

Title: Plan and Market: An Option for Equity? Lessons from the Cuban case

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ABSTRACT

Since the triumph of the Communist Revolution of 1959 until the disintegration of the socialist bloc at the end of the nineteen-eighties Cuba has developed a socialist economic model of central planning. This has proved very dependent on the soviet influence area, which concentrated more than 80% of Cuba's commercial nexus. With the fall of the USSR Cuba has been pushed towards a serious economic crisis. The need Cuban economy has for financing has forwarded a process of massive introduction of US dollars (*dollarization*) which, clashing against the traditional economic structure, has given way to the phenomenon of dual economy in monetary, exchange as well as structural terms.

The phenomenon of *dualization* together with the malfunctions it generates (above all as regards the behavior of the economic agents) have brought Cuban society, which had developed under the standard of equity for three decades, to a situation of increasing inequality. During the years 1993 and 1994 and with the intention of reactivating the economy and counteracting the most negative social effects of the *dollarization*, Cuba started a process of Economic Reforms. These Reforms have meant the legalization and expansion of the process of *dollarization* as well as of the resulting dualism. Such dualism has influenced the economic regulation processes which, in turn, have come to be configured around a given combination of planning and market mechanisms for resource allocation.

Given the variables presented above, the research to be developed has two clear objectives:

1. to determine, in the Cuban case, the degree to which the resulting scenario, especially as far as regulation is concerned, allows for economic reactivation and for the improvement of the present social situation.
2. to obtain from the results of the Cuban experience those valuable lessons on economic regulation which would allow the standards of equity to increase in any society where similar regulation experiences may be implemented.

The orthodox view refuses any mixed regulation experience to be valid. According to this perspective, the market prevails as the only valid resource allocating mechanism due to (despite a clear tendency to generate inequality) its high level of efficiency. One encounters, then, the discussion about whether certain planning-market combinations help reduce those inequalities without any significant inefficiency fall.

The talk will move along the following points:

1. Dual scenario in Cuba after the 93-94 reforms (monetary, exchange, structural).
2. Analysis of the resulting mixed regulation (planning-market) framework.
3. Impacts of the mixed regulation framework on the economic reactivation, the degree of social equality and the efficiency level of Cuban economy.
4. Conclusions to be drawn from the Cuban experience.
5. Lessons on mixed regulation to be applied to other economies.