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„Alternative Economies in Cuba (1960-1965): Guevara and Two Evolving Systems of Finance”

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"It is not a matter of how many kilograms of meat one has to eat, or of how many times a year someone can go to the beach, or how many pretty things from abroad you might be able to buy with present-day wages. It is a matter of making the individual feel more complete, with much more inner wealth and much more responsibility."

- "Man and Socialism in Cuba", A letter from Ernesto Che Guevara to Carlos Quijano, Editor of Uruguayan newspaper *Marcha* on March 12, 1965

ABSTRACT

My thesis ventures to dissect some of the unique economic and social elements of the new Cuban state from 1959 to 1965 and Ernesto 'Che' Guevara's main theoretical and material contributions to the Cuban economy during this time. Furthermore, this paper aims to bring light to some of the main ideological debates between socialist forces at a moment in time when the world was referred to as being split between "capitalist" and "communist" state powers. My analysis reveals that in fact, socialist forces were divided from within not only by the arbitrariness of nation-state borders, but by economic thought and praxis itself.

My research will mainly analyze Guevara's economic and social approach to building a new finance and accounting system in Cuba by the name of the Budgetary Finance System (BFS) and its significance to shaping socialist consciousness in Cuba. The BFS was used in the Ministry of Industries during Guevara's time in Cuba and ran parallel to the Auto-Financing System (AFS) used in the National Institute of Agrarian Reform (INRA) and the Ministry of Foreign Trade (MINCEX). The AFS was also predominantly employed in countries like the U.S.S.R. and referred to as economic calculus. The BFS received significant criticism from economists in Cuba as well as abroad for its attempt to degrade the role of the "law of value" as much as possible in the economy at an early stage of Cuban socialist development. The concept of the "law of value" in Marxist economics is directly related to how material incentives operate in a mercantilist or capitalist economy and is the nucleus which determines price and exchange. Removing the "law of value" from function or demeaning its role as much as possible while simultaneously developing the productive forces so that resources are abound for all citizens, brings a country objectively closer to the doorstep of communism.

In order to conduct this literature review while simultaneously providing an ideological background to the actions of the revolutionaries in Cuba, I will use a compilation of primary literature written by well-known Marxist economists, Ernesto "Che" Guevara, and other Cuban revolutionaries, as well as secondary literature that analyzes the Cuban economic shifts of the 1960's.

Thus, in an analysis of some of the methods used in Cuba for constructing "consciousness", Guevara's contributions from 1959 to 1965, a focus on the debate about the law of value from 1963 to1965 known as the Great Debate, and of both the Budgetary Finance and Auto-Financing

Systems with an emphasis on the BFS, I conclude my thesis with the argument that the BFS was ideologically closer than the AFS to Marxist economic theory in its proposed evolution from capitalism to socialism and finally, to communism.

Zusammenfassung, Deutsch:

Meine Masterarbeit versucht, einige der ökonomischen und gesellschaftlichen Besonderheiten des jungen kubanischen Staates in den Jahren 1959 bis 1965 zu analysieren sowie die wichtigsten theoretischen und faktischen Beiträge Ernesto „Che“ Guevaras zur kubanischen Ökonomie in diesem Zeitraum. Außerdem soll die Arbeit einige der wichtigen ideologischen Debatten innerhalb der sozialistischen Kräfte zu einem Zeitpunkt beleuchten, zu dem die Welt als eine in „kapitalistische“ und „kommunistische“ Staaten geteilte gesehen wurde. Meine Analyse zeigt auf, dass tatsächlich die sozialistischen Kräfte nicht nur durch Staatsgrenzen sondern auch durch die ökonomischen Ideen und die Praxis in sich gespalten waren.

Meine Forschung konzentriert sich auf eine Dekonstruktion des ökonomischen und gesellschaftlichen Ansatzes Guevaras im Aufbau eines neuen Finanz- und Rechnungswesens in Kuba, das „Sistema de Financiamiento Presupuestario“ (Budgetary Finance System (BFS))“ und dessen Bedeutung für die Formung eines sozialistischen Bewusstseins in Kuba. Das BFS wurde in Guevaras Zeit im Industrieministerium eingesetzt, parallel zum „Sistema de Autofinanciamiento“ (Auto-Financing System/AFS)“, das im National Institute of Agrarian Reform (INRA)“ und im Außenhandelsministerium verwendet wurde. Das AFS wurde vorwiegend in Ländern wie der USSR verwendet und als ökonomisches Kalkül bezeichnet. Das BFS stieß bei Ökonomen in Kuba und anderswo auf erhebliche Kritik, weil es versuchte, die Rolle des „Wertgesetzes“ in der Wirtschaft in der frühen Phase der sozialistischen Entwicklung in Kuba soweit wie möglich herabzustufen. Das Konzept des „Wertgesetzes“ in der marxistischen Ökonomik ist direkt damit verbunden, wie materielle Anreize in merkantilistischen oder kapitalistischen Ökonomien funktionieren, es ist der Kern, der Preise und Tauschbeziehungen bestimmt. Das „Wertgesetz“ außer Kraft zu setzen oder seine Rolle soweit wie möglich zu verringern, während gleichzeitig die Produktivkräfte entwickelt werden, sodass die Ressourcen Allen reichhaltig zur Verfügung stehen, bringt eine Gesellschaft näher zur Schwelle zum Kommunismus.

Um einen Literaturüberblick zu geben und gleichzeitig den ideologischen Hintergrund der Aktivitäten der kubanischen Revolutionäre darzustellen, ziehe ich neben Sekundärliteratur eine Sammlung von Primärliteratur heran, verfasst von den ersten marxistischen Ökonomen, Ernesto „Che“ Guevara und anderen kubanischen Revolutionären, die die ökonomischen Veränderungen in Kuba in den 1960er Jahren analysieren.

In einer Untersuchung einiger der in Kuba angewandten Methoden, um „Bewusstsein“ zu schaffen, von Guevaras Beiträgen von 1959 bis 1965, einem Schwerpunkt auf der als „Große Debatte“ bekannten Diskussionen um das Wertgesetz und des Budgetary und Auto-Financing Systems unter Betonung des BFS komme ich zur Argumentation, dass in Hinblick auf die ins Auge gefasste Entwicklung vom Kapitalismus über den Sozialismus und schließlich zum Kommunismus das BFS der marxistischen ökonomischen Theorie ideologisch näher steht als das AFS.

LIST OF ABBREVIATIONS

Advisory Technical Committee (CTA)

Auto-Financing System (AFS)

Budgetary Finance System (BFS)

Central Planning Board (JUCEPLAN)

Committees for Local Industry (CILO)

Consolidated Enterprise (EC)

Ministry of Foreign Trade and Investment (MINCEX)

Ministry of Industries (MININD)

National Institute of Agrarian Reform (INRA)

New Economic Policy (NEP)

Popular Social Party (PSP)

Sistema de Dirección y Planificación de la Economía (SDPE)

U.N. Commission for Latin America (ECLA)

Union of Soviet Socialist Republics (USSR)

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INTRODUCTION

Almost sixty years have passed since the Cuban revolution of 1959 and the island of Cuba still identifies as socialist. Despite the fact that Cuba is a small country of less than 12 million inhabitants[1] located only ninety miles off the coast of the United States, which has been persistently hostile to the political "achievements" or "setbacks" of Cuba, depending on the perspective one takes, it has managed to remain true to many of its socialist principles throughout the years by pursuing varying degrees, levels, and perspectives of Marxist economics.

Over the years, Cuba's foreign relations with the Soviet Union, China, and the United States have also significantly changed. These global relations have undeniably influenced the economic state of the island in significant ways. Despite the financial difficulties that followed the U.S. trade embargo which continues after six decades, and the collapse of Cuba's number one trading partner, the U.S.S.R. in 1991, the Cuban government has demonstrated steadfastness in their willingness to provide previously colonized and disenfranchised countries engulfed in revolutionary zeal, war, or crisis with aid and political support. This sort of political and financial support is part of the Marxist-Leninist philosophy on global socialism, the belief that socialism can only sustain itself insofar as it spreads internationally. It is also a philosophical and ideological matter that is intrinsic to the tenets of socialism and breeds a sense of personal responsibility for the livelihood of other fellow human beings around the world. Examples of this support of Cuban foreign policy include the government's participation in numerous revolutionary and independence movements throughout Latin America and Africa in the 1960's and 1970's, as well as their provision of medical and financial support in moments like the Ebola health crisis in 2014 in West Africa when Cuba sent copious medical aid and doctors to countries in need, such as Liberia.

The U.S. embargo was first imposed on Cuba in the late 1950s, affecting most import-export relations between the two countries by the early 1960s. This reality caused Cuba to look for resources and opportunities elsewhere, strengthening its relationship at that time mainly with the socialist bloc countries like the Soviet Union and alternatively, China. According to the Cuban government, the Cuban report delivered to the United Nations on Resolution 7/15 titled "Necessity

[1] "The World Factbook — Central Intelligence Agency," accessed October 17, 2018, https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html.

of ending the economic, commercial and financial blockade imposed by the United States of America against Cuba" in June 2017 estimates a total of 822,280,000,000 U.S. dollars of damage to the Cuban economy in the last six decades.[2] According to a Reuters report, the United Nations claim that the US embargo has cost Cuba 13 billion US dollars in the past six decades.[3] The extreme loss of resources caused by the US embargo and pertinent to the survival and development of the Cuban people and nation has inevitably shaped its economic and political course since the revolution.

It would be an enormous task to analyze all the various stages and timeline categorizations of Cuban economic development since 1959 precisely because it would require untangling the decisions made by various global actors and the vanguards of Cuban society, secret operations, and a genuinely experimental side to socialism that throws humankind into undiscovered intellectual territory, and that is too large of a feat for this Master thesis. One thing is certain in regard to the complete timeline of events in Cuba since 1959: The economic reality of Cuba today results from a combination of its political ideologies, the actions of Cuban leadership, and the reactions of the international community to Cuba's conscious economic and political transformations.

Cuba did not officially declare itself a socialist state until April 1961, but it did begin implementing socialist forms of governance with the eventual goal of obtaining communism immediately following the revolution, and it quickly understood the importance of securing Soviet support in the face of rapidly deteriorating relations with the United States.[4] The period of 1959 to about 1965 is perhaps one of the most fascinating moments in Cuban economic history and world economic history because it was a time when the revolutionaries were challenging not only capitalist superpowers like the United States, but also their stronger socialist counterparts like the Soviet Union in its understanding of socialism and socialist practice. In the eyes of the

[2] "Necessity of Ending the Economic, Commercial and Financial Blockade Imposed by the United States of America against Cuba," Resolution of United Nations General Assembly (Cuba vs. Bloqueo, June 2017), http://www.cubavsbloqueo.cu/sites/default/files/InformeBloqueo2017/informe_de_cuba_sobre_bloqueo_2017_ingles.pdf, 2.

[3] Sarah Marsh, "U.S. Trade Embargo Has Cost Cuba $130 Billion, U.N. Says," *Reuters,* May 9, 2018, https://www.reuters.com/article/us-cuba-economy-un/us-trade-embargo-has-cost-cuba-130-billion-un-says-idUSKBN1IA00T.

[4] Blanca Torres Ramirez, *Las Relaciones Cubanos-Sovieticas (1959-1968),* 1st ed., Jornadas 71 (Guanajuato 125, México 7, D.F.: El Colegio de México, 1971), 46.

revolutionaries, the real revolution had just begun and the construction of a socialist culture or society and economy in Cuba was a matter of both intent and survival for the Cuban people.

As a result, I have chosen to focus on the tumultuous period of 1959 to 1965 in Cuban economic history when the country was trying to retain its ground amidst significant economic and social experimentation and improvisation and the possibility of foreign invasions, which threatened Cuba's sovereignty and survival. In their book *Cuba's Aborted Reform: Socioeconomic Effects, International Comparisons, and Transition Policies,* Carmelo Mesa-Lago and Jorge F. Pérez-López divide the years of Cuban economic and political development from 1959 to 2004 into "six policy cycles." The first policy cycle from 1959 to 1966 is characterized by Mesa-Lago and Pérez-López as an "idealist, away-from-the-market cycle that can be divided into three sub cycles: market erosion, orthodox Soviet central planning, and debate over socialist models."[5] My timeline for this cycle is similar, only one year shorter and based on Guevara's presence in Cuba and direct involvement in shaping its economic and political base. In her book *Che Guevara: The economics of revolution,* Helen Yaffe employs a similar periodization from the year of 1959 that consummated the Cuban Revolution until 1965, which was highly characterized by Guevara's efforts as head of the Ministry of Industries (MININD) and president of the National Bank of Cuba from 1961 to 1965 before his departure to the Congo.[6] The time periodization provided by Mesa-Lago and Pérez-López focuses on rapid collectivization or centralization following the revolution, which they classify as a "Stalinist-type command economy (orthodox Soviet central planning model, 1961-63)[7], a forced diversification and industrialization of the economy, as well as a time when debate raged about the use of different socialist economic models, also known as the Great Debate.[8] Although I will also focus on certain central planning mechanisms in this thesis, discuss the perceived importance of diversifying the Cuban economy, and deconstruct aspects of the Great Debate, this thesis will not analyze the failures of this time period or dissect "overly ambitious" industrialization strategies set by the revolutionaries as do Mesa-Lago and Pérez-López.[9] Instead

[5] Carmelo Mesa-Lago and Jorge F. Pérez- López, *Cuba's Aborted Reform: Socioeconomic Effects, International Comparisons, and Transition Policies* (Gainesville, FL 32611-2079: University Press of Florida, 2005), http://web.b.ebscohost.com.uaccess.univie.ac.at/ehost/ebookviewer/ebook/bmxlYmtfXzM3MzQ3Ml9fQU41?sid=0c893744-affd-4dd9-bad7-389c1335ee6e@pdc-v-sessmgr05&vid=0&format=EB&lpid=lp_1&rid=0, 3.
[6] Helen Yaffe, *Che Guevara: The Economics of Revolution* (United Kingdom: Palgrave Macmillan, 2009), 1-2.
[7] Carmelo Mesa-Lago and Jorge F. Pérez- López, *Cuba's Aborted Reform: Socioeconomic Effects, International Comparisons, and Transition Policies*, 7.
[8] Mesa-Lago and Pérez-López, 8.
[9] Mesa-Lago and Pérez-López, 8.

this thesis will primarily focus on the ideologies behind the Cuban socialist project, with a focus on the psychological aspects of building socialist "consciousness" and a new culture capable of leading the socialist transition in Cuba to communism. Instead of equating Cuba's centralization measures of the early 1960's to the "Stalinist System," which can be quite reductionist especially considering Guevara's criticism of the pervasiveness of Marxist dogmatism in the Soviet political and economic systems, I will examine the ramifications of the Great Debate with a focus on the model supported by Guevara by the name of the Budgetary Finance System (BFS). I find these specifications and differentiations between economic calculus or the Auto-Financing System (AFS) and the Budgetary Finance System (BFS) within the context of the Cuban economic and political reality at this exact time, including the raw debate between the main political representatives or catalysts of these projects to be worthy of discussion.

This thesis is an extension of the research that I began to conduct last year in 2017/18 at the London School of Economics and Political Science, which amounted to a short thesis by the title of *The Road to a Socialist Economy in Cuba, 1959-1966.* This year I was able to slightly narrow my time frame and to better identify the ideologies and practices behind Cuba's early socialist economic transformation. This thesis intends to explore the belief system shared by Guevara and many of his colleagues, which is vital to understanding Cuba's road to socialism. It will do this by analyzing the logistical and ideological aspects mainly of the Budgetary Finance System used in the Ministry of Industries (MININD), but also partly of the Auto-Financing System (AFS), and the efforts made by the Cuban leadership to build socialist consciousness in Cuban society out of the remnants of capitalism. This thesis will not bring focus to the year of 1968 branded the "Revolutionary Offensive" and the financial consequences of an intensified use of moral incentives to propel production in the economy, but rather to the earlier stages of the development of the BFS and the application of moral incentives in the building of socialism. The resulting argument is that despite the consequences of its implementation or the difficulties regarding proper implementation, the BFS was a financial system closer to the tenets of socialism and finally communism than the AFS because of its active demolition of capitalist levers. If the idea of socialism is to degrade the "law of value" as much as possible while simultaneously building consciousness in a society that was once blind to the machinations of the state, the BFS presents the most committed version of this goal. In the words of Carlos Tablada: "A lesson

emerges here: the initial revolutionary triumph opens the *possibility* for social change but cannot *by itself* guarantee it."[10]

The historical trajectory of Cuba's development exhibits the long road that remains ahead for the country in reaching its eventual goal of a full transition to communism. However, Cuba's experience deserves a closer study because it was openly experimental, attempting to support a unique form of Marxist economics that was not being pursued in the Soviet Union at the time, and revolutionary even among the standards of other socialist leaderships. Just as Marx had stated that the bourgeoisie was incapable of being self-critical and reflective in a politically scientific way, Guevara was openly concerned about the Marxists who were not receptive enough to criticism about Marxist theory and practice, and those who reproached improving its practice.[11]

METHODOLOGY

Most literature, films, and cultural references to Ernesto 'Che' Guevara's life center around his time as a revolutionary in battle, his identity as an internationalist, his death and the legacy that surrounds him, or his time spent traveling around Latin America as a youth which politicized him and inspired him in his future undertakings. It is much more challenging to find quality works about Guevara's time as a student of Marx, a planner, an economist, and a minister. Academics with different political beliefs have been attracted to the subject, writing excerpts that attempt to reveal certain aspects of Guevara's methodology in the reinvention of the Cuban economy during the 1960s. Nevertheless, literature remains scarce.

