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Cuba's Employment Conundrum Cautious Reform: 1991 Through 1994
Part One of a Three Part Series

By Gillian Gunn Clissold

"If we had an immediate solution, we would have implemented it already." That was how Fidel Castro, in a remarkably straightforward manner, responded to insistent press questioning about Cuban unemployment and wage stagnation as he left a polling booth during the July 1995 municipal elections. The Cuban reporters touched a sensitive issue that has been the subject of a long-standing debate: both how to find productive jobs for the one-eighth to one-third of the work force classified by various Cuban economists as under- and unemployed, and how to increase the real wages of state employees who have seen their living standards plummet. Castro's frustration, reflected in his remark, stems in part from the government's desire to simultaneously maintain social stability and firm political control while employment reforms are implemented, a goal that could be extremely difficult to achieve.

The employment debate has passed through several distinct phases. Some minor reforms were authorized in 1991, but were not actually implemented until 1993, when it became clear the austerity triggered by the collapse of European socialism would take some time to resolve. Additional modest changes were introduced in 1994, after the summer social disturbances and migration exodus. By the end of that year, however, the range of reforms relatively easily integrated with the traditional Cuban model had already been implemented, including promotion of foreign investment, legalization of strictly limited self-employment, and introduction of taxes to reduce liquidity. While these reforms had produced some improvement, including a government-estimated 0.7 percent growth rate in 1994, they were clearly insufficient to generate full economic recovery. One of the aforementioned Cuban reporters reflected the population's concern, noting that Cuba had "almost completed the first phase of the country's adjustments" and asking Castro, "How are we going to handle the second phase, during which the average family or person who earns a salary will feel the pressure of financial adjustments?" By 1995 Cuba had arrived at a point of definition in the evolution of employment policy, and discussions moved into a new phase in which basic elements of the Cuban economic, political, and social structures were questioned.

Consequently, in the spring and early summer of 1995 the employment issue was the subject of an avalanche of academic articles and mass-oriented programs on the state controlled radio and television stations. The vast majority highlighted the inefficiency of Cuba's state enterprises and the need to lay off large numbers of workers. A significant minority also emphasized the utility of legalizing new forms of employment. Far reaching reform seemed to be on the horizon.

Several internal Cuban developments in the late summer and early fall of 1995 then radically changed the context of the debate. The population began to exhibit apprehension about rumored layoffs just as the anniversary of the 1994 summer disturbances and migration exodus approached. Conservative members of the government's policy team grew increasingly uneasy about the reduction of state control entailed in some of the employment policy options advocated by Cuban think tanks. They also grew concerned that the social inequalities generated by past reforms were provoking resentment among population sectors normally supportive of the government. Simultaneously, despite the poorest sugar crop in the history of the Cuban Revolution, monthly statistical indicators began to confirm the hope that the economy would sustain a 2.5 percent growth rate for 1995, suggesting that the 0.7 percent increase of the year before was not an aberration.

Decision makers concluded they had enough economic space to postpone a decision on employment for the time being, while political considerations made such postponement prudent. Consequently the employment debate dropped from the front pages of the newspapers while "additional study" was conducted.

Two external developments subsequently complicated the issue further. On February 24, 1996, after numerous warnings that it would not allow its territorial integrity to be violated with impunity, the Cuban Air Force shot down two small exile-piloted planes that it said had violated Cuban airspace. (U.S. officials maintain the planes were outside Cuban airspace at the time of the incident, and a disputed United Nations investigation reached the same conclusion.) The swift passage of the embargo-tightening Helms-Burton Bill by an enraged U.S. Congress, combined with confrontational rhetoric from the White House, brought U.S.-Cuban tensions to a new high.

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These events in turn intensified the siege mentality within Havana that has traditionally favored anti-reform voices. This constituency has generally argued that Cuba cannot afford the instability associated with reform at a time of imminent confrontation with "imperialism." On March 23, 1996, Minister of Defense Raúl Castro revealed a report of the Cuban Communist Party's Political Bureau and Central Committee which implied some academic groups had, intentionally or inadvertently, been acting as a "fifth column" on behalf of the United States. The following month investigations were launched of over twenty Cuban academic institutions, some of which had personnel who had advocated, among a variety of reform measures, significant adjustments to employment policy.

