

Economic Reforms and Private Business in Cuba

Richena Purnell-Sayle

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For the first time in sixty years, Cubans can now legally sell their produce at an outdoor farm stand, sell used books and produce and sell their own wine. Those rare Cubans who make more than \$20 per month can purchase consumer goods such as cars and services such as tutoring for their children or training for their dog. Related to these changes, Cubans will also soon see a change in the national currency, the elimination of hundreds of thousands of government jobs, and a decrease in guaranteed food rations. Regardless of its rescinded attempts in the 1990s, Cuba has entered an unprecedented period of economic reform. This paper will explore the most recent reforms and examine how they relate to the legalization of private business in Cuba after years of government control of the private sector. Furthermore, this paper seeks to recognize and discuss Cuba's challenge in creating a market-socialist model with the precise mix of market creation and socialism to fit the needs of this unique country. Lastly, since study on Cuba's new reform period is in its infancy, this paper will address what previous and new research can offer insight on the topics and what type of research should be pursued next.

I. Brief historical background of Cuba's economic state

After Cuba's independence from Spain in 1898 until the Revolution in 1959, the United States had heavy influence over the Cuban economy and political leadership. Many elite, from Cuba, the U.S. and abroad frequented the island for upscale vacations. Favorite destinations included resorts and casinos owned by the American Mob. Furthermore, the Cuban President, American-backed dictator Fulgencio Batista, was well known to favor foreign business with policy and special favors. These economic inequalities associated with a corrupt form of capitalism in Cuba informed part of the motivation behind the revolutionary activities in the late 1950s. The revolution eventually resulted in the ascension of Fidel Castro to the presidency and Cuba's transformation from a capitalist government to a socialist regime. This transition was marked by substantial economic change. First, the Castro government nationalized foreign and national businesses and assets, including resorts, residential property, and church property. An important motivation behind these seizures was Cuba's desire to re-take ownership of its natural resources and valuable property.¹ However, in an effort to nationalize completely, all small businesses (besides a few farms) were also seized by the government. Since then, most Cubans have been employed by the national government. Aided by this newfound ownership and power, the government created a central management system influenced by its new affiliation with the

¹ Antonio Romero Gomez, "Cuba: Economic Dynamic Transformations and International Re-Insertion" (Lecture, Center for the Study of the Cuban Economy at the University of Havana, January 6, 2014).

USSR; as part of this relationship, Cuba focused production on sugar and nickel for export to the USSR, and the USSR provided Cuba with oil, consumer goods, and financial and political support. The sum of these actions virtually eliminated the role of the financial market in Cuba, which is still largely absent.

From the 1960s through 1985 during Cuba's most successful post-revolution period, the country saw drastic improvements in upward social mobility. Consistent with the stated goals of the revolution, the government focused on creating high-quality healthcare, primary and secondary education, and meeting basic food and housing needs for every Cuban. It did not invest as much effort toward economic growth, as evident in its limited diversification and dependency on the Soviet Union. Consequently, when the USSR collapsed in 1991, Russia discontinued its economic and political partnership with Cuba, including its purchases of sugar and nickel. By 1992, Cuba had entered a severe economic crisis, exemplified by a 40% decrease in GDP, a 50% decrease in oil imports, and 50% decline in real income for Cubans.² Although most of the population remained employed by the government, a typical income was no longer worth enough to cover basic needs. However, even though Cubans were more dependent on rations to covers basic dietary needs, lack of financial resources caused the government to decrease rations by 50%, causing most of the population to rely on the black market for sustenance.³

During the economic crisis of the 1990s, which the Castro administration named "the Special Period in a Time of Peace," the government instituted the first significant wave of market-oriented reforms after resisting them for so long. Cuba legalized possession of foreign currency and opened some markets to attract foreign tender through FDI, namely by partnering with Spanish and Canadian tourism companies. It introduced the dual currency model in order to infuse much needed dollars into the country, while Cuban exiles in the United States began to send remittances to family in Cuba. (Since these remittances were in the form of a more valuable convertible currency, receivers were not only able to feed and clothe their families, but they quickly increased their real income and living standard compared to their comrades, as well.) Additionally, Cuba enacted the first step to opening the economy to local private business through converting many state farms to cooperative models wherein the workers owned the land and rights to sell some of the produce for income.

