

## *Analysis of Cuban Social Capital*

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Nothing of significance is done, nor is any significant source of data available in Cuba without the express approval of Fidel Castro. Any research that is marginally adverse to the official line of thinking is not allowed. The main objective of this paper is to study how evolutionary forces in Cuban society continue to influence some changes despite the many constraints imposed by a highly centralized government. Some observers see or want to see in the recent evolution of Cuban society a form of transition towards another type of society, perhaps something closer to the socialist system once promised by its maker Fidel Castro. First of all, it is important to point out the extreme difficulties that any independent investigator encounters in the study of most topics in Cuba. The main cause of this condition is the fact that Cuba is a nation with a high degree of centralization. There is no separation of powers or any distribution or institutionalization of the system of government that allows one to say that there are other important sources of decision making outside of Fidel Castro's circle. This is not a political statement; it is one of fact. It becomes a political statement by those who refuse to acknowledge it as a result of their own political or ideological biases or sheer ignorance.

After 47 years of Castro's rule, there are strong indications that the country has experienced a chronic physical decapitalization process that still continues. The most visible evidence of the decay of physical capital is in the stock of housing in the entire country. Other cases of severe decapitalization are reported in the sugar industry, permanent plantations, infrastructure and livestock. The country has also lost an unknown but presumably significant portion of its human capital due to the massive exodus of Cubans at different stages after 1959, but especially those who emigrated during the first three and a half years of the revolution. A certain proportion of the human capital lost was replaced with new graduates in specific fields (i.e., medical doctors),

but most entrepreneurs, managers, engineers, and high level experts in most fields were lost forever. Cuba also lost its leaders in all walks of life and the revolutionary government, given its absolutist nature, never had any incentives to replace or develop this special form of human capital.

But the wealth of a society is not limited to its stocks of human and non-human capital. It is also necessary to include as part of a society's wealth some of its less tangible, even visible, assets that are of great value to its citizens. I am referring to such factors as the network of relationships among its citizens, enterprises and organizations in general; the institutional and productive memory of the country; the institutions that participate in the production of public goods; the aggregate of traditions and preferences among consumers; etc. The objective of this paper is to describe the evolution of Cuba's intangible wealth in the form of what is now called social capital, how social capital is essential in economic and social evolutionary processes and its implications for the country's economy and its future possibilities of recovery.

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### *Defining Social Capital*

Many years before social capital became a frequently used concept in economic and social research, many authors had recognized the importance of associations between various agents of any society. Toqueville (1969), for instance, observed the vitality of the society in the United States and its capacity to develop all kinds of associations. On the other extreme, Banfield focused his research on the town of Montegrano in the Italian Mezzogiorno, where the author concluded that the “[i]nability [of its inhabitants] to create and maintain organization is clearly of the greatest importance in retarding economic development in the region.” (Banfield, 1958: 87)

Yet Sobel (2002) indicates that while the concept of social capital is not new, it is not until recently that it has been attracting a great deal of attention by sociologists and economists. Such attention is greatly due to the work of the sociologist James S. Coleman who contributed the concept in a seminal article of the *American Journal of Sociology* in 1988, as follows:

It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors—whether persons or corporate actors—within the structure. (Coleman, 2000)

Coleman did not offer a rigorous definition of social capital but presented several examples of relationships among members of various societies, while gradually introducing the notion that the concept consists of a series of com-

ponents that serve as an element of cohesion in the relationships among the members of a given society.

On the other hand, Putnam (2000) applies the concept of social capital to the evolution of relationships among Americans throughout the twentieth century starting with a definition contributed by L. J. Hanifan in 1916 to explain the importance of community participation in the success of their schools. According to Putnam, Hanifan refers to social capital as:

[T]hose tangible substances [that] count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make the social unit...The individual is helpless socially, if left to himself...If he comes into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors. (Putnam, 2000: 19)

For Putnam, as well as for Hanifan, social capital consists of a network of contacts that develop among the individuals or the groups of individuals and without which societies could neither organize themselves nor function.