The conventional wisdom among Cuba-watchers is that economic reform, including changes in employment policy, is now frozen. It is certainly true that the events of February and March 1996 have considerably strengthened the anti-reform camp. However, the same economic dynamics that were forcing Cuba to consider employment policy reform in 1995 are still at work. Even if the Helms-Burton Bill fails to

significantly slow foreign investment in Cuba, an assumption not necessarily warranted, the economic space for postponement of reform will eventually contract and facilitate a reconsideration of the alternatives proposed in the spring of 1995.

Due to the complexity of the issues involved, discussion of Cuban employment policy is divided into three issues of the Cuba Briefing Paper Series. This issue, Part One, covers the period from 1991 through 1994, when very cautious reforms were undertaken. Part Two, titled 'Pushing the Limits of Debate,' covers the first seven months of 1995. Part Three, titled "Consolidation and Review," covers the the period from July 1995 to the present.

Cautious Contemplation

The first post-perestroika discussion of employment policy occurred in the wide-ranging process of "popular consultations" conducted in the lead up to the 1991 Fourth Congress of the Cuban Communist Party. Although many policy changes suggested in these discussions were rejected when the Congress was finally held in October of that year, a modest employment reform was authorized in principle. The Congress approved the proposal to "expand trabajo por cuenta propia (self-employment) under the limits and parameters imposed by the Special Period and the construction of socialism." (The term "Special Period" refers to the economic difficulties Cuba began to experience in the early 1990s when Moscow began to sharply reduce already declining subsidies to the island.)

In the past, workers in a narrow range of occupations had been permitted to work privately on their own behalf. However, the bureaucratic restrictions were so numerous that relatively few individuals officially applied for permission. The majority of plumbers, car mechanics and other artisans working in a private capacity simply flouted the law and functioned in the underground economy. As the contraction of Soviet subsidies curtailed work opportunities in the state sector, a growing number of Cubans turned to these illicit activities. Subsequently a standard characteristic of Cuban decision making, the Fourth Congress simply "legalized reality" by officially accepting the expansion of self-employment.

Not all of the leadership was enthusiastic, however. The more cautious segment of the government argued that the self-employed would need raw materials and tools to ply their trade, and since the central government could not afford to supply such inputs, the new entrepreneurs would be forced to steal inputs from state enterprises. It was better to forbid the activity than to legalize it in a manner that promoted theft, they claimed.

The conservative segment of the Communist Party also harbored concerns about the reduction of state control and the development of a nouveau riche social class entailed by the expansion of private sector activities. This segment feared both a loss of control associated with greater non-state employment and a loss of legitimacy associated with neglecting the Revolution's egalitarian ethos. The conservative sector gained the upper hand in internal government and Party discussion, in part because the top leadership accepted its forecast that the degree of anticipated economic decline would not require major reform. The self-employment initiative therefore languished. From 1991 on, the

authorities did create some additional employment opportunities by more vigorously implementing the 1982 Decree-Law Number 50, which officially permitted foreign investment in Cuba. Though the 481 foreign firms operating in Cuba by the end of 1993 provided only a small number of jobs, their Cuban employees soon began to present some of the very social problems the conservative segment of the Communist Party had feared. (Only about a quarter of the firms operating in Cuba were actually involved in joint ventures; the rest of the foreign operations focused on other economic activities.) Workers employed by foreign firms were less concerned about currying favor with their political superiors because their career prospects were now tied to pleasing a foreign manager instead. Similarly, higher pay rates and prerequisites began to convert such employees into just the nouveau riche that conservatives had feared expanded self-employment would generate. Many joint venture employees received monthly baskets of scarce consumer items, such as soap and shampoo, along with their pay packets. Some enterprises provided special transportation services for their workers in far flung locations. Workers in the tourist industry were particularly privileged, for they could pocket their hard currency tips. As detailed below, tip retention was illegal until July 1993, but was widespread nonetheless.

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Less obvious at the beginning, foreign investment was also gradually creating new strains between employers and workers. Managers in joint ventures employed capitalist-style work discipline measures. Although they consulted extensively with representatives of the Party and the union at the work center, they generally demanded higher performance standards than the equivalent state enterprise managers and sought to accomplish more with fewer workers. There were also occasional charges of "buddyism," in which a foreign investor would hand select certain employees who rival workers claimed were incompetent but "well connected."

