

# TAXATION LEVELS IN CUBA—AND OTHER TOPICS OF RHETORICAL INTEREST

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This article is written as a result of a trip that the author made to Cuba in March 2003. Some of the non-economic aspects of the trip are brought out in an article that has been published elsewhere.<sup>2</sup> The economic topics that follow are those that arose in conversations with people from Cuba, or with the students who accompanied the author to Cuba. While these topics require the need to make some reference to scholarly materials, the weight of the arguments depends more on rhetoric than on scholarly discourse (that would include the statistical testing of hypotheses).

The author found the need to engage others in rhetorical arguments, highly dependent on language, in order to understand the ideas that he heard in Cuba. Some persons may find this approach to argumentation new and even confusing, just like the author did while he was in Cuba. However, the author would now argue that one needs to master this approach to understand discourse about Cuba, even abroad (in Western countries). Hence this article is a call for clarity, rationality and consistency in the use of language.

It is divided into four sections. The first describes the effective use of language, from a rhetorical point of view, by a Cuban professor at a university in Matanzas,

and how the questioning of that language led to a different conclusion. The second illustrates how the meaning of words can be so corrupted that many people in Cuba actually believe that their taxation levels are close to zero. The third section deals with the emotional issue of the American embargo—or blockade, as it is known in Cuba; it tries to demonstrate how the complexity of the issue is obfuscated by language. The final section deals with how Cubans abroad perceive the issue of Cuban independence; it suggests, but does not prove, that we are all slaves to the history we read.

This article is written in the hope that it is read by both faculty and students contemplating trips to Cuba, by Cuban scholars in Cuba and outside of Cuba, and by Cuban nationals. It touches on a variety of controversial topics that should be addressed by anyone interested in Cuban history and culture.

## AN INFINITE NUMBER OF BOOKS

The group of students and faculty that went to Cuba visited the Camilo Cienfuegos University, just outside the city of Matanzas. The group was welcomed by a professor who gave a detailed history of the university. This individual made the point that prior to the Revolution there were only four universities in Cuba, whereas now (in the year 2003) there are fifty

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1. The author would like to thank his colleague Miles Cahill, and one of his daughters, Irene Leonor Sánchez, for very useful comments.

2. Nicolás Sánchez, "Reflections on a Recent Trip to Cuba," *The Fenwick Review* (The Independent Journal of Opinion at the College of the Holy Cross), Vol. X, No. 3, May 2003.

universities on the island; in fact, the government's goal for the future is to create a university in every municipality, for a total of over one hundred and fifty universities. This was, of course, a strong rhetorical argument in support of the educational achievements of the Cuban Revolution: fifty is clearly greater than four, and one hundred and fifty is three times an order of magnitude than fifty. The students were very impressed with these numbers.

At the conclusion of the presentation, the author asked for the approximate number of books at this particular university, which has about eight thousand students. Instead of answering the question, the professor commented on the difficulty of obtaining books in Cuba. But he made the point that with access to the Internet, the need for books in a modern library is somewhat limited. This argument resonated with the students, since most of them have grown accustomed to writing research papers based on what they find on the Internet.

The group was given total access to the university. It soon discovered that the computer lab available to students consisted of eight computers. When the students in the group tried to send simple e-mail messages to the United States, they were frustrated. It took one student 30 minutes to do so, another gave up after 45 minutes of trying, and the rest did not bother to try. The group found no other computer access for students at the university, although it later became known that Cuban faculty had their own access to the Internet, which they might share with some of their students. (The reader can obtain more information about this university by logging on to [www.umcc.cu](http://www.umcc.cu).)

The author then met with one of the librarians and asked for an approximate count of books in the library. First, the librarian informed him that the library was divided into three sections: technical-scientific, humanities and social sciences. Then the librarian turned towards the collection in the technical-scientific section and declared with complete confidence: "Well, you can see for yourself: *we have an infinite number of books in this library* (emphasis added)." After visiting all three sections, the author's own estimate was that the number of books available

was no more than 12,000, with the technical-scientific section possessing the largest share.

It is important to note that the above librarian did not appear to be sarcastic or completely committed to the Revolution, since an older child of this individual was already living in the United States. But the nature of the argument is very significant. If we take the word infinity to mean what it usually means, then this individual demonstrated cognitive dissonance, for it is simply impossible to hold an infinite number of standard-sized books in a fairly small finite space. That was precisely what the individual was stating. While this individual might be unique in all of Cuba, the response illustrates the difficulties that the author confronted when he tried to make people address certain topics that would be of interest to economists.

