
The Ministry for the Recovery of Embezzled Property:

the first two years of the Cuban Revolution

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Abstract

The Republic of Cuba in the 1950s was institutionally corrupt. Popular revulsion at this corruption brought a high level of support to the movement that overthrew the Batista dictatorship. The first act of the new Cuban Revolutionary Government in January 1959 was to set up the Ministry for the Recovery of Embezzled Property. In the first year of its operation, 'Recuperación' recovered four hundred million dollars. It became not only an anti-corruption police force, but also a means of exposing the eye-watering level of corruption engaged in by the Cuban ruling class, and the first stage of the State takeover of the whole economy of Cuba. Much of the money recovered was used to finance the agrarian reform programme. The process required the support of the bank workers' union, the industrial trade unions and the newly formed workers' militia. Such mass involvement was essential to the success of the intervention.

Key words: Cuba, Revolution, Corruption, State Intervention.

The first act of the new Cuban Revolutionary Government in January 1959 was to set up the *Ministerio de Recuperación de Bienes Malversados* (Ministry for the Recovery of Embezzled Property). In the first year of its operation, 'Recuperación' recovered four hundred million dollars. Anyone convicted of embezzlement or corruption not only had the illicitly acquired property confiscated; they forfeited everything they owned, as did anyone who could not explain how they had acquired the cash in their deposit boxes.

Given that so many of the Cuban rebel leadership were lawyers, this process was carefully documented in the Official Gazette. Examination of this and other archival material allows us to examine an important part of the process of revolutionary change as well as giving us a clearer picture of the incredible level of corruption in pre-revolutionary Cuba.

The Republic of Cuba in the 1950s was institutionally corrupt. There had been a high level of corruption since independence in 1902, in part because independence was being mediated by the US government, and the resulting domination of much of the economy by US capital had left few honest avenues for Cubans to enrich themselves. However, by 1952, a growing popular reform movement threatened this honey pot and it became necessary, if the situation was to continue, for the bourgeoisie to enforce its corruption at the point of a bayonet. At the same time, an increasingly confident working class was the highest paid in Latin America and even honest businesses felt the need for a productivity drive to reduce their wage bill, if they were to remain profitable. Fulgencio Batista y Zaldívar, who had served as President from 1940 to 1944, organised a coup d'état in 1952 and, until his regime was overthrown on 1 January 1959, ruled by decree. The Cuban bourgeoisie rewarded Batista and his associates by including them in its corrupt business practices. In return Batista facilitated their corrupt schemes and used military force to suppress both working-class resistance and the anti-corruption reformers.

Resistance to the Batista dictatorship started almost immediately and grew into a three-pronged attack based on a guerrilla insurgency, a petit bourgeois urban resistance and an underground working-class movement in the factories, railways, offices and sugar plantations. The dominant political force in this coalition was the *Movimiento Revolucionario 26 de Julio*, led by Fidel Castro (MR-26-7, Revolutionary Movement of 26 July). By 1958, its junior partners were the *Partido Socialista Popular* (PSP, People's Socialist Party), as the Cuban Communist Party called itself at this time, and the *Directorio Revolucionario* (Revolutionary Directorate), an armed offshoot of the students' union. The MR-26-7 had an armed wing in the mountains, an urban underground movement, and a *Sección Obrera* (Workers' Section).

These different sections of the anti-Batista movement had different agendas and interests but, until the triumph of the Revolution on New Year's Day 1959, they buried their differences in a united fight to end the dictatorship.¹ The construction of the new society thereafter would bring these differences to the surface, as pro-business moderates would attempt to retain capitalist property relations, while radicals in the Rebel Army and left-wing workers' leaders would aim towards expropriating the old bourgeoisie and US capital. The *Ministerio de Recuperación de Bienes Malversados* (Ministry for the Recovery of Stolen Property) became not only an anti-corruption police force, but also a means of exposing the eye-watering level of corruption engaged in by the Cuban ruling class and the first stage of the State takeover of the entire economy of Cuba.

Corruption and the Cuban Economy

The whole Cuban economy was dependent on sugar which provided 80% of the island's exports. The tobacco industry, which was the only other major exporter, had declined considerably, with cigar exports down from 256 million per year in 1906 to only 21 million in 1949. The railway and port infrastructure revolved around the needs of the sugar industry, as did the large civil service, which was riddled with corruption. While tourism was expanding, it was largely based on gambling and prostitution and was heavily influenced by the US Mafia. In these circumstances, the island was dominated by the sugar bourgeoisie in alliance with US banks. For most of the first half of the twentieth century, the government represented these sugar-based interests to the detriment of industrial development.

There had been a brief period of more enlightened government following the 1933 strikes and army mutiny which removed the authoritarian president Machado, but this was quickly extinguished when the army, working closely with the US ambassador, defeated the general strike of 1935. Initially ruling through puppet presidents and then, from 1940 to 1944 as elected president himself, Fulgencio Batista, the army commander, imposed a regime which combined a mixture of nationalist demagoguery and minor social reforms with repression of any attempt by workers to exceed the boundaries established by the government. Following the 1944 elections, he was replaced by governments of the *Partido Revolucionario Cubano - Auténtico* (PRC-A, Cuban Revolutionary Party – Authentic), a liberal nationalist party whose leader, Ramón Grau San Martín, had briefly been president following the 1933 revolution. Despite these revolutionary roots, by the mid-1940s, the *Auténticos*, as the PRC-A was commonly known, was committed to the economic and political status quo, was subservient to the sugar oligarchy and fully accepted Cuba's subordinate relationship with the USA.

