

Cooperative Enterprises in Cuba: Institutional Forms and Development Trends

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Cuba has been undergoing a process of economic transition in which cooperatives have been prioritized for their ability to produce desperately needed food products and other outputs while promoting Cuban social values, but reality has proven this to be a rather daunting task. Three agricultural models and one non-agricultural model have been in operation over the past several decades, yet have developed along different trajectories. In the current work, the contemporary state of the cooperative sector since the implementation of the reforms of Raul Castro is considered with specific investigations into the economic and social aspects of each cooperative model. The main takeaways provided by the author are; (1) the UBPC model still lacks the necessary autonomy to perform efficiently while the CCS model has had particular success in production and in the incorporation of the small farmers in rapidly expanding private sector; (2) the social needs of the cooperative, material needs and education, are vital to the success of the cooperative and could be used as a means to draw more of the population back to these positions. (3) collaboration is beneficial for the cooperatives and could help solve some of the issues associated with the Cuban transition.

Key Words: Cuba, cooperatives, Raul Castro, social economy, lineamientos, self-management

Introduction

Eight years have passed since Cuban President Raul Castro famously declared “either we change course or we sink,” instituting a series of economic reforms called “*los nuevos lineamientos*” (the new guidelines) designed to reinvigorate the lagging Cuban economy, tampering with reforms involving both individual entrepreneurship and worker cooperatives. As of January 2017, more than 32% of the Cuban people were employed in the non-state sector, with cooperatives mainly in agriculture but more and more in the previously state-run non-agricultural sectors. Since the revolution, three cooperative models have been promoted by the ruling party based on various institutional frameworks; the Cooperatives of Credits and Services (CCSs) and the Cooperatives for Agricultural Production (CPAs) were

introduced prior to the fall of the Soviet Union, while the most recent model introduced to the cooperative sector, the Basic Units of Cooperative Production (UBPC), are viewed as a synthesis of Cuba’s past attempts to build socialism. Given these reforms, there is hope by many in the state and cooperative sector that the swing in support towards the non-state sector could lead to, not only positive growth in the Cuban economy but also a more socially-friendly model of development. However, the creation of cooperative firms is only the beginning. Realizing the correct institutional set-up necessary for the ‘social economy’ is another story. In the case of Cuba, we have the chance to investigate whether these theories match with the reality in place.

Most contemporary work on the Cuban economy and political system have focused on the changes put forth in the “Guidelines”

under the administration of Raúl Castro (Feinberg, 2013; González, 2014; Villanueva, 2014; Feinberg, 2016). A decent amount of research has also been conducted on the status of the new “*no agropecuarias*” or non-agricultural cooperatives that have sprouted up in the cities (Vieta, 2012; Ludlam, 2014; Ritter & Henken, 2014), the changes occurring in Cuban agriculture as a whole (Spadoni, 2014; Wong & Domínguez, 2013), and Raul Castro’s recent attempts to include cooperatives into the new economic guidelines (Ritter & Henken, 2014; Diaz, 2016). Given the large interest in the reforms put into place by Raul Castro, yet the general lack of work done concerning the changes in the cooperative sector outside of Cuba itself, the current research intends to investigate the current state of the cooperative economy since the changes put forward by the Guidelines, with an emphasis on the study of the institutional environment surrounding and directing the development of these three cooperative models and the balance effectuated between the productive and social aspects of the firm. At the same time, it intends to bring together, to synthesize, the various accounts and works of research already done on the cooperative economy in Cuba in order to conclude with several general observations on the institutional status and performance of each model. The questions intended to be answered by this investigation are as follows:

RQ1: What have been the effects of the reforms under Raul Castro on the cooperative sector of the economy?

RQ2: Which cooperative model presents itself to be the most viable choice for economic development? Which firm type has been most successful in promoting production, human development, and stronger relations with the community?

Literature Review

Cooperatives under Socialism

Since the first experimentation with a fully cooperative economy in Yugoslavia, the Soviet experience with the *kolkhozy* (колхозы), and the various attempts to build cooperative sectors in the Eastern bloc, the literature regarding cooperative enterprises within the context of a non-market economic system has been well established. Self-management existed as an alternative to the state socialist models in the USSR and Eastern bloc which operated on the following premises: (1) price and output were decided at the level of the firm; (2) the workers in each firm were given powers to choose the managers for the firm (and in principle veto certain decisions); (3) income maximization remained the economic incentive for production; and (4) individual income was to be based on a profit-sharing schemata. Based on this form, there is a pretty large consensus that the cooperative firm would lead to an optimal allocation of resources, bringing it to be as profitable, if not more so in a few cases, than the capitalist firm (Ward, 1958; Vanek, 1971; Blumberg, 1975; Horvat, 1982; Weitzman, 1986; Ritter, 2013). This comes from the fact that self-management firms apply in theory what Vanek termed the “narrow motivation principle” (income maximization) spread to every worker in the firm as well as the “broad motivation principle” (satisfaction and interest in one’s work) that comes along with democratic planning that solves the Marxian problem of alienation inherent in the capitalist and state socialist firm. In Paul Blumberg’s work *Alienation and Participation: Conclusions* (1975), we are confronted with a whole host of works that demonstrate a very large consistency in the fact that “satisfaction in work is enhanced” and “other generally

acknowledged beneficial consequences accrue from a genuine increase in workers' decision-making power" (Blumberg, 1975). Richard Carson (1971) observed how it was commonplace to see members trying to motivate their fellow co-workers, but at the same time, understood the risk of "free-riding" in firms which distribute their profits in a more or less egalitarian way. Several experts on the Cuban economy have argued that this, the possibility of satisfying both "material" and "spiritual" needs (to use the vocabulary of Camila Piñero Harnecker), is the largest advantage that cooperatives have over other firm types (Royce, et al., 1997; Ritter, 2013; Harnecker, 2014; Ludlam, 2014; CCWG, 2014; Luis, 2014). In their case study of the CPA "Armistad Cuba-Laos", both social and economic incentives were shown to be successful sources of motivation for agricultural productivity (Royce, et al., 1997). As different income sources were distributed in both an egalitarian and meritocratic manner, there existed an incentive to produce for both the individual and social benefit. Because the results of each members' harvest were recorded, this allowed for a certain amount of oversight into the work being done by each member. To be chosen to participate in the harvest, considered by the members to be an honor, was based on good work and low absenteeism. In the repair shop, however, where no records were kept of work done, the atmosphere was marked by low morale and provided an environment where "free riding" by way of low quality work could take place.

The works of Benjamin Ward, Evsey Domar, James Meade, and Jaroslav Vanek provide us with the principal neoclassical models of the cooperative as well as the implications that distinguish it from that of the prototypical capitalist firm. In Domar's analysis of the Soviet *Kolkhozy* and his conception of the

"Pure Model", he looks at the model of the cooperative with various levels of access to a labor supply assuming a restriction on the ability to fire workers at any given point. (Domar, 1966). In every case, Domar prescribes that cooperative firms should be free to hire and fire as needed in order to increase the "flexibility" of the firm in adjusting to the changing labor market.

In Ward's analysis of the "Firm in Illyria", it was found that increases in the fixed costs for capital in the short run lead to increased output so as to make up the difference in profits lost (Ward, 1958). This, he argues, could be subject to manipulation by the state in order to raise producer output through the use of higher interest rates or taxes (or a 'ground rent' for Domar). It was also revealed that, unlike capitalist firms, given a rise in demand, cooperative firms face a negative-sloping supply curve, resulting in less output and higher commodity prices, and if they are able to, reduced employment. In James Meade's model, he points out a paradox of demand in the cooperative economy. While in a capitalist economy an increase in demand would lead to the hiring of more employees, an increase in output, and more reinvestment, in the cooperative economy it is the opposite; increased demand does not lead to more employment as the current members have the incentive to work at the same rate and earn more from the increase in prices (Meade, 1972). Likewise, a given change in commodity pricing will push the firm to change the amount of output in the opposite direction. Because of this, Ward found that cooperative enterprises still had the power to influence market prices by adjusting the output to match with higher prices. For this, he recommended state intervention to support the creation of new firms, or the expansion of already existing ones, and policy that places

higher fixed costs on firms, leading to an equilibrium with lower prices (Ward 1958). This theory, however, has been subject to debate as Alec Nowe points out that any firm that lowers output in response to rising prices would lose out to competitors (Nowe 1983). Because of the incentive to only expand the firm, given it would lead to an increase in the overall dividend rate, Vanek was convinced that the cooperative model would lead to fewer cases of monopoly than their capitalist “cousin” (Vanek, 1971). Meade, on the other hand, was not as convinced and emphasized the absolute necessity for free entry of new firms in order to increase competitiveness and reduce unemployment (Meade, 1972).