It is obvious that if individuals (like students, or people doing research work) fail to make conceptual distinctions as to what a university is all about, then the "truth" of academic discourse depends on the way that language is used or misused. To the author, it does not make sense to count as equals his college, which has a collection of half a million volumes in its library and widespread student access to the Internet, and the Camilo Cienfuegos University, which has fewer volumes in its library than many high school libraries in the United States and no effective access to the Internet. The argument is even stronger when the comparison involves research universities in the United States. Hence, the number of universities in Cuba now or in the future is hardly an argument in favor of the educational achievements of the Revolution.

The paucity of books in Cuban libraries can be appreciated with the following figures. The library of the Cuban Academy of Sciences has slightly more than 100,000 books and pamphlets and 60,000 serials. This library was founded in 1864. A newer library, founded in 1979 and devoted to the study of tobacco, has 958 books, 5,300 bound periodical volumes, 611 reports, 15 manuscripts, 43 patents, 2 microfiche and 2 reels of microfilm. On the other hand, the Cuban National Library has a respectable 2.22 million volumes.<sup>3</sup>

### TAXATION LEVELS IN CUBA

The author found well-educated people in Cuba who honestly believe that taxation in Cuba is minimal. People actually told the author that the only income that was heavily taxed in Cuba was that generated through the *paladares* (private restaurants), the few private hostels that can collect dollars, and foreign enterprises that exist in partnership with the Cuban government. The owners of *paladares* with whom the author talked to were in fact quite resentful of the levels of taxation, claiming that they reached 40% or higher. What, then, is the level of income taxation in Cuba?

Before this issue is addressed, it might be useful to explain the meaning of “income” in economics. This term is equivalent to the value of production of goods and services, or the value of output that is produced in an economy over a period of time, usually one year. The reason that the word “income” is used is that ultimately all output accrues to someone in the form of income; the one exception is depreciation charges, since some of the goods produced need to be used to replace old capital equipment.

There are three ways of calculating income or output: first, by adding the “value added” that has been contributed by each industry or sector of the economy; second, by taking into account all the expenditures on “final” goods and services by consumers, businesses, government and the foreign sector; and third, by determining the income that the various factors of production have earned as a result of their productive activities. All three approaches yield the same result

using different procedures. In the income approach, however, sometimes it is difficult to determine how income accrues to individuals. For example, suppose that labor and capital together produce some output, but this output is fully taxed by the government. The government can then turn around and either assign the output to producers and/or non-producers, or give money transfers to producers and/or non-producers so that these transfers can be used to purchase either these goods or other goods.

Gross Domestic Product (GDP), then, is the standard measure of the value of output within a country. In Cuba, per capita GDP is now in the neighborhood of \$2,000 (in U.S. currency).<sup>4</sup> Given that approximately 45% of the population is economically active, the average GDP per worker is \$4,444. From this figure, one should subtract income or output produced by the capital that belongs to foreigners, since the goal is to calculate taxation rates *for Cuban workers*. Foreign investment in Cuba has been estimated at \$2.5 billion,<sup>5</sup> and assuming that this investment yields the extraordinarily high pre-tax return of 25%, one can calculate<sup>6</sup> that the \$4,444 should be reduced by 3%,<sup>7</sup> leaving a Gross National Product (GNP) per capita of \$4,310.

One then needs to subtract 10% for depreciation from this figure,<sup>8</sup> a part of production that would never accrue to any worker; this leaves an amount of \$3,880 for Net National Product (NNP) per worker. Normally, indirect business taxes would then be subtracted and government subsidies to firms would be added, but since one is trying to calculate taxes on

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3. These figures are taken from the 1997 edition of the *Directory of Special Libraries and Information Centers*, New York, Gale Publishers, 1997.

4. The *2003 World Development Report*, in Table 1a, footnote h, gives an estimate of between \$746 and \$2975 for the year 2001. The *2003 Britannica Yearbook* gives an estimate of \$1,700 for 1999. Hence a \$2,000 estimate for the year 2002 or 2003 appears reasonable.

5. See Claes Brundenius, “Whither the Cuban economy after recovery? The reform process, upgrading strategies and the question of transition,” *Journal of Latin American Studies* (May 2002), Vol. 34, no. 2, p.368.

6. \$2.5 billion times .25 is \$625 million. Since GDP per capita was estimated at \$2,000 and there are 11 million persons in Cuba, total GDP is about \$22 billion. Dividing \$625 million by \$22 billion is 2.8%, and the number has been rounded up to 3%.

7. Income generated by Cuban nationals abroad might reduce the 3% figure, but the author found no available data to make the correction. Whether the correct figure is 3%, 2% or 1% does not make a difference in the final results.

8. This assumes a depreciation rate close to that of the United States. This is really an over-estimate, since the capital equipment of Cuba is quite old and a significant amount of it should have been depreciated in full.

the income of Cuban workers, this correction will not be made. Hence, with no correction made to NNP per worker, the \$3,880 equals what is called National Income (NI) per worker.

