

Chapter 1

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Democratic Versus Dictatorial Budgeting: The Case of Cuba with Reference to Venezuela and Mexico

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Introduction

Nearly ten years ago social historian James W. Wilkie proposed that budgetary figures could be utilized for purposes of delimiting the periods and characterizing the ideology of different types of political regimes.¹ His suggestion was well taken, but how it was put into operation in a study of Mexico has been criticized on various grounds.² Recently I adapted his method to the entirely different political context of Venezuela with the following goals:³ (1) to refine the Wilkie approach and lend it more general applicability; (2) to utilize the approach to study the nature of the differences between democratic and authoritarian regimes in Latin America; and (3) to determine if there is anything unique embedded in the policy processes of the latter.⁴

I reached the following conclusions about the Venezuelan case from my expanded analysis of policy under Marcos Pérez Jiménez, who ruled from 1949 to 1957, and under the *adecos* (politicians of Acción Democrática), who ruled all other years analyzed between 1949 and 1968:

Probably the most startling result of our analysis of the differences in priorities between the two types of regimes is produced by the data of budgetary analysis. Following the Wilkie strategy of comparing priorities

through percentage outcomes of total expenditures, we find significant differences only in connection with four categories. In terms of this approach, there are only four areas for which the differences between the percentages of the budget allocated to the individual categories by the two types of regimes are statistically significant. The categories in question are: Foreign Affairs, Education, Welfare and Health, and Communications. The first category could not be more innocuous; the other three are more attractive from a policy priorities standpoint. The higher shares of expenditures for education and health and welfare of the *adecos* could be utilized to underline the social welfare orientation of these regimes. However, although the shares are significantly higher, the size of the differences is small. On the other hand, the higher proportion of expenditures in communications by the military regime are very much the result of a national railroad plan and a crash program of highway construction by the Pérez Jiménez regime.⁵

An additional objective pursued in the analysis of the Venezuelan case was to retest one hypothesis that had received some attention in my doctoral dissertation.⁶ In brief, I had used budgetary analysis to see if there were any differences in policy between "active" democratic and "inactive" dictatorial regimes:

In previous studies this writer has addressed himself to the question of how the Wilkie approach can be improved. One attempt included a replication of Wilkie utilizing the case of the Cuban republic, and a contrast between the regimes of the Auténtico party and General Batista. The research findings were conclusive with respect to the differences between the two regimes in terms of their treatment of political opposition, their pat-

¹James W. Wilkie, *The Mexican Revolution: Federal Expenditure and Social Change Since 1910* (Berkeley: University of California Press, 1967; 2d ed., 1970).

²Including Thomas Skidmore and Peter H. Smith, "Notes on Quantitative History: Federal Expenditure and Social Change in Mexico Since 1910," *Latin American Research Review*, 5:1 (Spring 1970), pp. 71-85; and David Barkin, "Public Expenditures and Social Change in Mexico: A Methodological Critique," *Journal of Latin American Studies* (London), 4:1 (1972), pp. 105-112. Cf. Wilkie's response to the former in "On Methodology and the Use of Historical Statistics," *Latin American Research Review*, 5:1 (1970), pp. 87-91; and recent views in *idem Statistics and National Policy*, Statistical Abstract of Latin America Supplement 3 (Los Angeles: UCLA Latin American Center Publications, 1974), "Introduction," pp. 12-14, 101-131, 155-169.

³See Enrique A. Baloyra, "Oil Policies and Budgets in Venezuela, 1938-1968," *Latin American Research Review*, 9:2 (Summer, 1974), pp. 28-72.

⁴*Ibid.*, p. 33.

⁵*Ibid.*, p. 61.

⁶Enrique A. Baloyra, "Political Leadership in the Cuban Republic, 1944-1958," Ph.D. diss. (Gainesville: University of Florida, 1971).

terns of elite recruitment and circulation, and their basic style of decision-making. It was clear that, in structural terms, the two regimes were different and that the patterns of causation of their decision-making styles were different. However, in terms of what Wilkie appropriately calls the "active state," the contrast of the patterns of budgetary expenditures of the two regimes suggested that the auténticos did not utilize the budget to promote socio-economic change to a greater extent than Batista did. As a matter of fact, the opposite was true in a number of important categories. . . . Those results were particularly distressing because, at that time, I had made the implicit assumption that democratic regimes would better promote the active state and that they would create welfare-oriented active states.⁷

Although I briefly summarized my Cuban budgetary findings in my Venezuelan analysis, I did not spell them out in detail. Hence, the invitation from Wilkie to put into print here my hitherto unpublished research on the Cuban case. The assumptions with which I began my own budgetary research describe and comment on the differences between democratic and dictatorial budgeting in Cuba, under the regimes of Carlos Prío Socarrás and Fulgencio Batista, respectively.

My research on Cuba harbored basic theoretical reservations about some of the leading assumptions in the Wilkie budgetary methodology. First, if budgeting is a policy-making process, the inherent complexity of the process makes it unsafe to assume that a budget represents an index of the ideology of a particular administration or regime.⁸ Second, there is a dearth of theory concerning the outcomes of the budgetary process of different types of regime, and the evidence suggests that scholars do not know for sure the significance of the differences in the expenditure patterns of different types of regimes.⁹ Third, budget analysis cannot be conducted in a vacuum; it is necessary to probe the environment of the budgetary process. This requires an analysis of the national economy and of the main sources of revenue during the period of analysis. With regard to these reservations, we should note that historians and political scientists cannot claim credit for drawing first blood with their budgetary disquisitions. After all, fiscal economists have long quarreled among themselves over the causes of the well-documented and fairly obvious fact that public expenditures tend to grow over time. At the turn of the century Adolph Wagner predicted that public expenditures would outgrow economic

output¹⁰ and he identified three leading causes: (1) the necessity to maintain and enforce internal law and order; (2) the state's participation in material production; and (3) the need to provide services like education and mail services.¹¹ Wagner was right in this prediction, but efforts to find out why have proved unsatisfactory.

Instead these efforts have culminated in two basic types of theories to explain increased public expenditures: Welfare theories and Keynesian theories – the former based on a prescriptive point view, the latter ignoring the role of the public sector.¹² These theories have elaborated a series of concepts like "displacement" and "concentration";¹³ or "incidence", "income effects," and "adjustment";¹⁴ or "substitution," "centralization," and "stability."¹⁵ In desperation, some have complained that "it is difficult to find theories of public expenditures that explain rather than justify or condemn the facts of expenditure growth."¹⁶ No wonder historians and political scientists have tried to develop their own analytical frameworks to deal with the question of public expenditures, yet they would be ill-advised to ignore the impact of the performance of the national economy on the state's ability to allocate resources.

Some of the methodological problems of the budgetary approach developed by James Wilkie are not unique; most are entirely manageable. Problems of aggregation and disaggregation exist with all budgetary data. How does one lump together different types of expenditures into similar policy categories that are theoretically meaningful? Furthermore, it is not clear if one can combine expenditures and then conduct the analysis of one category as if it "existed" by itself. I have suggested how to deal with these particular problems, and although easy solutions are not available the problems do not invalidate the approach.¹⁷ A host of other problems can be introduced but the intention is merely to illustrate that the problem is complex, not to describe that complexity in all its magnitude.