Guevara was an avid student of Karl Marx, Friedrich Engels, and Vladimir Lenin. He dissected *Capital* by Karl Marx, which gave an outline of the operative aspects to a socialist economy. He later sought to apply this knowledge as the Minister of Industries and Head of the National Bank in Cuba to build socialism in the most optimum way. Guevara wrote multiple articles and works about the accounting and administrative methods needed to form a socialist economy and the mental changes that society must adopt in the wake of its creation in order for it

[10] Carmelo Mesa-Lago and Jorge F. Pérez- López, *Cuba's Aborted Reform: Socioeconomic Effects, International Comparisons, and Transition Policies* (Gainesville, FL 32611-2079: University Press of Florida, 2005), http://web.b.ebscohost.com.uaccess.univie.ac.at/ehost/ebookviewer/ebook/bmxlYmtfXzM3MzQ3Ml9fQU41?sid=0c893744-affd-4dd9-bad7-389c1335ee6e@pdc-v-sessmgr05&vid=0&format=EB&lpid=lp_1&rid=0, 8.
[11] Ernesto Che Guevara, *Apuntes críticos a la Economía Politica* (Ocean Press, 2006), 32.

to be a sustainable endeavor on Cuba's path to communism. His works were published in famous and important worker's magazines in Cuba such as *Nuestra Industria, Cuba Socialista, Apuntes, Juventud Rebelde, Granma,* and *Bohemia*. Many of these pieces were later referenced or republished by authors and on internet platforms internationally. Guevara's creation and implementation of the accounting system by the name of the "Budgetary Finance System" (BFS) was used in select parts of the Cuban economy in the 1960's and 1970's, and the skeleton for it largely deduced from works like *Capital* by Karl Marx and others.[12]

With this in mind, this thesis will be divided into four parts. The first part is preliminary to an elaboration on the BFS. It consists of a section titled "Accepting a dose of uncertainty", which means to deconstruct the popular image of revolutionary activity as constricted to guerrilla warfare. The "real revolution" as many Marxists claim, begins when the proletariat have successfully seized the means of production and officially embarked on the mission of achieving communism. In the case of Cuba, there was minimal industry prior to the revolution and a larger agricultural base of production. Additionally, it is meant to challenge the idea that Marxism can be applied to every region of the world in the exact same way, that it is not context specific, or that the revolutionaries were always sure in the experimental measures they took. The process is far more complex, consisting of countless moments of trial-and-error, theorizing, conceptualizing, and unsuccessful application. The first part will also consist of a historical section that briefly describes political trends and economic reality in Cuba prior to 1959, as well as Cuba's decision to sever relations with certain international organizations post-revolution.

The second section of this thesis will primarily take a look at the concept of the "New Man" and the building of socialist consciousness as theorized by Guevara and discuss the debate over the "law of value" in socialism as an aspect of the Great Debate in Cuba that lasted approximately from 1963 to 1965. The third chapter will then go into greater depth about the structural aspects of the BFS in comparison to the AFS, including the banking sector, administrative and accounting measures, as well as explain the management of prices in both systems. Finally, the last portion of the thesis will address how the law of value and the phenomenon of both the BFS and AFS connect to the concept of material and moral incentives to increase efficiency in production. It will continue onwards to describe three important examples in the development of moral incentives, including education, voluntarism, and emulation, followed by concluding remarks.

[12] Helen Yaffe, *Che Guevara: The Economics of Revolution* (United Kingdom: Palgrave Macmillan, 2009), 2.

As stated earlier, literature on this topic was challenging to come by. Initially, I had assumed there would be a greater pool of secondary literature on this topic and was surprised to learn that in fact Guevara's economic contributions at this time period are not of high interest to most academics studying Cuba or Guevara. Moreover, I also found it difficult to gain access to primary literature and the publications and speeches by Guevara himself and his comrades, where they shared their ideas directly with the Cuban people and the international community. In addition to contacting professors familiar with the topic, I tried contacting the staff of magazines such as *Cuba Socialista,* which operates today in Cuba for access to old issues but had no luck. I have however, been successful at finding bits and pieces of articles and speeches strewn throughout secondary sources and online that have provided the primary source base for this thesis. One of the most dependable sources for finding articles written in Cuban publications like *Nuestra Industria* and *Cuba Socialista* is the compilation of works provided in Bertram Silverman's book *Man and Socialism in Cuba.* These articles have certainly been of great use in explaining the raw ideas behind socialism from the perspective of Marxist economists and revolutionaries leading Cuba's economy in the early 1960's. A frequently referenced work of Guevara's throughout the thesis is his most famous and last work titled "Man and Socialism in Cuba" first published in an Uruguayan weekly newspaper by the name of *Marcha* in 1965 as a letter addressed to the newspaper's editor Carlos Quijano.[13] The piece is instrumental to understanding important philosophical points of Guevara's perception of socialism and its manifestation, including the importance of anti-dogmatism, socialist consciousness, and the concept of the "New Man". This thesis will therefore act as a literature review that uses a mixture of primary and secondary sources as well as qualitative and quantitative data. Figureheads, data, and statistics are provided as supporting evidence for remarks made, including qualitative interpretations of both secondary and primary works. One of the most detailed accounts of Guevara's economic ideas and the development of the Cuban economy in the 1960's can be found in Helen Yaffe's book *Che Guevara: the economics of revolution,* which I have referenced throughout the thesis as well. Certainly, many valuable primary and secondary works would have been considerably easier to access had I been able to travel to Cuba and spend time in the archives of Cuba's institutions, but I was unable to make that trip. Perhaps in the future, such an activity will be possible.

[13] Renzo Llorente, "'Socialism and Man in Cuba' Revisited," *International Critical Thought* 5, no. 3 (July 28, 2015): 401–11, 402.

Despite the difficulties in acquiring certain sources, I do believe there is a special value in researching such a topic even from afar. The arduous process of uncovering and deciphering new information has reminded me of the monopolization at academic institutions and in political arenas of certain knowledge over others, and that the ability to disseminate one's own knowledge to a wider audience is a point of privilege. It begs me as a student to continue studying and challenging the limited access that exists around the world to new pools of knowledge because that is what is needed for academic, political and personal progress.

ACCEPTING A DOSE OF UNCERTAINTY

The common misconceptions regarding Marxist economics and the evolution of the Cuban economy through time consists of two layers: That the process of building new economic principles is possibly not so contextual, but rather reflective of a dogmatism and precision when it comes to the creation of a socialist economy, and that Cuba's revolutionaries were absolutely certain about their opinions on how every aspect of an economy must function so as to facilitate the best possible transition to socialism in Cuba. Both of these beliefs are false because uncertainty, hesitation, and deep critical thinking about how one creates a socialist society are inescapable segments of the transitionary process, as exhibited by the content of numerous publications and recorded debates between Cuban economists and Marxist scholars within Cuba, as well as abroad.

First and foremost, it must be stated that although Marxist economics, initially popularized by Karl Marx in his three-volume work of *Capital* published in 1867, is committed to a scientific study about the operative features of capitalism, it also served as a strong motivator in the construction of socialism, as Michael Lowy describes it.[14] Although *Capital* is unwavering in its overall opinion about the evolution of capitalism to socialism and many economic actions considered to be intrinsic to the onset and continuance of socialism, it is also not country context specific. Marx displayed thoughts that Guevara did not agree with, including his views on imperialism, as well as cultures and races that were different from his own. The works of Marx, Engels, Lenin, and other Marxist economists were always meant to be thoroughly studied, dissected, analyzed, and most of all, applied and tested in real time in order to cultivate real value.

[14] Michael Löwy, *The Marxism of Che Guevara: Philosophy, Economics, Revolutionary Warfare*, 2nd ed. (Lanham, MD, United States: Rowman & Littlefield, 2007), 5.

During the time of the Great Debate in the 1960s when Marxist scholars, economists, and politicians were in fervent conflict about the economic developments needed for a successful transition to socialism, Cubans and other international socialists were doing just that, debating. In 1961, Professor Anastasio Mansilla was holding weekly meetings for the Council of Ministers to discuss and debate about how a socialist economy is formed.[15] There was a great deal of disagreement between many scholars about what kind of economic levers should and could be used in a society transitioning to socialism in order not to revert back to capitalism and to continue moving towards communism. This style of debate was "normal" for a few reasons. Historically, no one larger society had successfully transitioned from capitalism to communism before rendering one formula to economic development in the pursuit of socialism ideal.[16] Most guerrilla revolutionaries now turned revolutionary economists, accountants, managers, and workers were aware of the need to experiment with proposed theories to test their applicability in society.

Secondly, that there exists one precise recipe for its manifestation as a system of values and monetary controls was also highly questionable at the time because each country and its revolutionaries were dealing with a diverse set of challenges and had inherited economic systems at different stages of development.[17] As Marx points out in his paper *Critique of the Gotha Program,* a criticism of the Gotha conference held in 1875 between German labor organizations such as the Social Democratic Labor Party and the General Association of German Workers:

> *"What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges."*[18]

Guevara believed that Tsarist Russia for instance, emerged from a womb not representative of a developed form of capitalism, unlike the monopoly capitalism observed in Cuba. In the case of the Soviet Union, Guevara stated:

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[15] Yaffe, *Che Guevara: The Economics of Revolution*, 49.
[16] Alberto Mora, "On Certain Problems of Building Socialism," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971): 320-335, 334.
[17] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 129.
[18] Marx, Karl, Friedrich Engels, Vladimir Il′ich Lenin, and E. Czobel. 1970. Critique of the Gotha Programme. New York: International Publishers. Quoted in Ernesto Che Guevara, "On the Budgetary Finance System," in *Man and Socialism in Cuba: The Great Debate,* 1st ed. (New York: Atheneum Books, n.d.), 122–56, 124-125.

> *"We confront a new phenomenon: the advent of a socialist revolution in a single, economically backward country covering an area of 2 million square kilometers that is sparsely populated, further impoverished by war, and as if this were not enough, under attack by imperialist powers."*[19]

The Russian Empire was a predominately feudal society with a largely spread out population wherein the majority of people were uneducated and impoverished. Cuba on the other hand, although also struggling with extreme rates of unemployment and illiteracy, was a country with economic potential of easy access to U.S. firms. In Cuba, U.S. companies were using advanced systems of management and accounting to manage their corporation's production of various manufactured and primary goods. Guevara believed that the presence of "monopoly capitalism" and its superior methods of management and use of more sophisticated technology would be useful to the centralization and mechanization processes in the transition to socialism.[20] The idea was that after the overthrow of monopoly capitalism, socialism could more easily take the reins on its accounting and management systems than from any other less centralized and technologically developed Cuba was also different from other socialist powers like the Soviet Union in that it was: "The first socialist revolution whose leadership, party, and ideology were both non-communist and non-Marxist. The social roots of the 26th of July Movement – the Cuban revolutionary party – lie in the breakdown of modern neocolonialism rather than in the socialist reaction to industrial capitalism in Europe."[21] However, it is important to note that despite the fact that the Cuban revolution did not arise from the context of industrial capitalism, as observed in Europe, it had socialist elements from its very inception that were inseparable from its anti-imperialist character.

In theory, the leaders of each society looking to transition towards socialism and communism must remain self-critical and anti-dogmatic in their understandings of Marxism while simultaneously remaining true to the uncompromising and inherent aspects of what socialism and communism entail. It is a difficult balance as economic conditions during the transition usually prove to be harsh, but these political conditions on the ground are exactly the reality with which Marxist economic theory must interact. Alberto Mora describes the course of socialist development:

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[19] Guevara, "On the Budgetary Finance System," in *Man and Socialism in Cuba: The Great Debate*, 122–56, 126.
[20] Yaffe, *Che Guevara: The Economics of Revolution*, 39.
[21] Bertram Silverman, "The Great Debate in Retrospect: Economic Rationality and the Ethics of Revolution," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, n.d.), 3–28, 5.

> *"Marxism is the only theory that can provide a thorough interpretation of reality, but the founders neglected to analyze fully the economic problems of socialism. This is perfectly understandable. Knowledge comes from experience, so it was impossible for Marx and Engels to be fully aware of all the complex problems of a society that, although clearly foreseen, had not yet been born and thus had not given rise to such problems. Only when "praxis" creates a need does thought become possible: one thinks only what he feels ("lives") necessary. Marx and Engels could in no way "live" the problems of a nonexistent society. Still, they left us basic scientific premises that can be developed to coincide with the requirements of a reality that is forever changing."*[22]

A combination of theory, intellectual understanding, critical thinking, faith and adaptation to the Cuban reality was needed for the project to have merit.

In 1958, while rebels were advancing across the countryside of Cuba towards the capital of Havana, sugar production came to a halt and a year of significant economic stagnation followed.[23] After the revolution, the severe inequality that had existed for generations among Cubans became increasingly more apparent as the most literate, skilled, and educated folks (mostly part of Cuba's upper or middle class) fled the country. The "exodus of professionals" from Cuba, including engineers, managers, and accountants, and the outflux of capital was an enormous challenge to the new workers regime, which found itself in a difficult position facing a scarcity of resources and skilled workers.[24] By 1960 about 65 percent to 75 percent of professionals, including managers and engineers had left Cuba.[25] Many "guajiros", or peasants in Cuba moved to the city of Havana and gained access to healthcare, a salary, and housing, whereupon the government led a massive literacy campaign and granted its citizens financial support to get a formal education or acquire the skills necessary for the management of the Cuban economy.[26] The new government of Cuba found itself in a precarious situation and the leadership had to be inventive, creative, and extremely well informed and up-to-date about its position in the global economy in order to keep the domestic economy alive, Cuba's population provided for, and to continue its successful transition to socialism with a unique economic plan that was being put into practice for the first time in the country.

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[22] Mora, "On Certain Problems of Building Socialism," 322.
[23] John Foran, "Theorizing the Cuban Revolution," Latin American Perspectives, 36, no. 2 (March 2009): 16–30, 5.
[24] Yaffe, *Che Guevara:The Economics of Revolution*, 72.
[25] Helen Yaffe, "Ernesto 'Che' Guevara: A Rebel against Soviet Political Economy," 2006, 1–6, 1.
[26] Piero Gleijeses, "The Cuban Revolution: The First Decade," *The Cambridge History of Communism*, Becoming Global, Becoming National, September 2017, 364–87, https://doi.org/10.1017/9781316459850.016, 366-367.

Feelings of uncertainty among the revolutionaries that existed at this time about the Cuban socialist program were generally not about the establishment of socialism itself, or its crucial tenets and principles. Rather, those who studied the theories behind Marxism and could analyze the way it had been implemented in other socialist countries such as Guevara or Alberto Mora, were trying to address phenomena such as bureaucratism, forced labor, inefficiency and dogmatism in order to truly lead Cuba down a road to socialism. This they exhibited in practice as well as their publications and during debates. They knew that parts of the process would be a matter of trial-and-error and that their struggle was also one against hostile members of the international community as well as the difficulties of creating an economy in Cuba that domestically operated on socialist principles, while the world market still employed capitalist principles.

The dangers of dogmatic Marxism and disillusionment among the revolutionaries is summarized by Cynthia Lai:

> *On the other hand, also due to the lack of real life experience, when young communists get into Marxism, there is the even greater danger of being dogmatic, of being doctrinaire. This is just the other side of the coin. Because they lack experience, they then flip into being overwhelmed by the synthesis of other people's indirect experience, and awed by its richness and complexity. As a result, these theories, though valuable, become dogmas, the only truth, the way religious fanatics treat the Bible."*[27]

If we can show greater comfort with the uncertainty tied to the socialist experiment, we can awaken a greater intellectual curiosity about what the revolutionaries of the 1960s in Cuba were working to create with its changed economy and society in the long-run. In the words of Guevara in "Man and Socialism in Cuba":

> *"Socialism is young and has its mistakes. We revolutionaries often lack the knowledge and intellectual audacity needed to meet the task of developing the new man and woman with methods different from the conventional ones; conventional methods suffer from the influences of the society that created them. (Once again the theme of the relationship between form and content is posed.) Disorientation is widespread, and the problems of material construction absorb us. There are no artists of great authority who also have great revolutionary authority. The members of the party must take this task in hand and seek the achievement of the main goal: to educate the people."*[28]

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[27] Cynthia Lai, "The Role of Practice in the Marxist Theory of Knowledge," *Encyclopedia of Anti-Revisionism On-Line*, 02 1981, https://www.marxists.org/history/erol/ncm-8/cwp-practice.htm.

[28] Ernesto Che Guevara, "Socialism and Man in Cuba," in *The Che Reader* (Havana, Cuba: Che Guevara Studies Center and Ocean Press, 2005), https://www.marxists.org/archive/guevara/1965/03/man-socialism.htm.

THE ECONOMIC STATE OF CUBA BEFORE 1959

A proper analysis requires a historical understanding of the conditions in Cuba that gave birth to the revolution of 1959. From about the close of the 15th century, Cuba was a Spanish colony except for a short period of British control. The Spanish, including other European empires, conveniently appropriated the economic potential of Cuba throughout the centuries, gaining huge profits from the world's largest sugar-slave complex.[29] In his book *Empire of Cotton*, Sven Beckert coins the phrase "war capitalism" as a correct alternative label for "mercantile capitalism".[30] In "war capitalism" colonial state power paved the way for cotton production in the Americas and Asia by enacting political measures that supported the slave trade and cotton businesses. Thus, violence is observed to be at the core of such practices of expansion and the mass production of mainly raw and primary products through forced labor. By the early 1900s, nearly half of the world's sugar exports came from Cuba.[31]

As Cuban opposition to the Spanish rule grew towards the end of the 20th century, the United States saw an opportunity to build greater economic and political ties with the region by replacing the initial colonizer. Despite the engagement of Cuban national revolutionaries in their fight for independence from Spain, the United States renamed the war the "Spanish-American War" in 1898 upon their decision to enter and lead in military efforts against the Spanish. Although the United States would not officially annex the country of Cuba as one of its territories following Spain's defeat, it granted itself the right to intervene in Cuban politics in crucial moments of perceived political instability.

The U.S. justified its military occupation of Cuba in 1899 following the end of the Spanish-American War as a preventative measure against Cuba's own rebels or *independistas* who were pushing for total independence from all imperialists.[32] According to U.S. politicians, the

[29] Barbara L. Solow, "Capitalism and Slavery in the Exceedingly Long Run," *Journal of Interdisciplinary History* 17, no. 4 (1987): 711–37, 716.
[30] Beckert Sven, *Empire of Cotton: A New History of Global Capitalism* (London, UK: Penguin Books, 2015), 23.
[31] Foran, "Theorizing the Cuban Revolution," 18.
[32] Louis A. Perez Jr., *Cuba under the Platt Amendment, 1902-1934* (University of Pittsburgh Press, 1986), 31.

independistas would destroy the island and assume a reign of terror against its people if they gained real political power.[33]

Scholars point out that in some ways, the United States perhaps did not even consider the Caribbean or Latin America to be a separate territory, but simply a natural extension of its own and able to be adopted much like the Mexican Cession of the western United States in the 19th century.[34] Thus the United States' self-proclaimed political commitment to Cuba's sovereignty was highly questionable. Gradually, it became apparent to Cubans that they had one of two choices: Either one of partial sovereignty, or none at all as the United States persevered forward in establishing its physical and financial presence.

