



POLICY BRIEF

Governance and Social Justice in Cuba: Past, Present and Future

A report by the Cuban Research Institute (CRI), the Latin American Faculty of Social Sciences in Mexico (FLACSO-Mexico) and the Canadian Foundation for the Americas (FOCAL)

Lessons for Cuba from the Latin American Experience

In the search for effective strategies to address Latin America's persistently high rates of poverty and inequality, there is a growing recognition of the important link between the quality of governance, economic growth and social development. Poverty and inequality have become increasingly significant features of present-day Cuba, albeit they are qualitatively distinct from what is found in the rest of the Americas, given the particular features of Cuba's communist system. Their prevalence presents important challenges to Cuba's political and economic model. As part of a series of activities entitled "Governance and Social Justice in Cuba: Past, Present and Future", on April 21-22, 2005 the Cuban Research Institute, FLACSO-Mexico (Latin American Faculty of Social Sciences) and FOCAL (the Canadian Foundation for the Americas) brought together a range of experts from various countries, including Argentina, Canada, Chile, Colombia, Cuba, the Dominican Republic, Mexico and the United States. This event was organized to explore the varying dimensions of these regional problems, identify significant parallels with the case of Cuba, and extract key lessons and highlight important challenges for Cuba based on the Latin American experience, as well as from the island's past and present contexts. The reality of the 1959 Cuban revolution has tended to isolate the island from much of the analysis of Latin American development and politics. This event was intended to help to bridge this gap. This Policy Brief highlights the main themes covered during this event. It is based, in part, on the individual papers presented, which are available on the web at: http://www.focal.ca/projects/researchforumoncuba/governanceandjustice/publications_e.asp

POVERTY AND INEQUALITY: A PERVERSIVE CHALLENGE THROUGHOUT LAC

While differences exist among countries, Latin America and the Caribbean (LAC) as a whole is plagued by persistently high levels of poverty (at present over 40% of the population). As world poverty has dropped significantly since China and India began opening their economies two decades ago, Latin America, with the notable exclusion of Chile, has been the exception to this trend. LAC is also one of the regions of the world with the greatest inequality. According to the World Bank, the richest tenth of Latin Americans earn 48% of the total income, while the poorest tenth earn just 1.6%. The equivalent figures for rich countries are 29.1% and 2.5%. Within individual countries, significant gender, racial and ethnic differences figure prominently, with indigenous and Afro-descendants typically faring much worse than the rest of the population under a broad range of indicators.

Poverty and inequality in LAC pervades every aspect of life. Pronounced social differences exist with respect to income and material well-being, access to education, access to health and public services, access to land and other assets, the functioning of credit and formal labour markets, and the attainment of political voice and influence.

JUSTICE AND THE ROLE OF THE STATE

In the search for effective strategies to address Latin America's pronounced social deficits, throughout the Western hemisphere (where, with the exception of Cuba, liberal constitutional democracy has become the dominant form of political organization since the early 1990s), there is a growing recognition of the important link between the quality of governance, economic growth and social development. Governance, the process whereby, within accepted traditions and institutional frameworks, interests are articulated by different sectors of society, decisions are taken, and decision-makers are held to account, is a critical component of this formula.

Good governance, characterized by an effective, honest, equitable, transparent and accountable manner by which power is exercised by the state in the management of a country's economic and social resources, has been significantly deficient throughout the Americas. Ineffective governance lies at the root of the region's underdevelopment. The protection of individual freedoms through equal justice under the law - such as of free speech and religious liberty, the right to own private property and to form a political opposition - is widely recognized as an essential limitation on the government's power to act, and as integral to good governance. The illiberal features of many of the region's democracies, however, are major impediments to good governance. Today there is widespread recognition that unequal justice is a core element of LAC's underdevelopment.

There is global debate, however, concerning the proper understanding of freedom and justice. For some, freedom is viewed simply as the absence of coercion. That is, being left alone to do as one wishes, as long as it does not infringe on the freedom of others to do likewise, with justice being achieved through equality of individual rights under the law. Others, however, view as legitimate the use of governmental power to reduce the freedom of some in order to provide opportunities for others, or rather, to provide people with the means to achieve their goals. They talk of social justice, defined as the partial equalization of wealth and income to reach a desirable range of outcomes. According to this view, extremes of wealth and poverty are criticized as violations of social justice, even if they have been achieved without violation of law.

