

Cubanomics: Mixed Economy in Cuba during the Special Period

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Fidel Castro is a man of many words. No other political figure in modern history has spoken more on the public record, varying the scope of his oration from short interviews to twelve hour lectures on the state of Cuban society. Starting in 1959, his ideas flooded Cuban society and provided a code of social expectations for all to obey. Cubans listened patiently, and over time enjoyed the fruits of an egalitarian socialist system: food, shelter, education and medicine for all. By the early 1980s, Castro had constructed a centrally planned economy and an economically favorable partnership with the Soviet Union.

In 1989, however, the dissolution of the Soviet Union crippled the Cuban economy and forced millions of Cubans into poverty, resulting in widespread hunger and unemployment. Faced with the threat of an economic meltdown that could end his regime, Castro looked inward for ways to revive the Cuban economy. Though previously condemning and imprisoning Cubans illegally possessing black market dollars, Castro suddenly regarded these dollar holders as the key to his regime's survival. This hard currency was crucial to restoring the national economy, and though its legalization would undermine his socialist, anti-American ideology, Castro saw no other option. In 1993, he decriminalized the possession of U.S. dollars and established state-run dollar stores to channel dollars to the government. Castro legalized self-employment, decentralized the agricultural sector and boosted Cuba's tourist industry. Though they aided in reviving the national economy, these policy changes transformed the socioeconomic structure of Cuban society, creating a mixed economy that required Cubans to embrace certain market principles outside of socialist doctrine.

The basics of Cuba's centrally planned economy lasted through the 1990s, but the microeconomic activities of the Cuban people revealed considerable free market strategy. For the first time in thirty years, Cubans were legally given a taste of free market structure, and they operated swiftly and naturally within that framework. Despite Castro's assertions that socialism would live on after the economy "recovered" from the Special Period, his reforms permitted the teeth of capitalism to sink more deeply into a Cuban society that already valued entrepreneurship. My sense is that Cubans have an inherent capacity for trade that grew furtively throughout the Revolution through black market activity. Castro's 1993 reform policy fostered this activity, and commercialism blossomed during the Special Period. Thus, socialism could no longer stand alone as Cuba's official ideology. It is my goal in this work to expose the breakdown in the centrally planned Marxist economy in Cuba during the Special Period. I hope to show that during this time, the Cuban people's various pursuits of capitalistic goals transformed the economy from socialist to mixed.

My argument will arrive in three main phases. The first phase will prove that dollarization shifted the ideological framework of the Revolution by providing Cubans with a legal material incentive. This section will use the specific effects of the dual economy of pesos and dollars to show that circulation of U.S. currency affected not only the economic motives and goals of the Cuban people, but also their attitude towards free market activity. I will then demonstrate that Cubans jumped at self-employment once it was legalized, and that Castro's attempts to limit their successes drove the people to pursue capitalism illegally rather than sacrificing for socialism. Thirdly, I will reveal that the state's initiative to boost tourism sparked profound breaches in socialist ideology by prioritizing the acquisition of dollars at any cost. Overall, I aim to show that Castro's reforms hybridized the Cuban economy between free market and socialist structures.

Before a discussion of the effects above, the reader must understand the history of the Cuban Revolution and the economic situation that led Castro to dollarize the Cuban economy. In a discussion of the literature concerning the Special Period, I will differentiate my argument from others that attempt to classify Cuba's economy during this time. In addition, I will describe entrepreneurship in Cuba prior to the Special Period. With this context, the reader will better understand how market economics infiltrated Cuban socialism during the 1990s and created a mixed economy.

A Special Period in Peacetime

In 1989, as the Berlin Wall crumbled, so too did Castro's promise to the Cuban people of an indestructible relationship with the Soviet Union. Liberalizing reforms had pulled the Soviet economy away from Cuba's, depriving the Caribbean nation of the large trade subsidies it had depended on for thirty years. Immediately, Cuba plunged deep into a recession that impoverished its people and reversed the social achievements of the Revolution.

