

## THE CUBAN ECONOMY 60 YEARS LATER

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### THE BEGINNING

Six decades after the triumph of a revolutionary movement that promised to develop the country's economy and improve the living standard of its people should provide a sufficiently ample time perspective and enough data to ascertain whether and how those promises were fulfilled. Under the leadership of Fidel Castro, the revolutionary government committed itself to the restoration of the constitutional framework that was adopted in 1940 along the lines of a liberal republic, which only lasted 12 years as it was interrupted by a *coup d'état* in 1952. In fact, such an event sparked Castro's movement which culminated in victory in 1959 with overwhelming popular support based on the promises of economic development and growth, reduction of poverty and unemployment, political stability and honest public administration. Even though at that point in time Cuba had achieved the status of a middle-income country under a reasonably free market economy, and was about third in standard of living among Latin American countries, there was a generalized sentiment that there was room for improvement.

Soon after Castro's victory, he backtracked on his promise of restoring the 1940 constitution and holding free elections, a decision that quickly started a firm opposition among the most democratic and liberal segments of the Cuban population. Nevertheless, the prestige and credibility that he had accumulated

as a rebel leader during the guerrilla struggle provided Castro with sufficient political capital to not only keep what seemed to be a strong support of the public opinion despite his broken promises, but the ability to introduce radical measures still based on promises of a general improvement of economic conditions. At the time, due to the prevalence of corruption, the credibility of democratic institutions and old political parties was at a low point and the demand for a caudillo that could solve singlehandedly all of the country's problems was at the highest point. In any case, the fact is that the society was intensely polarized between a naïve segment of the population for whom Castro's word was like the gospel, and a significant, but not necessarily majority, proportion of the Cuban people that had started actively opposing the government or going into exile.

Castro's broken political promises, starting as early as 1959, were not sufficient to immediately damage the trust that many Cubans deposited on his promises of economic development. In fact such promises were embellished with proposals such as the industrialization of the economy, which despite their poor prospects and lack of preparation, reinforced the trust in the government and generated optimistic expectations about the future of the country. The contagious optimism extended not only to the Cuban people but also to the international community, which in-

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cluded academics and intellectuals fascinated by Castro's charisma and promises of a Cuban utopia.

Now, after six decades under the same government administration, it is only natural to ask (again) what happened with the Cuban economy? The question is not only pertinent to the main stakeholder in this game, the Cuban citizens, who are entitled to an objective answer, but also to many other observers of the revolutionary experiment such as journalists, politicians, academics, etc., who have been curious about its economic performance. And their curiosity has been motivated not only by a scientific interest but also by ideological and political reasons. Conservatives have always wanted to have data that could demonstrate empirically and convincingly the adverse outcomes of socialism or communism, while their leftist counterparts were equally eager to show evidence of how socialism or communism could achieve a wealthier and fairer society.

#### HOW TO KNOW IF THE ECONOMY IS GROWING

Thus, the most expeditious and relatively reliable method to ascertain an economy's performance during a given interval of time is to compare its Gross Domestic Product (or National Income) at the beginning and at the end of the period. Such national account aggregates are in fact only proxies that give us a first approximation to a most pertinent question: are Cubans better or worse off today than at the beginning of the Revolution? Before we try to provide an answer we must keep in mind that what we are first trying to measure through the use of national accounts statistics, is a rough approximation of the aggregate goods and services available to Cubans at different points in time. This approach is based on the utilitarian view of consumption, following Bentham, Edgeworth, and Marshall, typical in economic analysis, that assumes that an important portion of the level of welfare of individuals is determined by what they consume, as observed and measured by what they buy in the market place. But no matter how sophisticated economists' measurements and methods are, they always constitute a proxy for the level of satisfaction, well-being or welfare expected to be derived from the corresponding level of consumption plus

other activities. In consumers' acquisition of goods and services in a free market we cannot observe and measure more than how they reveal their preferences among the many choices available to them.