The Cuban Example

With these reservations in mind, I looked at the case of the Cuban Republic between 1944 and 1958, a span that offers two contrasting political regimes.¹⁸ In his magnum

¹⁰*Finanzwissenschaft*, 3d ed. (Leipzig, 1898), quoted by Alan T. Peacock and Jack Wiseman, *The Growth of Public Expenditure in the United Kingdom* (Princeton: Princeton University Press, 1961), p. 17.

¹¹*Ibid.*, pp. 18-20.

¹²*Ibid.*, pp. 12-15.

¹³*Ibid.*, pp. 25-29.

¹⁴Richard A. Musgrave, *The Theory of Public Finance* (New York: McGraw Hill, 1958).

¹⁵Pryor, *Public Expenditures*, pp. 69-81. For a more extended treatment see Richard A. Musgrave, *Fiscal Systems* (New Haven: Yale University Press, 1969), and the essays included in Richard A. Musgrave and Alan T. Peacock, eds., *Classics in the Theory of Public Finance* (New York: MacMillan, 1958).

¹⁶Peacock and Wiseman, *Growth of Public Expenditures*, p. xxii.

¹⁷See Baloyra, "Oil Policies," pp. 57-58.

¹⁸See Baloyra, "Political Leadership."

⁷Baloyra, "Oil Policies," pp. 30-31 and 64-65.

⁸A reexamination of some of Wilkie's original assumptions utilizing Mexican data has been conducted also by Kenneth M. Coleman and John Wanat, "On Measuring Presidential Ideology through Budgets: A Reappraisal of the Wilkie Approach," *Latin American Research Review*, 10:1 (Winter, 1975), pp. 77-88.

⁹See Frederic L. Pryor, *Public Expenditures in Communist and Capitalist Nations* (Nobleton, Ontario: Irwin-Dorsey, 1968), and Charles Anderson, *The Political Economy of Modern Spain: Policy Making in an Authoritarian Regime* (Madison: University of Wisconsin Press, 1970).

opus Hugh Thomas refers to the period 1934-52 as "the age of democracy," whereas he characterizes the Batista administration (1952-58) as a dictatorship.¹⁹ It is factually more accurate to talk of 1940-52 as the "democratic period" and of 1952-58 as the "dictatorial period."

For purposes of comparison I selected the Auténtico regime of Carlos Prío Socarrás (1948-52), and the years 1952, 1954, 1955, and 1956 during the Batista regime. No budgetary data are available for 1953, so I opted for a comparison based on those years. Furthermore, no reliable budgetary data are available for the first administration of General Batista (1940-44), and no one really knows, as of the time of this writing, how much was spent by Ramón Grau San Martín (1944-48).

a. Economic Environment

The research started with a comparison of the economic environment of the two regimes. The traditional Cuban economy relied very heavily on sugar exports to the United States. James O'Connor has characterized the operation of that economy as follows:

In the old Cuban economy, autonomous changes in exports replaced investment as the main source of fluctuations and growth.... Proceeds from sugar exports fluctuated between 70 and 85 percent of the total export earnings. *Exports were independent of national income*; a rise in Cuba's income and imports failed to affect significantly the total exports.... A rise in Cuban exports increased national income by an amount equal to the rise in exports. The expansion of income raised domestic spending by roughly 25 percent less than the rise in income itself.²⁰

Based on this description and the customary literature on the Cuba economy, I selected for the analysis the stochastic series presented in Table 1-1, the economic indicators representing the more significant aspects of the Cuban economy. The indicators were collected to ascertain the actual condition of the economic environments of the two regimes.

The first impression created by the data is that the conclusions of foreign²¹ and domestic²² observers about the vulnerability and lack of sustained growth of the Cuban economy are accurate. Exports reach a peak in 1951 and do not regain that level by 1958. Cuban exports to the United States show a somewhat better recovery than total exports but they too fell short of bringing total trade back to 1951 levels by 1958.

¹⁹ Cuba: *The Pursuit of Freedom* (New York: Harper and Row, 1971), particularly Book VII and chapter Ixvi.

²⁰ *The Origins of Socialism in Cuba* (Ithaca: Cornell University Press, 1970), pp. 34-36. Emphasis added.

²¹ Among others, Henry C. Wallich, *Monetary Problems of an Export Economy* (Cambridge, Mass.: Harvard University Press, 1950).

²² Notably Julián Aienes Urosa, *Características Fundamentales de la Economía Cubana* (La Habana: Banco Nacional de Cuba, 1950).

But impressions are not enough and a more rigorous test is in order. The test is provided by a one-way analysis of variance of these data for both regimes (Table 1-2). The table lists the mean values for all the different indicators for each period, their standard deviations, the test statistic (F), and the inference to be derived from the value of F. Like any test of significance, the test statistic (F) determines whether any inferences based on a description of the apparent behavior of a set of measurements are adequate or not. The measurements are grouped according to a research criterion — in our case the group criterion dichotomizes all the measurements into two sets: those belonging to the authoritarian and those belonging to the democratic regimes — and the total variance is partitioned into within-group and between-group variance. A ratio is computed to determine which of these two sources of variance is more important. This ratio is F, the test statistic utilized by this technique. The value of the test is that it confirms or belies any inference based on raw stochastic series introducing scientific rigor into the attempt to differentiate comparison groups.

My first impression is now confirmed in full. Except for the levels of money supply — measured by bank clearings — no statistically significant differences can be found between the means of our indicators. Since Cuba is an export-oriented country, this finding reveals the difficulties that political decision makers must have experienced during the period. The results do not necessarily imply that the country was bankrupt, but they do reveal the sluggish performance of the economy during the entire period.

An important sidelight of these results is that we have to assume that this sluggish performance affected both regimes similarly. Not that the sluggishness predetermined the policy responses of the regimes but that it presented both sets of policy makers with similar economic difficulties. Given the relative uncertainty that surrounded the international sugar market these policy makers must have operated in highly unpredictable conditions.

Yet a contention by O'Connor that Batista "could not keep up the juggling act for longer than a few years"²³ — referring to Batista's stimulation of the economy by borrowing — is not substantiated by my results. Moreover, although even contemporary critics of his regime have asserted that Batista faced a difficult world sugar market,²⁴ it is not borne out by the data. Batista may have borrowed much more, but if he did, one would be hard pressed to find purely economic reasons for his doing so.

b. The Problem of Projected versus Actual Expenditures

Discrepancies between projected and actual expenditures of a government seem to be the rule rather than the

²³ O'Connor, *Origins of Socialism in Cuba*, pp. 30-31.

²⁴ Raúl Cepero Bonilla, *Política Azucarera, 1952-1958* (México, D.F.: Editora Futuro, 1958).

