



Written by [Michael Tennant](#) on November 4, 2011

Recognizing Socialism's Failure, Cuba's Castro Revives Market in Private Property

Faced with this reality, Raul Castro, Fidel's brother and successor, has begun scaling back government and liberalizing property laws. He has pledged to trim nearly one-quarter of the government workforce, which accounts for over 80 percent of all jobs in Cuba. Last year he began [allowing private enterprise](#) in some limited circumstances, and now "the number of private business operators has hit more than 333,000, above the expectations of the authorities, from 148,000 in 2010," according to Agence France-Presse. In October he lifted some restrictions on the buying and selling of automobiles. Now, in what the Associated Press terms "the most important reform yet," Castro's government has announced that individuals will, for the first time in half a century, be able to buy and sell real estate.



The details as reported by the AP:

The law, which takes effect Nov. 10, applies to citizens living in Cuba and permanent residents only, according to a red-letter headline on the front page of Thursday's Communist Party daily *Granma* and details published in the government's *Official Gazette*.

The law limits Cubans to owning one home in the city and another in the country, an effort to prevent the accumulation of large real estate holdings. It requires that all real estate transactions be made through Cuban bank accounts so that they can be better regulated, and says the transactions will be subject to bank commissions.

Sales will also be subject to an 8 percent tax on the assessed value of the property, paid equally by buyer and seller. In the case where Cubans exchange homes of equal value in a barter agreement, each side will pay 4 percent of the value of their home.

While the new law hardly establishes a *laissez-faire* real estate market, it is, as Lexington Institute Cuba analyst Philip J. Peters told the AP, "a very big step forward." "With this action," he explained, "the state is granting property rights that didn't exist before," thereby turning a person's house into "an asset that can now be made liquid."

Fidel Castro made the sale of property illegal in stages over the first years after he took power, first by giving title to whoever happened to live in a home at the time and then by prohibiting the sale of the home. Since that time, notes the AP, "Cubans could only exchange property through complicated barter arrangements, or through even murkier black-market deals where thousands of dollars change hands under the table, with no legal recourse if transactions go bad" — in other words, the usual ways the



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naturally arising free market evades artificially imposed restrictions.

After the ban went into effect, the government took over the building of houses; but as with all socialist schemes, it was a failure. “Three years ago, the government acknowledged that its national housing construction and maintenance program was meeting only five to seven percent of the population’s needs,” writes AFP. “The country is believed to have a deficit of around a million homes,” the report adds. Thus, the AP observes, “many are forced to live in overcrowded apartments with multiple generations crammed into a few rooms.”

Raul Castro, therefore, is simply bowing to reality by allowing a freer market in housing. This is commendable given that political leaders’ propensity is never to admit failure but to intervene further each time previous interventions fail — as witness Washington’s various responses to the financial crisis that was largely of its own making.

Castro claims that he will never allow Cuba to become a capitalist country. In fact, AFP remarks that Castro’s reforms are “an effort to restructure a Soviet-style economic model and revive a stagnant economy while stopping short of creating a market-led system.” Of course, the last time someone tried to reform a Soviet-style economy, he ended up destroying his own repressive regime instead. As [Wikipedia](#) reminds readers, Mikhail Gorbachev’s program of *perestroika*, which “introduced some market-like reforms” into the Soviet Union’s then-moribund economic system, was intended “not to dismantle socialism but rather to make socialism work more efficiently to better meet the needs of Soviet consumers.” However, since it is impossible to make socialism more efficient, *perestroika* instead led to the fall of the communist regime in Moscow (though not exactly to a Jeffersonian republic). Castro may very well find himself in the same situation within a few years — an eventuality that could result in the ouster of his regime and freedom for the longsuffering Cuban people.



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