Though Arrow (2000) objects to the use of the term “social capital” and even recommends it to be abandoned and replaced with some other, he recognizes that networks and other social connections can develop for economic reasons. Much earlier Arrow acknowledged the importance of interpersonal trust in the economic development of societies, in what appeared to be a reference to the research done by Banfield cited before. But while recognizing the importance of the debate about the role of trust as a component of social capital in the promotion of economic development, Arrow indicates that social interactions may have positive and negative aspects in the societies. The negative aspects of social capital can be many—for instance, the networks necessary for organized crime to operate, the organization of terrorist groups, or the relationships among corrupt officials and other individuals. These observations show that the level of complexity of the phenomena involved in social capital is very high, but we will continue applying it in this paper despite the objections for purely practical reasons.

Something similar might be applicable to Solow (2000) who equally objects to the use of the term “social capital” and the mode it is used, but warns that his critique should not be construed as a failure to acknowledge the importance of the underlying ideas or the relevance for economic behavior. Solow’s most emphatic objection to the use of the concept of capital as applied to social capital is based on the fact that social capital is not suscepti-

ble of accumulation as a stock. Nevertheless, even though social capital does not seem to conform to a scalar magnitude, it is in fact a factor that develops as a network and therefore does experience some form of accumulation, but more in a vectorial or multidimensional sense and also in an institutional one. Some aspects of social capital—trust for instance—can be quantified or measured in principle.

Stiglitz acknowledged the value of the concept in his study of the ways societies get organized and their interaction with the development of its economies. He identifies four different aspects of social capital. “First, social capital is tacit knowledge; it is partly the social glue that produces cohesion but also a set of cognitive aptitudes and predispositions.” (Stiglitz, 2000) This conception, however, could be understood as an aggregate of the stock of human capital existing at a given point in time in any society and will not be applied in this paper.

Stiglitz’s second conception is consistent with the definitions proposed by other authors and consists of “a collection of networks, what sociologists used to call ‘social group’ into which one is socialized or aspires to be socialized.” His third aspect is also congruent with that of other authors and is based on “an aggregation of reputations and a way to sort out reputations. Individuals invest in reputation (an implicit form of capital) because it reduces transaction costs and it helps break barricades to entry in a variety of production and exchange relations.” Stiglitz’s four aspect of social capital “includes the organizational capital that managers have developed through their styles of administration, incentives and command, their labor practices, hiring decisions, systems of dispute resolution, style of marketing, and so on.” Implicitly, Stiglitz introduced the concept of social capital as a form of public good which is useful to our purposes in this paper.

One of the aspects of social capital discussed by other investigators is as “interpersonal trust” and in this regard Bacharach and Gambetta offer the most rigorous definition: “we shall say that a person ‘trusts someone to do X’ if she acts on the expectation that he will do X when both know that two conditions obtain: if he fails to do X she would have done better to have acted otherwise, and her acting in the way she does gives him a selfish reason not to do X.” (Bacharach and Gambetta, 2001) These authors recognize interpersonal trust as one form of social capital and develop this view further by describing this type of interaction as non-cooperative game that allows the analysis of successive interactions by applying the Prisoner’s Dilemma games.

Fukuyama (1995) also focuses his definition of social capital on trust and relates it with the economic development capabilities of societies, while Seligman (1995) defines trust as “confidence in the fulfillment of role expect-

tations and the various forms of social control and sanctioning mechanisms that ensure such performance.” (Seligman, 1995) Rose, on the other hand, defines social capital “as the stock of formal and informal social networks that individuals use to produce or allocate goods and services.” (Rose, 2000) He includes social networks as a component of social capital where the variable trust is also included. For Rose, the existence of the networks determines the social capital and he applies this concept to the recent evolution of post-Soviet Russia, making it especially pertinent to this paper. Also, Rose’s differentiation between official and non-official, or private networks, and how the latter survived the collapse of the Soviet Union is of particular interest in the analysis of the Cuban economy. Such conception is consistent with Arrow’s distinction between the positive and the negative aspects of the social capital. Notice that formal as well as non-formal networks can be of both signs. For instance, networks that serve to protect certain sectors from free market competition can be considered negative, while networks (non-formal) that develop among citizens of a totalitarian society for their survival through black market transactions could be considered positive.<sup>1</sup>

It is important to note that social capital also includes a society’s capacity to develop networks, associations and organizations of various groups of individuals, and is not limited to their existence at one point in time. In his research into the logic of collective action Olson (1965) assumes strict rational behavior and takes for granted other cultural variables that affect organizational behavior differently in other societies. Toqueville (1969) pointed out that U.S. citizens had an extraordinary capacity to organize many different forms of associations, something that could be determined by underlying capabilities carried by the citizens, among which we could include interpersonal trust. An opposite case was already given by Banfield cited above.

