

Cuban Restructuring: The Economic Risks

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CUNY Colloquium:
Economic Transformation in Cuba
May 21st 2012

Economic risks

1. Unemployment

- the cost of higher productivity?

2. Monetary instability

- prices, exchange rate

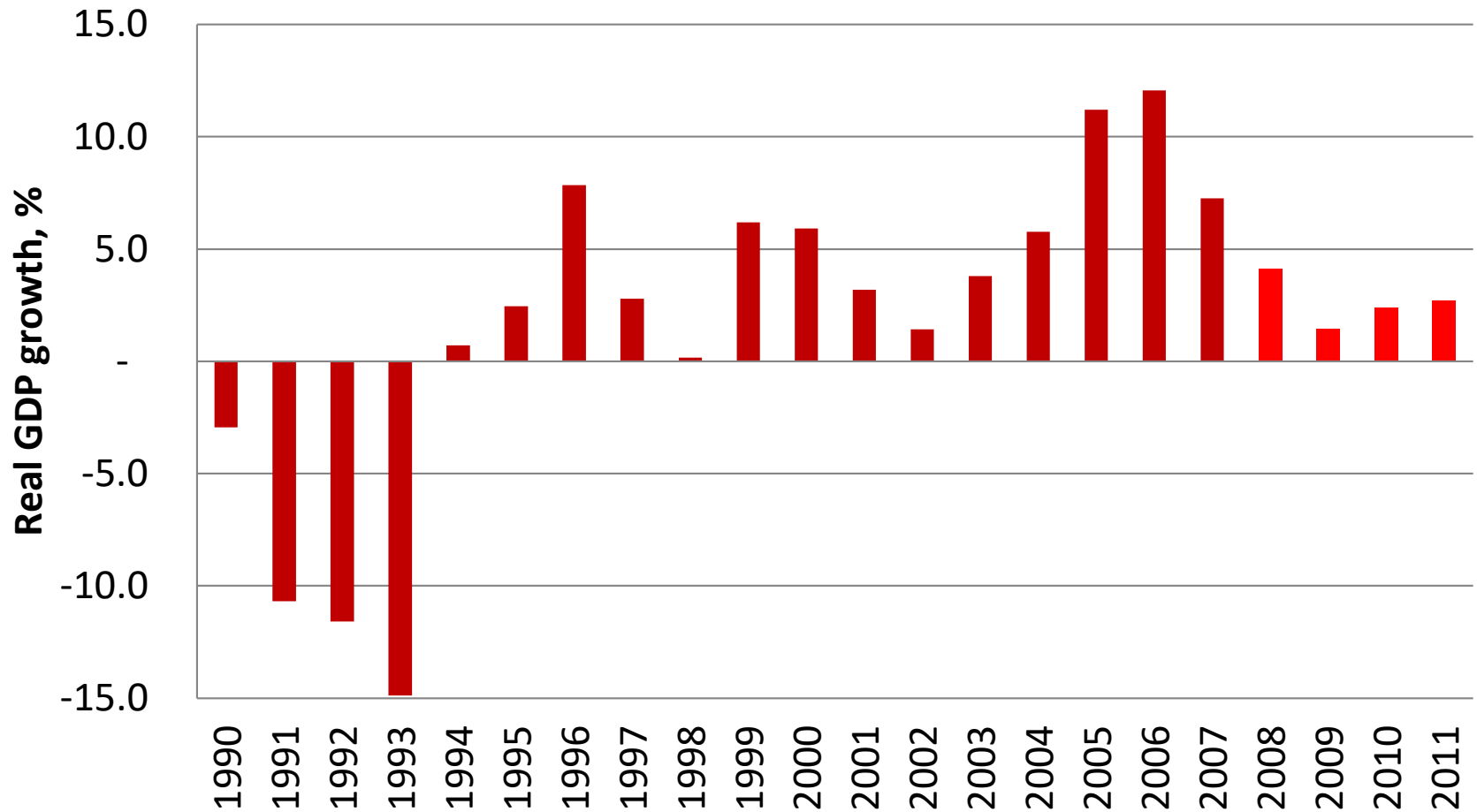
3. Fiscal crisis

- loss of capacity for social protection?

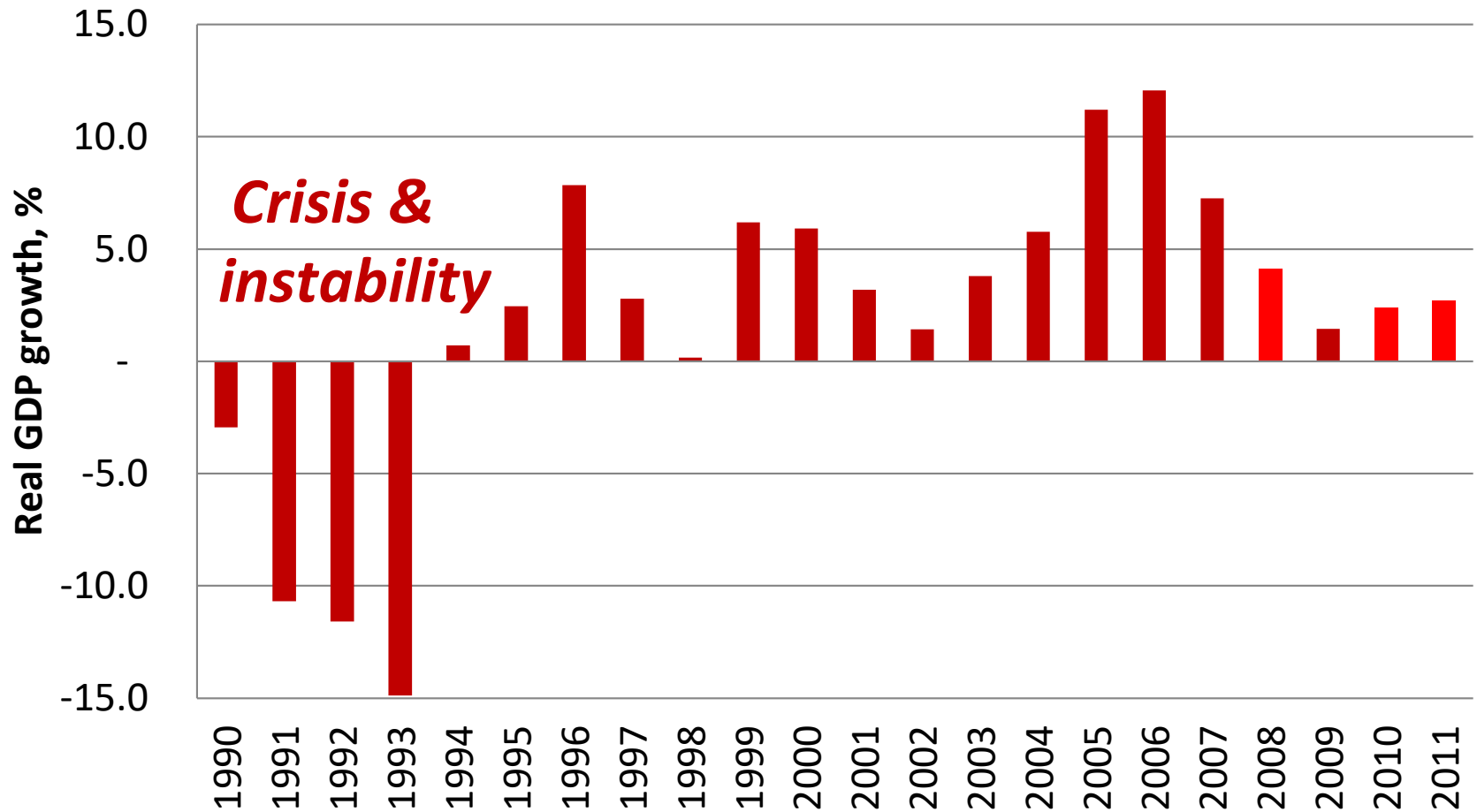
4. Stagnation

- is Cuba stuck?

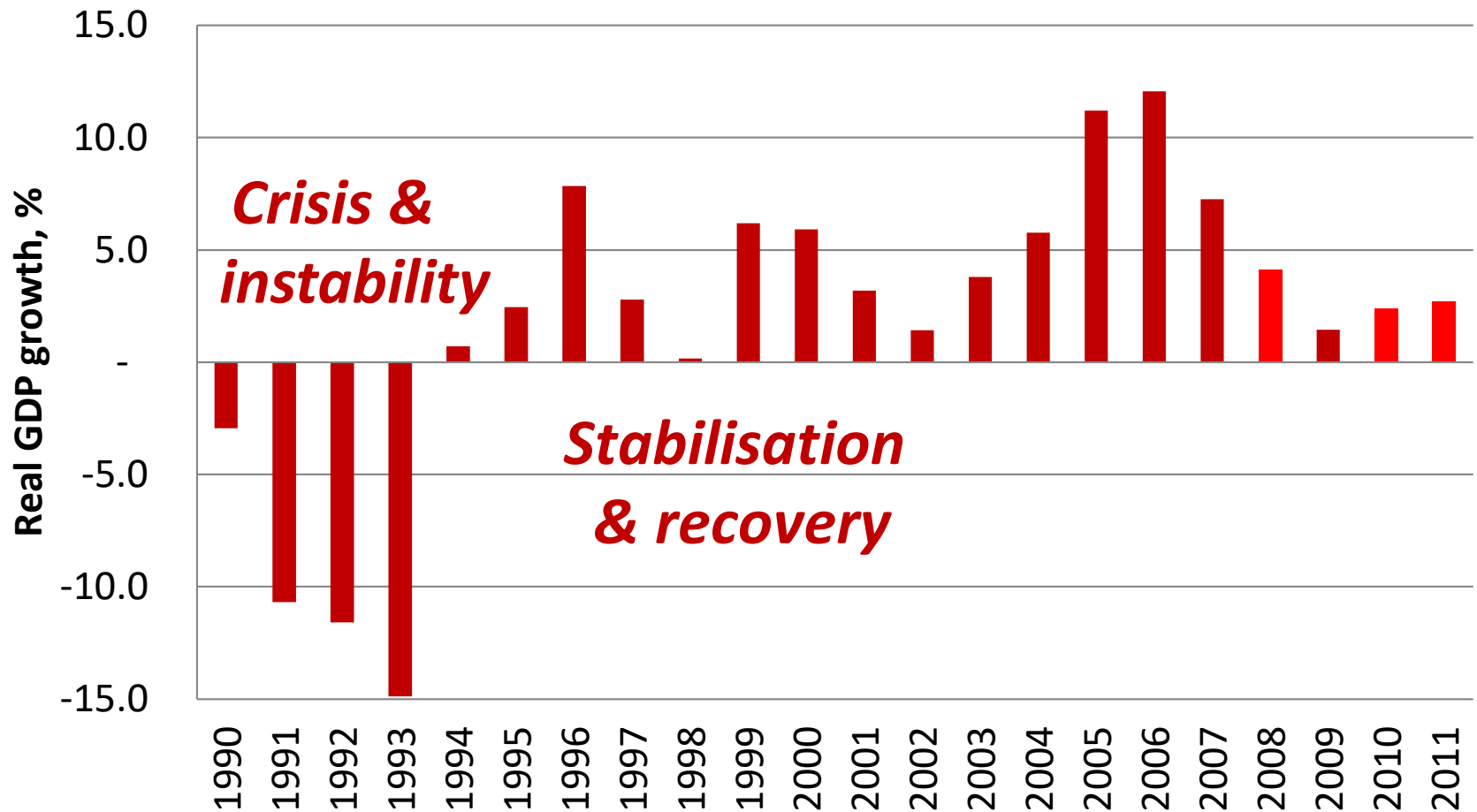
Actualización in perspective: Growth performance



