

# Cuban Restructuring: The Economic Risks

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Economic Transformation in Cuba  
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# Economic risks

## **1. Unemployment**

- the cost of higher productivity?

## **2. Monetary instability**

- prices, exchange rate

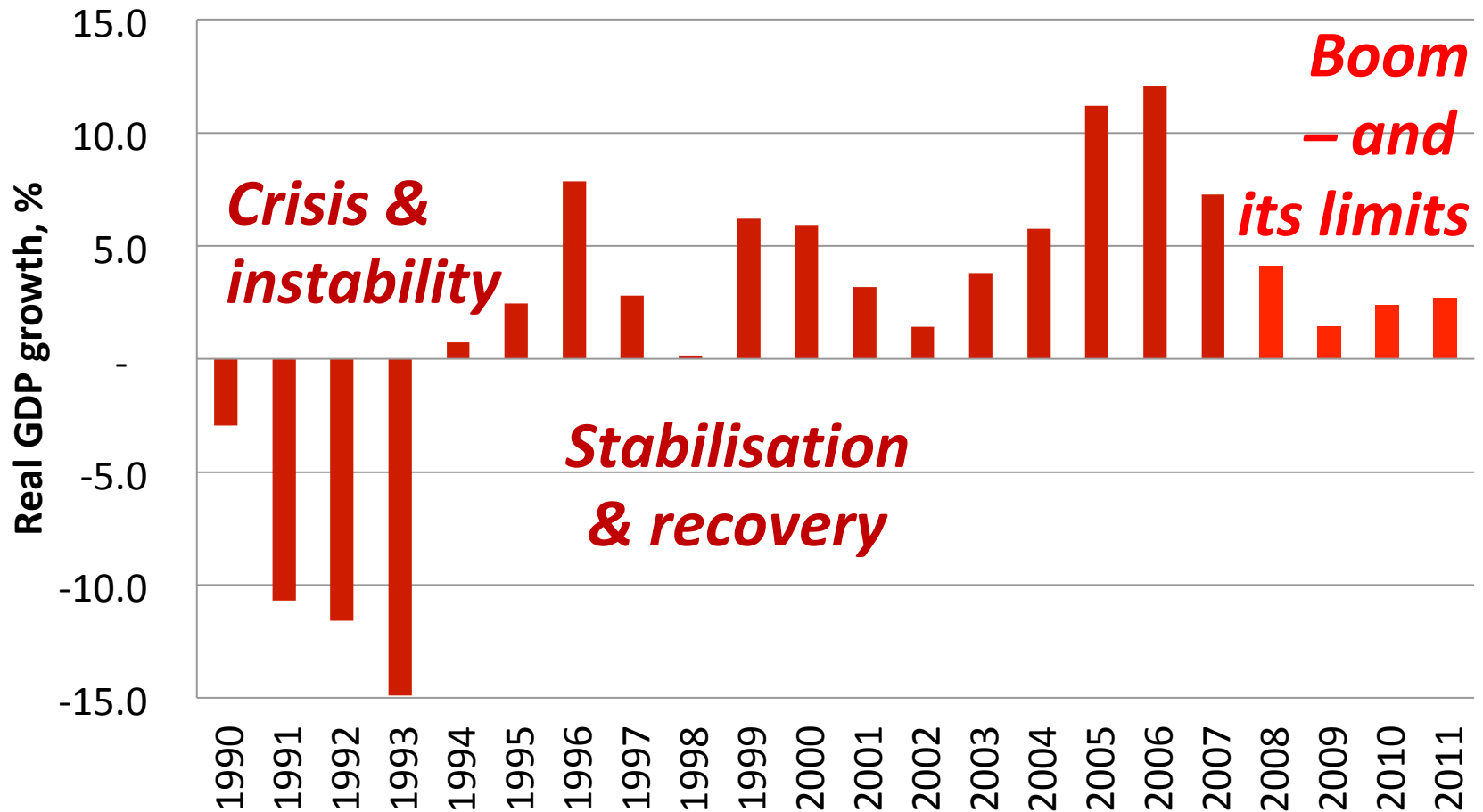
## **3. Fiscal crisis**

- loss of capacity for social protection?

