

## THE REBIRTH OF THE CUBAN *PALADAR*: IS THE THIRD TIME THE CHARM?

Ted A. Henken

Self-employment in Cuba: The sum of a Haitian bazaar, a Swedish tax rate, and North Korean political representation. Quite a model for the 21st century.

—Cuesta Morúa (2013)

In interviews with Cuba's micro-entrepreneurs over the past 10–15 years, I occasionally heard one of the two following old Spanish sayings: “*El ojo del amo engorda el caballo*” (The eye of the owner fattens the horse) and “*El que tenga tienda que la atienda, o si no que la venda*” (Whoever has a store should tend to it, and if not then sell it). The first of these adages seeks to convey the wisdom that the quality and efficiency of a good or service naturally improve when the person performing the job enjoys a degree of autonomy and has a personal stake in the outcome. The second saying warns the Cuban government that if it is unwilling or unable to “tend to its own store,” that is, provide quality goods and services to the population, then it has no right to punish Cubans for bettering their lives through their own efforts. In essence, these pieces of popular wisdom demand that the government turn over to the people those economic activities it can not run well—many of which are already widely practiced underground—because doing so would increase production, efficiency, and general welfare—not to mention the bottom line for Cuban entrepreneurs themselves.

However, the recentralization and retrenchment of the Cuban economy that took place between 1996

and 2006 indicated that then-President Fidel Castro preferred a skinny socialist horse to a fat capitalist one.<sup>1</sup> More aware of the political risks that popular entrepreneurship would pose to his centralized control than of the economic benefits it could provide, he was neither ideologically disposed nor politically willing to cede more than a token portion of the state “store” to the ingenuity of the Cuban people. In sum, although the socialist horse may be skinny, he is easy to control and we all know who gets to ride in the saddle.

The underlying goal of economic reforms in socialist states has everywhere been the same: to perfect and preserve socialism. Indeed, these are the very same goals expressed in the “*Lineamientos*” document approved at the Cuban Communist Party's VI Congress in April 2011, under the direction not of Fidel but now of Raúl Castro, who has himself consistently reminded any doubters, “I was not elected president to restore capitalism in Cuba or to surrender the Revolution. I was elected to defend, maintain, and continue perfecting socialism, not to destroy it” (R. Castro 2010, quoted in Corrales 2012). Eastern European economic reforms utterly failed to “perfect and preserve socialism” and the role of the “second” economy was clearly subversive there. Given this history, Fidel Castro's open rejection of the reform path taken in Eastern Europe is perhaps understandable. In Eastern Europe, reforms accomplished few of their stated goals, destroyed leadership's control over

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1. Or, to paraphrase Mao Tse-tung, he would rather have the people eat socialist grass than capitalist wheat.

labor, and deprived leaders of a social base. They also created new, increasingly powerful and wealthy interest groups who pushed back against efforts to rein in initial reforms (Róna-Tas 1997).

Learning from these lessons, up until 2006 the Cuban government was able to squeeze enough benefits from its economic reforms in the 1990s to survive the worst years of the special period (Corrales 2004). However, a change in leadership combined with recent conjunctural economic developments in both the domestic and international spheres have increased the urgency and perhaps inevitability of undertaking deeper and arguably more irreversible economic reforms. Moreover, unlike his elder brother, Raúl Castro seems convinced of the wisdom of the pair of popular sayings I heard from Cuban micro-entrepreneurs and has begun to slowly but deliberately shrink the state “store,” allowing Cuban workers to take some of it over or open and tend their own. He has also shown a curiosity about the alternate path of economic reform undertaken in China and Vietnam, which have so far proven successful in achieving economic growth while maintaining political stability and one-party rule.

Although to date Raúl’s reforms are still far less ambitious or successful than what has taken place in these Asian cases of “market socialism,” his changes have directly resulted in a significant increase in the *quantity* of legal entrepreneurship, as his policies no longer force the bulk of entrepreneurs into the underground. This is reflected in a dramatic three-fold growth in the overall numbers of registered *cuenta-propistas* (CPs)—from roughly 150,000 in October 2010 to 436,000 by August 2013—and in an almost fifteen-fold growth in the numbers of *paladares*—from just 113 in October 2010 to 1,651 by May of 2012, to perhaps more than 2,000 by 2013. However, much more remains to be done in reforming public policy toward micro-enterprise to sufficiently alter the *quality* of self-employment so that it is truly transformed from a marginal, survival-oriented activity into one that contributes to enterprise innovation, productive employment, and economic growth (Whitefield 2013).