From the early days of the Cuban Republic, the domination of economic life by US big business had left little space for would-be Cuban entrepreneurs, many of whom turned to politics to make money. José Miguel Gómez, the second president of Cuba from 1909 to 1913 began the process of institutionalising graft and he was a millionaire by the end of his term of office. When the 1929 Crash caused a catastrophic fall in the price of sugar and the Cuban economy suffered a severe depression, workers and the unemployed took to the streets. This political/economic elite was determined to retain its power and privileges, with the result that President Gerardo Machado, who had recently arranged his own fraudulent re-election, repressed the protests. Not only did he use the police and army to shoot down demonstrators, he set up unofficial death squads, known as *porristas* (literally 'cheerleaders'), to murder his

opponents. Anti-Machado groups set up their own action groups, armed self-defence and vengeance squads, and there were frequent gun battles between pro and anti-regime gunmen on the streets of Havana.

Machado was removed by the 1933 revolution but, following the 1935 counter-revolution led by Batista, these action groups, most of whom had very little politics outside of a visceral hatred of Machado and his goons, lost their way. By the time Batista left office in 1944, these gangs of *pistoleros* were enmeshed in political corruption, working as enforcers for different factions in the political elite and operating protection rackets, although they kept the revolutionary sounding names they had adopted during the fight against Machado. They were mainly based in Havana University, posing as 'student leaders', and as they frequently fell out over the spoils, the university became the scene of numerous gunfights and assassinations.

During the late 1940s when the *Auténtico* party dominated Cuban politics, presidents Ramon Grau San Martín (1944-48) and Carlos Prío Socarrás (1948-52) embedded gangsterism and corruption in Cuban political and social life. In 1950, then ex-President Grau was accused of embezzling \$174 million, but the matter never came to court because, in the early hours of 4 July 1950, a group of gunmen arrived at the court and took away all the court papers and evidence in the case.²

Much of the corruption under president Grau was organised by José Manuel Aléman, his Minister of Education. Education in Cuba was funded by *Inciso K* (Paragraph K) of a decree issued in December 1943, which taxed 9 centavos on every bag of sugar exported and assigned it to the Ministry of Education. Aléman would use this money to fund the *Auténtico* mid-term election victory in 1946 and to employ a private army of thugs in sinecure positions, as well as enriching himself and other members of the government including the President. Meanwhile, the national illiteracy rate was still 23% in 1953.

But it was President Carlos Prío who raised *gangsterismo* to a method of government.³ He had particularly close links with a gang called *Acción Revolucionaria Guiteras* (ARG), giving ARG leader Eufemio Fernández a job as head of the *Policía Secreta Nacional* (National Secret Police) and appointing Jesús González Cartas (aka *El Extruño*), another prominent ARG hoodlum, as Chief of the *Policía Marítima del Puerto de La Habana* (Maritime Police of the Port of Havana).⁴

One of the services that these gangsters provided their political masters was the assassination of trade unionists who could not be corrupted. Among those union leaders murdered in this fashion were three of the most respected Communist workers' leaders, the docker, Aracelio Iglesias, the cigar-roller Miguel Fernández Roig and the sugar worker, Jesús Menéndez.

In the name of preventing crime and suppressing the *pistoleros*, Prío appointed 2000 gang members to jobs in the civil service, many in the police. He was probably less personally corrupt than Grau; the British Ambassador estimated that he had stolen a mere \$90 million when he left office.⁵

Carlos Prío had two brothers, Paco and Antonio. FBI reports say that Paco, who served as a Senator from 1944 to 1952, was a drug dealer and a gambler, a close friend of the Mafia bosses, Meyer Lansky and Lucky Luciano.⁶ Antonio served as *Ministerio de la Hacienda* (Finance Minister) from where he was widely reported to have embezzled vast sums from the workers' pension funds.⁷ Corruption was also at the heart of the motive for the involvement of so many gangsters in the takeover of the trade unions. The retirement funds set up during and immediately after the Second World War contained millions of dollars and were ripe for corrupt exploitation. Thus, for example, December 1949 saw reports that \$200,000 was missing from the tram workers' retirement fund.⁸ The real prize was the sugar workers' retirement fund; by September 1951, the missing funds totalled \$16 million.⁹

In this atmosphere, a new, anti-corruption party, the *Partido del Pueblo Cubano - Ortodoxo* (Party of the Cuban People - Orthodox, commonly known as *Los Ortodoxos*), was founded in 1947 by a breakaway from the *Auténticos* led by Senator Eduardo Chibás. The main plank of their election platform was opposition to corruption allied to a vaguely expressed economic nationalism, which called for recovery of national wealth and promised to implement measures of social equality. Chibás himself had a weekly radio programme which, until his suicide in 1951, he used to expose government corruption and to attack its links with organised crime. Indeed, Chibás alleged that collaboration between the Prío brothers and Ramon Grau was behind the theft of the court papers in the case against Grau and the missing \$174 million, as all concerned had too much to lose if the truth came out.¹⁰

This led the army to take control before the *Ortodoxos* won an election and opened the lid of the whole can of worms. Had the *Ortodoxos* gained access to the papers detailing the corruption of the *Auténtico* years they would doubtless have found much more corruption and murder. Unfortunately, the only candidate for dictator was himself hardly ideal, as Batista was as corrupt as the *Auténtico* politicians he replaced.

