

Parallels and Opposites: Finance and Daily Life in Cuba and the United States

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This document is a casual overview of certain aspects of Cuban society and organization, as it contrasts with the rest of the world, and especially the United States. The distinctions and comparisons are unavoidable and greatly intriguing. Most Americans who visit Cuba have never spent time in a country under a similar regime, and certainly not anywhere that could call itself similar. Both countries are unique and renowned, as much for their culture as for their dedication to a their own economic system. Of course, their physical proximity makes comparisons more interesting and the conflict would not be so pressing without it.

Even the casual American visitor to Cuba will recognize great differences in the *vida cotidiana* of the two countries. Aspects taken for granted in each country are flagrantly absent in the other; each has great advantages and disadvantages. Almost everyone on either side identifies closely with their own country's approach and feel threatened by the other, so the governments are extremely cautious of each other. This distrust has, of course, fomented a rich history of poor relations¹.

Domestic Monetary Policy

1 Smith, entire book.

The policy of a centralized economy to organize and distribute the country's finances is sharply different from the laissez-faire capitalist style of the United States. Here, one earns money with which he pays for housing, food, education, medical care, clothing, and so on, and a comparatively small amount for taxation. In Cuba, the above are all rationed, heavily subsidized, or both, so that people survive even with extremely small incomes. The result of this social management is that no-one has the freedom to choose much of what they have. The status quo is upheld – almost no-one transcends it – and Cuba is credited with creating one of the world's most egalitarian societies (though in the last decade inequality has greatly increased, mostly due to the arrival of the dollar).

One cause (and result) of the Cuban economic policies is the idea Cubans have of fairness, which is very distinct from that of the United States. Here, opportunity reigns, and though it goes unfulfilled, having had it is considered fair; in Cuba, the consistent econodemographics – that everyone has the same – constitutes social justice. To Cubans, the fact that some people are born poor in the U.S. is tragically unfair; here, that no Cuban can excel through hard work and innovation is sad.

Cubans have among the lowest average incomes of anyone in the world, due mostly to the government's insistence on managing people's needs, though the bureaucratic inefficiency of a centralized economy also has a negative effect. An average Cuban's monthly salary is about \$10, and most people's paychecks range from \$5 to \$20.

Together with their rations of basic food items (rice, beans, eggs, etc.) and clothing, free education, and subsidized rentals, this is enough on which to get by, in the sense that no

Cuban is starving or homeless. Almost no-one has money to spend on electronics, home repair, cars, vacations, or even eating out (there are certain exceptions, which I will explain later).

Cuba was, before the 1959 ascension to power of the current regime, the second-most affluent country in Latin America; now, its GDP per capita is among the region's lowest, on par with Paraguay, for example. I identify three causes for Cuba's dramatic financial decline of the last forty years, Soviet aid notwithstanding. Two are indirect consequences of communism: the large-scale inefficiency almost inherent in state-run economies, and the general lack of motivation owing to people's inability to excel financially. The other reason is the U.S. embargo, which, though not paralyzing, is incapacitating. The generous Soviet subsidies Cuba enjoyed for about thirty years obscured the effects of the the above three reasons; when the USSR collapsed, it rapidly became clear what a mess the Cuban economy had become, and dramatic changes were made, to the detriment of the egalitarian financial system.

The Cuban government legalized the possession and use of foreign currencies in the early 1990s; the dollar has since become the island's paramount currency. Also present are *pesos convertibles*, currency given as change for purchases in dollars. Their value is equivalent, and of course they are worthless off the island. The three-currency financial system causes considerable confusion and complication, as well as having created a great *desigualdad* between certain classes of Cubans who previously made similar amounts of money.

Specifically, the service sector which works with foreigners: waiters, bartenders, any position which receives tips, are the nouveau rich in Cuba. While they may have made \$10 a month before dollarization of their businesses, they may now be able to earn even more in a single night. This means that a waiter in any restaurant catering to foreigners makes significantly more money than doctors or engineers; those educated professionals make perhaps \$20 a month, a bigger salary than most, but piddling compared to the wages of those who receive tips from foreigners. The other group of Cubans empowered to earn real amounts of money are artists recognized by the government as culturally important. They are entitled to sell their works, tithing some amount to the state and keeping the rest. The most affluent Cubans I encountered while there were the artists we visited.

The gap between monied and normal Cubans is great, but the greatest socioeconomic divide there is that between *el pueblo* and tourists. The fact that my dinner may be worth two month's salary to the employee who washes my dishes is astounding; this magnitude of monetary inequality is really not present many places in the world. The distinction is underscored because many goods and services are not available for purchase in pesos. While pesos and dollars are convertible, the relative price of the dollarized goods makes them by and large unavailable to Cubans. Prices are somewhat indeterminate because of both the difficulty of bringing items into Cuba, and the lack of a market value, something I will discuss later.