National accounts statistics were produced by the Department of Economic Research of the Cuban Central Bank (Banco Nacional de Cuba) from the late 1940s until 1958, and published in the form of National Income, a component and close approximation of the Gross Domestic Product (GDP). Unfortunately, their estimation and publication were permanently suspended in early 1960 when the president of the Bank (at the time *Comandante* Ernesto "Che" Guevara) did not like the result of the first estimate of national income for 1959—because it showed a paltry growth rate of the Cuban economy of only 1%, a politically unacceptable economic performance during the first year of the Cuban revolution. It must be noted that Guevara chose to end the operation of the department producing the statistics instead of falsifying the estimate: his decision had far reaching implications as no other estimates of aggregate economic performance were attempted until much later in the 1960s, although they only looked back to 1962. But the new national accounts were produced under a communist/Soviet methodology (services are not recognized as producers of value added) and in an economic system under central planning, where prices and quantities were distorted by rationing and centralized decisions on virtually all goods and services. These changes make comparisons of time series of economic activity statistics, using 1958 as a base, unfeasible and therefore meaningless. In synthesis, without a fundamental reconstruction of the statistics based on a common methodology, we do not really know how the Cuban economy performed from 1958 onwards.

Guevara's decision inaugurated an era of information darkness that lasts until today and represents a major obstacle not only for economic research but also for the conduct of any rational economic policy, even under communist canons. It is interesting to note that Guevara is the same man that was not only a principal advocate of installing a Stalinist-styled communist economy in Cuba, based on central plan-

ning, but also the was also the champion, two years later, of a development plan embodying a spectacular 15% annual growth rate. The same year that the official estimation of the national accounts statistics was suspended (1960), a development that went unnoticed by the general public, the revolutionary government suppressed virtually all forms of freedom of expression and information by confiscating newspapers, radio and TV stations, and publishing houses across the entire country. The only source of information in Cuba from that point forward was the government, with official statistics about the economy not becoming available again until 1965. One can only wonder how the highest authorities of the government were planning to monitor such ambitious growth plans, whether they were aware of the information problem they were creating, or whether the official development goals publicly announced only represented a propaganda gimmick to buy time and popular support for a more radical transformative agenda.

No comparable economic statistics were made available by the Cuban government until 1965 but they were reported late, had many inconsistencies and had doubtful reliability. But the most important flaw was that the new national accounts were not comparable with those for 1958 and earlier for several crucially important reasons. One is that typically the basket of goods and services that a society purchased during one period of time to be compared with another period are assumed to be approximately similar over the time interval. But in the case of Cuba, due to radical changes in the domestic production and distribution systems (private enterprises almost disappeared, replaced by state enterprises managed by ministries and their bureaucrats) and the introduction of central planning and rationing, those baskets are not equivalent to the one for the base period. The other critical problem that renders the comparison meaningless is that the prices of the goods and services corresponding to the two baskets tend to be radically different or distorted, because rationing and the introduction of planning impede the determination of prices via demand-supply equilibrium interaction that merge consumers' preferences with producers' capabilities. This way Cuba's economy becomes one determined

by supply-side factors, centrally and somewhat arbitrarily decided by the government through its planning apparatus, while the demand side is now affected by severe restrictions to consumers' choice via their revealed preferences. Therefore the implementation of a communist economy should not only be seen through the expropriation of the means of production (its supply side) but also as the expropriation of consumers' freedom to choose according to their preferences as they reveal them in the market place. It is worth noting that it is in the economics of the market place where the political lack of freedom (as part of the loss of civil liberties, as Hayek pointed out) can be more easily observed and measured.