A study of US diplomatic correspondence shows that the possibility of an *Ortodoxo* election victory worried US business interests and their allies amongst the Cuban bourgeoisie.¹¹ The First National Bank of Boston led a syndicate that loaned the Cuban Government \$200,000,000 to build such projects as the tunnel under Havana Bay.¹² This loan met with huge internal opposition in Cuba and the *Ortodoxos* made it quite clear that, if elected, they would not repay the

debt.¹³ The widespread public revulsion against government corruption and links with gangsters seemed likely to give electoral victory to the *Ortodoxos*, a victory that could threaten the considerable US investment in Cuba.

The Batista dictatorship built its own corrupt edifice on the foundation created during the *Auténtico* years. A particular speciality was the financing of large infrastructure projects, with over a billion pesos being spent on public works, of which only half covered the actual costs of construction, the rest went in profits, commissions and simple bribery.¹⁴

The sugar industry was particularly notorious. Speculation, insider trading and corruption were rampant, with those who ran the *Instituto Cubano de Estabilización de Azúcar* (ICEA – Cuban Institute of Sugar Stabilisation) enriching themselves scandalously. It became little more than a machine to reward supporters of the regime and punish its opponents.¹⁵

But the jewel in the crown of Cuban corruption was the tourist industry. based on gambling, strip clubs, drugs and prostitution, all controlled by the US Mafia with ample profit left over to pay off Cuban politicians, the army and the police. But, by 1952, it was all looking a bit shabby and profits were falling. So Batista reached an agreement with Meyer Lansky to expand and upgrade the casinos, hotels, and nightclubs in Havana. Hotel Law 2074 offered financial incentives, underwritten by the Cuban treasury, to the Mafia to build new hotels and casinos, which were exempted from paying corporate taxes in Cuba. This led to a hotel-construction boom in Havana with ample rake-offs for Batista and his cronies.¹⁶

However, the public nature of this sleaze revolted and shamed many ordinary Cubans, who did not wish to bring up their families in such a degenerate atmosphere. This became a significant factor in the popular support for the Rebel Army.

Stolen Property

After a six-year insurgency, on 1 January 1959, the Cuban rebel coalition seized power in Cuba. The combination of guerrilla warfare and a general strike finally drove the dictator Fulgencio Batista into exile. But when he fled the country, he took \$300 million with him. In order to limit the damage such capital flight could cause, one of the first acts of the Revolutionary government on 3 January was to set up the *Ministerio de Recuperación de Bienes Malversados*, with a founder member of the July 26th Movement, Faustino Perez, as Minister.¹⁷ In its first year of operation, \$400 million were reclaimed.

But *Recuperación* was much more important than that and played a vital role of the process of revolutionary transformation of Cuban society. Given that

any export of capital required a certificate from the ministry, its interventions restricted capital flight. Other measures to prevent corrupt businessmen taking their money abroad were quickly implemented, the Cuban peso was no longer convertible with the US dollar and large denomination notes were invalidated. The interventions of *Recuperación* were also a useful form of pre-nationalisation; the actual nationalisation could then proceed at a politically appropriate time.

Whether it was the deliberate intention of the Revolutionary Government to use the process of *Recuperación* as a first stage of the socialisation of the economy, or alternatively was a process that took on a dynamic of its own, is hard to judge as the leadership played its cards very close to the chest and, even so long after the triumph of the Revolution, the Council of State archives of the period are still closed.

The research for this article was inspired by the Greek debt crisis, given that so much of their debt had been contracted by corrupt politicians, and raised the question of how the Cubans had handled the legacy of corruption left by the Batista dictatorship. This led to a trawl of the newspapers of the period, particularly *Revolución* (MR-26-7), *Hoy* (PSP), *Bohemia* (an illustrated weekly) and *Diario de la Marina* (a business paper). The advantage for the historian of a revolution led, in part, by lawyers, is that government action and decrees is spelt out in minute detail in the *Gaceta Oficial*, the official journal in which decrees were published. Further, *Revolución* contained, practically every day, a story about some fraud uncovered or similar scandal.

The *Gaceta Oficial* of 13 January included, in the signatories of the decrees, Faustino Perez as *Ministro de Recuperación de Bienes Malversados* and then, the following day, Article 24 of the constitutional reform specified that:

The confiscation of property is forbidden, but is authorised in the case of persons guilty of crimes against the national economy or the public finances during the dictatorship which ended on the 31st December 1958, as well as the dictator and his collaborators.

Article 24 still required that other expropriations judged for the public good should be indemnified in cash. The Communist Party's newspaper, *Hoy*, expressed its disappointment that this article did not permit nationalisation without compensation.¹⁸

In the latter stages of the insurrection, the *Partido Socialista Popular* (PSP) had been allied with the 26 July Movement (MR-26-7), but had been excluded from both governmental office and control of the trade unions from the outset of the Revolutionary Government. The PSP believed that history advanced by stages, and they saw the stage in which Cuba found itself in January 1959 as the 'Popular Democratic' stage, so respecting formal bourgeois property rights at

this stage should have seemed normal. In fact, they were really objecting to their exclusion from power. Whether the MR-26-7 also believed in proceeding by stages is a moot point, but it is far more likely that they were behaving pragmatically. The MR-26-7 was itself a sort of Popular Front, uniting a petit bourgeois urban resistance and a clandestine workers' movement behind a radical cadre of guerrilla fighters. Before they could proceed with more socialist policies, the leadership had to make sure that the radical wing of the organisation was dominant. This took most of 1959 to achieve. There was also the question of hostility from the US government and the exclusion of the Communists was useful in deflecting US animosity while the revolutionaries consolidated their grip on power. Once they felt able to defy the USA, the PSP was admitted as a junior partner and history was rewritten to fit stageist theories.¹⁹