As distinct from the rest of the region, Cuba's communist regime defines justice as equality of social condition. Within this definition, equality does not pertain to political power. Rather than defining it as individual autonomy, freedom is regarded as national emancipation as represented by the nationalistic revolutionary tradition consolidated under Fidel Castro.

These views have resulted in differing ideas about the role of the state in economic life, Cuba's command economy being an extreme manifestation of state involvement in a country's economy. While most would agree that some degree of inequality is necessary in a society to provide incentives for work and investment, there is also widespread agreement that, for ethical, political and economic reasons, every society has an interest in avoiding the worst forms of inequality. A key question is to what degree the state should intervene. As the Latin American experience reveals, the state's role in the economy has been highly ineffective, fostering close connections between economic and political elites, fuelling corruption, and reducing the likelihood that the profits of economic enterprises will be derived from quality or efficiency. This has been a key impediment to development throughout the region.

GOOD GOVERNANCE AND SOCIAL JUSTICE: A CRITICAL LINK

Poverty and inequality have varied little over recent decades and have prevailed through the various political paradigms and economic policies that have characterized LAC. These features of Latin American society persist today, surviving the transitions away from authoritarian government and statist economic models to democratic and market-oriented systems that took place throughout most of the region in the early 1990s.

Despite being an insufficient impetus in fostering a more redistributive state, democratization did help bring into the political arena generalized demands throughout Latin America for state action in the 1990s in the social sphere. Social spending by governments grew significantly in most countries, resulting in the expansion of basic services - such as education, health, water and sanitation - to parts of the population that had previously not been served. Much of this spending, however, has been ineffective, and still favours the better-off. The debilitating features of the region's political institutions and social structures have significantly limited the scope for effective actions.

The delicate process of democratization currently underway throughout the region, and the limited scope and effectiveness of reforms, have led to a heightened recognition of the political nature of the region's social and economic deficits, and of the crucial role of institutions. The present context has also highlighted the negative political effects of high rates of poverty and inequality.

The underlying causes of poverty and inequality in contemporary Latin America are complex. They are the result of a range of inter-related historical, social, political and economic factors. Rooted in patterns set by European

colonization in the region and the political, economic and social institutions that resulted, the evolution of these institutions tended to reproduce and reinforce highly unequal distributions of wealth, human capital and political influence. In modern times, as in the early colonial periods, elite populations shaped institutions and policies to serve their own interests first. Access to land and education was very unequal in most Latin American countries in the late 19th century. The region's long history of authoritarian power tended to lock in inequalities.

Today, most Latin American states conform to a model of patronage and clientelism that was embedded within a broader pattern of unequal societal relations. Few states have made the transition to programmatic political parties and autonomous bureaucracies that was a feature of institutional change in much of Europe and North America. This is further reflected in the relatively weak capacity of Latin American states to deliver key public goods - especially economic stability, security of property rights, and the benefits of citizenship - and the broad-based availability of services financed by taxes.

The inability of governments to meet citizens' high expectations for democracy to improve socio-economic conditions threatens to undermine public support for political and economic reforms. In some cases, it is threatening a broad-based consensus on democratic governance and how scarce public resources should be generated and allocated. This has fuelled political instability in some countries and increased the allure of antidemocratic demagogues and populist leaders who promise simplistic, false and counterproductive remedies, with short-term political appeal, to complex problems. The current crises facing much of the Andean region highlights the negative repercussions of exclusionary political institutions that are not capable of acting as effective intermediaries between socially-divergent and highly polarized groups.

ECONOMIC PERFORMANCE AND SOCIAL JUSTICE: KEY LESSONS FROM LAC

Latin America's economic trajectory highlights a number of important lessons for tackling poverty and inequality and promoting social development:

The Hazards of a State-Centric Economic Model

The dramatic revision of the political and economic paradigm that took place throughout the Americas in the early 1990s emerged as a response to the devastating debt crisis of the 1980s. The debt crisis was rooted in the failure of the import-substitution industrialization model that prevailed throughout the region from the 1930s to the 1970s. Replacing export-led growth strategies, this model of economic development was heavily influenced by the ideas of the

Argentine economist Raúl Prebisch, who had experienced directly the catastrophic impact of the Great Depression of the 1930s on Argentina's previously prosperous economy and constitutional form of government. While continuing to recognize trade in needed goods, this development strategy emphasized the importance of an activist government developing and protecting the national industrial sector through protective tariffs, subsidized credit, public enterprise and extensive regulation. At its peak, this model managed to generate growth and improve living standards. Despite ominous problems that began to emerge, resulting from spending that far outpaced state revenues and imports that greatly surpassed exports, these policies were perpetuated by the military regimes that ruled in most countries. Among the consequences were runaway inflation, devalued currencies, flight of capital, and enormous debts that crippled the economies of a large number of countries in the region.