### INITIAL SELF-EMPLOYMENT REFORMS AND SUBSEQUENT ADJUSTMENTS, OCTOBER 2010–DECEMBER 2011

Imbedded in the self-employment legislation published in October 2010 were several small but symbolically significant changes that had a direct impact on *paladares*, other similar food service occupations, and bed and breakfasts (B&Bs)—occupations which together with their contracted workers comprise the most common self-employment activities. These included: (1) the issuing of licenses for new private restaurants, something not seen for more than a decade; (2) the lifting of requirement that all workers be “family helpers,” as were the infamous restrictions that had limited *paladares* to just 12 chairs and severely limited the range of foods they could serve; and (3) allowing B&B operators to rent out their entire homes (eliminating the previous limit of just two rooms), rent by the hour, and those who possessed legal “permission to reside abroad”—known as *el PRE*—would now be allowed to rent out their residences while out of the country and designate a representative to handle the rental for them in their absence (DDC 2010; Peters 2012a). Initially, however, the seating limit for *paladares* was only raised to 20—indicating the continuance of a mentality of bureaucratic control and arbitrary limits on private enterprise and wealth generation. Likewise, the planning and sequencing of the initial reforms seemed wrongheaded since no credit or wholesale markets were created to support these new enterprises and it seemed that mass layoffs in the state sector would begin before the self-employed sector was up and running (Gálvez Chiú 2010).

Despite the problems with these initial adjustments, the new self-employment regulations did in fact “distance [Raúl’s policies] from those [of Fidel] that condemned self-employment to near extinction” in the 1990s, as *Granma* so succinctly put it in September 2010 (Martínez Hernández 2010). Perhaps the most revolutionary change in regulations directly impacting *paladares* was the allowance of hiring contracted labor in 83 of the 178 originally legalized occupations (later expanded to all 178 occupations), something not seen since 1968 (Gaceta Oficial 2010a and 2010b; Martínez Molina et al 2011). Moreover,

while the previous incarnation of self-employment allowed only retirees and those holding down a state job to become self-employed, this time around anyone could do so—opening the floodgates to applicants from the informal sector (who have in fact dominated self-employment making up perhaps two-thirds of all new licensees). Furthermore, for the first time a single individual or household could obtain a license in more than one occupation—a move that could allow *paladar* operators to legalize many of the informal, auxiliary economic activities they had commonly engaged in under the cover of their food service license. *Paladares* could also expand beyond the owner's own home as other spaces—even government spaces—could now be rented out to enterprising CPs to locate their businesses (Gaceta Oficial 2010a; Peters 2010a).

On the down side, the *Lineamientos* made clear Cuban authorities' intent to avoid “the concentration of ownership” (Miroff 2012c), so as to “prevent citizens from achieving greater economic freedom with which they could advocate for more political freedom” (Espinosa Chepe and Henken 2013: 167). This intention is evident in the introduction of a steep system of taxation for the emerging self-employed sector, one much more severe and restrictive than for joint ventures. On the positive side, the new tax regime significantly increases tax deductions—especially important for *paladares*—allowing the self-employed to deduct up to 40% from income for the cost of supplies, compared to just 10% under the old regime. However, the new system also includes five different, and at times overlapping, kinds of taxes on *cuentapropistas*, making it potentially much more cumbersome, confusing, and costly than the old system (Frank 2010; Peters 2010b).

A pair of continuing problems keenly felt by larger-scale, input-dependent operations like *paladares* is the fact that the reformed self-employed sector was launched without first creating wholesale markets or assuring access to credit. Therefore, “business owners have no place to turn where they can purchase inputs or obtain loans under reasonable conditions. Instead, they are forced by the circumstances to rely on expensive hard currency stores [...] or the black market

for inputs, and on relatives or loan sharks for credit” (Espinosa Chepe and Henken 2013: 168). The late independent economist Oscar Espinosa Chepe anticipated that the lack of sources for legal credit and supplies will likely lead to an expansion in the black market as a way to meet this new demand for investment and inputs. Likewise, the government made an ideological choice “to err on the side of control” when it decided to re-launch self-employment with a list of just 178 permissible occupations, a list that excludes nearly all professions. Even worse, the list is filled with extremely specific and largely menial service occupations like “book binder,” “palm tree pruner,” “fruit peeler,” “piñata maker,” “party clown,” “dandy,” “button upholsterer,” “maker/seller of crowns of flowers,” or “door-to-door knife and scissors sharpener,” that have limited economic or occupational significance (ibid.; Vidal Alejandro and Pérez Villanueva 2010; Miroff 2011).

Two clearly positive signs became apparent in the first half of 2011. First, there was a significant change in the tone used in the official media when reporting on self-employment, from criticism and dismissal to encouragement and even celebration (Batista 2011; Peters 2012a: 12–13; Peters 2012b: 26–30). For example, a lengthy article published in *Juventud Rebelde* on March 22, entitled “Self-Employment Takes Off in Cuba,” describes self-employment “not as a temporary solution [as was the case in the 1990s and early 2000s], but as a promising alternative in the new national economic strategy,” and as a “new form of employment that diversifies work opportunities, boosts production and increases the supply of goods and services” (Martínez Molina et al 2011). As such, it is a development that “has been more than welcomed by the people,” declares the newspaper.