Meanwhile, Cuban workers briskly expanded informal self-employment, setting up a whole network of underground service activities. Otherwise law-abiding citizens increasingly moonlighted as car mechanics, domestic appliance repairmen, and illicit food procurers. Government rations were no longer sufficient to maintain the average family through the month, and purchase of high-priced food on the black market required extra income. The handful of new jobs created by foreign investment contributed only the proverbial drop in the empty bucket of employment opportunities. Cuban citizens with relatives abroad also increasingly relied upon remittances from those family members, often illegally holding hard currency in their homes. There were few other options available to supplement household budgets.

Legalizing Reality

Faced with these trends, on July 20, 1993, the government announced it would decriminalize the holding of foreign currency, remarking that this "contributes in a positive manner to a reduction of the acts that are characterized as infractions, and will

alleviate and facilitate the work of the courts." This language reflected another legalization of reality: Too many "good revolutionaries" were forced to operate in dollars in order to survive. The official rate had long been one peso to one dollar while the black market rate went as high as one hundred pesos to one dollar between 1991 and 1993. The temptation to violate the law was almost irresistible, for hard currency permitted the holder to participate in the thriving underground economy, where scarce food and consumer items were available at relatively low dollar prices or exorbitant peso prices.

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The trend toward legalizing reality gained momentum two months later when the authorities finally implemented the Fourth Congress resolution on self-employment. On September 8, 1993, Decree-Law 141 established 117 categories of individual self employment, in sectors such as appliance repair, shoe shining, taxi driving, flower selling and hairdressing. The policy focused on activities which required a low level of raw materials and tools. However, no organized system was established to permit legal acquisition of necessary inputs.

The self-employed were required to obtain a license from the state, for which they paid a monthly fee initially varying from twenty to fifty pesos per month. To ensure "criminals, speculators and embezzlers" did not register, in the words of Havana's Radio Rebelde, license applicants were required to present their work discipline record, which was subsequently reviewed by their local government "since it is there where the person and the needs of the locality are known." Successful applicants were prohibited from employing anyone other than "family members." University graduates were banned from registration on the grounds that "all graduates have guaranteed jobs," and a similar restriction was applied to members of the armed forces.

The number of license holders grew rapidly in late 1993 and early 1994 and then leveled off. By November 1993, 67,262 permits had been issued. However, from May to December 1994 the figure only increased from 162,000 to 169,000. This was due in part to fiscal measures which reduced the cash in people's pockets and thus their ability to pay for the services and products offered by the self-employed.

A variety of additional activities were added to the list of permitted sectors, and according to Cuban government statistics, by December 1994 roughly three percent of the economically active population was self-employed. Thirty-five percent of them officially carried out this activity as a second job, in addition to their primary employment.

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Cuban sources estimated that for every licensed self-employed individual three or four more operated without a permit. The reasons for non-registration included reluctance to deal with the paperwork, desire to avoid the license fee, application rejection by the authorities due to a poor work discipline record or membership in a prohibited group (university graduates or armed forces members), and ambition to work in an unauthorized sector. Perhaps the most significant motive, however, was fear that registration would lead officials to investigate the source of the self-employed person's inputs, which may have been acquired illegally.

Two of the most popular self-employment options were "cook" and "producer of light food and drink." Clandestine restaurants, colloquially termed paladares after a food processing company featured in a popular Brazilian soap opera, had been functioning in the underground Cuban economy for some time. Their proprietors immediately registered in the above categories, and new entrepreneurs joined their ranks now that the activity was no longer illicit. However, in December 1993 the restaurants were outlawed. Opponents of the liberalization argued that paladares were purchasing food illegally on the black market or stealing it from the state, since quantities were being served that could not possibly have been produced by the entrepreneurs' own families. There was also concern that paladares in Havana were selling high-quality food at prices 60 percent lower than those of established state restaurants, eroding the latter's profits.

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On September 15, 1993, a week after the self-employment decree was issued, the government announced a new employment scheme in agriculture. It authorized the break up of the majority of large state farms into smaller Unidades Básicas de Producción Cooperativa (UBPCs - Basic Units of Cooperative Production.) Workers were given usufruct of the land, which they would run as a private cooperative ostensibly independent from the former state farm administrative machinery. The motivation was to increase agricultural production by putting more land into the hands of individuals who could profit from their own work. Although the UBPCs were nominally independent from the state farms, which had previously controlled the land, the latter's administrative machinery remained largely in place and exerted significant influence over planning decisions. It also sold inputs and bought produce at prices that were ostensibly "mutually agreed." Because the state was the only legal supplier and market, however, in reality producers were given little negotiation leverage. The UBPCs were allowed to select their own cooperative members, and on average recruited only three-fifths of the work force previously employed on the same land.