The first the general public knew of *Recuperación* was on 14 January 1959, when an announcement in *Revolución* instructed anyone who was in possession of embezzled goods or knew of such embezzlement to report to the new offices of the *Ministerio de Recuperación* in the Havana suburb of Vedado.²⁰ The next day it was announced that all contracts involving transfer of ownership must be reported to the Ministry for verification. Then, on the 16th, Cubans learned that the Constitution had been amended to allow confiscation of property from those responsible for crimes against either the national economy or public finances under the dictatorship. It is unlikely that many of the wealthy classes in Cuba took a great deal of notice of this at first. Cuba had a long history of promises by incoming governments to deal with corruption, which quickly degenerated into business as usual. Indeed, when it became likely that the rebels would win, some rich businessmen such as Julio Lobo, the sugar magnate, and Pepin Bosch of the Bacardí rum company, had given money to the rebels for their campaign against Batista. They expected in return to be left alone by the new government. They were to be disappointed.

On 21 January it was announced that eight million pesos had been confiscated from one Anselmo Alliegro, who ran a construction company that had been awarded the money for infrastructure development in Baracoa at the extreme east of the island but who, in collaboration with the mayor had only spent \$600,000 and pocketed the rest.²¹ This led to a raid the following day, by officials of the *Ministerio de Recuperación*, backed up by a unit of the workers' militia, on the Trust Company of Cuba and the National City Bank, both in the old town of Havana, where another four million pesos in jewels, share certificates, many with the name still blank, property titles, insurance policies and cash were found in the safe deposit boxes. As well as the aforementioned Anselmo Alliegro, this haul was the property of Martha Fernández de Batista,

former First Lady, Joaquín Martínez Sáenz, ex-president of the *Banco Nacional*, Justo García Rayneri, ex-minister of finances, Colonel René Scout, previously head of army procurement and Manuel Pérez Benitoa, ex-head of Customs.²²

This process was accompanied by regular denunciations of the corrupt practices of businessmen and government officials. For example, the illustrated journal *Bohemia* had a special feature entitled 'The Political Economy of the Dictatorship, Vandalism and Financial Irresponsibility in Power'. According to this article, which named the prime culprits, despite an income of 3,000 million pesos between 1952 and 1958, the exchequer was still 70 million in debt at the time of the Revolution. Most of the money had been spent on useless vanity projects, many of which were never completed. Much of the rest had been swallowed up by multinational corporations, while very little had been used for economic development. In addition, 600 million pesos had been spent on the army, police and secret police to maintain the dictatorship in power, seventy-six million pesos in 1956-7 alone.²³ Swift action managed to cancel cheques for another \$1,375,000 which were to be used to buy further armaments from a company in Switzerland.²⁴

Not content with robbing the public purse, *Revolución* announced on 17 January that *Recuperación* had found massive corruption in the funds of the Charity Commission. Another task given to the *Ministerio de Recuperación* was to investigate the payroll lists of public enterprises. It had been common practice to invent non-existent workers and cream off their wages. The real employees, once they had regained control of their local trade unions was able to quickly identify and report this corruption.

The bank workers' union was particularly important in the anti-corruption drive. After all, the bank workers had access to all the details of the corruption of the old regime. There had been a particularly bitter strike of the Havana bank workers in 1955 which had gone down to defeat, in considerable part because they were stabbed in the back by Eusebio Mujal, the corrupt leader of the trade union confederation, the *Confederación de Trabajadores de Cuba* (CTC). The leader of the strike, José María de la Aquilera, had been victimised along with many other militants and then joined the MR-26-7 and became one of its underground workers' leaders. The network of revolutionary bank workers that he built up served the new government well in the quest for the missing millions.

Eusebio Mujal himself, a byword for corruption, had taken refuge in the Argentine embassy on 1 January 1959 and was allowed to leave under diplomatic immunity. One small example of his corruption is revealed in the announcement on 11 February that he had borrowed \$1.5 million dollars and used the compulsory check-off of his members' union contributions as collateral. Nor was Mujal the only corrupt trade union bureaucrat. The *mujalistas*,

as the leadership of the CTC around Eusebio Mujal had come to be known, were widely seen at the time as being extremely corrupt; not only taking bribes from employers to settle industrial disputes, they also looted the workers' pension funds. Two and a half million pesos was missing from the sugar workers' pension fund alone.²⁵

One of the first acts of the Revolutionary Government was to purge the old CTC leadership and replace them with members of the 26 July Movement's clandestine workers' network.²⁶ During the first few months of the Revolution, the CTC became the main instrument used to organise popular support for the measures adopted by the Revolutionary Government. Thus, whenever there appeared to be potential opposition to new laws, the CTC would call for a mass demonstration, some of which were huge; one demonstration outside the Presidential Palace claimed one million workers present.²⁷

Intervention

On the 28 February, the Council of Ministers issued a decree, Law 112, that formally presented a list of those prominent in the Batista regime, including all those who stood in the fraudulent elections of 1954, who were to have all their possessions confiscated. The decree also set out the responsibility of the *Ministerio de Recuperación* to intervene in all cases of alleged corruption or theft of state property until such times as a court rules for confiscation. Not that *Recuperación* had waited for the law, by 28 January, fifty of Batista's own properties had been subject to intervention. In his private villa, Finca Kuquine, jewels belonging to the former dictator's wife valued at two million dollars were found. Such actions were retrospectively legalised by a decree from the Council of Ministers of 27 February.²⁸