The article was also unprecedented coming from the official Cuban press in that it featured interviews with young *cuentapropistas* from five different provinces highlighting their concerns about the insufficiency of self-employment reforms to date. The most common criticisms cited by the scores of young people interviewed were the irregular availability and high cost of the inputs needed by these new enterprises and the artificial limit placed on the number of

self-employment options, which largely prevents “their doing something that bears more relation with their professions.” For example, Lesvis Odanis, the previously unemployed 34-year-old owner of a newly-opened food stand in Caunao, Cienfuegos, that specializes in selling pastries is described as someone held in “high regard” by his community and whose purpose is not getting rich but simply “providing for his family.” Though business had been brisk in the two months since he opened, he said that his biggest problem was “the unavailability of ingredients. Many of the ingredients I must buy in hard currency stores, but I sell my product in Cuban pesos,” he explained, adding, “the supply is very unstable and sometimes I cannot find what I need at all.”

A third challenge laid bare in the article was the fact that the vast majority of new CPs were not coming from the state sector as was hoped, but were previously “unemployed,” that is, they were coming out of the underground economy. As evidence of this development, Roberto Cruz Tamayo, an expert from Las Tunas’ Labor Office, is quoted as saying, “Almost all the people registered were previously unemployed. [...] Many of them are people who used to do the same work before illegally, and have now legalized their status” (ibid.).

A second positive sign in 2011 was that this time around the government was in fact listening to some of the above complaints and gave the impression that it intended to respond favorably. In fact, after a seven- to eight-month trial period, additional self-employment reforms were enacted when it became clear that initial efforts were insufficient and the government discovered that its plan to layoff of half-a-million state workers by April 2011 would have to be postponed (Peters 2013). Then Vice President Machado Ventura described the decision-making process quite clearly in July 2011 as “systematic” and “definitive,” done “with our feet on the ground and our ear to the ground,” adding, “[we are] very attentive to public opinion, ready to correct ourselves as we go, to adjust our pace and to adopt new decisions” (quoted in Peters 2012b: 11). This indicated a change in government mentality from ideological or dogmatic command and control—which had long

characterized Fidel Castro’s stewardship of economic policy—to more nuanced pragmatism where the new government’s openness to feedback could lead to positive adjustments and deeper reforms.

As a result, between May and September 2011, CPs in all 178 self-employed occupational categories were permitted to hire employees, while the number of licensable occupations increased to 181, reaching 187 by 2012 (and 201 by October 2013). A tax holiday through the end of 2011 was also declared exempting CPs from paying the employment tax for hiring up to five employees, indicating a significant shift in priorities that now “emphasized job creation over tax collection” (Peters 2012b: 11). In December 2011, this more permissive tax policy was extended indefinitely into 2012 and accompanied by a doubling of the income tax exemption for those who made under 10,000 pesos a year (up from 5,000) (Peters 2011b; Hautrive and Rodríguez Cruz 2011). Enterprises were also now permitted to “more easily close for repairs and for longer periods, suspending their licenses and their tax obligations” (Granma 2011; Fernández Sosa 2011).

Perhaps most interestingly for the future growth of the *paladares* and larger food service sector (*gastroonomía*), underperforming state enterprises—mainly in food service—were to be identified, closed, and transferred or transformed into private businesses allowing “the premises to be better utilized by renting to the self-employed” (CubaEncuentro May 27, 2011; Peters 2011a), a strategy previously implemented with success with taxis in 2008 and beauticians and barber shops in 2010 (Morales 2011). In late December 2011, this same strategy was expanded once again to include a number of personal, technical, and household services previously performed by state employees—such as carpenters, photographers, locksmiths, and a wide array of repairmen (Peters 2011a; Café Fuerte 2011). Finally, a handful of other small changes were enacted, including expanding the seating limit for *paladares* from 20 up to 50 along with a 25% reduction in the fixed minimum monthly fee required of Cuba’s B&B operations (Espinosa Chepe and Henken 2013: 173).

Even though by May 2011 the government reported that the numbers of licensed CPs had more than doubled since October reaching 314,538, the government was still unable to set up effective and affordable wholesale markets where CPs could obtain supplies and continued to prevent the vast majority of Cuba's professionals from becoming self-employed in the areas of their expertise (Morales 2011; Vidal Alejandro and Pérez Villanueva 2010; Grogg 2011b). One positive development was the announcement in December 2011 that Cuban banks had begun to offer micro-loans of US\$300 to entrepreneurs, small farmers, and those doing home construction and repair. However, initially the lion's share of these credits went to farmers and private home construction, with just 10% granted to CPs (Vidal Alejandro 2012; Peters 2013). Additionally, sources close to the government reported that a full 25% of those who had initially taken out new self-employment licenses since October 2010 were forced to turn them in because they were actually losing money. Reacting to the lowering of the taxation load that went into effect between September and December 2011, one woman who rented a room in her home to foreign tourists complained to a reporter from IPS that the changes were "good, but not enough." She continued with the following explanation, "The bad thing is that payment of the tax is compulsory, whether or not you have rented out your room" (Grogg 2011a).