## **4. Stagnation**

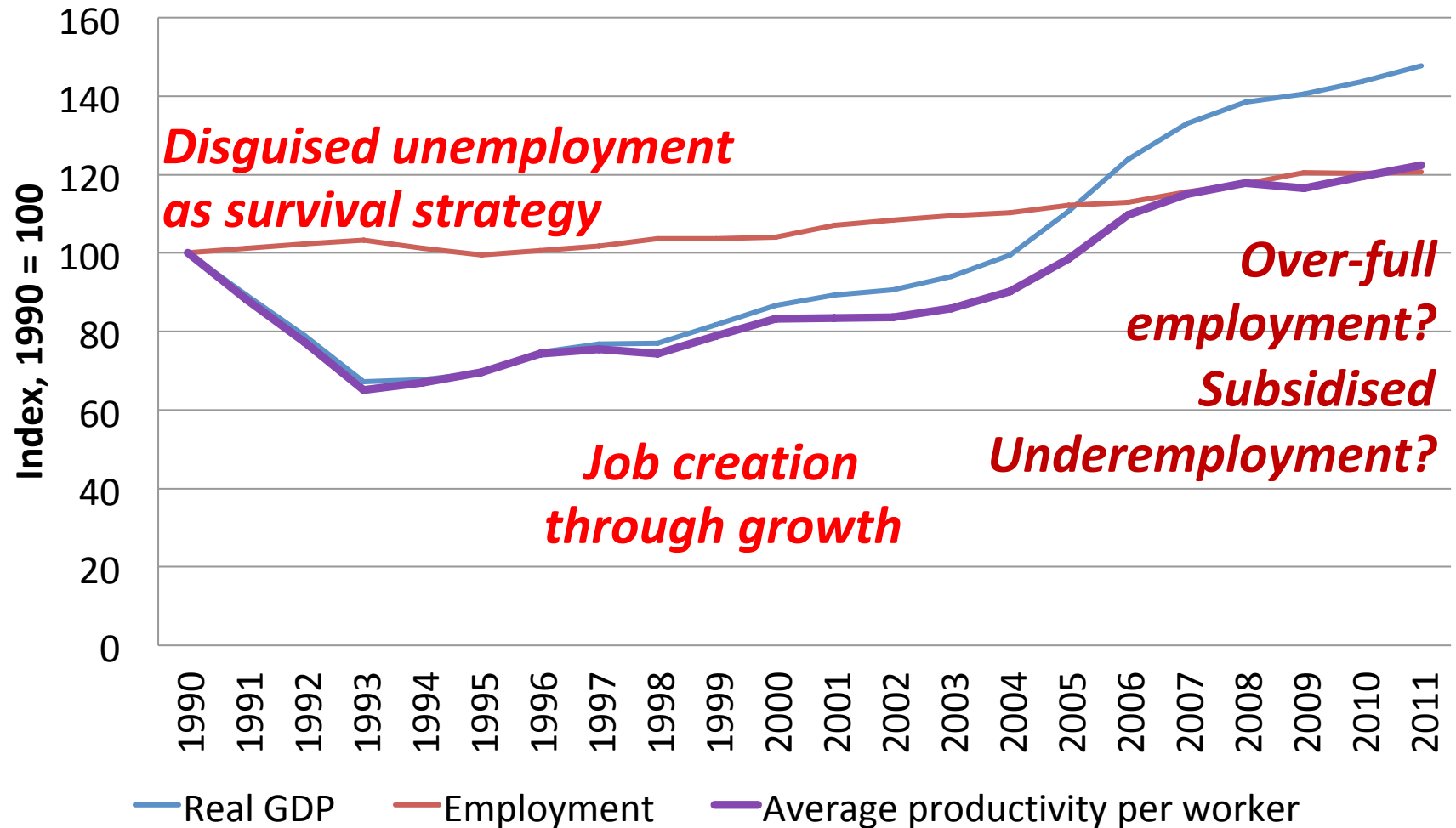
- is Cuba stuck?