A number of investigators have heroically struggled for many years with the problem of how to measure Cuba's economic performance, endeavoring to provide a reliable assessment of the performance of the Cuban economy at different times since the beginning of the Revolution, among them Carmelo Mesa-Lago, Jorge Pérez-López, John Devereux, Ernesto Hernández-Catá, Luis R. Luis, Luis Locay, Bryan Roberts, Pavel Vidal, Claes Brundenius and Andrew Zimbalist. Though most of their results based on estimates of Gross Domestic Product are not dramatically contradictory, and they coincide in terms of the shape of their fluctuations, they do vary in terms of rates of growth over the 60-year period. For this analysis I rely on the work done by Devereux (2019) based on his reconstruction of the corresponding time series. I make this choice based on what I think I know about the Cuban economy, my direct experience as a planner from 1960 through 1966 (Institute of Tourism, Central Planning Board and Ministry of the Sugar Industry) and the haphazard way it has been managed for 60 years. The estimates by Devereux show that Cuba's economy only grew by 37% during 1957–2017, after contracting during the first decade of the Revolution, recovering due to Soviet subsidies that lasted about 30 years, contracting a dramatic 37% upon the loss of the Soviet subsidies, and recovering again as a result of significant subsidies from Venezuela from year 2000. Somewhat consistently with this picture, estimates made in 2017 by Pavel Vidal in a report for the Inter-American Development Bank indicate that from the 1990s the Cu-

ban economy seems to have lost about half of its GDP and has not been able to recover since then.

Three observations are in order on Devereux estimates. Firstly, if we really want to know how the Cuban economy performed without the crutches initially of significant Soviet subsidies and later of less significant Venezuelan subsidies as a test of the economics of a communist system, we should use statistics adjusted to deflate the effects of such subsidies on the Cuban GDP. Thus, we can assume that Devereux's figures include an important portion of the Cuban GDP that in reality is not part of the country's intrinsic or net economic performance.

Secondly, Devereux does not include the income Cuba has been receiving for its exports of medical services to many countries around the world, which at times has been reported to be equivalent to as much as 20% of GDP. This raises an important issue about what to measure as part of the GDP. As is well known, in the presence of the Cuban government's monopsony in the employment of medical specialists (private practice of medicine is illegal in Cuba), and in combination with the well-established fact that doctors' income in the island is less than what doormen in luxury hotels make, they have no options but to work in "international missions" funded by client governments who pay the Cuban government for their services. In return, the Cuban government pays the Cuban doctors less than half the amount paid by the foreign government in hard currency, which represents a strong incentive for the doctors who would go overseas for extended periods of time but are forced to leave their families behind. This arrangement breaks international norms as stipulated by the International Labor Organization proscribing involuntary work, equivalent to indentured labor, and one can wonder if the income derived by such means is a legitimate expression of a country's domestic economic performance. As the objective of this paper is to compare the performance of the Cuban economy in 2019 to the economy of 1959, I prefer to exclude the income so generated as it belongs to an economic subsystem that did not exist at that time and was created only as the result of the failure of the Cuban government to keep the traditional levels of output

after the massive expropriations of private enterprises under a communist planning system.

Thirdly, it is possible to argue that Devereux's figures should be adjusted to reflect the effects of the U.S. embargo on the Cuban economy. One counterargument is that such embargo was brought about as a response of the U.S. Government to Cuba's policy decisions to install a new economic system, without recognizing the payments of compensation for the expropriation of American and Cuban enterprises. Other counterfactuals could be identified as part of this evaluation, but perhaps the most pertinent would be what would have happened to Cuba's economic growth and development if Fidel Castro had kept his original word of restoring the democratic republic defined in the 1940 constitutional framework of not a pure but a pretty functional market economy.

#### BEYOND UTILITY MAXIMIZATION

It is plausible to assume that in 1959, Cuba's economy was close to a state of Pareto long-term competitive equilibrium, where prices and quantities were fundamentally determined according to Walras' Law; consumers were free to reveal their preferences as buyers, while producers enjoyed the autonomy necessary to combine all necessary factors of production to satisfy the demand of their clients. And all of this was facilitated by free trade and reasonable availability of financial intermediation and credit. Government intervention was not so large as to become a political issue. Labor markets were partially free, though there were a few powerful labor unions operating in important sectors of the economy. Then in 1960, following the massive government confiscation of national and foreign enterprises, levels of output, exports and imports fell dramatically causing a severe shortage of almost everything that had been easily available until then, especially imported goods.