Although the United States found willing investors in Cuba that spanned beyond the agricultural sector, it is important to note that their greatest investment was in agriculture, in particular the production of sugar. Raw sugar production amounted to the majority of the total export value of Cuba in the early to mid 20th century and the United States owned about 42 percent of Cuban sugar production from 1948 to 1955, making a profit of about $637 million.[38] Moreover, the United States provided about 95 percent of "capital goods imports" to Cuba "and by the 1940s, 86 percent of Cuban exports were related to the sugar industry from which about 80 percent was shipped to the United States."[39] It is no wonder that Cuba experienced exceptional difficulties to survive economically after the onset of the U.S. embargo in the 1960s, considering that the majority of the island's industrial and agricultural worth was dependent on U.S. business and investment.

Many economists consider the Gross Domestic Product (GDP) per capita to be a fair indicator of the annual production of wealth in a country and a way to project future economic success, as well as a suitable method by which to compare living standards and development between countries. However, it is important to note that GDP per capita does not take into consideration how the wealth in a country is distributed, the population's access to healthcare and education, and other important indicators for the living standards of a country. GDP per capita solely measures the accumulation of the total production of goods and services in a country at the

[33] Perez Jr., 32.
[34] Ernesto Domínguez López and Helen Yaffe, "The Deep, Historical Roots of Cuban Anti-Imperialism," 2518.
[38] Cushion, 45.
[39] Azra Muftic, "The Road to a Socialist Economy in Cuba, 1959-1966" (MSc Dissertation in Global History, London School of Economics and Political Science, 2017), 6.

moment of calculation. In the case of Cuba in 1957, its GDP was one of the highest per capita incomes in Latin America ranking second place at about $374 after Venezuela at $857.[40] Little did it mean only to compare Cuba's GDP to other Latin American countries, particularly when Cuba was lagging so far behind the Latin American country with the highest GDP. Despite being in second place, Leslie Bethell points out that only about 15 percent of the Cuban population at that time had access to running water and only about 9 percent of homes had electricity available to them in rural parts of the country.[41]

By 1925, the United States owned the majority of banks in Cuba.[42] Despite the fact that Cuban credit institutions were growing, banking activities did not result in higher rates of industrialization and increased employment in new industries in Cuba because 75.2 percent of banking credits were funneled into the sugar industry in 1957.[43] Banks, which were usually U.S. institutions, were not willing to give loans to industrialists looking to diversify manufactured products or services in Cuba. Most new projects were viewed as risky business investments while investment in and loans for sugar production continued to flow, remaining the most productive sector in Cuba.[44] Although sugar and tobacco were Cuba's principle export crops, it is important to remember that the United States succeeded in replacing Cuba in the production of refined sugar and manufacturing of cigars for the U.S. market by applying high tariffs to Cuban goods with the Sugar Act of 1961 and Mckinley bills of 1852 and 1890.[45] High unemployment also plagued Cuba for generations. By the 1950s the Cuban population was expanding at an average rate of 2.5% with 50,000 men reaching a working age each year. In comparison, only about 8,000 new jobs in industry were created between 1955 and 1958.[46]

The revolutionaries or Cuban *independistas* are not the only ones who premeditated the dangers of the country being overly dependent on the Cuban sugar industry. In 1951, a report from the World Bank recommended that Cuba shift its focus from the vulnerabilities of the sugar industry and avoid placing all of its eggs in one basket.[47] In Helen Yaffe's book *Che Guevara: The economics of revolution,* the author presents an excerpt from Fidel Castro's court defense in 1953

[40] Leslie Bethell, *Cuba: A Short History* (Cambridge University Press, 1993), 88.
[41] Bethell, 88.
[42] Ibarra, *Prologue to Revolution: Cuba, 1898-1958,* 11.
[43] Ibarra, 12.
[44] Ibarra, 11.
[45] Ibarra, 6.
[46] Ibarra, 3.
[47] Helen Yaffe, *Che Guevara: The Economics of Revolution,* 31.

titled "History Will Absolve Me". Similar to the warnings heeded by the World Bank report from 1951[48], Castro's speech emphasized the importance of Cuba diversifying its economy and export base to include a greater degree of manufactured products and lowering its reliance on the export of raw sugar:

> *"With the exception of a few food products, lumber, and textile industries, Cuba continues to be a producer of raw materials. Sugar is exported to import sweets, hides are exported to import shoes, iron is exported to import ploughs... Everyone agrees that the need to industrialize the country is urgent, that there is a lack of metallurgy industries paper industries, chemical industries; that there is a need for breeding, crop cultivation, technological improvement and processing of our food industries so that they can resist the ruinous competition from state folds its arms and industrialization can wait for the European industries and cheese products, condensed milk, liquors and oils, and the North American canned goods; that we need merchant ships; that tourism could be an enormous source of revenue; but the owners of capital demand that the workers remain under the Claudian yoke; the state folds its arms and industrialization can wait for the Greek calendar."*[49]

There was an almost unanimous understanding among organizations and governments of different political beliefs that Cuba's economy prior to 1959 was not highly developed and almost entirely dependent on the export of only two primary crops: Sugar and tobacco. Cuba was not industrialized or domestically developed to the point where money could even begin to somewhat visibly "trickle down" to large swaths of the population which did not belong to an upper class with political links to the United States. Capital accumulation in Cuba was largely an activity practiced by foreigners and invested into those same foreign monopolies that would create even more profit for said foreigners. Banks in Cuba were mainly not of Cuban origin but foreign banks serving foreign interests, while the U.S. backed and openly supported the late administration of Fulgencio Batista, the last president of Cuba. At this very moment, prior to the onset of the revolution, the World Bank noticed similar trends to Fidel Castro: That Cuba's dependence on raw sugar as a main export was retarding its path to industrialization, growth, and development. The

[48] "International Bank for Reconstruction and Development Annual Report 1950-1951" (Washington D.C.: World Bank, n.d.).
[49] Castro, Fidel. Court defense *History Will Absolve Me*. Quoted in Helen Yaffe, *Che Guevara: The Economics of Revolution*, 31.

World Bank and the Cuban revolutionaries simply disagreed on which method should be used to develop the Cuban economy and its political system for the benefit of the average Cuban.

CUBA BREAKS TIES WITH THE PAST

After the revolution of 1959, the new Cuban state was beginning to reevaluate the value of its correspondence with international institutions like the United Nations and World Bank that were promoting mass economic liberalization and a variety of neoliberal reforms. After the revolution of 1959, the new Cuban leaders were beginning to reevaluate the value of Cuba's correspondence with international institutions like the United Nations and World Bank, which they believed were promoting various projects in the post-colonial world that were incompatible with a socialist economy. In 1959, a delegation from the UN Economic Commission for Latin America (ECLA) proposed a new economic approach by the name Import Substitution Industrialization (ISI) that was beginning to gain popularity across Latin America. According to the ECLA, ISI was a formidable solution to Cuba's reliance on the export of raw sugar and the road to development. ISI was invented in the 1950's by economist Raúl Prebisch as a way to strengthen economies in Latin America by an industrialization process that would diversify their export base and decrease their reliance on the import of secondary products from core countries like the United States by protecting infant industries domestically. According to ISI, this would be best accomplished by raising the tariffs on imported manufactured goods to deter their purchase from abroad, while lowering tariffs on intermediary goods needed in the production process of manufactured items so as to widen access for local businesses to these necessary goods and enable the production of the final, manufactured secondary product in the home country.[50] The strategy was unique at the time because although it still supported the framework of a capitalist, market economy, it was one of the first attempts to reverse underdevelopment by international organizations like the U.N. through tariff control and targeted industrialization.

ISI quickly gained popularity among many governments in Latin America that were trying to support the industrialization process in their countries and veer away from the export of raw, primary goods to more developed countries that were then processing the material to export

[50] Albert O. Hirschman, "The Political Economy of Import-Substituting Industrialization in Latin America," *The Quarterly Journal of Economics* 82, no. 1 (1968): 1–32.

manufactured and finished goods of greater value back to Latin America.[51] The ECLA presumed that underdevelopment is primarily caused by the export of primary goods like sugar and tobacco as in the case of Cuba. Despite the fact that the revolutionaries in Cuba agreed with the ECLA about Cuba's shortcomings in this regard, they did not agree on which policies were best to overcome the challenge: Involved actors became increasingly aware that the purpose of the ECLA committee was obsolete in the new Cuba.[52]

The ECLA did not support Cuba's process of nationalizing and financially centralizing industries because the action led to state control of an enterprise's production patterns and budget. This was essentially a retreat from the structure of a capitalist, market economy. Mass consolidation led to the withdrawal of U.S. capitalists in the country who lost rights to their property and firms, while also serving as one of the main triggers for the U.S. imposed embargo on Cuba. Cuba responded to the embargo by searching to build stronger partnerships with other socialist countries like the Soviet Union and China while withdrawing from organizations like the International Monetary Fund (IMF), which Guevara believed were serving the economic and political interests of the imperialists, not Cubans.[53]

At this moment in time, a vacuum was created as a result of Cuba's disassociation from international organizations and the breaking of ally ships with countries like the United States. It was up to the revolutionaries to advise themselves on the new Cuban political and economic path after a massive brain drain of skilled professionals and growing hostility from a neighboring world superpower. At this very moment in history, improvisation and speed were imperative to the survival of the new Cuba.

THE "NEW MAN"

The concept of the "New Man", "New Woman", or "New Human" is central to the communist project led in Cuba by Fidel Castro and Ernesto 'Che' Guevara and the fight against imperialism towards socialism. That being said, it is essential to begin this chapter with a discussion about the "New Man" and discuss how the final product was expected to behave on the

[51] Albert O. Hirschman, "The Political Economy of Import-Substituting Industrialization in Latin America," 6.
[52] Muftic, "The Road to a Socialist Economy in Cuba, 1959-1966," 8.
[53] Lars Schoultz, *The Infernal Little Cuban Republic: The United States and the Cuban Revolution* (The University of North Caroline Press, 2009), 229.

eve of communism's triumph, its philosophical importance, and Guevara's personal perspective on which characteristics the "New Man" necessitated. Guevara writes in his letter to Carlos Quijano titled "Man and Socialism in Cuba": "Meanwhile, the adapted economic base has undermined the development of consciousness. To build communism, a new man must be created simultaneously with the material base."[54] According to Guevara, both human consciousness of morality and material opulence must develop together in order for the socialist project to become successful and sustainable in the long run.

Who was this new image of a person being heralded by revolutionaries as the final outcome of a society transitioning from capitalism, to socialism, and finally communism? What sets this human being apart from people who are "less evolved", living and operating in a capitalist society? And how is capitalism able to determine our individualistic morals and thoughts about the world according to Marxist scholars and the Cuban revolutionaries?

In order to answer these questions, it is important to consider Guevara's philosophical views on human nature and his thoughts about what determined human behavior and what the human being was mentally capable of. Yinghong Cheng draws upon the fact that both Guevara and Castro believed that human nature was highly influenced by the environment in which an individual operated.[55] It is possible to derive from the speeches and writing of the Cuban revolutionaries that they go so far as to assert that a human being is almost completely at the mercy of the economic system, which rules over them and determines all of its daily activities, it creates a basis for one's relationships with others, the lack or presence of various opportunities, and the material decadence or poverty that dominates one's daily reality. This materialistic determinism argues that capitalism has shaped every aspect of society by identifying money as a method of payment for goods, labor, and many other forms of exchange. By encompassing a diverse set of human activities, money has woven itself into the fabric of human existence, determining social behaviors and cultures. As a result, human beings have been conditioned to separate their needs from the needs of society and are filled with individualistic, egoistic, and selfish concerns.[56] All human beings come from this underdeveloped society led by capitalism and bourgeoisie ideology,

[54] Ernesto Che Guevara, "Man and Socialism in Cuba," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 337–54, 342-343.
[55] Yinghong Cheng, *Creating the New Man, From Enlightenment Ideals to Socialist Realities* (Berlin, Boston: University of Hawaii Press, 2008), https://doi.org/10.21313/9780824862022, 133.
[56] Cheng, 133.

which looks at work as something unnatural and only enforceable through either slavery or a monetary exchange for labor. The commodification of labor has alienated the human being from the fruits of his labor and the act of laboring itself, which Guevara believed should be a creative and even enjoyable process.[57]

Guevara believed capitalism signified a less evolved phase of humanity wherein independent humans are lazy and lack personal fulfillment due to an absence of connection with their own body and mind, including the environment in which they live and work:

> *"I think the place to start is to recognize the individual's quality of incompleteness, of being an unfinished product. The vestiges of the past are brought into the present in one's consciousness, and a continual labor is necessary to eradicate them. The process is two-sided. On the one hand, society acts through direct and indirect education; on the other, the individual submits to a conscious process of self-education. The new society in formation has to compete fiercely with the past. This past makes itself felt not only in one's consciousness — in which the residue of an education systematically oriented toward isolating the individual still weighs heavily — but also through the very character of this transition period in which commodity relations still persist. The commodity is the economic cell of capitalist society. So long as it exists its effects will make themselves felt in the organization of production and, consequently, in consciousness."*[58]

As Renzo Llorente points out, the idea that a human beings' habits and behavior are molded by their environment is not new or unfamiliar, rather a commonly referenced phenomenon confirmed by many psychologists.[59] That one's family, friends, school, and system of governance shapes the personalities, values, and morals of an individual is not just a point of "radical social theory", but also has firm standing in psychology.[60] Guevara and Castro inherited this well-known concept, both from Marxist scholars and psychologists, to claim that an individual can in turn consciously restructure its society to breed more mentally evolved humans with healthy habits, characteristics, and a moral compass. Such a society is one wherein capitalism has been destroyed and can no longer degrade the connectedness between people and various cultures by issuing material worth to every aspect of existence.

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[57] Cheng, 133.
[58] Ernesto Che Guevara, "Socialism and Man in Cuba," in *The Che Reader* (Havana, Cuba: Che Guevara Studies Center and Ocean Press, 2005), https://www.marxists.org/archive/guevara/1965/03/man-socialism.htm.
[59] Llorente, "'Socialism and Man in Cuba' Revisited," 9.
[60] Llorente, 10.

Possibly the most famous Cuban writer and activist of the 19th century who influenced the development of the Cuban ethos, Jose Martí, constructed his own concept of the "new man or woman" in response to the ghastly effects of Spanish colonialism on the Cuban people. He praised the idea of a confident Cuban that understood one's own role in building one's society. Martí believed Cubans must fight for their country by directly participating in the political process.[61] According to Martí, there was no time or space for lethargy, Cubans would maintain their dignity by believing in their potential and actively reclaiming their country.[62] Yinghong Cheng quotes Jose Martí in his book "Creating the 'New Man'" on his analysis of U.S. capitalist culture:

> *"Here you can see this general crudity of spirit that afflicts even expansive, delicate minds. Everyone fighting for themselves. A financial fortune is the only objective of their lives. . . . There is not sufficient soul or spirit in this gigantic nation, and without that marvelous coupling, everything is bound to collapse (in any nation) tragically. . . . It is necessary to shake these souls from their status as spiritual dwarfs."*[63]

It is certainly useful to analyze the anti-imperialist and anti-capitalist opinions of important figures in Cuban society like Jose Martí who lived before Guevara, Castro, and the Cuban revolutionaries of the 1950's because Martí had already expressed a concept of the "new man" in his literature to Cuban society and the rest of Latin America. Although similarities between these two versions of the "new man" (as defined by Marxist philosophy and Martí) are significant, Yinghong Cheng also informs us that "although the conceptualization of the new man was indeed an important part of Martí's nationalist ideology, his emphasis on individual freedom and his caution regarding the state's imposition of reform or reshaping the individual are evident to any attentive reader."[64] Martí would perhaps have not been entirely on board with the goals of the revolutionaries, the complete inversion of the Cuban economy at that time, and certain rules set by the revolutionaries, but his contribution of the idea of the "new man" or "new human being" in Cuba are important to note for its impact on Cuban culture throughout the generations and its foreshadowing of events to come.

The idea of the "new man" was also developed by leaderships like the Soviet Union and the People's Republic of China in their own respective manner. Erich Fromm concludes that:

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[61] Cheng, *Creating the New Man, From Enlightenment Ideals to Socialist Realities*, 129.
[62] Cheng, 130.
[63] Cheng, 130.
[64] Cheng, 131.

> *"Man's potential, for Marx, is a given potential; man is, as it were, the human raw material which, as such, cannot be changed, just as the brain structure has remained the same since the dawn of history. Yet, man does change in the course of history; he develops himself; he transforms himself, he is the product of history; since he makes his history, he is his own product. History is the history of man's self-realization; it is nothing but the self-creation of man through the process of his work and his production."*[65]

In the Soviet Union, the "Soviet Man" became an important conceptualization for the formation of long-term goals and a greater purpose for the October Revolution and the dictatorship of the proletariat. Maja Soboleva's research reveals the non-linear nature of development of the "Soviet Man" as a notion throughout the duration of the Soviet Union.[66] She divides the purpose and general understanding of the concept between three time periods and states that there was often a huge divide between theory and praxis.[67] According to Soboleva, the revolutionary and writer Alexander Bogdanov contributed a great deal to the conceptual understandings of the "Soviet Man" in the first phase of development (1900-1930), but struck quite a disagreement with Leon Trotsky concerning this conceptual understanding. Soboleva explains the main points of Bogdanov's understanding:

> *"From the tectological point of view, culture appears as a subsystem of the social system and as the most important instrument of social reorganization. It is directed at forming a New Man, the Proletarian, who symbolizes for Bogdanov the ideal human being, combining rationalism and collectivism. This New Man is able to coordinate all-human actions and establish ideologically homogeneous social structures, which are necessary for social progress and evolutionary social development. […] The term "proletarian culture" can therefore be interpreted as a term within the theory of general organization and not merely as belonging to political jargon."*[68]

It is precisely this "proletarian culture" that Trotsky did not believe should retain value during the creation of communism. Although he agreed with Bogdanov's belief that society's morals and behaviors would transform themselves together with the onset of socialist practices and the fashioning of a political and economic scene that works towards communism, he also believed that

[65] Erich Fromm, *Marx's Concept of Man* (New York: Fredrick Ungar Publishing, 1961).
[66] Maja Soboleva, "The Concept of the 'New Soviet Man' and Its Short History," *Canadian-American Slavic Studies* 51, no. 1 (January 1, 2017): 64–85, https://doi.org/10.1163/22102396-05101012, 65.
[67] Soboleva, 67.
[68] Soboleva, 70.

allowing the imagination to formulate the importance of the existence of a "proletarian culture" was a dangerous path because the dictatorship of the proletariat is solely intended as a juncture in the road to communism. For Trostsky, the dictatorship of the proletariat was only a momentary stage in the transformative process needed to overthrow the bourgeoisie and ruling class and to embolden workers to seize control of the state and their collective livelihoods.[69] In other words, the dictatorship of the proletariat was a temporary condition that would wither away as the collective carried out political, economic, and social progress towards communism. The real re-acquisition of culture that was lost in capitalism and the procurement of new knowledge would occur subsequent to government overthrow and as a result of the withering away of the state when the "new man" could truly begin to flourish and take shape.