Gangsters from the US had controlled much of the entertainment and gambling industry in Cuba. The notorious gangster Mayer Lansky, who fled at the same time as the dictator, had been a particular friend and business associate of Batista. His brothers, Jake and Ed stayed behind to manage the business, but in early May 1959 both were deported to the USA, along with evidence of their drug dealing, where they were detained by the FBI. The *Hotel Nacional*, previously owned by the Lansky family, was taken over by the *Ministerio de Recuperación*.²⁹

The process of 'intervention' was one whereby a political appointee was given overall control of the undertaking although the ownership technically continued to rest with the previous owners until a final court ruling on confiscation. There was particular outrage in the United States when the *interventor* appointed to run many enterprises was frequently an ordinary worker,

normally a member of the July 26th Movement or, later, the Communist Party. This ignores the real reason for intervention, which was to have political control – the employees of the undertaking were normally perfectly capable of running it without the owners. This did not amount to workers' control, but it did indicate a high level of popular involvement and participation. Ultimate control of the enterprises that were seized in this way rested with the Revolutionary Government through the *Ministerio de Recuperación*.

The first signs that intervention was likely would often be a demonstration by the workers employed in the enterprise, protesting about abuses by management. This would then be taken up by the trade union and an investigation would start. Intervention could be by the *Ministerio de Recuperación* if there were allegations of corruption, or by the Ministry of Labour if there were allegations of breaches of labour legislation. The intervention would then be enforced by the workers' militia in the enterprise. This was a very practical approach, as support from the workers in an enterprise that was subject to intervention would be essential for its continued operation as, very often, the management would flee, and the *interventor* would require the support of the workforce. For example, the sugar plantation Finca Las Delicias in Santa Clara province had been purchased by a retired police officer for \$5,000 when it was valued at \$80,000. This was brought to the attention of the *Ministerio de Recuperación*, but the actual take-over was accomplished by farmers, workers and members of the MR-26-7 from the locality in early May 1959. Photos of the triumphant occupation appeared in *Revolución*, which then inspired others to similar actions.³⁰

Let us take a look at the reports in the newspapers for the month of March 1959 to give some idea of the extent of the Ministry's intervention. A similar collection of reports could be made for any month in 1959.

Date	Property	Value
5	Andrés Domingo built a housing estate using public money on state owned land	\$17,000,000
6	Missing funds of union in <i>Omnibus Aliados</i>	\$20,000
10	The fincas of Panchín Batista intervened	2,150 acres
14	CNC Radio station intervened	
20	Bank accounts of suspected Batista supporters frozen	\$7,000,000
23	All cars suspected of being state property or purchased with ill-gotten money in the hands of private individuals must be handed in by 31 March or occupants will be arrested	

25	Julio Iglesias de la Torre [Shell] deposit box opened	200,000 in cash 400,000 in shares
26	Up to now 1200 deposit boxes opened	
26	55 <i>fincas</i> in Pinar del Río province intervened, including Rolando Masferrer	13,860 acres
27	Another Batista <i>finca</i>	29,700 acres
28	11 houses owned by Pérez Benitoa and 24 other residences owned by minor figures of the old regime	
30,	Safe deposit in the name of the wife of ex-	\$2,000,000
31	General Rojas	

Julio Iglesias de la Torre, whose deposit box in the Trust Company of Cuba was found, on 25 March, to contain \$600,000, had previously been chief executive of Shell Oil in Cuba. He had been the intermediary between Batista and the British government when, following the US government's arms embargo on Batista in the spring of 1958, the British had supplied a number of Sea Fury aircraft. They had arrived before the fall of the dictatorship, but were still on the Havana waterfront as the dockers had refused to handle them. They were confiscated and handed over to the Ministry of Defence. The British government quietly forgot to present the bill. The Sea Furies first saw active service in helping to repel the US government sponsored invasion in 1961 at *Playa Giron* (Bay of Pigs).

By the end of 1959, *Recuperación* had recovered over four hundred million dollars and, the bulk of its work having been achieved and a systematic approach to cleaning up the remaining corruption having been established, Faustino Pérez left the ministry and went on to occupy many other positions in the Revolutionary Government until his death in 1992. In March 1960, the *Ministerio de Recuperación* was reduced to a Department of the Ministry of Finance under the ultimate control of Rolando Díaz Aztarain and was finally wound up in 1961.³¹

Agrarian Reform

This process should be seen as an integral part of the other interventions taking place in the Cuban economy, first and foremost was Agrarian Reform.

On 17 May 1959, the Agrarian Reform Law limited the size of farms to 1,000 acres and restricted land ownership to Cuban citizens. Any landowners with holdings over these limits were subject to having the excess expropriated

by the government, which was then redistributed to peasants in sixty-seven acre parcels or held as state-run communes. The owners of land thus expropriated were compensated with bonds that could be redeemed in twenty years and which paid 4.5% interest. Compensation was based on the declared value of the property for tax purposes, thereby penalising those who had undervalued their land to avoid tax. The law also stipulated that sugar plantations could not be owned by foreigners. A new government agency, the *Instituto Nacional de Reforma Agraria* (National Institute of Agrarian Reform, INRA), was established to administer this law. In fact, this was done as an application of a clause in the previous constitution of 1940, which had never been enforced.

