

## [ CHAPTER ONE ]

# The Prerevolutionary Cuban Economy

## Progress or Stagnation?

Did the economic conditions prevailing in Cuba during the 1950s encourage the development of a political climate conducive to a radical social revolution?

The incomplete and frustrated 1933 revolution took place in the midst of a world depression that severely affected the Cuban economy, but, on the eve of the 1959 revolution, the economic situation had certainly improved. Cuba then had the fourth-highest per capita income in Latin America, after Venezuela, Uruguay, and Argentina. Ranking thirty-first in the world by the same indicator, Cuba was wealthier than most “underdeveloped” countries.<sup>1</sup> Average per capita income is, however, not necessarily a reliable indicator of general economic development: in 1953, Cuba also ranked fourth in Latin America according to an average of twelve indexes covering such items as percentage of labor force employed in mining, manufacturing, and construction; percentage of literate persons; and per capita electric power, newsprint, and caloric food consumption.<sup>2</sup> Eugene Staley, the chief economist of the International Bank for Reconstruction and Development (IBRD, the predecessor of the World Bank) mission that investigated the Cuban economy in 1950, classified it as part of an intermediate group of nations that fell in between the highly developed and underdeveloped groups. Staley grouped Cuba with such countries as Chile, Poland, Hungary, and Spain.<sup>3</sup>

Cuba had enjoyed significant postwar prosperity. Sugarcane producers in Asia and beet growers in Europe were only beginning to recover from war destruction and could not yet compete with Cuban sugar exports. This boom allowed liberal but corrupt president Ramón Grau San Mar-

tín (1944–48) to proclaim that during his administration every Cuban had “five pesos in his pocket.” (One peso was worth one dollar.) By 1950, world sugar production had recovered from the effects of the war, and postwar Cuban prosperity had come under threat. However, with the outbreak of the Korean War, sugar prices went up, thus saving Cuba from an economic downturn, although only for a few years.<sup>4</sup>

On closer inspection, however, it becomes clear that the postwar boom had merely returned the Cuban economy to the predepression days of the 1920s. Thus, as the IBRD’s 1951 *Report on Cuba* pointed out, Cuba’s per capita income of about three hundred dollars per year was only slightly above that of the early 1920s.<sup>5</sup> Cuba’s most important economic breakthrough had taken place from 1900 to 1925, right after Spain was forced to abandon the island in 1898 and the United States made Cuba into a de facto economic and political colony. During this period, the productive basis for Cuba’s relatively high economic standing in Latin America had been established. With a U.S. capital investment in the island that amounted to \$750 million by 1925,<sup>6</sup> Cuba was producing seventeen times as much sugar in 1925 as in 1900. But as the *Report on Cuba* also explained, the Cuban economy had made relatively little progress since then.<sup>7</sup>

## IMPERIAL DEVELOPMENT IN CUBA

While the origins of Cuba’s sugar monoculture went back to the 1790s, the entry of U.S. capital and political influence at the end of the nineteenth century and beginning of the twentieth century marked a qualitative new stage in the island’s economy and polity. Because the U.S. sugar industry in Cuba required huge expanses of land for the cultivation of cane—with sugar companies competing with each other for the acquisition of land—the industry destroyed small and midsized landed property holdings and created a proletarianized labor force, not all of which would always find work as wage laborers in the sugar industry. The remaining small and medium-sized rural proprietors remained subject to the sugar mill owners, most of them North American, particularly if as cultivators of sugar they had to accept the prices and conditions imposed by the sugar capitalists.<sup>8</sup> Much of this phenomenon resulted from the massive economic destruction that the Cuban guerrilla war against Spain—and heavy Spanish reprisals against the Cuban rebels—had created in the Cuban countryside.

The undercapitalized nonsugar sector faced particularly great obstacles in recovering from this terrible experience.

Later, as the 1920 speculative bubble known as the “dance of the millions” was followed by the crash of the sugar market at the end of that year, Cuba’s sugar and banking sectors entered into crisis. Many sugar proprietors were unable to honor their mortgage payments and were forced to sell under very unfavorable conditions. The National City Bank took control of more than fifty sugar mills in the summer of 1921,<sup>9</sup> thereby increasing overall U.S. control of Cuban sugar production.

Viewed strictly from the perspective of the U.S. economy, this economic breakthrough can be seen as another vivid example of capitalist accumulation that recognizes no national boundaries. In that sense, there was nothing special or unique about the growth of U.S. sugar investment in Cuba. When viewed from the perspective of the Cuban economy, the expansion of the period 1900–1925 signified the integration of the Cuban economy into the U.S. economy. From a Cuban perspective, this was not just capitalism but also imperialism.

## **THE RECIPROcity TREATIES BEFORE AND AFTER THE DEPRESSION**

The Platt Amendment and other forms of explicit U.S. political control over Cuba constituted a key element of the imperial relationship between the two countries. Less attention has been paid, however, to an important economic/political device that survived the Platt Amendment and played at least as important a role in subjecting Cuba to U.S. control: the various reciprocity and other economic treaties in force, in various forms, from 1902 until the early 1960s. These treaties cumulatively cemented Cuba’s role as a sugar export economy to the U.S. market and as an importer of U.S. manufactured goods.

The first reciprocity treaty was signed in 1902 and ratified and enacted in 1903, shortly after the adoption of the 1901 Cuban Constitution and the Platt Amendment and the inauguration of the Cuban republic on May 20, 1902. Cuban sugar received a 20 percent tariff reduction in the United States, while U.S. imports received tariff reductions ranging from 25 to 40 percent. As the Cuban economy recovered from the disastrous effects of the war against Spain and massive U.S. foreign investment in

sugar created the biggest economic boom the island has ever experienced, Cuban consumption of U.S. imports grew, effectively displacing other suppliers, particularly those from Europe. For their part, Cuban sugar exports to the United States, controlled by U.S. sugar capitalists, increasingly dominated the sugar market in that country. By 1911, Cuba's sugar exporters not only filled the U.S. market's needs but sold their surpluses on the international market, mostly in Europe. This tendency reached its peak during World War I with the destruction of the European sugar industry. Cuban production further expanded during this period of the "fat cows," culminating in the inflationary bubble of 1920 that was followed by the crash of 1921.<sup>10</sup>

### THE WORLD DEPRESSION AND AFTER

The world depression that began in the late 1920s devastated the Cuban economy. Moreover, the sugar-based Cuban economy had a much harder time recovering from the depression than did the economies of some other countries. Although the Cuban government implemented a tariff reform in 1927 that encouraged some import substitution of light consumer goods, as Cuban economic historian Julio Le Riverend has pointed out, this limited reform could be realized only by respecting, on the whole, the exceptional advantages that had previously been conceded to U.S. products. The reform was more effective in substituting articles of European origin than those from the United States, but it remained limited in its effect because purchases from Europe had declined as a result of the rising importance of American imports in Cuba. Nevertheless, after 1927, Cuba's production of eggs, poultry, meat, shoes, butter, cheese, and condensed milk, which had been neglected because of sugar's growing dominance, went up at the same time that the import of those products declined. This phenomenon accompanied the strong worldwide protectionist tendencies of the 1920s and 1930s.<sup>11</sup>

