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### **Bloqueo Economics in Cuba**

When I visited Cuba in 2008 and again in 2011, as a visiting professor, together with a Brazilian professor of social work, at the small provincial University of Sancti Spiritus, my professional curiosity was challenged with the huge institutional differences between the state socialist sector, the quasi-capitalist tourist sector with its international investors and local ministerial as well as Schumpeter-entrepreneurial partners, - and the small but enlarging *campesino* or, more general, family-based sector, not only in the countryside. A general feeling was in the air, that "something" was to happen, because the status-quo was considered to be unviable. At the same time, any mentioning of "liberalization" was widely refuted with such an amazing verve, not only by the *nomenklatura*, but also by common people that I was led to dig a bit deeper. How to solve the riddle, why the island Cubans are so poor, exploited and repressed, as they are, when you compare them with the Brazilians who were much worse off in 1959 than the Cubans, but at the same time being so loyal to socialism and the regime. National pride and the trade blockade (*bloqueo*) by the USA were certainly important factors, but as an economist trained in Marxist thought, I started to look for the "economic base" of this very "superstructure phenomenon".

My clue has become the "*Kleinmachnow Syndrome*": The small town of *Kleinmachnow* between Berlin and Potsdam became famous, when the Wall came down, because nearly all its houses and other real estate were reclaimed and finally restituted to their former formal owners who had left for West Germany or West Berlin, when the town became part of the Soviet Zone and later the German Democratic Republic. Like the property-*possessing* *Kleinmachnowers*, the island Cubans see themselves rightly or wrongly threatened by the property-*owning* diaspora Cubans. Only Cuban-type "socialism" protects their status-quo possessions, because private property is for many right-wing Americans and Cubans the very essence of "human rights" and "liberalization". In addition, the longer the present arrangement lasts, the better, because the individual "owner" tends to dissipate into a large crowd of hopefully less interested heirs. Furthermore, the possessors have an incentive *not* to take too much care of the real estate in question by renovating, modernizing and planting trees, so that simple neglect and even plain vandalism become functional as defense strategies. That applies to enterprises, public service institutions and farms as well as individual houses of the pre-1959 era,

and also to apartment buildings, such as the ones erected in the Soviet style during the early 1980s, and pretty run down by now, on expropriated land. **That** is in my view, the real, the massive *bloqueo* of the Island's economic, political and social development, - not (only) the trade embargo.

Another Cuban specialty is the legacy of Che Guevara who tended to think in dichotomies, not only in political and military terms, but also in economics: When "capitalism" is characterized by a *monetary* economy, "socialism" should abolish *money*. In this spirit, Marx' mandate "to each according to his or her needs!" was translated into a *libreta* (food stamps and coupons for other basic necessities beyond food; with only a token price for the good involved) for the very basic goods and services, free access to education, sports, leisure and health services, and low-cost housing. That means that the money which Cubans get for their work in Cuban pesos, is not like a *salary* in a monetary economy, but rather comparable to *pocket money* or an *allowance* for children, because the basic needs of the receivers are taken care of by other means. The other side of the coin is, of course, the dependence of the producers of those goods and services on (quasi) "voluntary" labor and/or on "subsidies" from public sources such as the national budget or grants from friendly international partners such as the Soviet Union or, more recently, Hugo Chavez` Venezuela. The *convivencia* between a monetary economy for the tourism sector, and a basic-needs-oriented socialist economy for the normal Cuban citizens has led to bizarre arbitration deals, corruption and, in general to a wide-spread delegitimation of the present economic order.

Since the Che-Guevara mode of production and reproduction is now officially denounced as "too expensive" or absorbing "unaffordable subsidies", many ordinary Cubans understandably fear drastic real income cuts in the name of "reforms" when it comes to "unify the exchange rate" and to "strengthen the price mechanism". Escape from the island is one solution, now being opened somewhat by the regime, - but, of course, that is not a solution for the country at large.

In the last few years and months, the main strategy out of the present economic crisis has been the opening of micro-enterprises such as barber shops, small restaurants, repair shops and small-plot agriculture or horticulture in the countryside and in the towns and cities. But the large state farms and the larger collective or cooperative agricultural establishments have remained the dominant form of agriculture, and family-owned enterprises are reluctant or inhibited to take on larger-scale activities and ventures. At the same time, intransparent structures still conceal why "Cuba must import most of its food", while leaving large tracts of land uncultivated.

The situation resembles somewhat the early Soviet Union, when Chayanov propagated the "*Familienwirtschaft*" (family economy/household/enterprise) in his famous book of 1923, which was largely read and reprinted later, in the 1970s and 1980s, by those looking for *non-capitalist modes of production* in the countryside and in the urban "informal sector" of developing countries. His fate is not really encouraging, since Stalin put him in a *gulag* and let him

die, together with millions of so-called *kulaks*, who in the ensuing “class struggle” had been labeled *petits bourgeois* and counter-revolutionaries.

Turnarounds about family enterprises have also been experienced in Cuba. However, the various waves of emigration and flight have now led to a situation in which family members from abroad are supporting nearly every family on the island through remittances, visit gifts and other transfers to such a degree that the economic family archipelago as a whole and the family members on the island do not really rely that much on the enterprise income as the Russian *kulaks* at Chayanov’s time in the early Soviet Union.

Scenarios about Cuba’s future vary between a return of the extreme forms of American capitalism; a somewhat more social, European form of liberal capitalism (or: “monetary economy”); state capitalism à la Russia with a more authoritarian form of government; democratic socialism along European Leftist lines, with a democratic multi-party political system, a strong state sector in the economy, but liberal rules for transnational enterprises and family enterprises; *Guanxi* capitalism like in China with a capitalist economy and a Communist single-party political regime; or a perpetuation of the Lenin+Che/Fidel-devoutness+Chayanov+monetary-tourism deadlock.

Germany could – and in my opinion should! – play a role in breaking up the Kleinmachnow Syndrome, since it can offer a wide historical spectrum of ways to deal with restitution, compensation and owner-possessor conflicts after World War II and after the fall of the Wall. But also other former socialist countries could provide models of Round Tables, compensation funds, and the like. Justice for everybody is hard or nearly impossible to achieve in those truly revolutionary matters, but it should be possible to avoid crass injustice and to achieve institutional and procedural progress with a forward-looking view taking a comprehensive human-rights approach as a general guide. The new Obama administration in the US should be interested, too.

In the same vein, spirit and with empirical evidence, an article of mine, together with my doctoral student Frank Diebel, was written and published about China: *Guanxi* Economics: Confucius meets Lenin, Keynes and Schumpeter in Contemporary China, in *Intervention. European Journal of Economics and Economic Policies*, Vol. 5, No. 1, 2008, pp. 77-104, reprinted in Brazil. The topic of my envisaged larger paper could thus be: *Bloqueo* Economics: *Kleinmachnow* Zombies Meet Lenin, Schumpeter, Chayanov and Che Guevara in Contemporary Cuba.

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