Driving on the highway east from Havana, one passes several billboards, and it is conspicuous that many of them target only the tourist market – e.g., an advertisement for a golf course. The fact of the matter is that the great majority of Cubans would have to save up for ridiculously long periods of time in order to be able to play a round. The difference is even greater than in capitalist countries with large lower classes, like Mexico; the average person's cash income is far lower, and to play at the golf course is undoubtedly priced in dollars, at prices specifically meant for foreign tourists. At least in Mexico a poor person has the possibility of saving up for a round of golf; in Cuba it's out of the question.

The unignorable dichotomy is bittersweetly illustrated by a popular joke: A father asks his son what he would like to be when he grows up, and the son replies, "a tourist."

International Economic Relations

Both countries have complained endlessly about their financial treatment at the hands of the other; indeed, this could be called the most troublesome aspect of their relationship. Prior to the Revolution, Cuba was strongly connected financially to the United States. Soon enough, there began to be bad blood between the two countries, each side escalated the situation, and U.S. property on the island was seized and nationalized. In response, the U.S. imposed an economic embargo against Cuba.

billion in private property and \$200 million of public property². Strangely enough, the U.S. missed all its chances over the years to successfully negotiate repayment – something Cuba repeatedly signaled it was willing to consider – and the embargo has become purely a grudge issue. In fact, U.S. policy makers tacked onto the amount reported values of properties which belonged to Cubans who fled north in the early days of the Revolution; this policy appears to contradict international law³. The issue is even less likely to be settled now that the amount of compensation the U.S. demands is much greater.

The embargo has had significant, though dwindling, effect over the last 40 years, and still constitutes the greatest sticking-point in U.S.–Cuba relations. In 1957, 64% of Cuba's foreign trade was with the U.S.⁴; as the communist government shifted its attention to the so-called Second World, Russian equipment and goods replaced the American throughout the country's industrial and agricultural sites, homes, and businesses. While the forced economic isolation from the U.S. caused some problems for Cuba, the transition was not exceptionally painful, except regarding the availability of a few specific goods available mostly or only from the U.S.: automobiles, medicines, heavy equipment, electronics, etc. Cuba is now forced to import those goods at a premium through another country (usually Mexico) or to rely on goods from far away; witness the large-scale importation of Soviet-made cars.

One of the most controversial aspects of the embargo is the ban on the import of medicine to Cuba. Some have argued that the withholding of medicinal supplies to a

2 Conversation with Wayne Smith, 3/7/00.

3 Ibid.

4 Lowenthal, page 75.

country is an unjust economic pressure tactic, and some believe that only a hard line will succeed. There have been legislative maneuvers recently in the U.S. Congress to repeal this part of the embargo, but in the meantime, Cuban pharmacies still have almost nothing in stock. The same inventiveness Cubans demonstrate in repairing their vintage automobiles is visible in how they cope with the lack of medicine; ask a doctor, and they'll report "we make do."

Other Societal Aspects

The Cuban government does a very respectable job in some respects. Homelessness and illiteracy are practically non-existent. Work is provided and allocated, so that the unemployment rate is also lower than that of any capitalist country. Education, some of the best in Latin America, is free as long as the student qualifies to continue. Like anywhere with such a system, these advantages come hand in hand with the negative aspects of such a controlling government, and for most Cubans – not that they have a choice – *vale la pena*. Although many Cubans are enamored of some aspects of life in the U.S., it is widely considered a lawless, heartless place, devoid of a caring government or the Latin *calentura*.

One interesting aspect of communism is that under a government-controlled economy, no internal market value can be established for specific goods. Thus, prices fluctuate wildly and confusingly between vendors – for example, I saw daiquiris available from \$1.50 to \$6, and liters of bottled water from \$0.55 to \$2.50. I bought a tuna sandwich for

\$4 in a *paladar*, and the next day found a bigger sandwich with more ingredients on the street for \$0.50. It was a good thing that the cigar store where I was going to buy an \$83 box didn't have it in stock; a couple of blocks away I found the same thing for \$55. It's up to the consumer to find good values, to a higher degree than elsewhere.

The lack of competition in the distribution of manufactured products, like electronics, makes Cuba a place where many things are impossible to get, regardless of price. There simply aren't stores with unique goods; the situation harks back to Henry Ford's snide "any color you like, as long as it's black." However, Cubans' finances being as they are, it isn't much of a problem for individuals. Industry and corporations may face some hurdles obtaining the equipment of their choice as a result of the policy, though.

Conclusion

Cuba and the United States are a classic case. Polar opposites in many areas of policy, domestic and international, and driven to fisticuffs by their adjacency and mutual stubbornness. Cuba's demonstrated ability to resist U.S. imperialism is admirable and impressive; it's a very small country to butt heads with the U.S. and end up in a standoff. The long history of animosity only serves each side's pride – the rest of the world has never been ambiguous about the conflict.

Some Cubans dream of coming to the U.S. and having money and opportunity, and a few of our own defect to the island looking for socialist equality. Of course, more pragmatic

level-headed people on both sides wish for some combination of the two. Until they have much more influence on the governments' policies, not much progress is going to be made. Each side needs to sacrifice some rhetoric in the name of reconciliation and readjustment, which would have positive consequences for both sides; only their egos stand in the way.

Bibliography

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