Even before the "Special Period" began, a robust black market sector for goods and services had developed, partially as way to obtain goods not offered by the central government and partially as a way

² Ibid.

³ Archibald R. M. Ritter, "Entrepreneurship, Microenterprise, and Public Policy in Cuba: Promotion, Containment, or Asphyxiation?," *Journal of Interamerican Studies and World Affairs* 40, no. 2 (July 1, 1998): 75.

for Cubans to take advantage of rationed goods for which they had no need.⁴ The desperation for revenue caused by the “Special Period” led the government to legalize private business in order to garner taxes from more than 100 private activities that were already thriving in the informal economy. Most of the legal businesses were low-skilled service sector businesses, such as transportation, small restaurants, and repair services. Selling professional services such as business consulting, law, and engineering were strictly prohibited—and still are. Evidenced by high taxes and unfavorable comments in the press, the Cuban government was never a fan of the burgeoning private industry and had closed down most of it by 1998. Socialist leaders, including Fidel and Raul Castro, clearly felt that although opening the private sector was temporarily necessary to “save socialism,” private businesses would create individualist feelings that were incompatible with socialism in the long run.⁵ Due to complaints regarding the social effects of the reforms and better economic conditions caused by service exports and Venezuelan support, the domestic economic reforms had halted almost entirely by 2003.⁶

However, the transition of Cuban political leadership from Fidel Castro to Raul Castro in 2008 has led to unprecedented post-revolution reforms, especially those economic in theme. Reasons for the push for reform include Cuba’s high dependence on food imports, technologically obsolete manufacturing, and a large reduction in tourism due to the global economic recession.⁷ Of course, many of the modifications could simply be because of the change in presidential leadership after more than forty years. Raul Castro does have a reputation for being less politically charged and more realistic than Fidel, even though he was a confidant to his brother since before the revolution. Of course, Raul Castro’s comments in the 1990s and earlier did align with party views on the negative qualities of private business and its tendency to challenge the socialist way, but times have changed. In the 6th Party Congress Central Report, Raul stated that “the growth of the non-public sector of the economy . . . will allow the state to focus on raising the efficiency of the basic means of production, the property of all the people, while relieving itself from the management of activities that are not strategic for the country.”⁸ In other words, not needing to provide every good, service, and employment to the public allows the government to focus on the services it feels must be centrally planned and provided.

II. Modern economic reforms, 2008 to present

⁴ *Ibid.*, 73.

⁵ *Ibid.*, 81.

⁶ Romero Gomez, “Cuba: Economic Dynamic Transformations and International Re-Insertion.”

⁷ *Ibid.*

⁸ “6th Party Congress Report; Granma.cu - Cuba,” accessed January 26, 2014, <http://www.granma.cu/ingles/cuba-i/19abril-Central%20Report.html>.

From 2008 to the end of 2013, the economic reforms created changes in more than 100 areas. Most were related to the themes described below. The bulk of the reforms, solidified and announced during the 2011 6th Congress, were part of a two-year planning and discussion process.⁹ First, government officials, with the help of academic advisors, developed a proposal of reforms. The public then discussed the reforms and voted to create local commissions to reflect their opinions. Then, congress in small and large committees analyzed the public's suggestions and made some changes. Lastly, the Nation Assembly approved the reforms. Similar to community concerns worldwide, the public was reported to be most concerned about food prices, transportation, and housing and salary issues.