The Limits of Macroeconomic Orthodoxy

This was the context that forced governments of the region to turn to orthodox macroeconomic policies and dismantle the protectionist measures that had been put in place. The key elements of these reforms, known as the "Washington Consensus", the name that economist John Williamson gave in 1989 to a list of 10 policy recommendations, included: fiscal discipline, tax reform, privatization, trade liberalization, foreign direct investment, deregulation, and enforcement of property rights. The introduction of these reforms coincided with the sudden collapse of the Soviet system and the rise of democracy throughout LAC. Discredited socialist ideas and central planning, that had pervaded many Latin American countries, created an urgent and widespread need for an alternative set of ideas on how to organize economic and political life. While in some countries the market reforms paid off in terms of price stability, attracting foreign investment, and economic growth, it soon became apparent that macroeconomic orthodoxy had important limits in terms of how far it could take reforming countries on the path toward growth. In most cases, job creation fell short while inequality and poverty remained unchanged.

A Focus on Sustainable and Equitable Growth and Effective State Institutions

The 1990s began with the widespread expectation that sound, market-oriented, macroeconomic fundamentals would be the recipe for prosperity and reducing poverty in the Americas. It has become clear, however, that this is just a precondition for sustainable economic growth, recognized today as the key ingredient in the fight against poverty and in sustaining social development. While the need to tackle poverty remains the focus of attention, today there is a much greater awareness of the need to tackle social inequality at the same time, given the increased recognition of the tight links between gaps in income and opportunity, economic growth and prosperity, and political stability.

A significant challenge is to address social development without harming the incentive structures critical to economic growth and innovation. Key factors include:

- Reinforcing avenues for social and economic mobility by broadening effective access to economic opportunities, within an increasingly integrated global economy;
- Providing more equal access to political institutions, influencing political decisions, and protecting individual legal rights, including property rights and contracts;
- Investment in extending access to quality education, including opportunities for learning critical skills, and higher-level education, which is recognized as a significant driver of economic growth in the burgeoning global knowledge economy;
- A well-designed and enforced taxation system, including a progressive income tax with rates rising with increases in the amount to be taxed. This is recognized as an important vehicle for income redistribution and funding social services such as healthcare;
- The need for reform of Latin America's elitist welfare state so that social security and social assistance are more targeted and are effective in reaching the poor.

Finally, there is widespread agreement on the pre-eminence of efficient and transparent state institutions in addressing Latin America's underdevelopment. Given the significant weakness of state institutions throughout the region, there is a need for extensive reforms so that the state is able to play a positive, enabling, as opposed to an interventionist and obstructive, role in economic and social development. This includes strengthening the state's capacity to make a market economy work in order to take advantage of the opportunities and protect against the negative effects of globalization and facilitate economic growth and the creation of wealth. Extensive reforms in the following areas are required: legal (i.e. property rights), regulatory (i.e. labour market and financial system) and institutional (i.e. judiciary, civil service and political parties). Collectively, these are referred to as "second generation reforms". Given the technical intricacy and adverse impact of reforms on powerful groups in society, political complexity makes implementation of these reforms an enormous challenge. Moreover, there is no straightforward formula for implementing second-generation reforms.

A HISTORICAL VIEW OF GOVERNANCE AND SOCIAL JUSTICE IN CUBA

Aspirations for good governance, social justice and national sovereignty have figured prominently throughout Cuba's history. The culmination of repeated national frustrations in these areas paved the way for the 1959 revolution.

The Cuban Republic was inaugurated on May 20, 1902, the day that Cuba gained independence from the United States. Independence from Spain was secured by the United States in 1898 as a result of the Spanish-American war, marking the end of the second of Cuba's two wars against Spain. Various deep-seated problems surfaced during the first phase of independent government in Cuba. Close commercial relations with the United States, due to U.S. tariff concessions on sugar in return for Cuban preferences for U.S. imports, assured the island's rapid modernization in the early days of the Republic. Cuba's economy, however, became dependent on sugar and on one all-powerful market. The inclusion of the Platt Amendment into the Cuban Constitution of 1901 established U.S. supervision over political developments in Cuba. The assurance that the United States would intervene to protect the island from foreign intervention or domestic difficulties unwittingly worked against the development of responsible self-government on the island. Cuban politicians frequently relied on the United States for guidance and support in their political decisions – such U.S. interventions occurred in 1906, 1912, 1917 and 1933. This relationship helped to define Cuban nationalism.