Faced with the reality of a “smaller [firm] and a lesser push towards growth” Vanek admitted that the cooperative firm would be less able to finance major innovative activities (Vanek, 1971). Given the mixture of property rights between that of the fully-state-owned USSR firm and the fully-privately-owned capitalist firm, Svetozar Pejovich’s neo-classical comparative model of investment demonstrated that workers in the self-managing firm would focus on short-term investments instead of the long-term investment more typical of the capitalist firm, and lack of individual investment in the Soviet firm (Pejovich 1975). This implied that an outside institution would need to fill this role, which Pejovich and Vanek deferred to the banks and “independent labour-managed research firms”. Many Cuban economists have echoed these remarks, advocating for the creation of “2nd Grade Cooperatives” that would allow for economies of scale, inter-cooperative collaboration, and the exchange of ideas regarding new forms of technology (Diaz 2016, Membrado and Labrada 2013, Harnecker 2014, Ludlam 2014, González and González-Corzo 2015, González and Alfonso 2018). Membrado and

Labrada (2013) have advocated for local Worker’s Cooperative Councils as a solution to the problems surrounding the UBPC model.

While in theory, democratic self-management should “paralyse all decisions,” Vanek noted that there were “few examples of actual paralysis.” (Vanek 1975). The firms were extremely reactive to changes in fiscal and financial policy. Firms were liable for any and all financial decisions under threat of reorganization in the event of a failure, yet, Vanek revealed that very few firms which were obligated to appoint a ‘public receiver’, very few cases ended with liquidation. Vanek concluded that while the democratic form of governance exhibited several complications when compared to the capitalist firm (such as stressful and complex decision-making, conflict, time-consuming meetings), the managers were largely responsible to the worker’s council, even though they would “often acquire extraordinary authority” (Vanek 1975). Moreover, by reducing the size of the state, abandoning mathematical models for the calculations of prices, and including all economic units into decision-making, the Yugoslavian cooperatives were able to make the best use of information on a small scale that brought about more economic efficiency (Schrenk et al. 1979)

More contemporary studies on self-management and the Yugoslavian experiment are more pessimistic, principally from a macroeconomic perspective and many of the Cuban studies have focused on. Many of these criticisms centered around the soft budget constraint (Nove 1983, Kornai 1991, Bardhan and Roemer 1992, Membrado and Labrada 2013, Lebowitz 2015). Kornai (1991), who originally coined the term in Hungary through his studies of ‘Real Socialism’, equally applied the term to the Yugoslav case where he saw a “reckless rise

in wages divorced from productivity growth". The banking system becomes more than a simple institution for investment; instead, it "distributes loans irresponsibly" without insisting on them being repaid in kind and becomes the main instrument to save failing firms from collapse. The inevitable result was a "chronic, worsening shortage, accelerating inflation, and growing indebtedness." Overall, Kornai was not convinced that the self-management model could produce sustainable growth and rejuvenate the Soviet economy the way that a capitalist model could. In their report to the World Bank, Schrenk et al. (1979) reported on the large regional variations in income that reached a level of 10:1 in the late 1970s. Other accounts have placed an emphasis on the high levels of unemployment engendered by the Yugoslavian system (Schrenk et al. 1979, Woodward 1995). Harrison (1996) has illustrated many accounts of how direct bureaucratic intervention by the Soviet state led to the deformation of the *Kolkhozy*. In their study on the Cuban UBPCs, Membrado and Labrada (2013) identified several forms of 'soft-budget constraints' throughout the two decades since their inception, that have deformed their true functioning as self-sufficient firms.

Then there are those who believe that the Yugoslav experiment did not go far enough. Peter Liotta (2001) has been critical of the "incompatibility" of self-management with the Yugoslavian one-party system, preventing the creation of a "true worker democracy." Others have emphasized the deforming role that market forces have had on self-managing principles (Lebowitz, 2015; Unkovski-Korica, 2015). In his analysis, Michael Lebowitz (2015) argues that the system ultimately collapsed because there was "contested reproduction" between the logic of capital and the logic of the working class. In effect, this

meant that the push to maximize profits on the level of the firm implied that instead of capitalists competing with each other, the self-interest in the cooperative economy had cooperative firms competing with each other, eating away at any possibility for a social economy where solidarity was the driving principle. This led to the large levels of inequality between firms in both the same and different industries, as well as the ever-increasing rate of unemployment that plagued the country. To solve the wage discrepancies, workers in less profitable industries and regions turned to the banks as supplements to their income while the bureaucratic elite turned towards liberal reforms that reduced the power of the worker councils and enhanced the role of the firm managers. A certain number of Cuban economists have repeated their claims in regards to their own development (Harnecker, 2014; Ludlam, 2014). Steve Ludlam (2014) emphasizes the necessity of building Grade 2 cooperatives as a first step to creating a truly cooperative culture while Camila Piñero Harnecker (2014) has argued for the need of community councils, or other non-state organizations that can organically regulate the actions of the cooperatives in their communities, as a solution to the degrading effect of the market.

Organizational Models and Development Prior to the Lineamientos

Cooperatives have been active in Cuba for most of the 20th and 21st century, yet were only fully recognized in the 1976 constitution (Peiso, 2013). Contemporary legal recognition for cooperatives in Cuba comes from two sources. The Decree-Law No. 142 which designates four main principles and seven characteristics for the UBPCs whereas Law No. 95 lays out 10 principles for the CPAs and CCSs (Decreto-Ley No. 142, 1993;

Ley No. 95, 2002). Those principles are as follows:

1. A working Constitution and management structure.
2. Voluntary membership.
3. Labor paid for by the cooperative. In the CPAs and UBPCs, this takes the form of advances (payments before the harvest is sold) and distribution of surplus (after having taken into account all costs), while in the CCSs, the value is worth that which the individual farmer earns by selling his product.
4. No financial repercussions for the decisions made by management.
5. Usufruct rights over the land and other assets. In the CPAs and UBPCs, this right is held by the cooperative. In the CCSs, the cooperative member.
6. Internal democratic practices and autonomy from the state. The cooperatives are, however, subject to the confines of the "state plan".
7. Subject to control in regards the "development programs" and production plans" of the state for the CPAs and UBPCs and the sale and purchase of goods and services in regards CCSs.

The first of the three cooperative types in existence today are the Credit and Service Cooperatives (CCS) following the movement of pre-revolutionary banking capital from the country in 1960. The imperative for access to new loans, technology, and other market benefits led many small farmers, who had recently acquired plots of farmland from the preceding land reforms, to band together in a horizontal fashion in order to gain access to inputs. The Credit and Services Cooperatives (*Cooperativas de Créditos y Servicios*), or CCSs, consist of a group of farmer 'members' who voluntarily join together through contract, yet retain complete ownership over their individual property and other assets

(González, 2013). This is true even if the members leave the cooperative. For this reason, the state considers them to be a form of private property (Peiso, 2013). The least 'social' of the cooperatives, the CCS serves as a collective conduit for individual and family farmers to gain access to state entities for distribution or services they otherwise would not have access to (ibid). CCS members receive payment, or "economic benefits", by fulfilling the required production quotas outlined in his contract which are then sold to the state's procurement organs or sold on the market.

The Agricultural Production Cooperatives (CPA) appeared in 1975 when it was decided by the First Congress of the Cuban Communist Party to create a more socialized form of cooperative in which private farmers voluntarily contributed their land to the cooperative in return for compensation and the right to collective ownership of the new enterprise. The Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuaria*), or CPAs, are formed by groups of farmers who contribute their land, on a voluntary basis, in return for remuneration and collective ownership rights in the cooperative. As owner-members, they are compensated by both the monthly basic remuneration (*anticipos*), based on one's contribution, and an annual participatory remuneration, if after paying all necessary financial obligations a surplus still remains. The structure and behavior of the CPAs are most similar to the cooperatives in the former Yugoslavia. Unlike the CCSs, the state considers the CPAs to be a form of "socialist economic activity" (Peiso 2013).