Cuba's big economic growth in the early part of the century had been based, to a considerable degree, on sugar exports' unrestricted access to the U.S. market. This changed in 1934, when the Platt Amendment was abolished and the United States and Cuba signed a new reciprocity treaty. That treaty, which continued the pattern of Cuban reliance on sugar, turned out to be more unfavorable for the island republic than

the earlier agreement. In the 1902 treaty, Cuba had granted 20 to 40 percent tariff reductions on 497 U.S. products in exchange for a preferential 20 percent tariff for sugar and tobacco; in 1934, however, Cuba granted 20–60 percent tariff reductions on 480 products while ending up with a smaller share of the U.S. consumption of sugar, rum, and tobacco. The most important change was that while the 1902 treaty favored only 241 classes of merchandise (52 percent) with preferential treatment ranging from 25 percent to 40 percent, the 1934 treaty gave tariff concessions between 25 and 60 percent to 406 categories of merchandise (63 percent of the total).<sup>12</sup> While the reduction of tariffs on sugar and other primary products encouraged the growth of those sectors in Cuba, the increased competition from North American imports dealt a serious blow to efforts to diversify the Cuban economy. Thus, from 1933 to 1940, the U.S. portion of Cuba's imports increased from 54 to 77 percent.<sup>13</sup> Therefore, while in the aftermath of the world depression nationalist governments in Mexico and other Latin American countries embarked on a protectionist tariff policy to encourage import substitution, Cuba, as a direct result of the reciprocity treaty, had no such option.

To make matters worse for Cuba, the U.S. Congress approved the Jones-Costigan Act just before the new reciprocity treaty went into effect. This law replaced tariffs with quotas as the means of protecting U.S. domestic sugar producers. The U.S. secretary of agriculture now had authority to assign quotas to all sugar producers, domestic and foreign, on the basis of the secretary's estimation of national sugar needs. While Cuba had derived some slight benefit from the lowered tariffs in the 1934 reciprocity treaty, the country initially was harmed by the quota system, which was based on the participation of sugar producers in the U.S. market between 1931 and 1933. Under the impact of the 1930 protectionist Hawley-Smoot Act, the Cuban share of the U.S. market during those three years was the smallest that Cuba had at any time. Cuban sugar production and exports to the United States did increase throughout the 1930s but did not return to the level of the 1910s and early 1920s.<sup>14</sup> As a result of the limits set by the new law, Cuban sugar, whether controlled by Cuban or U.S. capitalists, could no longer compete with U.S. producers on an economic basis. Conversely, the price for the sugar that Cuba was allowed to sell in the United States was usually above that of the world market.<sup>15</sup> In sum, these changes spelled the end of the days when Cuba, in free competition with sugar from the United States and other foreign producers, could export

as much sugar as the U.S. market could consume, creating a much more unfavorable and asymmetrical economic situation for Cuba than had prevailed from 1902 to 1934. This new greater power asymmetry between Cuba and the United States was further reinforced by the fact that Cuba's sugar quota under the 1934 Jones-Costigan Act was unilaterally determined by the U.S. Congress rather than being the outcome of bilateral trade negotiations between the two countries.

During World War II, many of Cuba's sugar competitors suffered considerable war damage, but the benefits of that situation for Cuban sugar were significantly diminished by an agreement signed by Cuba and the United States. Cuba, as a war ally of the United States, agreed to sell its sugar to its North American neighbor at fixed prices for the duration of the conflict. During this period, Cuba produced 20 million tons of sugar, but the price paid by the United States remained below world market prices, meaning that the island failed to obtain an increase in income proportionate to the rising levels of sugar production and exports.<sup>16</sup> According to estimates made by Jorge Domínguez, real per capita income in Cuba remained the same in 1945 as in 1938, although significant variations had occurred within this period.<sup>17</sup> As the war created difficulties in transportation between Cuban and U.S. ports, Cuba planned to develop a small merchant marine to transport sugar to nearby ports in Florida and Louisiana and to bring home industrial raw materials and finished products. This plan, initiated by Cuba's Junta de Economía de Guerra de Cuba (War Economy Board), provoked an official note from the U.S. government objecting in advance to any future efforts to reduce the amount of cargo carried between the two countries by the U.S. merchant marine. The note also contained veiled threats of economic reprisals if such a situation came to pass.<sup>18</sup>

The U.S.-Cuban trade system established in 1934 remained basically unchanged with the 1948 passage of the U.S. Sugar Law, which continued the quota system allocating U.S. sugar imports to sugar-exporting countries and remained in force when U.S.-Cuban relations ended in 1961. The year 1948 also witnessed the foundation of the General Agreement on Tariffs and Trade (GATT), with both Cuba and the United States as founding members and with Cuba as host for the first part of the founding conference that concluded later that year in Geneva, Switzerland. The multilateral GATT agreement required Cuba to sign a new bilateral exclusive agreement with the United States. Neither GATT nor the new Cuban-

U.S. agreement affected in any way the U.S. Sugar Law or the tariff preferences given to U.S. products in Cuba. Under the new arrangements, if Cuba gave to a third country the same tariffs given to a U.S. product, Cuba had to “compensate” that U.S. product with additional advantages. Nevertheless, Cuba benefited to some extent from GATT, granting some tariff concessions to Great Britain and expanding economic relations with that country as well as with other states such as Canada and Germany. Consequently, in the 1950s Cuba became somewhat less dependent on the United States for exports, negotiating sugar sales with a number of countries, including Japan, France, West Germany, the United Kingdom, Canada, and the Netherlands. Even the Soviet Union bought 182,000 tons of Cuban sugar in 1958. Ironically, these non-U.S. sales enabled Cuba to finance its substantial trade deficit with the United States during the 1950s.<sup>19</sup>

### INTERNAL STRUCTURE OF THE SUGAR INDUSTRY

Many of the Cuban economy's problems inhered in the way in which the country's sugar industry developed in the first half of the twentieth century. The prevailing “sprout” (*retoño*) system of sugar cultivation probably doubled the amount of land required for this crop, an extensive exploitation that was possible only because of the abundance of suitable land and the failure to significantly develop alternative crops. A relatively small proportion of farm acreage was dedicated to other crops despite the economic drain caused by food imports, the existence of high rural unemployment, and the existence of abundant cultivable land.<sup>20</sup> During the prerevolutionary period, demand and consequently prices for land remained low.<sup>21</sup> The fluctuations of the international sugar market dictated that some lands be held in reserve for the expansion of sugar production when exports increased. However, as agricultural economist Andrés Bianchi has pointed out, the amount of land kept in reserve exceeded what could be justified by unstable sugar demand. According to Bianchi, from 1953 to 1956 the maximum absolute variation of the area planted with cane represented only about one-fourth of the amount of reserve land held by the sugar mills.<sup>22</sup>