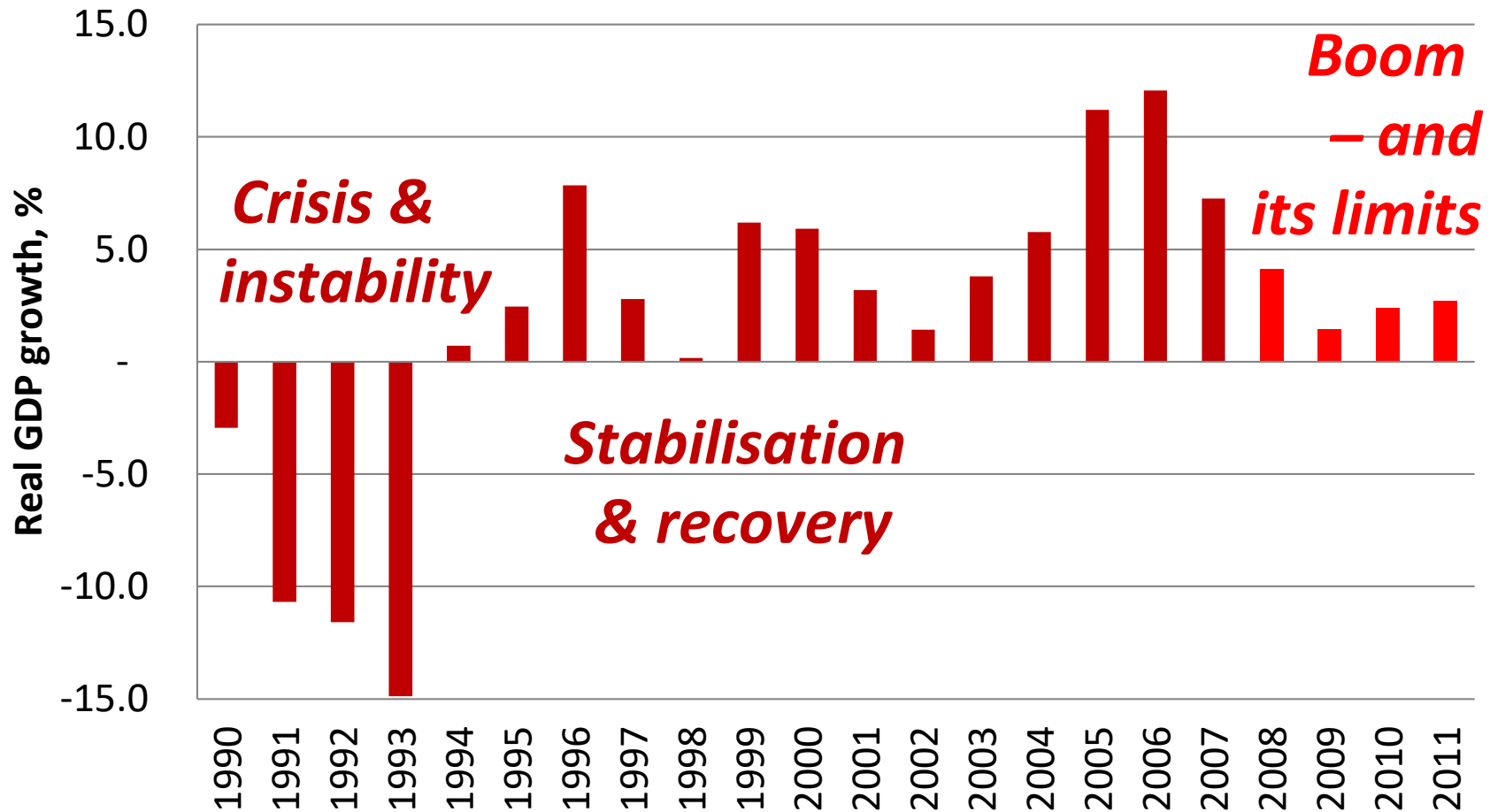
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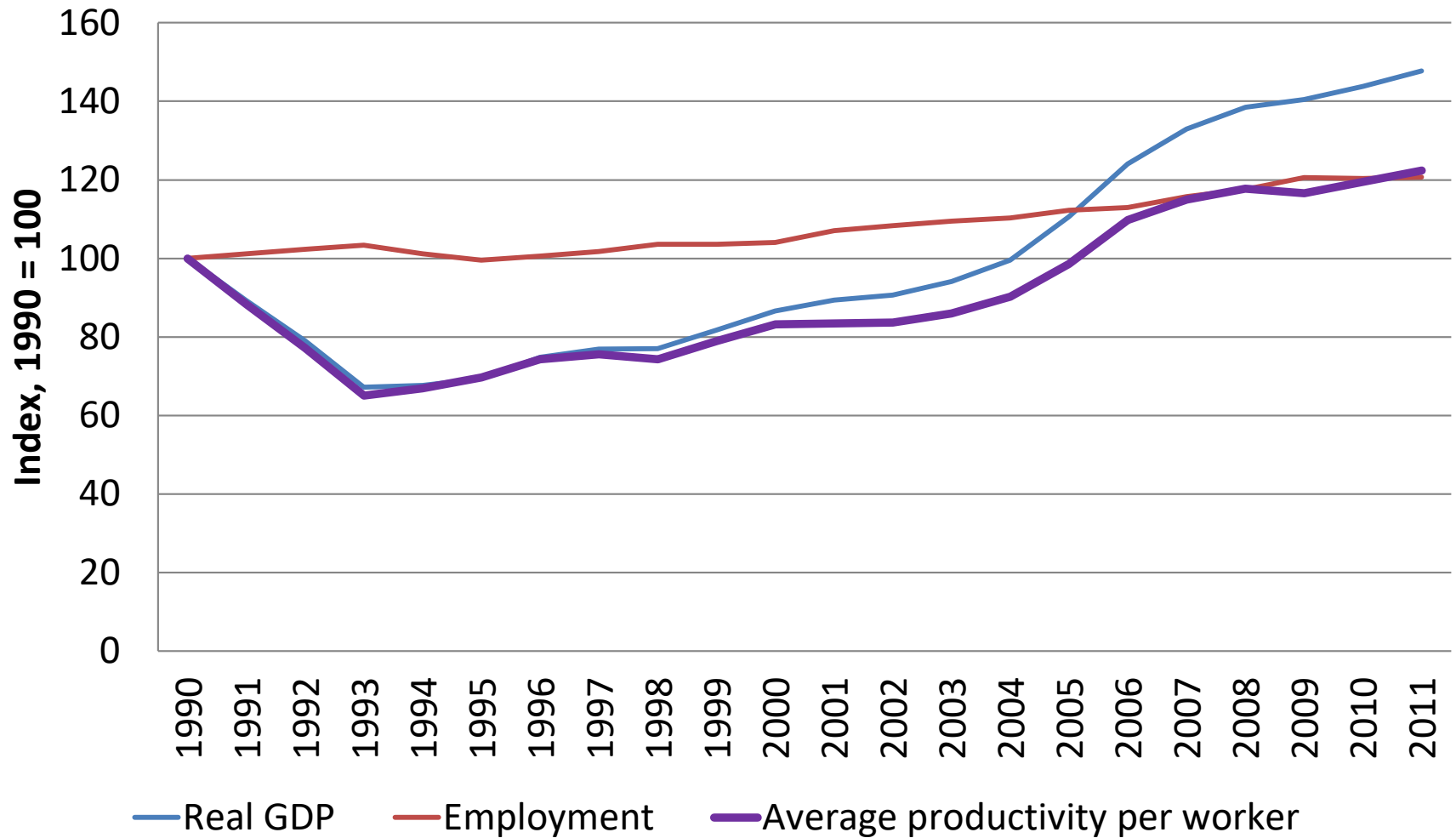