The Basic Units of Production (*Unidades Básicas de Producción Cooperativa*), or UBPCs, have been formed, beginning in the 'Special Period', principally through the transformation of state-owned industry. Like

the CPAs, UBPC 'workers' have collective rights to the profits made by the cooperative, in the form of basic and participatory remuneration. Nicknamed the "state cooperative", the main difference lies in the fact that the land, and other assets, are still owned by the Cuban state and are allotted to the cooperative with usufruct rights. (González 2013, Membrado and Labrada 2013, Chádez 2016). The UBPCs were created with the intention of promoting, not only productivity and self-sufficiency but also human and social development through the promotion of strong communal ties of cooperation and mutual aid (Membrado and Labrada 2013). This new form of cooperative is the next step in the evolution of experimenting with cooperative models designed to "establish a new equilibrium between the productive forces and productive relations" (Membrado and Labrada 2013). Despite these high ambitions, the UBPCs have been over-regulated by the state which have led them to develop several problems, such as high levels of debt, distorted incentives due to a number of 'soft-budget constraints', and a lack of input and output markets because of state directives (González, 2008, 2013; Chádez, 2016; Vega Boffill, et al., 2017; Membrado and Labrada 2013). Today, the UBPCs are the largest entity responsible for the harvest of sugarcane.

Finally, the newest addition to the cooperative sector are the non-agricultural cooperatives (*Cooperativas No Agropecuarios*, or "CNoA"). Institutionalized with the publishing of "The Guidelines" and the Decree-Law No. 305, the Cuban state chose to experiment with cooperatives as a measure to promote economic activity and human development in a wide variety of sectors (Concepcion 2013). Construction firms, recycling centers, repair shops, taxi and other transportation

companies, clothing manufacturing, agricultural markets, and restaurants are a few examples of the areas in which cooperatives have been put in place (Vieta 2012, Concepcion 2013). These cooperatives are given access to state property in usufruct, for a given amount of time, in order to set up their business (CCWG 2014).

Cuba has been trending towards giving cooperatives a larger role in the agricultural sector. There has been a considerable increase in the amount of land appropriated for use by the cooperatives, from 15% of the country's land in 1989 to 70% in 1999 (Gonzalez 2014). The UBPCs became predominant in the 1990s after state-firms were privatized, however, when in 2008 it was found that nearly a third of uncultivated land was left idle, much of this land was offered to those farmers who agreed to form CCS cooperatives. According to Cuba's National Office of Statistics and Information (ONEI) there exist 2,469 CCSs, 880, CPAs, and 1542 UBPCs in the country as of the spring of 2018, all of which have been in decline in recent years (ONEI 2018).

When compared to the state-run firms, the cooperatives perform well. Prior to the increase in representation of cooperatives in the agricultural sector, Cuban state farms were known for large-scale production, high centralization, high levels of investment and input consumption, yet high levels of economic dependence (González 2013). Originally making up more than 82% of all agricultural outlets in 1989, since the Special Period, they have largely been replaced by cooperatives (González 2013). Under the intense condition of the collapse of the Soviet Bloc, the cooperatives were much better able to handle the precarious conditions. Whereas 27% of state firms were profitable in 1990, over 80% of the CPAs at the time were.

Methods and Data

In this research, the three main agricultural cooperative forms, as well as the new non-agricultural cooperatives, will be analyzed using an institutionalist approach in order to compare and investigate those aspects of the firm which are successful and those that are lacking. To do so, the author intends to compile the works of the scientific community and Cuban experts, mainly as a review of existing literature, to better study this phenomenon in the current transition period. For this, the legal, economic, and social aspects of each model will be analyzed; economic empirical data, legal documents, on-the-ground field work, and survey data regarding the state of the cooperatives will be incorporated to analyze their performance. From this, it will be possible to systematically compare the various cooperative models from within their given institutional environments.

The author intends to triangulate sources from Cuba (state and non-state), foreign experts abroad, and interested parties who have undergone research trips to Cuba in order to arrive at an accurate and objective conclusion. As regards data sources, unfortunately, there is no data specific to the economic conditions of Cuba's cooperative sector in international statistical organizations such as the World Bank or IMF or even with external think tanks or interest groups. For an in-depth analysis of these models, thus, data from the Cuban statistical ministry (*Oficina Nacional de Estadísticas e Información* (ONEI)) will be used. Given that the Cuban expert community, both domestic and abroad, consider these figures to be accurate and use them in their works, I also argue that they are credible for the current work.

Finally, with regards the social side of the firm, I argue that it is relevant for our

purposes to make a comparison based on the cooperative values and principles laid out by the International Cooperative Alliance in 1995 (See Appendix A), a marker with which cooperatives worldwide aim to achieve (International Cooperative Alliance 2015).

Cooperative Institutional Forms and Development

Changes in the Legal and State-Institutional Apparatus

Since the introduction of the Guidelines, cooperatives are believed to have agency in overcoming the contradictions between the lack of productivity and the values of solidarity that the Cuban people hold dear. The *lineamientos* have in part been designed to bring about the transformation of the institutional apparatus necessary for the development of these units (Lineamientos 2011, 2017). In a 2016 speech before the Central Committee, First Secretary Raúl Castro emphasized the role cooperatives were to play in the new economy stating that “the introduction of the rules of supply and demand are not at odds with the principle of planning” and that “cooperatives” are “not in their essence anti-socialist” (Castro 2016). It was planned to introduce cooperatives into an urban setting, as a measure to increase efficiency and productivity, aiming to bring the total non-state sector to make up around 45% of total GDP by the end of the five year trial period, and to create the institutional setting necessary for all cooperative forms to thrive (Concepcion 2013).

This continues to be the case with the current Constitution passed in early 2019. As indicated in Title II, Article 22, cooperatives are recognized as those firms “sustained through the collective labor of partner-owners

and through the effective exercise of the principles of cooperation.” While not a fully “socialist” form, the role of the state is to “stimulate those [forms of property] of a more social character”, which includes cooperatives (Constitución de la República de Cuba 2019).

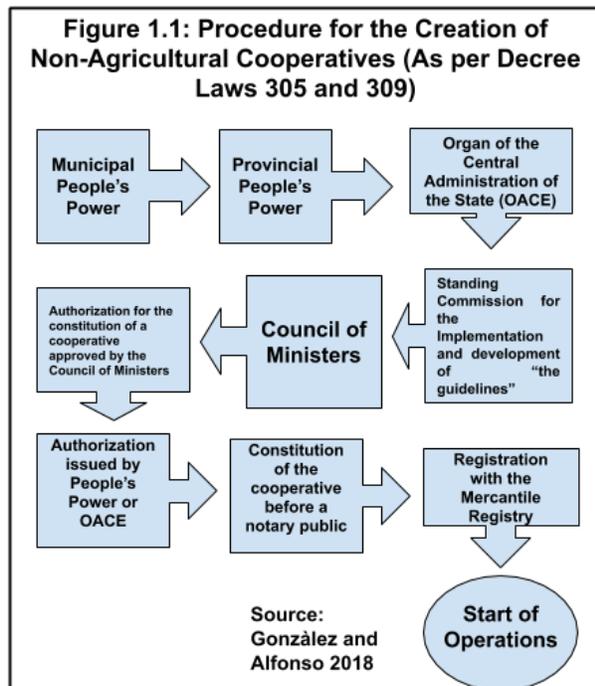
From here, however, the legislative and regulatory sources diverge, leading to a significant difference in regulating authorities. Law No. 95 of 2002 is the legislative basis for both CPAs and CCSs, repealing an earlier law from 1982, while the legal source for the UBPC is the Decree-Law No. 142 of 1993 (Decreto-Ley No. 142 1993, Ley No. 95 2002). The first two are still regulated by the Council of Ministers Executive Committee while responsibility for drafting the regulatory framework for the latter was delegated to the ministries of Agriculture and Sugar Industry (Peiso 2013). It is for this reason that the three models do not have a unified regulatory system governing them. Coming much more recently, the non-agricultural cooperatives have their legal basis in the Decree-Law 305 and are regulated based on the confines of Decree-Laws 306 and 309. (Decreto-Ley 305 2012, Decreto-Ley 306 2012, Decreto-Ley 309 2012).

Because of this, the regulatory apparatus for the UBPC differs drastically from the other two. When deciding to form a cooperative, for example, small farmers with the intention of creating a CPA or CCS must bring their proposal to the appropriate ministry, either the Sugar Industry (AZCUBA) or the Ministry of Agriculture (MINAG), and gain the approval of ANAP, the national association of small farmers (Peiso 2013, Pérez-López 2016). UBPCs, however, are decided upon from within the ministries and proposed to groups of workers in an already-existing firm (Peiso 2013). Generally, the majority of the UBPCs came about because of the liquidation and

transformation of many former state-owned firms, in many cases occurring overnight.