There were two issues at stake here. Those who were already farming land on insecure leases wanted security of tenure, while those who worked as landless labourers on larger estates were more interested in secure employment with decent pay and conditions and full trade union rights. The Agrarian Reform Law, while relatively moderate, started the process of achieving both these aims at the expense of the old *latifundistas* and large corporations.³²

INRA established its own 100,000 strong militia, used first to help seize control of the expropriated land, supervise its distribution, and later to set up cooperative farms. The confiscated land included 480,000 acres owned by U.S. corporations.³³

All recuperated rural property was placed under the control of INRA and large amounts of the money confiscated by the *Ministerio de Recuperación* was used to fund the agrarian reform. Those sugar magnates who initially avoided expropriation also indirectly contributed to funding agrarian reform. A government decree of April 1959 forced the *hacendados* (plantation owners) to pay substantial wage increases and to reinstate bonuses that had been abolished under the dictatorship.³⁴ The sugar workers' trade union, the *Federación Nacional de Trabajadores Azucareros* (National Federation of Sugar Workers, FNTA), then organised collections amongst the sugar workers, which were donated to the costs of agrarian reform.³⁵ When a *hacendado* failed to pay the decreed salary increases, the FNTA would push for intervention. Some landowners donated some of their small mills to INRA, in part to curry favour with the new regime, but it was also suspected that they were dumping old and unprofitable mills in order to give themselves a better chance of holding on to their larger, more modern and profitable mills.³⁶

The most important foreign investor in the sugar industry was United Fruit. Aware of the role of United Fruit in the US sponsored coup in Guatemala, the Revolutionary Government was keen to gain control of the company's land, which INRA did progressively during the 1960 sugar harvest. Under the terms of the Agrarian Reform law, the company was offered compensation of

\$6,118,407 in bonds, while it claimed \$56,640,579 in cash.³⁷ The true value was, in the event, immaterial, as the government had no intention of paying anything.

By May 1960, INRA was administering thirty-six of the 161 sugar mills in Cuba, 1400 agricultural cooperatives had been established, 1000 of which were on land confiscated from US companies. Twelve hundred land titles had been allocated. A further three million acres of land were designated for expropriation.³⁸ Ninety-six million dollars-worth of bonds and two million in cash had been allocated, although none of this had been paid to US proprietors.³⁹ Indeed, there is no evidence that the promised bonds were ever even printed, let alone distributed.⁴⁰ All remaining US owned sugar mills were nationalised on 6 August 1960.⁴¹

At the same time as the Agrarian Reform, the housing question was addressed through an Urban Reform law. In March 1959, rents were cut by 50%.⁴² Most of the most notorious supporters of the dictatorship fled at the same time as Batista, with many lower level *Batistianos* departing in the first few months of the Revolution. They were joined in exile in Miami by a growing number of bourgeois and petit-bourgeois figures who were alienated by the increasingly radical economic and social policies of the new government. When they left, most of their housing was seized by *Recuperación* and redistributed to overcrowded working class families in an effort to reduce the chronic housing shortage, particularly in Havana.⁴³ The abolition of all rent in October 1960, completed the first stage of Urban Reform.⁴⁴

Excess Profits

The line between outright corruption and excessive profits is a fine one. The utilities were a case in point. It had long been alleged that the unpopular price increases for telephones and electricity instituted under the dictatorship were the result of massive bribery of government officials. The phone company in particular, a subsidiary of the US company ITT, which was to be deeply implicated in the later coup in Chile, was even recognised as corrupt by the US ambassador.⁴⁵ A commission of enquiry found that the Havana Electric Company, also US owned, had been making a profit of 15% as opposed to the 5% they had paid tax on. Both utilities were 'intervened' and the prices for their services were cut.⁴⁶ They were finally nationalised without compensation in August 1960 in reprisal for the US government's cut in sugar purchases from Cuba.

The cutting of telephone and electricity charges was the first of a number of measures aimed at increasing standards of living for workers and peasants

by cutting costs rather than increasing wages, although some workers, who had suffered wage cuts, saw their wages restored to 1952 levels.⁴⁷

It was not just the big corporations that were accused of making excess profits. In November 1959, the *Ministerio de Recuperación* published a list of building contractors who had made large profits from government construction projects. Lesser offenders who confessed were permitted to merely repay the excess, but some such as Julio Iglesias de la Torre who were involved in a number of different scandals lost everything.⁴⁸ The case of Iglesias de la Torre shows the complicated nature of the work involved. Already under investigation for the unexplained cash in his safe deposit box and as a director of Shell Oil, his affairs were still being untangled in November 1959. He proved to have investments in two major construction companies, a laundry, Bacardí rum, two airlines and both bus companies in Havana.⁴⁹

Public transport in Havana had long been a scandal, but by 1959 the situation had become intolerable, with 467 of the 780 buses owned by one company, *Autobuses Modernos*, being unfit for the road, while the company still collected the subsidy for running the service. The Revolutionary Government purchased a new fleet of buses on credit from the Leyland Motor Company, quickly improving public transport in Havana. Ruben Irigoyen, a former trade union leader of bus workers, was appointed to run the public transport system in Havana, workers victimised under the dictatorship were reinstated and fares were cut, while a system of turnstiles ensured that the reduced fares were actually paid.⁵⁰

Banking and finance

All of this required greater control of the circulation of money in the economy. The call to set up the *Banco Nacional de Cuba* (BNC, National Bank of Cuba) was included in the 1940 constitution, but it did not actually open until 10 years later. The first president of the Bank was Filipe Pazos, but he only lasted two years in the job before being forced to resign in 1952, when he was replaced by Joaquín Martínez Sáenz, who was a supporter of Batista's coup and who served as President of the National Bank under the dictatorship. He permitted the Bank of Economic and Social Development (BANDES) to become the instrument for enriching Batista and his cronies; he was popularly known as the Financial Wizard of the Dictatorship. He was arrested on 1 January 1959 by a militia of bank workers from his own office and during a raid by the *Ministerio de Recuperación*, \$400,000 in unexplained cash was found in his safe deposit box.⁵¹ However, while this was enough to arrest him, discovering the full details of his involvement in the corruption of the regime was a much more tortuous trail.