Currency unification. The current dual currency system is partially responsible for a growing wealth disparity in Cuba. Those who have access to CUC, the convertible currency, through remittances, work abroad, or work in the tourist economy have vastly more purchasing power than those who earn CUP, the national currency. There are also many goods and services that are simply not available in CUP and therefore not accessible to segments of the populous. However, it is the government workers, currently between 85% and 90% of the population, who earn wages in CUP. In an effort to rectify the inequalities and numerous accounting and investment problems associated with the dual currency system, the Cuban government announced plans in fall 2013 to create one currency, the Cuban Peso. (Prominent economists have been calling for this move for well over a decade.) Cuban policy makers and advisors are still in informal conversations with international organizations such as the World Bank and the IMF to decide the value of new currency and the best ways to roll it out.¹⁰ It is generally assumed that the process will take two years and involve the devaluing of the CUC and slight revaluing of the peso. One scholar suggested that the rate could be near 10 Cuban pesos to 1 American dollar.¹¹ This change in monetary system will clearly be one of the most consequential parts of recent policy reforms.

Reducing the state payroll. In 2010, the government controlled 90% of the economy including the Cuban workforce.¹² During the 2011 6th Party Congress, the state announced upcoming layoffs for between 500,000 to 1 million workers (out of 5.1 million population) from the state payrolls.¹³ However, the state payroll reduction goals have not yet been met. Many other government reforms regarding private business regulation must be implemented in order for former government workers to find employment elsewhere. The government is hoping for the private sector to employ 50% of the

⁹ Romero Gomez, "Cuba: Economic Dynamic Transformations and International Re-Insertion."

¹⁰ Ibid.

¹¹ Ibid.

¹² Richard C. Becherer and Marilyn M. Helms, "Is Cuba's Emerging Entrepreneurial Economy at the Crossroads?," *International Journal of Emerging Markets* 6, no. 4 (September 27, 2011): 374.

¹³ Ibid., 370.

population and create 40% of Cuba's GDP by 2015.¹⁴ Based on progress so far, it is unlikely that Cuba will reach this goal.

Ration card and subsidies. The most unpopular of the reforms is the state's plan to reduce subsidies and the ration system. The government has said that the rations are often given when not needed, causing unnecessary expenditures. Therefore, it should be replaced by a needs-based welfare system similar to U.S. food stamps. Also, since Cuba receives a lot less food from its now independent farms, it cannot afford to provide basic food staples to every Cuban.¹⁵

Agriculture sector reforms. Agriculture sector reforms have included the transfer of large amounts of state land to private or cooperative farms. Additionally, farmers can work state land not currently in use. Farmers can also now sell their own produce and products made from it. In the past, even private farmers were obligated to sell their produce to the state and could not manufacture related goods. Although related to the private business reforms, Cuban agricultural reforms are expansive enough to be the subject of another paper.

Selling property. Cubans can now visit all tourist destinations in Cuba and can buy vacation homes (up to three homes in total) now that buying and selling property is newly legalized. In the past, Cubans could only trade houses and apartments. This was difficult since the properties in question were rarely equal in value. Cubans who did not already have a home had no way to obtain one. The opening of regulations on house purchases has created a budding real estate market complete with newly legalized realtors. However, the cost for housing is often drastically higher than Cuban salaries. Consequently, only upper class Cubans or those receiving remittances can afford property. (It is important to note that it is extremely difficult for Cubans to borrow money. Loans that are available are for home mortgages, not for business capital.) As of January 2014, Cubans can also now purchase new or used cars from the government. However, prices are still high enough to repel most potential customers. For example, a 2010 Volkswagen Pasat costs around \$70,000.

III. Effects of Reforms on the Private Sector

The most popular parts of the reforms in Cuba are associated with the opening of the domestic private sector. Like the reforms in the 1990s, Cubans can once again legally open businesses as long as they pay for a license, which requires a monthly fee and annual tax on their gross revenue. As in the past, would-be entrepreneurs chose which business they would like to start from a list of legal jobs. In 2008, the list numbered 178 options, and as of 2013, the list had increased to 201 options. Once again,

¹⁴ Romero Gomez, "Cuba: Economic Dynamic Transformations and International Re-Insertion."