In the analysis that follows we will apply a wide or eclectic conception of social capital, emphasizing interpersonal trust but also inclusive of those elements lacking in the study of Montegrano. Some of these are: the cognitive capabilities of individuals to identify the advantages of exchange and association; the individuals’ capacity to face uncertainty and manage risk; and the cognitive capability of individuals to communicate effectively and reach agreements. I will also include as components of social capital the quantity and quality of the information and knowledge that each individual has about other individuals in the same society to allow each one to evaluate benefits, costs and risks of association. Some types of this information can be observed and measured in personal directories, address books, etc.

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1. In this instance the sign depends on a value judgment about the kind of contribution social capital makes to the society at large.

As defined before, social capital can represent the cohesive force that keeps the structural components of a society together while contributing to its stability. The components of social capital appear to be similar to the four forces that sustain the atomic structure of matter. Such components allow the self-organization of societies through evolutionary processes and advance towards more complex forms of development and institutionalization. Such considerations are consistent with those of Markose and others of what is known as novelty-producing Complex Adaptive Systems (CAS), typical examples of which are “evolutionary biology, immune systems, and innovation-based structure changing growth of capitalist systems.” (Markose, 2005) The development and growth of social capital networks is at the center of the evolution and self-organized complexity of societies which includes its economic systems. Therefore, when we observe the many different ways social capital evolves we are observing the results of individual actions taken as a result of the degrees of freedom individuals have in different societies.

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### *Social Capital In Cuba*

The ensuing economic system is one of extreme centralization where the economy is virtually dominated by one decision maker. The revolution is essentially a process of radical reduction of the organizational complexity of the inherited system which included the systematic destruction of most of the existing social capital of the country. The revolutionary process that started in Cuba in January 1959 did not encounter a sufficiently strong opposition capable of stopping, influencing or delaying it. Such weak opposition seems to have been a result of the Cuban society’s inability to self-organize to defend the interests of its citizens such as property rights and civil liberties. Therefore it is safe to assume that the level of development of social capital in Cuba in 1959 was relatively low.<sup>2</sup> The revolutionary process, on the other hand, was organized along relatively simple lines, highly centralized but with a strong popular support encouraged by the generalized conviction that the country required a profound transformation as prerequisite for growth and social justice. It became apparent years later that the actual agenda of the movement had as its top priority the maximization of internal control over the population as a first step towards maximization of the leader’s international influence and standing as a world figure.<sup>3</sup> The ensuing economic sys-

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2. Developed societies seem to have systems of defense against external and internal threats similar to immunological systems. Equally to such systems, defense mechanisms of societies develop when they reach a relatively high level of organizational complexity to respond effectively to destabilizing forces.

3. In essence, the Cuban revolution can be seen as an informal and extreme privatization process where the bulk of the country’s resources are virtually owned and managed by Fidel Castro in absolute secrecy and no accountability whatsoever.

tem is one of extreme centralization where the economy is virtually dominated by one decision maker. The revolution is essentially a process or radical reduction of the organizational complexity of the inherited system which included the systematic destruction of most of the existing social capital of the country.

The first, and perhaps the most significant, loss of social capital in Cuba were a result of the massive exodus of Cubans and other citizens that took place between 1959 and the second half of 1962, when most of the managers, business owners, engineers, bankers, attorneys, industry leaders, judges, politicians, journalists, university professors, and other key players of the economy fled the country taking with them an enormous wealth of knowledge and information about the workings of the economy, and about their interpersonal relations. Each economic actor is a point of contact in the network of economic, social, and political relationships. The exodus of hundreds of thousands of key economic and business players represented a major disruption of Cuba's productive capacities which were reflected very quickly in a reduction of goods available for consumption and investment purposes.

When a business manager abandoned his enterprise, he was replaced by an individual trusted by the official authorities, but not necessarily by a competent administrator. Many enterprises suffered losses of executives and technicians at all levels of their organizational structure. Their replacements were not usually capable of keeping the network of business relationships that existed before the revolution. Thus, the relationships with domestic and foreign suppliers, clients, and service providers; government agencies; sources of credit; etc., were severely disrupted. But even when an enterprise did not lose its key personnel, its relationships could still be disrupted by the disappearance of other business or even entire sectors. The banking system was practically eliminated as the institution of credit ceased to exist, jointly with all forms of financial intermediation. Something similar happened with accounting, auditing, and legal services which were closed together with advertising, free press, all private radio and TV stations, etc. The process of reduction of the organizational complexity of the Cuban economy took place as a result of the combined effects of the exodus, the elimination of private property rights for most enterprises, and the elimination of entire sectors of economic activity.

