

R. Betancourt's Review of: "The Cuban Economy at the Start of the Twentieth Century", edited by J. I. Dominguez, O. E. Perez Villanueva and L. Barberia.

This book consists of an introduction and four parts containing 9 chapters and two commentaries. The contributors are American scholars and Cuban scholars. They were brought together as a result of a collaborative project between Harvard University's Center for Latin American Studies and Cuban scholars at various Research Institutes in Cuba. Almost all of the Cuban scholars are also Faculty members at the University of Havana. Almost all of the American scholars have some affiliation with Harvard University.

J. Dominguez introductory essay sets the overall tone of the book and provides a summary of the contents of its four parts. This essay makes several broad points among which I found the following to stand out. First, it argues that the economic future of Cuba in the twenty-first century has already begun as a result of the changes that took place in the 1990's. Second, it argues that a successful economic future within the context of a socialist regime requires additional changes. Third, it stresses the potential role of human capital through its participation in the international economy for Cuba's future economic success. Fourth, it gives a principal role to remittances from the Cuban diaspora for their contribution to survival in the 1990's and for the future economic success of Cuba in the twenty-first century. I will describe the contents of the four parts before engaging in an evaluation.

Macroeconomic Issues (Part I) consist of one essay by Dominguez (Cuba's Economic Transition: Successes, Deficiencies and Challenges) and one essay by Perez Villanueva (The Cuban Economy Today and Its Future Challenges). They represent two different approaches to the same topic. Perez Villanueva's article is a very methodical, data intensive discussion of economic developments during 1989-2003. Dominguez is a more interpretative discussion of these events during the same period. Nonetheless, they differ little on the broad picture, there was a crisis during 1990-1993, substantial reforms during 1993-1995/6 and less progress since that time, or main implication, even within the context of a socialist regime further reforms are needed if there is to be economic progress reaching most of the population in the near future. The differences in the two essays, besides the style, arise in terms of emphasis. For example Dominguez views the period since 1995/6 as a continuation of the previous one, but Perez Villanueva views this same period as one with oscillations. Part of the reason is that the former emphasizes policies whereas the latter emphasizes macroeconomic indicators. While Dominguez explicitly identifies specific reforms that should be adopted (for example, authorizing small and medium size Cuban enterprises in the private sector), Perez Villanueva offers proposals for discussion (for example, promoting cooperatives as an alternative to self-employment in the service sector).

International Economic Context (Part II) consists of three chapters by Cuban economists and one commentary by an American one. The first one, Globalization and the Dilemma's of Cuba's Economic Trajectories by Pedro Monreal, reviews and evaluates Cuba's development strategies and suggests one for the future that it labels 'export

substitution'. The latter is an innovative proposal in the context of Cuban economic policies. It emphasizes Cuba's need to participate in the international economy, avoiding the limitations of past ways of doing so, the need to rely on the human capital of Cuba's work force as the main basis for its comparative advantage, and the need to participate in these activities as part of the globalization networks that characterize the international economy. The other two chapters are more narrowly focused. One of them, Challenges of Cuba's Insertion in Caribbean-US Trade by Jorge Mario Sanchez Egozcue, thoroughly considers two alternative ways for Cuba to increase its participation in international trade, namely through a regional integration agreement or through a bilateral agreement with the US. The conclusion is that, even in the absence of political obstacles, trade with the US will not increase significantly in the short to medium term (2-6 years).

In the remaining chapter of this part, The Role of Foreign Direct Investment in Economic Development: The Cuban Experience, Omar Everleny Perez Villanueva discusses the role of foreign companies in exports and development, the experience with foreign investment in Latin America and the Caribbean and Cuba's experience with foreign direct investment. This discussion provides a Cuban perspective on these issues that is informed by frequently used data and literature. An important contribution of this chapter is the detail it provides on specific joint ventures in Cuba. The commentary, Economic Reforms in China and Vietnam: Are There Lessons for Cuba?, by Dwight Perkins provides a brief review of reforms in China and Vietnam and draws lessons for Cuba. Perhaps most striking is the following evaluation of Cuba's reforms "Even a cursory review of Cuba's attempts at reform makes it clear that Cuba is still trying to hold on to too many of the trappings of a Soviet-style command economy for the country to achieve sustained economic growth."