After gaining permission from the appropriate ministerial body, the formalization process is a long one (CCWG 2014, Peiso 2013). Each cooperative is required to register its constitution, a “viability analysis”, “social objective” (outline of their main form of production and role in society), and the composition of patrimony to the appropriate legal bodies, among the other requirements for the ANAP, the CTC (Cuban Worker’s Federation), MINAZ, MINAG, and the National Office of Statistics.

In addition, the UBPC is unrecognized officially as a form of cooperative and is generally treated more or less like any other state-owned firm without the autonomy that the CCS and CPA do (González 2013, Membrado and Labrada 2013). Governed by the “enterprises”, the UBPCs are given their direction and economic decisions from above. The UBPCs are instructed as to decisions involving production and investment and leaders are often nominated and replaced by external state authorities (Membrado and Labrada 2013). Regulations applied to state-firms are also applied to the UBPCs and collective assets are officially registered as state vehicles, permitting them to be removed without approval from the general assembly. Unlike the CPAs and CCSs, there are also limits placed on the use of UBPC reserve funds for workers’ well-being.



While as of mid-2017, the Cuban state has discontinued the issuance of new business licenses for non-agricultural cooperatives (so as to focus on the development of already existing ones), the procedure designated for their registration was also a lengthy one (González & Alfonso 2018). Figure 1.1 outlines the process for the legal registration of non-agricultural cooperatives as described in Decree-Laws 305 and 309 (Decreto-Ley 305 2012, Decreto-Ley 309 2012).

Wage labor occurs legally and illegally on the cooperatives. In its legal form, it is permitted for up to three months of the financial year, or no more than 10% of the total working days (to allow for seasonal work), for the tasks that the cooperative members are not able to complete during this period (Decreto-Ley 305 2012). All legal wage workers receive state benefits in addition to their pay and all cooperatives hiring wage laborers are subject to a tax, though many of the self-employed and cooperatives do so illegally (Ritter 2013,

Mesa-Lago, et al. 2018). On the condition that an individual works more than the maximum three months, he can either join the cooperative as a full member or have the contract terminated (Ibid, Ludlam 2014).

Land use has gone through several major changes over the past decade. Decree-law 300 (2012) now allows for those individuals who do not own land to acquire up to 13.2 hectares to be exploited in usufruct for a period of 10 years, which led the private sector and CCS model to increase in prominence over the last several years (Granma 2014). Cooperatives and state-owned firms, however, have the added benefit of being allowed to extend this up to 67.1 hectares for a period of 25 years giving them a distinct legal advantage that the fully private sphere does not have (González & Alfonso 2018). The Decree-law 301 (2014) extended this right to CCSs as well. As of 2015, some 1.7 million hectares of land had been distributed through this decree and 79% of the recipients were previously landless (Ibid, González & González-Corzo 2015). Because all land is leased with usufruct rights, the state still holds legal possession over nearly 78.7 percent of all farmland while non-state agricultural cooperatives make up nearly 83% of all production. This process, though, has been noted to be a very bureaucratic process, requiring many documents, and a long waiting period (González & González-Corzo 2015).

As a form of social property, cooperatives of all sorts have priority and access to benefits that private firms do not (CCWG 2014). The land given to the cooperatives for their operations is leased with a lower interest rate than for private firms. Agricultural cooperatives pay much less in taxes than self-employed and private enterprises and benefit from a number of exclusive tax-breaks. Moreover,

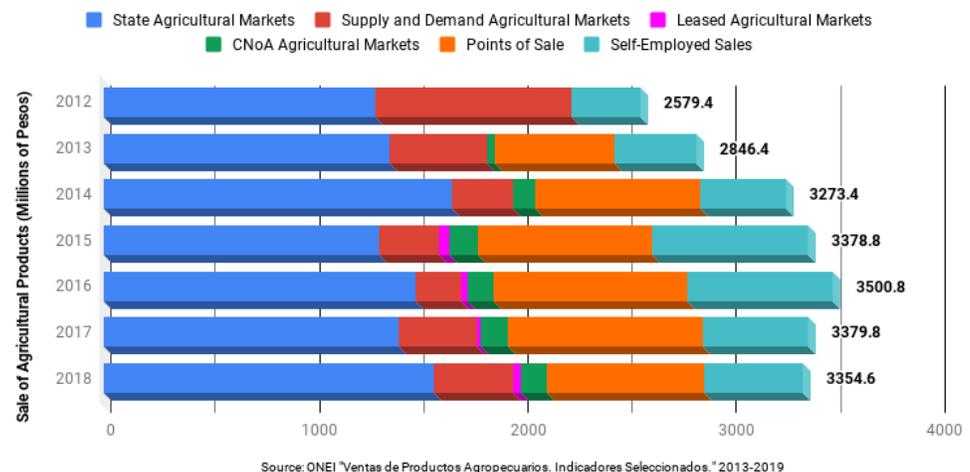
a cooperative is not expected to pay taxes on profit for the first five years of operations and generally have much lower taxes than private farmers (Diaz, 2016; Gonzalez-Corzo, 2017; Ley No. 113, 2012). Non-agricultural cooperatives which take it upon themselves to refurbish their rented properties are exempt from making lease payments for up to a year (Concepcion 2013). They are also given preferential treatment for government contracts on an equal footing with state-owned firms (a practice considered to be unusual for the country), have access to the State's wholesale system (a 20% discount as of 2013), access to bank credits or (microcredits) as startup or investment funds, and some technical assistance (Concepcion 2013, Ritter 2013, CCWG 2014, Ludlam 2014).

Trends in Economic Development

A consistent problem plaguing the agricultural cooperatives has been the lack of input and output markets, especially since the fall of Cuba's socialist trading partners. A common complaint of cooperative members has been the lack of access to the technology and other inputs necessary to perform their jobs adequately (Rojas et al. 2014, Maqueira 2015, Mesa-Lago et al. 2018). With the era of reforms, though, initiated under Raul Castro, the problems facing cooperatives have begun

Figure 2.1: Sale of Agricultural Products (Millions of Pesos)

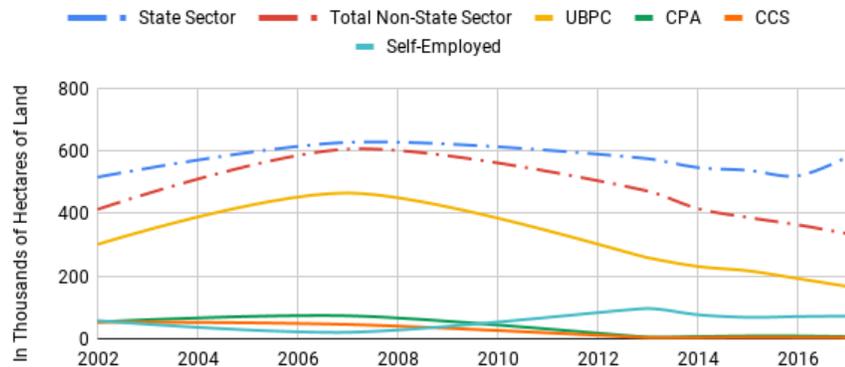
Impact of Decree-Law 318



to be addressed by state actors. In 2014, Resolution 218 permitted the non-restricted sale of inputs to any productive firm or individual (Granma 2014). This has helped alleviate a constant problem that Cuban firms have had of accessing inputs for production, but this issue still remains a problem today (CCWG 2014, Ifateyo, 2017). With the legalization of non-agricultural cooperatives in 2012, agricultural cooperatives have been able to take advantage of non-state farmer's markets offering higher prices than can be found with *Acopio* (Decreto-Ley 305 2012, Gonzalez & Alfonso 2018). Since 2011, cooperatives have been permitted to sell directly to tourist facilities (Gonzalez & Alfonso 2019). Finally, the Decree-Law 318 expanded upon earlier resolutions which permitted all agricultural entities to sell their products in a larger number of places (various non-state markets, street kiosks, food carts, etc.) after having met their quota for *Acopio* (Decreto 318 2013, Gonzalez-Corzo 2019). This last reform has allowed for non-agricultural cooperatives to lease state-owned in order to create "wholesale supply markets," but has been met with some reversals by the state more

Figure 2.2: Total Idle Land (by firm model)

Effects of the Land Tax



Source: ONEI. "Panorama del Uso de la Tierra." 2007, 2013-2017

recently (González & Alfonso 2018). We can see the effects of these policies outlined in Figure 2.1. With the addition of these new markets, cooperatives have benefitted from the ability to choose from a variety of input sources and sellers' points, enabling them to market their produce where and at what price they desire. These new markets have led to a significant increase in the amount of sales to the public.