An article in *Revolución* dated 1 December 1959 gave a long update on the complicated system of loans that the *Banco Nacional* had set up to launder money into his own and his accomplices' pockets from the public purse and reported the confiscation of another million dollars. The enquiry was reported to still be ongoing. Martínez Sáenz claimed that he had not been 'correctly informed'.⁵² He was imprisoned until 1963 and on his release, he went into exile in the USA where he supported the counter-revolution. Filipe Pazos who had supported the MR-26-7 from exile in Miami, was reinstated as President of the *Banco Nacional*.

Pazos's first priority was to prevent capital flight. The sale of foreign currency was restricted and \$1000 and \$500 bank notes were withdrawn, while currency speculation was made a criminal offence. But Pazos came from the pro-business wing of the MR-26-7 and, along with the Bank's senior managers failed to apply these new laws with the necessary vigour. He was also unhappy with the increasingly radical economic policies of the Revolutionary government and was not providing the financial measures thought necessary to implement the Agrarian Reform. In November 1959, he was forced to resign and was replaced by Ernesto Guevara. This may seem like a strange choice, Guevara's two previous expertises being a medical doctor and a guerrilla fighter. But in a similar way as the *interventors* in the enterprises seized by the *Ministerio de Recuperación* were appointed for their political commitment rather than their expertise in the industrial sector to which they were appointed, so Guevara's main qualification was his anti-imperialism and commitment to Cuban independence. He did, however, have some competent and politically committed associates, particularly Alfredo Menéndez, who had been a clandestine member of both the PSP and MR-26-7 while working in the Ministry of Sugar during the dictatorship.⁵³ After the Revolution, he worked for a time in the *Ministerio de Recuperación*, before going to work for Guevara full-time.

Bourgeois academics and writers often make fun of Guevara's belief in moral incentives, perhaps because they themselves will not do anything without being paid handsomely. But revolutionary situations, such as Cuba in the 1960s or Grenada in the early 1980s, prove that ordinary people can achieve great things with voluntary labour.⁵⁴ In any case, the early wage rises decreed soon after the revolutionary takeover and the measures taken to control or reduce prices and rents had ensured that most workers had a much more comfortable standard of living than they had enjoyed during the Batista years. The people who did suffer a loss in income and profits were the bourgeoisie and their managers and administrators, most of whom left the country as soon as the economic direction of travel became obvious. As with the enterprises seized by the *Ministerio de Recuperación*, this left state organisations with little alternative

other than to rely on the enthusiasm of workers. In the case of the *Banco Nacional*, the trade union organisation of the bank workers was more than capable of filling the shoes of the departed managers.

Mobilisation

During 1959, the main mobilising force in support of the Revolutionary Government was the trade union confederation, the *Confederación de Trabajadores de Cuba* (CTC). This was firmly under the control of the MR-26-7, with the PSP excluded from nearly all official positions. All the large mobilisations in that year were called in the name of the CTC and its leader, David Salvador took pride of place next to Fidel Castro on the podium. However a split developed in the CTC between those who wanted to push the government to ever more radical economic policies and those who were content with the removal of the dictatorship and now sought a quiet life as trade union bureaucrats. The radicals found allies in the PSP, whose workers' organisers were more than pleased to be readmitted to positions of influence in the movement. The matter came to a head at the Tenth Congress of the CTC in November 1959, at which the radicals gained control of the union structures. This was by and large popular among the rank-and-file workers, who were moving to the left and gaining increased confidence, in part by seeing how they could remove hated managers and corrupt business owners by pushing for the intervention by the *Ministerio de Recuperación* in their workplaces and how their militias could then enforce the intervention decrees.

These workers' militias, initially formed on an ad-hoc basis, were structured into a national body in October 1959, the *Milicias Nacionales Revolucionarias* (MNR). They were soon joined by other mass organisations, the MR-26-7 women's movement became the *Federación de Mujeres Cubanas* (FMC, Federation of Cuban Women) alongside the neighbourhood-based *Comités de Defensa de la Revolución* (CDR, Committees for the Defence of the Revolution) and other organisations for students, small farmers and other groups. These organisations were organised from the top for mass mobilisation and to channel revolutionary enthusiasm, but were also an important mechanism for ordinary citizens to push for their interests and to communicate popular demands to the leadership.⁵⁵ They proved their worth in the defence of Cuba from the US-sponsored invasion at *Playa Giron* in 1961.

From the beginning of the Agrarian Reform, the US state started plotting the overthrow of the Revolutionary Government, first through economic sanctions, then military intervention. One of Guevara's first moves was to sell all the Cuban gold reserves that were held in Fort Knox in the USA, converting

the reserve into cash deposits in Canadian and Swiss banks. Cuba then withdrew from the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank. In April 1960 the Bank of Foreign Commerce (BANCEC) was set up as an important step towards State control of foreign trade.⁵⁶

Thus, when the US government, in October 1960, initiated the economic blockade of Cuba, the Revolutionary Government was in as good a position as possible to resist, survive and take further measures in their defence.