Labor Worries

The close of 1993 also witnessed the first signs of official concern about the employment situation's impact on the role of the Central de Trabajadores de Cuba (CTC – Central Trade Union Organization of Cuba). This involved exhorting employees to work harder and accept both firmer management discipline and layoffs. The CTC was increasingly caught between two opposing forces. It was supposed to help the country recover from the economic crisis by ensuring that workers become more efficient. The CTC also was supposed to protect worker interests in cases of conflict with management. This role contradiction had plagued the CTC since it was converted into a revolutionary "mass organization" in the early 1960s. Until the Special Period, the conflict had been blunted by state budgets large enough to subsidize inefficient workers and production structures.

The crisis of the 1990s severely reduced the resources available to reconcile worker and employer interests. The increased emphasis on efficiency, and especially the introduction of foreign investors who demanded Western-style performance from workers accustomed to socialist work discipline, sharpened the conflict between the CTC's two roles. Workers turned to the union to defend them against employer pressure and layoffs, while the state both blessed that role and simultaneously turned to the CTC for assistance in obtaining worker compliance with employer demands.

Some within the leadership of the CTC feared that if they did not do more to defend worker interests in the new era of austerity, workers might be tempted to turn to the unofficial unions being formed underground.

An editorial published on December 20, 1993, in the official newspaper of the CTC, *Trabajadores*, tactfully sought to explain the growing contradiction. Titled "Unions and the Present," the editorial remarked that the previous mechanisms 'made possible a labor climate that in all appearance was free of conflicts, thus leaving very little room for the role of a counterweight, which is the union's task." The editorial left unstated the entity to which the union should be a "counterweight," allowing the reader to conclude that it was the employer. Since in Cuba the employer is nearly always connected to the state, either directly or as a joint venture partner, the editorial was apparently asserting that the CTC should at times operate as a counterweight to the state.

The editorial continued, What do we have unions for? What should distinguish us from the management apparatus and other political and mass organizations?... It is time to clearly represent the direct and specific interests of the workers... [T]rue unity is attained when frank criticism and timely debate is not absent. The voice of the union will have to be heard in the future with accents of its own.

The editorial then countered this assertive language on behalf of workers with an acknowledgment of the needs of the state.

The workers in our society are not only the owners but also our own employees. Thus it is understandable that the union cannot turn a blind eye to the negative attitudes of the workers. This carefully written editorial reflected what anecdotal evidence in the streets

of Havana was already showing: Some within the leadership of the CTC feared that if they did not do more to defend worker interests in the new era of austerity, workers might be tempted to turn to the unofficial unions being formed underground. The CTC still accepted its dual responsibility to workers and the state but placed slightly greater emphasis on its connection with the former than it had previously.

Social Unrest

The CTC's concerns were justified, as workers became increasingly apprehensive the following year. In April 1994 Decree Law Number 147 restructured the central state apparatus, and 5,300 workers were laid off. According to an official at the Ministry of Labor, by the end of 1994, 24,000 workers had been "rationalized," of whom 9,900 were without jobs and surviving on the 60 percent salary payment guaranteed to laid-off workers who were unable to find alternative employment.

The population was also alarmed by measures designed to reduce both excess liquidity and the public deficit. Over the course of 1994 fees were introduced for many previously free social amenities, such as museums and sports events, and subsidies were removed for non-essential goods such as rum and cigarettes. Although these price increases did not have an immediate employment effect, they did begin to strain household budgets, creating a greater need to locate well-paid jobs.

Simultaneously, the government stated its intention to reduce subsidies to state enterprises and confiscate goods and income obtained through "illicit enrichment." The former declaration generated fear that major layoffs were planned, and the latter provoked concern that the unregistered self-employed would be penalized. In the early summer a new tax law was prepared and scheduled to take effect the following year. Among those liable for income tax were the self-employed, creating still more apprehension in that sector.

Although the economy was in fact halting its downward spiral, and the state would subsequently report a 0.7 percent growth rate for the year, the progress was not yet felt by the general population. Employment insecurity, concern about the rising cost of living, ongoing food shortages and transport delays created a tense social context. A summer heat wave then coincided with calls by U.S. exiles for Cubans to flee by sea to the United States. Some exile rhetoric suggested that vessels from Miami would rescue rafters en route. On July 13 a tugboat in Havana harbor was hijacked, boarded by would-be migrants to the United States, and then sunk in an altercation with the Cuban Coastguard, killing many women and children who had been in the hold. On August 5 Havana witnessed the first major social unrest since the early 1960s, which triggered an exodus of 30,000 Cubans by raft.