¹⁵ Ibid.

all of these jobs are low-skilled careers with low barriers to entry, and most are related to owning a small restaurant (*paladare*), a small bed-and-breakfast (*casa particular*), transportation, maintenance, and some retail.

Small businesses. As of December 2013, 440,000 Cubans (10% of the population) were registered as self-employed,¹⁶ and an additional 575,000 Cuban farmers work privately or in cooperative farms. Interestingly, any Cuban working in private business, whether the owner or the worker, must register as self-employed. Richard Feinberg has estimated that an additional 600,000 to 1 million Cubans run un-registered full-time businesses or do un-registered work on the side in an effort to supplement earnings from their work in the public sector.¹⁷ The lack of research on the black market makes it hard to determine the extent of this type of employment, but the desperate situation caused by the special period and weak national currency has led researchers to largely agree that the black market rate is very high.) If these numbers are correct, as many as 2 million Cubans (40% of the population) can be considered part of the private sector. Of course, they are not participating in the way that the government needs them to in order to garner revenue from taxes and reduce state payrolls.

Regulation changes for private business. Feinberg has identified the following notable outcomes of the 2010 reforms (announced in the 6th Party Congress) that are meant to make running a private business more feasible.¹⁸ First, by paying social security tax, private businesses can enroll in the state social security system. This provides self-employed individuals with many but not all of the benefits associated with working in the public sector, such as free healthcare and education for dependents. Second, governments businesses can now do dealings with the private sector. For example, a state-owned restaurant can hire a self-employed restroom attendant or buy produce from a cooperative farm. Third, businesses can now hire workers outside of family and, in many cases, can hire as many employees as they need. Forth, private businesses can rent and use buildings from the government or from individuals as an alternative to operating businesses out of their homes. (Although in process, this is not fully functional in practice, and few private businesses can afford to rent property.) Fifth, private restaurants can now have 20 tables instead of 12. Lastly, public-sector employees can now legally also work in the private sector. However, because of the limited options available for private

¹⁶ Ibid.

¹⁷ Richard E. Feinberg, *Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes*, Latin American Initiative (Brookings, November 2013), 2, <http://www.brookings.edu/~media/Research/Files/Reports/2013/11/cuba%20emerging%20entrepreneurs%20middle%20classes%20feinberg/cuba%20entrepreneurs%20middle%20classes%20feinberg.pdf>.

¹⁸ Ibid., 13.

sector work, few specially trained public employees like accountants and doctors can utilize their skills privately.

Tax structure. At the writing of this paper, the tax structure for Cuban private businesses is still under construction, and many aspects of it remain unclear to both the Cuban populous and foreign researchers. However, we know that Cuban private businesses face at least the following taxes:¹⁹

- A monthly license fee based on occupation but not related to revenues.
- Set contributions of around \$4 a month per employee to social security.
- Although there is no payroll tax on a business' first five employees, there is a payroll tax on the 6th to 10th employees and an even higher tax thereafter.
- A tax on net revenues paid monthly and adjusted at the end of the year.
- An additional 10% tax on gross revenues.

The Cuban government has clearly designed a progressive tax system which corresponds with its long held suspicion of the private market and priority toward the social stability of the populous. There is clearly no plan to allow a few Cubans to get very rich from private business. As an example of how the tax code prohibits large wealth generation, Feinberg points out that the need to pay taxes in CUPs creates an additional loss for businesses that are paid in CUP. Businesses must also seek permission and pay special taxes in order to market in public. However, there is also a special tax code for "simple activities" such as street vendors and gardeners; these businesses are limited to one employee. The only taxes these entrepreneurs pay is a fixed monthly quota and social security taxes.²⁰ When looking at the motivations and process of a socialist government experimenting with a market socialist model, it is important to note that the government has demanded total equality of incomes until quite recently. This means that the recent reforms are a large and likely uncomfortable step for the Cuban government. Many American economists see mandatory contributions to the state such as social security obligations and progressive payroll taxes as an obvious disincentive for business expansion.²¹ However, it is not clear from the publications of Cuban economists or other anecdotal pieces that Cuban business owners view the situation from the same perspective.