Fidel Castro rose to power in 1959, and by 1966 had begun implementing centralist economic programs designed to provide all Cubans with equal access to basic social services.ⁱ Over time, his initiatives created high standards in employment, healthcare, education, pensions and equality in distribution.ⁱⁱ The latter item was perhaps Castro's greatest claim to success, as socialism seemed to oust the legacies of inequality, classicism and racism pervasive under the pre-revolutionary rule of Fulgencio Batista. Political economist Carmelo Mesa-Lago writes, "At the end of the 1980s Cuba had one of the most egalitarian income distributions in the world: the extreme wage ratio was about 5 to 1," which illustrates the equality gained in Cuba by Castro's policy.ⁱⁱⁱ

Though Cuba had in its own land established social equality, its economic relationship with the Soviet Union was unequal, to say the least. Due to the

ⁱ Carmelo Mesa-Lago, *Market, Socialist, and Mixed Economies: Comparative Policy and Performance—Chile, Cuba, and Costa Rica* (Baltimore: The Johns Hopkins University Press, 2000): 209.

ⁱⁱ Carmelo Mesa-Lago, "Assessing Economic and Social Performance in the Cuban Transition of the 1990s," *World Development* 26, no. 5 (1998): 869.

ⁱⁱⁱ Mesa-Lago, "Assessing Economic and Social Performance," 870.

embargo imposed by the United States in 1960, Cuba had depended heavily on generous annual Soviet subsidies to fuel its undiversified economy. Cuba bought oil from the Soviet Union below the international price, and sold sugar to the Soviets at twice the international value.^{iv} In addition, since Cuba was never capable of supplying the amount of sugar needed by the Soviet Union, the latter subsidized Cuban exports such that in 1989 alone, its “sugar subsidies” and trade credits to Cuba amounted to \$4 billion.^v By the late 1980s, however, the liberalizing reforms of *Perestroika* and *Glasnost* had distanced the Soviet economy from Cuba’s, stripping Cuba of Soviet funding. Thus, Cuba entered the 1990s lacking billions of dollars in yearly funding—a national deficit that resulted in the “Special Period in Peacetime”.

The “Special Period” was Castro’s euphemism for the most challenging recession of the Cuban Revolution; though the country was not at war, social conditions suggested so. During the period between 1990 and 1993, Cuba lost over 80 percent of its foreign trade, and its GDP spiraled down 30 percent.^{vi} Due in part to a plummet in imported Soviet oil, the sugar industry constricted, leaving about a quarter of the country unemployed. Food, medicine and transportation became scarce items. The already limited rationing lines expanded as supplies contracted. Observers began to expect the fall of the Cuban government—the economy was a catastrophe and given the trend in Europe, the world awaited a change in the Caribbean. Castro had to make a move. On December 22, 1993 he stated, “We welcome foreign investment without it changing Cuba’s socialist character. We will not change the character of the country simply in order to introduce something new.”^{vii} Castro vowed that the Revolution would not change.

Although the ideology of socialism was so important to him, the failing Cuban economy demanded a fundamental economic change. He had no choice but to initiate a nationwide “experiment” in capitalism. Though he had slandered the Soviet Union for opening up its economy, Castro himself began to attract foreign investment, tourism and remittances from the exile community to obtain much needed hard currency. He de-penalized the U.S. dollar and legalized forms of self-employment, which together moved currency from *la bolsa negra*, the black market, into the daily transactions of Cubans. The state became the new cashier and made dollars a necessity for Cubans struggling to improve their standard of living. Investment in tourism stimulated a boom in prostitution, and encouraged many state workers to leave their jobs to earn more in the dollarized tourist sector. Above all, people became legally involved in the capitalist revival of a socialist economy. Castro’s policy created a mixed economy that replaced his former socialist haven.

Historiographers of the Special Period

There is considerable literature on the Special Period, and specifically, a rich spectrum of views concerning Cuba’s economy. Since the early 1990s, political

^{iv} Yuri Pavlov, *Soviet-Cuban Alliance: 1959-1991* (New Brunswick, NJ: Transaction Publishers, 1994)

^v Pavlov, *Soviet-Cuban Alliance*, 14, 125.