Guevara left the *Banco Nacional* in February 1961 to become Minister of Industry. Before he left, he arranged for the secret printing of a completely new currency. Cubans had the weekend of 4-8 August 1961 to change all their banknotes. Two hundred pesos per family were exchanged immediately, up to 1,000 pesos were changed quickly, the rest up to 10,000 pesos was placed in newly opened bank accounts from which 100 pesos could be withdrawn each month. Over 10,000 could not be changed, a restriction that only affected 0.2% of those who had notes to exchange. Flights were suspended for the weekend to prevent hoarders in exile from changing their notes. In a stroke the funds of the counter-revolutionaries in Florida was wiped out and the national debt was reduced by \$76 million.⁵⁷

Turning to the USSR

The Cuban economy was completely dominated by sugar production and, in addition to the large percentage of the industry being in US ownership, the main market was in the USA, via a quota system that guaranteed the purchase of most of the sugar harvest at prices above the world market price. Ernesto Guevara had made contact with officials of the Soviet Union during a visit to Cairo as part of his three-month diplomatic tour of African and Asian countries in 1959.⁵⁸ This led to the visit to Cuba of Anastas Mikoyan, effectively Khrushchev's deputy, in February 1960. During the visit, it was agreed to exchange 425,000 tons of sugar for oil from the USSR, with a long-term commitment to supply five million tons of sugar over a five-year period in exchange for crude oil, petroleum products, wheat, iron, fertilizers and machinery as well as \$100 million in credit at 2.5 percent interest. On 19 April, the first shipment of Soviet oil arrived in Havana and on 8 May, Cuba and the USSR established diplomatic relations. Acting under pressure from the US government, on 7 June 1960, Shell, Esso, and Texaco, refused to refine Soviet oil and refused to sell any petroleum products to Cuba, so, at the beginning of July, their refineries were nationalised. On 3 July, in a growing tit-for-tat response, the US congress passed the Sugar Act, eliminating the sugar quota

that had previously guaranteed purchase of most of the Cuban sugar harvest. On 8 July the Soviet government announced that it would purchase the 700,000 tons of sugar that remained in that year's sugar quota and on the 23rd the government of China agreed to purchase 500,000 tons of sugar from Cuba each year for five years. On 6 August, Law No. 851 listed all the businesses in Cuba owned by citizens of the United States and declared them nationalised. Finally, 17 September 1960, all US owned banks, including First National City Bank of New York, First National Bank of Boston and Chase Manhattan Bank were nationalised. Given their role in helping with the sale and transfer of the Cuban state's gold from Fort Knox, the Canadian Banks were not touched for the moment. It only remained to nationalise the remaining Cuban owned large-scale business, which was achieved by Law 890 on 15 October 1960.⁵⁹

Conclusion

Thus, in a breakneck few months, the whole basis of the Cuban economy and foreign trade were changed. I would argue that without the experience gained by the activities of the *Ministerio de Recuperación de Bienes Malversados*, this could have been overwhelming, but the Cuban people had become used to getting on with production without their previous management. Politically the ministry exposed in forensic detail the huge level of corruption that existed under the old regime. Everyone knew that the Batista regime was rotten to the core, but exposing the eye-watering level of personal enrichment and the widespread nature of the bribery, embezzlement and theft amongst the Cuban upper classes served to utterly discredit the old system and prepare the way for the nationalisations which followed.

This may all seem too easy, an interpretation based on cardboard-cutout pseudo-Marxist economic determinism. However, I would argue that the lack of belief in such economic determinism was crucial to the Revolution's gains, although the first couple of years of Revolutionary Cuba do represent a combination of good luck and determined leadership rarely seen elsewhere. The fighting during the insurgency had not done much damage to the infrastructure as the army had concentrated on killing activists and most industrial sabotage performed by supporters of the rebels was done by workers who knew how to repair the damage easily. Moreover, many of the Batista government's infrastructure projects, no matter how corruptly they were financed, were nearing completion, leaving the Revolutionary Government with the credit for finishing them.

Meanwhile, the eye-watering corruption had so discredited the old ruling class that they had no popular internal base and relied on US support. Other

radical governments have faced much greater internal opposition. However, the dependence of the Cuban bourgeoisie on US imperialism led the majority of them to flee to Florida and await the triumphal return of a US backed invasion. This invasion was defeated by a massive popular mobilisation that smashed the invaders before they could get off the beach at *Playa Giron*. That mass mobilisation was crucial at many crucial points in the struggle. In the early years, the revolutionary leadership had an instinctive response to problems - call the workers and poor farmers onto the streets. And they put considerable resources into building mass organisations that could deliver the mobilisations. Such was the level of rural poverty, that the relatively modest measures of the Agrarian Reform programme brought the Revolutionary Government solid support in the countryside.

The intended import substitution industrialisation proved more difficult than anticipated, as it did everywhere that it was tried in the post-war neocolonial world, leading to increasing reliance on the Soviet Union. But the work of the Ministries of Industry and *Recuperación* during the period under discussion was provided sufficient basis for the Cuban leadership to maintain a certain independence and it was the only satellite of the USSR to survive the fall of the Berlin Wall and the Special Period which followed, in part by maintaining the tradition of mass mobilisation.⁶⁰

Faced with the inevitability that any radical socialist takeover will be faced with the hostility of the financial institutions of capitalism, the experience of the Cuban response makes potentially useful reading. In particular, the government of Venezuela probably wishes that it had followed the example of Ernesto Guevara and withdrawn or sold its gold reserves before the Bank of England decided to steal them.

Notes

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