In traditional income accounting, corporate profits minus dividends, net interest paid by business firms, and contributions to social insurance are subtracted from NI, and then personal interest income received from government, and transfers payments to persons are added to NI: the result is Personal Income. This, minus personal taxes, gives rise to Disposable Personal Income. Here, however, a different approach will be used, since several of the above categories (like profits and dividends) do not apply in the case of Cuba.

Continue by assuming that 70% of National Income would accrue to workers as salaries, and 30% of National Income would accrue to those who own capital.<sup>9</sup> In Cuba, however, the only “return to capital” that accrues directly to the people is the housing services provided by the housing stock, which is *de facto* (if not *de jure*) under the “ownership” of current occupants. The author estimates these housing (or properly speaking, shelter) services to be about 20% of the (potential) salary income of the working population; this would amount to \$543 a year for the average worker.<sup>10</sup> If correct, this means that in Cuba an average household made up of two adult workers and two children receives \$1,086 in shelter services per year.

It has recently been reported in the American press (“Los expertos predicen año difícil para la economía,” *The Miami Herald*, at [www.elherald.com](http://www.elherald.com), posted on Friday June 6, 2003) that the

Centro de Estudios de la Economía Cubana, in Cuba, estimated that the average yearly salary for workers was \$120 (again, in U.S. currency). If we add \$543 in direct shelter services (which are part of NNP) to \$120 paid in cash to workers, this comes up to \$663 of yearly income to workers. It then follows that the average taxation rate on the *total* income of workers (salary plus potential returns to capital) in Cuba is approximately 83 percent of income  $[(\$3880 - \$663) / \$3,880]$ .<sup>11</sup>

To round down the number, one can argue that taxation on *total* income in Cuba is 80%. It may be interesting to note that Bulgarian government expenditures were 77.3% of Gross National Product in 1991,<sup>12</sup> during the transition from communism to a “democratic, constitution and welfare state” regime in that country.<sup>13</sup> Hence a central government expenditure and taxation figure for Cuba of 80%, assuming a balanced budget, does not appear unreasonable. This simply indicates that the Cuban government controls 80% of the income generated by the workers *and* the capital stock (that supposedly belongs to the workers). The government does so by providing transfer payments and direct services to the population at large (including the workers, of course); these embrace monetary transfers for social insurance, meals at work places, subsidized utilities, educational services, medical attention, etc. The figure may be an over-estimate if the underground economy is a large part of the Cuban economy, but this issue is not addressed in this paper. Nor does this paper address the whole issue of the taxation of remittances sent by the exile community, which are in the neighborhood of \$800 million a year. These funds are pure transfers from abroad and do not rep-

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9. This is an approximation for the coefficients of a typical Cobb-Douglas production function. See Charles I. Jones, *Introduction to Economic Growth*, London, W. W. Norton & Company, 1998, pp. 41-45.

10. Shelter expenditures in the U.S. were approximately 15% of median income during the 1980s. See various issues of the *Statistical Abstract of the United States*. The 20% figure is used because one would expect significantly higher expenditures on shelter in a poor country.

11. The taxation rate on salary alone is much higher, at 96%, but given the large return on the housing capital stock that is received directly by the average household, it appears that this higher rate is quite misleading.

12. The figure comes from the *World Development Report 1993*, published by the World Bank, p. 259.

13. See the 1992 *Britannica Yearbook*, p. 421.

resent output that is either produced in Cuba *or* abroad by Cuban-owned assets or nationals.<sup>14</sup>

It should now be clear why traditional accounting practices were not followed once the Net National Product per capita was determined. Workers receive salaries and substantial direct services in the form of shelter: these add up to a figure that can be called Earned Disposable Income. Everything else that workers and others in the population get is a direct or an indirect transfer, which the government is able to provide because of the many hidden taxes on salaries and returns to capital.<sup>15</sup>

Someone might argue that as long as income produced by the Cuban people is returned to them (or to some deserving group) as transfers, this whole discussion about taxes is irrelevant. There are serious flaws with this assessment, for the following reasons: (a) it is clear that in democratic countries taxation levels are part and parcel of the political discourse, and that people do in fact limit the power of government officials in the allocation of resources; (b) there is a vast literature in economics demonstrating that existing taxation schemes are inefficient, leading to what is called “dead-weight” losses; (c) hidden taxation, as practiced in Cuba and other communist regimes, makes it especially difficult to make rational economic decisions; (d) those individuals benefiting from transfers coalesce into interest groups that lobby for ever-greater benefits, thereby ratcheting up the tax rates; (e) those persons facing ever higher taxes, in turn, seek to engage in tax avoidance rather than productive activities; and (f) the recipient of transfers never observe and appreciate the true sacrifice that taxpayers make.