Financing a private business. The few bank loans available to individuals in Cuba are reserved for the new mortgage market. Even if formal lending institutions were to make more credit available to small businesses, long-held mistrust of the national financial institutions has kept most entrepreneurs

¹⁹ Ibid., 30–31.

²⁰ Ibid., 31.

²¹ Ibid., 29.

wary of borrowing at national banks.²² Local or international microfinance groups have not yet arrived in Cuba, unlike much of the developing world. (The government would have to create a mechanism to allow this type of agency to operate.) New private business owners tend to find capital in two places: remittances from family overseas or saved money from work abroad. Fortunately for Cubans with access to this type of financing, the dual currency system that favors holders of the CUC over the CUP signifies much-needed purchasing power for the entrepreneur. Additionally, private business owners have to rely on existing resources such as family property and cars. This puts those with these assets at substantial advantage over those with a small family or limited inheritance.

The resourcefulness of Cuban entrepreneurs and their wish to work without formal debt can serve as an example for private business owners worldwide. For instance, Cubans often build what they cannot find and fix what they cannot replace, such as 50-year-old cars for taxi services or hand-engineered ovens for restaurants. Exemplifying investment diversification, entrepreneurial families often use profits from one business to finance the creation of another different type of business²³.

The list. Every private business in Cuba must be one of the 201 types of business allowed by the Cuban government.²⁴ Some items on the list like “Spark Plug Cleaner and Tester” and “Palm Tree Trimmer” are comically specific. 178 items were permitted by 2010, and the rest were approved in 2013. It is clear that the list intentionally focuses on low-skilled service sector businesses that by nature tend to remain small. No high-skilled occupations such as doctors, lawyers, journalists, and manufacturers make the list. Notably, private tutoring is allowed, but current school teachers are excluded from the list. This means that although the most recent economic reforms allow public sector employees to work in the private sector, it is unlikely that they can work in the area in which they are trained. Even if many government employees are soon laid off, they will be restricted to the list of 201 occupations whether or not they have any training or aptitude for them.

Therefore, if the government is serious about moving 50% of the population to the private sector, hundreds more activities will need to be added to this list. Although the list has been labeled as arbitrary, it was created based on businesses that already existed in the informal, or black-market, economy.²⁵ However, there must be many other black market activities, including retail sales,

²² Ibid., 15.

²³ Ibid., 17.

²⁴ “List of 201 Legal Occupations for Small Business Entrepreneurs in Cuba,” *Havana Journal*, accessed January 21, 2014, <http://havanajournal.com/business/entry/list-of-201-legal-occupations-for-small-business-entrepreneurs-in-cuba/>.

²⁵ Omar Everleny Pérez Villanueva, “Questions and Answers on Recent Cuban Economic Reforms” (Lecture, Center for the Study of the Cuban Economy at the University of Havana, January 16, 2014).

entertainment, and consulting businesses that have not made it to the most recent version of the list. Many prominent economists have recommended that Cuba create a list of businesses that are prohibited instead.^{26 27} This idea makes sense assuming that the government is not closely considering each activity on the list and how much the addition of the particular activity would challenge the status quo. From an economic prospective, the opening of the activities list to anything a Cuban can dream up is the best way to encourage innovation and investment. However, this openness would cause a loss of control that the Cuban government has not experienced in more than 60 years. Furthermore, the Cuban government has been clear about its desire to reform smoothly and steadily (*“sin prisa, sin pausa”*). The only way to insure a smooth transition from centrally controlled socialist to market socialist is to make sure every transition is made with the smallest of unintended consequences. Cuba has very closely watched the transitions of other countries such as Russia and China, as evident by the government’s recent crack-down on small cinemas and video game salons that have sprung up in many Cuban’s homes. The government argues that not only were the salons not on the list of legal businesses and the equipment used was imported only for personal use, the cinemas were exposing young Cubans to uncultured media.²⁸ Here is where the government and Cubans will have to take a long, reflective look and their system and decide how much and in what areas of life the Cuban government or the party should decide for individuals. This question is very difficult but will perpetuate as the opening economy provides more purchasing power to everyone.