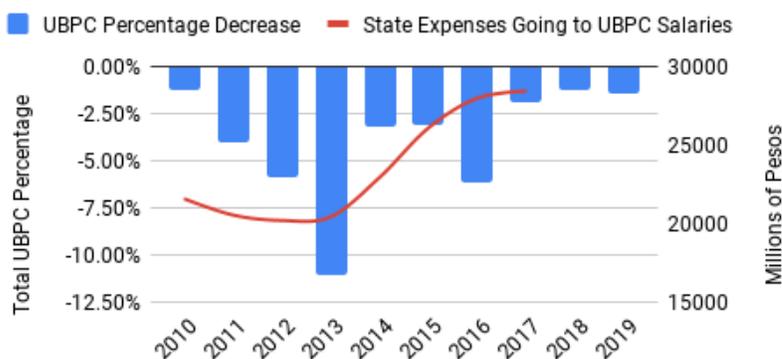
They have also been found to be more flexible in adjusting to new realities. When it was discovered that nearly 1.2 million hectares of agricultural land lay idle in 2008, the state moved to pressure firms to make the most efficient use of their lands (Diaz 2016). The recent introduction of a land tax of 45 to 180 pesos (depending on the quality) per hectare of land was instituted as a negative incentive to ensure the most cost-effective production on agricultural land (Ley 113 2012, Morales 2018, Monreal 2018, Gonzalez-Corzo 2019). This has resulted in a much larger decrease in idle cooperative land than land operated by state firms

(Gonzalez-Corzo 2019). Figure 2.2 displays the changes in land use enticed by this tax. Considering that the state sector, with the largest amounts of idle land, had a significant amount of that land given to cooperatives in usufruct over the past decade, it is telling that they still have been unable to adjust to these realities and testifies to the ability of the Cuban cooperatives to adjust to their environment. At the same time, the difference in land usage between the UBPCs and the

other two models is telling of the ways in which they continue to be operated in a manner similar to the state firms.

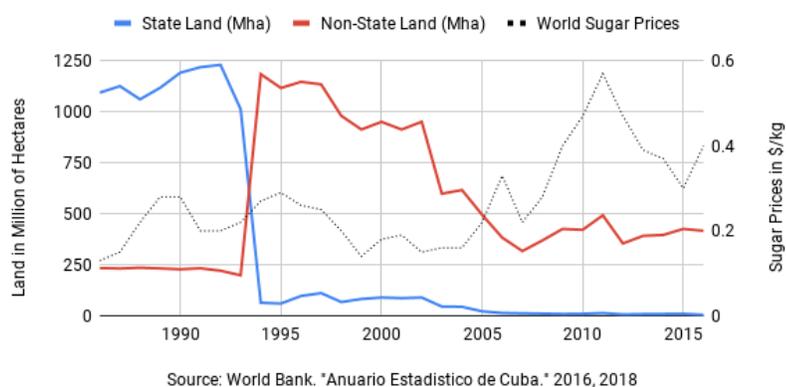
In the past, the Cuban state provided the UBPCs with a significant amount of subsidies, however, since early 2011, the state began to slacken the access to this kind of support, and as of 2013, has signaled that they would not continue financing them through direct subsidies (Lineamientos 2011, Chádez 2016). At the same time, though, state officials have raised the prices for food products sold to the state distribution company *Acopio* in 2015 (Cuba Debate 2015). As the large majority of all UBPC

Figure 2.3: UBPC Failure Rate and Acopio Prices



Source: ONE. "Organizacion Institucional: Principales

Figure 2.4: Land Composition Dedicated to Sugar Production vs. World Sugar Prices



production must be sold to *Acopio* for state prices, this is the most likely reason for the general decrease of UBPC failure rates, which more-or-less stabilized after these price hikes. In Figure 2.3, we find the decrease in the number of UBPCs per year paired with the amount of state expenses going to UBPC members' salaries. It remains to be seen what the long-term implications of this policy will be but if history is to be a guide, it is most likely a positive step in the direction of self-sufficiency by removing any form of subsidy (or soft-budget constraint) propping up the cooperatives and pushing for better incentives by raising the prices associated with their produce. Also, considering that even the other cooperatives market a large amount of their produce to *Acopio* as well (for example, all milk from the CCSs is sold to *Acopio*), price hikes could well improve conditions across the cooperative sector (Mesa-Lago et al. 2018).

Prior to the Special Period, sugar cultivation was the main export of Cuba, to which they would receive generous rates offered from the socialist bloc's Council for Mutual

Economic Assistance (CMEA) (Pérez-López 2016). After their fall, however, the Cuban economy was forced to deal with the world market, which offered much lower prices, as well as a shortage of food. The non-state sector mainly became the beneficiaries of the sugar industry after a large number of state-firms operating in sugar cultivation were converted into cooperatives almost overnight, in the form of the UBPCs. Following the shift to the non-state sector in the mid-nineties, there has been a

precipitous decline in land associated with sugar production as firms have failed due to the lack of necessary inputs previously obtained from the socialist bloc, a decline in world sugar prices, and the state's desire to reconfigure agricultural land for food production (Pérez-López 2016). Today, there remain only 784 cooperative firms engaged in the cultivation of sugar; 490 UBPCs, 232 CPAs, and 61 CCSs (ONEI Organizacion Institucional: Principales Entidades 2019). Notable for the Cuban economy as a whole is the fact that because Cuba has yet to solve the 'agricultural question', they have missed out on a significant source of income due to the rise in world sugar prices. The UBPC was

Figure 2.5: Average Sugar Production per Hectare of Farmland

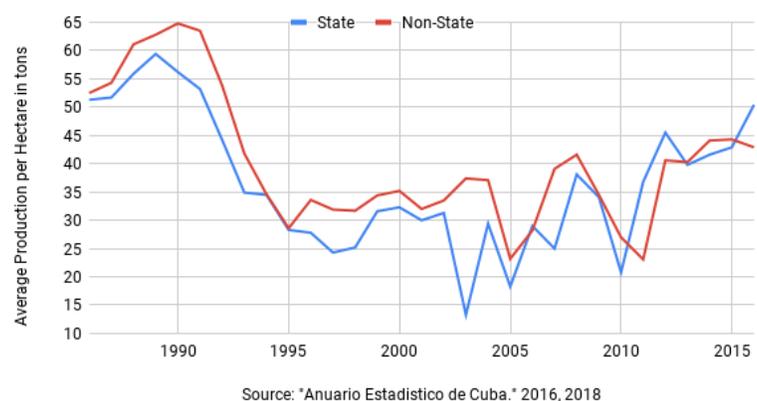
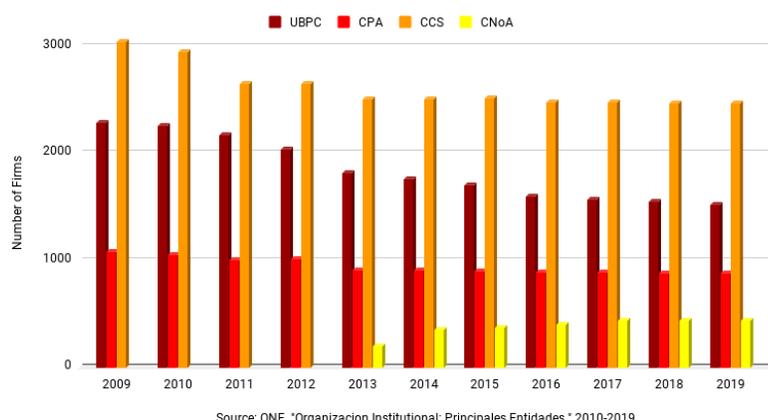


Figure 2.6: Number of Cooperatives, 2009-2019



the model most likely to have lost out from these changes. The few firms that continue to exist in the sugar sector, however, will see their wages increase more than any other sector of the economy. Figure 2.4 shows the general decline in sugar production by both firm types along with the corresponding international sugar prices. In Figure 2.5, we can observe the effects that the fall of the socialist bloc has had on the production of sugar, decreasing by nearly 50%, as well as the minuscule increase in efficiency since the implementation of the *Lineamientos*. Despite the major transformation of bringing cooperatives into the sugar production sector, there has been only a slight increase associated with efficiency.