Evidently, the concept of the "new man" has taken numerous comparable shapes throughout the centuries, with some differences. By and large, what is envisaged by Marxist scholarship is a new society where individuals consciously dictate the moral and material fabrications of their society to lead to vital lifestyle changes that result in the abolishment of money, the use of moral guidance as the main impetus for any action, and true collectivity, inclusivity, and justice. In other words, this new society and "new man" are ones that need not utilize money or employ classes to operate. Two important trademarks of Guevara's notion of the "new man" can be identified as: The individual's direct recognition of work as a social duty rather than a means for material gain, and one's role as an internationalist taking on the struggle fighting for socialism globally.

Renzo Llorente provides an understanding of Guevara's belief that work is an activity related to the social duties of man and of key importance to the creation of the new human in socialism. The mental transformation of man to a conscious individual relies on the relationship between the individual and work. Guevara considered work to be a healthy activity, especially if it was attached to moral or intellectual pursuits that amounted to societal progress in the forms of optimal efficiency in all sectors of the economy and cultural developments. Work is a social duty because work transforms the collective to embody equality and develop both in a material and moral sense for the collective good. With the correct changes to human consciousness, the act of working for oneself versus for another individual become indifferentiable and unconditional because all such work is ultimately at the benefit of society as a whole. If the individual develops

[69] Soboleva, 71.

an intimacy with his or her work and the act of working towards the achievement of a specific goal, while simultaneously degrading the law of value, this would eliminate aspects of alienation between the worker and the act of laboring which was brought about in capitalism to separate the worker from the final product and its ultimate purpose. In this scenario, the individual could achieve a better understanding of the self, his or her purpose within a society, and feelings of collectivity would ensue.[70] Moreover, Walter Johnson points out the concept of "veiled slavery" in Marxist economics as being the commodification of labor in capitalism because it strips the laborer of his or her humanity by forcing them to exchange their labor and time for monetary gain in order to survive. The system of capitalism has thus enslaved the individual because of the way in which it operates in all aspects of life internationally. According to Guevara, this process of isolating the individual mentally from the final product of his or her work and all the various machinations behind production would completely invert itself during the development of socialism and the creation of the "new man" and finally eliminate the commodification of labor and with it "veiled slavery" .[71] It is precisely this "veiled slavery", or the commodification of labor imposed by capitalism, that Guevara believed separated the worker from the final product of his or her work, all the various machinations behind production, and the rest of humanity.

The second quality to Guevara's deduction about the concept of the "new man" from Marxist philosophy lies in its emphasis on internationalism. It is no secret that Guevara himself was an international revolutionary, withdrawing from his role as the Minister of Industries and the Head of the National Bank of Cuba in 1965 to aid the anti-imperialist and independency struggle in the Congo, only later to be killed in the jungles of Bolivia. Moreover, the Cuban government aided and supplied numerous insurgency groups throughout Asia, Africa, and Latin America in their fight against the "common enemy." In his piece "Vietnam Must Not Stand Alone", Guevara addresses the brutality of the "common imperialist enemy", shames powers not working hard enough to help the Vietnamese people in their struggle against imperialism, and explains that internationalism in the construction of socialism is mandatory for a worldwide socialist victory:

> *"When we analyse the lonely situation of the Vietnamese people, we are overcome by anguish at this illogical moment of humanity. US imperialism is guilty of aggression—its crimes are enormous and cover the whole world. We*

[70] Llorente, "'Socialism and Man in Cuba' Revisited," 403.
[71] Walter Johnson, "The Pedestal and the Veil: Rethinking the Capitalism/Slavery Question," *Journal of the Early Republic* 24, no. 2 (2004): 299–308, 305.

> *already know all that, gentlemen! But this guilt also applies to those who, when the time came for a definition, hesitated to make Vietnam an inviolable part of the socialist world; running, of course, the risks of a war on a global scale—but also forcing a decision upon imperialism. The guilt also applies to those who maintain a war of sneers and abuse—started quite some time ago by the representatives of the two greatest powers of the socialist camp. We must ask ourselves, seeking an honest answer: Is Vietnam isolated, or is it not? Is it not maintaining a dangerous equilibrium between the two quarrelling powers? […] And let us develop a true proletarian internationalism; with international proletarian armies; the flag under which we fight would be the sacred cause of redeeming humanity. To die under the flag of Vietnam, of Venezuela, of Guatemala, of Laos, of Guinea, of Colombia, of Bolivia, of Brazil—to name only a few scenes of today's armed struggle —would be equally glorious and desirable for an American, as Asian, an African, even a European. Each spilt drop of blood, in any country under whose flag one has not been born, is an experience passed on to those who survive, to be added later to the liberation struggle of his own country. And each nation liberated is a phase won in the battle for the liberation of one's own country. The time has come to settle our differences and place everything at the service of our struggle."*[72]

Guevara embodied the internationalist struggle and believed the "new man" was not complete without it. However, during the 1960's the Soviet Union began attempting to dissuade Cuba from participating in and leading clandestine movements around the globe.[73] In most cases, Cuba did not abide by these requests. Guevara continued to aid and establish close relations especially with African and Latin American revolutionary forces like Amílcar Cabral in Guinea-Bissau, Abdel Nasser in Egypt, and Julius Nyerere in Tanzania, just to name a few.[74] Nobody was liberated until everyone was liberated was the battle-cry of the revolutionaries, and the only way to attain the higher self was to spread socialism everywhere.

Lastly, it is important to mention that the "new man" is not a concept which has yet been achieved in Cuba or elsewhere. The final stage of this human being has not yet come to fruition, though many cultural features have been changed as a result of this education in consciousness and a transitioning economy and political system to socialism. Citizens have become less estranged and alienated from their work and money plays a different role in countries like Cuba when compared to many other countries using a greater amount of capitalist levers to run their economy. Researchers like Adriana Premat misunderstand some of the main tenets of this philosophical

[72] Che Guevara, "Vietnam Must Not Stand Alone," *New Left Review*, I, no. 43 (1967): 79–91, 83-89.
[73] Richard L. Harris, "Cuban Internationalism, Che Guevara, and the Survival of Cuba's Socialist Regime," *Latin American Perspectives* 36, no. 3 (May 1, 2009): 27–42, https://doi.org/10.1177/0094582X09334165, 32-33.
[74] Richard L. Harris, "Cuban Internationalism, Che Guevara, and the Survival of Cuba's Socialist Regime," 33.

concept of the "new man". Premat says that she has personally witnessed how the concept of the "new man" has survived in parts of Cuban society that are even more "money-crazed" than before and that forty years of socialist rule have embedded this concept fully into Cuban culture.[75] However, Premat does not seem to understand that this conceptualized, evolved state of man as selfless and fully conscious of the atmosphere in which he or she operates and the culture they are creating, is not yet a reality. The new person is still being created because neither Cuba nor any other nation has transitioned into communism where human beings are completely equal, politically, socially, and economically involved, and completely productive within the scope of today's technological capacities. Cuba is still transitioning and man still evolving.

THE DEBATE ON THE LAW OF VALUE

Ongoing discussions about the law of value filled the halls as socialists, Marxist scholars, economists, and revolutionaries in 1960's Cuba debated. Many of these debates were published or written about extensively in numerous political magazines and newspapers in Cuba, including MININD's magazine *Nuestra Industria* and *Cuba Socialista.* The law of value is a complex concept, which Marx spent a great deal discussing in *Capital* in order to explain the inner machinations of capitalism and how the degradation of the law of value allows space for a socialist economy to evolve. Initially, "bourgeoisie economics" or liberal economics teaches society that the market is shaped by supply and demand. Karl Marx debunked the argument with his theory about the law of value, which Yaffe says is the "expression of the social-relations of production" and the "determinant of market prices".[76] Cuban revolutionary Miguel Cossio gives a simple definition of the law of value: "The law of value expresses the existence of mercantile production, which is *exchange among independent producers in accordance with quantities of socially necessary labor*. It is a law because of the constant, necessary, and inevitable nature by which it

[75] Adriana Premat, "Small-Scale Urban Agriculture in Havana and the Reproduction of the 'New Man' in Contemporary Cuba," *European Review of Latin American and Caribbean Studies*, no. 75 (October 2003), http://link.galegroup.com.uaccess.univie.ac.at/apps/doc//AONE?sid=googlescholar, 95.
[76] Helen Yaffe, "Ché Guevara: Cooperatives and the Political Economy of Socialist Transition," in *Cooperatives and Socialism: A View from Cuba* (Basingstoke, UK: Palgrave Macmillan, 2013), 115–42, https://www.academia.edu/26629205/Ch%C3%A9_Guevara_cooperatives_and_the_political_economy_of_socialist_transition_Book_section, 1.

has ruled for more than five thousand years."[77] He goes on later to say that: "The law of value is the historical form acquired by the general law of the distribution of labor in mercantile societies and expresses that commodities must be exchanged according to the quantity of socially necessary labor expended on their production."[78] This explanation of the law of value is specifically tied to the mercantilist system, and its operation is more simple and made up of less components than the manifestation of the law of value in capitalism. As mercantilism transformed into capitalism, so the attributes pertaining to the law of value also became more complex, multi-dimensional, and obscured. In a capitalist society, it is no longer the human labor expelled into making a product that becomes the sole determinant of a product's final price. Rather, many middle men are involved in the process, power dynamics and relations among countries play a role, transportation costs, tariffs, and the role of technology all affect the final determination of a product's price.

Over the years, the list of involved actors has increased, making the process of consumerism increasingly more complex and mysterious to the average citizen. Helen Yaffe provides a deeper analysis:

> *"However, under capitalism, commodities are no longer exchanged directly in relation to the labour time embodied in them, so their price no longer expresses that value in a simple, straightforward fashion. (...) Prices adjust to form a general rate of profit and are affected in this process by other factors such as rent, interest, final demand and competitor's supply, to establish the eventual market price. The result seems to contradict the law of value. Marx set himself the task of demonstrating how, under capitalism, profits, rent and interest are also regulated by the law of value, and how market prices are ultimately determined by the same law. His analysis included the discovery of the actual mediating function of 'prices of production'."*[79]

Guevara elaborates on this phenomenon of added distortions in the market wherein the law of value is no longer the direct exchange of the value of the labor exerted to produce a commodity with something else as it once was historically: "We hold that the law of value is a regulator of mercantile relationships under capitalism; therefore, to the extent that markets are distorted for

[77] Miguel Cossio, "Contribution to the Debate on the Law of Value," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 239–63, 240-241.
[78] Cossio, 243.
[79] Yaffe, *Che Guevara: The Economics of Revolution*, 52.

whatever reason, so will the law of value's action suffer certain distortions."[80] It is precisely these distortions that render the law of value a complex theme and one wherein the ways in which the law of value operate today are found at a dead contradiction to the essential make-up of what the law of value is. Taking it one step further, Guevara elaborates in his article "On the Budgetary Finance System": "the law of value and planning are two terms linked by a contradiction and its resolution. We can therefore state that centralized planning is characteristic of the socialist society, its definition. It is the point at which man consciously finally succeeds in synthesizing and directing the economy toward his goal, which is the total liberation of the human being within the framework of a communist society."[81] Guevara believed that if strategic and precise economic planning was accomplished, the law of value would no longer serve a purpose in the new economy because the appropriate administrative and accounting measures would keep workers and production under check and in balance. The market would no longer roam free to the whims of distortions produced by global capitalist assemblages of various sorts.

Among socialists, the definition of the law of value was less disputed simply because a relatively direct definition has been provided in the works of Karl Marx and Friedrich Engels. In Volume I of *Capital,* Karl Marx provides several sections outlining important aspects about how value functions in a society, including: "The Two Factors of a Commodity: Use-Value and Value", "The Measure of Values", and "The Labour-Process and the Process of Producing Surplus-Value".[82] The ambiguity rests in how a newly founded proletarian state should react to and utilize or disarm the law of value in a society accordingly during its transition to socialism, and finally in its metamorphosis to communism. Should the law of value be utilized, manipulated, or eliminated entirely and at what stage in the transition process? In his book *State and Revolution,* Vladimir Lenin explains the phenomenon of the "withering away of the state" at which point the law of value continues to lose its importance and the state performs a progressively less active and authoritative role as the organization of society and mechanization of production becomes gradually more natural and intuitive to the collective. The dissolution of the state as a once dictatorship of the proletariat is required for the final stage of communism to come true:

[80] Ernesto Che Guevara, "On the Concept of Value," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 231–38, 234.
[81] Ernesto Che Guevara, "On the Budgetary Finance System," 122–56, 143.
[82] Karl Marx, *Capital*, first English ed., vol. 1, 3 vols. (Moscow, USSR: Progress Publishers, 1887), 2.

> *"The state will be able to wither away completely when society adopts the rule: 'From each according to his ability, to each according to his needs', i.e., when people have become so accustomed to observing the fundamental rules of social intercourse and when their labor has become so productive that they will voluntarily work according to their ability. 'The narrow horizon of bourgeois law', which compels one to calculate with the heartlessness of a Shylock whether one has not worked half an hour more than anybody else this narrow horizon will then be left behind. There will then be no need for society, in distributing the products, to regulate the quantity to be received by each; each will take freely 'according to his needs'. From the bourgeois point of view, it is easy to declare that such a social order is 'sheer utopia' and to sneer at the socialists for promising everyone the right to receive from society, without any control over the labor of the individual citizen, any quantity of truffles, cars, pianos, etc. Even to this day, most bourgeois 'savants' confine themselves to sneering in this way, thereby betraying both their ignorance and their selfish defense of capitalism. Ignorance-- for it has never entered the head of any socialist to 'promise' that the higher phase of the development of communism will arrive; as for the greatest socialists' forecast that it will arrive, it presupposes not the present ordinary run of people, who, like the seminary students in Pomyalovsky's stories, are capable of damaging the stocks of public wealth 'just for fun', and of demanding the impossible. Until the 'higher' phase of communism arrives, the socialists demand the strictest control by society and by the state over the measure of labor and the measure of consumption; but this control must start with the expropriation of the capitalists, with the establishment of workers' control over the capitalists and must be exercised not by a state of bureaucrats, but by a state of armed workers."*[83]

The state can wither away completely when the consciousness component is intact and concurrent with the administrative, accounting, and mechanization components. When the individual obtains a new outlook on the act of exerting labor, a new and redefined relationship with the fruits of one's effort as well as one's relationship to other fellow human and beings and time itself as unconditionally collective and selfless, only then can communism be reached.

In this society, often considered incomprehensible for its utopian essence by the bourgeoisie and therefore ultimately unattainable, the law of value would of course have no function as the state and its control over regulating labor and market values has in theory withered away. Thus, it was no secret that in the final stage of communism the law of value is expected to be entirely eliminated. This society, Lenin warns, was only procurable insofar as the dictatorship of the proletariat was properly organized and the state apparatus accurately restructured towards

[83] V.I. Lenin, *The State and Revolution: The Marxist Theory of the State & the Tasks of the Proletariat in the Revolution*, online edition, vol. 25, Collected Works, 1918, https://www.marxists.org/ebooks/lenin/state-and-revolution.pdf, 56.

the goal of realizing both efficiency in production and distribution, equal opportunity and access to everyone, and an unconditionality to the sentiments of true collectivity and full consciousness among the people. The final stage of communism was an abstraction in many ways because it was an intellectual concept and theory suspended in the mind of the revolutionary that had not yet been totally achieved by any society which could in turn be entirely emulated. Lenin and many Marxist scholars, including Guevara, believed the final stage of communism to be achievable despite great differences in opinion and fervent debate about how a society should embark on this path to communism.