Very rarely has a country suffered such a profound transformation of its society and economy in less than two years without the intervention of a war. Queues became the informal way of rationing, starting slowly in 1960 and spreading rapidly in 1961, until formal rationing by quotas was instituted in the entire country in March 1962. Standing in queues

became part of the daily life of Cubans throughout the island until today, following periods of varying intensity depending on the overall severity of scarcity and reliability of rationing. Consumer choice was severely limited and a new era started for the way all citizens would relate to the nation's economy, not only as consumers but also as workers since the government practically became the only employer. Only some small private farms and some very small enterprises were allowed to operate, until 1968 when all forms of private enterprise were strictly forbidden in urban areas, including street vendors and shoeshine chairs.

Initially explained and justified by the Cuban government as a result of its confrontation with the United States, the reduction in the aggregate level of consumption was in fact a deliberate decision to increase the national rate of savings to finance an expansion in investments to accelerate the rate of economic growth. Yet the conflict with the U.S., its main trading partner until then, was the cause of a major upheaval to the Cuban economy as it disrupted all forms of trade, forcing the authorities to scramble for new sources of food supply, consumer goods, fuel, raw materials, intermediate goods, spare parts, capital goods, and short- and long-term financing.

Prima facie, and consistently with Devereux estimates of GDP, from the first few years of the Revolution, we can presume that the general level of welfare of the population was reduced solely from a strictly utilitarian, material, logistic or engineering point of view, as consumers could no longer buy what they wanted even if they could afford it according to their budgets. However the loss of welfare was more than what would have corresponded to that loss of utility, as the consumers' choice sets were further reduced, based on the principle that choosing  $x$  when  $y$  is available is preferred to choosing  $x$  when  $y$  is not available, as pointed out by Amartya Sen (1987). In other words, consumer preferences are not only relevant as expressed in choosing a given bundle of goods at one point in time, but also in their access to wider choices, beyond a given horizon. But the general level of well-being of Cubans was further affected by many other developments and conditions that became ap-

parent following the implementation of rationing and central planning.

#### A NEW ECONOMY, A NEW WAY OF LIFE

The changes in living conditions in Cuba can be observed (and in principle measured) through changes in the use and allocation of time of all agents, especially consumers and workers. The most important change was the citizens' loss of leisure time derived from rationing. Virtually all activities suffered increases in transaction costs that could be measured in terms of time and forgone income, as the opportunity cost of the time lost, that the new living conditions demanded. We can say that the "prices" in time of most activities increased, consequently reducing the time allocated for work and causing a contraction in the supply of labor, as shown by the increase in labor absenteeism, a recurrent complaint in political speeches by government leaders during the first years of the implementation of economic planning, as discussed in Sanguinety (1992).

Forced changes in consumer behavior explain this phenomenon. The distribution of rationed goods as officially stated in the ration book was never dependable with respect to the quantities promised and timely delivery. Even though for some items the rationed quotas were set on a weekly or monthly basis, their actual arrival for immediate distribution was only known in each neighborhood by word of mouth. Not until their physical distribution in the predetermined stores had begun would it be known if the amount of items available would be sufficient to cover the quotas for all the customers registered in each location. This created a level of uncertainty about the supply of food and other items—like shoes and clothing—that forced consumers to wait in line for hours to make sure that they were among the first in queues should the quantities of the rationed article available on a given day were not sufficient to meet demand of all consumers per the ration book. Thus citizens had to spend more time not only waiting in line, but also visiting stores several times daily to check upon deliveries, or pursuing the few goods that were not rationed in other neighborhoods, or trying to find illegal black market sellers of goods whose quotas were not sufficient to satisfy demand. Trans-

action costs for consumers and practically all economic activities increased considerably from the establishment of the new economy and persist until these days. The breakdown of urban and rural transportation systems added to the transaction costs as waiting in lines for hours for public transportation became a new normal for all.

