

Cuba's elite must consider life without Castro, by Jorge I. Domínguez

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President George Bush and former President Jimmy Carter recently spoke about their hopes for Cuba's future.

But how do Cuban elites ponder Cuba's post-Fidel Castro future and their own role in it?

The Political Bureau of the Communist Party of Cuba is the regime's key political organ. The median birth year of its members is 1943. Three out of four of its members joined the Political Bureau after the collapse of the Berlin Wall in 1989 and have governed Cuba for over a decade without Soviet subsidies or troops posted in Africa.

They are not ready to retire. They expect to govern Cuba after Castro's passing, and they believe that they can govern it effectively according to their preferences.

The Cuban political system survived the collapse of the Soviet Union and European communist governments. Cuban leaders take credit for this political success. Domestic political instability has declined compared to the early 1990s. The economy has recovered since 1993. The policy changes adopted for this recovery worked as the leadership had hoped. The economy has not regained its level of the late 1980s, and it was hurt by the worldwide recession in 2001-2002, but Cuban leaders believe that the worst is over. Moreover, they believe that no new significant economic reforms are necessary because the recovery remains on course.

And yet, biology matters. Fidel Castro will not live forever. Cuban leaders are well informed about trends in other countries. They face three broad choices regarding the organization of politics, the governance of markets and the design of firms.

Cuban leaders know that some former communists have re-invented themselves as democrats in much of Europe and that they govern several Eastern European countries. They know that the public has returned former communists to power in Poland, Hungary, Lithuania, Bulgaria and elsewhere. Cuban leaders, too, could earn honor, success and prosperity if they follow this path.

And yet, others argue, better for Cuba to emulate Vietnam and China. Why surrender power when prosperity may be possible by enacting far-reaching economic reforms under the aegis of the communist party? Either path would change Cuba significantly from today's circumstances, but only the first change would drastically alter its politics.

Cubans have rediscovered two forms of the market economy. One is capitalism re-born in crime. These illegal or semi-legal market transactions encompass a significant fraction of the retail economy and engage both ordinary citizens and lower-echelon officials and party members who must make ends meet.

The other is concessionary capitalism: The state regulates access to the market and the firm's labor force and stipulates precisely what can and cannot be done.

The first form of capitalism is adverse to the restoration of the rule of law and of the habits of a law-abiding society. Numerous inefficiencies and opportunities for corruption mark the second form.

Most Cuban elites wish to overcome the first but refuse to see the second as a problem. Yet they can address the first problem only through wider and deeper economic liberalization that could undermine concessionary capitalism. The status quo is unstable in the long run, and choices will have to be made.

At the end of the 1980s, the Cuban government began to promote foreign direct investment. The internal style and incentives to manage a number of state enterprises also changed to make them conform to market constraints and opportunities. Cuban leaders know that market-oriented firms work better. And yet, in the name of prosperity, should they open up the economy more to foreign firms that the leadership might not control and even to Cuban-owned businesses? Or should they take their cue from many state enterprise managers in former communist European countries: do-it-yourself privatization?

Managers of Cuba's more market-oriented state enterprises are well positioned to privatize and seize the firms they currently manage at a moment of future change. The anti-nationalist alternative, some claim, is for foreigners or expatriates to run the commanding heights of Cuba's economy.

Finally, Cuban leaders worry about another biological fact that will shape Cuba's future. Since the late 1970s, its population has been growing below the rate needed to sustain a stable population. Even taking no account of emigration, Cuba's population will start to decline around 2025. In the meantime, wrenching policy decisions must be made. The Cuban pension system cannot fund the rights that the law currently accords to pensioners in the future. Healthcare must shift from pediatrics to geriatrics. Building homes for the elderly deserves priority over building kindergartens.

This demographic decline both comforts and worries Cuban leaders. The birth-rate decline is only possible thanks to changes in education, healthcare and related successful social policies that enable Cubans to take charge of their reproductive lives. No matter the name of the president or the form of the political regime, Cubans want these successful policies to continue indefinitely.

And yet, the demographic decline signals as well a lack of confidence in the future, a fear that prospects for children are not good in the Cuba of tomorrow, an implicit but powerful demand for substantial change.

These are the choices facing Cuban leaders. The world outside Cuba might seek to give them incentives to make the right decisions.

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