#### RECENT *PALADAR* GROWTH AMID CONTINUING AMBIVALENCE, 2012–2013

We've been speaking to many *cuentapropistas* over the past week or two who say they have noticed a drop in business in recent months, and are having trouble paying their fixed taxes, social security, etc. Many blame their woes on the fact that too many people have set up similar businesses—cafes, DVD stands, peanut salesman, and manicurists abound—but very few have the resources to open a more ambitious venture like a *paladar* or gym.

And the new businesses say potential customers don't seem to have enough disposable income to spend, a result of the country's always poor economy and the fact that those who do have a little cash are using it to go into business for themselves. And then there are the problems everyone was aware of

from the start, like the lack of credit for start-up capital and the relatively high price of raw materials. One thing we have found is that nobody is being hassled by inspectors, a sign, I think, that the government is sincere in its desire to make the opening work. But is that enough?"

—Personal e-mail from a Havana-based foreign correspondent, July 2011

"Good, but not enough," is the simple answer given in the previous section by an anonymous B&B operator when IPS reporter Patricia Grogg queried her about how the self-employment reforms were proceeding. This same answer could also serve as a response to the longer query quoted in the epigraph just above, which was sent to the author in summer 2011 by another Havana-based foreign correspondent. On the one hand, most *paladar* operators and other *cuentapropistas* interviewed in April 2011, as well as many outside observers and even some critics, freely admitted by the end of that year that Raúl Castro's reforms showed evidence of a significant change in mentality toward self-employment, indicating that "the government is sincere in its desire to make the opening work." However, government announcements from the first half of 2012 that had confidently projected as many as 600,000 CPs by the end of the year (Opciones 2012) had to be scaled back when statistics revealed that there were in fact still fewer than 400,000 by October 2012 (Peters 2013). This development also forced the government to openly concede that the necessary 1.5–1.8 million state sector layoffs would have to be indefinitely postponed, with the half-million layoffs originally slated for April 2011 now targeted for 2015 (Peters 2013). This slower-than-expected shift from state employment to self-employment over the next two years indicated that the leadership's sincerity was a necessary but still insufficient element in achieving the goals set out by Raúl Castro himself between 2010 and 2011.

A number of key elements are still lacking to achieve these goals. For example, a fundamental obstacle continues to be the leadership's ambivalence toward recognition of full property rights and the creation of private wealth, not to mention greater civil liberties or political rights (Corrales 2012: 178). Additionally, as indicated in the lengthy epigraph at the start of

this section, investment capital and disposable income in the pockets of Cuban consumers is still lacking. Cuban activist Eliécer Ávila has argued that this is necessary “so that investors are willing to take risks, search for credit, and seek out alternatives. No one,” he reasons, “will risk anything in order to sell to skinny ghosts and neutral onlookers” (*fantasmas flacos y mirones neutros*) (2012). A final necessary element in pushing the reform agenda forward is an equal sincerity in making the opening work on the part of the thousands of anonymous—and self-interested—bureaucrats upon whom Raúl relies to implement his reforms (Domínguez 2012).

By June of 2012, there were nearly 400,000 registered CPs, an increase of 145% over the roughly 150,000 who were registered in October 2010. A year later, the total was 436,000, with the distribution across occupational sectors largely unchanged (Marti Noticias 2013; CubaDebate 2013; LAHT 2013; Rodríguez 2013). Also important was the fact that a full 63,000 of these new CPs were in fact employees working in the micro-enterprises of others (Peters 2012a). As in 2011, food service (15%, or roughly 58,000), contracted labor (16%, 60,000), transportation (10%, 40,000), and private rentals (5%, 20,000) remained the four most popular self-employed occupations in the summer of 2012 (Manguela Díaz 2012; Fernández Sosa 2012), with a full 75% of contract workers employed by CPs in the food service sector (mainly cafeterias and *paladares*) (Opciones 2012). By the summer of 2013, the proportion of contacted workers grew slightly from 16% to 18% of all CPs, while CPs licensed in food service occupations dropped from 15% to 13% of the total (Rodríguez 2013). Also consistent was the fact that two-thirds of CPs claimed to have been previously unemployed, while just 18% had transferred out of jobs in the state sector. Another alarming statistic was the extremely low number of professionals becoming self-employed, with just 7% of the registrants having a college degree (Ibid.; Peters 2012b).