However, many, both in and outside of the country, point to Cuba’s slow and somewhat counter-productive policies as proof that the economic reforms are half-hearted at best. Cuba might be tolerating just as much private business as needed in order to gain tax revenue and alleviate some strain from the government payrolls. Certainly, Fidel Castro pulled back similar economic reforms before. Furthermore, the lack of implementation of previously announced reforms and lack of certain other openings have created a lot of frustrations and growth-inhibiting situations. At the very least, many business owners and would-be business owners are waiting for clearer regulations before moving forward with specific plans. A well-known example is the desire for more information concerning laws on cooperative business.²⁹ Although the Cuban sentiment and previous job training seem to compliment the structure of cooperative business, very few exist outside of the farming sector because of the lack of

²⁶ Ibid.

²⁷ Feinberg, *Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes*.

²⁸ Andrea Rodriguez and Michael Blanding, “Raul Castro Issues Stern Warning to Entrepreneurs,” *Associated Press*, December 21, 2013, <http://www.usatoday.com/story/news/world/2013/12/21/raul-castro-warning-entrepreneurs/4157635/>.

²⁹ Feinberg, *Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes*, 19–20.

clarity concerning legality and required structure. (This is a little baffling since it seems as though the socialist government would prefer cooperative ownership over the individual ownership model.) Although many additional reforms are needed, Feinberg recommends that the government start with supporting two changes that would help small businesses: 1) Allow a wholesale market for business owners or give them access to the subsidized wholesale markets that state companies use; and 2) Open import markets to professional equipment that the legalized private businesses need.³⁰ However, these seemingly insignificant reforms could open the markets wider than Cuba is expecting if not handled carefully.

IV. Suggestions for Further Study

Much of the research used in this paper resulted from an unusual chance to attend lectures by prominent Cuban economists and policy advisors. Besides the recent publications by Richard Feinberg and earlier works by Archibald Ritter, other up-to-date information is only available in essay collections or news articles. Although there are plenty of data sets and academic articles from the mid-2000s concerning the Cuban economy, this information concerning the rise of private business in Cuba is already outdated. Although many of the reforms are stalled, others are in effect, and many private businesses have been open for a few years now. It is time to follow up with more in-depth looks at successes, challenges, and the wider effect of these private businesses on Cuba's economy and society. This section will cover questions that are still left largely unanswered by the current research, including where the gaps are in the literature and suggestions on what research should be collected to answer those questions.

First, the relationship of the newly legal private sector to the existing black market is unclear. To what extent are the new businesses replacing black market businesses? Although there is some assumption on the part of researchers and policy makers, the lack of research means there is little evidence whether the new businesses are replacing the black market at all. Indeed, since the supply of much-needed items such as wholesale products and machinery are still largely unavailable on the open market, business owners have little choice but to purchase these items in the informal economy. Both Ritter and Feinberg maintain that much more research, including comprehensive surveys of legal and illegal business owners, is required to have a better understanding of the situation.³¹ This lack of research is why the estimations of how many Cubans are engaged in the informal sector vary so widely.

³⁰ Ibid., 27.

³¹ Ibid., 8.