Actualización in perspective: Growth performance

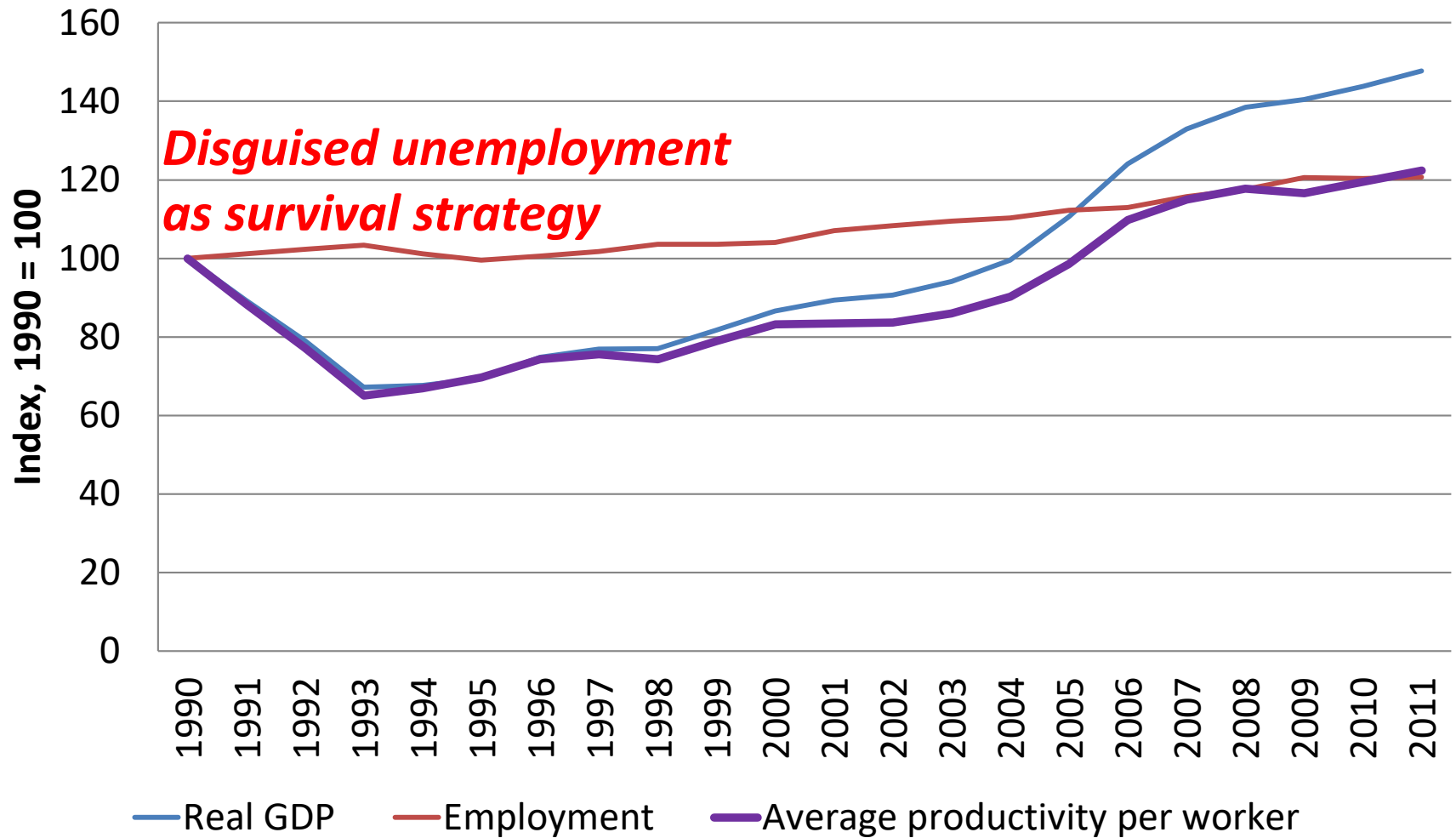


An achievement, but not a success

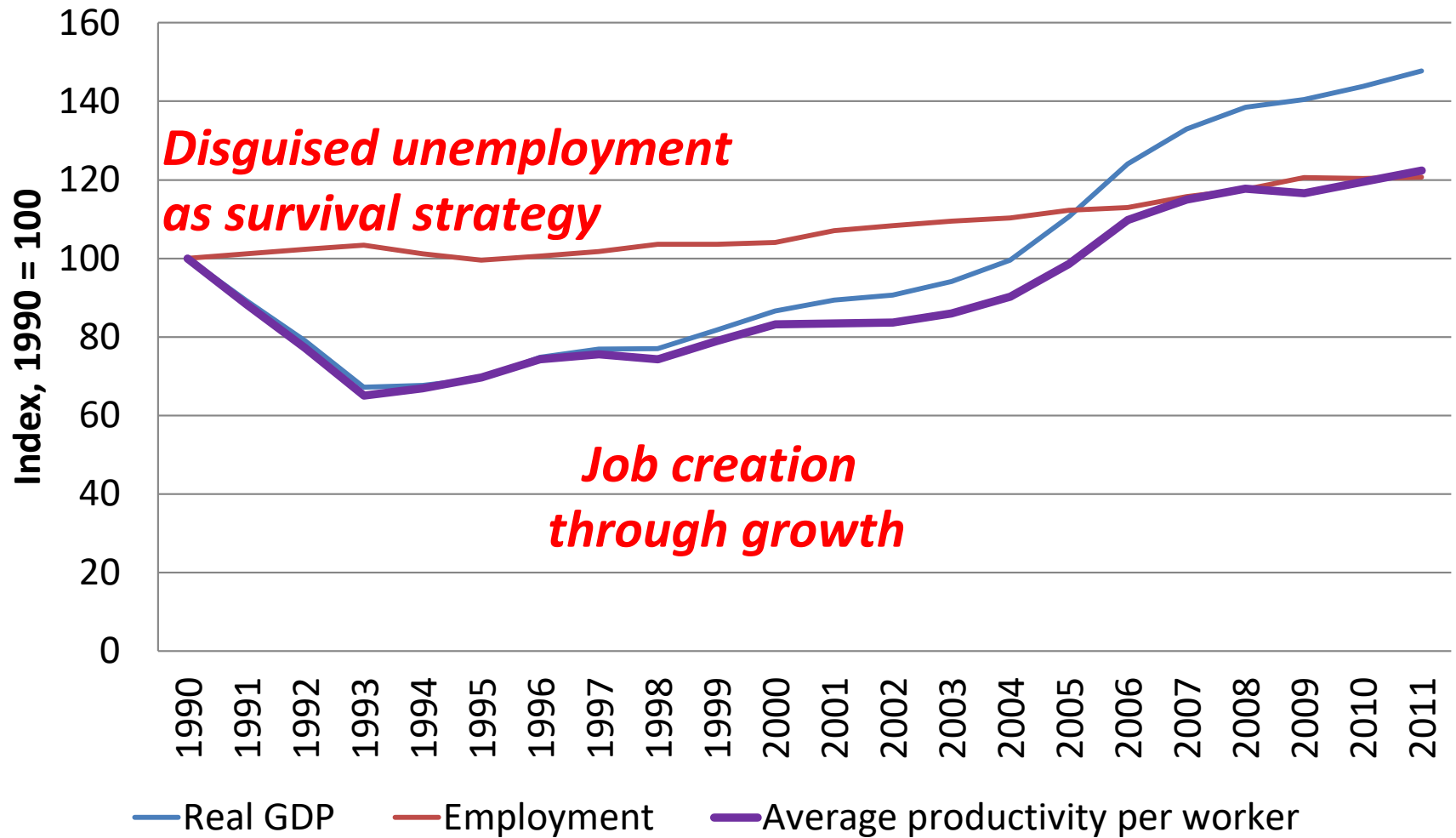
Unemployment: the cost of higher productivity?



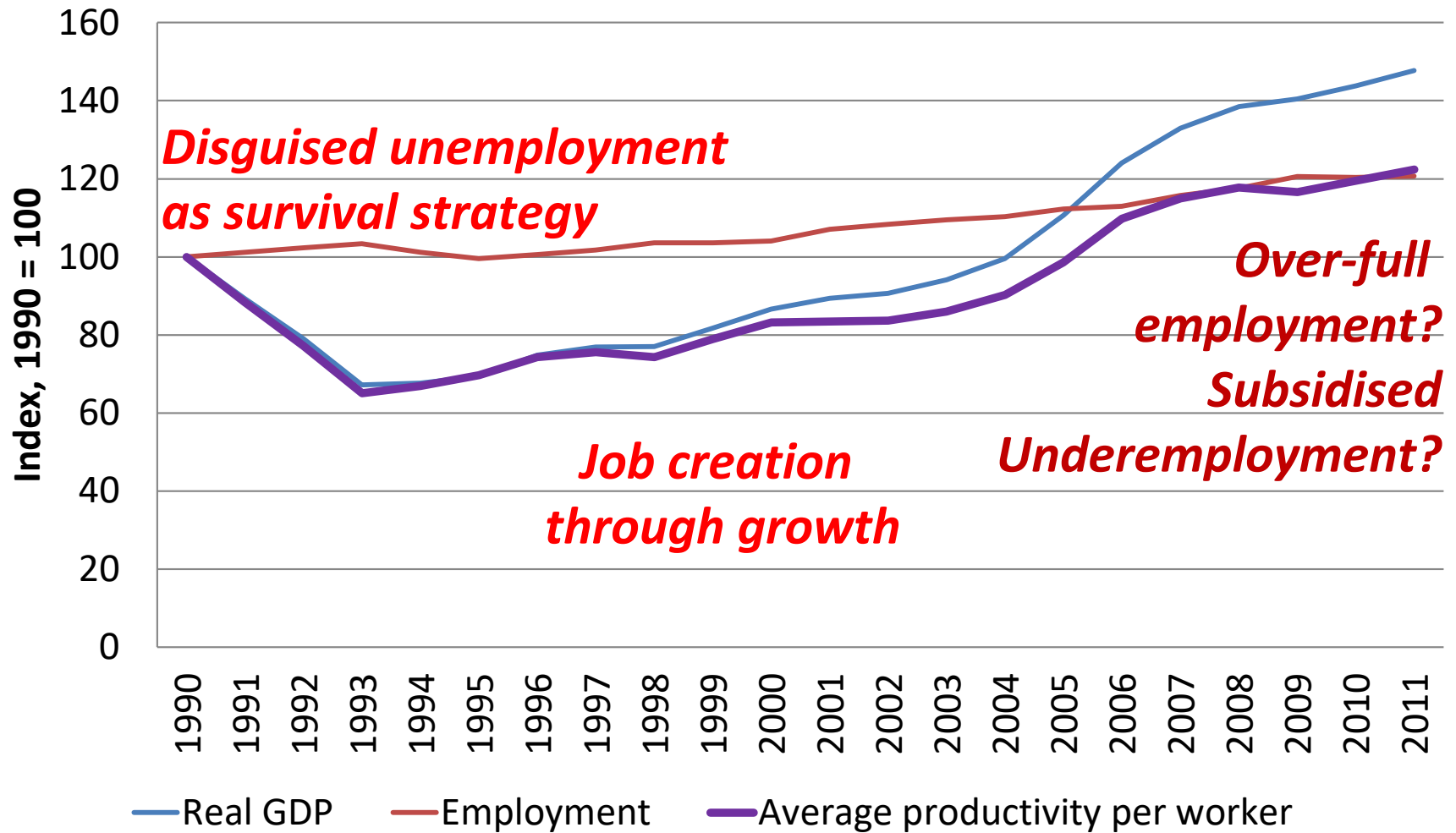
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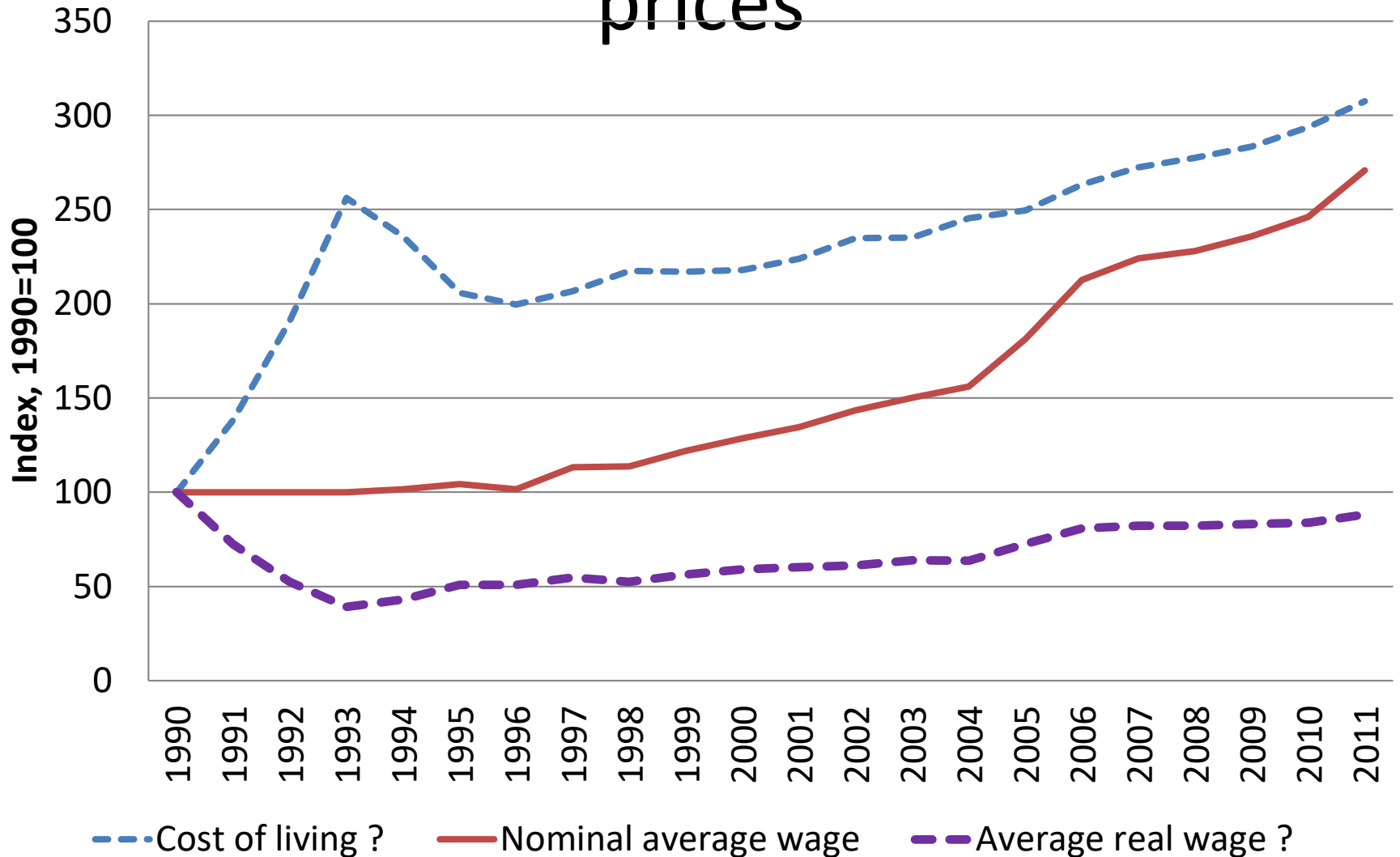


Unemployment: the cost of higher productivity?