The extra time spent in purely consumption activities represented a large loss of welfare—negative utility—as “leisure” time was much less available than before 1959. But such losses, of a magnitude that will never be known, would grow as the Cuban government, using its dictatorial/totalitarian powers, implemented a number of activities that were tantamount to the rationing of leisure time. Most importantly, almost mandatory mass mobilization initiatives, such as participation in frequent and lengthy political rallies, militia drills, “voluntary work” in harvests, became part of the daily life. Obviously, the time dedicated to such activities represent a loss in the citizens’ well-being, unless one is a true-believer militant of the Revolution. Government actions also affected time dedicated to productive activities in state enterprises whose operations were frequently interrupted to respond to political demands, disrupting operations, and contributing to reduce their productivity and the supply of goods and services in the economy. Mass mobilizations, with various degrees of intensity, were part of the normal life of Cubans for many years from 1959 until 2008, when Fidel Castro was replaced as head of the government by his brother Raúl, who seems to have had higher concern about the low level of efficiency and productivity of the Cuban economy.

There were other significant welfare losses caused by the permanent and extreme disorganization in the supply of consumer goods, many of which are complementary as they are traditionally consumed in combination with others. This condition was a source of permanent frustration for consumers, for example, as all ingredients of regular dishes produced at home were rarely available at the same time. This annoying problem could be easily avoided by buffering through inventories. But stores or households rarely held stocks of practically anything due to

chronically insufficient and unstable supplies. At the same time, the government frequently tried to explain shortages as a result of “hoarding,” which was considered a crime. Basic kitchen ingredients, for instance cooking oil, salt and spices, frequently disappeared altogether from the markets for indefinite periods of time, creating a very high level of aggravation for consumers, who depended mostly on household elaboration of their meals. But probably worst than the lack of complementarity in terms of aggravating consumers was the permanent uncertainty about the delivery of critical items. There have been periods when Cuban consumers go to the market with the nagging anxiety that they may not find enough food for their family. The government-denominated Special Period, which began in 1992 upon the collapse of the Soviet Union and in practice seems to have lasted eight to ten years (its formal ending has not been declared) was particularly harsh. And while we write this, everything points in the direction of a new food crisis in the island as Venezuela, the benefactor that replaced in part the Soviet Union in 1999, moves deeper into an economic crisis of its own making.

Even though the supply of food is the most salient and urgent aspect of consumers’ inability to satisfy the daily needs of their families, the same problems of unstable supply have plagued the entire spectrum of consumer goods, from personal hygiene items, clothing and shoes, to medical products. Consumer durables, from cars to small and large appliances, together with all forms of home furniture, virtually disappeared from the market in the early years of planning, and then followed a permanent pattern of instability with significant fluctuations, plus a distribution system that at times was based on quotas allocated to state enterprises or government-dominated labor unions. Even when the Cuban rationing system could deliver certain amount of items, the well-being of citizens was affected as consumers had to live with the anxiety generated by the frequent supply chain breakdowns.

But perhaps more onerous to the welfare of consumers, besides the daily struggle to cover basic needs, was the widespread deterioration of the housing