Social Policy and Welfare (Part III) consists of two chapters by Cuban scholars (the first one by a sociologist and other by two economists) and a commentary by three American public policy scholars. In the first one, Social Effects of Economic Adjustments: Equality, Inequality and Trends toward Greater Complexity in Cuban Society, Mayra Espina Prieto presents the evolution of Cuban views on poverty and inequality from the beginning of the revolution to the present, but devoting most attention to the last 14 years or so. She also criticizes aspects of this evolution from a socialist perspective in a social science context. Her main empirical finding, however, is likely to be undisputed regardless of perspective: namely, a substantial increase in inequality and poverty since 1989. In the other chapter in this part, Consumption, Markets and Monetary Duality in Cuba, Viviana Togoeres and Anicia Garcia look at similar issues from an economic perspective relevant for the Cuban economy. Two aspects of their perspective will attract attention: a somewhat controversial (from a standard economic perspective) emphasis on redefining consumption to include government expenditures on social programs and an innovative and non-controversial emphasis on a detailed look at demand and supply conditions in the main segmented markets that characterize the Cuban economy. In general they emphasize the role of differential access to dollars in determining participation in these markets and consumption possibilities while acknowledging the contributions of these dollars to efficiency and welfare provision. Finally, the commentary by the American scholars relies heavily on the analysis by Espina to

emphasize the need for 'selectivity within universalism' in social policy, both with respect to inequality between groups and spatial inequalities. They suggest that Cuba rely on the examples of countries elsewhere, both developed and less developed, to design these policies (including means tested ones).

Transnational Networks and Government Responses (Part IV) consists of two chapters by American based scholars. In 'Transnational Networks and Norms, Remittances and the Transformation of Cuba, Susan Eckstein provides an account of the evolution of transnational ties among individuals from 1959 to the present with special emphasis on 1989/90-2003. The essay stresses the dramatic transformation in attitudes toward migrants in Cuba and toward visiting the island by Cuban-Americans as a result of economic necessity ushered in by the economic crisis of the early 1990's. The primary but not exclusive data source are 130 in depth interviews in the US (Miami and New Jersey areas) and 80 similar ones in Cuba (Havana). Its most striking feature is a detailed and convincing account of a change in attitudes at the individual level. In *Remittances to Cuba: An Evaluation of Cuban and US Policy Measures*, Lorena Barberia reverses the emphasis of her colleague and provides a detailed discussion of policy measures by both countries as well as a substantial amount of data on this issue. Just as the previous chapter, it covers the period since the start of the revolution with and emphasis on the period since 1989/90.

In sum, this book is a valuable and useful contribution to the understanding of the Cuban economy between 1989/90 and 2003. The previous summary suggests why. Nevertheless, it also has two limitations in its contributions to this understanding.

First, there are important omissions. For instance, there is no explicit discussion of the allocation of economic resources to the current military and political elites as a mechanism to maintain power through the difficulties of this period. Similarly, views on the process represented by dissident Cuban economists or by Cuban economists that provide a rationale for the policies of hardliners are either not presented or identified as such. The views presented by Cuban scholars in this volume are consistent with what one may call in the Cuban context the views of moderates or reformers. Are we to believe that the policies suggested by both the Cubans and the Americans in this volume are not adopted because the Cuban policy makers are incapable of understanding their arguments?

Second, one of their four main arguments can be interpreted in highly misleading ways as a result of the manner in which it is presented. This potential for confusion is especially prominent in the way remittances are discussed in the introductory essay by Dominguez and in the one by Barberia. Dominguez asserts "the diaspora sends a billion dollars every year." This can be highly misleading in two ways. It is likely to be an overestimate of more than 50% if by diaspora one means Cuban-Americans in the US. Furthermore, it is an overestimate of about 25% no matter whomever else you include in the diaspora according to the numbers reported by Barberia in this volume!

Barberia's essay reports \$798.39 million in 2000 (it declines in 2001 and 2002) as the highest number for net current transfers from abroad minus official development assistance. These numbers are taken from CEPAL's figures and she calls them remittances. This misses the \$1 billion mark by about 25% of the actual number! Furthermore, these numbers are not just remittances. They are in fact, and more accurately described, private transfers from abroad.

Private transfers include remittances but they also include all other sources of private income transfers from abroad. The latter include any payments in foreign currencies by foreigners of non-Cuban origin to locals not officially reported as income by the locals. This would include payments for both legal and illegal services (prostitution and commissions for money laundering) and legal and illegal goods (drugs or stolen items). In addition it also includes, for example, foreign exchange sent in or brought in and spent in Cuba by foreign based Cuban personnel. The latter include not only diplomats but artists, intellectuals, and athletes as well as doctors, dentists, soldiers, teachers and workers in Cuban joint ventures detailed abroad. Counting these foreigners or foreign based Cuban personnel as members of the diaspora is a stretch of the usual meaning of the term (forced to leave their country involuntarily).

Direct estimates of what Cuban-Americans in the US send to Cuba based on surveys and analysis, as reported in Mesa-Lago and Perez-Lopez (2005) recent book, range from \$100 million to \$400 million during the period under consideration. Even the upper bound estimate amounts to 40% of Dominguez \$1 billion figure!