As state ownership was established around the country and was soon followed by rationing of consumer goods across the board and the introduction of central planning, almost all forms of competition were also eliminated. Even many types of information necessary for orthodox central planning were lost in the apparent chaos of expropriations and managerial replacements, reducing the productive efficiency of the country and its

general level of productivity. For instance, the consolidated domestic shoe factories (state monopolies created after expropriations) lack basic data about the distribution of sizes. At the same time, they lost track of retail stores (now consolidated too) and distribution patterns while losing simultaneously their sources of supply of raw materials, in many cases foreign.

Under these circumstances, the Cuban government assumed that the Central Planning Board and the planning offices of the ministries in charge of all the consolidated monopolies of the country would keep or reinvent the relevant segments of the network of relationships created over so many years of economic development. But as production capabilities fell, the government soon encountered another type of crisis in its ability to maintain the productive capacity of the economy. The disruption of the productive capacity was brought about by the upheaval in business relationships, knowledge and distribution systems for supplies and deliveries, but now it would be affected by a new wave of disruptions, this time related to the inability to provide adequate and timely maintenance to the installed capacities. Some industries were able to improvise maintenance better than others, depending on whether some parts could be produced domestically or had to be imported. It also depended on the ability of the new managers to create networks of contacts with parties capable of solving some of the problems. Nevertheless, these forms of social capital were generally precarious as they did not take place through market or any strong incentive mechanism. Instead, such transactions took place in terms of barter or a virtual market for favors in an economy and social system where all sorts of scarcities were dominating the daily life of all citizens. Such new forms of social capital among individuals working in the productive sector of the economy were never sufficient to replace the lost social capital developed before 1959. It must be emphasized that social capital was almost exclusively based on personal relationships of opportunity. Once the individual was removed from his position in the enterprise, the lack of liberty and mobility in the Cuban society considerably constrained the ability of persons to transport his portion of social capital elsewhere in the economy.

A similar process of social capital loss affected consumers, workers and other members of the society, not simply those involved in the government enterprises. The profound reforms brought about by the revolution reduced significantly the choice set of practically all consumers in several ways. On the one hand, rationing was so severe that the number of items available in the ration book was a very small proportion of the goods available in previous years. Besides the extreme reduction in the number of items there were, with few exceptions (cigarettes, sodas, and beer for example) no brand differentiation among the items available. Many items, such as durables, com-

pletely disappeared from the market. Private building of new houses was impossible due to lack of construction materials for non-government activities. The extent of the shortages was such that whatever became available at one point in time was almost immediately purchased by the consumers and, as a consequence, grocery and other stores remained empty most of the times. On top of this, consumers were registered in one and only one store for regular groceries, one butcher shop, and one produce shop.

Under these circumstances consumers' old networks and knowledge of where to buy, at what prices, with what quality, became obsolete. This form of social capital directly linked to consumer welfare was obliterated by the new order. But new forms of social capital developed as a way to cope with the new conditions and rules of the game. This is what Rose called unofficial networks in his research on social capital in Russia. Illegal black market transactions flourished in Cuba despite the severity of the sanctions imposed by the government on those involved, especially as suppliers. Consumers and sellers all needed to develop networks to carry out such transactions at minimum risk. Such networks included government officials who were willing to steal goods from the state enterprises where they labored. Knowing your neighbor and your trading partners was essential to develop the required trust for protection against official repression. Getting caught by the authorities in a black market transaction could be very costly for those involved, who could be punished with stiff jail terms, confiscation of property, loss of jobs, and other measures without right to appeal to an independent judiciary.