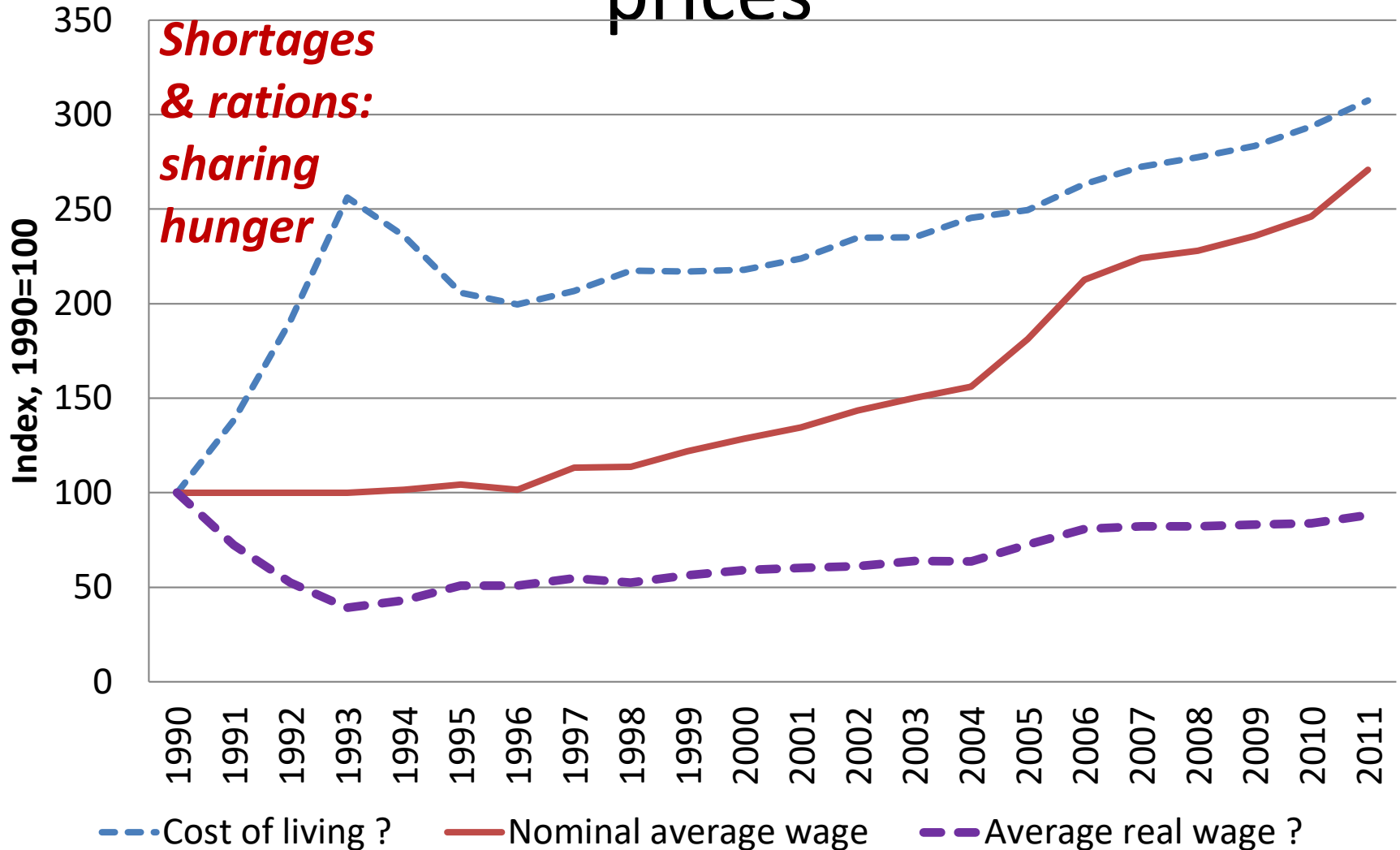


Low risk: official policy commitment employment subsidy

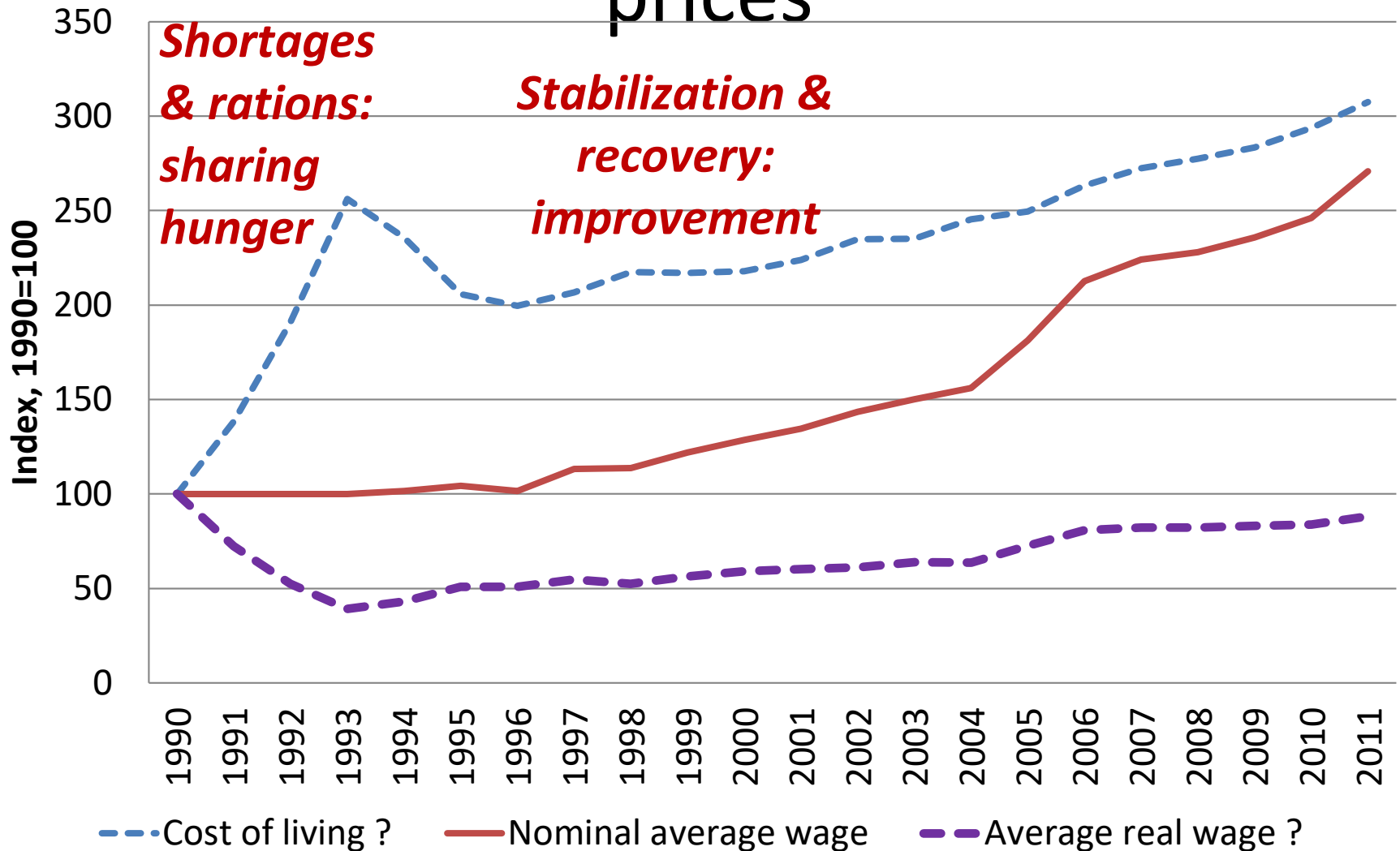
Monetary instability: prices



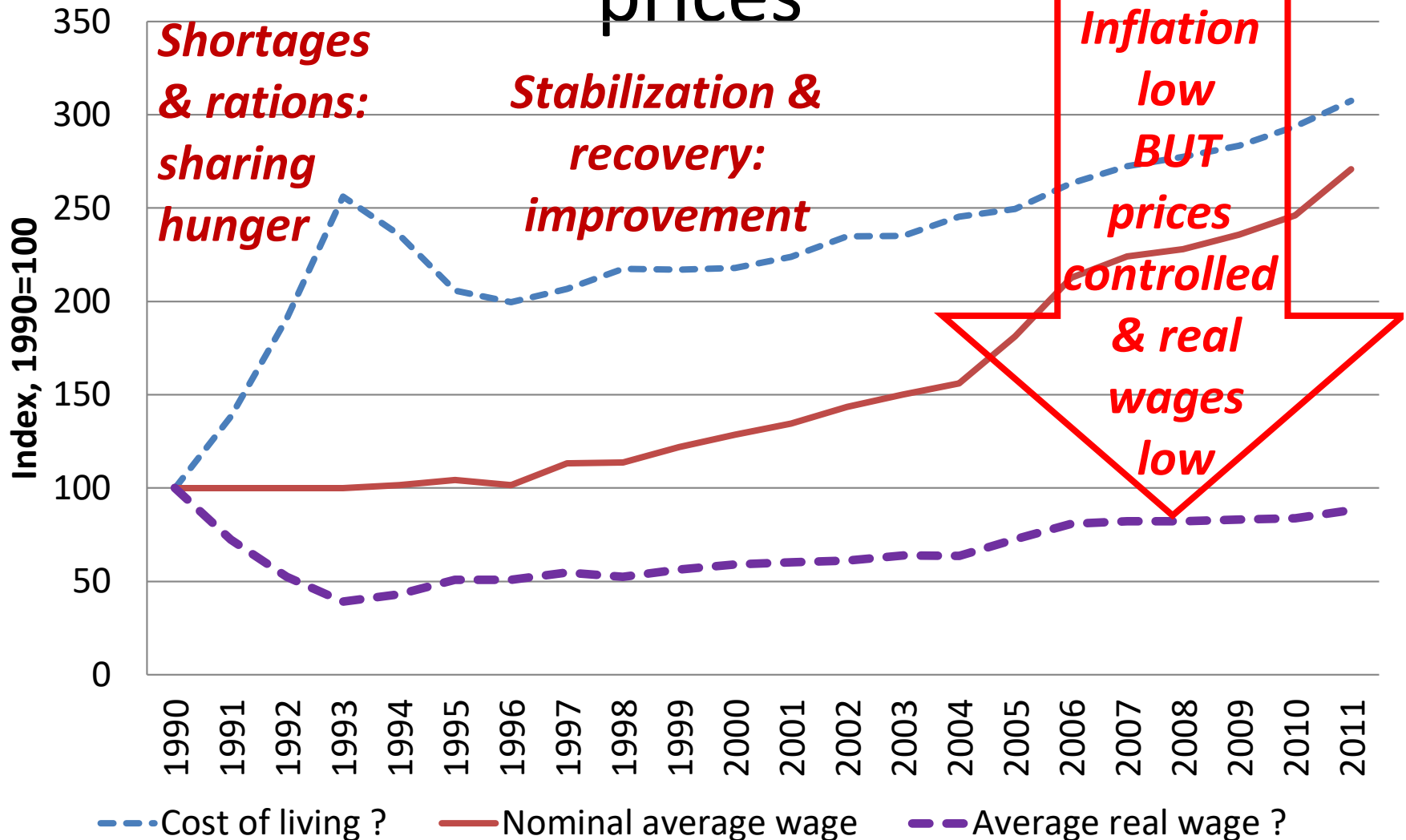
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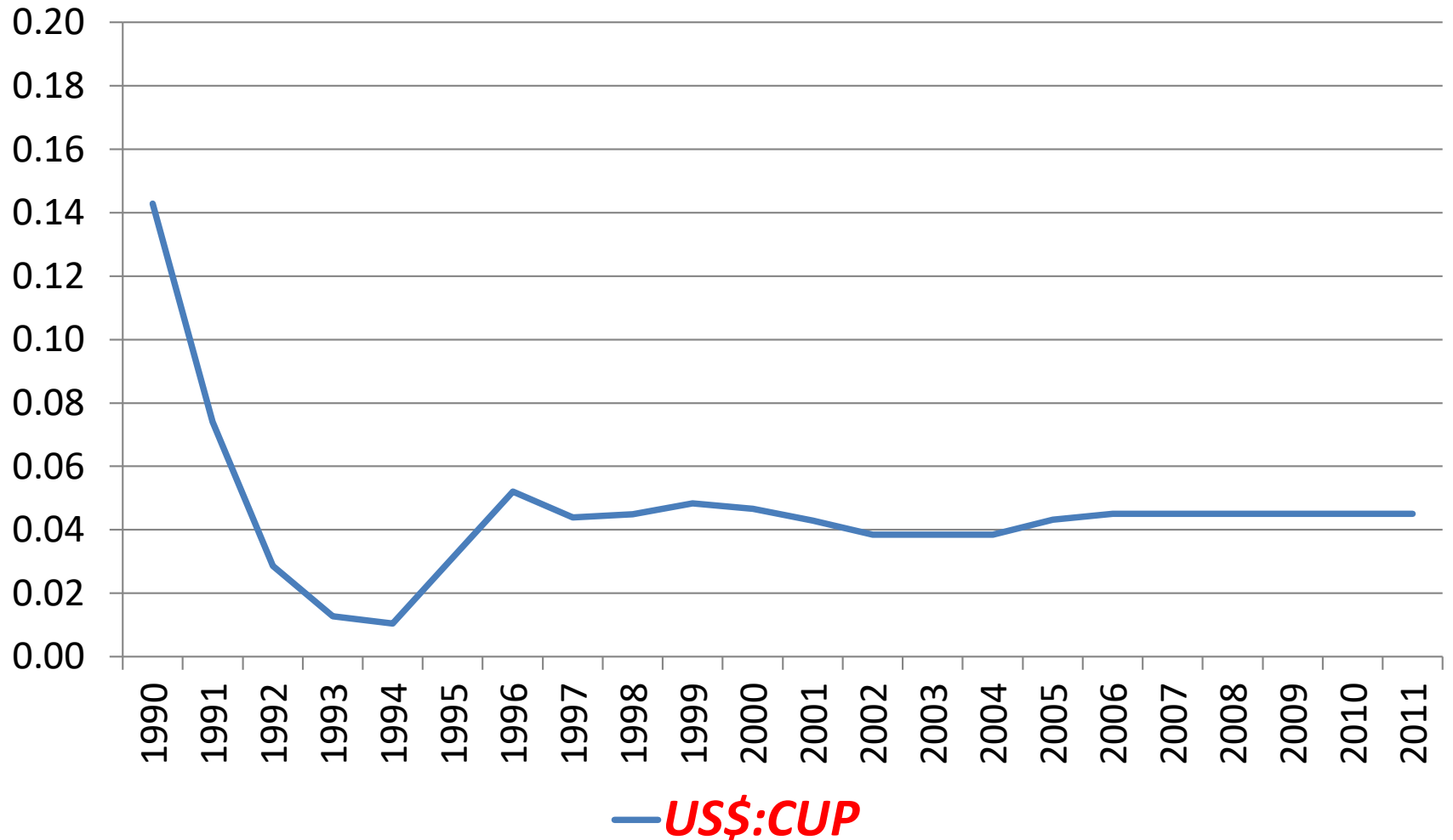