The 80% taxation figure is a very different figure from the one that is normally quoted in Cuba: practically zero by the average person.<sup>16</sup> How is it that people in Cuba feel that they face minimal taxation? A variety of answers seem plausible. First, people are not explicitly told, nor do they receive formal documentation to the effect that they face an extraordinarily high tax rate. (Neither do the Europeans, but at least they are aware through the political process that the value-added tax, VAT, is quite large. In personal conversations with Swedes, the author has found that at least the *immigrants* to this country are fully aware of the extremely high taxation rates in that country. Swedish government expenditures were 44.2% of Gross National Product in 1991,<sup>17</sup> and they have been in the range of 40% to 45% for years. Yet the implied taxation rate in Sweden, again assuming a balanced budget, is about one half that of Cuba.) Second, people in Cuba live in a society that has accepted that the state owns the capital stock; hence one can assume that the people correctly understand—even when they do not correctly state—that the returns to capital (except for shelter) accrues to the state and not to individuals. Third, the Cuban state provides a great variety of goods and services at either very low prices or at zero prices, and these goods and services would have been purchased anyway if the people had not been taxed at such high rates.

Whatever the appropriate explanation, the author’s experience in Cuba was very perplexing (except with one journalist who was working as a business entrepreneur in Varadero; while this individual did pay taxes on his dollar earnings, he was fully aware of the

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14. As mentioned in footnote 6, it was not possible to determine the income of Cuban nationals abroad. The group learned at the Camilo Cienfuegos University that when university faculty members travel abroad to work, their contracts are negotiated by the university, which gets to keep part of the foreign earnings. Cuba sends medical teams and athletes—including baseball players—abroad, and the author assumes that similar arrangements are made by other governmental institutions.

15. It is widely recognized that taxation is well hidden in communist countries; this has given rise to serious political difficulties for transition governments, as they try to make government taxation transparent. See Jorge Martinez-Vazquez and Robert M. McNab, “The tax reform experiment in transitional countries,” *National Tax Journal* (June 2000), Vol. 53, No. 2 for a comprehensive discussion of this issue.

16. The difficulty that Cubans have had in understanding and accepting taxation had long been noted in a 1996 article in *The Economist*, entitled “Cuba’s two nations: or, why dollars are dangerous,” April 6, 1996, Vol. 339, No. 7960.

17. The figure comes from the *World Development Report 1993*, published by the World Bank, p. 259.

hidden taxes charged by the government). People simply did not know how to respond when told that they paid more than minimal taxes. The usual response was that the government gives them the goods and services for free, or at subsidized prices. When asked, “how does the government gain access to these goods and services—is it not through taxation?” the respondents were truly baffled by the question.

Language, of course, plays tricks on everyone. Even in the United States, people talk about public education being “free”; the difference is that when people are challenged (“how does the government pay for this free education?”) most individuals are painfully aware of local property taxes and are willing to concede that there is no such thing as a “free lunch.”

Even Cuban scholars in the United States seem to have a bit of difficulty in conceptualizing the connection between taxation levels, educational opportunities and medical care in Cuba. The achievements of the revolution are stated in terms of access to education and the improvements in health that have resulted from “free” medical services. Somehow, people fail to ask “at what cost to the taxpayer?” as if that was not a relevant question. Would people in the United States want “free” education and “free” health care at 80% average taxation rates on *total* income? Why is this powerful rhetorical question never asked by scholars or in the American press?

At best, Cuban scholars in the United States provide budget expenditures that are devoted to education; but these expenditures are not representative of educational costs<sup>18</sup> (even ignoring opportunity costs). Utilities for schools are subsidized; transportation to schools is subsidized; health care and retirement benefits for teachers are subsidized; the schools’ food purchases involve subsidized prices; and the list can go on and on. The same is done with expenditures on health care.<sup>19</sup> The costs of medical personnel are

many times the reported expenditures by the state; hence the reported expenditures are invalid measures of costs. What scholars need to do is an accurate cost-benefit analysis of education and health care.<sup>20</sup> Also, they need to ask people in Cuba if the choices made for them by the government, *given the true costs of the services*, are the choices they themselves would make.

One final anecdote will illustrate the frustration that the author felt in Cuba when he raised the tax issue. The group visited an agricultural cooperative just outside Havana. The morale of the workers seemed quite high. When asked about taxation, the chief officer said that the cooperative paid only a 5% sales tax on goods sold and a 5% tax on inputs purchased from the government. When pressed further, however, the officer revealed that the government took possession of part of the crop, the cooperative members consumed directly another part, a percentage of the crop had to be sold at subsidized prices dictated by the government in government stores, and the remainder was sold in open markets, where the 5% sales tax applied. The cooperative also received direct assistance from some European governments (helping to build a fence and helping to acquire some machinery). Given the complexity of the arrangement (including possibly subsidized input prices) it is evident that calculating the tax rate for this cooperative would be a most difficult task. However, the only “taxes” that were recognized by the officer were the sales and purchase taxes previously mentioned. The author honestly believes that the officer was not in any way trying to hide the higher effective rates of taxation: she simply did not understand the question as people in the United States would understand the question.