It is interesting to note how the principles that determine the workings of CAS apply to the evolution of black markets as individuals still use the few degrees of freedom left to them to create the social capital necessary to reduce the hardships created by severe rationing, economic repression, lack of freedom and limited and/or unwarranted individual rights. It is also interesting to note that a government, holding totalitarian or absolute powers, endeavors to constrain the development of social capital which can also be used for political or subversive purposes. One way to constrain social capital growth is by implicitly rationing "leisure" time, which is a necessary factor for investing in social capital. Relationships and interpersonal trust do not develop quickly without relatively long periods of gestation. The rationing of time, on the other hand, is implemented in many different ways such as forcing consumers and workers to stand in line for many activities, by frequent participation in political rallies, and by not having easy access to transportation, making them to wait long hours to get to work and back, etc. In other words, the government decreases the size of citizens' choice sets by reducing the availability of time-saving goods and services while increasing the availability of time-intensive activities. Sanguinetta (1992) has done work in this

regard based on the theory of allocation of time by Becker (1965). The Cuban government designs and manages its policies as if it were aware of Schelling's proposed "theme of many writers on complexity: local, short-term interactions can create large-scale structure." (Krugman, 1996: 17) The government knows that "structure" in the form of social capital is what Cuban citizens need, and probably want, to organize a movement to change the status quo as a necessary condition to improve their quality of life. But individual freedom is necessary for that purpose.

The government, however, can constrain citizen's degrees of freedom up to a certain point. But in order to avoid excessive use of force by applying brutal repression, they cleverly use their absolute powers to increase the price of leisure time to its citizens, so they are further constrained in the use of the degrees of freedom left to them. Besides, time is even scarcer as Cubans have less access to communications and transportation, critical ingredients in the development of social capital. Recent international comparative data show that Cuban citizens are among those with the least access to cellular phones, computers and Internet connections. The total number of telephones has remained at almost the same level as in 1959.

Until that year, workers' social capital in Cuba mainly consisted of their network of contacts in their specific labor markets. Nevertheless, labor markets were traditionally rigid. Many jobs were obtained as a result of personal acquaintances, a condition that encouraged the development of friendships and family-based connections to obtain a job. In the government labor market the network of connections developed as an intrinsic part of electoral politics. Many individuals supported several candidates for different public offices on the expectation of being rewarded with a government position in case one of the chosen candidates was elected. All this disappeared with the revolution and instead a system of extreme labor immobility was developed, a condition that seriously affected productive efficiency in every single industry and enterprise. Traditional, not new, labor unions were allowed to exist but became appendices of the government political and mass mobilization apparatus. The unions were no longer allowed to defend the interests of the rank and file, neither the labor leaders enjoyed the political influence of the past. The old form of social capital was replaced by a new one consisting of relationships that could best be characterized as cronyism with the purpose of obtaining some upward mobility through the enterprise, bureaucracy or political systems.

The typical citizen, besides losing her traditional forms of social capital as a consumer and a worker, let alone as a capitalist or an entrepreneur, also loses her relationships with other citizens as family, social acquaintances, friends, colleagues, neighbors, or members of a church. Cubans relationships

with foreign citizens or organizations virtually vanished. Even relationships with family members that emigrated out of Cuba were restricted in many ways and even forbidden to members of the government. All social clubs across the country were practically dismantled as many of their members left the country and the government took over their facilities. The exodus of Catholic priests was especially dramatic, creating a shortage of religious services in many parishes, which at the same time were losing many of their members. All those leaving the country lost many of their contacts, some of which they try to recover once settled in foreign lands. All those staying in Cuba equally lose much of their social capital through emigration of personal contacts, and by the transformation of the all structures of the Cuban society. Yet the loss of social capital was most abrupt and radical for those individuals who were sent to jail or even executed for their suspected opposition to the government. Much of the government repression can be interpreted as a series of activities aimed at the reduction of such forms of social capital that imply relationships not necessary to the new social, political and economic order. All forms of associations were to be dismantled, a top priority of the citizen surveillance system. In this regard, the repressive policies were also preventive, not simply reactive.

By eliminating social capital the government got closer to the optimum or ideal repressive system: one that does not require violent actions against or jail potential opponents because people repress themselves as interpersonal trust is minimized, collective actions are limited to short-lived black market operations of low complexity, and no one dares to express their views against the government for fear of reprisals. At the same time the political police and repressive policies in general generate a perverse form of trust on the effectiveness of repression. Almost all citizens develop an expectation that they will be caught and punished by the government if they dare to deviate from the official form of behavior. By mobilizing followers of official policy, and even moving them into the dwellings of those who abandoned the country, many citizens suddenly have neighbors of unknown origin, with whom they will only relate superficially and will unlikely develop a relation of confidence. Citizens loyal to Castro were mobilized by the government and selectively mixed with the rest of the population to impede the development of relations of trust that could facilitate political forms of collective action detrimental to the government stability. The more comprehensive the destruction of social capital, the more isolated and impotent any citizen will feel, without any other source of protection against the whims of the government. In the extreme case, the ideal citizen for a totalitarian government such as Cuba's is one whose relationships with other citizens are minimal, insignificant, superficial, and totally compatible with official policy. In this case, social capital

reaches a minimum expression. The residual vestiges of social capital, as pointed out earlier, mainly survive for black market purposes.