stock and consequently the fall in the quality of life. With central planning and rationing, private housing construction activities came almost to a halt for several years, but not their physical decay. Construction activities, including simple maintenance, were out of consumers' choice. From 1962, government actions put basic construction materials—cement, bricks, iron bars, wood and paint—out of the reach of private consumers and banned private enterprise in the construction sector. As a result, maintenance of buildings was all but paralyzed for decades while the housing deficit increased with population growth. Houses or apartments in structurally unsafe buildings that collapse during rain storms is an important condition to take into account in the Cuban welfare function, as thousands of dwellers are forced to live in dangerous conditions. Newlyweds have nowhere to go but to live with their parents in dwellings that end up several times subdivided, with improvised means, to accommodate more than one family and their offspring. The housing crisis, as it can be visually ascertained in the decay of Cuban cities and more dramatically in the capital Havana, has been aggravated by the deterioration of Cuban infrastructure, especially water supply and electricity generation. The breakdown of water supply systems in some sectors of cities in combination with frequent blackouts add to the misery of consumers who must spend time and energy collecting water in buckets from trucks, almost on a daily basis, and carrying them to their apartments. To make things worse, elevators in tall buildings have been often partially or totally out of operation due to lack of maintenance by the corresponding state enterprise or lack of imported spare parts, so water must be carried in buckets using the stairs. We must keep in mind that there is no data that could reflect the magnitude of this condition and it affects the wellbeing of those suffering it directly and indirectly.

Another approach to determine whether Cubans are better off today would be to ask them directly through surveys. However, the reliability of such method applied to a sixty-year period is very low, as discussed by Kahneman and Krueger (2006) in their analysis of the application of subjective indexes of welfare and how the memories of past experience on

personal utility is subject to significant error. Still it would be of great interest to interview a sample Cubans to measure changes in subjective well-being. Demographic data from the Oficina Nacional de Estadística e Información suggest that about 20 per cent of the Cubans that were alive in 1959 are alive today. We would have to take into account that the demographic composition of Cubans has suffered great changes in this period due to migration, impacting the consumer habits of the population at large.

For the sake of completeness, we have to consider that there has been an addition to the welfare of Cubans as the government implemented a significant expansion of free universal health care and free education at all levels, though freedom of choice was eliminated in both sectors. We do not know the magnitude of the increase in resources allocated to these two sectors with respect to 1959. Though there are reasons to believe that the increase in material allocation of goods and services to these sectors accrued benefits for many citizens, some qualifications are in order. University education was mostly available to students that showed allegiance to the one-party political system in Cuba, or at least did not show opposition to the government. Also students have been frequently rallied for political purposes or, at times, forced to participate in programs away from home, such as the *Escuela al Campo* program (School to the Countryside) that significantly disrupted family life and affected the welfare of students and their families. Though there have been reliable reports about the gradual deterioration of health services and education, due to the chronic economic crisis, there is not enough information to make a more accurate assessment about the impact on the welfare of the population.

## PUBLIC GOODS AND SERVICES AND PUBLIC BADS

Up to this point our discussion of Cuba's economic performance has been focused on the production and consumption of private goods and services, in the traditional economic definition, that is, those whose consumption is excludable with a marginal cost of an additional consumer equal to zero. Now we briefly

turn to the provision of public goods and services and their impact on social welfare. The evidence points to a reduction in the provision of certain public goods in Cuba since 1959 at the same time that as has been mentioned previously there has been an increase in others, especially the expansion of access to educational opportunities and health care services. Notice that such services are private but their degree of availability is a public good or service. The provision of other public goods, however, has diminished during the same period if we take into account the suppression of civil liberties, the fairness expected in the administration of justice, the ability of money to be a means of storing wealth, the right to have fair elections and many other public good or services available in the country even during the years of dictatorship before 1959.

But besides the ensuing decreases of social welfare due to such changes we need to address the role of public *bads*, as opposed to public goods, a defining characteristic of totalitarian or authoritarian states that is present in the Cuban case. Some important public bads started to appear in Cuba shortly after the advent of the revolution with the introduction of rationing and planning that significantly increased transaction costs for all consumers and workers, as discussed previously. Yet such increases and their consequent decrease in social welfare can be considered unintended and therefore as regular externalities of government administration activities.