^{vi} Carmelo Mesa-Lago, “Assessing Economic and Social Performance in the Cuban Transition of the 1990s,” *World Development* 26, no. 5 (1998).

^{vii} Fidel Castro, interview with Gawronski. *Die Woche*. Hamburg, December 22, 1993. p. 23.

economists, sociologists and journalists have differed in their attempts to classify the Cuban economy during the recession of the Special Period. Political economist Carmelo Mesa-Lago has maintained that however liberalized, the Cuban economy upheld its socialist fundamentals throughout the Special Period. Journalist Ben Corbett counters this assertion, offering that Cuba actually became capitalist during the recession. Although these two clearly define the Cuban economy, writers like Archibald Ritter choose to comment on the reforms without classifying the Cuban system. My argument differs from these in proving that Cuba's economy was neither fundamentally socialist nor capitalist during the Special Period—rather, it was a mixed economy.

I will begin my discussion of Special Period literature by commenting briefly on the importance of attempting to classify the Cuban economy during the Special Period. The study of the Cuban economy during the 1990s is crucial to an understanding of how Cuba has grown economically under Castro's reforms. More importantly, this type of analysis opens windows into the future of the Cuban economic state. Economist Archibald Ritter provides substantial evidence of economic liberalization in Cuba during the Special Period, but fails to classify the Cuban economy during this time. In "Entrepreneurship in Cuba", Ritter clearly argues that entrepreneurship grew strongly in Cuba during the Special Period. Though this argument is quite useful, it falters in its inconclusiveness.^{viii} What type of economy did Cuba have during the 1990s?

Mesa-Lago has claimed to show that Cuba conserved its socialist nature throughout the Special Period. In *Market, Socialist and Mixed Economies*, he compares the economies of Chile, Cuba and Costa Rica, assigning them official economic policies of free market, socialist and mixed, respectively. He asserts that, "although the policies of the 1990s are dramatic, the Cuban model retains its fundamental features," claiming that even though some free market policies crept into Cuba during this era, the basic foundations of socialism were preserved.^{ix} As my work will show, Castro's policy restructured the economy by encouraging Cubans to embrace legal capitalist policies while other parts of society remained centrally planned. Mesa-Lago underrates the impact of the reforms, claiming that they brought "timid, piecemeal, selective market measures."^x But as I will demonstrate, the reforms were much more influential in hybridizing the Cuban economy.

Mesa-Lago's argument is closer to reality than Corbett's theory that Cuba became capitalist during the Special Period. Corbett spent a considerable amount of time in Cuba conducting research, but his biases against the Castro regime are apparent in his cursory analysis of Cuban economics in the Special Period. In his latest work, *This is Cuba*, Corbett asserts that, "Really, Cuba already is Capitalist...the Cuban government has become capitalist."^{xi} This is a gross exaggeration; though Castro liberalized the Cuban economy to an extent, many of the vestiges of socialism remained through the Special Period—rationed food, nationalized transportation and free basic health care, to name a few. Clearly,

^{viii} Ritter, "Entrepreneurship, Microenterprise, and Public Policy in Cuba: Promotion, Containment, or Asphyxiation?" *Journal of Interamerican Studies and World Affairs* 40, no. 2 (1998): 63.

^{ix} Mesa-Lago, *Market, Socialist and Mixed Economies*, 16.

^x Mesa-Lago, *Market, Socialist and Mixed Economies*, 15.

^{xi} Ben Corbett, *This Is Cuba: an Outlaw Culture Survives* (U.S.: Westview Press, 2004): 258.

there was more to Cuba than simply capitalism. Corbett's strength is his narrative-style depiction of everyday life in Cuba during the 1990s, but his analysis falters considerably in this shortsighted claim of a capitalist Cuba.

The research these three writers have done has increased the amount of information available on the Special Period in Cuba. Nonetheless, I believe that Castro's reforms generated a mixed economy in Cuba during the Special Period. In my view, the actions of the Cuban people during this crisis did, in fact, belie their leader's assertions that Cuba would not change its socialist character. Often, I will show, Cubans chose the pursuit of capitalist goals over socialist idealism—a behavior that formed this mixed economy.