The crisis was brought under control in September by a combination of Cuban police action and the U.S. decision to send rafters to detention at the U.S. naval base at Guantanamo, but nonetheless had a profound effect on Cuban government thinking. Reformers had long argued that a direct link should be established between farmer and

consumer, with prices set by the rules of supply and demand. Fidel Castro had outlawed a similar mechanism in 1986, claiming it was creating a socially divisive class of super rich, exploitative middlemen. Indeed, at the 1991 Fourth Party Congress he had explicitly ruled out re-introduction of such a measure. However, the Cuban security forces impressed upon him that increasing the food supply was now a matter of national security. Presumably they were loathe to find themselves in another confrontation with citizens. Whatever the actual internal dynamics, Castro was convinced, and on October 1, 1994, the Mercado Libre Agropecuario (Free Agricultural Market) was established. Under this mechanism, after selling their required quotas to the state, food producers were allowed to market excess production directly to consumers at prices determined by supply and demand.

The new agricultural markets had a dual effect on employment. They created opportunities for food producers from all sectors - state, cooperative and private - to generate income. They also created a work incentive for consumers. Food products could now be purchased at prices which, while very high, were more attainable than those of the black market. Because the markets accepted pesos, it now seemed more worthwhile to work for a peso salary.

Over the course of 1993 and 1994 special incentives were also incrementally introduced for state workers in "priority sectors." A small group of workers were initially authorized to receive hard currency bonuses and/or access to special shops selling scarce government then employee categories the motivation for the measures was the desire to stop the flight of skilled workers from state jobs to joint ventures. By late 1994 approximately 110,600 people were receiving such incentives, including selected workers in the port, fishing, steel, electricity, nickel, construction, food processing, tobacco, and sugar sectors.

In 1994 the government also moved forward with the distribution of the usufruct of small parcels of fallow land to families with experience growing certain labor-intensive crops, primarily tobacco and coffee. By the end of the year, land had been distributed to 1,153 families, and 2,600 additional applications were pending.

Reform Crossroads

At the end of 1994, Cuba's economic reform effort had arrived at a crossroads. With the introduction of the agricultural markets, widening of special incentives, and the distribution of small parcels of fallow land, the state had implemented the last of the major reforms relatively easily integrated with socialism. However, more change was still clearly needed. While the 1994 budget to finance losses from unprofitable enterprises was down 37 percent from 1993, subsidies remained 6 percent above the (already generous) budget targets, and far above the level compatible with economic rejuvenation.

Cuba was now faced with only hard choices. The Cuban survival strategy, as described in Georgetown University Cuba Briefing Paper Number 5, involved balancing economic

efficiency, social concerns and political control. Each proposed answer to the island's employment crisis threatened one or more of those factors.

1. Neo-liberal strategy If Cuba fired all unproductive workers in state enterprises, estimated between 500,000 and 1.5 million by Cuban economists, it would be able to drastically reduce the 1.4 billion peso government deficit. According to Cuban economists a full 30 percent of the government budget was being spent on salaries to subsidized state enterprises. By ceasing to pay wages to workers who produced no goods or services, such a neo-liberal strategy would further reduce the approximately 9.8 billion pesos in circulation as of December 1994. According to Cuban economists this represented about 6 billion pesos more than the official economy required. Once demand was brought into line with supply, the Cuban peso would acquire value, wages would regain their power to motivate work, productivity would rise, and the peso could eventually be made fully convertible, filling a critical gap in Cuba's connection to the international market- place.

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However, throwing one-eighth to one-third of the Cuban population out of work would have catastrophic consequences for social concerns and political control. The Revolution's claim to represent workers' interests would be challenged, as would the government's legitimacy. The unemployed could well coalesce into a political force, dividing the Communist Party and/or generating social unrest.

2. Cushioned neo-liberalism. If the layoffs were implemented, but the standard 60-percent subsidy paid to unemployed workers continued, the budget deficit would not improve as dramatically, the peso would be slower to regain incentive value, and currency convertibility would become a more distant goal. That level of subsidy might also be insufficient to avert social unrest. As one Cuban economist remarked to the author, "With the current level of prices, many Cubans can barely afford to live on 100 percent of their salary. A cut to 60 percent would push them over the edge into intolerable poverty." Layoffs with subsidies could potentially bring the worst of both the capitalist and socialist worlds.