Monetary instability: prices

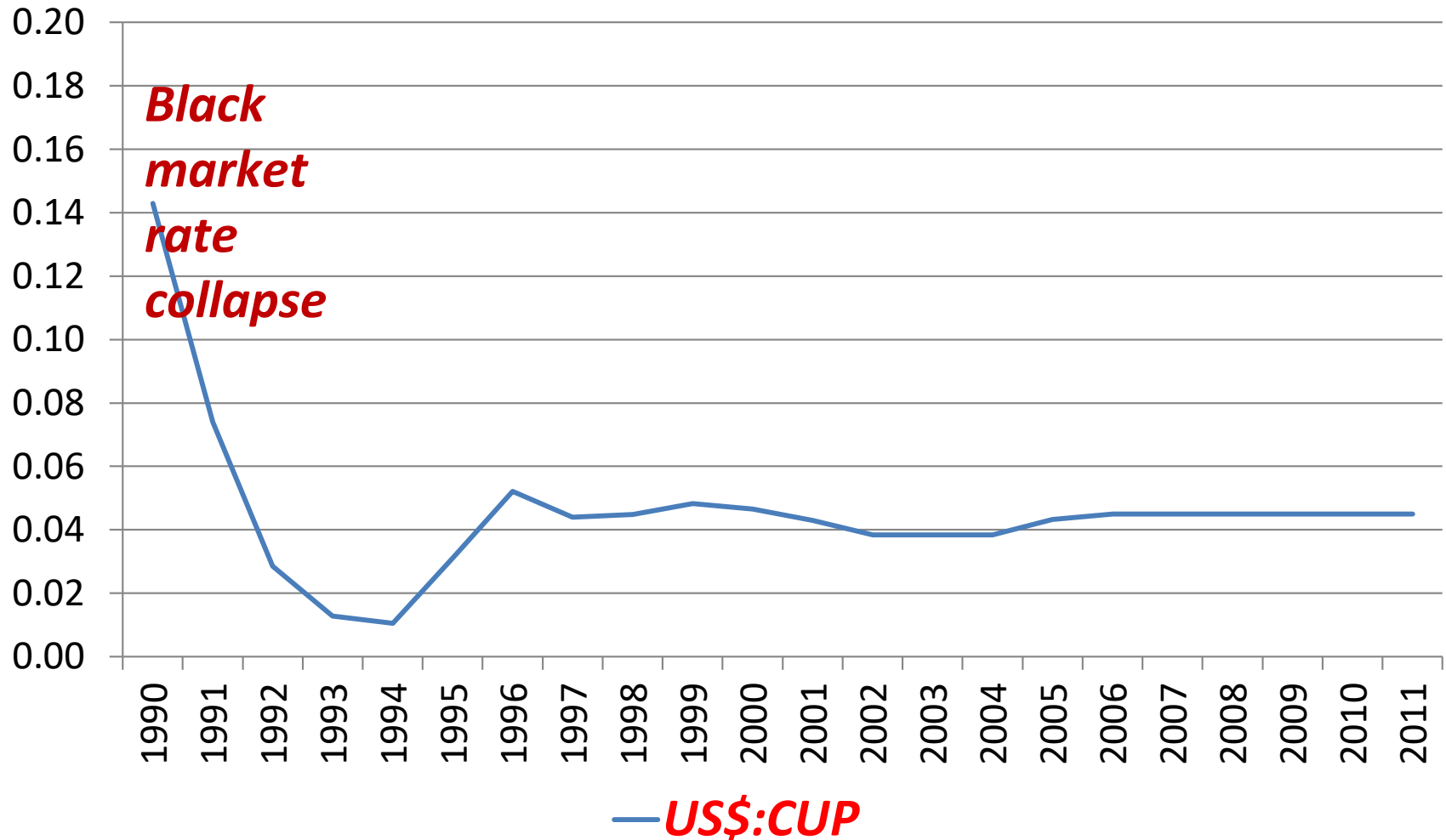


Low risk: price liberalisation slow due to public fears

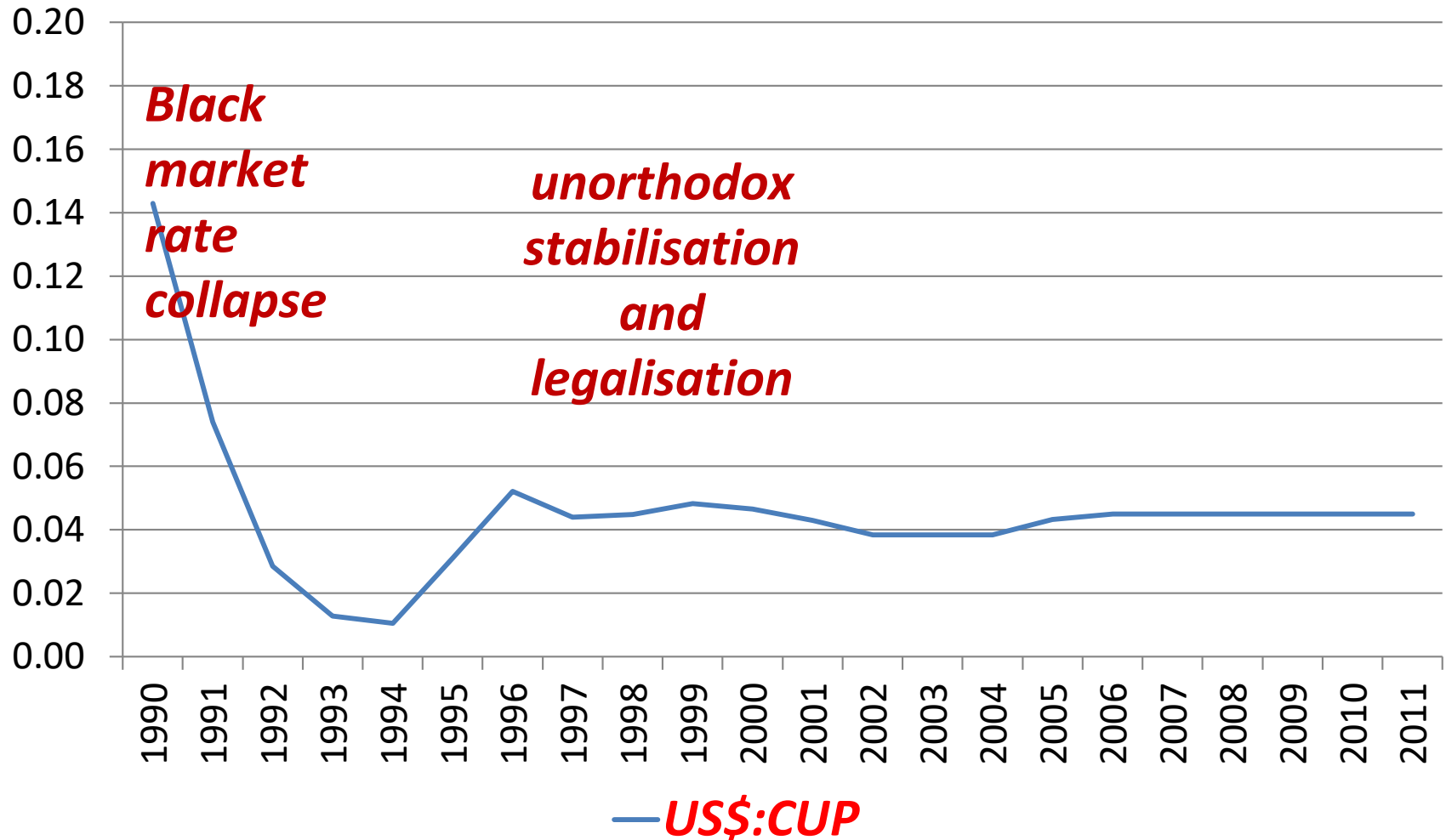
Monetary instability: exchange rate



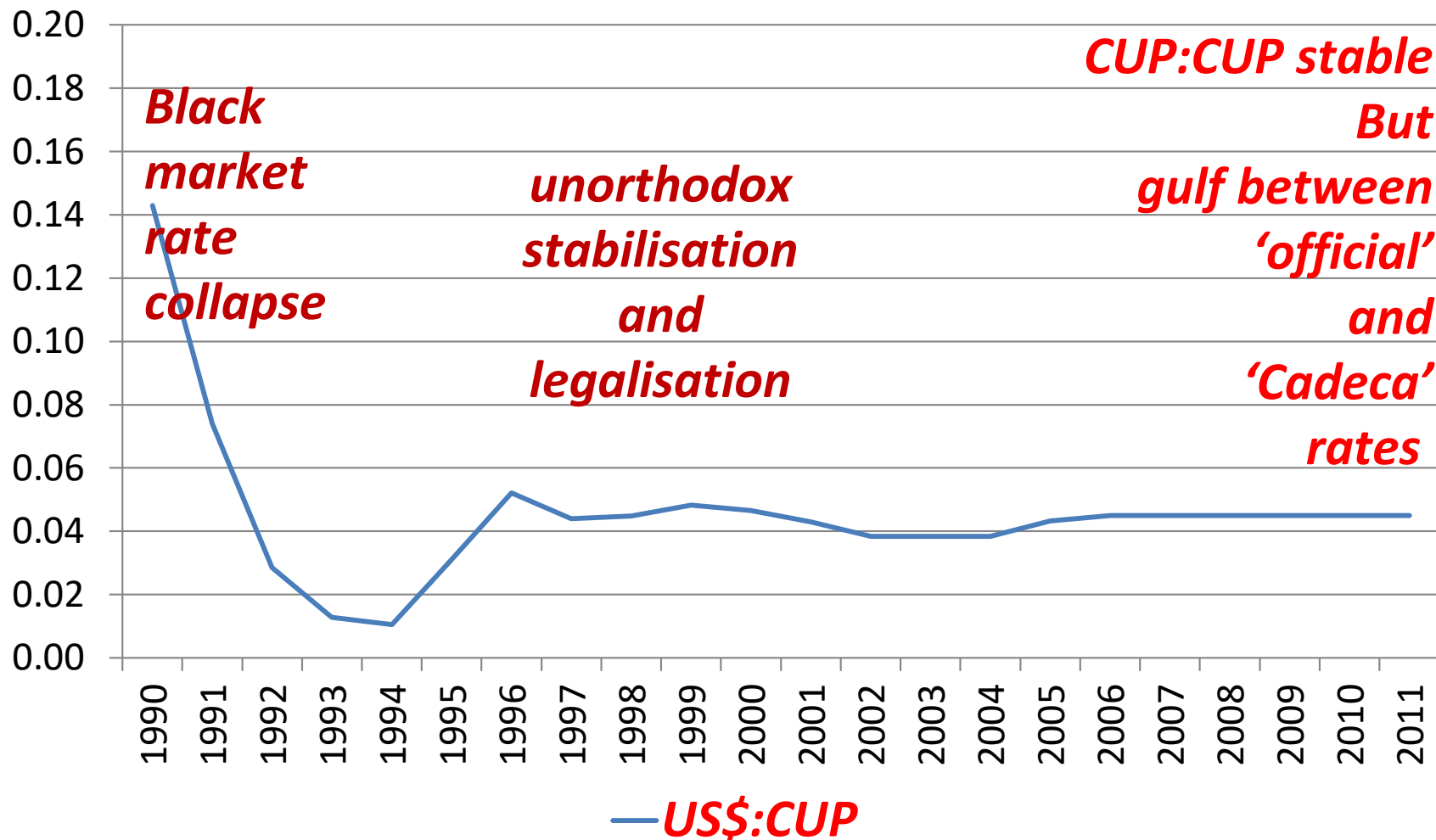