A Brief History of Capitalism in Cuba

Capitalism in Cuba is nothing new. Cuba under Fulgencio Batista knew capitalism, though most people in that society were poor and had little agency in consistent economic transactions—the upper class controlled most economic activity. The Cuban Revolution replaced this inequality with the egalitarian principles of socialism, in which the citizens work for the greater good of humanity, rather than material incentives. Few citizens followed this dogma religiously; as I will show, the idealized picture that Castro painted of his own society clashed with the actions of the people during even the most socialist of times in the Revolution.

Though Castro claimed to have eradicated capitalism from Cuba during this time, the black market thrived illegally under the centrally planned economy. In effect, this continued the tradition of entrepreneurship in Cuba during a time of heavy socialist propaganda and provided a free market structure that prepared Cubans for the mixed economy that entered in the 1990s. Economist Archibald Ritter has discussed the impact of this underground economy on the mindset of the Cuban people in their transition to the Special Period economic changes. Concluding that, “the size and vitality of this microenterprise sector, operating legally or in the underground economy, is a main reason why it could spring to life so quickly after its legalization in 1993,” Ritter illustrates the importance of preexisting free market transactions in Cuba, reasoning that experience with them enabled the people to quickly jump into self-employment in the dollar economy.^{xii} Ritter goes on to show that Castro's socialist system of equal rationing in Cuba had the unintended effect of creating a spirit of entrepreneurship among the people. Since everyone received the same rationed products, writes Archibald, “everyone had an incentive to sell their unwanted items or trade them for more desirable products...Thus, the rationing system itself converted virtually everyone, regardless of the level of ideological enthusiasm, into a minicapitalist.”^{xiii}

If the people valued capitalism during a time of centralized economy and pervasive socialist propaganda, their free market instinct could only grow in an environment of legal capitalist elements and ideological contradiction. This early exposure in profit motivation prepared Cubans for the day that they would freely and actively contribute to a hybridized economy. In August 1993, Cubans

^{xii} Ritter, “Entrepreneurship, Microenterprise, and Public Policy in Cuba”, 69.

^{xiii} Ritter, “Entrepreneurship, Microenterprise, and Public Policy in Cuba”, 72.

seized the opportunity for free market activity when Castro decided to legalize the U.S. dollar.

Dollarization

The Cuban economy plummeted as communism in Eastern Europe came to an abrupt end. From Castro's perspective, dollarizing the Cuban economy was the only viable solution to the economic crisis in the Special Period. Rather than completely overturn the socialist system he had spent his whole life building, he reasoned he could sacrifice ideological credibility to save his regime. The Soviet Union fell in 1990, and dragged the heavily dependent Cuban economy down with it. The Soviet bloc made up roughly 85 percent of Cuba's trade in 1989, and by 1993, accounted for only 20 percent—a drop that fomented a 34 percent decline in Cuba's GDP.^{xiv} After thirty years of subsidies from the USSR, Cuba then had virtually no active import or export economy, and therefore, no source of hard currency.^{xv} In August 1993, Fidel Castro legalized the US dollar in Cuba. Though the peso had been the national currency under Castro, it stood fairly worthless in comparison to the dollar, with an exchange rate of 1:130.^{xvi}

The government unintentionally encouraged capitalist thought among Cuba's people in this policy by its catering to dollar holders and opening up the door to foreign investment and tourism. The legalization of the dollar created an economic situation for most Cubans that favored free market activity despite the consequences. Naturally, Cubans began to pursue the acquisition of dollars, and did so in any way possible. During a recent interview, Dr. Juan Del Aguila explained the effects of Castro's dollarization policy on the economic and occupational decisions made by the Cuban people, concluding that in order to persevere in society during the Special Period, Cubans had to access dollars in some way.^{xvii} "If you had access to dollars, you had access to services that were not always rationed...certain foods and medicines in the dollar economy were unavailable to those with pesos only," he clarified, highlighting a strong incentive for Cubans to find dollars. The divisions created in the bifurcation of the economy between pesos and dollars generated a system in which those with state jobs quit in pursuit of greater profit and stability. The tourist sector was the largest provider of dollars to Cubans, and evidence suggests that large amounts of people left their government positions to pursue less prestigious careers driving taxis and waiting tables to collect tips from tourists.^{xviii} Crucial to the development of the tourist sector was Castro's 1993 decision to legalize self-employment.