It is practically impossible to find a segment of the Cuban society not touched by the overwhelming force of the revolution. The upheaval is so profound that it invites one to speculate about the quality of the former social capital of the Cuban society and its ability to defend itself against such the threat of massive national dismemberment. Following the concept of CAS as applied to immune systems, this phenomenon also invites one to wonder whether some societies seem to develop their organizational structures or social capital networks to defend themselves against external and internal threats, while others, like Cuba before 1959, seem to suffer from what we could call a socio-immunological deficiency that make them highly vulnerable to destabilizing shocks like this revolution.

The Castro government's systematic destruction of virtually all institutions and organizations created before 1959 involved the disappearance of true "markets" of all kinds of exchanges of personal interrelations. Cuban society, in particular its economy, lost almost all of the organizations where friendships developed, where individuals were able to know about the nature and character of other citizens, and develop different forms of trust and confidence about the perceived distribution of cognitive and non-cognitive attributes of the other members of the society. The list of such organizations in any modern society includes tens or hundreds of thousands of entities, among them professional associations, chambers of commerce and industry, free labor unions, charitable organizations, private enterprises, cultural institutions, foreign entities, religious congregations, student associations, political parties, news agencies and media enterprises. The union of all these organizations, freely developed by different groups of individuals with many diverse interests is what constitutes the civil society and what allows a nation to evolve in higher levels of progress and civilization. Its importance is underlined by the remarkable recovery of the many individuals that carried segments of the Cuban social capital network as they settled in certain geographical areas and reconstructed old contacts based on diverse forms of interpersonal trust. The growth of the city of Miami, Fla., is a case in point, as two Cuban exile bankers started providing loans to business people they knew from Cuba as citizens to be trusted enabling them to develop new enterprises apparently from scratch. This was only possible because of the intangible but solid relationships created years earlier as social capital networks that survived the exodus and the dramatic change from one society to another.

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*Conclusion*

Arrow (1974) determined that the set of attributes that we are calling social capital is more than a by-product of the collective actions of a society and represents a necessary condition to expand the efficiency frontier and rationality of individual and collective behavior. He also acknowledged the need of some forms of collective action to reach a form of Pareto optimality among the members of a society. In this sense, social capital is a public good generated privately by the multiple and simultaneous actions of some members of a society to develop relationships with other members of the society and derive advantages from those relationships. Social capital is developed and carried by individuals and is a form of private property, but the aspect of public good arises from the aggregate of forms of social capital that at least some individuals carry. Thus the volume of social capital can vary as a function of the number of individuals in a society as well as a function of the extent of the social capital that each individual develops.

One of the main implications of this paper has to do with the reconstruction of the Cuban economy (and society) once the country can rid itself of the many constraints that impede its development. One of the future challenges will be how to rebuild, or better, facilitate the rebuilding of the social capital required by any modern economy. The most elementary and least complex forms of social capital that different economic agents require can be reconstructed in a relatively short period of time, as individuals are predisposed to develop relationships with others to their mutual advantage once they have the freedom to do so. The most obvious advantages of exchange and other forms of cooperation generate the incentives for social capital formation as a result of the evolutionary forces in a free society. Cuban citizens and politicians in a transition economy must understand that freedom of enterprise and individual freedoms in general are essential for a full economic recovery.

Nevertheless, the most complex forms of social capital, those that depend on citizens confidence in institutions such as credit, contractual guarantees, minimum political stability, the rule of law, the adequacy of macroeconomic policies, public security, and expectations about the future of the country and its institutions and governments will take longer to be achieved. This means that enterprises that require less social capital to develop will be the first ones to develop and operate efficiently, and they will also be the ones to contribute first to the development of the country. This group of enterprises will probably be the smallest in size. As larger enterprises require more social capital to be established in the country, they might have to depend on foreign capital or credits that depend on forms of social capital that exist overseas but not yet in Cuba, since they take longer to develop. Mid size enterprises of domestic owners might take longer to develop.

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