Statistics reported in *Trabajadores* between May and July 2012 revealed for the first time the rapid expansion in the numbers of *paladares* since 2010. For example, while Havana could count just 74 *paladares* in

October 2010 (down from hundreds in the late-1990s), there were a total of 376 by May 2012 (Trabajadores June 27, 2012), with only four reported cases of licenses being revoked (Yhanes 2012). Nationwide, the expansion was even more impressive with 113 *paladares* in October 2010 growing more than 15-fold to 1,651 by May 2012 (Trabajadores July 4, 2012). To this could be added the 5,207 B&Bs, many of which were new given the more flexible regulations and lower tax rates (Diario de Cuba May 10, 2012). Looking more closely at the popular food service sector of self-employment we find that street vendors were by far the most numerous (with 46,200 registered CPs), followed by cafeterias (also known as *puntos fijos*, with 9,060), followed by *paladares* (1,651) and caterers (*a domicilio*, 713) (Trabajadores July 4, 2012; Beatón Ruiz et al 2012; Perdomo 2012).

Aimed at spurring this demonstrated growth of the non-state sector further, 2012 and 2013 saw the introduction of a number of quite unprecedented food service projects that—as mentioned above with reference to the *caballo* and the *tienda*—essentially concede to the popular wisdom demanding that the government transfer to the people economic activities it can not run well (Orsi 2012; Havana Times 2012; González Mirabal 2012). However, this concession is a mixed one in practice since as with the transfer of taxis, barber shops and beauty salons (Miroff 2010), and certain kinds of services, the workers who become self-employed in these areas do not do so with any concomitant property rights over their businesses, the physical real estate, or the equipment used in the performance of their jobs (Trabajadores November 9, 2012; CubaEncuentro November 9, 2012; CubaDebate November 9, 2012). They also must pay taxes and rent to the state-landlord and cover the costs of all supplies, electricity, and other utilities out of pocket—though there are some tax exemptions and rent reductions built into the programs in special cases (Café Fuerte November 9, 2012).

Finally, and perhaps most gallingly, when workers in these former state enterprises are informed that their place of business has been selected to be transferred to the non-state sector, allowing the workers to be-

come newly self-employed if they wish, the other often unmentioned alternative is for them to become unemployed (Freire Santana 2012). The government's plan announced in September 2010 to move hundreds of thousands of state workers from full employment to self-employment hit a major snag when few Cubans volunteered to serve on the committees that would identify their fellow workers as *disponibles* for layoff. Thus, this reform of the inefficient state food service sector and expansion of self-employment in that same area can also be understood as the simple state abandonment of thousands of workers, many of whom are woefully unprepared to become true entrepreneurs. Indeed, as with the creation of non-agricultural cooperatives, which has now just begun to spread into the state food service sector (Frank 2013), there is a world of difference between self-made entrepreneurs who create their own businesses and state workers who are bureaucratically converted into entrepreneurs when their only other option is to become *trabajadores disponibles* (Carrillo Ortega 2012; Trabajadores December 1, 2012; Trabajadores December 4, 2012).<sup>2</sup>

### FIGHTING AGAINST CUBA'S "BUREAUCRATIC INSURGENCY"

While President Raúl Castro has shown himself far more serious and pragmatic in his reform agenda than his brother Fidel, he is also at the helm of a relatively weakened state—which itself is facing what has been described as a “bureaucratic insurgency” (Domínguez 2012: 273). This epidemic of self-interested foot-dragging on the part of Cuba's thousands of bureaucrats, has been cited by Cuban economist Ricardo Torres as one of the main internal factors hindering the economic reforms. “People's minds are the hardest thing to change,” he argues. “If they have done something a certain way for 50 years, it is not easy for them to agree to do it differently [...]. In fact, in some cases, that learning process will be impossible.” At the same time, Torres recognized a more intentional and perhaps intractable aim on the

part of some bureaucrats to derail or at least delay the full implementation of reforms that in the end threaten their interests since they undercut their power as gatekeepers over entrepreneurs—who are often cash rich but bureaucratically poor.

The changes are affecting certain groups and segments of the population which, therefore, are going to oppose them, using whatever resources they have within their reach to prevent or at least hinder their progress. It is a natural reaction by people to protect themselves against whatever may affect them (Grogg 2012).

Likewise, eminent political scientist Jorge Domínguez has pointed out the “extraordinary frustration” evident in many of Raúl Castro's speeches confronted as he is with the routine procrastination or even scheming defiance on the part of many lower level officials who resist implementing his policies (2012: 273). This was the main focus of Raúl Castro's brief remarks that closed the August 2011 National Assembly meetings where he argued forcefully that the greatest threat to the revolution was not imperialism but “our own errors,” adding that the greatest obstacle standing in the way of change were in fact “archaic mentalities” and “the psychological barrier formed by inertia, immobility, simulation or *doble moral*, indifference, and insensitivity.” Then, making a direct reference to bureaucratic foot-dragging at implementing the *Lineamientos* approved just four months earlier at April's Sixth Party Congress, he assured his listeners: “We will be patient and persevere in the face of all resistance to change, conscious or not. [But] I warn you that all bureaucratic resistance to the strict implementation of the accords [...] will be futile” (quoted in Peters 2011c; CubaEncuentro August 2, 2011).

