

Entrepreneurship in Cuba

Written by Peter Klein.

The death of Fidel Castro has brought to light the catastrophic failure of Cuban socialism. Cuba, whose standard of living was among the highest in the region in 1959, is now one of the world's poorest countries (questionable stats on education, healthcare, and even cigars notwithstanding). And, of course, as is obvious to anyone not named Trudeau, the Castro regime was one of the world's most dictatorial and brutal.

And yet, even in a totalitarian state, human creativity, ingenuity, and the drive to improve the world around us can never be totally extinguished. Household production, village enterprise, artist collectives, and similar small-scale market-like activities have existed in Cuba for years. Privately owned restaurants have been common for decades, and became legal in the early 1990s. (Now there are so many the Cuban government worries that they are not regulated enough.) A few years ago I helped organize a conference on *Ediciones Vigía*, a Cuban publishing house specializing in high-end artist books.

More generally, after Raoul Castro took over for his older brother in 2008, the Cuban government has gradually relaxed some restrictions on private ownership, markets, and entrepreneurship. While Cuba is still formally a socialist economy, it has already begun moving in the direction of a mixed economy, albeit a heavily interventionist one (some observers say Vietnam and China are the models — countries with few political rights but substantial amounts of de fact economic freedom). The Cuban government formally announced in 2010 plans to expand the “non-state sector,” laying off hundreds of thousands of state employees and legalizing small-scale private enterprise, some forms of land rental, and other capitalist practices (here is a useful report). Cuba even has an MBA program.

Will entrepreneurship flourish in Cuba, and will it bring the same increases in the quality of life as elsewhere in the world? I am cautiously optimistic. There will not be a quick transformation. For one thing, the Cuban government (and most Western observers) define “entrepreneurship” narrowly as self-employment and small business; they do not have in mind the Mises’s general concept of the capitalist-entrepreneur, the “driving force” of a market economy. Don’t expect Nike factories or indigenous industrial firms anytime soon. Moreover, the national government will continue to be the dominant force in Cuban economic life, severely hampering attempts by business owners, investors, arbitrageurs, and other market participants to create economic value.

Still, even a little bit of capitalism goes a long way. As Mises noted, the entrepreneurial function, the actions of the capitalist-entrepreneurs that transform resources into the

goods and services desired by consumers, can never be completely eliminated, even in an interventionist world.

The entrepreneur is also jeopardized by political dangers. Government policies, revolutions, and wars can damage or annihilate his enterprise. . . . But [entrepreneurs] will not stop operating. If some entrepreneurs go out of business, others will take their place — newcomers or old entrepreneurs expanding the size of their enterprises. In the market economy there will always be entrepreneurs. Policies hostile to capitalism may deprive the consumer of the greater part of the benefits they would have reaped from unhampered entrepreneurial activities. But they cannot eliminate the entrepreneurs as such if they do not entirely destroy the market economy.

Even during the heyday of the Cuban Revolution, private initiative and enterprise continued, though largely forced underground. Now entrepreneurs are being given a fighting chance. Godspeed!

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