



Cuban socialist economic transformation Cooperativism in the making?

Sonja Novkovic

CME, Saint Mary's University

Chair, ICA Research Committee

Outline



- History of co-operative experience in socialist Cuba
- Post 2011 changes in the economic model and the co-operative experiment
- Academic view of Cuba's (market socialist) co-operative model
- Impressions from visits to worker co-operatives in 2015
- Conclusions: cooperativism in the making?

A brief history of events – socialist Cuba

- 1959 Revolution
- 1961 land nationalization
- 20% of agricultural land was handed over to workers/peasants
- Majority land state owned – monoculture-sugar for export

Types of co-operatives in agriculture

- 1961 – CCS - Service and credit co-operatives
 - Individual ownership
- 1961 – ANAP – Association of small farmers – founded
- 1975 – CPA– Agricultural production co-operatives are formed
 - a socialised system with collectively owned land and means of production
- Soviet kolhoz-sovhoz system with large state owned agro-industrial complexes
 - 82% of land state owned
 - Investment-heavy and import dependent

Special period

- 1991 –Russia pulls support – exogenous shock and a crisis
- Cuba is left with no inputs (energy, machinery, pesticides, food imports...) and no market for its export-sugar in particular – as COMECON breaks up
- 1991-1995 critical years
- Policy – food rations and social provisions prioritized
- Open up tourism and foreign investment (mining)
- Encourage food production

Transition vs adjustments

- Crisis 1991-1995
- Cuba rejects 'transition' (Washington Consensus-style) and prefers 'adjustments' or 'updates' of the model
- Comes out of crisis similarly to E. Europe (GDP in steep decline, recovery 10 years later), with better human development indicators (life expectancy; education; infant mortality...)

Agriculture

- State owned farms incurred losses
 - only 27% are profitable in 1990, compared to 85% of CPAs
- 1993 – UBPCs introduced (Basic units of co-operative production)
- 2008 – distribution of idle land to individuals and co-ops
- Decentralization – municipal level government
- Reduced state ownership of agricultural land

Change in 1990s

- UBPCs are collective self-managed enterprises;
 - They promote human development (education; participation..)
- Mark the beginnings of ecological agriculture (by disaster, rather than design)
- Intended to increase productivity and provide self-sufficiency and increased standards of living for members
- Cuba accepted wage differentials arising from more autonomy
- Coupled with small private business allowed in 2010 – marks acceptance of hired labour

Guidelines on economic and social policy (*Lineamientos*) 2011

- Diverse organizational forms
- Experiments – Maripol economic zone
- Non agricultural (worker) coops
- Successes and challenges

Legal basis for new urban co-ops (2012)

- Minimum 3 members
- Independent of the state; can do business with anyone
- Set up their own by-laws
- Some co-ops will be conversions of state enterprises, e.g. restaurants; services.
- Others will be start-up co-ops.
- There will be second-level co-ops, which are associations of other co-ops.
- Capitalization - bank loans; a new Finance Ministry fund for co-ops; and member contributions.
- Co-ops pay taxes on profits and social security for socios.
- Distribution of profits is to be decided by socios after setting aside a reserve fund.
- Co-ops may hire wage labor on a temporary basis (up to 90 days).

Non-agricultural co-operatives in Cuba in 2015

	Activity	No. of coops	%
1	Gastronomy	213	42.9
2	Retail sales of agricultural products	101	20.3
3	Construction and production of construction materials	68	13.7
4	Personal and technical services	32	6.4
5	Poultry sales	17	3.4
6	Trash collection	15	3.0
7	Shipping and transportation services	11	2.2
8	Production and repair of furniture, ceramics, textiles, blacksmithing nails, shoe repair materials, leather products and plastics	11	2.2
9	Passenger transportation	6	1.2
10	Accounting services	6	1.2
11	Decorative manufacturing and services	5	1.0
12	Energy services	5	1.0
13	Food and drink production	3	0.6
14	Technical maintenance and equipment repair services.	3	0.6
15	Graphic printing, decoration and interior design	1	0.2
16	Wholesale marketing of agricultural products	1	0.2
	Total	498	