As in the rest of Latin America, Cuban bureaucrats preserved the Spanish colonial attitude toward public service as a source of personal profit and privilege, fuelling corruption, nepotism and inefficiency. Allegiance to the leader, as opposed to institutions, as well as a reliance on electoral fraud and voter intimidation, were key staples of Cuban politics. Politics was defined by personal aspirations rather than programmatic agendas. Small cliques dominated the political parties and wielded considerable influence in the armed forces. A fractious civil society was incapable of producing either a loyal opposition or making leaders accountable for honest conduct in the public sphere. The solution to political differences was commonly sought through violence, which was widely condoned by the public. Rebellion, military insubordination and political violence resulted in constant threats to political and social stability and contributed to a state of perpetual crisis.

In addition to these prevalent features of public life, the state's weight in the economy increased throughout the Republican period. In the mid 1920s, during a severe economic crisis, Cubans elected Gerardo Machado, who attempted to construct a corporate political system, bringing in key sectors of political society under one umbrella organization. Encountering opposition from within and without, this period triggered the revolution of 1933 and calls for a number of reforms in response to the worsening economic situation on the island as a result of the depression of the 1930s.

Also known as the "frustrated revolution" - the revolutionary government held power for a mere 100 days - the events related to 1933 led to the abrogation of the Platt Amendment

in 1934 and to one of the few moments of national consensus on the island: the convention of a wide range of political groups that drafted the Constitution of 1940. As the embodiment of Cuban aspirations for reforms propounded throughout the 1930s, it incorporated many labour and social reforms and nationalized and “Cubanized” key aspects of the economy. It legislated a strong welfare state within a context of democracy, assigning the state a heavy role in economic and social development. It endorsed agrarian reform and defined many civil liberties and social welfare provisions. Workers were guaranteed paid vacations, minimum wages and job tenure. Cuban nationals were to be favoured over foreigners in the establishment of new industries.

Considered by many as the start of a new national foundation, 1940 marked the beginning of twelve years of liberal democratic government on the island. Confirmed by three successive national elections, Cuba took pride in being one of the few democracies in Latin America. Despite the high expectations, however, this period is remembered for its significant failings.

Political scientists Juan Linz and Alfred Stepan list five crucial conditions for the consolidation of democratic governance in their comparative study of emerging democracies in Latin America and Eastern Europe (Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist Europe, Baltimore: Johns Hopkins Press, 1996). By these measures, Cuba during the 1940s seemed well endowed with conditions for democratic rule. The island included a vibrant and diverse civil society, a largely literate audience, and a prosperous society comprised of a large middle class. The elections of 1940, 1944 and 1948, while not unblemished, were largely free of the accusations of fraud that had plagued Cuban voting in the past. The Constitution enjoyed wide support, even veneration. The economy also reflected the mix of state and private control that the authors believed crucial to democratic governance. It was Cuba’s state apparatus that fell most obviously short of their criteria for consolidated democratic rule. Key problems included:

Corruption: A constant cancer in Cuba since colonial times, corruption didn’t emerge during these years. The proliferation, however, of regulations, taxes and required permits throughout the 1930s and 40s, ostensibly designed to protect Cuban as opposed to foreign interests, created a system ripe with possibilities for influence-peddling and theft. Employment and advancement were often related as much to cronyism and patronage as to qualifications. Corruption was particularly galling due to the fact that it was being perpetuated by a generation of leaders that had promised to follow a new style of honest and transparent government.

Rent-seeking mentality: Corruption took the form not only of outright kickbacks, bribes, and graft but also of what economists call a “rent-seeking” mentality. Defined as the political activity of individuals and groups who devote scarce resources to the pursuit of monopoly rights granted by government, this approach pervaded Cuban society. Instead of concentrating on innovations to improve products or develop new products, Cuban workers, farmers, and industrialists had to compete to secure political benefits and protection. Furthermore, social and economic groups sought direct access to the government regardless of which party or leader happened to be in office. A plethora of powerful interest groups did not resort to political parties to channel their narrow sectoral interests. Rather than building organizations from the local to the national level based on the fulfillment of a political program, political parties resorted to vote-buying, distributing privileges and state employment.

