



Written by [Michael Tennant](#) on February 7, 2011

Government Shrinks and Private Sector Grows — in Cuba

“Hoping to resuscitate Cuba’s crippled economy,” [writes the New York Times](#), Castro “opened the door to a new, if limited, generation of entrepreneurs last year, after warning that the state’s ‘inflated’ payrolls could end up ‘jeopardizing the very survival of the Revolution.’” Of course, the whole idea of “the Revolution” was that everyone should work for the state, not for himself, so Castro is really the one jeopardizing the communist project by allowing private enterprise; but let us not look a gift *caballo* in *la boca*.



The government is well on its way to keeping Castro’s pledge to lay off half a million employees by March, with another half million to follow in the months ahead. With about 4.3 million workers on Havana’s payroll, that’s a reduction of nearly a quarter — not bad for a Marxist state. Back in capitalist America, Obama’s healthcare “reform” will vastly *increase* the number of government employees in order to staff its unwieldy bureaucracy.

ObamaCare also piles mountains of regulations on businesses, making it that much more difficult for new ones to start up. In Cuba, meanwhile, the government issued 75,000 new business licenses in 2010, granting such licenses “quickly,” according to the *Times*, which adds that “the government has been encouraging the bureaucracy to keep them flowing.”

The result: Cubans can once again take pride in their work, knowing that they are producing useful goods and services that their neighbors will purchase willingly. As Marisela Alvarez, who opened a small café in November, told the *Times*: “I feel useful; I’m independent.”

Alvarez and her husband, Ivan Barroso, are now licensed to run a café and to sell meat and fish. Between the two businesses they are raking in about \$270 a week in sales. Even subtracting their combined \$74 in monthly taxes and their yearly 10 percent tax on profits, they are still doing far better than their state-employed neighbors, who take home a paltry \$20 a week. No wonder Alvarez said, “When you sit down at the end of the day and look at how much you have made, you feel satisfied.”

This slight loosening of the state’s grip has certainly not solved all of Cuba’s problems. “People want Cuba to become Switzerland overnight, and that’s not possible,” Yodania Sanchez, who now has a license to rent rooms in her house, said. Nevertheless, she believes “the changes are really positive; there are new opportunities.”

One of the biggest obstacles to economic growth at the moment is the lack of a wholesale market. Raw materials are extremely difficult to obtain. The *Times* reports that “the government says it will set up a wholesale market — though it might take years — and this year will import \$130 million worth of goods and equipment for the private sector.” A better solution, of course, would be for the government simply to get out of the way: Let imports take place, and let the wholesale market develop on its own. In the meantime, carpenters and electronics engineers can do no more than repair things; they can’t get materials to build anything new.



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Another problem the *Times* notes is that “the list of 178 jobs currently open to self-employed Cubans — among them, fixing parasols and mending bed frames — is highly specific and seems intended mainly to legalize and tax people working on the black market.” Ted Henken, an expert on the Cuban private sector at Baruch College, told the paper that “the government should vastly expand the list of occupations open to the self-employed to include mainstream professions like engineering or law.” Better still, the government should simply drop licensing requirements altogether, opening the floodgates to all manner of private enterprise.

The *Times* notes that although Castro “urged members of the government and the Communist Party to help the private sector, not ‘demonize’ it” — advice the Gray Lady herself would do well to heed — many Cubans “remain skeptical.” As a former restaurateur who closed up shop in 2000 because of government harassment put it, “When someone who has made the same argument for more than 40 years suddenly changes their tune, you have to have a lot of faith to believe them.”

Photo: Cuban flag



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