Guevara recognized that the law of value would not be eliminated overnight, especially with regards to less opulent societies once exploited by imperialist powers, which had underdeveloped economies and methods of production, a lack of advanced technology and administrative centers, and many unskilled workers.[84] In the case of the Soviet Union, the economy formed on the foundation of an absolutist state in the beginning 1900's. Although Lenin recognized that feudalism had undergone some transformations leading to earlier phases of capitalism at this point in time, the conditions upon which the proletariat and peasantry of the region were hoping to build socialism were incredibly complex, underdeveloped, and essentially the remnants of a tsarist regime mainly relying on feudalism.[85]

In the early 1900's, Russia was in the midst of an imperialist war that was ravaging the countryside and further degrading already difficult living conditions. As a result, Guevara was aware that the contradictory elements of capitalism were not yet "exhausted" in Russia but rather that the citizens were revolting against extreme levels of poverty and the mercilessness of imperialism.[86] At this moment, the Russian bourgeoisie had not yet completed their full cycle of revolution and the capitalist modes of production were therefore not yet developed in the region.[87] According to Lenin, the features of a mature capitalism for the transition to socialism were pertinent for the adoption of socialism: "Capitalism has created an accounting apparatus in the shape of the banks, syndicates, postal service, consumers' societies, and office employees' unions. Without big banks socialism would be impossible."[88] Russia's transitionary period to socialism

[84] Ernesto Che Guevara, "On the Budgetary Finance System," 125.
[85] Marcos Del Roio, "Lenin and the Conditions for Socialist Transition," *International Critical Thought* 8, no. 3 (July 3, 2018): 339–56, https://doi.org/10.1080/21598282.2018.1505535, 339.
[86] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 145.
[87] Tablada, 343.
[88] Tablada, 346.

was not benefitting from such monopolistic conditions of capitalism bestowed prior to the revolution, or even just a level lower of capitalism. Its industrial and agricultural sectors were underdeveloped, and accounting systems primitive. According to Marcos del Roio, Lenin had retired into accepting the difficult path of firstly creating state capitalism:

> *"Lenin had no doubt that in Russia the conditions for transition and the approach of socialism involved the construction of a state-capitalist monopoly under the control of the proletariat of major industry, because it was where accounting, discipline at work, and the incorporation of science and technology were implicit."*[89]

In 1921 Lenin introduced the New Economic Policy (NEP) creating a mixed economy in the Soviet Union, where the state held larger enterprises, but individuals could also hold smaller pieces of property privately. The idea was to strengthen the workers-peasant alliance in Russia at the time, which was the backbone of socialist transformation in Russia.[90]

Guevara understood the underdeveloped conditions of czarist Russia and Lenin's reservations about continuing forward into a complete and sudden elimination of the law of value at a time when the country lacked the necessary resources to organize society without the use of material incentives and ultimately, to feed them. Lenin did not want the socialist revolution in Russia to fail, but rather to undergo the appropriate steps needed towards committing finally to socialism and ultimately communism. Aware of the USSR's setbacks, Guevara warned that each situation in each country and region of the world was contextual: "Not everything Lenin says here should be accorded universal validity."[91] In his critique of the *Soviet Manual of Political Economy*, written in 1966 and finally published for the public's eyes in Havana in 2006, Guevara criticized the USSR's use of the Kolkhoz cooperative system, which was a superstructure ruled by "capitalist property relations and economic levers."[92] Lenin was hoping that the establishment of the NEP would garner greater development of the productive forces for Russia and resource output during a unique juncture in history when various interests were at play and the region was becoming an enormous powerhouse for socialist awareness. Meanwhile, Russia would impatiently wait for a country more developed by capitalism like Germany to experience a socialist revolution and help

[89] Tablada, 350.
[90] Alberto Mora, "On the Operation of the Law of Value in the Cuban Economy," in *Man and Socialism in Cuba*, 1st ed. (New York: Atheneum Books, 1971), 219–30, 221.
[91] Guevara, "On the Budgetary Finance System," 128.
[92] Yaffe, "Ché Guevara: Cooperatives and the Political Economy of Socialist Transition," 6.

Russia make a more unyielding transition to socialism.[93] According to Roio, at this unusual moment in history "Lenin knew the almost insurmountable difficulties and how close defeat was, considering international isolation and the socio-economic catastrophe in Russia."[94]

Lenin's death in 1924 came during the development phase of state capitalism in the USSR and resulted in drastic changes in leadership. New leaders did not heed Lenin's warnings that the use of capitalist levers and the incorporation of the law of value into the economy was a temporary stage in the development of the productive forces, which would not ultimately lead to socialism.[95] As seen in Guevara's critique on the Soviet Manual of Political Economy, it is precisely this warped path of the acquisition of socialism in the USSR that Guevara believed would fail and lead the USSR back to capitalism—a path he did not wish for Cuba. Helen Yaffe writes:

> *"While declaring his daring, respect, admiration and revolutionary motives, Guevara announced that Lenin was the ultimate culprit because the NEP which he had been forced to introduce in 1921 imposed a capitalist superstructure on the USSR. The NEP was not installed against small commodity production, Guevara stated, but at the demand of it. Small commodity production holds the seeds of capitalist development. He was sure Lenin would have reversed the NEP had he lived longer, but his followers did not see the danger in it."*[96]

The USSR would not take Lenin's warnings seriously after his death about the utmost importance of reverting certain damages done to consciousness and the economy by the NEP and setting on a different path to development capable of realizing socialism. Guevara on the other hand, believed that the Cuban political and economic arena was more developed on the eve of the revolution and fit for an easier transition to socialism than Russia's. Cuba's business of monopoly capitalism installed by imperialist powers had absorbed most of the country's economic potential.

In light of the Soviet Union's economic and political adaptations at this time, a great deal of differences between Marxist politicians and theorists about the law of value ensued in Cuba. The Great Debate of 1963 revolved around a series of topics including the limitations and or restrictions set to the law of value in socialism, moral versus material incentives and their proper utilization in an economy, and consciousness.[97] More orthodox Marxist perspectives like those of

[93] Roio, "Lenin and the Conditions for Socialist Transition," 339.
[94] Roio, 355.
[95] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 111.
[96] Yaffe, "Ernesto 'Che' Guevara: A Rebel against Soviet Political Economy," 5.
[97] Helen Yaffe, "Che Guevara and the Great Debate, Past and Present," *Science & Society* 76, no. 1 (n.d.): 11–40, 20.

French Marxist Charles Bettelheim pointed out that the law of value could only be eliminated insofar as the means of production have already been fully and consciously seized by the workers. Until then, enterprises must be given certain privileges of autonomy and the law of value will continue to operate:

> *"If this is so, we can say that it is when, and because, society has become capable of consciously regulating its production by reference to its needs (that is, of expending social labour-power "consciously", as Marx puts it) that the commodity categories will disappear, and not the other way round, with the disappearance of commodity categories enabling society to regulate production on the basis of needs. […] and it is from this that follows the necessity for a certain autonomy of the enterprises, the need to endow these enterprises with certain powers of disposal, a certain freedom of manoeuvre, which in turn results in the rules of business accounting, the money economy within the state sector, the commodity categories, etc."*[98]

A similar view was also shared by Stalin from whose work Bettelheim draws in order to conclude that:

> *"Commodity production presupposes definite social conditions, namely, producers producing more or less independently of each other. When these social conditions no longer exist, that is, when society has fully taken possession of all the means of production, there can no longer be any place for commodity production."*[99]

It is precisely this form of orthodoxy and dogmatism of Marxist thought that Guevara fought against tirelessly during the Great Debate and through the creation of the Budgetary Finance System (BFS). Guevara believed that the economic plan set up by a socialist economy is what consciously degrades the law of value and eventually through increased efficiency eliminates it, not the other way around as proposed by his colleagues. In countries like Cuba, which were ravaged by imperialism and made to fit the economic constraints and desires of its colonialists, Guevara believed that the continuation of developing through allowed forms of privatization and material incentives would not properly uproot the effects of imperialism and the dependence of Cuba on the United States and other developed capitalist economies.[100]

[98] Charles Bettelheim, "On Socialist Planning and the Level of Development of the Productive Forces," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 31–59, 41-42.
[99] Bettelheim, 42.
[100] Yaffe, *Che Guevara:The Economics of Revolution*, 55-56.

Marxists involved in the Great Debate did not disagree that the law of value still operated in countries transitioning to socialism, but when and how the method of eradication should manifest itself. Those who believed in the pursuits of the NEP as a long-term economic plan of the Soviet Union and the continued use of capitalist levers for the motivation of the workforce generally believed that the Auto-Financing System (AFS) noted as the Soviet form of socialism and implemented in the National Institute of Agrarian Reform (INRA) by Popular Social Party (PSP) member Carlos Rafael Rodríguez was the correct path to socialism. On the other hand, Guevara and the "Guevarists" followed a more moral driven system of accounting and administration that Guevara designed by the name of the Budgetary Finance System (BFS) and practiced by the Ministry of Industries (MININD) in the 1960s. According to Alberto Mora: "Under socialism, the law of value operates through the plan, or the planning process. In mercantile production, the mechanism is, in a way automatic – through the market."[101] It is through this system that Guevara applied his theoretical beliefs and knowledge on how the economic system of Cuba should evolve in order to much more quickly digress from the use of money as a method of payment and the law of value as a determining factor. The next section of this thesis will continue by outlining the main financial features and configurations of the BFS in particular, comparing some if its features to the AFS.

WHAT WAS THE BUDGETARY FINANCE SYSTEM (BFS) OF THE EARLY 1960'S?

The Budgetary Finance System (BFS) and the Auto-Financing System (AFS) were accepted as the two major lawful economic management systems in Cuba by the Central Planning Board (JUCEPLAN) on August 23, 1963. Interestingly enough, both were set to be regulated under the same Central Planning Board (JUCEPLAN), one treasury, and one central bank.[102] Before proceeding to break down the main tenets of both system's features, it is important to review some of the concrete economic and political challenges faced by Cuban's immediately following the revolution, which led to the implementation of both the BFS and the AFS as structures of financial organization for the economy.

[101] Alberto Mora, "On the Operation of the Law of Value in the Cuban Economy," 225.
[102] Yaffe, 47.

As stated earlier, after the revolution of 1959, Cuba suffered a severe exodus of professionals ranging from accountants, to entrepreneurs, professors, and skilled laborers. Alexis Codina shares his experience in the beginning "Years of Organization" and the improvisational and spontaneous realities on the ground in Cuba that were necessary for the Cuban leadership to gain control of an economy arranged by completely different economic principles to the prior system.[103] He mentions that although many of the consolidated U.S. enterprises such as the Telephone Company and Petroleum Refinery had superior accounting records that were easily adopted by the organizational structures of the BFS, many newly consolidated factories also had incredibly poor record keeping that needed to be standardized and updated.[104] The revolutionaries were now needed in the new system to fill the role as professional economists, accountants, and managers and had to quickly develop a standard accounting system that could accordingly organize factories and enterprises throughout Cuba.[105]

Skilled professionals were incredibly sparse, and not everybody found it completely natural to accept workers control over firms in a country where power was once determined by a hierarchy based on class and professional status. However, by 1961, a "Regulations of the Standard Accounting System" manual was created.[106] Time was needed for the accounting records and bookkeeping to be collected and standardized for each factory and at every enterprise, but eventually the administrational process that required the cooperation of a great deal of Cuban society also proved to be a significant exercise for building socialist "consciousness" in the new Cuba. In Dr. Codina's perspective, the BFS was a great starting point in the transformation of Cuba's economy from relying on foreign investment, the ebbs and flows of the world market, and imposed tariffs, to autonomous state planning and priorities of a socialist nature. Precisely because the change in economic structure and format was so drastic, there was a moment of anarchy with regards to how enterprises were organized.

The BFS was instrumental in helping to stabilize the economy at a moment of economic transition.[107] The Ministry of Industries (MININD), which operated on the basis of the BFS, was made up of 40 consolidated enterprises, mainly in the hands of Guevara who was minister of

[103] Alexis Codina, "Experiences of Control Under the Budgetary System," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 204–15, 206.
[104] Codina, 208.
[105] Codina, 209.
[106] Codina, 209.
[107] Codina, 214.

MININD from 1961 to 1965.[108] By 1961, MININD directed about 70% of industry in Cuba and the BFS determined the nature of financial operations of 40 consolidated enterprises.[109] The statistics provided by Yaffe in her book show that prior to the revolution in 1959, 43% of the population in Cuba was rural in 1953, while only 3% of them owned the land they labored on.[110] Two years the revolution, the revolutionaries had succeeded in redistributing land to over 100,000 rural Cubans and relegating 83.6% of industry and 42.5% of land under state control.[111]

One of the most important tenets of the BFS and the theoretical foundation upon which it flourished rests on a concept of transitioning to socialism presented by Marx and Engels that states that the best version of a socialist economy sprouts from the leftovers of a developed, capitalistic society, preferably one that operated on monopoly capitalism. The reason for this lies in the capacities of monopoly capitalism to embrace every aspect of the economy, its concentration of resources and power, and centralization aspects regarding its organization and administration that could then be more easily inherited by its socialist descendants. According to many Marxists, this was a natural and evolutionary process of economic development. In Lenin's defense of the NEP implemented in 1921, he goes on to state his personal understanding of the steps in the evolution of the economy in Russia and the path to socialism:

> *"'Nevertheless, I then held the view that in relation to the economic situation then obtaining in the Soviet Republic state capitalism would be a step forward, and I explained my idea simply by enumerating the elements of the economic system of Russia. In my opinion these elements were the following: '(1) patriarchal, i.e., the most primitive form of agriculture; (2) small commodity production (this includes the majority of the peasants who trade in grain); (3) private capitalism; (4) state capitalism, and (5) socialism.'"*[112]

Guevara agreed with the presupposition that although ironically, a people's revolution most often occurs in moments of great economic distress potentially caused by highly primitive economic structures like in Russia, monopoly capitalism created the best playing field for socialism to organically develop. He believed that huge corporations in Cuba deriving from the United States like Shell or Texaco should be studied closely by Cubans in their search for skills necessary in the

[108] Yaffe, *Che Guevara:The Economics of Revolution,* 43.
[109] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism,* 116.
[110] Yaffe, "Ché Guevara: Cooperatives and the Political Economy of Socialist Transition," 8.
[111] Yaffe, 9.
[112] V.I. Lenin, "On the Slogan for a United States of Europe." *Selected Works* (New York, International Publishers, c. 1938). Quoted in Ernesto Che Guevara, "On the Budgetary Finance System," 122–56, 127.

transition to socialism. In fact, corporations were responsible for inspiring a great deal of the organizational aspects reproduced by the BFS for the state of Cuba, mostly regarding the financial centralization aspects and the importance of technology.

Guevara relied on comrades like Enrique Oltuski for his expertise gained at the United States mega corporation Shell, to advise him on which organizational and administrative aspects MININD and its consolidated enterprises should adopt.[113] When monopolies are centralized, it allows them to liquidate more easily aspects or branches of production that are not providing positive results or proving their efficiency in order to concentrate their efforts and resources elsewhere.[114] According to Guevara, in order to create efficiency under the socialist economic plan of a country, it too should be able to directly confront bottlenecks in production and inefficient sectors in order to increase efficiency and make the labor expended value something unlike in capitalism, which he believed was responsible for creating countless jobs wherein time is often wasted and work does not result in something tangible or intellectually valuable to humanity. Through the development and perfection of the BFS vis à vis a close study of monopolistic corporations and the application of socialist consciousness, Guevara hoped to challenge these inadequacies and create real purpose. Purpose and consciousness come hand in hand with an individual's positive association with work:

> *"We might say, then, that as a technique the predecessor of the budgetary finance system was imperialist monopoly as it existed in Cuba after going through changes inherent in the long process of development of administrative and control techniques – a process extending from the dawn of monopoly until today."*[115]

If the Budgetary Finance System (BFS) was considered by Guevara as the following step in the evolution of monopoly capitalism, how did it compare to economic calculus or the Auto-Financing System (AFS) used in other socialist states at the time and other parts of the Cuban economy like the agrarian sector, and what were some of the BFS' distinguishing features? Although the AFS also functioned under the supervision of a central state economic plan, its relationship to the law of value was different than that of the BFS' because the AFS continued to use it actively as a feature of economic organization.

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[113] Muftic, "The Road to a Socialist Economy in Cuba, 1959-1966," 12.
[114] Ernesto Che Guevara, "On Production Costs and the Budgetary System," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 113–21, 130.
[115] Guevara, "On the Budgetary Finance System," 131.

As Guevara puts it, the overarching goals of the BFS were to change the entire basis of production in Cuba and the methods for measuring an enterprise's performance.[116] In the 1960s, Cuba rationed its goods to the people, a strategy used in the transitional phase from capitalism to socialism when commodities were scarce and market prices had soared. The long-term goal was that Cuba would eventually be able to create a price relationship within its country that is separate from that of the world market and independent of its fluctuations.[117] Guevara and his comrades believed that this could be done through appropriate planning and accounting dictated by a financial system called the BFS. Put succinctly as possible:

> *"The product becomes a commodity once it undergoes a legal change of ownership by passing into the hands of an individual consumer. Means of production used by other enterprises are not commodities, but a value should be placed on them in accordance with the indices proposed above that should then be compared with the necessary labor content of the production quota allocated to consumption in order to arrive at a price for the equipment or raw material under consideration."*[118]

The administrative and financial organization required to produce goods and release them to consumers was very complex and required full consolidation for the totality of enterprises operating under the umbrella of the BFS.[119] This sort of organization is directly related to Guevara's concept of the Cuban economy operating as "one big factory."[120] Each enterprise was not responsible only for its own resources and financial status like in the case of the AFS, rather also for the health and well-being of other enterprises operating in Cuba. Goods and workers could be transferred between plants upon request and necessity because different enterprises in the industrial sector in Cuba operated much like the numerous branches of one corporation in monopoly capitalism. The AFS offered more autonomy to enterprises to behave privately, granting them the right to take out loans and credit from banks, maintain a separate account from other enterprises, and use greater material incentives for workers. Although the enterprises functioning under the AFS remained chained to centralized budgetary plan of the state, they did not share profits with each other in the same way that consolidated enterprises did operating under the BFS. The BFS treated each enterprise as a vital organ functioning in the same body, all responsible for

[116] Guevara, "On Production Costs and the Budgetary System," 118.
[117] Guevara, 114.
[118] Guevara, "On the Budgetary Finance System," 150.
[119] Yaffe, *Che Guevara: The Economics of Revolution*, 48.
[120] Yaffe, 54.

each other's livelihood and therefore sharing all resources and profits. In her article "Ernesto 'Che' Guevara: a rebel against Soviet Political Economy", Helen Yaffe makes a note on the immediate acquisition and consolidation processes resulting from the BFS' establishment in MININD:

> *"The production units which passed under the Department's jurisdiction ranged from artisan workshops to sophisticated energy plants. Many faced bankruptcy while others were highly profitable. Guevara's solution was twofold: first, to group entities of similar lines of production into centralised administrative bodies called Consolidated Enterprises. This allowed the Department to control the allocation of scarce administrative and technical personnel following the exodus of 65-75% of managers, technicians and engineers after 1959; and second, to centralise the finances of all production units into one bank account for the payment of salaries, to control investment and sustain production in essential industries which lacked financial resources. With the establishment of MININD in February 1961, the BFS evolved into a comprehensive apparatus which embedded these organisational structures in a Marxist theoretical framework, to foster Cuba's industrialisation, increase productivity and institutionalise collective management."*[121]

In order to paint a clearer picture, one must expand on the administrative and financial aspects of the BFS, comparing important aspects to those used by the AFS.

a. FINANCE, BANKING AND INVESTMENT

Marxist theory sets forth that banks were created during mercantilism and further developed with the onset of capitalism. Money continues to be used as a means of payment and a regulatory factor of the economy because of the existence of a private sector and the purchase and circulation of commodity goods.[122] This sort of use of money and commodity relations are precisely what give banks purpose in the mercantilist or capitalist societies in which they flourish as an entity independent of the state. Banks therefore are inherited by the new society transitioning to socialism and are also put to use until the development of true communism completely eliminates their purpose. Lenin describes the role that banks can play upon the immediate onset of a socialist path to development:

[121] Yaffe, "Ernesto 'Che' Guevara: A Rebel against Soviet Political Economy," 1.
[122] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 152.