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3. Mobilization of foreign capital. If sufficient foreign capital were available to create new, productive enterprises, capable of providing jobs, laid-off workers could survive without government subsidies. However, in order to obtain sufficient foreign investment to provide the needed capital Cuba would need to create a more attractive investment climate.

Among many other concerns, foreign companies have wanted the ability to freely contract labor in Cuba, without going through the cumbersome state empresa empleador (employment enterprise) which pockets the bulk of the foreign exchange paid by the foreign investor as wages, passing on an ostensibly equivalent amount in pesos to the Cuban employee. Since the wages are calculated at the official rate of one peso to one dollar, rather than the rate offered on the black market, where Cubans have to make many of their purchases, the employee effectively receives a fraction of the incentive which the employer pays. (As of late 1994, the black market rate was eighty pesos to one dollar.) The Cuban employment enterprise also checks the political background of potential employees, eliminating from consideration those deemed unreliable.

Foreign enterprises would clearly benefit from the ability to contract and pay workers directly, as they would be able to provide a greater incentive to their workers at less cost and could consider a wider pool of potential recruits. Direct contracting, however, would also further increase social inequality and reduce the government's political control and revenue.

To attract sufficient foreign capital, Cuba would also need to resolve the chilling effect of U.S. policy. The long-standing embargo means investors cannot plan on the U.S. as a market for Cuba-origin goods and services, and recent sanctions threaten foreign investors with lawsuits if their investments involve "trafficking" in confiscated U.S. property.

4. Mobilization of domestic capital. Cubans resident on the island are another potential source of capital. If allowed to establish their own private companies, financed by both their own peso savings and the hard currency of relatives living abroad, individual entrepreneurs could begin to satisfy their own employment needs and generate jobs for others.

However, this would not only challenge the socialist character of the Cuban system, but also dramatically reduce the government's leverage over individual citizens. If one's employment no longer depended on the favor of a political leader, that leader's power would be eroded.

This strategy would also significantly increase the gap between rich and poor, damaging one of the bases for the Revolution's claim to legitimacy: egalitarianism.

From 1991 to 1994, the Cuban government sought to balance its competing interests in economic efficiency, social concerns, and political control while addressing the decline in both job opportunities and real wages. Its initial plan placed heavy emphasis on political and social considerations ... In 1993, however, poor economic performance caused the government to realize that some compromises on the social and political fronts would have to be made.

5. Status Quo. If layoffs were not implemented, then political control and social concerns would be satisfied over the short term. However, the drag of inefficient state enterprises on the government's budget deficit would continue. Initially workers would be content that they were not laid off, but if their productivity did not increase, the buying power of their paychecks would continue to stagnate or even decline. Excess liquidity would hinder the effort to make the peso convertible into hard currency, and a key link with the international marketplace would remain unconnected.

Over the long term, the inability of the Cuban economy to regain momentum would lead to a further erosion of social services, such as health care and education, exacerbating discontent. If a worker's pay would not cover the cost of food for his family, and if he saw no possibility of improvement in the future, social unrest could erupt. Therefore, while the status quo strategy would appear attractive to policymakers in its initial ability to protect political control and address social concerns, its long term damage to economic efficiency would eventually jeopardize those very elements.

Conclusion

From 1991 to 1994 the Cuban government sought to balance its competing interests in economic efficiency, social concerns, and political control while addressing the decline in both job opportunities and real wages. Its initial plan placed heavy emphasis on political and social considerations, since the authorities believed they had sufficient resources to absorb the negative impact such a strategy would have on economic efficiency. In 1993, however, poor economic performance caused the government to realize that some compromises on the social and political fronts would have to be made. The expansion of self-employment in September of that year represented a small but significant effort to accommodate efficiency concerns, and the authorization of the farmers markets in October 1994 illustrated that efficiency was receiving even greater priority.

However, these and related adjustments were clearly insufficient to resolve the economic crisis or the associated employment shortfall and wage stagnation. As Cuba entered 1995, its leadership contemplated a range of difficult choices, some of which are outlined above. Part Two of this series will explain how, during the first half of 1995, the authorities seriously considered adopting a mix of the first four strategies enumerated above, placing a still greater emphasis on efficiency than previously. The last part of the series will detail the government's retreat, for various reasons, to the efficiency sacrificing status quo option of strategy five. This concluding issue of the series will also explore the

dynamics within the Cuban economy which should eventually reopen the employment debate.

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