

A Contemporary Cuba Reader

Reinventing the Revolution

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Vale Todo

In Cuba's *Paladares*, Everything is Prohibited but Anything Goes

Ted Henken

INTRODUCTION

As we went through the makeshift front door of Central Havana's *Paladar Las Doce Sillas* (The Twelve Chairs Restaurant), I noted the owner's exasperated expression. It turned out that Gregorio, my resourceful street guide, had brought in four Spanish customers not ten minutes earlier and the owner would now have to fork out another \$5 commission on top of the \$20 he already owed Gregorio for his services. Playing the fool, I inquired of Magalis, the waitress, how it was that I did not see lobster on my menu, yet noticed a large red shell lying empty on a plate nearby. She lowered her head and whispered, "You know we can't put that on the menu?" Turning toward a small, improvised service door that opened to the kitchen, she asked in a clear, confident voice, "Hey, is there any more 'L' back there?" She returned to me with a hot plate of 'La la plancha' and continued, "If they catch us with lobster, they can confiscate all our equipment, close the *paladar*, and charge us with 'illicit sales.'" After counting the 12 chairs that filled the cramped dining room, I inquired about the name of the restaurant. Magalis admitted that it was the owner's way of poking fun at the ridiculous restriction against having more than 12 chairs in any *paladar*. She then proudly showed me a hidden room behind the kitchen that could seat another 12 diners. Before leaving, I spoke briefly with Orestes, the owner, who claimed, "Through this experience, I realized that I was born an entrepreneur. The only problem is that I was born in the wrong country!"

This article draws four lessons from the world of Cuba's private, speak-easy eateries—the island's infamous *paladares*. First, the policy of "legalization" of the island's private food service sector inaugurated in the summer of 1995 has been accompanied overtime by such a thick web of legal restrictions that, by design or default, the original aim of expansion has been lost. In fact, restrictions on private restaurants are so great and their taxes so high that they often overshadow the benefits of legal status itself, prohibiting the full development of these legal micro-

enterprises and forcing them to utilize informal strategies or into outright clandestine existence, to make a living.

Second, every legal restriction put in place to control and limit the growth of these private enterprises has given rise to a corresponding (and often illegal) survival strategy. For example, restrictions against intermediaries, advertising, and employees have provoked the development of an extensive underground network of *jineteros* and fictional cousins. Menu and size restrictions have led to the proliferation of hidden rooms and forbidden foods.

Third, while often described as “islands of capitalism in a sea of socialism” (Pérez-López 1994; Jatar-Hausmann 1999), in practice these restaurants are anything but isolated from the rest of the Cuban economy. Deep and functional linkages exist between these well-known manifestations of Cuba’s private economy, connecting them in various direct and indirect ways with other parts of the economy.

A fourth and final lesson that can be taken from the above anecdote is the sense that these enterprises face an unsure future. While most of the still surviving *paladar* operators doubt that they will be closed down outright by the state (especially if they have learned “how to play the game,” as Orestes would say), few believe that they will ever be able to grow beyond their current small size into true small- and medium-sized businesses. The aura of illegitimacy that accompanies any independent economic activity and the government’s antagonistic attitude toward self-employment effectively condemn these private restaurateurs to an informal, provisional existence.

THE ORIGINS AND HISTORY OF THE PALADAR

Birth and premature death (1990–1995). Because it is one of the most visible manifestations of private enterprise to foreign visitors in Cuba, much attention has been given to the *paladar*.¹ The name *paladar*, meaning “palate,” derives from a chain of private restaurants featured in the Brazilian soap opera, *Vale Todo* (*Anything Goes*), which was popular in Cuba in the early 1990s (Baker 2000: 153; LaFranchi 1996). However, while *Vale Todo* was making Cuban mouths water, the size of the legal self-employed sector was negligible and private restaurants were forbidden by law. Still, these speak-easy eateries began sprout up through the cracks in the broken socialist system of food provision responding to the growing scarcity of foodstuffs. Because these informal food service networks were providing an essential service to the Cuban population, they were largely tolerated. Their eventual legalization was an administrative response to a multitude of homegrown economic survival strategies (most of which were illegal) developed by the Cuban people (Whitefield 1993).