A Self-Employed Cuba

^{xiv} Cynthia Benzing, "Cuba: Is the 'Special Period' Really Over?" *International Advances in Economic Research* 11, no. 1 (2005) 69-82.

^{xv} Diane Kuntz, "The Politics of Suffering: The Impact of the U.S. Embargo on the Health of the Cuban People. Report to the American Public Health Association of a Fact-Finding Trip to Cuba, June 6-11, 1993," *Journal of Public Health Policy* 15, no 1 (Spring 1994) 86-107.

^{xvi} Susan Eckstein, "Dollarization and Its Discontents: Remittances and the Remaking of Cuba in the Post Soviet Era," *Comparative Politics* (April 2004): 318.

^{xvii} Dr. Juan Del Aguila, Interview 11/06/06.

^{xviii} Brian Latell, *After Fidel* (New York, NY: Palgrave Macmillan, 2005) 240.

In order to combat the unemployment crisis in Cuba after the Soviet collapse, Castro legalized self-employment, which introduced a whole new system of economic freedom to Cubans. This was financially beneficial to both the government and the people engaged in these 140 new occupations, though the legitimacy of the socialist regime was perpetually in question regarding this decision.^{xix} These positions brought a system of private economic activity to the Cuban economy; now, Cubans began to earn for themselves rather than for the Revolution. In his 2000 article, Charles Trumbull depicts the life of various entrepreneurs in Cuba during the Special Period. About David, a bicycle taxi rider, Trumbull writes:

David bought his first bicycle taxi shortly after arriving, spending all of his savings...he works six days a week to support his wife and child...David makes up to \$150 a month after taxes, which is about ten times what he could make working for the state...his entrepreneurial ethic is clear, as he works up to 80 hours a week^{xx}

David's story gives a clear and convincing example of the type of capitalistic activity that pervaded Cuban society during the Special Period. Although David could have worked for the state and made the wage deemed appropriate by the leaders of the Revolution, he opted to work harder for his own benefit. This is one of the main reasons that people preferred self-employment over government jobs; the government wage oscillated between \$7-15 a month.^{xxi} In his decision to ride a taxi, David bypassed the socialist system's limitations, established an entrepreneurial lifestyle, and contributed shades of free market enterprise to a socialist system. It was this spirit that synthesized a mixed economy for Cubans.

At the top of the list of self-employed occupations was the lucrative house renter, or owner of a *casa particular*. Often, these people operate illegitimately, outside of the law, to accrue more personal funding. Trumbull speaks to this point in his work, stating that, "...no one in Cuba reports what he or she actually makes...and many apartment renters do not even register with the government and lease rooms clandestinely."^{xxii}

After seeing the success of self-employment in Cuba, Castro decided to impose heavy taxes on self-employed Cubans in 1996. Instead of sacrificing their hard earned money for the Revolution, the people deregistered from self-employed status. Mesa-Lago writes that, "[in 1996]...the number of [self-employed] registered decreased from 208,500 to 180,000, and further declined to 171,861 in March of 1997."^{xxiii} This shows that many Cubans preferred breaking the law in the interest of profit. The Cuban people's pursuit of a dollar income regardless of the legality of their activity demonstrated a veritable capitalist spirit within the framework of a supposedly socialist society.

^{xix} Carmelo Mesa-Lago, "Assessing Economic and Social Performance in the Cuban Transition of the 1990s," *World Development* 26, no. 5 (1998) 869.

^{xx} Charles Trumbull, "Economic Reforms and Social Contradictions in Cuba," *Cuba In Transition* (ASCE, 2000) 306.

^{xxi} Trumbull, "Economic Reforms and Social Contradictions in Cuba," 310.