Despite the excitement with the cooperative model over the past decade, cooperatives continue to exist in a state of decline. From Figure 2.6, we can observe a decrease in the number of cooperatives up until around 2013 when the *Lineamientos* were in the processes of being implemented. Once having been the predominant cooperative form in the agricultural sector, the UBPCs, which have been in steep decline since their inception, have given way to the CCSs over the last several decades. This dynamic

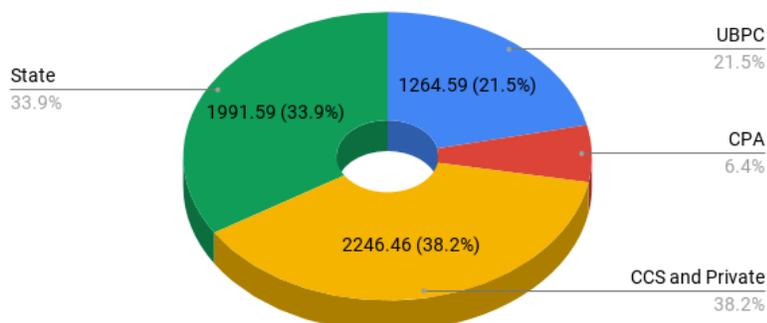
continues to be the case as the gap between the two has continued to widen over the past decade. Aside from their case, there seems to be a relative stabilization in the number of cooperatives in the country.

Figure 2.7: Percentage of Total Production by Firm Type (2018)

| | 2018 Total | State | UBPC | CPA | CCS & Private |
|----------------------------|------------|--------|--------|--------|---------------|
| Tubers and Roots (Mt) | 1801 | 9.90% | 9.20% | 5.70% | 75.20% |
| Of which are Potatoes (Mt) | 135.1 | 30.10% | 45.90% | 18.60% | 5.30% |
| Bananas (Mt) | 961.2 | 11.70% | 7.80% | 3.20% | 77.20% |
| Vegetables (Mt) | 2454 | 18.20% | 3.30% | 3.30% | 75.30% |
| Of which are Tomatoes (Mt) | 553.9 | 7.80% | 3.50% | 5% | 83.70% |
| Rice (Mt) | 460.9 | 16% | 29.50% | 2.10% | 52.30% |
| Corn (Mt) | 345.9 | 9.10% | 5.90% | 3% | 82.10% |
| Beans (Mt) | 161.5 | 10.40% | 7.70% | 4% | 77.90% |
| Citrus (Mt) | 71.5 | 38.30% | 6.90% | 1.80% | 53% |
| Fruits (Mt) | 861.3 | 9.60% | 4.40% | 2.20% | 83.80% |
| Bovine Meat (Mt) | 182.7 | 62.10% | 6.60% | 2.30% | 29% |
| Porc Meat (Mt) | 352.1 | 64.90% | 0.80% | 0.30% | 34% |
| Bird Meat (Mt) | 36.9 | 38.30% | 0.50% | 0.10% | 61.10% |
| Sheep Meat (Mt) | 29.7 | 8.70% | 2.30% | 1.90% | 87.10% |
| Milk (MMI) | 570.9 | 16.80% | 14.60% | 4.60% | 63.90% |
| Eggs (MMU) | 2,778.90 | 87.80% | | 0.10% | 12% |

Figure 2.8: Percentage of Total Agricultural Land (Excluding Sugar)

Created by the author using data from ONEI



Source: ONEI. "Anuario Estadístico de Cuba," "Sector Agropecuario: Indicadores Seleccionados."

While the agricultural cooperatives have succeeded in reversing stagnating productivity in the agricultural sphere, their results have not been as much as officials had expected. Figures 2.7 and 2.8, shown above, compares the percentage of food production of various food indicators by farm type, the change in food production over time, and the amount of land allotted for each farm type. Given that the cooperatives often specialize in a type of crop (UPBCs and CPAs are more predominant in sugar production for example), it isn't possible to measure performance based on a single crop, yet from a number of indicators, we can gain a general understanding of performance. With a few exceptions, the UBPCs consistently produce below their threshold as for food products despite making up nearly one-fifth of the total land associated with non-sugar agricultural production. Meanwhile, the CCSs and individual farmers continue to produce well above their land make-up. The

CPAs continue to produce close to their level of agricultural land.

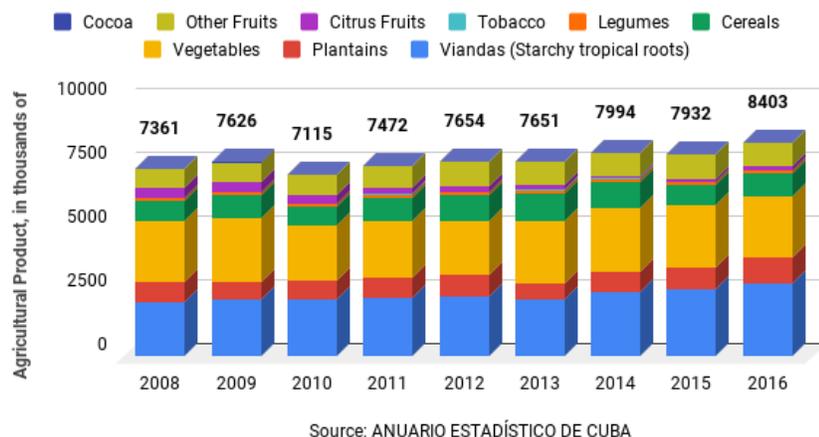
On the whole, though, the reforms associated with the cooperatives seem to have succeeded in producing more food for the country. Figure 2.9, shown below, shows the expansion in food production over the past decade.

Human Development and Inter-cooperative Relations

Despite having recovered from the near-collapse during the Special Period, the Cuban economy still has major hurdles to achieve economic sustainability. One of the main issues at stake for the Cuban system is the necessity to provide its people with basic necessities and a better standard of living. The cooperatives, both agricultural and non-agricultural, have helped achieve this in various ways. In general, cooperative members receive a higher take-home salary on average than workers in the state-managed sector. As can be seen in Figure 3.1 there has been a significant rise in salaries in the agricultural sector around 2013 when most of the aforementioned reforms began to be implemented. Other industries associated with non-agricultural cooperatives

have also seen average monthly salaries increase more than the total economy average. One commonality, though, between the members of different UBPCs is that when interviewed, they consistently comment on the lack of income necessary to purchase their basic material needs (Martínez, 2014; Vargas, 2014; Campos, et al., 2013). The non-agricultural cooperatives and non-state markets, on the other hand, have been

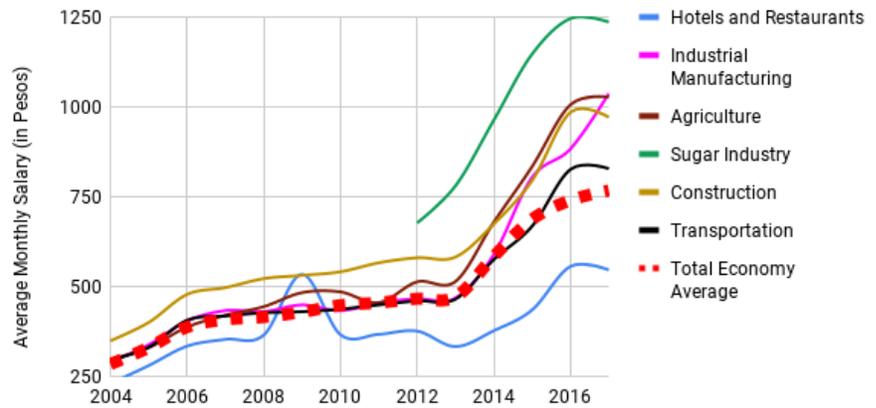
Figure 2.9 Agricultural Production, Selected Indicators



extremely successful, earning much more than the average salary for the state sector (Concepcion, 2013; Ifateyo, 2017; CCWG, 2014). During a research trip to Cuba to learn about the new non-agricultural cooperatives, Ifateyo (2017) met with an accounting firm whose employees earn ten times the state salaries, and factory workers who earn twenty times the national average. It would seem, though, that having made the transition to an economy where cooperatives play a larger role, there is a net-positive growth in the material livelihoods of the members involved, similar to that experienced in the early days of the self-management economy in Yugoslavia.

In general, though, the members of the cooperatives, when asked, are generally content with being a part of the cooperative and the meaning it brought to their lives, in some cases despite earning low salaries (Galindo, 2014; Martínez, 2014; Mesa-Lago, et al., 2018). Case studies of cooperatives generally denote a General Assembly meeting at least once every one to three months and have the attendance of most members (Maqueria, 2015; Galindo, 2014; Diaz, 2016). In her study of the CCS Paco Cabrera, Galindo (2014) noted the way in which discussions were held in meetings; all issues would be prepared for discussion and debate before being approved. Topics would include measures meant for the cooperative or be of national and international subjects of a more ideological nature. The meetings would be held and decisions carried out systematically. At least from the various case studies done concerning democratic practices in the Cuban cooperatives, there do not seem

Figure 3.1: Average Salary by Sector Involving Cooperatives



Source: ONE. "Salario Medio en Cifras." 2009-2017

to be any obvious cases of democratic “self-paralysis” or manager takeover that concerned the Yugoslavian thinkers.