The best way to understand the relationship between legal businesses and those in the black market is to conduct comprehensive surveys within various districts of Cuba. Questions to registered businesses such as street vendors and taxi drivers should include: Did you operate this business in the informal economy before it became legal? If so, what are the benefits and costs of entering the legal market? Do you purchase products or services from informal businesses? Questions to unregistered businesses should include: If your type of business became legal, would you register it? If it is already legal, why have you not registered it? Of course, respondents might be hesitant to admit to engaging in illegal activities so some creativity would be to be applied here to ensure quality data. This is one of the reasons why research on black-markets has been limited to date.

Second, is there a prevailing government strategy behind the timing, order, and type of reforms, including the list of legal businesses and other business regulations? Many in the press have openly questioned whether the Cuban government intends for private businesses to succeed or whether they are once again viewed as a temporary measure that will help raise tax revenues. Others, such as Feinberg, view reforms such as the private business list or business taxes as “arbitrary”.³² Raul Castro and the party congress often repeat Cuba’s desire to implement reforms without haste but without pause, presumably in an effort to think through each policy before it passes. Therefore, what seems random to someone outside the government may instead be Cuba’s way of testing each new policy before unleashing another.

A reasonable method to determine Cuba’s reform strategy would be to study the *Granma International* newspaper and congressional reports to find a pattern among ideas, discussion, and the resulting passing of legislation. For example, how much did the public and expert comments on the reforms in 2010 affect the final plan? Are policy reforms more heavily informed by politics or economic strategy? How much access do Cuban and external economists have to the policy makers? To what extent does this final decision reflect the suggestions of Cuba’s influential academics? What similarities and differences lie between the reforms in the 1990s and those in 2010, and how has Raul Castro’s comments regarding economic reform changed? (It is also important to distinguish between Raul Castro’s approach and those of former president, Fidel Castro.) The literature on Cuba’s economic reforms would benefit from the creation of a chronological review of the party reforms of the last 10 years. This report should distinguish between which reforms have actually been implemented and the gaps in policy that on-the-ground experience with the laws has revealed.

³² Ibid., 35.

Lastly, is there an existing model for how the Cuban government can find balance between opening the economy enough to improve living standards without sacrificing post-revolution social gains? In other words, what would the ideal market socialist model in Cuba look like? Research seeking a present model would require two parts. First, one would need to take a global look at similar processes in other countries. For example, Alberto Gabriele has identified China and Vietnam as countries that have already implemented types of market-socialist models.³³ Sweden also has model worth exploring. Once relevant experiences have been located, scholars would need to compare these models to the Cuban case in order to determine if parts of those countries' solutions can work in Cuba. Cuba's unique history, culture and highly educated population necessitates the creation of a distinctive economic structure. Unlike the previously mentioned research suggestions, several Cubans and non-Cubans alike have already undertaken the search for the new Cuban model. Indeed, many have hoped for decades for Cuba to begin long-term economic transformation. The question at this point is not whether Cuba will change but if it can create more opportunities for upward mobility and economic development without sacrificing the social safety nets of which many Cubans are so proud.

Prominent Cuban economist Omar Everleny Pérez Villanueva has noted that "while the Cuban model has always sought to increase social equity, it has focused more on making services available for free than on providing opportunities for monetary income to citizens to ensure their access to these services."³⁴ In past decades, Cuba has been able to rely on resources from its socialist allies, including Russia and Venezuela, to provide services to its citizens. It now hopes that allowing its citizens to more actively engage in the marketplace will replace part of the economic responsibility related to this commitment. The next 10 years of policy making and implementation in Cuba should provide an indication as to whether Cuba will successfully achieve the balance it seeks.

³³ Alberto Gabriele, "Cuba: From State Socialism to a New Form of Market Socialism?," *Comparative Economic Studies* 53, no. 4 (December 2011): 647–678, <http://dx.doi.org.mutex.gmu.edu/10.1057/ces.2011.26>.

³⁴ Jorge I. Domínguez et al., eds., *Cuban Economic and Social Development: Policy Reforms and Challenges in the 21st Century* (Cambridge, Mass.: Harvard University Press, 2012), 33.

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