Table 1-1
SOME MAJOR INDICATORS OF CUBA'S ECONOMIC SITUATION, 1946-56
 (Millions of dollars)

Year	GNP ¹	National income	Per capita income ^a	Exports	Imports	Total trade	Value of sugar crop	Value of Cuban sugar exports to U.S.	Value of Cuban exports to U.S.	Bank clearings
1948	2,047.0	1,651	305	709.8	527.5	1237.3	632.9	281.6	366.4	2540.4
1949	1,824.0	1,530	278	578.3	451.4	1029.7	534.8	305.2	369.8	2298.5
1950	2,011.7	1,692	304	642.0	515.1	1157.1	604.3	307.4	380.9	3026.0
1951	2,320.2	1,946	344	766.1	640.2	1406.3	716.5	316.9	417.4	4130.4
1952	2,396.0	2,007	350	675.4	618.3	1293.7	792.3	296.3	407.3	4680.8
1954	2,157.1	1,808	307	539.0	487.9	1026.9	461.7	263.4	367.9	4411.5
1955	2,225.2	1,856	311	594.2	575.1	1169.3	434.0	279.0	400.6	5044.7
1956	2,409.6	2,015	333	666.2	649.0	1315.2	451.9	302.1	429.7	5791.8

a. At factor prices.

SOURCE: Banco Nacional de Cuba, *Memoria*, 1953-54 and 1958-59; International Bank for Reconstruction and Development, *Report on Cuba* (Baltimore: Johns Hopkins University Press, 1951), p. 509; and Cuba Económica y Financiera, *Anuario Azucarero de Cuba*, 1958.

Table 1-2
DIFFERENCES IN MAJOR ECONOMIC INDICATORS FOR REGIMES OF PRIO AND BATISTA

Indicator	Mean ^a		Standard deviation ^a		F value	Significance ^d
	Prio ^b	Batista ^c	Prio ^b	Batista ^c		
(1) GNP at factor prices	2050.72	2296.97	204.58	125.44	4.21	NS
(2) National income	1704.75	1921.50	174.92	105.24	4.51	NS
(3) Per capita income ^d	307.75	325.25	27.21	20.07	1.07	NS
(4) Value of exports	674.09	618.69	81.56	64.32	1.14	NS
(5) Value of imports	533.53	582.58	78.54	70.03	.87	NS
(6) Value of total International trade	1207.62	1201.27	157.67	132.83	.00	NS
(7) Value of sugar crop	622.12	534.97	75.20	171.93	.86	NS
(8) Value of Cuban sugar exports to the United States	302.78	285.21	15.02	17.56	2.31	NS
(9) Value of Cuban exports to the United States	383.62	401.35	23.35	25.55	1.05	NS
(10) Bank Clearings	2998.82	4982.17	812.75	598.87	15.43	P < .01

a. In millions of dollars. Figures have not been deflated here for two reasons: (a) Cuba went through a mild recession during Batista's first few years so, if anything, controls for inflation rate would not make the differences disappear but just the opposite; (b) with so short and discontinuous a stochastic series I am not certain that such controls would make the analysis more rigorous. Given a minimal or negative rate of inflation, controls for population growth and rate of development (or economic growth) should suffice.

b. Prio = 1948, 1949, 1950, 1951.

c. Batista = 1952, 1954, 1955, 1956.

d. In US\$.

SOURCE: Computed from data given in Table 1-1.

exception. For the Mexican case Wilkie showed the tremendous leeway that the executive has in spending funds. Not only can he spend new monies by automatic extensions but he can also divert funds from the categories for which they were earmarked. The result has been that in Mexico, since the first year of the Cárdenas administration, actual per capita expenditures have always exceeded projected per capita expenditures.²⁵ So large is this ever present gap that it forced Wilkie to conduct his analysis with both sets of figures; throughout his study, Wilkie consistently utilized the two sets.²⁶

In Cuba, for the period analyzed, the Treasury Department underestimated the level of budgetary revenue in five out of eight years. The data presented in Table 1-3 reveal that actual revenues exceeded budgetary expense (which was theoretically equal to budgetary revenues) except for 1949-50, 1952-53, and 1954-55. These three years can be taken as years of particularly poor performance by the national economy — compare with Table 1-1 — and they presented the policy makers with less funds than anticipated.

In spite of the tendency to underestimate available resources, which might reflect the policy makers' anticipation of adverse economic conditions, the two regimes always spent more than they anticipated, except the Prío regime in 1949-50 as shown in column 5 of Table 1-3. Finally, if we now turn our attention to the last column of the table it can be seen that both regimes utilized deficit financing: Prío in 1948, and Batista in 1952-53 and 1954-55. In short, both

regimes spent more than they estimated in their budgets, and they borrowed when actual revenue failed to exceed initial estimates.

These facts lead to three additional comments. First, the analysis will be somewhat inaccurate because it relies on anticipated, budgetary expenditures as they were listed on the *Gaceta Oficial* and other sources. These are the only figures for which budgetary expenditures are broken down by categories. In other words, with *actual* expenditures available only for the aggregate amounts (Table 1-3, col. 4) and not for the expenditures by ministries and other budgetary categories, the analysis has to be conducted with *projected* expenditures. As we have seen from the data in Table 1-3 this procedure introduces error.

Second, when the economic mission of the International Bank for Reconstruction and Development (IBRD) wrote its *Report on Cuba* it noted that "the budget does not give as complete an account of the volume and character of the government activities as it should."²⁷ The Mission recommended that in principle "all revenues and expenditures should appear in the annual budget, which should also show proceeds from borrowed funds and expenditures for which they are designated [and a] unified budget should be established, which should show separately current revenues and expenditures, proceeds of public loans and capital expenditures...."²⁸ These recommendations were never implemented.

²⁷ International Bank for Reconstruction and Development, *Report on Cuba* (Baltimore: Johns Hopkins University Press, 1951), p. 658.

²⁸ *Ibid.*, p. 661.

Table 1-3
REVENUES AND EXPENDITURES UNDER PRÍO AND BATISTA
(Thousands of C\$)

Year	1 Budgetary expense	2 Actual revenue	3 Budgetary surplus- deficit (2-1)	4 Actual expense	5 Actual extra expense (4-1)	6 Actual surplus or deficit (3-5)
Prío:						
1948	232,519	241,862	9,343	288,794	56,275	-46,932
1949-50	232,061	229,587	-2,474	228,615	-3,446	972
1950-51	242,637	285,913	43,276	271,427	28,614	14,486
1951-52	299,813	327,534	27,721	325,211	25,398	2,323
Batista:						
1952-53	336,286	309,459	-26,827	340,585	4,299	-31,126
1954-55	311,415	303,381	-8,034	329,255	17,840	-25,874
1955-56	312,675	328,734	16,059	325,317	12,642	3,417
1956-57	330,149	379,843	40,694	354,694	24,545	16,149

SOURCE: Cuba, *Gaceta Oficial*; and Grupo Cubano de Investigaciones Económicas, *Estudio sobre Cuba* (Miami: University of Miami Press, 1963), p. 871.

Third, even for those years in which there was a surplus, it was concurrently spent in extrabudgetary programs, all monies from revenues were ultimately spent, and there were no idle balances in the Treasury.²⁹ So the data in Table 1-3, column 6, are misleading because all surplus monies were spent. But, it is not known how these surpluses were actually spent and this is another source of distortion in our data.