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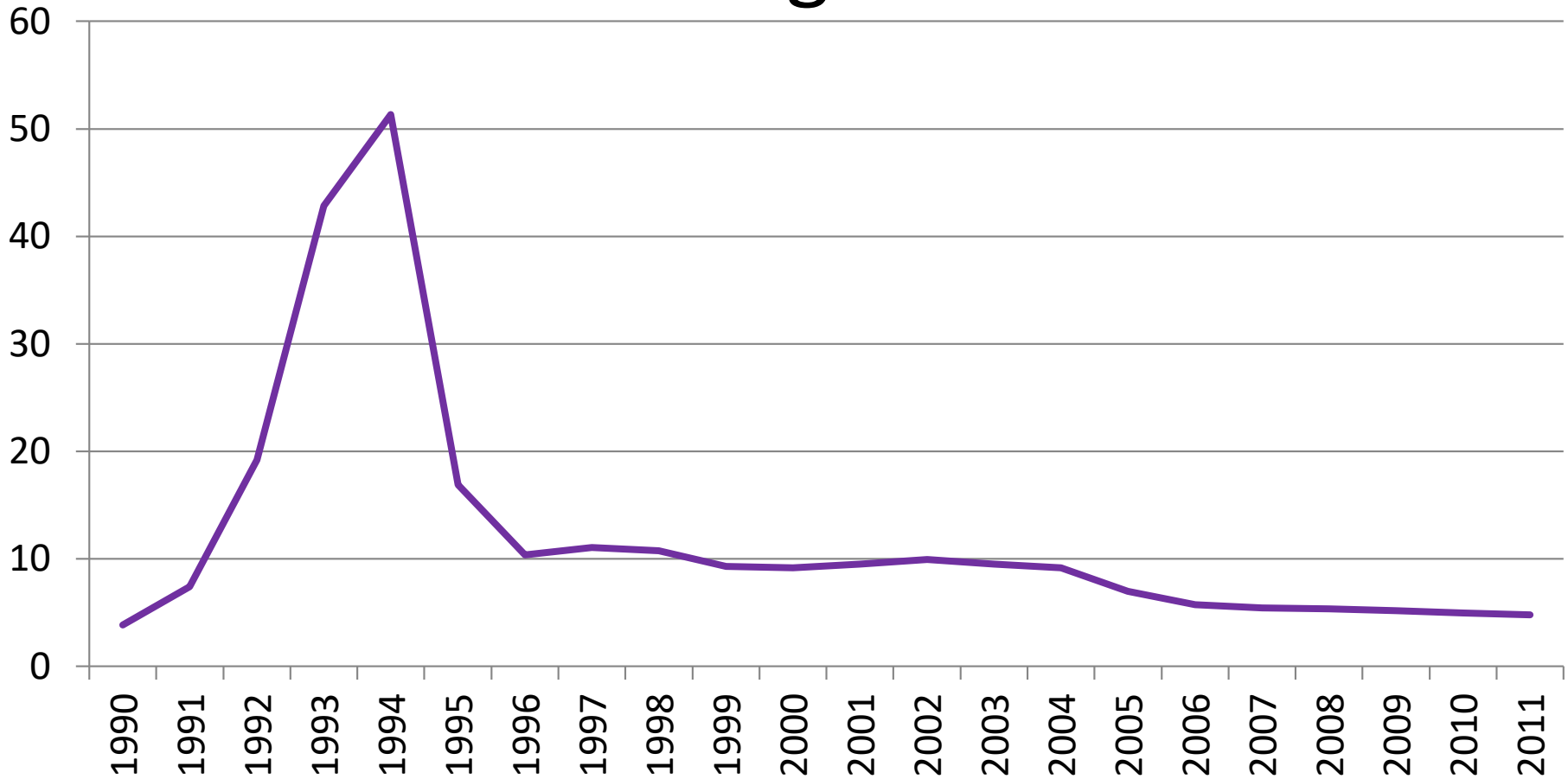


Monetary instability: exchange rate



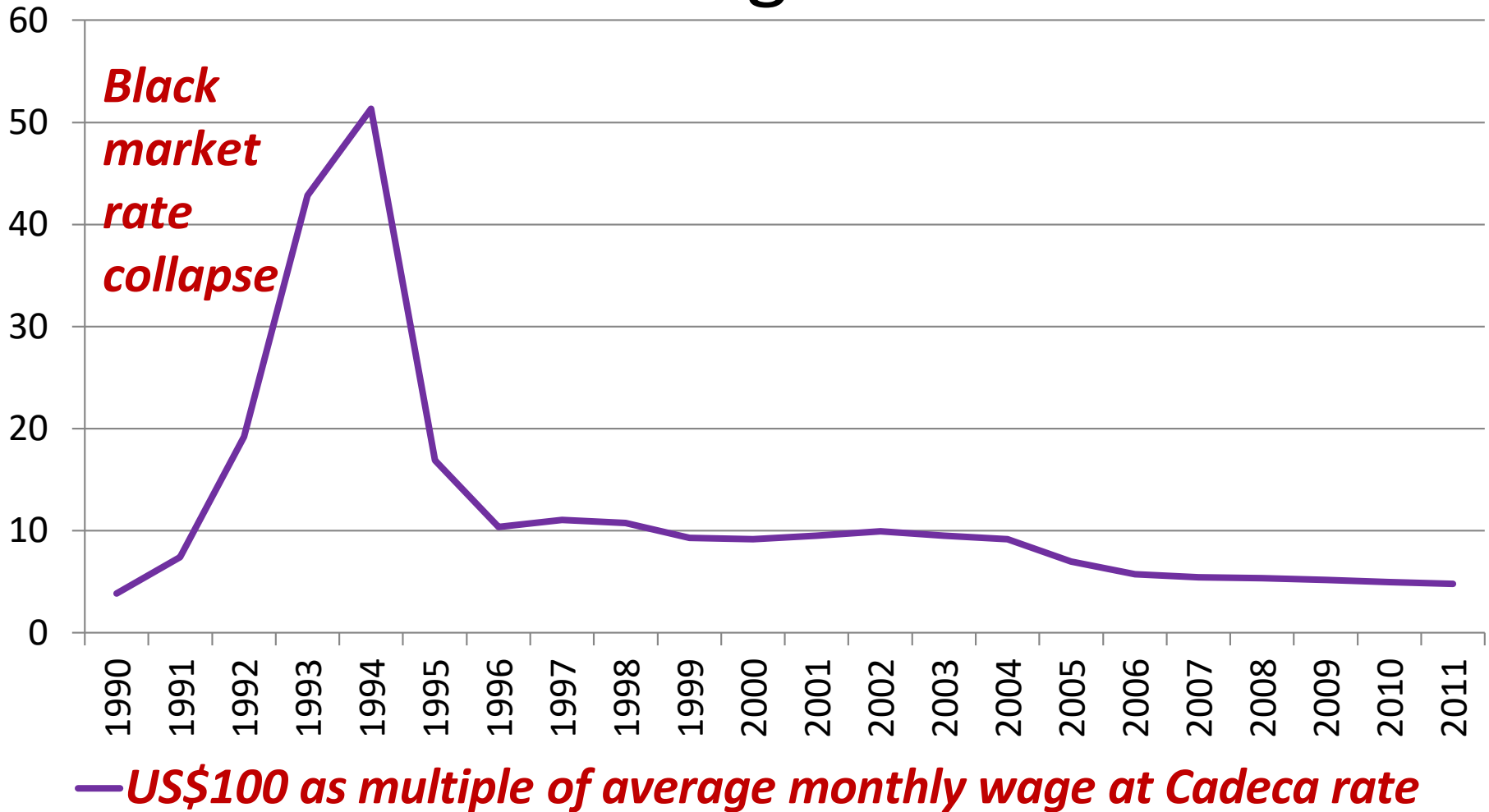
Low risk of exchange rate collapse – but is appreciation needed?

