
Cuba and the complex transformation of the State Enterprise (I)

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Since 1959, with the triumph of the Cuban revolution, State-owned enterprises have evolved under different forms and different steering systems. During the 1960s its typical form of organization were the “consolidated”, comprising a group of entities – mostly small and of low productivity in one grouping them essentially for a better management.

After to cross a stage in which they suppressed to the mercantile bonds in the economy, which negatively affected the management of the public companies, these underwent a reconstruction under the System of Direction and Planning of the Economy, implanted in 1975 with the introduction of a policy of decentralized management more from the restricted economic calculation taken from the Soviet experience.

This was without doubts the greater transformation occurred until then and, in essence, was a positive step. But in their application several factors concurred that caused that persistence was frustrated.

On the one hand, the own deficiencies of the economic calculation exacerbated from the lack of experience and the nonexistence, in the Cuban model, of other necessary conditions for their application like a suitable system of prices and an efficient fiscal policy. On the other hand, the design of the state company comprised of an economic policy in that the consubstantial factors of mobilization political to the Cuban model were not taken suitably into account socialist, giving rise to technocratic and economic deviations.

This model of management deficiencies were overcome between 1986 and 1989 by the process of rectifying errors and negative tendencies, which tried to implement a model in which politics had priority along with a more efficient economic management through formulas as construction quotas, while authorizing the experimentation of the economic calculation carefully checked on the business system of the Ministry of the armed forces (MINFAR).

Since 1990, the special period imposed in business transformation through which a part of the same went on to operate foreign exchange – especially tourism, the nickel industry, the production of petroleum, tobacco,

telecommunications and stores collection of currency, with a system that gave greater autonomy to the management of this business segment that it took the legal form of companies and that it would be known as emerging sector. This would operate with a higher level of decentralization in the management, achieving an efficiency appropriate in many cases, especially in the first years of that difficult stage.

In an effort to improve the efficiency of business management, business development, who took the business system of the MINFAR experiences, in a process aimed at implementing a variant of economic calculation restricted to a group of companies, up to a few thousand today was introduced from 1998.

However, the existing monetary and exchange rate duality in the Cuban economy in 1994 created a very complex situation to monitor and control efficiently to state-owned enterprises operating in foreign exchange.

This situation reached a critical point at the level of 2003, when it was necessary to revise the financial mechanisms of the emerging sector before the breach of his contributions in foreign currency to the national economy.

The energy crisis faced by the country in the second half of 2004 – along with the resurgence of the United States economic blockade from the measures adopted by the Bush administration in May of that year — caused that again the country happened to centrally control the use of foreign currency, taking into account the growth of the external financial strains.

The decisions taken at the end of 2004 led to the concentration of all the currency received by the country in the Central box of the Central Bank of Cuba, which introduced a very cumbersome mechanism for business management.

Thus, history shows that State business activity has moved into a diverse range of centralization and decentralization of decisions, without that reached an optimal combination between one and another level of management in the operation of the companies in the state.

Beyond the reasons that led to the adoption of decisions at one time or another over more than 50 years showed that without the solution of this issue the country could develop it.

The economic policy adopted by the VI Congress of the CCP was raised again the topic as an essential element to raise the level of efficiency of the national economy, but in a setting or as much more complex than the one than characterized the first years of the crisis of the 90.

(To be continued)

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