Finally, autonomous corporations had a steady growth during our entire period, especially during the Batista regime.³⁰ Most of the borrowing alluded to was destined to fund and operate these agencies and other extrabudgetary projects. Some have estimated the amount of the transactions as more than C\$1 billion between 1952 and 1958.³¹

Therefore, by confining our analysis to *projected* budgetary expenditures a substantial number of governmental operations are ignored. One needs access to archival sources in order to locate these and the other data mentioned. But the actual expenditures by ministry may not be available even in Cuban archives. In addition, it is very hard to estimate the real use to which the loans negotiated by Batista were put or the real benefit bestowed by these expenditures.³² Consequently, the decision to confine the analysis to *projected* expenditures is maybe not the more reasonable one but the only one.

c. Which Regime Spent More?

Returning now to the analysis, one can compare the absolute amounts raised and spent by the two regimes for the years in question. Using the Table 1-3 data I analyzed the variances and found that neither of the two regimes really had a higher level of budgetary resources than the other (see Table 1-4). Both regimes underestimated their budgetary revenues, but neither got more than the other. The information the policy makers of each regime received from the Treasury Department may have been misleading, but the

misinformation does not seem to have affected one regime more than the other.

The Batista regime clearly outspent the Prío regime both on paper and in reality. Budgetary projections and actual expenses were higher during the Batista regime, as evidenced by the significant differences between the means of the budgetary projection and actual expenditures of the two regimes. Even without adding in the extra funds borrowed by Batista, we can still prove that he outspent Prío. Unfortunately, we are not able to determine how much Prío and Batista actually did spend in different budgetary categories, but Table 1-4, Part I, indicates our analysis is likely to be more accurate about Prío than about Batista.

We can easily assess how large the budgetary expenditures of the two regimes became in terms of the national economy. Following Pryor, expenditure-GNP ratios and per capita expenditures of the two regimes are compared, although he is not satisfied with the results of analyses conducted at such a "high level of aggregation."³³ These procedures afford more refined testing of our hypotheses about regime differences in total expenditures. The payoff from this strategy is immediately evident from the results of Table 1-4, Part II, which show that there are no significant differences in total expenditures per capita between the two regimes. This means that Batista managed to spend more than Prío but not enough to keep pace with population growth. He may have wanted to maintain certain levels, but neither of the two regimes seems to have been able to respond to one of the factors affecting both the demand and the supply of public expenditures, namely, population growth. In this sense, the growth of expenditures of the two regimes may be characterized as "compensatory" rather than "developmental."

Differences in total expenditures remain if the ratios of total budgetary expense to GNP are compared. Table 1-4, Part III, indicates that in spite of the apparent closeness of the mean ratios for each regime, the difference at the .01 level is statistically significant. Again, recalling the lackluster performance of GNP for this period (see Table 1-1) and the lack of differences in GNP for the two regimes (Table 1-2) one cannot help but wonder how Batista managed to spend more especially given that his borrowing is not included here. *Undoubtedly, the magnitude of the operations of the Cuban state increased with Batista.*

To recapitulate, the argument would be: (1) in spite of the lack of noticeable economic growth, (2) in spite of a fairly constant level of budgetary revenues, and (3) in spite of restricting his borrowing to extrabudgetary operations, (4) Batista was still able to increase budgetary expenditures, (5) not enough to meet the pressures of a growing population, (6) but enough to make a larger dent on a wavering GNP. There was only one weapon available to him to accomplish the budgetary increase and he used it: higher taxation. Higher taxes enabled him to engage in a compensatory program of public expenditures, a program that bailed him out of

²⁹*Ibid.*, pp. 681-682. Batista did the same, see Grupo Cubano de Investigaciones Económicas, *Estudio sobre Cuba* (Miami: University of Miami Press, 1963), p. 871.

³⁰Prío established the Banco Nacional, the Tribunal de Cuentas, and the Banco de Fomento Agrícola e Industrial (BANFAIC). Batista created the Financiera Nacional; he segregated the Fondo de Hipotecas Aseguradas (FHA) from the BANFAIC; he also established the Banco de Desarrollo Económico y Social (BANDES) and the Banco de Comercio Exterior (BANCEX). The BANDES spent more than 350 million pesos between its creation January 22, 1955, and December 1958.

³¹Oscar Pino Santos, "El 10 de marzo o el vandalismo y la irresponsabilidad financiera en el poder," *Bohemia*, 51:3 (Enero 18-25, 1959), pp. 148-158. Pino Santos contends (pp. 150-152) that, between the time they were created and December 1958 the Financiera and the BANDES spent C\$88 million and C\$400 million, respectively. Of this, roughly C\$408 million went to Public Works.

³²Dr. Joaquín Martínez Sáenz, President of the Banco Nacional during the Batista regime, replied to Pino in *Por la Independencia Económica de Cuba* (Habana: n.p. 1959). He defended his policies against Pino Santos's contention that the Financiera and the BANDES had spent the loans negotiated by the government in sumptuary public works. José Álvarez Díaz and his colleagues, authors of *Estudio sobre Cuba*, have adopted a middle-of-the-road view on this question (see Grupo Cubano, *Estudio*, chap. 34).

³³Pryor, *Public Expenditures*, pp. 61-64.

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Table 1-4
DIFFERENCES IN REVENUES AND EXPENDITURES UNDER PRIO AND BATISTA

Part I

Category	Mean ^a		Standard deviation ^a		F value	Significance
	Prio ^b	Batista ^c	Prio	Batista ^c		
(1) Actual revenue	271.22	328.10	44.66	30.47	4.43	NS
(2) Budgetary expense	251.76	322.63	32.41	12.49	16.66	P < .01
(3) Actual expense	278.51	337.46	40.11	13.19	7.80	P < .05

Part II

Prio	Per capita expenditure (ln C\$)	Batista	Per capita expenditure (ln C\$)
1948	44.72	1952-53	59.94
1949-50	43.72	1954-55	52.22
1950-51	44.81	1955-56	51.26
1951-52	54.25	1956-57	52.90
Mean	46.88	Mean	54.08
Standard deviation	4.94	Standard deviation	3.96

Critical value of the test statistic: F = 5.17 (not significant).

Part III

Prio	Expenditure as a percentage of GNP	Batista	Expenditure as a percentage of GNP
1948	11.38	1952-53	14.02
1949-50	12.72	1954-55	14.42
1950-51	12.08	1955-56	14.05
1951-52	12.92	1956-57	13.70
Mean	12.28	Mean	14.05
Standard deviation	.70	Standard deviation	.29

Critical value of the test statistic: F = 22.00; P < .01

a. Means and standard deviations in C\$ millions.

b. Prio = 1948, 1949-50, 1950-51, 1951-52.

c. Batista = 1952-53, 1954-55, 1955-56, 1956-57.

