

## **Cuba's Economy: Lurching Toward Capitalism**

For thirty years, Fidel Castro's Cuba withstood the rigours of a U.S. boycott, principally by virtue of massive economic support from the Soviet Union and its satellites. With the collapse of the Soviet system, Cuba's situation has become truly critical and the government's response has been gradually to abandon some aspects of state socialism and to edge toward greater accommodation with the United States.

In June of 1993, Castro announced that the longstanding ban against owning dollars would end. Artists, athletes, and others earning hard currency abroad would be allowed to keep it. Cubans who inherit dollars from relatives in the United States are now allowed to keep half of the money, and other restrictions on receiving hard-currency gifts from abroad are being eased.

In practice, the dollar is already the preferred currency in Cuba. The peso is officially worth one dollar, but a dollar may be traded for sixty pesos on the street. Special stores stocking the most desirable goods do business only in hard currency; prostitutes and black marketeers, who abound on the island, often insist on payment in greenbacks.

Foreign investment is on the rise as well, mostly in tourism, but also "...in oil, nickel, citrus, a shipyard, telephones and cosmetics. Investors are being granted increasing freedom to operate, to hire and fire, and to export and import..." The number of registered foreign firms nearly tripled between 1989 and 1993, to 293.

Castro's decision to move toward capitalism appears to be calculated retreat from socialist principle in order to maintain political control. Cubans grumble about the chronic lack of almost everything from automobile parts to surgical equipment, but they appear willing to continue to accept the legitimacy of the government so long as it maintains this exceptionally high level of social services to which citizens have become accustomed. Despite the chaotic state of the economy, not only hospital has been closed and universal free public education, which has virtually eradicated illiteracy, is still available. Rents continue to be heavily subsidized a small apartment in the capital may cost as little as 20 pesos, about 30 cents at the black market rate.

No one knows how much longer Castro can hold out. There is little overt popular dissent, but the 1993 sugar crop was 40 percent smaller than the 1992 harvest meaning that "...imports of oil, food and other necessities, which fell by \$6 billion between 1989 and 1992, will fall again."

Source

Robinson, Linda. "Capitalism Comes on Little Cat Feet," U. S. News and World Report, July 26, 1993, pp. 42-45.