There exists, then, a substantial gap between what people in Cuba collect as income or housing services and what gets reported as production in the form of GDP. The difference between these two figures must

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18. See, for example, Manuel E. Madrid-Aris, “Education’s Contribution to Economic Growth in Cuba,” *Cuba in Transition—Volume 10* (2000), pp. 342-351.

19. A recent informative, yet flawed analysis from an economic perspective is that of Felipe Eduardo Sixto, “An Evaluation of Four Decades of Cuban Health Care,” *Cuba in Transition—Volume 12* (2002), pp. 325-343.

20. Such an analysis would use shadow prices to calculate costs and willingness to pay to calculate benefits.

be accounted mainly by a variety of indirect taxes that accrue to the government, which in turn uses various subsidy schemes to make people feel that the government provides “free” or minimal-cost commodities. People in Cuba fail to grasp how the process works, and hence insist that taxes on *total* income are minimal. The head of the government in Cuba is, in effect, Santa Claus, who miraculously distributes income or output to the population.

### THE BLOCKADE EXPLAINS EVERYTHING

Even the most casual visitors to Cuba, if given the opportunity to talk to anyone, come to understand the difficult economic conditions that people there face. Tourists are accosted for money and illegal trade (especially in cigars and prostitution). A visitor to a food distribution center will find bare shelves. Children embrace anyone who gives them money or goods. Personally, the saddest experience that the author had was finding a child who had no knowledge as to what toothpaste was for. People in Cuba engage visitors freely in conversations about the difficult economic times that they face; their inability to find what Americans call over-the-counter drugs and simple toys for children are recurrent complaints by the population.

This, however, does not translate into criticism of government policy—quite the contrary. For when asked why they face these problems, the respondents *reluctantly* (as if trying to avoid conflict with American visitors) answer that it is due to the American blockade.

The author tried to initiate discussions on this issue but found it rather difficult to proceed. First, people in Cuba really believe that the United States effectively prevents other countries from selling goods and services to Cuba. Second, the people have no notion of the staggering foreign debt that Cuba owes to the rest of the world. The 2003 *Britannica Yearbook* lists a figure of \$11 billion. This, however, does not include the debt to Russia or the former Soviet Union, which has been estimated at \$20 billion.<sup>21</sup> And third,

the results of the so-called blockade are so obvious to ordinary Cubans—there are no goods to purchase when using Cuban currency—that the blockade is the *sui generis* explanation for their troubles. This point of view was repeated many times to the group by government officials, and the students initially found the explanation quite convincing. There seems to be nothing more appealing than a simple argument for a humanitarian catastrophe.

The explanation is also appealing because the American embargo has in fact caused some difficulties to the Cuban economy. In the early years of the Revolution, it made it much more difficult and costly to replace existing industrial machinery in Cuba. Also, since the United States was the closest trading partner that Cuba could possibly have had, transportation costs for Cuba were increased whenever Cuba traded with other countries. However, forty-four years after the Revolution, both of these arguments have lost their currency.

Many basic necessities that are scarce in Cuba today—such as clothing and shoes—are purchased *abroad* by Americans: this means that despite the transportation costs, people in the United States find it cheaper to buy these goods in Asia. The same would apply to people in Cuba today if (and this is the big if) they had the financial resources to buy those goods anywhere. Hence, while the transportation cost argument retains some validity (particularly with respect to food) it is invalid for a wide range of goods that both Cubans and Americans should find themselves buying in cheaper Asian markets. With regard to industrial machinery, the argument is now obsolete. After forty-two years of a trade embargo, Cuba has had enough time to replace all of its manufacturing capital stock from countries other than the United States. That it has not done so is an indication of its inability to trade elsewhere, for the simple reason that it has lacked enough output to conduct mutually beneficial trade. The Cuban economic

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21. The \$20 billion figure was reported by *The Economist* years ago, in the article “Cuba’s two nations: or why dollars are dangerous,” April 6, 1996, Vol. 339, No. 7960.

problem is lack of Cuban output and not the American embargo.

There is, however, another route to defend the importance of the American embargo on the Cuban economy: Cuba cannot sell tourist services to Americans, at least to the extent that it would like. This argument is valid as far as it goes, but does not go far enough. The embargo cannot be lifted, according to the Cuban Liberty and Solidarity Act of 1996, until Americans assets confiscated in Cuba are returned—or, conceivably, compensation for them is provided. It was the policy of the Revolution to break with the American economic hegemony in the island: “Yankees go home” was the battle cry of the Revolution—stated in much more unpleasant language. This attitude remains, and there is simply no willingness in Cuba to accept the return of properties or to provide compensation for them. The Helms-Burton Act is universally despised.