Source: Part I: Computed from data in Table 1-3; Part II: Computed from data in *Anuario Azucarero de Cuba, 1958*; Part III: Computed from data in Tables 1-1 and 1-3.

the deep financial trouble created by the international sugar crisis. The full extent of that crisis is not reflected in the years of the analysis, but the reaction to the crisis is reflected in the differences in total budgetary outcome.³⁴

d. The Dilemma of Policy Categories of Expenditures

A frequent and legitimate criticism of studies of public expenditures has been directed against the practice of lumping together several different categories of expenditures on the ground that they compose a homogeneous policy category. A very obvious instance, and one of the more reason-

able, is to combine expenditures in welfare, social security systems, national health services, and the like into what is alternatively called "social expenditures," "social welfare expenditures," or "social development expenditures." The contention is that the programmatic similarity, the nature of the clientele, and the "ideological" underpinnings of these different public services justify their combined treatment. But critics have reasoned that certain expenditures are mutually exclusive; if one goes up the other must go down, and vice versa.³⁵

³⁴Described in detail in Grupo Cubano, *Estudio*, pp. 886 and 871-885.

³⁵This, which is called "substitution" is not necessarily true of even dichotomies like civil-military expenditures (guns vs. butter), or between military and social welfare categories. See Pryor, *Public Expenditures*, pp. 69-70.

For purposes of illustration I have included in chart 1-1 the policy categories utilized by Wilkie, the IBRD *Report*, and Peacock and Wiseman, all of which embrace the same principle in varying degrees; with Wilkie utilizing the fewest and most inclusive main categories. Basically, I have no objection to such aggregation as long as it is not overdone. Obviously, the best way to perceive the general patterns in the behavior of the indicators is to start the analysis without combining any categories. Then, if still relevant, some combinations can be tried out.

As a preliminary step the data pertaining to the budgetary expenditures of the two regimes were compiled by ministry (or by the comparable budgetary category) and by year (Table 1-5). It should be emphasized that these data represent *projected*, not *actual*, expenditures and therefore are only estimates of what the two regimes really spent in each category. The table contains a few surprises: apparently higher levels of expenditures in Public Debt were posted by Batista as well as in Defense and in Education. Other patterns seem to indicate a gradual decline in Public Works expenditures (largely financed outside the budget by Batista), relatively stable expenditures in Health and Interior, and somewhat higher payments to Pension Funds during the Batista regime. Other categories are either stable, relatively uninteresting, or both.

Again, one-way analysis of variance was utilized to test for significant differences (Table 1-6). Statistically significant differences were found for eight of the eighteen budgetary categories compared. Of these eight, the differences pertaining to the Judiciary and the Office of the Presidency have little importance beyond the anecdotal. All other differences I analyze in some detail. An argument could be made to justify the lumping together of expenditures in the Ministries of Justice and Government (Interior) on the ground that they both dealt with questions of internal law and order. The argument could even be extended to include Defense expenditures in the category. Two reasons led me to conduct the analysis separately: (1) the inconclusive nature of a previous effort that had followed the combinatory approach,³⁶ and (2) the argument advanced by Pryor:

The analysis on a high level of aggregation can conceal a great deal of useful information and . . . disaggregation is desirable. . . . It is also possible that disaggregation can be carried out too far. To explore this latter question, a number of experiments were carried out (especially for health and welfare) to determine whether useful results could be obtained by combining different types of expenditures. In all cases, however, the results of such experiments suggest that as much disaggregation as possible permits a wider range of determinants to be uncovered and introduces greater richness into the analysis.³⁷

³⁶Baloyra, "Political Leadership," chap. 5.

³⁷Pryor, *Public Expenditures*, p. 64.

One could argue that this strategy would always be necessary if the attempt were to construct a "causal" model of public expenditures. I do not follow it here for several reasons. First, I am not as concerned with determinants of public expenditures as I am with significant differences between budgetary patterns. Second, it has been shown that in the case under scrutiny most of the relevant *economic* determinants were practically invariant during the period of study. Third, political determinants might, therefore, be more important but, fourth, it has been repeatedly stressed throughout this discussion that Batista conducted a relatively large extrabudgetary operation not included in this analysis. Consequently any model using these data would ignore a very important facet of public expenditure during this regime. Finally, we are dealing with only eight data points and one would have to be suspicious of the results of a multivariate analysis conducted with more than eight variables.³⁸

The analytical strategy that follows is very simple. First, each expenditure category for which statistically significant differences were found is analyzed separately. Second, controls are introduced for relative size of the expenditure, the level of economic development, and population growth. *Relative size* is defined as the ratio of the budgetary expense in the category to the total budgetary expense for each fiscal year. The level of economic development is controlled by taking the ratio of the budgetary category to GNP. Finally, population growth is taken into account by computation of the budgetary category on a per capita basis.

e. Public Debt Expenditures

Expenditures for public debt service were higher during the Batista years, as is shown in Table 1-7, and this result seems to be congruent with highly competent opinion.³⁹ However, if one controls for the relative size of these expenditures and for the level of economic development the differences between the two regimes disappear. This would imply that Batista, in spite of what seems to be a sensible and well rounded criticism, didn't really commit a much higher proportion of his budgets to public debt.⁴⁰ Of course,

³⁸One of these techniques, stepwise regression, would bring every possible causal combination into the analysis from a series of likely "independent" variables. With only eight data points — corresponding to the eight years we have been dealing with — we would probably have more variables than years. This creates problems of interpretation in this and similar multiple correlation or multivariate techniques.

³⁹Grupo Cubano, *Estudio*, pp. 848-852. The level of public indebtedness in 1958 was seven times larger than that of 1940. Traditionally, fiscal conservatives have always opposed government borrowing, and they have utilized larger proportions of the budget to service debt payments. So this is a fairly valid index of fiscal conservatism. See Wilkie, *The Mexican Revolution*, pp. 48-49 for an illustration with reference to the administration of Madero.

⁴⁰Pino Santos, "El 10 de Marzo," and the counterargument in Martínez Sáenz, as quoted by Grupo Cubano, *Estudio*, p. 850. The irony of their exchange should not pass without comment: Pino Santos, the "revolutionary" critic utilized the arguments of fiscal conservatives to attack the "liberal" policies of Martínez Sáenz, the banker of an authoritarian regime, who argued his case in Keynesian terms.

Chart 1-1
ALTERNATIVE CRITERIA OF POLICY CATEGORIES OF EXPENDITURES

IBRD	Wilkie	Peacock and Wiseman
(1) <i>Economic development</i>	(1) <i>Economic</i>	(1) <i>Economic</i>
Public Works	Capital Investments allocated to agencies or budgetary categories which deal directly or indirectly with economic life: Public Works, Irrigation, Agriculture, etc.	Power, Labour, Transport, Civil Aviation, Board of Trade, Agriculture, Fisheries and Food
Agriculture		
(2) <i>Sociocultural development</i>	(2) <i>Social</i>	(2) <i>Social</i>
Education	Education	Education and Child Care, Health Services, National Insurance, Welfare, Food Subsidies, Housing
Health	Health	
Labor	Welfare	(3) <i>National Debt</i>
Pensions	Public Assistance	(4) <i>Law and order</i>
Universities		Police, Prisons, and Courts
(3) <i>Administrative</i>	(3) <i>Administrative</i>	(5) <i>Overseas</i>
All other not included in 1, 2, 4, or 5, above and below	Defense	Foreign Office, Colonial Administration, British Council, and Overseas Broadcasting
(4) <i>National defense</i>	Public Debt	
(5) <i>Debt service</i>	Judiciary	(6) <i>Military and defense</i>
	Legislative	Defense, Supply, Civil Defense, National Service, etc.
	All other not included in 1 or 2 above	(7) <i>Environmental</i>
		Basic services such as roads and public lighting, sewage, water, land drainage and coast protection, refuse disposal, town and country planning, park maintenance, fire services
		(8) <i>General administration</i>
		All others not included in 1 through 7 above

SOURCE: International Bank for Reconstruction and Development (IBRD), *Report on Cuba*; James W. Wilkie, *The Mexican Revolution: Federal Expenditure and Social Change Since 1910* (Berkeley: University of California Press, 1967; 2nd ed.,

1970); Alan T. Peacock and Jack Wiseman, *The Growth of Public Expenditure in the United Kingdom* (Princeton: Princeton University Press, 1961.)

this generalization is only made for the four years included in the analysis.

