

## **The New Institutional Economics and the Study of**

### **the Cuban Economy -- by Roger Betancourt**

#### **Comments by Lorenzo Perez**

Dr. Betancourt's paper reviews the literature of institutional economics and discusses its relevance for analyzing the type of structural changes that are likely to occur in Cuba in the future in the post-Castro period. His discussion of the work on transaction costs, property rights, and public choice is an invitation to do research in these areas in a Cuban context. I agree with Dr. Betancourt that how institutions are created in countries to deal with transaction costs, property rights, and externalities (public choices) questions can play a significant role in determining the growth potential of a country.

I found particularly interesting Dr. Betancourt's discussion of his research and of others on the organization of retail markets and the implication for transaction costs. I believe that the analysis of who bears the distribution and retail costs and the associated profit levels can provide good insights for changing an inefficient distribution system like the one existing in Cuba where an official rationing system coexists with black markets.

Dr. Betancourt is correct in highlighting the importance of property rights and in pointing out the key role that they would play in an important structural change that would need to occur in Cuba in the supply and distribution of food. He suggests that consideration be given to granting secure property rights for a limited period of time on the use of assets to farmers and operations of retail stores. He views this as a preliminary step before instituting a full system of property rights. However, I am doubtful about the practicality of this approach because it is unlikely that appropriate economic incentives can be provided with limited property rights at the time that drastic political and economic changes take place in Cuba. For this reason I believe that there would be little alternative to moving fast in providing permanent property rights.

The discussion on the public choice literature suggests to me that an important area of research would be a comparison of the constitution currently prevailing in Cuba with the 1940 Cuban constitution. Such an analysis would shed light on the economic implications of the two legal systems embedded in the constitutions and what type of constitutional reforms might be most desirable for promoting a market economy in Cuba.

Finally, I believe that the reading of Dr. Betancourt's paper would be facilitated if the paper were to be more explicit on some of the references that he makes to the literature. This is a concession that writers from academia should make to the readers of our association, who mostly work outside the academic world and might not be that familiar with the literature.