Source: Pineiro Harnecker 2015

Advantages (survey CEEC 2014)

- Increased wages
- Decision-making (empowerment)
- Increased effort and work discipline (productivity)
- Greater unity, collaboration and teamwork
- Multitasking (job diversity)
- Reduced costs (electricity, water, phones, better tool maintenance)
- Solidarity and mutual help
- Community support (in some cases)

Challenges (survey CEEC)

- Lack of institutional support and networks
- Lack of education
- Startup process lengthy and costly
- Limited access to intermediate inputs
- Majority initiated by the state owned enterprises; political decision rather than voluntary
- Preferential treatment creates quasi-cooperatives

Socialism and cooperativism

- Socialist aspirations in Cuba:
 - Low income inequality
 - Human development (education, health, wealth)
 - Social ownership of the 'commanding heights' (state ownership)
 - Labour sovereignty (work-dominated relations in production)
- 'Labour for hire' key aspect of capitalism (D. Ellerman)

“ Cooperatives are considered a socialist form of collective property “
(Pineiro Harnecker 2015)

Academic view of Cuba's (market socialist) co-operative model

Socialism and cooperativism

- The cooperative management model ...recognizes salaried work as unjust and inappropriate for the socialist goal of full human development
- Appropriate expansion of co-operatives in Cuba would bring benefits that contribute to the consolidation and advancement of socialism.
- Co-operatives are viewed as “socialization of Cuba’s economy”

Socialism and cooperativism

- allow transfer of economic activities from the state sector to the non-state sector in the most socialist way possible: without privatization, layoffs and subordinate relationships between workers.
- institutionalize self-management practices
- promote the formalization of cooperative relationships among self-employed workers in a way that responds to social interests.
- contribute to improving work conditions for those hired by self-employed workers; lower prices and increase contributions to local development.
- demonstrate the possibilities and strengths of collective solutions, democratic management and the exercise of socialist relations in production.

On the ground...

“Many people say that the Cuban government is converting state-run businesses into cooperatives. But we say that the government is giving up the management of production and services. “

Alfonso Larrea

On the ground...

- Organopónico/ urban agriculture (UBPC)- 150 members
- Industrial scale maker co-op -7 members
- Textile co-op (sewing) – 53 members
- Mechanical shop (car repairs) – 17 members
- A wine co-op (fruit) – 3 members
- Farmers markets



Cooperation in practice

- Benefits:
 - Tax and other advantages
 - Increased incomes (min 3X)
 - Productivity
 - Collective cohesion
 - Service improved
 - Own decision-making
 - Reserves
 - A collective contingency fund (personal loans)
 - Internal control systems
 - Collective benefits and perks
 - Professional development

Cooperation in practice

- Hindering factors:
 - Lack of access to input markets
 - State firms monopoly on some services --competition
 - Bureaucracy
 - Lack of institutional support (education, services..)
- Incentives for quasi-coops (the wine coop example)

“The most common obstacles faced are the long, bureaucratic procedures that the approval of new cooperatives involves (a process which occasionally concludes with the denial of authorization); the absence of a wholesale market where these associations of free workers can find raw materials and supplies at prices lower than those offered by State retailers; the difficulties involved in importing these supplies and in exporting the products of the cooperatives, and the countless norms restricting interaction with the State’s business sector, the largest economic sector in the country.”

Pedro Campos 2014

Cooperativism and governance

- President – manager and chair
- General assembly – monthly
- Internal control systems- prevents corruption
- Collective ownership
 - Reserve fund
 - Contingency fund
 - Self-management; rules internally developed
- Community – textile co-op; donations

Food security issues

- Market co-operatives are buyers of produce from agricultural co-ops
- Price inflation
- Food not accessible to Cubans
 - Sold in CUC to private restaurants and foreigners
- State markets competing
 - Sellers lease space
- Distribution from countryside to the city market a bottleneck



Conclusions: cooperativism in the making?

What may be required for success:

- Political will – different schools of thought (state; neoliberal; co-op)
- Institutional support
 - Startups
 - Co-operative investment
 - Solidarity economy
- Multistakeholder co-operative model
- Education and training
- Universities as incubators