Cubans seem to believe that they had the right to take these foreign properties and that, under current conditions, confiscated housing taken from former Cuban nationals (which provides them with a significant part of their income) now belongs to them. The author is convinced that the Cuban revolution was consolidated through the confiscation of property. In a sense, almost everyone was made a partner in confiscation, and no one today has the moral authority to declare that what the government did was wrong and detrimental to economic growth. No one, of course, realized the long-term consequences of what was being done (such as the destruction of the vibrant construction industry in the cities) but that is not surprising. Cuban history since independence has been one where both democratic and dictatorial regimes have followed market-destructive policies<sup>22</sup> (especially with regard to labor legislation<sup>23</sup>).

What the author found surprising was that the American students, with whom the embargo issue could and was discussed openly, generally came out on the side of the Revolution. Some of their arguments are instructive. For example, some students argued that the American Revolution ended up confiscating the properties of English partisans, an argument that is factually correct: 80,000 British loyalists who fled to Canada had their property expropriated.<sup>24</sup> Hence, if the Americans could do this to the English, then the Cubans could also do the same to the Americans.

Students also brought into the discussion the confiscation of native American lands by the English. This was helpful, in the sense that if such confiscation was illegal and deserving of compensation, wouldn't one have to determine the legality of Cuban confiscation of Cuban-owned and American-owned properties? But the confiscation of native American lands was brought in to demonstrate the exploitative nature of the founders of the United States. Since the Americans are the exploiters and the bad guys, the confiscation of property needs no justification. End of argument.

Well, not quite the end of the argument. Students accept the idea of American exploitation because they lack a good understanding of *how* wealth originates. While it is true that the United States is rich in natural resources (and hence “natural” wealth), it can be made clear to students that wealth originates with technical change and the introduction of know-how into productive processes. Students can be reminded that all modern conveniences arise because people in this country, Europe and Japan have learned to develop knowledge and have incorporated that knowledge into physical processes and commodities. Television sets, for example, are technical ideas embodied in a physical medium. Once the students understand

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22. The economic absurdities of the 1940 Constitution are exposed by Jorge A. Sanguinety, “Implicaciones de la Constitución del 40: Lecciones para el Futuro,” *Cuba in Transition—Volume 12* (2002), pp. 369-381.

23. The economic and political power of labor unions in Cuba prior to the Revolution is usually ignored by commentators. An excellent discussion of this topic can be found in Chapter XCVI of Hugh Thomas, *Cuba: The Pursuit of Freedom*, New York, Harper & Row, 1971.

24. See Antroy A. Arreola, “Who’s isolating whom?: Title III of the Helms-Burton Act and compliance with international law,” *Houston Journal of International Law* (Winter 1998), Vol. 20, No. 2, p. 353.

that, they become reluctant (in most cases) to give away their own potential contributions to wealth in the form of ideas, and the so-called exploitation by the West and Japan of poor societies takes on a more problematical nature. One can ask the students point blank: what was it that Cuba contributed to the development of modern technologies? One plausible answer is the telephone, but this invention was not patented and the telephone was re-invented elsewhere years later. The Italian Antonio Meucci, who invented the telephone in Cuba in 1849, never received the credit or the financial rewards.<sup>25</sup> In addition, one can argue with them that the economic arrangements that are incorporated in legal systems impact the productive activities of nations. If socialism as a way of organizing production has failed in Eastern Europe, what makes a person confident that it will succeed in Cuba? The response to that question, by the organizer of the trip to Cuba, was that Cuba only needed more time. Language, then, can be used cleverly to cast doubt on the strength of a powerful argument. This can be illustrated with another example.

Students in Cuba were struck by the great disparity in the quality of housing that they observed in Havana. To some, this disparity justified the re-distributive policies of the Revolution. Interestingly, some of the more radical students came to believe that the Revolutionary elite had simply displaced the old bourgeoisie in terms of control over the better-quality housing. Others justified current conditions on the basis that equality did not preclude hierarchical differences, which were necessary to continue the work of the Revolution. This suggests that hierarchical differences do not directly translate into *de facto* inequalities. It seems more reasonable to argue that, in both the old and the new Cuba, class differences have translated into differences in access to goods and services. In addition to housing, one can mention access to travel: in the pre-Revolutionary days few people could travel abroad because few people could afford to do so, while in Revolutionary days

foreign travel is restricted to those who are part of the governing elite (except for those who are subsidized by relatives abroad).