This enormous waste of land and of opportunities for agricultural di-

versification was made possible by the great concentration of land in the latifundia system throughout the first half of the twentieth century. As the sugar industry greatly expanded in the early part of that century, so did the development of large sugar estates, especially in eastern Cuba. At the same time, what had originally been in the late nineteenth century an important group of middle-class landowners became increasingly dependent on the mill owners. The small and medium-sized sugar landlords (*colonos*) had no alternative but to produce according to the prices and conditions determined by the companies. As a result, by the time of the depression, small and medium-sized landed property holdings had declined, as had the number of *colonos*. Moreover, the rural proletariat grew, and its members had no option but to sell their labor power to the sugar mills when they were hiring. Despite the predepression labor shortage, most of the rural population remained unemployed during the “dead” nonsugar season.<sup>23</sup>

In the two decades after the depression, the Cuban sugar industry entered a period of long-term relative decline. Only one sugar mill was built between 1926 and the Cuban Revolution in 1959. By 1955, most of the sugar industry had mechanized the clearing and preparation of land for sugarcane and, in part, the transport of cane to the mills.<sup>24</sup> However, the overall lack of technical improvements and significant new capital investments led to a situation in which Cuba, although the leading producer and exporter of sugar, came to lag behind almost all of the main sugarcane-producing countries in cane yield per hectare. Although this deficiency was somewhat overcome by the high raw-sugar content of Cuban cane, thus reducing the differential in raw-sugar yield per acre, Cuba occupied a secondary position in this area as well.<sup>25</sup> The excessive capacity built during the 1920 sugar boom and the lack of substantial growth in the international sugar market discouraged significant capital expansion in the industry. These factors combined with the limited modernization that had occurred to reduce potential employment, and the size of the sugar industry’s agricultural workforce barely changed even though the country’s population grew significantly through the 1940s and 1950s. In 1928, the sugar industry employed 339,362 persons; in 1937, 361,172; in 1940, 350,077; in 1952, 353,660; and in 1955, 351,037.<sup>26</sup> The length of the *zafra* (sugar season) gradually shrank from approximately 300 days at the beginning of the twentieth century to an average of 210 days in the 1920s, 104 days in the 1930s, and 95 days in the postwar period, with the resulting growth of seasonal unemployment.<sup>27</sup>

## UNEVEN IMPERIAL DEVELOPMENT

Unevenness lies at the heart of capitalist development in at least two major ways: first, different economic sectors (e.g., textiles, railroads) within any given capitalist economy typically develop at different times, rhythms, and tempos; second, different national capitalist economies begin their development at significantly different times. Whether a country is an early or late-developing capitalist country has a major impact on the process of economic development. As the first industrial capitalist country, Britain could take the time to go through a series of developmental stages from the putting-out system of cottage industry to fully mechanized industry. Such was not the case for the later capitalist development of countries such as Germany and Japan and particularly for Russia and countries that many years later came to be known as the Third World. In particular, given the existence of international competition and world trade, late-developing capitalist countries could not go through the various stages of development that Britain had experienced. The late-developing countries had to begin with competitive, state-of-the-art industrial installations—whether in steel, electronics, or any other sector of production—that were at least as if not more advanced than existing plants in economically developed countries. Thus, for example, in the latter part of the twentieth century, brand-new Brazilian, Korean, and Japanese steel plants were usually more efficient than U.S. plants as a whole, since the latter necessarily consisted of a mixture of new, middle-aged, and altogether obsolete plants. The creation of these new plants required huge amounts of capital, precisely the factor of production that was most likely to be scarce in the countries attempting to industrialize. This helps to explain why—aside from foreign investment—nation-states have tended to play a much bigger role in the economic development of late-developing capitalist countries than in those that developed earlier. Given weak native capitalist classes, these states were often the only national entities capable of amassing such large amounts of capital, and they played a major role in assisting and protecting these nascent industries through a variety of means ranging from technical assistance to tariff protections.<sup>28</sup> In addition, economic crises, including those provoked by the failure of native industry to compete successfully in the international market, often encouraged further state regulation if not the outright nationalization of industry.

Uneven development also played an important role in the relations

among the imperial powers. Relatively late industrializing countries such as Germany and Japan quickly became rivals of the established imperial capitalist powers such as Britain, France, and the United States. In fact, Japan and Germany's unusual aggressiveness (Germany's European expansionism and colonial policy in Africa and Japan's colonial policy in Korea and the rest of Asia) can at least partly be explained as a function of their arrival after the older imperialist capitalist powers had already appropriated most of the colonial booty. Instead of becoming imperial subjects of the already established powers, Germany and Japan became imperial rivals of Britain, France, and the United States. This was obviously not the fate of dozens of countries in the world that fell under the control of the big capitalist powers, whether in the open colonial form adopted by the European powers, mostly in Asia and Africa, or the less open economic form adopted by the United States, mostly in Latin America.

The uneven development of capitalism is also critical to understanding the growth of mass aspirations and expectations in countries that have not yet reached a high level of industrial development. Modern means of communication are, other things being equal, relatively easier to extend and disseminate than means of production and distribution. As a result, the expectations for consumption may rise faster than the means to satisfy them if viewed not from the perspective of the potential productivity and ability of the world economy as a whole to satisfy these expectations but from the perspective of a world divided between have and have-not nation states. This gap, in turn, may under certain conditions stimulate the militancy of working-class and popular movements and nation-states' efforts to regulate and control those movements.

## UNEVEN DEVELOPMENT IN CUBA

These theoretical perspectives on imperialism and uneven development are helpful in seeing the big picture regarding Cuba's society and economy prior to the 1950s. In particular, taking the long view helps us to understand the strikingly uneven modernity that characterized Cuban society on the eve of the revolution.

The dramatic growth of sugar production at the beginning of the twentieth century had profound demographic and cultural effects on Cuba's population. For many years, Cuba experienced substantial immigration.