> *"Without big banks socialism would be impossible… The big banks are the "state apparatus" which we need to bring about socialism, and which we take ready-made from capitalism; our task here is merely to lop off what capitalistically mutilates this excellent apparatus, to make it even bigger, even more democratic, even more comprehensive. Quantity will be transformed into quality. A single State Bank, the biggest of the big, with branches in every rural district, in every factory, will constitute as much as nine-tenths of the socialist apparatus. This will be country-wide book-keeping, country-wide accounting of the production and distribution of goods, this will be, so to speak, something in the nature of the skeleton of socialist society."*[123]

Following the October Revolution, the USSR created a State Bank in 1921, established by the NEP. In most socialist countries multiple banks which each had a specific purpose (investment, savings, foreign exchange activities) in the capitalist or mercantilist system, were merged into one single, big state bank that would theoretically follow the requests of the state.[124] Lenin imagined the bank as an apparatus working for the state, responsible for bringing peak precision to the bookkeeping and accounting methods needed in a socialist economy to organize labor, production, distribution, and investment.

According to Carlos Tablada Perez, in socialism the banking system has an inferior role to that in capitalism because it does not, or should not, have private capital that belongs only to the bank. In socialism, the bank follows the plan of the state and does not invest independently, allocate parts of the budget as it pleases, or grant loans and charge interest.[125] In regard to economic calculus or the Auto-Financing System (AFS), which had jurisdiction over the operations of the National Institute for Agrarian Reform (INRA) and the Ministry of Foreign Trade and Investment (MINCEX), this was not true. The National Bank of Cuba could issue bank credit to enterprises overseen by the AFS in order to cover a scarcity of funds.[126] However, the Budgetary Finance System (BFS), responsible for the activities of MININD had a different relationship with the National Bank of Cuba and did not collect credit.[127] Guevara elaborates his view on the topic of credit and money:

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[123] Lenin, V.I. "Can the Bolsheviks Maintain State Power." Quoted in Marcelo Fernández Font, "Development and Operation of Socialist Banking in Cuba," in *Man and Socialism in Cuba: The Great Debate*, 1st ed. (New York: Atheneum Books, 1971), 277–95, 280.
[124] Font, "Development and Operation of Socialist Banking in Cuba," 281.
[125] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 153-154.
[126] Font, "Development and Operation of Socialist Banking in Cuba," 290.
[127] Font, 291.

> *"But at the same time, banking and credit thus become the most potent means of driving capitalist production beyond its own limits, and one of the most effectives vehicles of crisis and swindle. The banking system shows, furthermore, by substituting various forms of circulating credit in place of money, that money is in reality nothing but a particular expression of the social character of labor and its products, which, however, as antithetical to the basis of private production, must always appear in the last analysis as a thing, a special commodity, alongside commodities. Finally, there is no doubt that the credit system will serve as a powerful lever during the transition from the capitalist mode of production to the mode of production of associates labor; but only as one element in connection with the other great organic revolutions of the mode of production itself. […] As soon as the means of production cease being transformed into capital (which also includes the abolition of private property in land), credit as such no longer has any meaning."*[128]

Guevara believed that the country would inevitably witness the destruction of these banking activities insofar as the transition to socialism and communism was appropriately handled. An analysis of Marcelo Fernandez Font in his article "Development and Operation of Socialist Banking in Cuba" is interesting because although the BFS did not directly request credit loans from the bank, Font claims that there was indirect crediting when consolidated enterprises under the BFS failed to contribute to the total budget of the state:

> *"Let us see. In 1961, 1962, and 1963, the State budget was in deficit. During the same three years, the budgetary enterprises stopped contributing substantial amounts to the budget, or, in other words, failed to achieve planned net income. This was a basic reason for the budget deficits. What really happened was that the bank financed such deficits by automatically granting credits in equal amounts."*[129]

The budget deficit that Font mentions occurred at the very beginning of Cuba's formation of the new government. The BFS had only been lawfully or officially recognized as the accounting system for MININD in 1963, the last year that Font mentions when referencing the budget deficit. That a plethora of flaws, bottlenecks, and contradictions existed in an accounting system working towards completely flipping money's role in capitalism as a method of payment and giving it a completely different meaning in the socialist system as a "unit of account" was no secret nor an easy job.[130] Meanwhile, those enterprises functioning under the control of the AFS had their own

[128] Ernesto Che Guevara, "Banking, Credit, and Socialism," 1st ed. (New York: Atheneum Books, 1971), 296–316, 302-303.
[129] Font, "Development and Operation of Socialist Banking in Cuba," 293.
[130] Yaffe, *Che Guevara: The Economics of Revolution*, 48.

funds and used money much like in capitalism even in exchanges amongst themselves rather than operating simply as a measurement of performance as in the BFS.[131]

In alliance with Guevara's view, Carlos Tablada Perez explains that bank credit and interest was residual from the preceding capitalist and mercantilist systems and has different consequences when used in a socialist economy:

> *"Because in assessing interest on such loans, the bank is charging for the use of money that does not belong to it, an action that is typical of the functioning of a private bank. When socialist banks lend out money at interest, they carry out an operation with the hallmarks of fetishism, since they are lending money that belongs to another enterprise."*[132]

The BFS, although experiencing a fallback in the rate of production, especially in the beginning of its implementation, has attempted to undermine the law of value by omitting the direct use of bank credits, loans, and therefore allowed less space for the National Bank of Cuba to set interest rates, which according to Marx was capital's "most externalized and most fetish-like form."[133] In other words, this was a conscious act meant to deteriorate the law of value.

Rather, the BFS used money as a form of keeping record to ensure that the economic plan was being followed, to reveal sources of bottlenecks in production, and track investments made by the state and other activities. Guevara brings greater clarity to the subject:

> *"Under our system, [money] functions only as a means of measurement, as a price reflection of enterprise performance that is analyzed by central administration bodies so as to be able to control such performance. Under economic calculus [AFS], money serves not only this purpose but also acts as a means of payment, an indirect instrument of control, because without funds the production unit could not operate. Under such circumstances, the production unit's relations with the bank are similar to those of a private producer in the capitalist system who must exhaustively explain plans and prove solvency to his bank… Consequently, because of the way in which money is used, our [BFS] enterprises have no funds of their own. There are separate bank accounts for withdrawals and deposits. The enterprise may withdraw funds in accordance with the plan from the general expense account and the special wages account. But all deposits come automatically under State control."*[134]

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[131] Yaffe, 48.
[132] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 156.
[133] Karl Marx, *Capital* (New York, International Publishers, 1967), Vol. III. Quoted in Ernesto Che Guevara, "Banking, Credit, and Socialism," 303.
[134] Ernesto Che Guevara, "On the Budgetary Finance System." Quoted in Helen Yaffe, *Che Guevara: The Economics of Revolution*, 57.

In addition to the fact that the BFS-run consolidated enterprises did not have any personal funds and did not "do business" with the bank in the form of monetary payments as the AFS enterprises did, it is also important to note that the budget for MININD was a shared budget among all of the consolidated enterprises. Enterprises under the AFS each had their own personal funds, and even executed exchanges between themselves much like in capitalism where goods are exchanged for money between each factory or entity.[135] Whereas the BFS consolidated enterprises in MININD and the exchange of goods between factories or enterprises did not constitute an exchange in ownership. Helen Yaffe describes the process:

> *"For accounting purposes only, the 'delivery of products' was accorded a 'price' and relevant adjustments were made in enterprise accounts held in the Treasury. Rather than being subject to market forces, control of goods deliveries was maintained through production contracts which regulated quality as well as quantity and punctuality. When failure occurred, administrative rather than financial sanctions were applied. Surplus means of production could not be sold to other enterprises, but were redistributed according to arrangements made by the Committees for Local Industry and approved by Consolidated Enterprise management if they were to be permanent. Inventories were updated to reflect these transfers."*[136]

The rules followed by consolidated enterprises in MININD offered a completely new phenomenon based on how many corporations functioned internally with regards to transfers, accounting, and production. If production costs could be successfully lowered during the entire process of production in each enterprise or set of enterprises, then it was apparent that labor productivity was becoming higher, the entire administrative apparatus more organized, and the methods used for production more efficient.[137] Enterprises would most visibly benefit from technological advancements because higher levels of technology could eliminate human error, speed up production, and give workers the opportunity to dedicate their time and energy to other intellectual pursuits important for the construction of socialism. Significant technological advancements could also mechanize accounting systems to help keep better track of production patterns by simplifying record keeping through robotic enhancements.

[135] Yaffe, *Che Guevara: The Economics of Revolution*, 60.
[136] Yaffe, 60.
[137] Yaffe, 60.

A last major point with regards to the financial and banking systems is how prices were decided for products by the BFS versus the AFS. The issuing of prices is an incredibly complex topic in the socialist economic debate because it is filled with various contradictions and a lack of literature explaining the process of price management. Guevara believed that with the potential for significant technological progress in the future, the AFS must reevaluate its expectation that the law of value could dictate the prices of goods in the market. With greater automation in production, less human labor would be required, and the value of production would therefore decrease. If this were to occur, then prices set domestically would not be dependent on world market prices, which Guevara believed currently remained an essential guideline to follow.[138] He opposed the idea of a completely separate price structure being used domestically in Cuba because the island was still highly dependent on foreign trade and involved in the world market. In 1964, Guevara proposed price indices based on the following principles:

> *"1. Raw material imports with fixed and stable prices based on average international market price (plus a few points to cover the cost of transportation and the facilities of the Foreign Trade Ministry)*
>
> *2. Cuban raw materials prices on the basis of real production costs in terms of money (add planned labour costs plus depreciation costs). This would be the price of products supplied by one domestic enterprise to another or the Ministry of Internal Commerce."*[139]

Profits would be channeled to the Ministry of Domestic Trade while the consolidated enterprises of the BFS would not make any personal profit of their own. The system which Guevara and supporters of the BFS were creating was highly more radical than that of the AFS because it took the largest leap away from the capitalist economic system, worked the hardest at consciously deteriorating the law of value and eliminating society's reliance on capitalist levers and material incentives to lead production. The BFS was therefore a unique and more advanced alternative to the AFS and aspects of the NEP implemented in the USSR in the trajectory it chose to work towards socialism and communism. Guevara believed both that Cuba's level of development was high enough to begin implementing such a finance system and that the country found itself in a

[138] Yaffe, 62.
[139] Yaffe, 62.

situation wherein the political and economic transformations either continue full force towards socialism, or risk falling back under imperialist control.

b. ADMINISTRATION AND ACCOUNTING

When the means of production are socially owned it is possible to maintain the proper ch3ecks and balances in an enterprises' production patterns by the limitations set by administrative bodies and accounting and inspection processes. The concept can be considered quite abstract due to the lack of literature on how it should and can be implemented in practice, and the lack of real-life exemplifications of how proper administration, accounting, and bookkeeping produces the necessary checks and balances to incentivize production in place of material incentives. Guevara however, believed that the Cuban population could be incentivized to work and perform their duties efficiently and correctly in whatever job role was assigned to them if socialist consciousness and the idea of moral incentives was created in a society. Moreover, if proper checks and balances were set up by the state itself to monitor, record, and fix mistakes occurring in production, these administrative measures would set certain social expectations for the individual worker and would create a web of activities that operated under the domino effect. In other words, if any one level of production was upset for any reason and inspection was carried out diligently, mistakes would be recognized by managers and fixed accordingly to result in better efficiency and socialize the population correctly.

In the new Cuba, the state and its accountants, administrators, and managers were responsible for allocating high-quality goods efficiently to the Cuban people whilst seizing proper investment opportunities to ensure the survival and growth of the newly acquired socialist state. Guevara envisioned a future of mass computerization and the use of technology to calculate and administer economic activities at an even greater level of efficiency and precision than any human could under the eyes of Cuba's inspection agencies.[140] Before computers could begin to substitute real workers, Guevara and the Cuban populace had to create this thoughtful system of controls that would stimulate production in Cuba, keep the population fed and provided for, and continue to inspire socialist revolutions abroad to adopt similar economic structures.

[140] Yaffe, 102.

Scholars such as Michael Power and Peter Miller discuss the role of standardized calculating procedures and accounting frameworks in the performance of an economy by drawing examples from capitalist societies such as 20th century Great Britain and the mercantilist example of the monarchical Colbert period of 17th century France. Miller quotes Max Weber, who declared that bookkeeping marked the rise to capitalism, but interestingly enough, does not directly address the role of accounting in states where the means of production are not owned by private enterprises or absolute rulers.[141] In fact, Cuba's mission to consolidate all enterprises and standardize accounting procedures is indicative of the "interrelations" between accounting and the state, as Peter Miller calls it.[142] It is precisely this concept of interrelatedness that defines the birth of Cuba's new economy. As Minister of Industries, Guevara was fully aware of the importance of replacing the profit incentive or "financial compulsions" with cost analysis, which would be carried out by the Budgetary Finance System (BFS) and ensured through a complex system of checks and balances.[143] Only perfect synchronization of state and accounting had the power to compensate for an absence of the profit motive, to transform Cuba from socialism to communism, and to prevent its demise.

As Alexis Codina Jimenez, a main accountant of the Consolidated Enterprise (EC) of Flour expressed:

> *"After the revolution had succeeded, the primary task of the government was to deliver food to the Cuban population. All goods, including donations that were arriving from the U.S.S.R., had to be counted and properly distributed in a country where most administrators had no background in statistics or accounting. The situation was dire and the few accountants that remained (two-third left Cuba between 1959 and 1961), were immediately promoted to managers or directors."*[144]

Amateurs were given positions in major state firms, and an enormous literacy campaign swept the country. "Technologies" such as a "socialist accountancy" course were taught throughout Cuba, and an official Procedure Manual of administrative and accountancy terms and methods began to circulate, developing an accountant-conscious administration.[145] Because Cuba lacked educated

[141] Peter Miller, "Governing by Numbers: Why Calculative Practices Matter," *Social Research* 68, no. 2 (2001): 379–96, 381.
[142] Peter Miller, "On the Interrelations between Accounting and the State," *Accounting, Organizations and Society* 15, no. 4 (January 1, 1990): 315–38, https://doi.org/10.1016/0361-3682(90)90022-M, 315.
[143] Yaffe, *Che Guevara: The Economics of Revolution*, 104.
[144] Yaffe, 100.
[145] Yaffe, 101-102.

professionals and administrators, one of the solutions in 1962 was to create an Advisory Technical Committee (CTA) in each of the production units of the consolidated enterprises where the best workers were sent to different factories to teach, suggest, and educate other workers on how to manage production and maintain efficiency in the workplace.[146] Guevara's close study of capitalist enterprises in Cuba and U.S. corporations bred the realization that efficient accounting practices and management structures could be appropriated for Cuba's utility. Guevara was impressed with the General Motors management system, the company's development of a centralized budget, and the well-coordinated yet decentralized management sub-structures within the enterprise. Unlike the Soviet Union and its approach to management, Guevara created an Office of Organization and an Office of Inspection within MININD that taught managerial skills to members and monitored the progress and loyalty of managers.[147]

Economic performativity in Cuba can also be viewed through the lens of collectivizing projects and central planning purposefully facilitated in order to increase productivity and output for the state. Although the goal was to achieve economic socialism, not capitalism, centralization and standardization projects led by Guevara in Cuba share much in common with the slow implementation of a proper, centralized tax system in France or the creation of cadastral mapping around the world as James Scott goes on to describe.[148] Much of the work at the beginning of socialist Cuba's inception revolved around transferring all accounts of U.S., Cuban, and Spanish-owned mills to a socialist accounting system which by 1961, resulted in the successful consolidation of 75% of the value of Cuba's industries under one account in a centralized state.[149]

James Scott writes about the expression of state control historically through the implementation of taxes and the establishment of a universal measurement system. Throughout history, each local community utilized particular methods to measure and quantify resources, space, and time. Despite local resistance, state building projects in Europe aimed to standardize all measurement systems to categorize the land. Such policymaking projects were presented as the work of "rational citizenry" because they decreased miscalculations, supported access to new

[146] Yaffe, "Ché Guevara: Cooperatives and the Political Economy of Socialist Transition," 14.
[147] Yaffe, *Che Guevara: The Economics of Revolution*, 105.
[148] James C. Scott, *Seeing like a State : How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, CT: Yale University Press, 1999), https://usearch.uaccess.univie.ac.at/primo_library/libweb/action/dlDisplay.do?vid=UWI&afterPDS=true&docId=UWI_alma21321842430003332, 24.
[149] Yaffe, *Che Guevara: The Economics of Revolution*, 101.

markets, and increased state revenue.[150] Similarly, Guevara argued that the survival of socialist Cuba depended on the employment of numerous mechanisms to control economic performativity.

In 1963, the BFS concluded that consolidated enterprises in MININD had failed to undertake a proper amount of investment projects, which would damage development in a country that was still fighting to restructure its entire economy and state.[151] Guevara responded by centralizing all decision-making powers in MININD and conducting bimonthly exams of directors of consolidated enterprises to test their knowledge on inventory stock, enterprise productivity, and other domains in order to eliminate the possibility of a shortage. According to *Cuba Socialista*, the workplace was a vital part of the entire Cuban nation and it depended on shared and centralized funds.[152] Production Assemblies were another project led by Guevara that required all workers and involved administrators and technicians to meet monthly and quarterly in order to discuss various aspects of their work, organization, any technical problems, and the economic plan.[153] Yet another example of controls and check-ups is the Committees for Local Industry (CILO) which met starting in 1962 to discuss and arrange transfers of goods between different local branches of enterprises depending on need and supply.[154] These are just some examples of the various initiatives undertaken by Guevara and his colleagues in the BFS to increase transparency, efficiency, and oversight in MININD, and are examples that remain relatively unstudied. Initiatives such as bi-monthly meetings or administrative controls did in fact increase production and create greater efficiency by motivating the workforce to keep up with certain standards of both quality and quantity in production. There was no lack of bottlenecks in production of course, the system of checks and controls was not so perfected during Guevara's time that enterprises functioned perfectly, but it certainly did help with the production and synchronization of consolidated enterprises in the beginning of the restructuring process of the Cuban economy, as well as created a set of norms for the state to follow in the future.