# Actualización in perspective: Growth performance



*An achievement, but not a success*

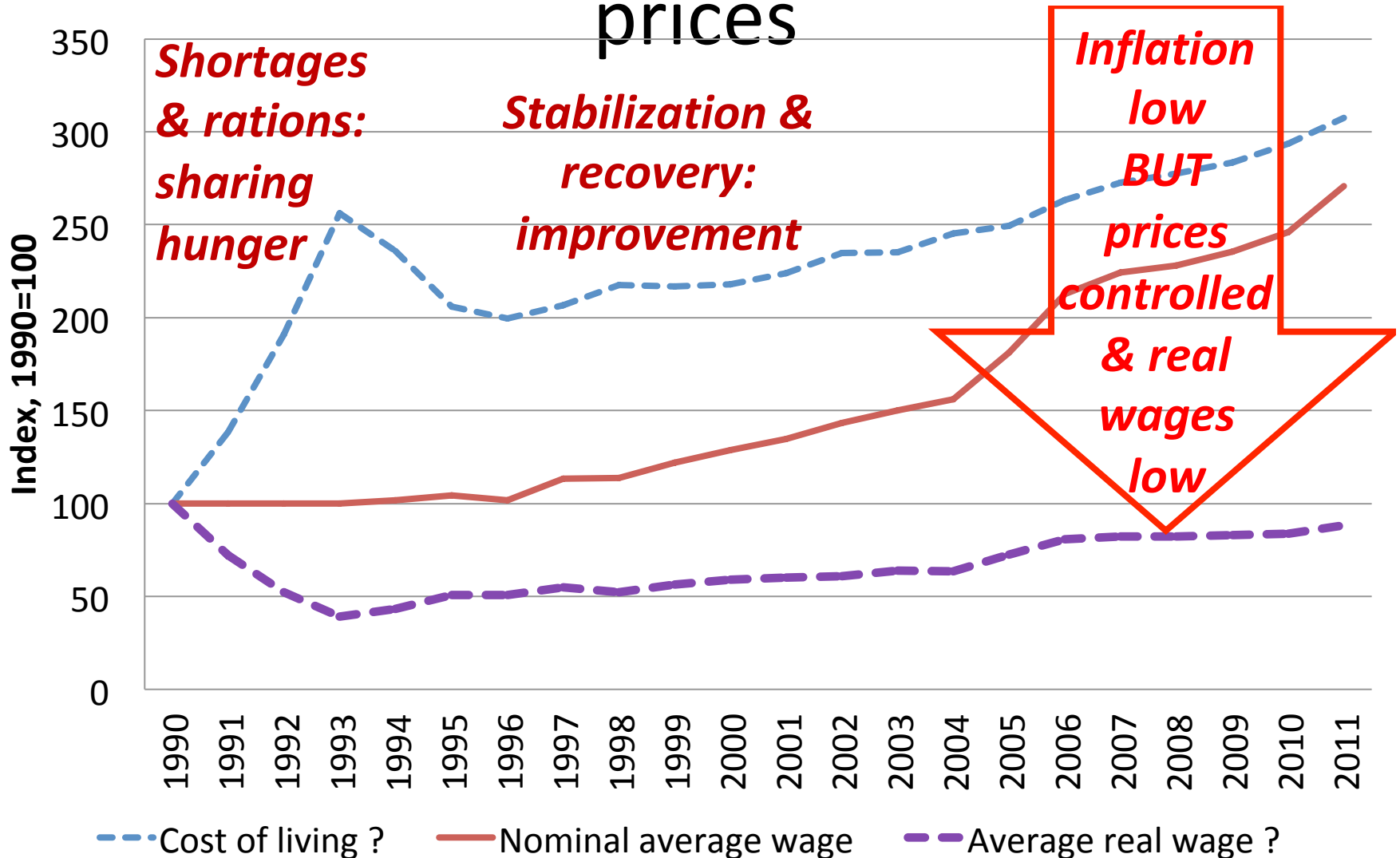
# Unemployment: the cost of higher productivity?