As a result of a serious labor shortage, no fewer than 1.28 million immigrants entered the island from 1902 to 1930. Taking into account the fact that many immigrants returned to their countries of origin, Cuba's population is estimated to have grown by six hundred thousand as a direct result of immigration during this period. Approximately one-third of these immigrants were black workers from the Caribbean, primarily Haitians and Jamaicans. Spain accounted for most of the remainder, with a large proportion coming from Galicia, Asturias, and the Canary Islands. (Cuba also had a significant Chinese community dating back to the mid-nineteenth century as well as small Jewish and Arab communities.) The white Spanish immigrants were considered permanent residents and were greatly preferred, with the Cuban government extending subsidies to that group in 1906 and 1911. Although black workers received only seasonal status, many remained in the country permanently despite their precarious legal situation and the substantial expulsions that took place during the 1930s.<sup>29</sup>

As a result of this immigration, the considerable growth of a multi-racial working class, and other changes that took place in the early part of the twentieth century, Cuba acquired some of the characteristics of a frontier society, particularly in the rapidly growing east. This trait, in addition to the relatively shallow implantation of the Catholic Church, which has been heavily white, urban, and middle class in composition, and the weakness of class oligarchies and traditional army rule confirmed by the 1933 revolution<sup>30</sup> prevented the formation of the rigid cultural class hierarchies common in the rest of Latin America. Of course, plenty of class and racial inequality existed, as did poverty, but these phenomena were not accompanied by the degree of social and cultural submission and deference found in other Latin American societies. The plantation culture fostered by the sugar industry considerably loosened the ties between workers and employers. The culture of traditional ties and obligations of precapitalist Latin America was replaced by the impersonality inherent in wage labor and collective trade union militancy. At the level of popular culture, irreverence and the rejection of pomposity and arrogance were strengthened as important features of the Cuban national character. There was no worse sin than being a *pesado*, literally a heavy but used colloquially as an untranslatable term with connotations of humorlessness, dullness, tiresomeness, pomposity, and conceit.

The explosion in sugar production also stimulated growth in transpor-

tation, communications, energy production, and construction, thereby contributing to the country's economic development and modernization in cultural as well as economic terms. In addition to significant improvements in sanitation and health and educational levels, this period witnessed the creation of a modern working class and the expansion of the Cuban bourgeoisie. Thus, while there is no doubt that sugar monoculture constituted a form of seriously distorted economic development, the assumption of Cuban dependency theorists such as Francisco López Segrera that prerevolutionary Cuba experienced only economic growth rather than economic development (i.e., rising economic activity without significant change in the economic structure of underdevelopment) is either tautological (all economic activity not fitting a schematic, predetermined model is defined as mere growth) or false.<sup>31</sup>

Historically, Cuba's railroad development was closely related to sugar production, which was usually conducted in mills surrounded by extensive sugarcane fields. Thus, on November 19, 1837, Cuba became the world's seventh country to inaugurate railroad service, doing so more than a decade before its Spanish colonial masters.<sup>32</sup> By 1950, Cuba's network of railways, although poorly maintained, was equivalent to nearly 3.4 kilometers per thousand people, compared with slightly over 2.4 kilometers per thousand people in the United States. Of these railways, 72 percent were private lines operated principally to convey cane from the fields to the mills, and even the public service railways were closely related to the sugar industry.<sup>33</sup> By the 1950s, Cuba lacked good secondary farm-to-market roads, but the Central Highway, built in the 1920s and in need of upgrading, provided relatively advanced transportation and communication for almost the entire length of the 785-mile-long island.<sup>34</sup>

Cuba was also unusually advanced in the field of communications. The telegraph was introduced in 1851, just seven years after the first line was built in the United States. The first cable went into operation in 1867, shortly after the completion of the North American cable. Telephone service began in 1899, only eleven years after the first commercial exchange was established in the United States. In 1910, Havana became the first city in the world to use an automatic telephone system on a multiexchange basis.<sup>35</sup> In fact, Ernesto "Che" Guevara argued that Cuba's relative advancement in communications and other technical matters allowed for the centralized control of some enterprises, thereby facilitating state economic planning.<sup>36</sup>

By the early 1930s, commercial radio and with it popular music had become an important vehicle for the considerable cultural homogenization of the island, as did the introduction of commercial television at the beginning of the 1950s. In this light, it is not difficult to explain Cuban workers' desire "to reach a standard of living comparable with that of the American worker,"<sup>37</sup> aspirations rooted in the conditions of late-developing capitalist countries exposed to existing consumer standards in the economically developed world.

Cuba's peculiar economy, class and racial ambience, and political developments helped to create what was by Latin American standards a relatively advanced, secular, and socially liberal society. In 1917, married women gained the right to administer and dispose of their property and to make public and private property contracts.<sup>38</sup> No-fault divorce was legalized in 1918, and women's suffrage was decreed in 1934 and came into effect in the elections of 1936, not too long after women in advanced industrial countries acquired the right to vote.<sup>39</sup> Between 1929 and 1933, 19 percent of Cuba's university students were women, as were 27 percent of those enrolled in U.S. universities.<sup>40</sup> While abortion remained formally illegal in Cuba until well after the 1959 revolution, it was relatively safe and inexpensive, at least in urban areas, and was widely practiced with minimal interference from the police and legal system. Although homosexuals encountered much intolerance, the phenomenon resulted from the relative backwardness of civil society rather than from legislation: systematic government discrimination against gays was an innovation of the revolutionary period. If modern medicine was not more universally utilized in the country, it was because of grossly inadequate coverage, particularly in the countryside, not primarily because of any cultural obstacles or rejection by the majority of the population.

## STANDARD OF LIVING

The Cuba of the 1950s, as indicated earlier, ranked relatively high among Latin American countries in terms of per capita income and means of transportation and communication. In addition, Cuba also ranked high in terms of several other Latin American standard-of-living indexes. Only Mexico and Brazil had a higher number of radio sets per capita (Cuba had one for each 6.5 people), and Cuba ranked first in the number of

television sets and telephones (one per twenty-five and thirty-eight inhabitants, respectively), newspaper readership (one copy per eight persons), and automobiles (one for every forty inhabitants). According to the 1953 Cuban census (the last count before the 1959 revolution), 76.4 percent of the population could read and write, a level that trailed only Argentina (86.4 percent), Chile (79.5 percent), and Costa Rica (79.4 percent). Cuba ranked behind only Argentina and Uruguay in the number of persons per medical doctor and average food consumption.<sup>41</sup>

However, this apparently positive picture was misleading in a number of fundamental respects. First, the country's stagnation and lack of economic diversification did not augur well for the future of living standards. As Dudley Seers has pointed out, if the degree of dependence of the national product on sugar had continued through the 1960s and 1970s, sugar production would have had to rise to 7 million tons in 1961–65 and to well over eight million tons in 1971–75, with no deterioration in the terms of trade, for Cuba to maintain the economic status quo of the 1950s.<sup>42</sup> Given the gradual acceleration of population growth, which reached 2.5 percent a year in the late 1950s, while the labor force was growing by at least as much, it is no wonder that in 1957 the rate of unemployment was 16.4 percent, with an additional 17.1 percent underemployed. For the entire period of the republic (1902–58), the number of jobs grew only 39 percent as much as the size of the employable population.<sup>43</sup> Approximately 50,000 young people entered the labor force every year. Thus, while approximately 150,000 new job seekers entered the Cuban economy between 1955 and 1958, only 8,000 new jobs were created in industry despite the fact that foreign investment was growing.<sup>44</sup>