This collective culture observed by Carson (1971) and Royce et al. (1997), however, has not fully developed in every agricultural cooperative over the past few decades and certain models of cooperatives show specific tendencies to behave in ways that go against basic cooperative values. Despite their more “social” form of organization, in some cases the CPAs have not necessarily been more attuned to the way of cooperative values as they have sometimes operated similar to capitalist firms. The CPAs in the past, have had a tendency to expand rapidly and incorporate land from other nearby cooperatives, yet with each increase in land accumulated there was not a subsequent increase in membership. With profit as the principal goal of the firm, the CPAs instead instituted and became dependent on, wage labor which changed rural culture to that of a more factory-like workday (Membrado & Labrada, 2013). This tendency to monopolize nearby land was observed in the case of the Amistad Cuba-Laos CPA which went from 134 hectares in 1980 to 809 hectares in 1983 to 1188 hectares in 1995 (Royce, et al.,

1997). Without the sense of belonging that existed amongst the founding members of the CPAs, and the easy access to the individual plots of land that the state afforded private farmers and CCS cooperative members, many of the failures associated with the economic and social sides of cooperativism triggered migration from the rural areas, to the cities, or, beginning in 2008, a move on the part of rural workers to acquire individual plots of state land being leased out. Having once made up 31% of the population in 1981, today the rural population consists of only 25% (Fernández, et al., 2016). Major studies of the CPAs have concluded that more should be done to strengthen the democratic aspects necessary to the functioning of that model. (Alemán Santana & Figueroa Albelo, 2005).

The CCSs also do not have the best track record as for the social aspects of the cooperative. On the positive side, as individual and family farmers that are not required to sell their land to the cooperative in order to join, they have been able to retain a sense of belonging that has been lacking in the other models (González, 2013). On the flip side, they have been able to gain all of the benefits of being a collective member (only 12% of the CCS farmers interviewed by Mesa-Lago et al. did not see the CCS as providing many benefits) without adding much to their social responsibilities (Mesa-Lago, et al., 2018). Inherent in their organizational structure is a lack of incentive to further integrate with the other members or the community. For example, the 95 family farms making up the CCS Paco Cabrera were shown to be very apathetic about their “social mission” (guide of action for each cooperative in regards their local community) in the study carried

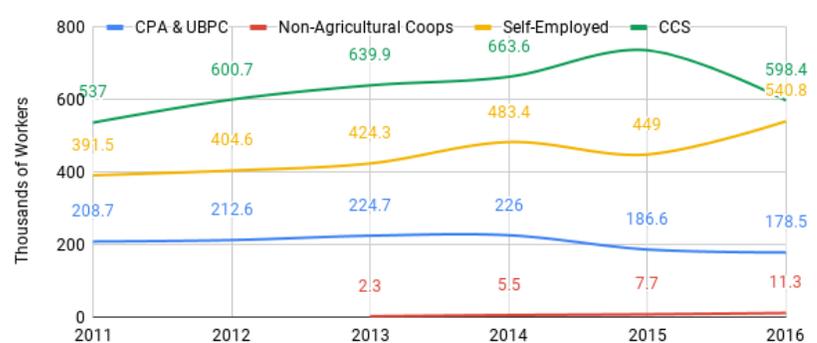
out by Galindo (2014). When surveyed members of the community expressed that there was no real contribution to the community at large. This was because the cooperativists did not support the community projects promoted by the government, gave the bare minimum as for their “social mission”, and only offered spontaneous help with services (which, as the author noted, were already fulfilled by the local ANAP chapter).

That being said, the CCS has been the only model to see its membership increase. This is most likely due to its ability to easily incorporate the individual farmers as there are fewer barriers to entering an already existing cooperative. At the same time, as Mesa-Lago et al. (2018) found, the CCS is valued over the other models because the other two are viewed as inefficient and the CCS provides the inputs that could not be acquired elsewhere. As one respondent answered, “it is not possible” to be untied from a cooperative.

The UBPCs have had their autonomy and democratic practices severely limited by state interference and have been unable to fully provide for the basic needs of their members

Figure 3.2: Non-State Employment

Increase in Private Farms - Stagnation of Cooperatives



Source: ONEI. "Empleo y Salarios." 2014-2016

(Membrado & Labrada, 2013). Because of the lack of economic prosperity and direction from the outside, cooperative principles are largely ignored and instead of a “cooperative culture”, cooperative members interact as if employed in a state enterprise (Membrado & Labrada, 2013). The UBPC General Regulations state that the General Assembly should approve all cooperative decisions, but this is regularly violated by the state which tended to appoint leadership. In their study of the UBPC Simón Bolívar, however, Vega et al. (2017) have shown the positive developments of the increased worker participation in decision making due to the state’s decision to restructure the Sugar Ministry.

The UBPCs, which were once the model most represented in the non-state sector, have seen the largest decline in membership since their inauguration, giving way to the CCSs and private sector. Figure 3.2 summarizes the number of individuals employed in the non-state sector and shows the ability of each model to retain its members. Both the CPAs and UBPCs have not had the inflow of incoming workers like the private sector has. It is unclear whether this is because of inherent structural differences such as undesirable working conditions, overregulation by the state, or the problem posed by Ward and Domar, where collective models resist employing new members in the event of rising demand. The CCSs do not have any of these problems and as their model is based on the collection of small farmers, and are not a fully collective institution, they are not required to divide their profits evenly amongst all the members, and are thus, less hesitant to accept new members.

The proper education, so as to help the agricultural workforce adjust to the necessities of the market and the principles of

autogestión, or self-management, have been lacking with the most recent reforms. In a sector of the economy where most workers do not have a high level of education, basic training in agricultural work is lacking. In a case study on the “Las Lajas” cooperative, a coffee producing UBPC in the mountains of Artemisa, Cuba, it was found that 75% of the members did not have any training in agroecology while 69% did not even have any knowledge of the subject (González, et al., 2015). There is also a low level of knowledge of implementation of decision-making strategies such as strategic planning and management (Campos, et al., 2013). Those who have had access to this kind of education have seen greater efficiency, productivity, and sustainability as a result (Rojas, et al., 2014; Blanco, et al., 2015). In so far as entrepreneurial education is concerned, the large majority of the workforce originally came from the state sector and is without this training (Vieta, 2012). The lack of experience with this amount of economic independence and the significant barriers to starting and operating a cooperative firm is a burden for those entering the cooperative sector (González-Corzo, 2015).

Studies have shown the difficulty on the part of management to adjust to their new responsibilities. Fernández et al. (2016) have unveiled through their surveys of CPA managers that the most difficult aspect of the position is managing the social aspect of the firm. As the economic relations of the firm are dependent on the social relations, in order to find success in the former, management, especially in the case of the cooperative firm, must inevitably spend a good amount of effort on the latter (Fernández et al. 2016).

Finally, the question of gender relations is a topic that has yet to make much headway among the Cuban cooperatives, as they

follow the patterns of gender roles typical for Cuban society at large. There is an incredibly low amount of women who work on the agricultural cooperatives. The Cuban National Office of Statistics and Information have consistently put the participation of women at between 10 - 15% for the period of 2013 - 2016 (*ONEI Anuario Estadístico de Cuba*, 2016). This was reflected in the case study on the UBPC Papi Lastre; in the Cauto Cristo municipality where Papi Lastre is located, a region with many more women than men, only 30.9% of women are linked with labor, yet in Papi Lastre itself, women producers only make up 9 of the 130 members (Vargas 2014). The same demographic make-up could be seen in the UBPC Ganadera Aguada in Cienfuego and the UBPC Las Lajas (Rodríguez 2014, González et al. 2015). The CCSs Paco Cabrera and Celia Sánchez Manduley were not much better with 20% and 21% of the group made up of women (Galindo 2014, Maqueira 2015). Problems associated with agricultural work for women is the lack of housing or facilities to aid with the raising of children, whom they are expected to attend to at home (Vargas 2014). Vargas (Ibid) has highlighted several reasons for such a low participation of women; the undervaluation of women's labor for agricultural activity, identifying women's labor as "helping the husband", and the belief that women are better suited for raising calves and not for the heavy work, what the authors calls "Machista Paternalism." Another problem posed by the low salaries earned at the UBPCs is that many of the women do not feel as if they have significant financial independence in the family (Rodríguez 2014).