Before departing for the Congo in 1965, Guevara published a "Manual" outlining the necessary steps for state consolidation of enterprises.[155] All throughout the implementation of the BFS, Guevara was aware of its strong suits and weaknesses. He understood that there were bottlenecks

[150] Scott, *Seeing like a State: How Certain Schemes to Improve the Human Condition Have Failed*, 32.
[151] Yaffe, *Che Guevara: The Economics of Revolution*, 123.
[152] Yaffe, 111.
[153] Yaffe, "Ché Guevara: Cooperatives and the Political Economy of Socialist Transition," 14.
[154] Yaffe, 15.
[155] Yaffe, *Che Guevara: The Economics of Revolution*, 117.

in distribution and administration that needed to be resolved in order for production to occur at full capacity, an incredibly important aspect in the beginning of the transition to socialism:

> *"What are the system's principle weaknesses? We believe that its lack of maturity must be placed first. In the second place, there is a scarcity of really qualified cadres at all levels. In the third place, we have failed to publicize the system and clarify its operation so that the people can understand it better. We can also cite the lack of a central planning body that would operate consistently with an absolute hierarchical order. Such a body would make the job easier. We could list shortcomings in material supply and the transportation system that sometimes force us to accumulate products and at other times hinder production. There are shortcomings in our entire quality-control system. There are problems in relationships (which should be very close, very harmonious, and very well defined) with distribution agencies, particularly MICIN, and some supply organizations, especially MINCEX [Ministry of Foreign Trade] and INRA [National Institute of Agrarian Reform]. It is still difficult to say exactly which shortcomings have root in the system's inherent weaknesses and which are due largely to our present level of organization."*[156]

MORAL INCENTIVES V. MATERIAL INCENTIVES AND THE CONTRIBUTION TO "CONSCIOUSNESS"

Karl Marx makes the argument that capitalism has bred an alienated society on multiple levels. Individuals are distant from one another, they are distant from the goods they produce, distant from the own act of working, and other members of society. This mentality has grown to encompass all aspects of daily life and has shaped humanity by constructing social norms both consciously and subliminally and guiding the boundaries and evolution of a societal culture through time.[157] The goal of socialism is to break the narrative that human labor is a commodity and that our livelihoods are determined by money. In *Capital* Volume I, Marx quotes Hegel on his analysis of alienation:

> *"I may make over to another the use for a limited time, of my particular bodily and mental aptitudes and capabilities; because in consequence of this restriction, they are impressed with a character of alienation with regard to me as a whole. But by the alienation of all my labour-time and the whole of my work,*

[156] Guevara, "On the Budgetary Finance System," 151-152.
[157] Leonard Jackson, *The Dematerialisation of Karl Marx: Literature and Marxist Theory* (New York, NY: Routledge, 2014).

> *I should be converting the substance itself, in other words, my general activity and reality, my person, into the property of another."*[158]

One of the most important discussions of the Great Debate of the 1960s, which is inherently intertwined with the topic of how a society should treat the law of value during its embarkment on acquiring socialism, was the use of material or moral incentives to galvanize individuals in the new state building project of a socialist Cuba. As previously stated, Cuban leadership was well aware of the need for material incentives, especially in the beginning of their journey. However, in their quest of building the "New Man" and a communist society, they had to be extremely careful to not allow material incentives to dominate the economic scene because it was precisely this use of the law of value and material incentives that could lead Cuba on a path different from that of socialism. Bertram Silverman points out that from 1962 to 1963 there was a significant decrease in "national output" and from 1962 to 1965, worker productivity had fallen about 30%.[159]

The reason for this can be explained by many factors, including the underdeveloped nature of Cuba at the beginning of its transition to socialism. Cuba had experienced an exodus of professionals, it was using a good portion of its population to confront foreign military threats, and it was struggling with the reality that its main export commodity was raw sugar, which was responsible for a good portion of the country's GDP.[160] The government was trying to balance the use of material incentives in the hope to quickly spur production at a time when the country was underdeveloped and noticeably struggling, while the "Guevaristas" remained careful to keep their eye on the long-term prize of creating socialism through this reset process and not using short-term solutions like the conscious employment of the law of value in order to quickly place a band aid over current economic ailments:

> *"We must make clear that we do not deny the objective need for material incentives. But we are unwilling to use them as the primary instrument of motivation. We believe that, in economics, this kind of device quickly becomes a category per se and then imposes its power over man's relationships. It should be recalled that this category is a product of capitalism and is destined to die under socialism. (...) In our mind, however, direct material incentives and consciousness are contradictory terms."*[161]

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[158] Hegel, George Wilhelm Friedrich. "Philosophie des Rechts." Berlin: 1840. Quoted in Karl Marx, *Capital,* first English ed., vol. 1, 3 vols., 124.
[159] Silverman, "The Great Debate in Retrospect: Economic Rationality and the Ethics of Revolution," 8.
[160] Silverman, 9.
[161] Guevara, "On Production Costs and the Budgetary System," 134.

Guevara noticed that human beings were much more apt to organize quickly and efficiently without the need for material incentivization on the part of the state in moments of real crisis. Guevara observed the kind of organization and heartfelt dedication of the revolutionaries during guerrilla warfare in the Sierra Maestra and their preparation for the revolution and later recognized a similar reaction from the public during the Cuban missile crisis in April 1961 when the masses mobilized and increased their rate of productivity, active involvement and participation during the crisis, which led to faster and better solutions and a retreat from unnecessary bureaucracy that otherwise plagues every economic system.[162] There was a secret side to human behavior of survival and collectivity that could be unlocked during times of high stress or compulsion. The "Guevaristas" were hoping to enliven this side of the people through the educational programs and lifestyle changes offered by Cuban socialism.

Alberto Mora explains that this behavior could only be socialized through proper economic, political, and social advancements of the state:

> *"If the relationships of production and their determination in the superstructure were not objectively organized so as to assure that work would eventually lose its quality of alienation, then we fail to see how we could develop a consciousness of nonalienated—that is, voluntarily contributed --- work in men as a whole. […] The enthusiasm and fervor awakened during the first years of the Revolution must not be damaged. The history of the new society proves that frustrations arise when such feelings are not translated into the way that "praxis" is organized."*[163]

According to Guevara and Mora, "praxis" brings about change. The idea that "'political work' – consisting, really, of the repetition of code words—can bring about such a transformation of consciousness is, to our mind, pure idealism, and has nothing to do with Marxism", says Mora.[164] The "Guevaristas" believed that it was not enough for those socialists, economists, and politicians who supported the AFS and its endeavors to declare out loud the importance of socialist consciousness and commitment to the state and its people, while only providing material incentives like bonuses to workers' salaries. Mora's and Guevara's perspective was that the AFS supported an economic and social position contradictory to the goals of socialism.

[162] Yaffe, *Che Guevara: The Economics of Revolution*, 64.
[163] Mora, "On Certain Problems of Building Socialism," 334.
[164] Mora, 333.

This is not to say that the "Guevaristas" had all the answers in regard to socialist institutional building:

> *"The institutionality of the Revolution has still not been achieved. We are seeking something new that will allow a perfect identification between the government and the community as a whole, adapted to the special conditions of the building of socialism and avoiding to the utmost the commonplaces of bourgeois democracy transplanted to the society in formation (such as legislative houses, for example). Some experiments have been carried out with the aim of gradually creating the institutionalization of the Revolution, but without too much hurry. We have been greatly restrained by the fear that any formal aspect might make us lose sight of the ultimate and most important revolutionary aspiration: to see man freed from alienation."*[165]

Guevara writes that despite this intellectual challenge he also believes that in time, a set of people working towards the same goal of gaining socialist consciousness could create the appropriate institutions and achieve the goal of greater participation of the individual in the political process.[166] The process of analyzing moral incentives and their role in creating consciousness is important, but the dangers of relying too heavily on moral incentives during a time of shortages and rationing in 1962,[167] the economic struggle of the state with no end in sight, and workers contributing overtime for long periods of time should also be pointed out. It is particularly tricky because it can result in the tactics used by the USSR of forcing people to work, wherein coercion can only lead to collective misery resulting in the disintegration of socialist ideology and society's faith in communism.[168]

Guevara understood that if voluntarism was no longer voluntary but rather forced upon the people as an obligation, it would lose its original essence and purpose. He believed that the vanguards of a socialist society who intellectually understood the purpose of voluntarism in building communism must serve as inspirational figures to look up to and emulate but should not force the activity of voluntarism upon others.[169]

As indicated earlier in this paper, there are numerous checks and balances that were experimented with and established by Cuban leadership in the form of accounting, economic restrictions or limitations, and otherwise to guide humankind down the "right" path to socialism.

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[165] Guevara, "Man and Socialism in Cuba," 345.
[166] Guevara, 346.
[167] Richard Gott, *Cuba: A New History* (New Haven, CT: Yale University Press, 2004), 187.
[168] Silverman, "The Great Debate in Retrospect: Economic Rationality and the Ethics of Revolution," 20.
[169] Yaffe, *Che Guevara: The Economics of Revolution*, 214.

A system that encapsulated most of these controls was referred to as the Budgetary Finance System (BFS) and was strongly influenced by Guevara. In addition to generating controls through the accounting and management systems for production and the economic plan itself, there were also countless programs enacted as a form of moral incentivization for the population. I will go on to briefly describe what were possibly the top three methods used to raise moral awareness among the population and build socialism. This includes programs of voluntarism, the emphasis placed on emulation, and education.

a. VOLUNTARISM AND EMULATION

The acceptance of moral incentives as a means of inspiration for the construction of a society both in a material and cultural sense does not infer the immediate negation of the use of material incentives. The fact remains that material incentives are particularly necessary in the early stages of socialism to push individuals in matters of production, management, and towards the execution of numerous other projects relevant to building socialism. However, Guevara strongly believed in a simultaneous use of moral incentives gaining momentum even in the beginning phases of socialism. Without the acquisition and development of new habits and cultural values such as the socialist's perspective on work as a social duty and both an individual and collective responsibility, the consciousness of a society could not properly develop toward socialism and continue eliminating its associations with capitalism. The stronger a worker's mental connection with their personal labor was, the less alienation that would come to form between the worker and the final product of their work, whereupon a new sensibility for collectivism and collective attitudes could arise as a result:

> *"I am not interested in dry economic socialism. We are fighting against misery, but we are also fighting against alienation. One of the fundamental objectives of Marxism is to remove interest, the factor of individual interest, and gain from men's psychological motivations. Marx was preoccupied both with economic factors and with their repercussions on the spirit. If communism isn't interested in this, too, it may be a method of distributing goods, but it will never be a revolutionary way of life."*[170]

[170] Guevara, Ernesto Che cited by Sergio de Santis. "The Economic Debate in Cuba." Havana, Cuba: 1965. Quoted in Bertram Silverman, "The Great Debate in Retrospect: Economic Rationality and the Ethics of Revolution," 3–28, 5.

Two enormously important tactics used to increase the utilization of moral incentives were voluntarism and emulation. The ideological push for voluntarism was used for projects like the Literacy Campaign when the country needed volunteers to educate the illiterate across Cuba, and to subscribe to the military. It could be applied to any action that would help build the Cuban economy in conjunction to socialist consciousness. In the years of 1963 and 1964 the teacher's union Sindicato Nacional de Trabajadores de la Enseñanza y la Ciencia (SINTEC) for instance, completed over two million hours of voluntary teaching.[171]

In addition to the educational benefits of volunteering, a similar tactic was applied to the military. Due to obvious counter-revolutionary efforts against the socialist government in Cuba in the early 1960's, the government knew they had to be prepared. Before the Bay of Pigs invasion, youth comprised sections of militia movements which grew from 100,000 participants in 1960 to 300,000 in 1961. Cadres and soldiers were given an important role during the Bay of Pigs invasion, contributing to the safeguard and protection of Cuba at the time.[172] In the militia movement there was also a dimension of socialization and comradery that further built a sense of collectivity and consciousness in the youth.[173]

In 1963, Guevara created the "Red Battalion" in MININD which was a total of ten brigades of workers that had agreed to do at least 80 hours of voluntary labor in the span of six months.[174] The project included ten ministry workers because Guevara wanted to diminish previously held hierarchies between the workers and the directors of enterprises, including himself. He wanted them to work together, understand one another's challenges and duties, and to emulate each other.[175] Certificates and awards were provided at numerous ceremonies for workers who had completed the greatest amount of voluntary labor as a form of gratitude and even greater incentive. The people's mental understanding of and commitment to the concept of voluntary labor is what supported the state in moments of crisis and natural disasters, like the Cuban Missile Crisis in 1962 or the popular , and response to rebuild the country after Hurricane Flora in 1963.[176] In these

[171] Anne Luke, "Youth Culture and the Politics of Youth in 1960s Cuba" (Doctor of Philosophy, University of Wolverhampton, 2007), https://www.researchgate.net/publication/32116527_Youth_Culture_and_the_Politics_of_Youth_in_1960s_Cuba, 113.
[172] Luke, "Youth Culture and the Politics of Youth in 1960s Cuba," 192.
[173] Luke, 195.
[174] Yaffe, *Che Guevara: The Economics of Revolution*, 208.
[175] Yaffe, 208.
[176] Yaffe, 209.

settings where voluntary labor was a reality, it had real social worth. According to Guevara and other Marxists, in capitalism a worker often toils inefficiently dealing with poorly allocated resources and time, an act that regularly results in surplus labor. The surplus labor is then abused by the capitalist managers, while the outcome remains insignificant or irrelevant to the overall development of society as a whole. In MININD, workers received compensation for their work in the form of a salary, but managers also tried to reallocate any surplus labor to other factories or enterprises to increase the productivity, efficiency, and improve the allocation of time and effort in all consolidated enterprises. Voluntary labor was however, by definition different from surplus labor in the realization of socialism because individuals were willingly donating personal time and energy outside of the work day to complete certain tasks for the benefit of the collective. Voluntary labor was off the clock and was of a different essence than the labor exerted during official working hours, often resulting in moments of high productivity, teamwork, and improvisation.

As Anne Luke points out in her doctoral work, voluntarism took numerous shapes and forms. One movement comprised of volunteers promoted artistic movements and clubs throughout the country enabling Cubans living in the countryside to directly participate. The *aficionado* movement gathered groups of instructors to organize theater, literature, music, culture, and art events in different parts of Cuba as a way of preserving Cuban culture. Guevara believed that voluntary work could be done for the purpose of enhancing numerous sectors of the economy, including construction, agriculture, and education. However, voluntary work was an additional commitment to one's day job and not a way of making up for the lack of efficiency at work or the "indiscipline of workers".[177] Carlos Tablada Perez states that: "For Che, the impact of voluntary work on the creation of the new man was more important than its economic results."[178]

Emulation was also considered a viable way of encouraging discipline and moral incentivization in Cuba. Considering the strong spirit of mass participation following the revolution in Cuba, Guevara concluded that emulation could be used as a way to spur production rates, but even more importantly, teach discipline, collective thinking, and instill a desire for using healthy methods for self-improvement in one's own work. Emulation was thus a key method used in MININD and other ministries to inspire progress.[179] Carlos Tablada Perez quotes Guevara

[177] Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*, 192.
[178] Tablada, 190.
[179] Tablada, 224.

during his meetings with workers on his definition of emulation and its importance to socialist consciousness:

> *"Emulation is simply a competition directed toward the noblest of aims, which is to improve the functioning of each work center, each enterprise, each unit, and place it in the front ranks of building socialism. […] Emulation is fraternal competition. What is its purpose? To get everyone to increase production. It is a weapon for increasing production. But it is not only that. It is also a tool for deepening the consciousness of the masses. The two should always go together."*[180]

In order to galvanize emulation, workers received prizes or recognition at various ceremonies for their efforts and commitment. Material awards existed, usually in the form of cash or things like a vacation or housing, but by the mid 1960's the use of material awards was eliminated.[181] A committee was created in 1963 that dealt with the topic of emulation in Cuba by the name of the National Emulation Committee and a National Emulation Pamphlet was created about the process.[182] Trade unions were responsible for observing worker performance and the quality of production, as well as issuing points for good work and deducting points when workers were inefficient or productivity lagged. The idea of emulation was not only to teach an individual through the process of copying how an activity is properly executed or how to reach higher productive capacities, but to teach them how to be a motor for educating others as well so that the cycle of emulation and improvement could continue.[183] The idea was that competition had a moral nature to it in socialism and could lead to greater efficiency of the workers' collective if it was done in the spirit of becoming better as a society and giving to one another. If one competed through emulation with the desire to help others improve, their relationship with the act of working and improving in one's work and personal capacities was a healthy activity geared towards the moral and material betterment of society.

The ultimate vision that voluntarism and emulation was trying to achieve was a greater cohesion between work and man, to reach an intellectual and spiritual caliber that bound a human to what it produced, how it worked, and what it created, and to ultimately bring joy to that process. Helen Yaffe's quotes Guevara on the need for happiness in work:

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[180] Tablada, 225.
[181] Yaffe, *Che Guevara: The Economics of Revolution*, 204.
[182] Yaffe, 205.
[183] Yaffe, 206.