Traveling within Cuba is both costly and difficult, given the state of the transportation system. The roads are there but carry minimal traffic. This has had an important consequence which is relevant to the discussion of this section: Varadero is not seen by the great majority of the population. Travel books state that 18,000 Cubans live permanently there. Varadero is the best argument against the idea that the so-called blockade accounts for Cuban poverty. Hundreds of first class facilities have been built for the foreign tourists, American goods can be purchased most everywhere, and even the music of well-known exiles (Celia Cruz, Gloria Estefan) can be heard in public places. Where, then, is the famous American blockade that supposedly prevents economic prosperity? The students were too concerned with enjoying the beach to pay much attention to this argument. The disparity between Cuban and tourist facilities became much more evident to the students in a different context, near the Viñales Valley. At a tourist attraction, a grandiose painting on the rocks depicting native Taino Indians and prehistoric dinosaurs side by side required millions of gallons of paint. The students spontaneously argued that the paint could have been better used for the dilapidated buildings of Havana.

The American embargo, or blockade, as it is known in Cuba, is the government's explanation for the economic hardships found in the island, and the people of Cuba generally find this argument convincing. No one bothers to explain to them how or why the embargo arose, and no one there questions Cuba's right to confiscated property. Many American students buy into these arguments, and their beliefs are only shaken when they see islands of abundance within Cuba, catering to the tourist sector, or when they see that income inequalities remain, particularly in housing and foreign travel. Those who want the embargo

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25. This obscure fact is hardly ever mentioned in standard encyclopedias; the one exception is *The MacMillan Visual Desk Reference*, New York, 1993, Section 3161, entitled "Time frame of modern communications."

lifted fail to answer a simple question: When will Cuba pay what it owes to the rest of the world? In the recent past, Cuba has traded with many capitalist countries (Canada, Japan and Western European countries) and has left many bills unpaid. Why should American banks extend credits to a country that is so much into debt?<sup>26</sup>

Are these rhetorical questions, or questions that take into account Cuba's minimal potential for economic growth, given that it lacks the technical know-how and legal institutions to make its economy work? The answer, of course, depends on perspective, for Cuban nationals are in desperate need of American help. Many of their relatives and friends abroad side with them. Cuban scholars abroad also remain hopeful that Cuba's problems can be overcome, if and when the appropriate transition to democracy and a market economy takes place.

#### COGNITIVE DISSONANCE IN CUBA AND ABROAD

The author has thus far presented three cases where cognitive dissonance arose: a librarian who thought that a finite and quite small number of books added up to infinity; people in Cuba who really believe that taxation levels are quite low, despite the fact that their whole life is dependent on government transfers; and many American students and the great majority of Cubans who take seriously the argument that the so-called blockade is responsible for poverty in Cuba, despite the opulence of Varadero and other tourist spots. How is it possible to explain this cognitive dissonance or situation where people believe things that contradict one another?

One answer, of course, is that language has been used in such a way that the cognitive dissonance is only *apparent* but not *real*. The librarian might really want to use language in such a way that the achievements of the Revolution are presented in the most favorable light; Cubans might really have a peculiar definition of taxation; and the word "blockade" might be an icon that captures the animosity of some American students and many Cubans towards the U.S. government.

Much can be said for this argument because people are influenced by the history that they read and absorb, which is always presented from a particular point of view. Thus everyone, almost by definition, could be motivated to fall into a language trap that gives rise to at least the *appearance* of cognitive dissonance. History, as we know it, is generally written by the winners of some revolution. Since everyone can be made proud of their own history (unless the history is written by the winners of a recent counter-cultural Revolution, as seems the case in the United States) this pride is sufficiently powerful to make people overcome the uneasy feelings that arise when they state or imply a contradiction. One final example from Cuba will illustrate this point.

On the trip to Viñales, as the bus left the Western outskirts of Havana, the tour guide proudly noted a complex of new buildings that house a Cuban university catering to foreign students. She made the point, once again, that education to these students was provided for free. When the author pointed out (again!) that nothing is free, and that the tour guide herself had to pay taxes that served to house and feed these foreign students, the tour guide became visibly

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26. It has been argued by the U.S. Chamber of Commerce and many business interests that the embargo should be lifted. But one must recognize that American business interests do not care about who pays the final bill, but rather care for the extension of bank credits that will allow others to purchase their goods. The final bill, in the case of sales to Cuba, will be most likely paid for by the American taxpayers. It is remarkable, then, that politicians (who should side with the taxpayers they represent) end up siding with business interests that might fund their political campaigns. An argument for the lifting of the embargo *can be made on humanitarian grounds* (even by people who are motivated by self or family interests) since conditions in Cuba is truly deplorable. But if one believes that the Cuban political system will not yield to economic reforms, then the interests of taxpayers should be taken into account. Moreover, since taxes can be used to help poor Americans, the humanitarian argument turns on who is more deserving of economic aid—poor Cubans or poor Americans? The answer to this question is fairly obvious, to the American voter and taxpayer. The failure of the Cuban-American community to understand this trade-off has the potential of alienating some sectors of the American public, especially the poor and other minority members who are potential recipients of government aid.

upset. People do not like to hear things that injure their pride. The tour guide, like most people in Cuba, refuses to believe that she pays any significant amount of taxes, and is a strong believer in the achievements of the Revolution.