Conclusions

Compared with the past, the Cuban state has placed a large focus on cooperative and non-state forms of economic activity, and

while several cooperative forms have shown to increase food production, the achievement of basic material necessities, efficiency, and employment, the transition to a legal environment that fully supports their development is still not fully in place. Certain legal barriers push the cooperatives away from their full potential. First, when considering the principle of voluntary and open membership, it is difficult to argue that they can allow for truly open membership when bureaucratic practices make it difficult to form one in the first place, and hardly voluntary in the case of the UBPCs if directives from above are the way in which public firms are being transformed into cooperatives. It is also interesting to note that despite the reduced tax rate and other benefits only accessible for the agricultural cooperatives, the main increase in employment has been in the private sector and not the cooperative sector. It seems, though, that the CCSs, due to its unique institutional set-up, have been somewhat successful in absorbing many of the new *cuentapropistas*. While the CCS has the least amount of social obligations of all the cooperatives, it may be the only one preventing the competition of the private sector from overwhelming the new economy.

The economic performance of the CCS enterprises is also favorable when compared to that of the state enterprises, but the rest, especially the UBPCs continue to lag behind. There are several possible reasons for why the CCSs have been able to thrive during this period; (1) The CCSs have existed for a long time and have developed more efficient ways of producing over the years; (2) As their model revolves around the sum-total of all individual producers and is not based on a fully collective mode of production, the CCS benefits from both the "narrow" and "broad motivation principle", may have an advantage

in investing as per Pejovich's investment model, and may be more efficient at avoiding free-riding; (3) The CCSs have been given more autonomy from the state than the other models allowing them to make more efficient decisions.

While it should be taken into account that profit is not the sole aim of the cooperative, low productivity and high rates of failure are problematic. Increased access to input and output markets, increased *Acopio* prices, seems to have shown more positive results in the realm of productivity and firm stability, but the UBPC's behavior reveals that there is another dynamic at work. Considering the fact that the UBPCs are still required to acquire inputs directly from the state and sell the majority of their produce directly to the state, it would seem that their activity is the result of the way in which their model is structured. All previous analysis of the UBPC's performance tends to show their lack of success being tied to their lack of autonomy from the state. For example, the rise in *Acopio* prices and suppression of state subsidies almost immediately lowered their failure rates, suggesting state intervention to be a significant factor in their viability. Moreover, the way in which the UBPC does not make full efficient use of the land in the way that the other models do points to something interfering with them achieving efficient outcomes. By all means, the UBPC should in theory be the most democratic model, that connects "the individual and the land, as a way of stimulating interest in work and a concrete sense of personal and collective responsibility", but their failure rates seem to be equated with the fact that they have been directed, in more ways than not, by state actors, restricted in the ways in which they can produce, and have deformed the democratic practices they were meant to engender.

Discussion

Cooperatives in Cuba today find themselves under attack from two sides, those who advocate for the continued pursuit of policies aimed at strengthening and increasing the productive capability of the burgeoning *cuentalpropistas* (self-employed) and those of the old guard who view the market mechanism as a signal of the end of the revolution (Burbach 2013). The stakes are high as poverty and economic vulnerability have reemerged during the Special Period and the small island nation has had difficulty in tackling the large trade deficit with other nations (Argüelles, 2014). The Cuban economy is in a special category of economies where, despite near full employment and a generous welfare state, 48.4% of individuals are unable to meet their basic food needs, and as a result, unable to live a satisfying life of true human development (Ibid). At the same time, state management, with its top-down directives, orders, plans, and restrictions, has not overcome the "alienation" of the individual from himself and other economic actors, something the cooperatives have been more successful in overcoming. There are many challenges facing the cooperatives and their growth but it would seem that there is no reason why cooperative management cannot bring about a more economically prosperous country all while retaining the *Conquistas de la Revolución* that the Cuban people hold so dear. A growing literature focusing on the 'solidarity economy', typified by the works of Istvan Meszaros, Michael Lebowitz, and Camila Piñeiro Harnecker, who advocate for an economy based on real human development and a "society of associated producers", could also be a possible direction for the Cuban system (Meszaros, 2000; Lebowitz, 2016; Harnecker 2014). For a cooperative economy to take root, though, a

number of changes would need to be put into effect. As an outsider, it would be inappropriate for specific changes to be offered, but in light of the aforementioned analysis of the cooperative sector and hindsight knowledge of the past experiences of cooperative-based economies, several general comments, given the preceding analysis, could be made.

For cooperatives to be successful, they require the flexibility and autonomy necessary to make the economic decisions they feel are best warranted based on their own specific conditions. By heavily regulating cooperatives so as to bring about certain desired results, the state only hampers their functioning because of asymmetrical gaps in information in both directions, negating any advantage they may bring as decentralized units of production (Hayek, 1945; Bardhan & Roemer, 1992; Devine, 1992, Stiglitz, 1994; Lebowitz, 2012). Moreover, overly paternalistic relationships with the cooperatives also lead them to act in a deformed manner. Instead of suffocating them, they should be allowed to breathe and grow organically with the worker-members making decisions on behalf of cooperatives and developing themselves in the process.

Secondly, cooperatives rely on the creative energy and the interest-driven labor of their members. This is dependent on the ability of the cooperative enterprise, based on the social relations of the members, to fulfill each member's material and personal needs, to allow for educated decision-making to take place, to motivate workers to participate in cooperative activities, and spur a feeling of belonging and meaning in one's life. Therefore, investment in and attention to human capital is of utmost importance. The preceding analysis demonstrates the importance in creating the conditions that make the Cuban people feel interested in

joining the cooperatives, as opposed to becoming self-employed or remaining in the state sector. A 'cooperative culture' needs to be developed that promotes the development of each member. Focusing on the development of the countryside and the creation of smaller cooperative communities (which could be undertaken by the non-agricultural or the "2nd-grade cooperatives" proposed by the Guidelines) could play a large role in convincing workers to return from the cities (Lineamientos, 2011). Long and burdensome processes for instituting new cooperatives will only put off those interested in starting one but who feel they are unable to navigate the bureaucratic process and decisions to "cooperativize" from above will not produce the necessary workers needed to operate the firm.

Finally, a balance needs to be found between the economic motive and the social motive of the cooperatives. Leaning towards either extreme has shown to lead to instability and collapse because of the subordination of one "logic" to the other, based on the society in which they operate. Both mutually reinforce each other; without access to basic necessities, there are no incentives to join the cooperative (as can be seen from the flight to the cities and the private sphere) whereas a lack of focus on the social question leads to low motivation, productivity, and deformation. Aside from the already existing regulations in Cuba such as usufruct rights and direct sales to *Acopio*, several solutions, from Latin America and elsewhere have already been proposed to this problem which are at the disposal of the Cuban people. One direction which could be sought after is the one proposed by Alec Nove in which cooperatives inhabit an economy alongside a host of other firm types (Nove, 1983). Another common proposal is the creation of "Grade 2 cooperatives", proposed by the Guidelines

but yet to be implemented, that would act as an umbrella organization for the coordination of the needs of the cooperatives (Diaz, 2016; Lineamientos, 2011, 2017). In the past, Grade 2 cooperatives have operated as a means to supply the cooperatives with inputs, services, and means with which to better market their products and promote relations with the wider cooperative sector as with the “Communities of Interest” in Yugoslavia (Schrenk, et al., 1979; Curl, 2016).

More radical proposals view “participatory methods” as playing a vital role. In 1992, Pat Devine came up with the participatory planning model that “incorporates market exchange, but not market forces” (Devine, 1992). Enterprises are to decide, in negotiation with customers, their plans for production, setting “their prices equal to

long-run costs”, and then selling them to the community through market exchange. Similar to Devine’s plan, Cuban economist Camilla Harnecker has floated several alternative forms of institutional organization for the coordination of the Grade 1 cooperatives with the needs of the community, including consumer councils, local and municipal governments, and “associations” that represent the social interest (Harnecker, 2014). From this, the society at large, as opposed to a central government, would be able to democratically regulate the cooperatives, reward socially beneficial behavior and sanction harmful behavior. While these ideas may be worth further investigation, it is currently unknown what their effects would be as they have yet to be fully implemented elsewhere.

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- Appendix A:** The cooperative values and principles laid out by the International Cooperative Alliance in 1995, (International Cooperative Alliance 2015).
1. Voluntary and Open Membership
 2. Democratic Member Control
 3. Member Economic Participation
 4. Autonomy and Independence
 5. Education, Training, and Information
 6. Cooperation among Cooperatives
 7. Concern for Community