**Low risk: official policy commitment employment subsidy<sup>4</sup>**

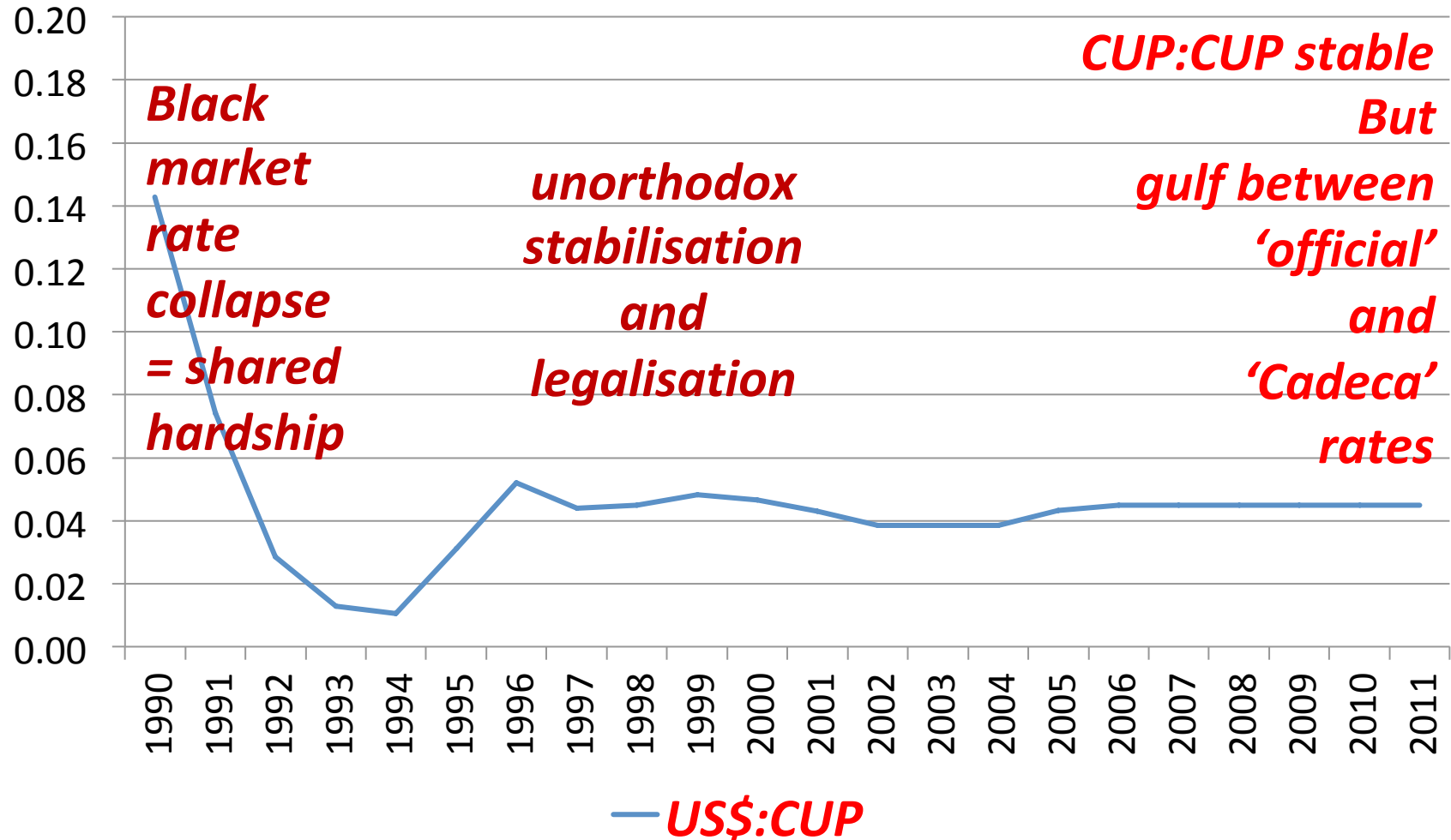
# Monetary instability:

## prices



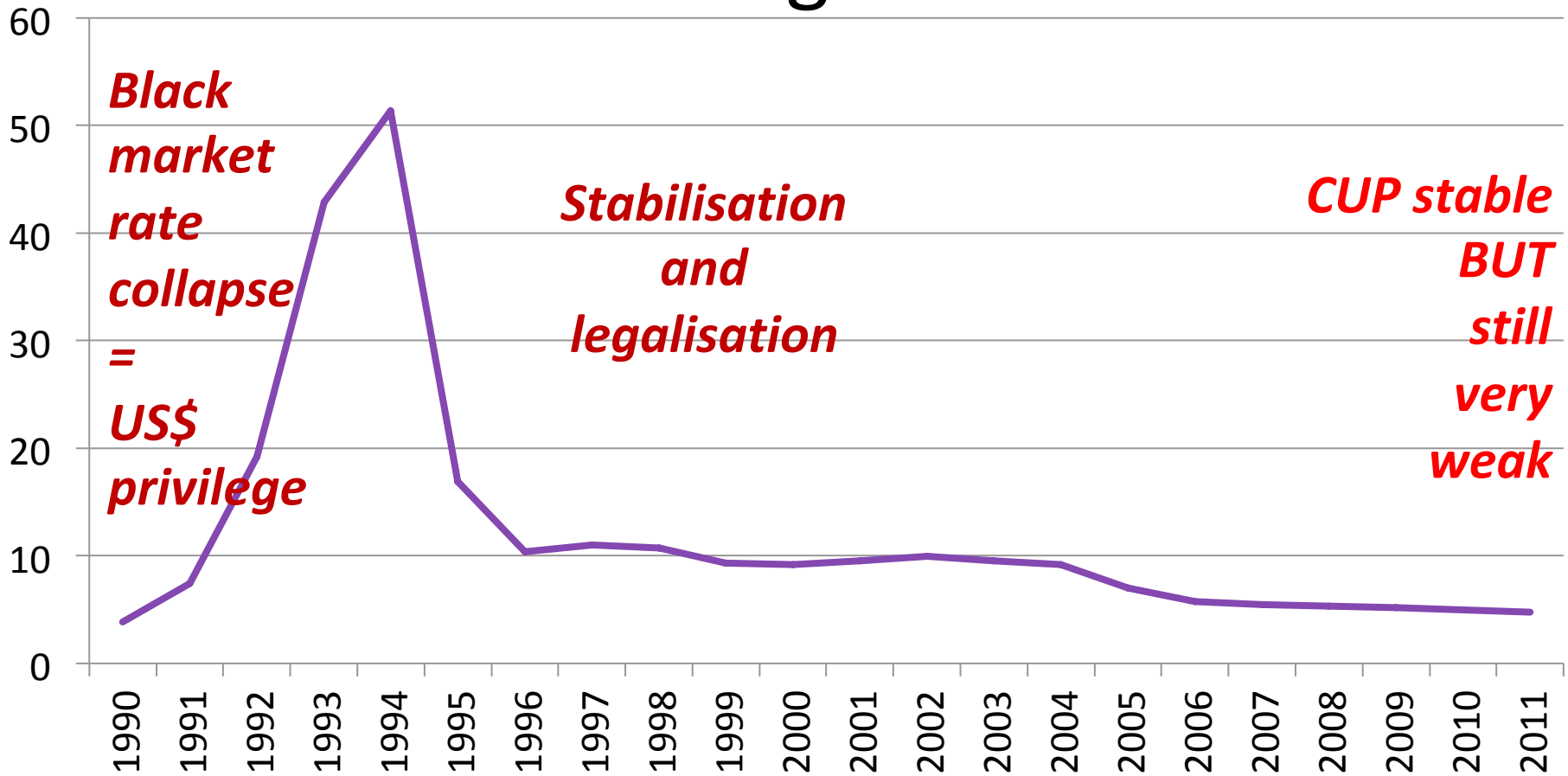
**Low risk: price liberalisation slow due to public fears**