Most importantly, the national indexes of living standards hid dramatic differences between the urban (57 percent of Cuba's population in 1953) and rural areas (43 percent) and especially between the capital city, Havana (21 percent of Cuba's total population), and the rest of the country. Sixty percent of physicians, 62 percent of dentists, and 80 percent of hospital beds were in Havana.<sup>45</sup> The 1953 census showed that 28 percent of all radio receivers, 43.8 percent of television sets, and 64.5 percent of refrigerators in the country belonged to people living in the capital. The *habaneros* also owned 62.7 percent of the country's automobiles and 76.8 percent of the telephones.<sup>46</sup> The differences between the capital and the rest of the country can be explained in terms of their occupational distribution. With practically the whole impoverished rural proletariat liv-

ing outside of the capital and with 50 percent of the country's industry concentrated in Havana, 20.6 percent of the metropolitan labor force was employed in industry, 6.2 percent worked in transport, and 6 percent worked in construction. For the country as a whole, by contrast, 15 percent of the labor force was employed in industry, 4.3 percent worked in transport, and 2 percent worked in construction. The government bureaucracy was also heavily concentrated in the capital, as were disproportionate amounts of the import and export trade, media, communications, and other business activities. Thus, 42 percent of the Havana labor force was involved in services and 18 percent in commerce, whereas in the rest of the country these economic activities accounted for only 13 percent and 9 percent of the labor force, respectively.<sup>47</sup> These findings suggest that a considerable proportion of the country's economic surplus was diverted from the countryside to Havana and the other major cities. However, this does not mean that urban workers were not exploited, particularly given the pressure exerted on urban wage levels by rural-urban migration and large-scale urban unemployment. Widespread and very troubling urban poverty resulted, although they did not reach the depths and extent found among rural workers and peasants.

The most thorough and up-to-date account of rural living conditions before the 1959 revolution appears in a survey conducted by the Catholic association at the University of Havana during 1956–57.<sup>48</sup> This study found that while the rural working population constituted 34 percent of the national population, it received only 10 percent of the national income.<sup>49</sup> Rural working people spent 69.30 percent of their income on food, 10 percent more than had been required to maintain a minimal diet in 1934.<sup>50</sup> Whereas in 1953 the rate of illiteracy for the Cuban nation as a whole was 23.6 percent and the rate for Havana was only 7.5 percent, 43 percent of the rural population could not read or write, hardly surprising in light of the survey's finding that 44 percent of these rural working people had never gone to school, compared to only 26 percent of the urban population.<sup>51</sup> Nutrition was also found to be poor and unbalanced, depending heavily on the consumption of rice, beans, and roots and very little meat, fish, bread, or even fruit.<sup>52</sup> Diseases caused by lack of clean water and proper hygienic facilities were common, while only 8 percent of the rural people surveyed received free medical care from government institutions. More than 80 percent of the survey's respondents declared that their only access to medical care was through fee-charging medical

practitioners.<sup>53</sup> The study also found that 63.96 percent of these rural inhabitants had neither indoor nor outdoor plumbing, 88.50 percent had to obtain water from a well, and only 7.26 percent of dwellings had electricity.<sup>54</sup> In contrast, the 1953 census had found that among urban dwellings, 61.7 percent had either indoor or outdoor plumbing, 76.6 percent had either indoor or outdoor running water, and 87 percent had electricity.<sup>55</sup>

Another important gap existed between Cuba's white and black populations. While the pattern of racist practices differed from that prevailing in the United States in that North American racism more heavily emphasized spatial segregation, Cuba experienced plenty of racial discrimination, as demonstrated by patterns of employment, education, income, and health, among other indexes.<sup>56</sup>

### REACTION TO UNEVEN IMPERIAL DEVELOPMENT IN CUBA

By the late 1950s, despite its modest degree of economic diversification and periods of relative prosperity often associated with war conditions abroad, Cuba remained an essentially monoculture economy relying heavily on a declining sugar industry. In turn, a sugar industry highly dependent on unstable world market prices and the unilaterally determined U.S. sugar quotas created an economic culture of uncertainty. The massive and chronic unemployment that resulted from the short sugar crop reinforced this uncertainty and seriously disappointed popular expectations and aspirations for a better life. Economic discontent, frustration, and lack of hope marked the Cuban psyche even in times of relative economic growth, such as the post-World War II period.

These characteristics of the Cuban economy substantially affected Cuban workers' behavior. The virtual elimination of noncapitalist subsistence relations of production and the relatively advanced means of communication and transportation had created an urban and rural working class that was modern in certain fundamental respects. Cuban workers were generally sober, were quick to learn, and had a healthy dose of self-respect. Punctuality, low absenteeism, and other forms of industrial discipline had taken hold.<sup>57</sup> The urban and rural working class was also fairly heavily unionized (approximately 50 percent in the 1950s) and militant. Because of the economic instability, substantial unemployment, and even

insecurity regarding pensions and retirement,<sup>58</sup> workers, urban and rural, prioritized employment security in their union and political demands. The 1957 study of the rural population found that 73.46 percent of those interviewed thought that the solution to their problems was more employment opportunities, ranking that option above all others, including improvements to schools, roads, and hospitals.<sup>59</sup> This perspective explains why Cuban legislation subsequent to the 1933 revolution made it difficult to fire workers and almost closed the country to the employment of foreigners, even as technicians.<sup>60</sup> Cuban workers, far more often than not, usually opposed mechanization in such industries as tobacco manufacturing, not out of some abstract opposition to technological progress but because of their well-founded fear that the jobs lost to mechanization and automation would not be replaced by new unionized jobs. This approach constituted rational behavior in light of the existing alternatives. In addition, worker militancy had raised the cost of Cuban labor so that it was expensive by Latin American standards.<sup>61</sup>

The prevailing climate of economic uncertainty also affected Cuban capitalists. A rentier mentality affected large sections of the moneyed classes and discouraged risk taking and entrepreneurship. The IBRD's 1951 *Report on Cuba* pointed out that Cuban banks had considerable liquidity and that Cuban capital savings showed a marked tendency to go abroad or to be hoarded for real estate investment or speculation at home. This phenomenon was related to a lack of confidence in the country's economy and to an aversion to tying up funds for significant amounts of time that logically led to a lack of desire to invest in industry.<sup>62</sup> Not surprisingly, the general economic instability, coupled with worker militancy and capitalist economic conservatism, led to state regulation and intervention that became quite important in prerevolutionary Cuba, as it did in many other less developed capitalist countries. This process reached a high point after the 1933 revolution resulted in significant social legislation and the establishment of a Cuban version of the welfare state and the loss of at least some of the Cuban capitalists' direct political power in exchange for the preservation of their economic rule.<sup>63</sup> State regulation of the sugar industry had already begun in the 1920s but reached its high point with the Ley de Coordinación Azucarera (Law of Sugar Coordination) approved on March 3, 1937. Thus, when the Cuban revolutionary leadership nationalized the sugar lands and mills in 1960, it took over an industry in which the Cuban state, with input from representatives of mill owners, *colonos*,

and labor unions, already regulated prices and total production, the allocation of production among the existing 161 mills, and workers' wages.