Monetary *imbalance*: exchange rate

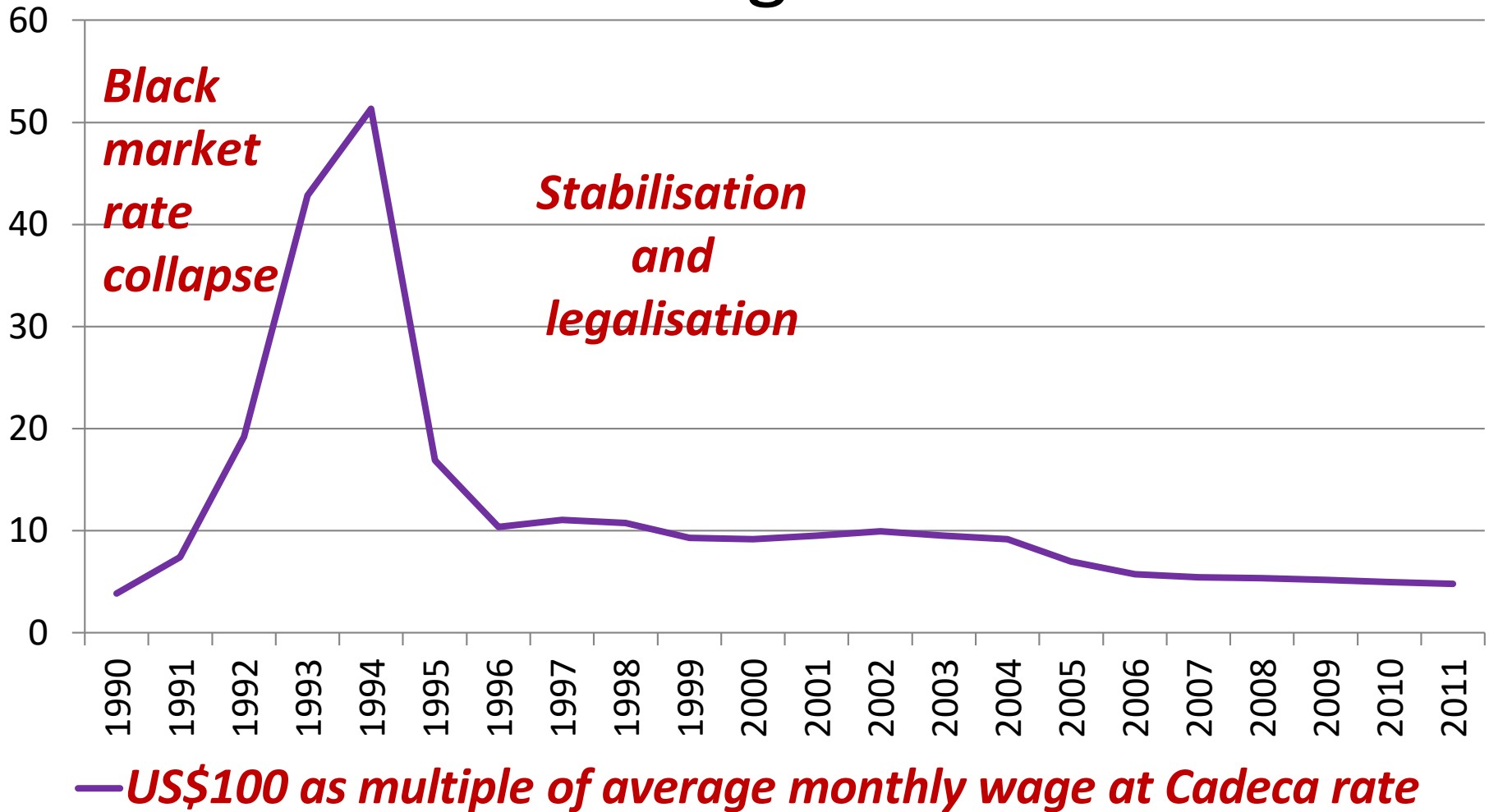


— **US\$100 as multiple of average monthly wage at Cadeca rate**

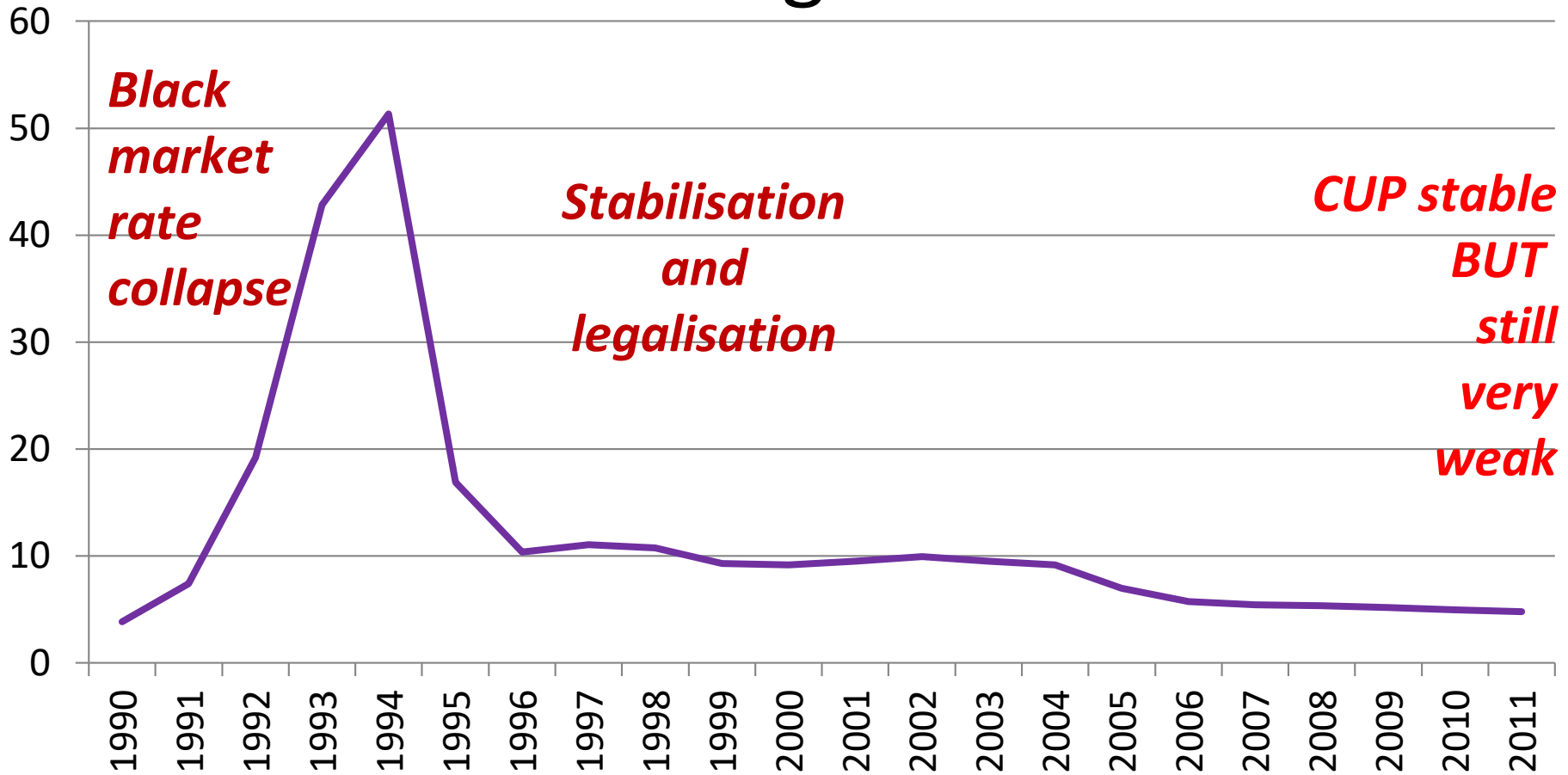
Monetary *imbalance*: exchange rate



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Monetary *imbalance*: exchange rate