^{xxii} Trumbull, "Economic Reforms and Social Contradictions in Cuba," 306.

^{xxiii} Mesa-Lago, "Assessing Economic and Social Performance," 870.

A Greener Grass at the Dollar Store

Self-employment and the tourist sector generally enabled Cubans to participate in the dollar economy, and purchase items in *tiendas de la recuperacion de divisas*, or dollar stores. In order to collect hard currency from the people, Castro established stores that sold products in dollars, rather than pesos.^{xxiv} In effect, he increased the value of free market incentive in Cuban society by offering better products in dollars than those available in the peso economy. Cubans found a real reason to work hard for their own financial benefit. Sociologist Susan Eckstein writes that, "In developing the system of [dollar] stores, the government tacitly encouraged materialism it previously deplored," clarifying the increase in Cuba's newfound materialism during the Special Period.^{xxv} The quality of products increased in the dollar store, as well; dollar stores sold foods and medicines superior to those available in the ration stores.^{xxvi} Conditions were "special" during this period of time, but the Cuban government strayed far outside of socialism by excluding important medicines from its rations. This was, in effect, Castro's decision to partially privatize medicine—a policy that contradicted the administration's previous emphasis on free healthcare, exposing the hybridized nature of its economy.

Success and Ills of the Tourist Sector

Tourism boomed during the Special Period, and as a primary mechanism of bringing dollars to Cuba, the industry became by 1998 the second most important source of hard currency for the Cuban government.^{xxvii} Though it had brought immense amounts of capital to the Cuban government, tourism had immediate disequilibrating effects on the Cuban population. Sociologist Alejandro De la Fuente explains:

Blacks have to cope...with racial prejudices of Cuban Managers... [and] those imported by foreign investors and their managerial personnel. They are, however, in a weak position to combat such prejudices, given that these investors are a key element in Cuban developmental strategy.^{xxviii}

In this way, Black Cubans suffered more racial discrimination than Whites throughout the Special Period, which limited their involvement in the tourist sector, and consequently, their access to dollars. This condition seriously contradicted the principles of egalitarian socialism and generated inequalities that had characterized the capitalist regime prior to the Cuban Revolution. The reemergence of "capitalist ills" in Castro's supposedly socialist society contributed to a generally mixed economy. Outside of the tourist sector, the access that Blacks had to dollars was severely limited by the legalization of remittance

^{xxiv} James E. Ross and Maria Antonia Fernandez Mayo, "Overview of Cuba's Dollar Food Market: An Exploration of the Purchasing and Distribution System," *Cuba In Transition* (ASCE, 2000): 277.

^{xxv} Eckstein, "Dollarization and Its Discontents," 320.

^{xxvi} Ross and Fernandez Mayo, "Overview of Cuba's Dollar Food Market," 278.

^{xxvii} Mesa-Lago, "Assessing Economic and Social Performance," 867.

^{xxviii} De la Fuente, "Recreating Racism" 7.

sent from Miami. De la Fuente continues, showing that, "...about \$680 million of the \$800 million dollars that enter the island every year...end up in white hands,"^{xxxix} and evidenced the weakening of Cuba's egalitarian principles during the Special Period. A side effect of the regime's reform program was the regeneration of the very same inequalities that had pervaded before the Cuban Revolution, and contributed to the breakdown in socialist ideology. The advancements Castro had made fell to the wayside, resulting in unequal opportunity in Cuba, a quality shared by many capitalist societies that Castro had criticized for years. As victims of this policy change, Afro-Cubans were less likely to support Castro's push for socialism in the future after he had faltered in upholding his promise to them.