The striking irony here is that while public policy toward micro-enterprise under Fidel was often very bad, officials and bureaucrats treated those policies as orders to be obeyed and implemented. After all, one of the most common phrases used to celebrate Fidel's leadership style has long been the militaristic: “¡Co-

2. The standard legalese in these cases is: “*los empleados de tales unidades que no deseen incorporarse al modelo, cesarán su vínculo laboral y se les aplicará el tratamiento de trabajadores disponibles*” (the employees of said units who do not want to join the new management model will lose their status as employees and will be considered as available workers) (Trabajadores December 1, 2012).

mandante en Jefe, Ordene!” In contrast, Raúl’s much more pragmatic, rational, and potentially productive policies are often received by lower level bureaucrats as threatening reforms to be resisted and undermined. Again, Domínguez notes the unprecedented nature of this bureaucratic insurgency:

Cuba’s government has weakened. It has weakened because its own officials resist the implementation of new policies. The government has weakened because its own bureaucracy engages in petty acts of insurgency. Raúl Castro’s government has weakened because communist party officials, for the first time in a half-century, are beginning to assert their authority in policy setting over government agents and decision makers... (Domínguez 2012: 274).

Thus, although Raúl’s public policies toward micro-enterprise since 2006 have been much more encouraging than were his brother’s between 1993 and 2006, it is unclear whether he possesses the ability (or authority) to have his policies fully and consistently implemented on the ground. Put differently, while the “updated” socialist system so far devised by Raúl Castro may be a welcome, even unprecedented improvement over the past policies, devising a new system—and new policies—is only half the battle. Other equally fearful dangers lurk in the challenge of making the new system work, a task left to Cuba’s all important bureaucrats who actually implement (or not) the decisions made on high.

#### **CONCLUSION: LA OPERA DE LA CALLE’S “EL CABILDO”—OMEN OR ANOMALY?**

Having already described the impressive growth of self-employment between 2010 and 2013—along with the record number of new *paladares* and other private food service operations—in the previous section, I conclude here by briefly chronicling the ominous (or perhaps anomalous?) case of the unique if now sadly defunct *paladar* known as *El Cabildo*, run for a time by Cuban Opera virtuoso Maestro Ulises Aquino together with his dinner theater troupe, *La Ópera de la Calle*. The fate of *El Cabildo* is instructive since it reveals both the promise and the peril of running a successful private enterprise in Raúl’s Cuba. The case of *El Cabildo* also highlights the limits of tolerance (or perhaps the limits of power) of Raúl’s

government, as well as the fundamental ambivalence it continues to harbor toward self-employment.

During the summer of 2012, four Havana-based foreign journalists—Marc Frank of *Reuters*, the *BBC*’s Fernando Ravensberg, Nick Miroff of *NPR* and *Global Post*, and *CNN*’s Patrick Oppmann—each described the curious case of the *paladar* restaurant and cabaret *El Cabildo* and its in-house theater company, *La Ópera de la Calle*. The innovative entrepreneurial genius of *El Cabildo* and its mastermind proprietor-cum-emcee Ulises Aquino was to combine a project that celebrated and showcased the richness and diversity of Cuban culture with a tourist-friendly *paladar* (McAuliff 2012; Opera de la Calle 2012a). In order to do this, Aquino took advantage of the flexibility in the self-employment legislation and took out not one but three *paladar* licenses (legally allowing him to host 150 patrons at once), along with a fourth as an “organizer of events and other activities” (Frank 2012a).

Already quite well known in Cuba for his success at bringing the often elitist fine art of classical opera to the people by repackaging it in a style that was both uplifting and accessible (thus the name, *Ópera de la Calle*), Aquino’s signature show was also very Cuban (Ópera 2012a). It was a creative fusion of the powerful vocals of traditional opera, the flash and fun of a Broadway musical, and the gritty, home-grown characters and rhythms of the Cuban “street,” with equal parts Spanish *zarzuela* (musical comedy) and Afro-Cuban folklore—in other words, a true representation of Cuban Creole culture (McAuliff 2012; Ravensberg 2012a).