**Black
market
rate
collapse**

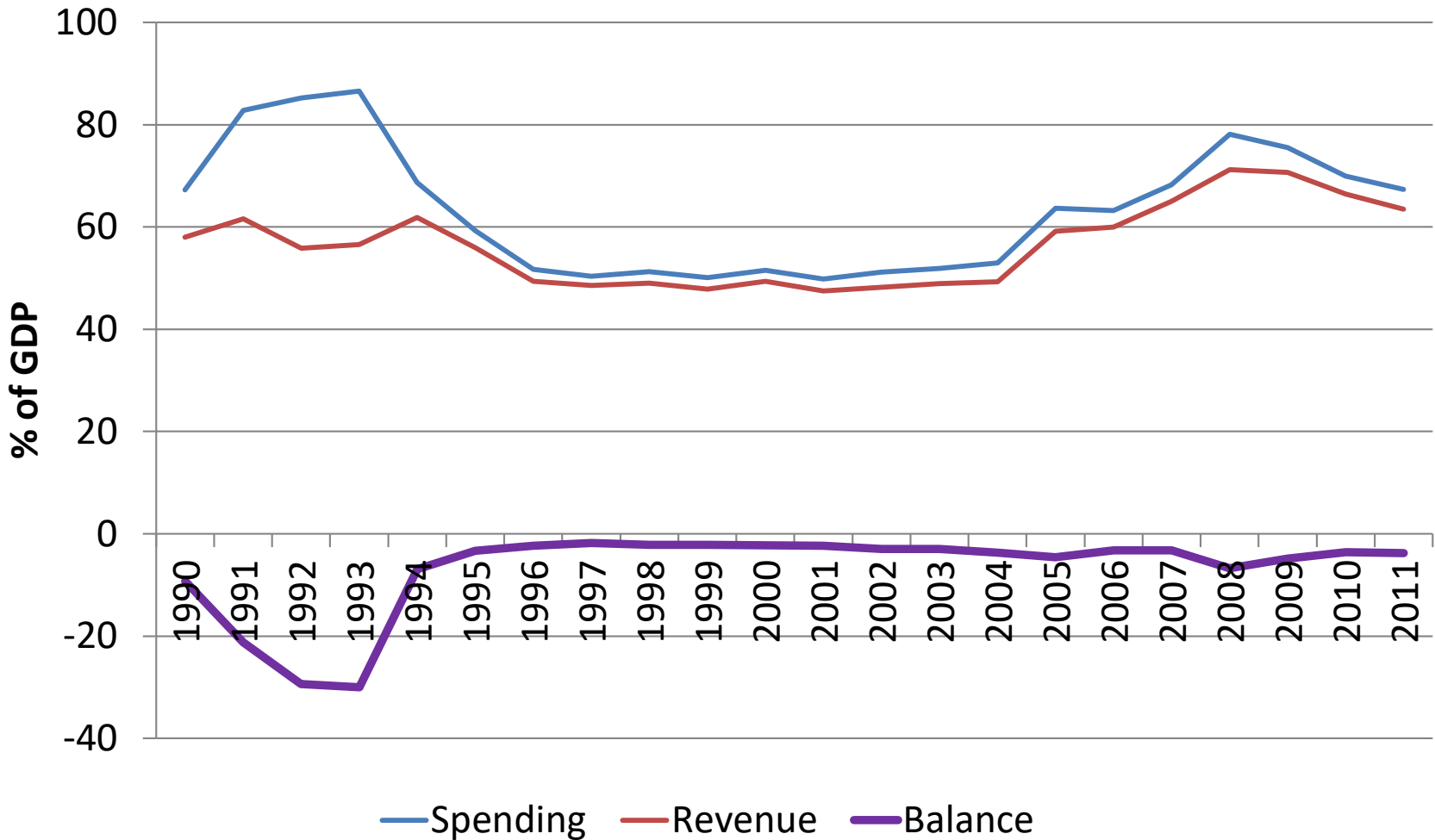
**Stabilisation
and
legalisation**

**CUP stable
BUT
still
very
weak**

— US\$100 as multiple of average monthly wage at Cadeca rate

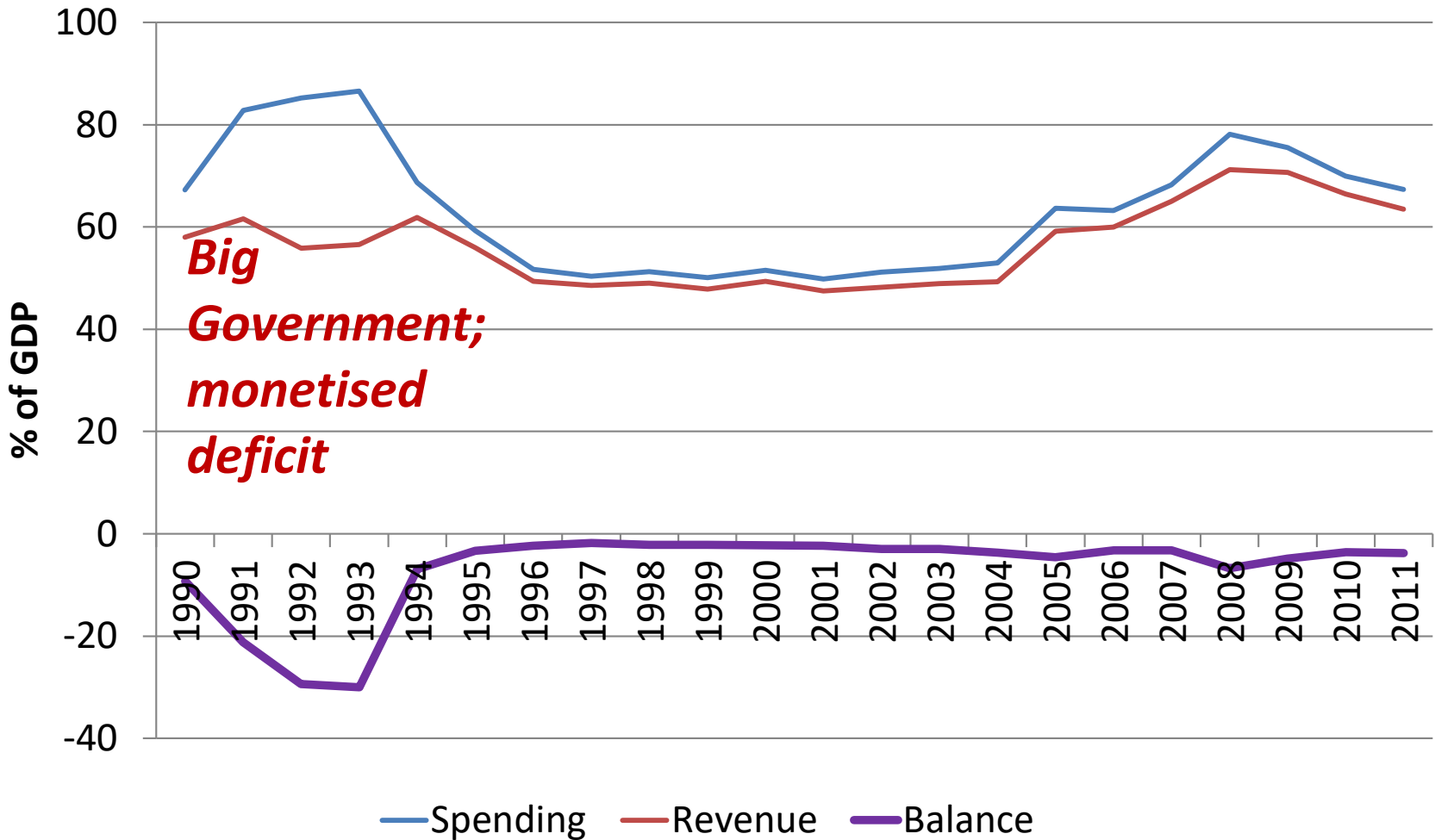
Fragmented economy: official & unofficial prices, wages, exchange rates

Fiscal crisis: loss of capacity for social protection?

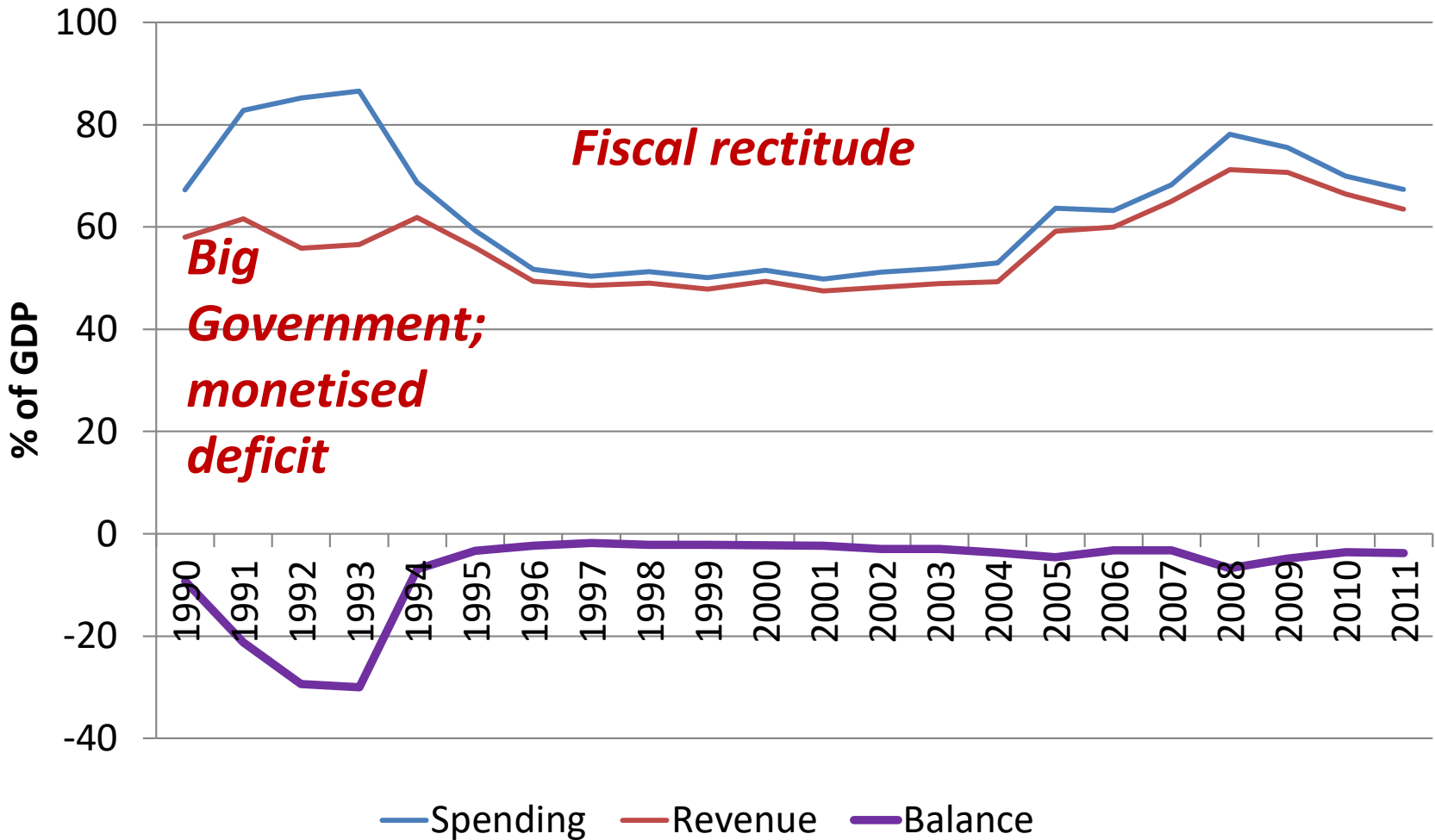


Fiscal crisis:

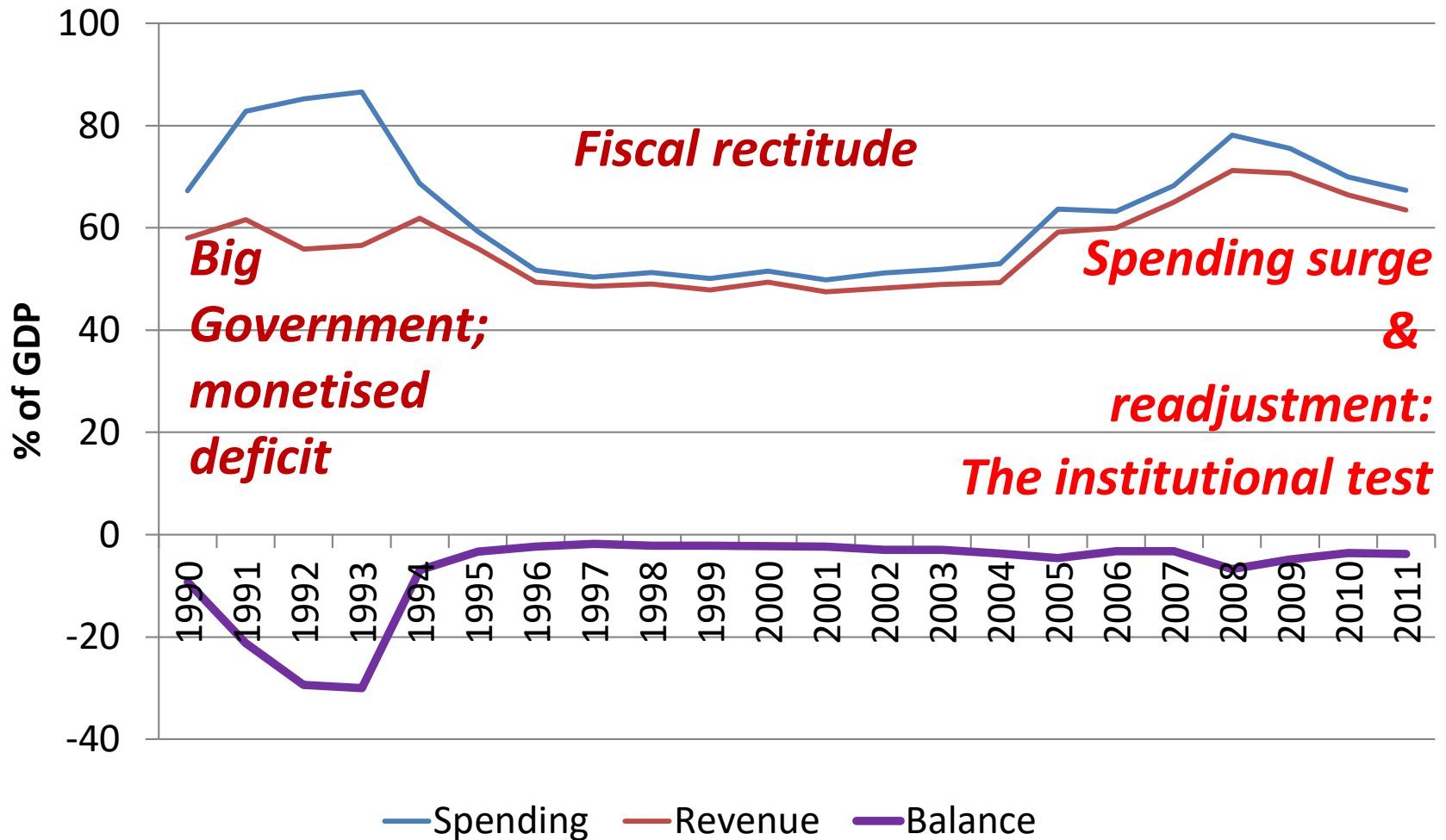
loss of capacity for social protection?



Fiscal crisis: loss of capacity for social protection?



Fiscal crisis: loss of capacity for social protection?



Low risk of fiscal crisis: commitment, institution-building

Stagnation:

is the Cuban economy stuck?

- **Unemployment:** low risk - high commitment to full employment
 - *slow productivity growth = bad for growth*
- **Inflation:** low risk - fear of rising cost of living
 - *distorted prices persist = bad for growth*
- **Fiscal crisis:** low risk - discipline and high taxes
 - *squeeze on public and private investment = bad for growth*
- ***So where is growth coming from??***
 - ❖ ***Disruption is necessary; can it be managed?***

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