Deficient legal authority: In Cuba support for legal authority may have been accepted as the ideal, but the legal route was rarely the most efficient way of securing government approval and services needed to do business.

Heavy state role in the economy: The reformers of the 1930s had worked to create a state that would protect Cuban workers, business people and bureaucrats from the ravages of worldwide depression and volatile international markets. The 1930s marked the beginning of a process by which the country’s industries and services were increasingly “Cubanized” by local entrepreneurs through a number of reforms that gave Cuba control over its economy. Perpetuated over the 1940s and 50s, these reforms created a system of quotas, subsidies, price controls and wage guarantees, licenses and permits that pitted the powerful interest groups against each other in competition for government dispensation of privileges.

Lack of a monopoly over legitimate force: Violence rose to tragic proportions, in large measure due to the prevalence of armed gangs who had grown powerful in the 1930s, especially at the University of Havana. Groups employing violence organized not only to mobilize political power but also to obtain government privileges and subsidies. Attempts failed to co-opt these armed gangs, by absorbing some of the leaders into the state police and security forces. As evident in the 1952 coup by Fulgencio Batista, the government did not have control over the Cuban military.

While Cuba’s economic and social indicators in many areas, such as per capita income, infant mortality and life expectancy, were comparable to the levels achieved by the relatively wealthy countries of Latin America’s Southern Cone, this masked important flaws. Cuban economic growth was highly inequitable and difficult to sustain, highlighting the island’s uneven level of modernization. By 1950, sugar had long ceased to be a dynamic industry. Nor had

dynamic new industries emerged to take advantage of the infrastructure that sugar had created. While diversification of Cuban agriculture and industry had been a fundamental tenet of public policy since the 1920s, entrepreneurs proved incapable of developing new products for the domestic and world markets. Unemployment was a serious political and economic problem. Disease and malnutrition were common in the countryside.

The final unraveling of the Cuban Republic followed a largely internal dynamic. Well-intentioned reform, ever-more-complex regulation, endemic rent-seeking and high-level corruption undermined a once dynamic economy and helped to discredit democratic rule. The tragic climax to this period came in March 1952 when General Batista seized power in a coup. Fuelled by a political culture that accepted the use of violence to settle political differences, this crisis degenerated into armed insurrection when a negotiated way out of the Batista regime was not found. Seven years later, Batista was overthrown by Fidel Castro and his followers. The vast majority of Cubans embraced the 1959 revolution, convinced that their hopes for democratic governance, social justice and national sovereignty would finally be realized.

POVERTY AND INEQUALITY IN CONTEMPORARY CUBA: A GROWING ISSUE

While qualitatively distinct from the rest of the Americas given the unique nature of Cuba's communist system, poverty and inequality have grown significantly on the island since the first half of the 1990s, when Cuba experienced a deep economic crisis from which it has not been able to recover. The catalyst for this crisis was a significant drop in foreign exchange receipts resulting from the termination of the subsidization inherent in the country's special trade and aid relationship with the former Soviet Union and the countries of Eastern Europe. Contributing to already existing structural problems with Cuba's command economy, the result was a multidimensional crisis that led to a sharp decline in living standards for Cuban citizens, which ushered in Cuba's special period in time of peace. The Cuban government responded with a series of market-oriented economic reforms from 1993 through 1996. While these reforms initiated a process of economic recovery, the economy has not been able to return to pre-crisis levels. Since 2003 Castro has launched a process of economic recentralization reversing many of these reforms, justifying these measures on the need to control corruption, resist U.S. threats to the economy, rectify inequalities, and revive revolutionary morale.

Despite a continuing allocation by the government of significant resources to Cuba's extensive system of social benefits, this system has suffered a marked erosion which has contributed to the deterioration of living standards. Comprised of universal and free access to education,

healthcare and social security pensions, subsidized housing and utilities, transportation and subsidized food, this system of social benefits was put in place following the 1959 revolution. Established with the goal of generating equitable income distribution and social equality, it represents an important source of internal and external legitimacy for the Cuban model, based on a centralized, planned economy, state ownership of property and a one-party state. Despite this model's significant restrictions on individual civil rights and disregard for political equality, its emphasis on social equality has led to the widely-held view of Cuba as a symbol of social justice.