The data of Table 1-7 also indicate that there was a great deal of variation — as indicated by the size of the standard deviations — in this expenditure during the Batista years. The analysis does not include expenditures per capita due to a technical reason. When computing these expenditures on a per capita basis they come to less than one cent per capita per year, making comparison fruitless. In all, the results indicate that when controls are introduced the differences in the absolute budgetary amounts committed to public debt service by the two regimes are no longer significant.

f. Defense Expenditures

The introduction of controls in the defense category indicates that there were real differences between the two

regimes. Table 1-8 shows that the differences remain when population growth and the level of economic development are controlled; the difference disappears in taking into account size relative to the entire budget. During these four years, Batista outspent Prío in defense but the increase was not large enough to consume a much larger chunk of the budget. Yet, the very timid rate of GNP growth implied a larger proportion of the national product was committed to "defense." Finally, it cost each Cuban almost two more C\$ to pay for these expenditures during Batista than under Prío.

But an interesting question would be: "What kind of defense expenditures were these?" Usually perceived as the enlisted man's leader, Batista took very good care of his "natural" constituency.⁴¹ Salary raises and increased fringe benefits for armed forces personnel invariably accompanied

⁴¹Interview with Andrés Rivero Agüero, Miami, December 22, 1970.

Table 1-5
BUDGETARY EXPENSE IN CUBA: 1948, 1949-53, AND 1954-57
(In C\$)

Category	Prio				Batista			
	1948	1949-50	1950-51	1951-52	1952-53	1954-55	1955-56	1956-57
Public Debt	10,535	6,616	6,702	10,783	8,588	26,918	35,850	36,270
Legislature	6,429	8,203	8,214	8,214	5,119	3,144	8,214	8,443
Judiciary	8,711	7,790	8,432	9,891	10,870	12,048	10,976	10,976
Accounts Tribunal	*	*	*	*	*	3,000	3,600	3,600
Presidency	579	591	643	661	1,379	1,890	1,711	2,251
Prime Minister	524	573	673	714	*	*	516	529
<i>Ministries of</i>								
State	2,620	2,567	3,367	3,864	3,731	3,209	4,177	4,373
Justice	688	649	793	861	953	911	820	1,102
Government (Interior)	13,490	12,697	14,395	15,674	21,265	19,178	18,329	18,720
Treasury	17,783	17,785	16,402	24,520	17,388	14,466	14,473	19,569
Public Works	25,843	22,799	23,345	40,060	36,327	23,854	15,533	18,453
Agriculture	4,312	4,450	5,988	6,361	5,747	4,969	4,321	4,527
Commerce	2,222	2,031	2,130	2,218	2,267	2,012	1,853	1,864
Labor	1,139	1,874	2,068	2,220	2,590	1,459	1,331	1,446
Education	47,520	51,994	52,994	58,169	83,493	74,465	71,351	74,177
Health, Sanitation, and Welfare	20,236	20,180	21,180	20,180	21,428	22,273	21,752	23,602
Communications	7,764	9,781	10,678	12,115	12,755	11,596	10,945	11,747
Defense	39,943	39,859	39,176	42,026	56,520	54,950	54,345	55,324
Information	*	*	*	*	792	*	*	*
Pensions	19,500	19,458	23,291	38,504	42,323	28,332	28,848	29,237
University of Havana	2,681	2,167	2,167	2,779	2,779	2,740	3,940	3,940
Total	232,519	232,061	242,637	299,813	336,286	311,415	312,675	330,149

SOURCE: 1948, 1949-50, 1950-51: International Bank for Reconstruction and Development, *Report on Cuba*, p. 680.

1951-52: Banco Nacional de Cuba

1952-53: Cuba, *Gaceta Oficial*, Edición Extraordinaria Especial 63 (June 30, 1952), pp. 2-3.

1954-55: *Ibid.*, 1 (June 30, 1954), pp. 2-3.

1955-56: *Ibid.*, 1 (June 30, 1955), pp. 2-3.

1956-57: *Ibid.*, 2 (June 30, 1956), pp. 2-3.

all the Batista administrations; so these expenditures were not tied to "defense" as much as they were destined to cater to the needs of a permanent source of support for Batista, and to the gradual renewal of obsolete equipment and facilities.⁴²

One could also argue that the assault on the Moncada barracks of July 26, 1953, had something to do with the higher level of expenditure for defense. Although possible, it is unlikely because most of the more important insurrectional activities against the regime did not take place during the four Batista years included here. The insurrectionist threat that the regime perceived in its early going came primarily from militants of the Auténtico and Ortodoxo parties, and not from newly mobilized, marginal actors. This threat was dealt

with primarily through the Interior Ministry (see below) and not through the armed forces. As a threat these early conspiracies against it proved less decisive than those provided by later insurrectional activities which made the regime panic and collapse in late 1958.⁴³

g. Education Expenditures

When controls are introduced, the difference in education expenditures between the two regimes is significant. A higher proportion of the budget, a larger percentage of the GNP, and higher per capita expenditures were made on

⁴²Actual inspection of the budgetary bill essentially confirms this impression.

⁴³I am referring to the uprising of November 30, 1956, in Santiago; the opening of the Sierra Maestra front in December of 1956; the suicide assault on the Presidential Palace of March 13, 1957; the navy mutiny at Cienfuegos in September of 1957; the abortive labor strike of April, 1958, and the rebel march toward Santa Clara in late 1958.

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Table 1-6
COMPARATIVE ANALYSIS OF BUDGETARY EXPENSE UNDER PRIO AND BATISTA, BY CATEGORY

Category	F value	Mean ^a		Standard deviation ^a		Level of Statistical significance
		Prio ^b	Batista ^c	Prio ^b	Batista ^c	
Public debt	6.18	8.66	26.34	2.31	14.03	P < .05
Legislature	1.50	7.76	5.93	.89	2.85	not significant
Judiciary	23.82	8.71	11.22	.88	.56	P < .005
Presidency	42.28	.62	1.81	.04	.36	P < .005
<i>Ministries of</i>						
State	3.59	3.10	3.87	.62	.52	not significant
Justice	6.83	.75	.95	.10	.12	P < .05
Government (Interior)	33.71	14.06	19.37	1.28	1.31	P < .005
Treasury	1.44	19.12	16.47	3.66	2.48	not significant
Public Works	.53	28.01	23.54	8.14	9.19	not significant
Agriculture	.40	5.28	4.89	1.05	.63	not significant
Commerce	2.02	2.15	2.00	.09	.19	not significant
Labor	.10	1.83	1.71	.48	.59	not significant
Education	45.92	52.67	75.87	4.37	5.27	P < .005
Health	11.44	20.44	22.26	.49	.96	P < .025
Communications	2.90	10.08	11.76	1.82	.75	not significant
Defense	379.15	40.26	55.28	1.24	.92	P < .005
Pensions	1.58	24.96	32.19	9.24	6.77	not significant
Universities	5.68	2.45	3.35	.33	.68	not significant

a. Mean and standard deviation in C\$ millions.

b. Prio = 1948, 1949-50, 1950-51, 1951-52.

c. Batista = 1952-53, 1954-55, 1955-56, 1956-57.