While the full *Ópera de la Calle* company performed at *El Cabildo* on Friday and Saturday nights, filling the stage with as many as 40 performers at once and bringing in the lion’s share of the revenue, on weekday evenings individual members of the company had the run of the Piano Bar where they were able to develop their skills and share their personal projects in a more intimate setting. On Sunday nights the venue became a discotheque (McAuliff 2012). This innovative strategy allowed Aquino to pay the quite generous salaries of his almost 130 employees and cover his extensive overhead costs (including month-

ly taxes of 20,000 pesos, \$833, and supplies purchased at retail prices from the state), while at the same time providing affordable access to Cuban patrons, who in fact made up the vast majority of the clientele and paid a cover charge of just \$2 (40 pesos) to see the show (Frank 2012a).

Though the theater troupe itself was founded in 2006, it had been operating out of its newly refurbished home—the *paladar El Cabildo*—for just over a year when *Reuters* correspondent and long-time Havana resident Marc Frank paid a visit. Quite taken with the uniquely large scale and dramatic back story of the operation as a kind of sign of Cuba's changing economic times, on July 11 Frank published the provocatively entitled article, "In Cuba, an Opera Singer Builds an Empire," breathlessly qualifying the establishment as Havana's "largest private business and perhaps a harbinger of things to come" under Raúl (Frank 2012a).

What was particularly striking about the operation in Frank's estimation was that it was born out of a felicitous combination of Aquino's individual entrepreneurial initiative and his clear commitment to community uplift and revolutionary activism at a time of economic *apertura*. In fact, the article made a point of emphasizing *El Cabildo*'s sponsorship of free cultural and educational activities on weekend mornings for area children, the low peso cover charge for the weekend *Ópera de la Calle* show, and the sharing of the revenues among the performers and support staff on the theatrical side of the operation, as well as among the waiters and chefs on the *paladar* side—each of whom earned between 1,800 and 2,000 pesos a month (roughly four times Cuba's average monthly salary of 450 pesos, or \$20) (ibid.).

"It is not enough to have an ugly socialism," Frank quoted Aquino as insisting. "It has to be more beautiful than the other systems so everyone will embrace the idea" (Frank 2012a). To that end, in the nine months leading up the April 28, 2011 grand opening, Aquino invested his considerable savings from years of international touring and with the help of the members of his theater company transformed a vacant lot filled with the remnants of one of Havana's many ruined buildings into a showplace (Monzo

2012; Yhanes 2012; Ópera 2012a and 2012b). His patriotic confidence in Raúl's new, more encouraging policy toward citizen-led, do-it-yourself initiatives came across powerfully when he argued, "The country has moved on from a tendency to degrade things," noting to Frank that, "the government's policy is to support this type of phenomena [where] an artist, or a worker, or a farmer can put his own means of production to work to help meet the goals of the nation" (ibid.). Frank's article closed with an inadvertently ironic quote from Cuban economist Rafael Betancourt, a specialist on local development at the National Association of Cuban Economists, who said that Aquino's successful enterprise was only one of many other similar projects in the works that would help spread Cuban culture by harnessing the power of individual initiative. "*El Cabildo* is just the beginning," he insisted (ibid.).

While Frank's article served as a great introduction to *El Cabildo* and its resourceful and revolutionary founder and director—providing free global advertising syndicated through *Reuters* in a country sorely lacking in any internal PR industry apart from the Party controlled mass media—perhaps the journalist should have left the word "Empire" to government (or Madison Avenue) propagandists. Even though journalists rarely write the headlines for their copy, soon after the article was published, the provocative headline caught the attention of none other than the Ideological Department of the provincial Communist Party of Havana who called Aquino in for questioning. Apparently unimpressed with his business plan that included multiple *paladar* licenses and a cover charge, authorities carried out a surprise raid on *El Cabildo* on Saturday evening, July 21, interrupting his show and pulling him off the stage as the shocked audience looked on (Frank 2012b). They then proceeded to carry out a 4-hour "commando" inspection that Aquino himself later qualified as "fascist," despite the fact "only three days before Raúl had argued for the need for a change in people's mentality" (Ravsberg 2012a; DDC July 27, 2012).

As was later reported by BBC correspondent Fernando Ravsberg, in the end, Aquino was stripped of his various business licenses for a two year period and ac-

cused of a number of economic crimes including having too many chairs (150) for a private restaurant, serving products whose origins could not be determined, having unauthorized employees, and, most galling of all for the proud revolutionary opera singer, of “undue enrichment” since he charged his patrons a \$2 cover without authorization and paid his employees what were considered exorbitant salaries (Ravsberg 2012a). All this took Aquino quite by surprise, given the fact that both Rafael Bernal, Cuba’s vice minister of culture, and Edel Rodríguez, the president of the municipality of Playa where *El Cabildo* is located, had attended the grand opening of the dinner theater in April 2011, roundly praising Aquino and his troupe for having successfully transformed an abandoned lot into a cultural oasis. In the case of Rodríguez, Aquino was also singled out for “not having lost his connection with his Cuban roots” despite his international stardom and for consistently “working together with the authorities of People’s Power and the local municipality” (Ópera 2012a).