# Monetary instability: exchange rate



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

# Monetary *imbalance*: exchange rate

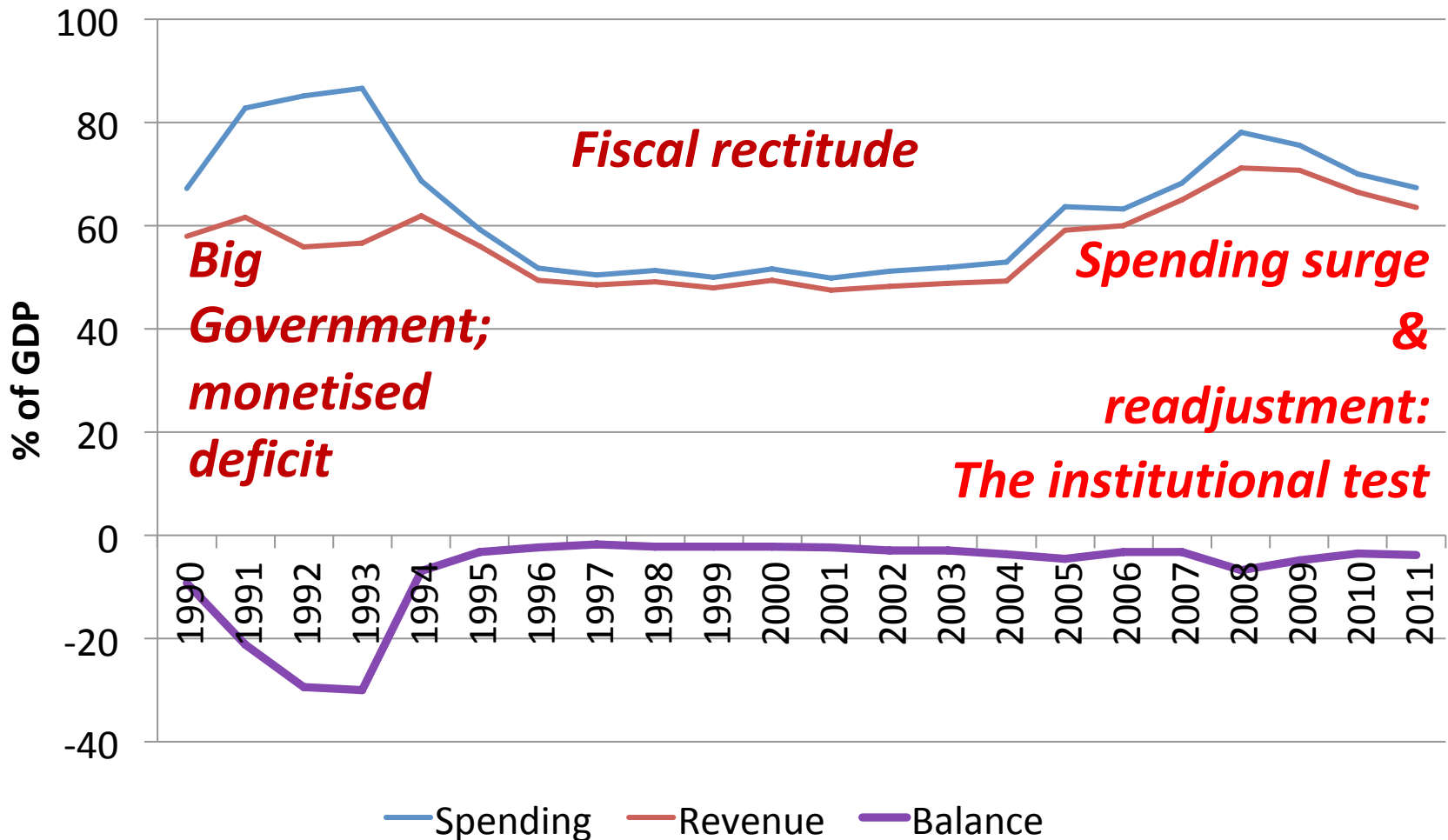


— **US\$100 as multiple of average monthly wage at Cadeca rate**

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

# 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?***

# Cuban Restructuring: The Economic Risks

Managing risk:  
an evolutionary-institutional process

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