because of Fidel's ideological commitment to socialism and his obsession with his place in history, but also because of other political calculations. His regime is determined to prevent the rise of a middle class that may challenge its power, and to constrain the growth of income equalities that may undermine regime support among state employees, Party workers, military and security personnel, and pensioners, many of whom must subsist on peso-denominated incomes.

Bowing to necessity in 1993, the regime legalized self-employment in micro-enterprises to generate trades, crafts, and services that the state was no longer able to supply and to provide new employment opportunities. By 1997, the number of micro-enterprises had grown to more than 200,000. But when the economy showed signs of recovery, and the self-employed showed that they were enjoying substantial dollar incomes, the regime actively discouraged further growth of the fledgling private sector by erecting new obstacles. By 2001, the number of micro-enterprises dropped to an estimated 150,000. In addition, the private sector has become increasingly deformed. The absence of a private distribution system has led to the widespread pilfering of state stores and to the buying of stolen supplies on the black market. Moreover, as a result of 40-plus years of communism, the labor force lacks the kinds of trained managers, accountants, auditors, bankers, insurers, etc., that a robust market economy requires.

A Corrupt Society and State

Yet another obstacle to revitalizing the economy is the prevalence of corruption and favoritism. Most materials on the black market are stolen or misappropriated from state enterprises and warehouses. Inside deals are commonplace between individuals and their government contacts. Privileges are accorded to the *nomenklatura* (known in Cuba as *pinchos grandes*). And the government selectively privatizes state enterprises and creates new joint enterprises for the benefit of trusted civilian and military loyalists assigned to run them.

A Postponed Imperative: Restructuring the Economy

If it wants to promote the island's integration into the global economy, a new government will also have to transform the distorted industrial structure that developed as a result of Cuba's close economic ties to the Soviet Union. The intertwining of the Cuban economy with that of the U.S.S.R. not only insulated it from the international market but also distorted it as a result of the extremely high prices the Soviets paid for Cuban sugar exports and the low prices that Cuba paid for Soviet oil imports (which Cuba could re-export to the world market) and for other raw-material and industrial inputs. As a result, the Castro government long concentrated its resources on increasing sugar production, which reached levels of 7 to 8 million metric tons in the 1980s, at the expense of diversifying the rest of agricultural and non-agrarian sectors of the economy. The sugar industry itself became distorted under the artificially favorable conditions it enjoyed as inefficient sugar mills and unproductive sugar fields were kept in operation.

Absent Soviet support, sugar production thus began to drop steadily beginning in 1992–1993. Moreover, the high cost of sugar production in Cuba limited its export options, because the cost of Cuban sugar exceeded the declining world-market price for sugar. Despite the restructuring of the industry that began in 2002, including the permanent closure of 71 of the most inefficient mills, production has now plummeted to a reported 2 million tons in 2003. A new government will therefore be faced with the difficult challenge of further scaling down the industry and introducing other efficiency

measures—including laying off workers—to make it more competitive on the world market.

Additional economic distortions will have to be overcome, which will be no less daunting for the new government. Obsolete industrial plants and equipment, much of it acquired from the former Soviet Union and Eastern bloc, will have to be replaced. Domestic linkages, virtually non-existent at present, will need to be promoted in order to bolster the small private sector and ease the economy's heavy reliance on imported manufacturing inputs. If a market economy is to take hold and thrive, the rule of law, required to protect property rights and provide predictable and enforceable contract laws and a secure environment for investors, will have to be observed by both government officials and the public alike. These and other undertakings are likely to take years, possibly generations, to accomplish.

Policy Implications for the United States

The policies that the United States follows after Castro leaves the scene could have a major effect on whether Cuba remains under hard-line or reformist communist rule, falls under military governance, begins a democratic transition, or is gripped by instability and strife. To help foster a stable, prosperous, democratic Cuba, the United States should observe the following policy guidelines:

- Use the prospect of lifting the embargo (if still in effect) as leverage to move a successor communist regime toward a democratic transition. Lift the embargo if a democratically oriented regime comes to power.
- Work in concert with Canada and the United Kingdom, Spain, and other countries in the European Union in trying to influence events in a post-Castro Cuba along the lines of a democratic outcome.
- Avoid public postures that incite Cuban nationalism and work to the advantage of hard-liners. Cultivate informal military-to-

military contacts and use public diplomacy to make clear the United States' willingness to respect Cuba's independence, sovereignty, and dignity. But also make clear that Havana needs to reciprocate by respecting human rights and evolving toward a market-based democracy.
- Restore full diplomatic and trade relations once the Cuban government is committed to a democratic transition and offer economic and technical assistance to jump-start the economy.
- Encourage the private sector, the academy, nongovernment organizations (NGOs), and especially the Cuban-American community to become engaged and assist Cuba in embarking on a democratic transition.
- Offer to renegotiate the status of the Guantanamo Naval Base once the transition is under way.

Cuba will be at a critical crossroads when the Castro era comes to an end. Cuba could become a "failed state," in which case the United States would be faced with internal disorder and a humanitarian crisis on the island, and with uncontrolled drug flows and mass migration to the United States. Hence, the United States needs to offer the Cuban people a new deal along the above lines, with the aim of not only avoiding a worst-case scenario on the island but also helping Cuba to move toward a more stable, prosperous, and democratic outcome.