Not one to endure challenges to his honor in silence, Aquino began to protest what he considered an arbitrary, destructive, and disproportionate punishment both in comments to the international press and in a series of open letters circulated among Cuban artists and intellectuals and posted on the Internet. For example, he told CNN correspondent Patrick Oppmann that the faceless bureaucrats who dared accuse him of illicit enrichment had made a high profile mistake that should not be hushed up in order to prevent it from happening again. He also said that he considered the whole ordeal a “tremendous test” of the will and strength of the government in the face of an opportunistic and destructive bureaucratic class (Oppmann 2012; Ópera 2012b). In many ways, it was a case of a self-described revolutionary artist armed with poetry, proverbs, and righteous indignation against the bureaucratic insurgency arising from within a divided and weakened state under a new leader attempting to enact far reaching and much needed reforms.

For Aquino, the clear if shrouded impetus behind the shutdown of his successful operation came from “a

hidden fifth column” within the government bureaucracy “that is attempting to stop the unstoppable movement that’s being promoted by President Raúl Castro. They are a bureaucratic class trying to preserve their power from a position of obscurantism,” he railed. Turning the tables on the bureaucrats, Aquino attempted to take the revolutionary high ground, claiming to BBC reporter Fernando Ravsberg, “It hurts most because I’m a revolutionary and I believe deeply in the humanistic work of the revolution” (2012a). In the first of his three open letters of protest and denunciation, he alleged that the closure of *El Cabildo* had nothing to do with any supposed illegalities, but sprang from the opportunism and jealousy of conservative elements within the state bureaucracy.

Those who started this fight are afraid that the worker, the intellectual, and the artist might find their own productive path. They are not revolutionaries but conservatives who enjoy the comforts of power that give them the ability, as in this case, to make decisions about the destiny of other people’s creations, not to help them flourish but to destroy them (Ópera 2012b; Frank 2012b).

NPR correspondent Nick Miroff followed up with an insightful report that indicated that the case had sent shock waves through Cuba’s fledgling community of private entrepreneurs since Aquino seemed to have been punished for doing exactly what the government of Raúl Castro had been energetically promoting for nearly two years: creating well-paying jobs in the non-state sector, producing higher quality goods and services, and reducing the economic burden on the government. However, it seems that not everyone—especially those Aquino called “mid-level bureaucrats endangered by all these new opportunities [who] see Cuba changing and know that they’re going to lose their power”—was on board with tolerating, much less promoting, Cuba’s new entrepreneurial sector (Miroff 2012a).

In a follow up story in the *Global Post*, Miroff noted that *El Cabildo* had quickly become a test case whose outcome would show just how serious Raúl Castro’s government is about the depth and permanence of its economic reforms. “If they intervene to help re-open *El Cabildo*,” wrote Miroff, “they will send a clear sig-

nal that Cuba's new small businesses deserve encouragement, not strangulation" (2012b). However, if the operation which employed as many as 120 workers (having quickly become perhaps the largest private business on the island) is left to die a bureaucratic death, it will show "that the skeptics are right, and Cuba hasn't changed much after all" (2012a). Miroff also noted the lesson other entrepreneurs will inevitably draw if this cautionary tale is not openly, forcefully addressed from on high:

[I]f *El Cabildo* stays closed, it can send a different message about Cuba's incipient capitalism: that new entrepreneurs here should not be too ambitious with their plans or too proud of their success. And any business, no matter how big, can be shut down on a whim, if a local official orders it so (2012b).

If that happens, Miroff notes that Aquino will have lost, but quotes him as saying: "The [real] loser here won't be me. It'll be our country" (Miroff 2012b).

In the year and a half since *El Cabildo* was shuttered, Aquino has made little headway in getting approval to reopen. Ravensberg has noted that soon after the closure, Aquino received public support from the Ministry of Culture's National Council of the Perform-

ing Arts (CNAP), which advised him in a July 28, 2012 communiqué that *La Ópera de La Calle* would be able to "maintain their activities as a funded community cultural project" (Ravensberg 2012b). However, the NCPA was silent about the issue of the loss of independent funding, which had come from the *paladar* side of the *El Cabildo* operation, an economic activity controlled not at the national, ministerial level but by bureaucrats in the provincial and municipal governments (DDC August 2, 2012; CubaNet August 8, 2012; López Corzo 2012; Nieves Cárdenas 2012).

In April 2013 Aquino was given a brief glimmer of hope that he would be allowed to reopen at long last when the Ministry of Culture informed him that U.S. entertainer Beyoncé would be visiting Cuba and had specifically requested to see his show. However, after rousing his troupe and rushing to reopen *El Cabildo*, Aquino was intercepted once again by functionaries from Havana's provincial government and the capital city's Communist Party who overruled the Ministry and forced the troupe to perform elsewhere—and without the presence of the American star (Ravensberg 2013; DDC April 11, 2013).

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