SOURCE: Computed from the data in Table 1-5.

Education by the Batista regime (see Table 1-9). Article 52 of the 1940 Constitution required the expenditures for education to be larger than any other budgetary category. Consequently Batista automatically raised them when he increased defense expenditures. He was forced to do so or flagrantly violate the Constitution — which he did in other occasions. Expenditure on education was, however, good politics. It helped the "constructive" image the regime wanted so badly to protect.⁴⁴ In any event, Batista spent more on education, however one may want to interpret that fact.

h. Interior Ministry Expenditures

In any Latin American regime the Interior Ministry plays the key role of regulator of domestic political life. Expenditures for this ministry jumped during the 1952-53 fiscal year in Cuba following the coming to power of Batista (see Table 1-5). The jump together with a subsequently higher level of expenditures in this category is reflected in Table 1-10. Differences in the level of these expenditures remain when controls are introduced for the level of economic development and for population growth but not for relative size.

This is probably the first unmistakable index of the more authoritarian nature of the Batista regime. I assume that an increase in the scope of the operations of this ministry is reflected on its higher encumbrances. Not only did the Batista regime incarcerate and bring more people to trial

during these four years than did the Prio regime in its four, but it also added more people to its payroll to get the job done. More informers and secret agents were needed by this regime and they were used. It was the response of the regime to the conspiratorial activities of the Auténticos and Ortodoxos, activities that were predominantly urban based and could, therefore, be met with police techniques.

In any event, the net result was a stronger effort to control the opposition by the Batista regime and a much larger police apparatus. The gradual decline presumably indicates that the control of opposition was a police function during the first few years of the Batista regime, but later assumed by the army and paramilitary repressive groups.

i. Health Expenditures

The differences in Public Health expenditures between the two regimes (Table 1-11) disappear if one controls for the level of economic development and for population growth. A probably more interesting finding is that the direction of the differences is reversed if one controls for the relative size of this expenditure. In other words, Prio spent a higher proportion of his budgets on health than Batista did.

Although it is one area in which the substitution effect of private-public methods of finance is higher because a larger segment of the middle class had health care, our data suggest that the two regimes neglected health care to more or less the same extent. Batista spent more absolutely but less proportionally. For a country the size of Cuba, and for a

⁴⁴Interview with Joaquín Martínez Sáenz, Miami, April 1, 1971.

Table 1-7
DIFFERENCES IN EXPENDITURES IN PUBLIC DEBT SERVICE UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	8.66	26.34	2.31	14.03	6.18	P < .05
(2) Budgetary total as a proportion of total budget	3.44	8.41	.82	4.10	5.64	NS
(3) Budgetary total as a proportion of GNP	1.62	4.43	.42	2.03	4.92	NS

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

Table 1-8
DIFFERENCES IN DEFENSE EXPENDITURES UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	40.26	55.28	1.24	.92	379.15	P < .005
(2) Budgetary total as a proportion of total budget	16.13	17.15	1.49	.44	1.71	NS
(3) Budgetary total as a proportion of GNP	1.98	2.41	.16	.10	21.47	P < .01
(4) Budgetary total per capita	7.51	9.27	.20	.56	35.22	P < .01

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

Table 1-9
DIFFERENCES IN EDUCATION EXPENDITURES UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	52.67	75.87	4.37	5.27	45.92	P < .005
(2) Budgetary total as a proportion of total budget	21.22	23.51	1.36	1.07	8.21	P < .05
(3) Budgetary total as a proportion of GNP	2.58	3.31	.22	.20	24.51	P < .01
(4) Budgetary total per capita	10.80	13.30	1.15	1.41	7.51	P < .05

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

"revolutionary" regime, as the Auténtico regime proclaimed itself, an average of CS20 million spent in this category is considerably short of adequate. It must be said that expenditures for hospital construction are not included in the figures, and the data largely refer to program-related and other administrative costs. Nonetheless the general picture is one of neglect.

j. Expenditures in the Ministry of Justice

As in the case of debt service expenditures, differences between regimes in allocations to the Ministry of Justice were not significant when controlling for economic development. Therefore, this category was removed from the analysis.

From the data presented in Table 1-12 one can see that when controlling for relative size and population growth, the differences between the two regimes disappear. Differences between the absolute amounts spent by the two regimes are, on the average, about CS200,000 which, with average expenditures of CS750,000 and CS950,000, respectively, do not suggest the capability to put many more people opposed to the regime through trial and subsequent imprisonment.

Recapitulation

My analysis suggests that the differences between the budgetary patterns of these two regimes may be summarized as follows:

- (1) higher expenditure levels of the Batista regime in important categories such as defense, education, and domestic political controls, which are significant in spite of controls for relative size, population growth, and level of economic development;
- (2) significant differences in a number of other categories of lesser theoretical and practical importance.

Because of the peculiarities of the Cuban situation of these years, namely the condition of the economy and the deterioration of the domestic political process, there is little from our findings that would appear readily comparable with other democratic and dictatorial regimes. This is a result of the fact that the peculiarities of the situation were incorporated in the analysis to remove the uniqueness of the case. We cannot surmise, however, that economic constraints always require regimes to respond in ways that would follow from their own orientation.

A characteristic that seems to fluctuate with the regime type and which is reflected in the budgetary pattern — at least for Latin American regimes — is the size of the operation of the Interior Ministry. Larger allocations for this category suggest a greater concern with the regulation of domestic political activity, a sign of authoritarianism.