In various recent studies from inside the island, sociologists and economists describe a Caribbean society with rising poverty and growing class and regional inequalities, inequitable access to public services and economic opportunities, including to the international economy, and a re-stratification of society along racial and gender lines. They describe rising problems facing Cuba's social services, including a deteriorated system of healthcare and education, reduction in pension coverage and the real value of pensions, as well as the steady increase in the housing deficit due to the very low rate of housing construction and the destruction of part of the existing supply due to lack of maintenance. Another significant problem is the climbing cost of social security, i.e., pensions, healthcare and social assistance, as a result of various factors, including the large gap between the low age for retirement and the high age for life expectancy, plus the average rapid aging of the island's population. The rate of poverty in Havana, defined as individuals lacking sufficient income to cover basic food requirements and essential services, was conservatively estimated to be 20% of this city's population during the 2001-2003 period.

Another problem is the country's eroding human capital, as the island's distorted labour market overvalues any skill related to tourism and undervalues higher education.

Some data provided in these studies illustrate the new social segmentation of Cuban society. About 80% of the population earns less than 300 pesos a month, and are unable to satisfy their basic economic necessities with their salaries. At least 1.5%, however, mostly white and connected to the government and foreign firms, earn from 1,000 to 6,000 pesos. With regard to regional imbalances, the human development level in cities that are more-or-less integrated into Cuba's rather small share of the international market, such as Havana and Matanzas, is greater than in many other areas, such as Pinar del Río and Camagüey, and far greater than in backwards regions in the southeast, such as Las Tunas and Guantánamo. The southeast contains the 36 poorest municipalities on the island and generates major emigration to the western provinces.

THE FUTURE OF SOCIAL JUSTICE IN CUBA: KEY CHALLENGES

- **Economic unsustainability and declining legitimacy of current model:** The rise of poverty and inequality in Cuba highlights the economic unsustainability of the island's current development model, which is characterized by a focus on social equity, that exists alongside restricted political and economic rights, and impaired economic growth. This poses a growing political challenge to the country's leadership. The Cuban regime's apparatus of self-legitimization and internal social control rests on the notion that political freedom has to be sacrificed for the sake of national sovereignty and social justice. The growth of poverty and inequality in Cuba, however, contradicts the government's official discourse of equality and social solidarity, and is contributing to a mounting questioning of the legitimacy of the Cuban model.
- **Economic growth:** In satisfying the strong demand for social justice that has existed in Cuba throughout much of the country's modern history, there is the need to move beyond state-centred economic paternalism and to embrace a modern concept of social justice based on equality of opportunity rather than of condition, supported by a modern economy that is capable of creating indigenous wealth, and by a facilitating governance structure. There are many successful international models to draw upon. It will require the widespread acceptance within Cuba of the principle that a productive economy, and the individual risks and responsibilities that it implies, are key conditions for extending and sustaining social rights. Various sectors of Cuban society will need to abandon a long-ranging distrust of capitalism, prevalent in the island's political culture, and move beyond an incorrect view of market economics as a zero-sum game. At the same time, there does exist a critical mass of Cubans with a disposition towards capitalism. They understand that Cuba's current model cannot solve their daily economic problems. Cuba's special period has lowered the expectations of many Cubans and conditioned them away from relying on the state to solve all their needs.
- **Globalization and the knowledge economy:** The question is not whether or not to globalize, as this process is occurring independently. The key question is how best to orient this process in such a way as to limit the costs and take advantage of the opportunities for economic growth and social development. A key opportunity lies in identifying appropriate new niches for Cuba within the emerging global, knowledge economy and society, where knowledge is a crucial factor of production, and where "human capital" is critical to competitiveness. This could be the first step in designing a new

development strategy and a vision for the future intended to move the island away from an economy highly reliant on the exploitation of natural resources, to a productive and competitive knowledge-based economy. Cuba's currently distorted labour market undervalues higher education and is eroding the island's important regional comparative advantage in this area.

- **Dialogue and consensus:** An abrupt transition in Cuba would be very unstable given the previously high dependence of the population on the state to resolve problems and provide basic necessities. There is the need for an adjustment that is rational and organized. The basic groundwork for a dialogue on how to address a range of foundational issues, such as those outlined above, has yet to be laid. A new consensus will require compromise and flexibility on the part of a spectrum of parties, traits not common in Cuba's political culture.

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