Tourism, aside from having created social disparities, fueled the rapid resurgence of prostitution during Cuba's Special Period. As Castro opened the doors to tourists, men poured in by the thousands in search of wild nights in the Caribbean—an attraction that would remind anyone of Cuban society in the days before the Revolution. Prostitution grew exponentially during the Special Period.^{xxx} Journalist Ben Corbett interviewed several prostitutes in Cuba, and discovered that though illegal, life as a prostitute paid so well that even professionals leave their positions to walk the streets at night. Maria was one of the interviewed, and revealed that regardless of the government's condemnation of prostitution, it turned a consistent blind eye to this illegal activity. "There is much tolerance for delinquency in Cuba. If you don't make waves, you can earn a living in prostitution without any problems," she explained.^{xxxi} For Castro, prostitution was perhaps the most counterrevolutionary form of capitalism that resulted from his decision to dollarize the economy because it combined a blatant form of capitalism with a violation of the moral code that his regime established under its principles of socialism. In the interview, Dr. Del Aguila explained that, "Prostitution was considered to be a form of corruption, an undermining of an established moral cannon," and explained prostitution as an aspect of Cuban society that threatened the morality and ideology of the Revolution. In this way, prostitution cultivated the seeds of capitalism in Cuban society while engendering a profound threat to the ideology of Cuba's supposed socialist regime.

A Breach in Ideology

"Foreign tourists come from capitalist countries and promote a consumer ideology, the resurgence of prostitution, illegal activities, and inequalities; and Cuban-US visitors are sources of ideological penetration."^{xxxii} Castro's market reforms not only encouraged capitalist activity in the Cuban economy, but also carried serious ideological contradictions to the nation's supposed socialism. For so long, Castro had condemned the use of dollars in transactions, and even handed out jail sentences to those possessing them.^{xxxiii} In 1988, Castro condemned the Soviet Union's decision to employ capitalist remedies through *Perestroika*: "A

^{xxxix} De la Fuente, "Recreating Racism" 6.

^{xxx} George Lucas, "Buy Girls and Keep Castro in Power," *The New Statesman* 1999

^{xxxi} Ben Corbett, *This Is Cuba: an Outlaw Culture Survives* (U.S.: Westview Press, 2004): 70-72.

^{xxxii} Carmelo Mesa-Lago, "Assessing Economic and Social Performance," 873.

^{xxxiii} Dr. Juan Del Aguila, interview, 11/06/06.

regime cannot commit strategic errors such as using capitalist methods in socialism...problems must be resolved with honor, morals, and principles."^{xxxiv}

Suddenly, dollars, and everything that came with them became the saviors of socialism: tourism, dollar products, and self-employment ventures. In 1993 Castro legalized the sending of remittances from abroad to Cubans on the island.^{xxxv} Since virtually all of these remittances came from Miami Cubans in exile, Castro essentially extended his hand to the same Cubans that betrayed him in their flight to the United States. Furthermore, these dollars were earned by people in the United States, so capital generated in the United States entered Cuba during the Special Period. Castro begrudgingly gave Cubans a taste of Americanism and they reveled in the free market opportunities. Vice President Raul Castro recognized this "capitalizing" of the Cuban people, and expressed his disgust during the Central Committee meeting in 1996:

The psychology of the private producer and the self-employed worker in general, as a result of the personal or family origin of their incomes—the private sale of good or service they produce—generates individualism and is not a source of socialist *conciencia*.^{xxxvi}

This clearly demonstrates the administration's awareness of its society's changing psychology of economics, and suggests an ideological disconnect between the capitalistic actions of the Cuban people and their leaders. Certainly, the reforms caused a crisis in the legitimacy of a socialist revolution that introduced capitalist elements into its society.

Conclusion

Cuban society acquired a number of vehicles of free market opportunity throughout the Special Period that created an economy torn between capitalism and socialism. Elements of free market crept into Cuba, manifesting themselves in tourism, self-employment and purchases at dollar stores. Dollarization of the economy enabled all of these industries to thrive, and legitimized in the Cuban people the sense that one can work for what he or she earns. From *casas particulares* to taxi riding, Cubans showed that given a chance to earn a wage better than what the government rationed, they could thrive. The Cuban preference for the dollar economy was unquestionable; after its legalization, the dollar contributed largely to this instillation of capitalism within the socialist framework of the Revolution. The failure of Castro's regime to uphold its egalitarian ideology exposed the flaws of the regime, and allowed the ideology behind capitalism to permeate Cuban society even further. The struggle between capitalism and socialism was a defining feature of the Twentieth Century, and one that extends well into today's world.