> *"There is a very beautiful phrase from Mao, where he says something like 'man as an alienated being is a slave of his own 'production', a slave to work, surrendering his work, surrendering part of his nature with it and that he only realizes himself as man when he does things that are not necessary to his physical being -- when they are transformed into art or, for example, when he does voluntary labour or something that yields a little for society, something that man gives. We still have not achieved the point when man gives, rather we have created an apparatus where society sucks up voluntary labour… it is quite distinct. That man feels the internal necessity to do voluntary labour is one thing. That a man feels the necessity to do voluntary labour because of the environment is another. The two should be united. The environment should help man feel the need to do voluntary labour, but if it is only the environment, the moral pressure that obliges man to do voluntary labour, then the evil of man's alienation will continue. That means they are not doing something intimate, something new, done in freedom so they don't remain a slave to work."*[184]

Guevara was aware that alienation still existed between the worker and production in the state of Cuba and that there was a material necessity for volunteers at the time due to real shortages and deficiencies of productive capacities. With the amount of material and moral incentives and the advancement of technology in Cuba, Guevara hoped that this alienation would disappear over time as Cuban society transitioned to communism.

b. EDUCATION

> *"Education is essential if we want to accomplish the great goals in the realm of science and the economic sector which the revolution has set itself, if we want to do away with misery, if we want to become a people capable of producing all the goods and services necessary to raise our standard of living as much as we want. It is indispensable if we want each family to have what each family wants to have, if we want all families and all the members of all the families in our country to be able to satisfy all the needs which still remain to be satisfied, needs of all kinds, as the fruit of the effort we are making today. It is impossible to increase the production capacity of our people without education. It is impossible to transform ourselves into a highly industrialized people without education. It is impossible to develop our agrarian economy without education. It is impossible to organize the people and the country toward higher levels without education."*[185]

[184] Guevara, Ernesto Che. "Reuniones Bimestrales." Havana: December 1964. Quoted by Helen Yaffe, *Che Guevara: The Economics of Revolution*, 215.
[185] Fidel Castro, "Castro Speaks on Literacy Campaign" (Havana Domestic SVC, August 17, 1961), Latin American Network Information Center (LANIC), http://lanic.utexas.edu/project/castro/db/1961/19610817.html.

These excerpts are from a speech given by Fidel Castro in 1961 during a plenary session held to discuss the massive literacy campaign undertaken by the Cuban government in the early 1960's. The Literacy Campaign of the 1960's was one of the first and most significant actions of the Cuban government intended to tackle enormous rates of illiteracy, which reached up to 40% in rural areas in the newly inherited Cuba.[186] Education would be a key to building consciousness in Cuba, raising skilled workers, thinkers, and politically active members of society, and incentivizing the population through moral means. The Literacy Campaign was a volunteer program which sent students across the country to teach illiterate citizens how to read and write. In 1962, it was followed by a set of university reforms, the creation of a Department of Scholarships in Cuba, and the Student's Plan of 1962 which granted every citizen with legal access to education and a fulfillment of basic needs by the state for the purpose of study.[187] On April 9, 1961 Fidel Castro announced on Cuban television that:

> *"At the same time, we have undertaken a university reform which will make our universities the best in the hemisphere. We have already more than 1,000 scholarship students, and lodging facilities in Havana alone for 3,500 scholarship students. Any Cuban who has the vocation and ability can undertake a university career."*[188]

In order for students to carry on with their studies, they needed housing near university campuses. Castro added in his speech that the process of urban reform was occurring at the same time period in Cuba and facing obstacles:

> *"The comrades of the urban reform made a mistake in good faith. They had several thousand homes to distribute. They then asked that applications should be submitted. The result was that 150,000 applications for these homes were submitted, although only 5,000 homes were available. This meant that 145,000 applicants had to be kept waiting. This was a mistake, because false hopes had been raised which could not be satisfied."*[189]

[186] Justo Alberto Chávez Rodríguez, "Education in Cuba between 1959 and 2010," *Estudos Avançados* 25, no. 72 (August 2011): https://doi.org/10.1590/S0103-40142011000200005, 45.
[187] Justo Alberto Chávez Rodríguez, "Education in Cuba between 1959 and 2010," 46.
[188] Fidel Castro, "Lecture of 'Education and Revolution'" (Havana, Cuba: Havana CMQ Television Network, April 9, 1961), Latin American Network Information Center (LANIC), http://lanic.utexas.edu/project/castro/db/1961/19610409.html.
[189] Castro, "Lecture of 'Education and Revolution.'"

Early educational reforms were met with certain obstructions to development as the immediate post-revolution state of Cuba proved to be highly complex and undergoing countless reforms and changes in governance concurrently.

Before the revolution of 1959, the educational system in Cuba was severely lacking in resources and accessible only to few. Access to education depended on one's financial and class status. There were not enough schools for children to attend and many did not have the financial opportunity to go to grade school, receive secondary education, or excel towards earning a higher education. Most of the illiterate population was found to be concentrated in the rural and mountainous regions of Cuba where resources like electricity and clean water were also lacking. Prior to the revolution, only about 15,000 university students attended the three universities that existed in the country, Villanueva being a private institution. Around the same time, a population of about 5.5 million people in the country were illiterate.[190] According to Fidel Castro, the most basic principles of what the revolution was trying to achieve could not be without education at its helm. In his speech to the people titled "Education and Revolution", Fidel Castro says:

> *"There can be no revolution without education because a revolution means profound changes in the life of a country. The first problem for the revolution concerns the fight and defeat of old ideas and traditions and prejudices."*[191]

Who would be the accountants, managers, inventors, engineers, and even artists, teachers, and caretakers if not educated folks? The ideology of the time requested that every Cuban be involved in the revolutionary process, and they could only do so by attaining a higher level of consciousness about what the socialist project in Cuba entailed and new levels of knowledge about various subjects that could affirm the country move forward towards achieving new political feats and greater economic development. In order for the country's people to become skilled professionals, they first and foremost had to learn how to read. Only then could every person with their unique set of talents and skills make significant contributions to political and economic theory and praxis in Cuba.

Many scholars argue that the Cuban ethos regarding education was shaped prior to the revolution of 1959 to understand education as a form of liberation. Jose Martí, the well-known writer and leader for the fight for Cuban independence from Spain in the late 19th century was a

[190] Rodríguez, "Education in Cuba between 1959 and 2010," 45.
[191] Castro, "Lecture of 'Education and Revolution.'"

most influential figure in this regard. He formed the idea of *cubanía*, which claimed that a deep affection towards one culture and the constant fight for education and the acquisition of new knowledge to develop the human mind was integral to a people's liberation.[192] Thus, the faith in and importance placed on education in Cuba started before the Literacy Campaign in Cuba of the 1960s, leading to many activities, including the educational pursuits of soldiers in the revolutionary army of the 1950's. During the guerrilla's preparations and lessons on warfare tactics in the Sierra Maestra, a particular attitude towards education was already in play. Guerrilla fighters mainly consisted of the working class and rural population of Cuba, and in addition to learning warfare tactics, educational lessons on topics like mathematics, science, politics, and history were being taught. While preparing for battle, guerrillas also built much needed schools in rural areas on various occasions, understanding the importance that education would have in the new Cuba and the problems caused by an absence of facilities where teachers and students could hold lessons.[193]

A census report was taken in 1953 which indicated that about 60 percent of the Cuban population was uneducated or completely illiterate.[194] In order to combat this reality, the Literacy Campaign employed 271,000 young volunteers usually from urban areas of the country, 87,500 of which were under the age of nineteen and expected to travel to rural and more isolated parts of the country to teach illiterate folks how to read.[195] On a speech about the literacy campaign given on August 17, 1961 Castro identified that:

> *"More than 1 million people over 10 years of age do not know how to read and write. Right now there are nearly 700,000 either learning or graduated. The number of those graduated is insignificant compared to the number of illiterates. A supreme effort is necessary to fulfill our goal this year."*[196]

In the plenary session on the following date, Fidel Castro goes on to list the achievements and progress made in difference provinces, as well as the amount of illiterate folks left to teach, those that are studying, those who have yet to learn, and how many have learned how to read and write,

[192] Rodríguez, "Education in Cuba between 1959 and 2010," 404.
[193] Muftic, "The Road to a Socialist Economy in Cuba, 1959-1966," 19.
[194] Eloise Linger, "Combating Moral and Material Incentives in Cuba," *Behaviour and Social Issues* 2, no. 2 (December 16, 1991), 33.
[195] Antoni Kapcia, "Educational Revolution and Revolutionary Morality in Cuba: The 'New Man', Youth and the New 'Battle of Ideas,'" *Journal of Moral Education* 34, no. 4 (December 1, 2005): 399–412, https://doi.org/10.1080/03057240500410129, 402.
[196] Castro, "Castro Speaks on Literacy Campaign."

including the amount of youth workers in each region conducting the lessons.[197] In addition to the detailed statistics regarding each province to date, Castro repeats the purpose of the project and the reasons for the dedication of the state to such a project:

> *"These 1,023,849 persons are the humble people of our country. And this is what is really the most beautiful thing about this campaign, the benefit it gives to the most humble and most forgotten people of the country, to the people who have no schools, or the people who could not go to the schools because from the time they were very young they had to work and could not be near teaching centers! This is a great injustice which the revolution is correcting, but it is not only just and necessary to correct this: this campaign which is being carried out is also of vital importance to the future of the fatherland, because it is a part of the great education program of the revolution, a part of the great tasks in education, in all sectors, which the revolution must accomplish, must accomplish because it is the duty and also a necessity. And a revolution without education is inconceivable. Progress without education is inconceivable. A splendid future for the Cuban nation without education is inconceivable. An improvement in all the sectors of life without education is inconceivable."*[198]

In just one year, the education brigades achieved their purpose of abolishing basic illiteracy across Cuba.[199]

Education also came in the form of debates and discussions about pressing issues in the Cuban economy, production, and foreign relations. As a challenge to the monopolization of certain types of knowledge by capitalist countries such as the neighbor up north, these debates were demonstrated through a variety of platforms including the numerous magazines released in Cuba directly related to the economic and political rebuilding of the country. Fidel Castro states:

> *"The masses of the people have acquired political knowledge which they did not have prior to the revolution. The people were very ignorant of international problems. We got our information only from North American news agencies, and North American magazines and books. Our newspapers were at the service of North American interests."*[200]

New forms of publications with different types of information than that often offered in North American news outlets were coming out in magazines and newspapers such as *Verde Olivo,*

[197] Fidel Castro, "Plenary Session of Literacy Campaign Workers" (1961), http://lanic.utexas.edu/project/castro/db/1961/19610818.html.
[198] Castro, "Plenary Session of Literacy Campaign Workers."
[199] Yaffe, *Che Guevara: The Economics of Revolution*, 77.
[200] "Lecture of 'Education and Revolution.'"

Alfabeticemos, Manual of Civic Training, Nuestra Industria, Arma Nueva, and *Cuba Socialista.* On these platforms, workers could debate vital issues such as the "law of value" and its role in society or specific measures taken by the government.[201] *Nuestra Industria* offered training courses for workers to obtain relevant skills and technical understandings about the work they were doing.[202] In addition, the BFS set up various supplementary schools and courses targeting the education of specific skills, including the School of Administrators, School for Mechanical Drawing, School for Directors, School for skills related to textiles, School for Meteorology, School for Automation, and more. There was even a school for gifted youth, which enabled the Cuban leadership to take advantage of particularly intelligent students, inventors, and initiators for the conscious transition to socialism and communism.[203]

Education and praxis should come one in the same: "For Guevara, it was essential to study theory in the process of daily practice, the balance was essential."[204] The idea was that in socialism, those who had a more expansive knowledge, deeper understanding of a topic, or a more advanced set of skills should be emulated and their skillset available to every aspect of the economy and transferred on to others. In capitalism however, these skills could be monopolized for certain purposes by private entities or seen as something for an individual to compete with rather than integrate into the collective and emulate through a spirit of competition that bore even better results for the whole of society.

CONCLUSION

Cuban leadership implemented a variety of different, unique, and highly contextualized methods to develop Cuba towards communism, which often circumvented or negated the Soviet or Chinese approach. The Budgetary Finance System (BFS) is one clear example of an alternative practice. Nevertheless, despite the recurring bravery of Cuban leadership to pave its own way and challenge the socialist countries it economically and politically depended on, neither the Budgetary Finance System (BFS) nor revolutionary development in Cuba remained unchanged. The past six decades of Cuban economic and political history have been determined by a variety of different tactics

[201] Muftic, "The Road to a Socialist Economy in Cuba, 1959-1966," 19.
[202] Yaffe, *Che Guevara: The Economics of Revolution*, 79.
[203] Yaffe, 80.
[204] Yaffe, 79.

ranging from centralization to decentralization schemes, and the use of both moral and material incentives. Like a pendulum, the Cuban economic system swayed between contrasting incentivization schemes and methods of spurring production and developing the economy overall. Andrew Zimbalist points out that although Guevara left the Cuban political scene in 1966, the BFS and its strategies were overtaken by Fidel Castro, certain aspects being promoted more intensely in the late 1960's.[205] The bottlenecks that resulted from this work were met in the 1970's and 1980's with a new Soviet planning system by the name of "Sistema de Dirección y Planificación de la Economia (SDPE)", including numerous other decentralization and material incentivization schemes set up by the Cuban government.[206] With regards to moral incentives, Zimbalist points out that: "Experience has demonstrated, however, that most workers cannot be motivated by such abstractions for extended periods of time, except possibly during abnormal periods of war or perceived external threat. Yet it would be an overstatement to say that moral incentives accomplish nothing -- they do work for some workers, sometimes. During normal periods, however, they do not function effectively alone, no matter how frequent or forceful the hortatory calls of the leadership."[207] One of the biggest challenges to the development of the BFS and the use of moral incentives is how to keep the momentum of voluntarism going strong considering that the timeline of how long economic development takes in a country is determinant upon many factors and does not happen overnight. The BFS may have evolved and dissipated or taken on a different form from the wills of its new creators and editors after Guevara left Cuba, but its influence on the development of Cuban psyche and a socialist culture were instrumental to Cuba's transformation. Its effects remain in many regards as a part of Cuban culture today.

The Cuban socialist state survived almost sixty years of an ever-changing global political climate, periods of divergent politico-economic orientations, the death of its most guiding leaders and of important revolutionaries like Guevara, a lack of access to resources, funds, and new technologies that would help induce greater development, international hostility, as well as the disintegration of solidarity networks. There were many decades of Cuban socialist development that faced huge bottlenecks in production, including the recommitment to strategies employed by the BFS in the decade of the 1970's, following Guevara's death. An even greater wave of suffering

[205] Andrew Zimbalist, "Incentives and Planning in Cuba," *Latin American Research Review* 24, no. 1 (n.d.): 86.
[206] Andrew Zimbalist, "Incentives and Planning in Cuba," 72.
[207] Zimbalist, 66.

overwhelmed the existing capacities of the Cuban economy during the Special Period, which began after the collapse of the USSR and led to a significant drop in salaries, goods, and the shutdown of numerous factories and plants.

Both academic and mainstream media sources claim Cuba to be a "communist" state, without realizing the main lessons of Marxism and recognizing that Cuba has not transitioned to communism. Such a political stage manifests when the means of production are fully developed, the availability of resources for citizens is not a concern, and a sort of spiritual and mental enlightenment has been achieved by the population so that the saying "from each according to his ability, to each according to his need"[208] has become a reality. Whether such a stage in human and civilizational development is even possible or simply considered to be an unattainable utopia, is a matter of personal economic and social opinion.

What can be concluded however, is that the Budgetary Finance System (BFS), first experimented with in the Cuban context and arising specifically from the historical conditions of Cuba in the 1960s, has been possibly the most compatible finance system with Marxist principles created thus far. The BFS employed the most radical measures towards demeaning the law of value by consolidating industrial enterprises, limiting the role of the bank and money to serve less as a method of payment and more as a method of account, employing more moral and less material incentives through the practice of emulation and voluntarism, and keeping prices fixed on the base of cost of production relative to the world market. It was very apparently geared towards generating a better version of socialism and a faster transition to communism. The BFS was a constant work in progress, and it certainly opposed the ideas of economic calculus which deduced that if the Cuban economic system could consciously use the law of value to reach a higher level of economic development in Cuba, the realization of this higher development would lead to the next step of communism. Cuba's Trade Minister Marcelo Fernández Font stated in the early 1960's:

> *"In our opinion, the best finance system in Cuba's present stage of development is economic autonomy. We believe that this system provides a better means for achieving two essential goals: financial discipline and economic control."*[209]

Guevara disagreed with this conjecture as he did not believe that the continued use of the law of value by the AFS could magically result in the implementation of appropriate reforms once

[208] Karl Marx, *Critique of the Gotha Programme*.
[209] Font, "Development and Operation of Socialist Banking in Cuba," 291.

economic development was achieved and if it was achieved, for a transition to communism to take place. Guevara thought that if economic development was created and continued through the use of the AFS and the mechanisms of economic calculus, this might just facilitate Cuba's return to capitalism instead of its evolution to communism. Helen Yaffe describes Guevara's critiques on the NEP and the use of collectives in the USSR, both of which were compatible with the AFS:

> *"This capitalist superstructure became entrenched, influencing the relations of production and creating a hybrid system of socialism with capitalist elements that inevitably provoked conflicts and contradictions which were increasingly resolved in favour of the superstructure – capitalism was returning to the Soviet bloc."*[210]

Guevara was afraid that if Cuba was to emulate the USSR in this regard, this would constitute a return to capitalism and reestablish imperialism in the region. The creation of the "New Man" and socialist consciousness was a long process that could only materialize jointly with the progressive erosion of the law of value and the use of material incentives in the Cuban economic system.

The BFS was an important message to the Soviet Union and the rest of the world that despite Cuba's small size, its lack of resources, and the level of impoverishment witnessed on the eve of the revolution, the sovereign island would not follow the USSR in every one of its economic endeavors and would continue to primarily pave its own road towards communism. The Cuban leadership and the Cuban people continue to face enormous obstacles in their pursuit of communism. These challenges range from economic to social, and political. Perhaps one of the greatest is of a psychological, social, and political nature mentioned in a text by Alberto Mora regarding the "power motive":

> *"The only real way to assure the evolution of man's socialist – and progressively communist – consciousness is to establish relationships of production within the framework of the new society's political organization (relationship of the individual to the State, the role of the Party, etc.) and ideological perception (of art, etc). These are factors that objectively influence the shape of the new man. Since the interrelationships of these areas are so strict, we are probably unable to assure the evolution of consciousness – and therefore the new man – by simply eliminating the desire for personal gain as a motive for social behavior (which is risked by using material incentives as a motivation in the relationship of production). Rather, we must at the same time assure that the superstructure is so organized as to prevent the substitution of the money motive by the power motive. In summary, we feel that the relationships of the superstructure must*

[210] Yaffe, "Ernesto 'Che' Guevara: A Rebel against Soviet Political Economy," 5.

coincide with the socialist relationships of production in order to assure the objective development of man's socialist consciousness. Otherwise, contradictions with arise to inhibit such development. In our opinion, this matter is vitally important. The very purpose of the revolutionary struggle is to develop man's socialist consciousness."[211]

[211] Alberto Mora, "On Certain Problems of Building Socialism," 334-335.

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