Nevertheless the most onerous public bad in Cuba, and probably the costliest, is the enormous citizens' surveillance system that permanently monitors Cubans' behavior through which the government can repress and suppress all activities that their leaders deem contrary to official policy. The importance of this system, and the impact on the social welfare of Cubans cannot be exaggerated. Given the thousands of people it employs as agents across the island and the amount of resources allocated to this activity, the system represents a real industry that not only takes a significant portion of the country's resources but produces an output that no one wants, except those few that hold all economic and political power. The most salient aspect of this system is the sector dedi-

cated to repress whatever the government (and the Communist Party) identifies as politically forbidden, but the system is complemented by a network of organizations that monitor and repress activities such as freedom of movement in and out of the country of selected citizens, free market activities not authorized officially, artistic activities, freedom of assembly, and even simple gathering of private citizens with social purposes. The output of this industry could be measured by the value of the resources spent, but it would have to be included in national account statistics and any social welfare evaluation with a negative sign. Such a volume of resources, including its labor component, measures the opportunity cost associated with the forgone output if they could be reallocated to productive activities of the kind the general public would prefer if they had freedom of choice.

## CONCLUSION

Upon observing the modes of operation of the Cuban government and the ways it manages the economy, one can better understand why the country not only has failed to develop its economy but how it actually has generated negative growth and development. It is not simply the failure to fulfill the promises of 1959, but the installation of a system that led the country to a massive exodus of its population, widespread decapitalization and extensive contraction of its productive capacities.

There are no statistics that allow us to ascertain the losses in physical, financial, and human capital in Cuba. We know almost nothing about the distribution of income and wealth or how the economic decisions are made. What we see is a dysfunctional economy, incapable of maintaining, exploiting efficiently and growing the assets confiscated almost sixty years ago, suffering permanent instability, and heavily dependent on large subsidies and foreign capital for its investments. What caused this debacle was not only the adoption of a Stalinist model of central economic planning, but also the implementation of an extremely centralized, improvised and haphazard style of management that affected all levels of the economy, from individual state enterprises all the way up to the top to the ministries handling them.

This management style prevailed in Cuba until Fidel Castro's retirement from day-to-day management of the economy and his replacement by his brother Raúl, a no-nonsense military man who tried to make more efficient the country's crippled economy. But Fidel's management style had left a deep mark in the systematically inefficient ways everything was run in the country, a condition that can be characterized as path dependency, making it very hard and costly to change to more effective modes of operation. Making things even more difficult for the economy was that political goals and considerations, especially in the international arena, were preferred by Fidel Castro, while employment policies were designed to reward political and ideological loyalties, not productive efficiency. After decades operating like this a culture of low efficiency and poor work discipline set in, reinforced by a management system dominated by bureaucrats and politicians, who did not use financial indicators of profitability that could have assisted management in achieving higher levels of productivity.

The extent and depth of the loss of the productive capacity of the Cuban economy was dramatically made evident recently when the investors in the luxurious Kempinsky Hotel in Havana were forced to bring more than one hundred construction workers from India for several months, because they could not find in Cuba the manpower with the required qualifications. Any observer familiar with Cuba be-

fore 1959 would know that the capacity of its construction sector and the qualifications of its workers and personnel in general were among the best in the world, as reflected in the design and quality of the buildings that still stand across the country's cities, especially in Havana.

As I write, Cuba is entering a new "Special Period", similar to the one of extreme scarcity that affected the country in the 1990s. After 60 years under the same government regime Cuba cannot show a single major economic or social achievement despite the early promises of its leaders. The economy not only is failing to grow but also gives signs of regressing, while suffering from decapitalization in all physical, financial and human modalities. Even though official economic statistics are irregular, inconsistent and full of gaps, based on what we know it is safe to conclude that the welfare of most Cubans has suffered significant losses during this interval and there does not seem to be any promise for improvements in the short and middle terms. Ironically Cuba has descended from being a middle-income economy before socialism, about third in per capita income within Latin America in 1959, to a subsistence economy, surviving precariously today based on remittances from Cubans abroad, many of whom disagree politically with the regime, tourism, exchanges with the capitalist world, and subsidies from a few remaining friends.

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