The findings concerning "defense" are congruent with this, as anticipated. But they are probably best interpreted as an instance of clientelism than as a clear-cut tendency to set

up a police state. Differences in education expenditures are somewhat more surprising but the notion of a "progressive" regime, defined as one that would dedicate substantial amounts to welfare, education, and similar categories, is not a uniquely "democratic" phenomenon, as has been the case in many instances throughout Latin America. Consequently, one substantive outcome of this analysis would be the recognition that there is no necessary one-to-one correspondence between structural (i.e., democratic vs. dictatorial) features of a regime and patterns of expenditures skewed to defense or welfare, respectively. On the basis of our Cuban analysis, such hypotheses seem too simplistic.⁴⁵

With regard to the rise of the active state in the Mexican, Venezuelan, and Cuban cases on which I have conducted research, what can we conclude about the meaning of budgetary analysis? Wilkie traces the rise of the active state in Mexico to the coming to power of Lázaro Cárdenas in 1934. He has argued that

Cárdenas was able to shake the roots of the old order by budgetary policy. Though he largely worked with the traditional tax framework (his government was able to take advantage of economic recovery by increasing taxes on exports), he injected federal government into the social and economic life of the nation by deemphasizing the passive role of the state. Actual administrative investment fell below 50 percent of the budget for the first time in Mexico's republican history. Cárdenas managed this feat without unduly trimming debt payments as a percentage of expenses. Administrative expenses would only rise above 50 percent of the budget once again when President Manuel Avila Camacho paid out 22.5 percent of the national budget in 1942 to reduce the national debt. The Mexican government, as well as the private sector, has always had to rely on foreign capital so heavily that unless the percentage of the budget devoted to the national debt remains relatively high, Mexico's image abroad suffers and a reduction of capital imports or even a flight of capital may result. . . . Cárdenas achieved a balance between payments on the debt and expenditure. . . . [to securely establish] the social sphere of government action, and he has remained the standard-bearer for governmental social action ever since.⁴⁶

About the active state in Venezuela, I have written that it can be operationally defined as a state that extracts large amounts of resources from its economic environment in order to maintain a high level of available public goods and services through public consumption expenditures. In short,

⁴⁵This is very much in line with the results obtained by Pryor who was, after all, mainly concerned with budgetary differences between democratic and dictatorial regimes.

⁴⁶*The Mexican Revolution*, pp. 77-78.

Table 1-10
DIFFERENCES IN EXPENDITURE FOR THE MINISTRY OF THE INTERIOR UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	14.06	19.37	1.28	1.31	33.71	P < .005
(2) Budgetary total as a proportion of total budget	5.61	6.00	.32	.29	3.28	NS
(3) Budgetary total as a proportion of GNP	.69	.85	.03	.05	26.45	P < .01
(4) Budgetary total per capita	2.62	3.26	.19	.37	9.37	P < .05

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

Table 1-11
DIFFERENCES IN PUBLIC HEALTH EXPENDITURE UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	20.44	22.26	.49	.96	11.44	P < .025
(2) Budgetary total as a proportion of total budget	8.22	6.91	.99	.37	6.12	P < .05
(3) Budgetary total as a proportion of GNP	1.01	.97	.10	.06	.35	NS
(4) Budgetary total per capita	3.81	3.73	.12	.11	1.11	NS

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

Table 1-12
DIFFERENCES IN EXPENDITURE FOR THE MINISTRY OF JUSTICE UNDER PRIO AND BATISTA

Category	Mean		Standard deviation		F value	Significance ^a
	Prio	Batista	Prio	Batista		
(1) Budgetary total ^b	.75	.95	.10	.12	6.83	P < .05
(2) Budgetary total as a proportion of total budget	.30	.29	.02	.03	.30	NS
(3) Budgetary total per capita	.14	.16	.02	.02	1.48	NS

a. Lower bound for significance is P < .05.

SOURCE: Computed from Tables 1-1, 1-4, and 1-5.

b. C\$ millions.

the active state can be defined as a state that does not practice fiscal conservatism.⁴⁷ Thus, I have argued:

In every conceivable category of administrative, social, and economic expenditures — to paraphrase Wilkie — the *adecos* spent more. . . . In this sense, it is significant that the democratic regimes spent considerably more not only in categories suggesting an activist orientation in the areas of social and economic policy but also in areas of administrative policy as well. Thus, we observe greater *adeco* impacts in development, public works, education, welfare and health, agriculture, and communications but we also observe greater impacts in the treasury, foreign relations, and the like. In short, the active *adeco* state was active in all policy fields — including the control of domestic political activity, as indicated by greater impacts of the expenditures of the Interior Ministry. . . .

The *adeco* had more resources because they wanted more and made a greater effort to get more. They did not wait for nature to take its course; they did not wait for economic growth to automatically increase the revenues of the state; they did not wait for the oil production to increase — and generate a higher amount of taxes — as a result of the inscrutable designs of the oil industry. Sure, the *adecos* greatly benefited from all of these things, but, primarily, they had more resources as a result of their initiative to raise oil taxes and thus increase the share of the Venezuelan state in company profits. By doing this they were able to get more and, then, as a result of this, they were able to spend more. In summary, the first priority of the *adecos* was to spend more and, in order to meet this priority, they had to get more. They did not change the dependence of the Venezuelan economy in the meantime nor did they correct the inequities of dependent capitalism. Nor, for that matter, did they put the oil companies out of business. But in terms of the fiscal policies they implemented they were in a better position to create the active state in Venezuela and they did just that. Their incrementalist strategies suggest that they could have probably done considerably more — and that they deserve a lot less credit than they claim — but they did significantly more than the military. The military, after all, could have raised taxes to levels comparable to the *adecos* — and in that case the results of these comparisons would have been very different — but they followed a different strategy and the result of that strategy was a slower rate of growth of public revenue and expenditures. The importance of this is that regardless of the discrepancies in

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priorities that may have existed between the two types of regimes, the greater impact — both in absolute and per capita terms — of the *adeco* regimes obliterate any other interpretation of the question of priorities. In other words, regardless of their own preferences and priorities the military could not attach a significant impact to any of them. After all, priorities are not only a question of percentage *outcomes* — that is, the shares allocated to particular categories — but also a question of increases in magnitude. A shift in *outcome* without a shift in *impact* is not a significant shift at all. Finally, the active state is not merely a state that shifts outcomes away from administrative expenditures — as Wilkie has suggested — but one that generates a high level of resources for these priorities; one that supports these priorities with considerable financial resources.⁴⁸

If results of budgetary analysis for Mexico and Venezuela suggest, then, that the rise of the active state was associated with democratic reformism and social revolution, how can we explain the Cuban case? Theoretically the Cuban Auténtico party could have been expected to replicate the Cárdenas and *adeco* performances, yet my results show that this was not the case. The complex reasons that explain this "failure" of Auténtico policy (only some of which have been touched here), however, cannot be used either to deny the "democratic" nature of the Auténtico regime or to camouflage the "authoritarian" nature of the Batista regime.

What we are forced to conclude is that either authoritarian or dictatorial budgeting may be the motor of the active state policy. If between 1940 and 1958 there was an active state in Cuba, that state arose with the coming to power of a dictatorial regime. Batista, who in the period from 1940 to 1944 consciously imitated Cárdenas, maintained a budgetary commitment to "social progress," and as a result his administration approximated the model of the active state to a much greater extent than did the Auténtico administration.

The analysis does not invalidate the use of budgetary data to classify political regimes but it does characterize the technique as insufficient and as requiring the inclusion of all revenues raised and all the expenditures made for a public purpose, whether they are included in the budget or not. Caution is also recommended in the use of combined categories of expenditures and it seems prudent to determine the range of variation of each category before combining them. If possible, consultation with the actors making the policy decisions will clarify much of the mystery behind the figures. It is one thing to discover a budgetary difference and another to interpret it. It is upon success with the latter process that the utility of budgetary studies will ultimately depend.

⁴⁷Baloyra, "Oil Policies," p. 56.

⁴⁸*Ibid.*, pp. 59-60.