

COMMENTS ON

“Cuba’s New Entrepreneurs: Five Years of Small-Scale Capitalism” by Philip Peters and Joseph L. Scarpaci

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The authors are commended for having accomplished a mission impossible: they have written a paper on small-scale enterprise which is informative, readable and most interesting.¹ This is due mainly to an abundance of snapshots and summaries of specific businesses where the entrepreneurs voice their own challenges and ways of overcoming them. These mini-cases and the accompanying analysis convey the flavor and reality of what it is and what it takes to be self-employed in socialist Cuba today. Hopefully, the authors’ perceptive and original work on small-scale business in Cuba will continue and expand in the future.

These comments cover three main areas: the size of the enterprises; their employment numbers; and their potential.

Regarding business size, the paper focuses on Cuba’s self-employed or “cuentapropistas” (CPs). These are businesses which, except for restaurants (where family members are allowed to work with the proprietor), consist of one owner-employee who cannot employ others. Hence Cuba’s CPs are much closer to what in the rest of Latin America and the Caribbean are generally known as microentrepreneurs (i.e., up to 5 employees) than to small-size enterprises, which are often defined as having up to 500 employees.

Aside from size, the main similarity between a Cuban CP, as presented in the paper, and a Latin American microentrepreneur is that both are led to self-employment mainly because of the absence of formal employment which can provide a living income. These are no Bill Gates pursuing a high-tech dream of growth and profits as they start a business from the family’s garage, nor an artisan who learns and furthers the family’s traditional craft. Rather, unless the CP employs himself or herself, the family does not eat (or not as well).

On the other hand, there are a number of radical differences that render the business life of the CP in sharp contrast to that of a typical microentrepreneur in other countries of Latin America. For example:

- Informality is essential to microenterprise, whereas Cuba’s CPs require a permit and are subject to regulations in order to be self-employed.
- Anyone can perform any economic activity as a microentrepreneur, but in Cuba a university graduate is forbidden to be self-employed in his or her career.
- Governments generally welcome microenterprise as a source of employment and contribution to the economy and to social development, whereas

1. The paper by Peters and Scarpaci is not included in this volume. It is available in the internet at http://www.adti.net/html_files. Ed.

in Cuba CPs are permitted to exist as a sort of necessary evil which conflicts with the state's Marxist dogma (e.g., unemployment does not exist).

- Employees and partners are commonly found in microenterprises, yet they are forbidden in Cuba.
- Microenterprise almost never pays income tax, while Cuba's CPs pay up to half of revenues in income taxes. Most probably this makes CPs the most highly taxed microentrepreneurs in the world.
- The frequency of the government's inspections and the magnitude of the fines which accost CPs is the exception rather than the rule among Latin America's microentrepreneurs.

One gets the sense that the Peruvian microentrepreneurs who gave Hernando de Soto the raw materials for his *El Otro Sendero* had an easier life than Cuba's CPs.

Concerning employment numbers, the authors estimate that CPs account for some 3% of Cuba's labor force. This is in sharp contrast with microenterprises in Latin American countries which provide employment for up to 50% of the labor force. With Cuba suffering from economic hardship and a dearth of well-remunerated jobs, one wonders whether the low numbers of CPs are due to restrictions in the issuance of licenses or inaccuracy in official statistics.

Regarding potential, the reader is impressed by the "initiative and ingenuity of individual Cubans" as portrayed by the authors in their summaries of some of the individual interviews they had with 152 CPs. No doubt these and other CPs could make a major contribution to Cuba's economy if they were allowed to work free from the many obstacles and encumbrances that are documented in the paper. This potential could become the focus of new research which the authors might consider in the future.