The 1937 law and other sugar legislation also responded to the concerns and political pressures exerted by the primarily white rural middle class, which had found extensive ideological support among influential intellectuals such as Ramiro Guerra and the population at large for the claim that this class most authentically represented *Cubania* (Cubanness). Thus, the law also put into effect measures protecting the rights of the small and medium-sized *colonos*, thus restraining the process of their elimination by bigger holdings.<sup>64</sup> However, the security earned by these sugar growers led, in light of the logic of a competitive capitalist agriculture, to economic irrationalities. Thus, the law established land rents paid by the growers at 5 percent of milled sugar output, regardless of cane prices. Although a major rise in the price of an agricultural commodity competing with sugar would seem to have led sugar growers to shift their land to more profitable uses, the fact that these sugar *colonos* had permanent tenure—as long as they met their sugar quota and paid their rents—made it unlikely that they would have been tempted to plant other crops even if they were significantly more profitable.<sup>65</sup>

A parallel situation developed in relation to the workers' struggle against exploitation by the mill owners. The 1937 law and subsequent legislation required that sugar workers be paid the same minimum wage during the sugar harvest as during the dead season. Thus, the wage rates that the sugar companies would have had to pay for the planting of subsidiary crops throughout the rest of the year were legally fixed at the level prevailing in the most productive sector of agriculture during the period of peak demand. While this legislative concession made perfect sense from a humanistic and working-class point of view, it violated the logic of the capitalist marketplace. As a result, investment in agricultural diversification became less attractive to the sugar capitalists, the people with the largest financial resources and best farmland in Cuba, and may have contributed to unemployment in the countryside.<sup>66</sup>

Worker militancy also led to increased state regulation of labor relations in the sugar and other industries. After the late 1930s, the state exercised a great deal of paternalism with regard to the unions and attempted to influence their internal affairs. The Ministry of Labor became a crucial institution in settling all sorts of external and internal trade-union affairs, and many labor conflicts were ultimately settled by the binding

arbitration of ministry functionaries, with political pressure from both capitalists and workers affecting the outcome. By the late 1940s, this governmental trend had become so dominant that the *Report on Cuba* even thought it to be more important than collective bargaining.<sup>67</sup> This period also saw great competition between Communist labor leaders, who had just been forcefully expelled from many of their union positions as the Cold War began to affect internal Cuban politics, and the Auténtico labor factions that had just been installed in office by party leaders controlling the national government. Many of the resulting labor conflicts were prolonged, and the Auténtico governments were occasionally forced to use the tool of “intervention”: a government functionary would take over the enterprise and administer it while the owners retained their entitlement to ownership rights and benefits. Employers strongly disliked this kind of intervention, although the U.S. Commerce Department recognized that Cuban government economic activity had been largely regulatory rather than operational and represented a response to social and economic problems rather than to ideology.<sup>68</sup> Other economic reforms were carried out throughout the late 1940s and early 1950s, increasing the Cuban government’s role in the economy with the creation of the Cuban National Bank and subsequent establishment of the peso as sole legal tender and establishment of important credit institutions such as BANAIC (the Banco de Fomento Agrícola e Industrial de Cuba, or Cuban Bank for Agricultural and Industrial Development).<sup>69</sup>

Government actions designed to quiet if not fully satisfy popular discontent often negatively affected the normal functioning of the capitalist market. Thus, for example, the depression-era mortgage moratoria decreed by the Cuban government in 1933, 1934, and 1940 seriously impacted interest rates and other aspects of mortgage lending in rural and urban properties.<sup>70</sup> In June 1949, President Carlos Prío of the Auténtico Party decreed the lowering of electricity rates to their 1944 level. In less than a month, the U.S.-owned Cuban Electricity Company canceled its plans to modernize and improve its power plants and blamed the action on the rate reduction.<sup>71</sup> Labor militancy and popular discontent stimulated by the unfulfilled expectations of the postwar period undoubtedly placed the Prío administration in a very difficult position and unquestionably contributed to its eventual overthrow by Batista in 1952. As *Business Week* perceptively assessed the situation,

As Cuban labor gets more and more politically aware, the government is backed even farther into a corner. . . . If [Prío] grants labor's demands, say for a wage increase, he risks boosting sugar production costs to the point where Cuba will be partially priced out of the world market. But if he can't keep the workers' standard of living within the political safety zone, he will be tossed out of office willy-nilly. . . . There is no doubt that Cuban labor has put management—particularly foreign management—in a tough spot. . . . The frequency with which recent strikes have been settled in favor of the workers' claims is a sign of the times. And it is significant that most settlements in the past couple of years have resulted from special government decrees.<sup>72</sup>

In sum, Cuba's uneven development led to contradictions in the conditions and consciousness of its working class. The fluctuations in foreign capital investment and state regulation responding to economic crises and working-class militancy led to a stagnating economic system that in turn fostered and protected the organization of industrial and agricultural workers and raised their cultural level and consciousness but also limited their ability to make greater economic and social gains. The Cuban working class's cultural and political level and its knowledge of the standard of living of the Cuban upper and middle classes and of North American society gave it economic, social, and political aspirations that could not be met by a Cuban economy caught in the contradictions of monoculture, foreign economic domination, and state regulation.<sup>73</sup>