^{xxxiv} Fidel Castro, Interview with AFP, Paris, 7/24/88.

^{xxxv} Alejandro De la Fuente, "Recreating Racism: Race and Discrimination in Cuba's 'Special Period'," *Georgetown University Cuba Briefing Paper Series*, no 18 (July 1998) 6.

^{xxxvi} Archibald Ritter, "Entrepreneurship, Microenterprise, and Public Policy in Cuba: Promotion, Containment, or Asphyxiation?" *Journal of Interamerican Studies and World Affairs* 40, no. 2.

The objective of this essay has been to investigate the existence of free market activity in Cuba that created a mixed economy throughout the Special Period. The people of Cuba jumped at the chance of a free market economy in its limited form after Fidel Castro legalized the U.S. dollar, and created a society that valued the impact of hard work for one's earnings despite the restrictions of a centrally planned economy. The ways in which the people seized these opportunities varied considerably; those in the service industry took advantage of the financial reward that dollars presented legally. Others, like prostitutes and hustlers pursued illegal means of obtaining dollars, and to a large extent, were successful. Both methods of earning dollars coexisted and defied Castro's insistence that socialism would live on past the Special Period.

The Special Period was a turning point in Cuban history. By the late 1990s, many Cubans had lost faith in their country's official economy and socialist ideology, and decided instead to pursue microenterprise. Stringent application of socialist ideology is what drove Cuba towards economic collapse in the early 1990s, and after the Soviet crash, generations of Cubans watched as capitalism saved their socialist system. As a result of this free market activity and the influx of tourism, the ideology of socialism suffered considerably during Special Period. Cuban leaders contradicted their own socialist principles by offering free market solutions to the economic crisis. Over time, these leaders discredited themselves before a nation of emerging Cuban entrepreneurs. The failure of the Cuban government to act to contain the prostitution and racism associated with tourism further evidenced this crisis in ideology. In the end, capitalism wove neatly into the fabric of socialist Cuba during the Special Period, and produced an economy that reflected fundamentals of both systems.

Further Implications: A Globalized Cuba

The persistence of the Cuban Revolution in today's intensely globalized world is a wonder. It is an issue of exceptional interest to me, and demands more and more attention as Castro's health fades. Cuba played an integral role in shaping global history in the Twentieth Century, and is one of the last nations on earth to repudiate capitalism and claim to be purely socialist. Cuba did not join its former partners in Eastern Europe in the official transition from socialism to capitalism. Many of those countries—the Ukraine, for example—have advanced considerably in our highly connected world economy. My sense is that Cuba would have found immense success as a transition economy in the 1990s. As an attractive tourist destination with immense supplies of natural resources, Cuba could have inserted smoothly into the world economy instead of enduring the socioeconomic decline of the Special Period. More importantly, the world would by now hear the voice of a Cuban people who have so much to offer culturally and economically.

The free market activity of younger Cubans in the Special Period has prepared them for the day that their current mixed economy is liberalized further into capitalism. This will likely happen in the next fifteen years, and Cubans will be ready. They have demonstrated a capacity for free market initiatives, and despite the assertions of their aging leader, they view capitalism as the

wave of the future. The promise of the Revolution has already been broken, and frankly, Castro has been misleading Cubans for far too long.

The future of the Cuban Revolution is unclear; Fidel has reached eighty years and his health fails him constantly. Nonetheless, he insists that his Revolution live on. His brother, Raul, has assumed the presidency while Fidel attempts to recuperate from apparent strokes and heart failures. One day, Raul will hold the presidency without his brother's constant imperatives. Interestingly, Raul's past actions suggest that he will be more willing than Fidel to compromise with Western enterprise. Former CIA analyst Brian Latell writes about Raul's changing attitude towards the U.S., asserting, "I believe...that once in power in his own right, he will place an early and high priority on improving relations."^{xxxvii} If this be the case, then the Cuban people will be able to proudly assert themselves as entrepreneurs. In such a society, their lives of illegality and struggle will cease, allowing their free market experience to earn them the income they deserve.

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