So it occurred to the author to conduct a “thought experiment,” to discover if cognitive dissonance or possibly a language trap extended to himself and his scholarly friends. The thought experiment begins with a question: would it make sense for Puerto Rico to become an independent nation?

Most scholars are aware that Puerto Rico has received huge amounts of American subsidies over the years. They are aware that U.S. corporations have established themselves there, providing much needed know-how to the island and training opportunities to large segments of the population. Scholars know that Puerto Ricans who cannot find employment in the island can easily move to the United States mainland and find employment, good educational opportunities, or at the very least collect substantial welfare payments. Puerto Rico has had a relatively peaceful political climate throughout most of the twentieth century. Puerto Rico did not have a war for independence against Spain in the nineteenth century,<sup>27</sup> as Cuba did, and the assets of its wealthier classes were not burned to the ground. Puerto Ricans have an income per capita that is several times that of Cuba today. Hence, on economic grounds, one can easily argue that Puerto Rican independence does not make sense. Whatever other grounds might exist for independence, it seems obvious that the economic grounds have always weighed more heavily in Puerto Rican hearts, since independence has been repeatedly voted down by the electorate.

The thought experiment now continues with another set of questions. Did the *total* war of independence in Cuba against Spain make sense? Most Cuban citizens and Cuban exiles would answer in the affirmative.<sup>28</sup>

Did the elimination of the Platt Amendment and U.S. supervision of Cuban affairs make sense? Similar response. Did U.S. corporations in Cuba before the Revolution bring to the island highly needed technical know-how? While the answer might depend on whether the Cubans live in Cuba or in exile, the author is not so sure. A good number of exiles, years ago, resented American participation in the Cuban economy and would have given a negative response, just like their countrymen in Cuba are likely to do today. Now, however, most exiles and a small but growing number of Cuban nationals would love to see American participation in the Cuban economy. It is also important to state that Cuba has experienced 100 years of independence marred by political violence, attributed to one or another faction; not surprisingly, the resulting instability has been a factor contributing to poor economic performance.

The final question in this thought experiment is this: does it make economic sense for Cuba to be an independent nation? The author suspects that most Cubans abroad would answer in the affirmative, while holding simultaneously that Puerto Rico should not be independent. Is this a sign of cognitive dissonance? Have Cubans abroad been manipulated by those writing the history of another Revolution—the one for Cuban independence?

The current Revolution is using language that obfuscates the conditions and choices that people in Cuba face. But this argument is too easy to make for those who live abroad. Maybe, just maybe, all Cubans were the children of another Revolution that also obfuscated the conditions and choices that Cubans made in the past. Has the time come, for example, for Cuban scholars to distance themselves from the promoters of *total* war (which was how the wars of independence were conducted) because these wars were destructive of the civil society of Cuba in the nineteenth century? Has the time come to accept that in the modern world wealth originates from technical

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27. Puerto Rico had only minor rebellions of short duration.

28. Carlos Manuel de Céspedes, who began the wars of independence, said: “Better... that Cuba should be free even if we have to burn down every vestige of civilization.” Quoted in Hugh Thomas, *Cuba: The Pursuit of Freedom*, New York, Harper & Row, 1971, p. 255. Chapters XXI and XXVII of this book explain how the wars were conducted.

know-how and Cuba has no possibility of standing alone as an independent nation? Has the time come to accept that Cubans might need outsiders to act as good-faith arbiters in their political squabbles that repeatedly turn deadly?

The author does not know the answers to the above questions, but his trip to Cuba has forced him to consider them. He hopes that other potential visitors to Cuba will also take them seriously, and that these questions lead to reasonable discussions among people of good faith. Finally, the author wants to make clear that his questions are not rhetorical devices that might help to justify the American annexation of Cuba. First, Cubans need to make their political decisions freely, through a democratic process and from an initial state of political independence. Second, and more importantly, other viable alternatives make much more sense. One is the integration of Cuba to

a Spanish federation of autonomous regions, based on the democratic principles and practices that currently prevail in Spain (and which did not exist at the time that Cubans fought bravely for Cuban independence). Another is the integration of Cuba to a Caribbean federation of states, loosely resembling the United States but significantly smaller (including all the Caribbean islands that wish to participate and, hopefully, the Central American nations plus Colombia and Venezuela). A third alternative might be provided by an inspired reader of this article, guided by Providence. In the short-run, every one (including the author) wants to see a free, independent, peaceful, prosperous and democratic Cuba; but can such an entity endure without changing the parameters that history and circumstances have placed upon the Cuban Republic? Let the reader find his or her own answer.