This situation also led the IBRD's 1951 *Report on Cuba* to use the idea of a "vicious circle" to describe and analyze the quandary in which Cuba's economy and society found itself in the middle of the twentieth century. Using the notion of vicious circle as its leitmotif, the IBRD's highly influential analysis called attention to the phenomenon of a stagnant and unstable economy that created resistance to improvements in productivity, yet such improvements represented an important way to create a more progressive, more stable economy.<sup>74</sup> The study contained numerous recommendations for how to break the vicious circle and bring about economic progress, but many of these recommendations, written from the perspective of the mainstream economics of the time, failed to offer any consideration of conflicting class interests in Cuban society. Apparently based on the assumption that in the end the market always corrected itself

and produced the greatest happiness for the greatest number, the IBRD proposed that if sugar wages continued to be tied to sugar prices, wages should be allowed to move downward as well as upward; that somewhat lower wages should apply to additional, supplementary employment during the dead season and to new types of production introduced in the sugar mills;<sup>75</sup> that the Cuban public should be prepared to pay more for better phone service;<sup>76</sup> that the provincial agricultural schools should no longer offer free tuition but should charge at least some token fees;<sup>77</sup> and that any future agrarian reform should not give away the land to the peasants at no charge.<sup>78</sup> Last but not least, the report complained that Cuban workers' economic education had probably been in the hands of "class-struggle" doctrinaires. In response, the IBRD economists recommended voluntary cooperation among labor, management, and workers with the goal of introducing a number of substantial changes such as the end of job tenure and its replacement by the system of dismissal wages in use in other Latin American countries.<sup>79</sup>

The *Report on Cuba* unquestionably captured the need for substantial changes to enable the Cuban economy to grow and modernize but implicitly recommended a fairly radical break with the vicious circle in a clear laissez-faire capitalist direction. Otherwise, the report warned, "social tension will grow, with the danger that some form of dictatorship would arise to 'solve' the country's problems."<sup>80</sup> As one would expect, the drafters of the report failed to ask themselves whether the particular changes they were advocating could have been brought about by anything other than a right-wing dictatorship, and an extreme and ruthless one at that.

The vicious circle concept inadequately captured the problems of the Cuban economy by ignoring how these problems constituted contradictions systematically rooted in the nature of semideveloped Cuban capitalism. First, Cuba, like most late-developing capitalist countries, had a regime of state economic intervention that created, in capitalist terms, economic distortions. Second, Cuban workers, again like those in many other late-developing capitalist countries, tended to be more militant, encouraged both by the existence of an interventionist state and the example of greater worker success in the advanced economies, while the Cuban capitalist economy's ability to satisfy this militancy remained low. Third, Cuba, with an economy that was both late developing and subject to the needs of imperialism, maintained some of these distortions in response

to the international capitalist marketplace (i.e., the significant and sometimes large fluctuations in the price of sugar) as well as in response to the demands of workers.<sup>81</sup>

As long as the fundamental structural dimensions of a Cuban monoculture economy continued to exist, reinforced by reciprocity treaties and other imperialist measures, the vicious circles would continue to reproduce themselves. Thus, the vicious circles existed not because some real economic problems elicited a set of mistaken and avoidable policies but instead because of profound contradictions inherent in the nature of the Cuban economy in the first six decades of the twentieth century. As mentioned earlier, state intervention and regulation were hardly unique to the Cuban economy and were common features of latecoming capitalist countries, particularly in the less industrialized parts of the world.

### **A PARTIAL ATTEMPT TO BREAK THE "VICIOUS CIRCLES"**

In March 1952, General Fulgencio Batista took power through a military coup d'état, bringing to an end a twelve-year experiment in constitutional democratic government. The coup was made possible by the political and moral crisis of corrupt Auténtico rule and by the labor militancy and other forms of social unrest that had been openly expressed during the democratic interlude. Although the Batista dictatorship worsened the country's problems, it did attempt to reduce if not completely break the vicious circles by implementing a few of the policy changes favored by employers and the IBRD mission.

However, Batista was no Augusto Pinochet. Unlike the Chilean dictator of the 1970s, Batista's relationship with the upper classes was based not on solid, organic ties but on a temporary convergence of interests. Batista's corruption, extreme even by the standards of the corrupt 1940s, and his opportunistic, nonideological brutality eventually alienated those moneyed Cubans who had originally accepted and even welcomed his return to power in 1952. As Robin Blackburn has aptly described, Batista's regime occupied a precarious social position:

The Batista machine was politically isolated, since it possessed no real roots in local class formations. It was thus forced to make

such internal alliances as it could, within the limits set by the U.S. international and economic policy of the period. The dictatorship remained, of course, the guarantor of the capitalist order in Cuba, but this was because of the context external to it, not because of its class content or ideological orientation. Within the limits of this context, its policy was purely opportunist.<sup>82</sup>

Moreover, the Cuban working class had not been so weakened by the military takeover as to allow for the success of a Chilean style antilabor offensive had Batista been tempted to follow such a course of action. Therefore, instead of undertaking a frontal offensive, the Batista regime whittled away at labor's power, curtailing civil liberties and turning the top members of the labor bureaucracy into the regime's collaborators. As a result, the number of strikes was greatly reduced, but relatively few legislative changes were made to diminish labor's legal and social position. A 1956 report by the U.S. Department of Commerce prepared to provide "basic information for United States businessmen" noted that the labor situation had improved materially in 1953–55.<sup>83</sup> Indeed, "interventions," or operational takeovers of enterprises, which had grown in number from twenty-five under the Auténtico Grau San Martín administration (1944–48) to sixty-five during Prío's administration (1948–52), almost disappeared during the Batista dictatorship.<sup>84</sup> Batista's government introduced the shipment of sugar in bulk and increased the use of the *despido compensado* (compensated layoff). As the country's political situation worsened, Batista instituted giveaway programs to encourage foreign investment. Near the end of his rule, he even raised the rates charged by the U.S.-owned telephone company, something other administrations—and even Batista himself—had previously not dared to do.

The prolongation of sugar prosperity induced by the Korean War reached its peak with the record 1952 crop. However, the period immediately after Batista's coup coincided with a decline in the international sugar market, a major cause of Cuba's subsequent serious economic recession. From 1952 to 1953, per capita income in Cuba fell by 18 percent as a result of a drop in production and the deterioration of the terms of trade. This economic relapse almost neutralized the growth of the postwar period, as per capita income dipped to near the 1945 level.<sup>85</sup>

By 1954, the gradual but steady government and employer attacks on the Cuban working class's gains since the 1933 revolution were begin-

ning to make themselves felt. The 1954 *Economic Survey of Latin America* pointed out that labor's share of the country's net income had fallen from 70.5 percent in 1953 to 66.4 percent during 1954. Furthermore, on the whole, the average wage rate had decreased. Other sectors were barely able to absorb the workers left idle by the sugar decline, and salaries and wages decreased 4 percent between 1953 and 1954.<sup>86</sup>

Growing political discontent eventually led the Batista dictatorship to implement policies to improve the economic situation, even if only temporarily, through the 1954 Social and Economic Development Plan. Central to this plan was the policy of compensatory expenditures based on the Keynesian concept that public expenditures had a multiplier effect on the growth of national income. While the plan gave lip service to the goals of agricultural diversification and industrial development, its real goal was to promote expenditures in wages and salaries to compensate for the disastrous effects of the decline in sugar production. At the same time, the plan created opportunities for the enrichment of public officials and their business associates.<sup>87</sup>

The new economic strategy led to a partial recovery that began in 1955 and reached its peak two years later, when the estimated growth of the gross product in real terms surpassed 8 percent, at least in part as the result of a rise of sugar prices in the international market.<sup>88</sup> The improvements were small, however, and the economy did not approach the strength that it had enjoyed during the period of postwar prosperity. Serious chronic unemployment continued to plague the country: as the *Economic Survey of Latin America* pointed out, "during the relatively prosperous interval between May 1956 and April 1957, 16.4 percent of the labor force" was unemployed.<sup>89</sup>

## THE BASES FOR GROWTH IN THE LATE 1950S

The economic growth that occurred during the late 1950s did not constitute a major departure from the relative stagnation or at best slow growth that the Cuban economy had been experiencing since the depression.<sup>90</sup> Taking into consideration that population growth had accelerated in the 1950s at the rate of 2.5 percent a year, in 1958 per capita real income remained about the same as in 1947.<sup>91</sup>

U.S. capital had long been withdrawing from sugar. Whereas in 1939 U.S. investors controlled 55 percent of Cuba's sugar production, that number had fallen to 40 percent by 1955.<sup>92</sup> Moreover, North American investors were also becoming relatively less interested in agriculture. The Batista dictatorship's probusiness climate encouraged some new U.S. investments in petroleum and mining, electricity generation, telephone communications, and tourism.<sup>93</sup> In 1958, U.S. investment in Cuba amounted to slightly over \$1 billion. While investment in agriculture rose from \$203 million in 1950 to \$265 million in 1958, investment in petroleum grew from \$20 million to \$90 million, investment in mining shot from \$45 million to \$180 million, and investment in public utilities escalated from \$271 million to \$394 million during the same period.<sup>94</sup>

This renewed U.S. investment was coupled with Batista's policy of public works. Thus, out of the total bank credits conceded by the Batista dictatorship at the end of September 1957, only 6.1 percent were destined for agriculture and 29 percent for industry, while 62 percent were assigned to such relatively unproductive public works projects as the construction of a tunnel under Havana Bay. As a United Nations report pointed out, this public investment "had not been accompanied by an adequate expansion in the productive capacity of agriculture and industry or by any marked improvement in employment figures."<sup>95</sup>

Some diversification had taken place in the Cuban economy: for example, large-scale, specialized rice production had risen from 118.2 metric tons in 1951 to 256.8 tons in 1957 before declining somewhat to 225.9 tons in 1958.<sup>96</sup> Nevertheless, sugar remained king. The obstacles encountered by Cuban rice production constitute a telling case study of the imperial subjection of the Cuban economy. By the mid-1950s, Cuban domestic production was satisfying 52 percent of domestic demand at the expense of rice grown in the United States. U.S. rice growers protested, and the U.S. Department of Agriculture supported them and implied that the Cuban sugar quota might be reduced. In response to this threat, Cuban sugar and commercial interests lobbied to defend the sugar interests, thus opposing economic diversification. As a result, Cuban state banks failed to provide credits to expand rice cultivation, and the Cuban government formally agreed to import rice from the United States to protect the preferential treatment of sugar. Between 1955 and 1959, Cuban rice imports grew by much more than domestic production, and the proportion of national consumption satisfied by domestic production shrank by 5-7

percent.<sup>97</sup> Thus, in the mid-1950s, the percentage of total exports represented by sugar and other cane products was higher than it had been immediately before and during World War II.<sup>98</sup>

The policies implemented following the 1954 plan had high economic costs. Public debt rose to \$788 million in 1958, and the country experienced a growing balance-of-payments deficit. Cuba's international reserves fell dramatically from \$500 million when Batista took power in 1952 to only \$100 million when he was overthrown at the end of 1958.<sup>99</sup> The modest degree of diversification that had occurred during the 1950s did not substantially alter the basic character of a one-crop economy with massive unemployment, particularly during the eight to nine months of the nonsugar season. The growth of domestic and especially foreign investment under Batista, which had brought about a degree of economic diversification in manufacturing, mining, and commerce, resulted from the creation of an attractive climate of investment through such means as suppressing the union movement's autonomy, repressing strikes, and government giveaways (for example, raising the rates charged by the foreign-owned telephone monopoly).

In spite of all the spending, much of it on unproductive activities, during the last years of the Batista dictatorship, the regime failed to achieve its political aims. By late 1956, political rebellion began to grow rapidly, showing few signs of diminishing as a consequence of the relative upturn in the economic cycle. By and large, however, the political dynamic of the dictatorship's repression and opposition to it constituted the main factors in increasing resistance to the regime during those years when temporary economic improvements occurred.

The prevailing view among Cuban exiles in Florida and elsewhere is that the prerevolutionary Cuban economy was sound and had a bright future. An early, typical expression of this attitude can be found in a massive treatise published under the direction of economist José R. Alvarez Díaz, who had served as treasury minister under Carlos Prío. According to this study, Cuba's 1940–58 economic development “was really extraordinary,” and the causes of Cuba's problems lay not “in any lack of economic development” but “in the lack of a sufficient political and social consciousness and maturity.”<sup>100</sup> Thus, conservative exiles typically perceive only economic development before the revolution, just as supporters of the current Cuban regime, particularly those such as Francisco López Segrera

who follow the dependence school, perceive only economic underdevelopment in prerevolutionary Cuba.

Both of these camps have self-serving and distorted views. In reality, the prerevolutionary Cuban economy featured contradictory, uneven development. On the eve of the 1959 revolution, the fundamental problems outlined by the IBRD's 1951 *Report on Cuba* remained essentially unsolved. The contradictions or vicious circles of the primarily stagnant economy ruled by King Sugar continued to prevail. The relatively ineffectual attempts to break the contradictions or vicious circles coming from the social and political Right had not effected any major changes in Cuba's economic reality.

The failure of the reformist generation of the 1930s to resolve the contradictions or vicious circles of economic instability and stagnation, let alone to achieve full national sovereignty, created a widespread sense of popular dissatisfaction, frustration, and betrayal. In that sense, a large majority of the population had the potential to support radical solutions to Cuba's problems. However, the popular majorities did not necessarily possess such radical, let alone "socialist," political consciousness at the time Batista's dictatorship was overthrown on January 1, 1959.

As far as Fidel Castro and the members of the radical and politically conscious circles close to him were concerned, the profound problems of Cuba's economy and society and the failure of the previous reform efforts made the revolutionary road a possibility grounded in Cuban realities. In that sense, the revolutionary road turned out to be a conscious choice compatible with both the objective need to eliminate the contradictions of the Cuban economy and potential popular support for radical social transformations.