Essentially, the Cuban government was forced to legalize large sectors of the expanding informal economy because it had no way of preventing their growth and realized that underground activities were picking up the increasing slack left behind by the drastic contraction in state provisions, allowing Cubans (and ironically the socialist system itself) to survive (Domínguez 2001; Fernández 2000). In September 1993 the government issued a list of 117 self-employment activities. Included among the occupations were four food service activities, including what became known as

the infamous "*et cetera*"—"producer of light snacks (refreshments, sweets, popsicles, *et cetera*)" (Decree Law 141, 1993: 4-5; Alonso 1993; CEPAL 1997).

In the months following the September announcement, scores of Cubans who were already active in the food service sector took out licenses to begin doing legally what they had up to then been doing clandestinely. However, in early December the government reversed its decision, since many Cubans who had obtained licenses were, in fact, running full-fledged restaurants under the broadest possible interpretation of "*et cetera*." Debates in the late-December 1993 National Assembly meetings over the offending "*et cetera*" declared it a mistake due to the *paladares'* encouragement of competition, dependence on pilfered supplies, and unlawful contracting of employees (Whitefield 1994a).

The refusal of many of Cuba's fledgling restaurateurs to close up shop led to the first of many crackdowns against purported "illegalities, indiscipline, and abuses" in the self-employed sector in January and February 1994 (Scarpaci 1995; Scarpaci et al 2002; Whitefield 1994a, 1994b). Police raided and closed down over 100 *paladares* in Havana, charging their owners with illicit enrichment despite the fact many did possess a food service license (Scarpaci et al 2002: 234–259). In fact, despite the crackdown, the number of *paladares* was estimated at 4,000 nationwide in early 1994, with between 1,000 and 2,000 of these located in Havana (Whitefield 1994a; Farah 1994; Scarpaci et al 2002; Pérez-López 2001).

Resurrection and regulation (1995–1996). The second stage in the life-cycle of the Cuban *paladar* began with the approval in June 1995 of Joint Resolution #4. This new law specifically addressed the previously suspended self-employment category of "producer of light snacks (*et cetera*)" and laid out three specific types of food service operations that would henceforth be allowed. The first category, "*al detalle*," was intended for street vendors and required a monthly tax of 100 pesos. The second category, "*a domicilio*," was aimed at caterers and required a 200 peso tax (\$100 if business was done in dollars). The third category were true home-based, private restaurants, or *paladares*. Monthly taxes for these full-service peso-charging *paladares* were initially set at 500 pesos, while operations that charged customers in dollars were required to pay a tax of \$400 per month ("Ampliación de actividades: Paladares" 1997). Finally, while no other self-employed activity is permitted to hire salaried employees, the state recognized that *paladares* had always operated with the help of a service and kitchen staff. Therefore, the law established a peculiar regulation prohibiting "salaried employees" on the one hand, while mandating that at least two "family helpers" be employed, on the other. Thus was born the fiction that *paladares* are family businesses.

At this stage the state placed severe limitations on the size and scope of the *paladares* in order to limit competition. The most well-known restriction is the seating limit of just "doce sillas" (12 chairs). The law also restricted each household to a single self-employment license. Operators were forced to purchase their supplies and foodstuffs in the expensive state-run dollar stores or in private farmer's markets. There was no wholesale market available and no foods or ingredients from the state-subsidized bodegas could be resold in *paladares*. Because dollar stores were not prepared to provide customers with receipts, many entrepreneurs understood the requirement that they purchase supplies in dollar stores as the legal loophole that could be used to close them down at a future date (Scarpaci et al. 2002).

Along with the other legalized food service activities, *paladares* would be subject to unannounced visits from a number of different inspector corps. The restriction of employees to “family helpers” discriminates against those who lack kin and condemns *paladares* to continuous low productivity, forcing growth to take place through the proliferation of extremely small-scale units, wasting talent, and preventing economies of scale. Moreover, restrictions of access to credit and markets inhibit the natural growth of these businesses, while protecting state enterprises from competition (Ritter 2000; Dirmoser and Estay 1997: 485-487).

Statistics shared with the public at the time indicate that, after just one month in effect food service operations were already among the most common self-employed activities. *Granma* reported that in Havana, the five most common licenses were street vending and porch-front cafeterias, messenger, artisan, hair stylist, and private taxi drivers. By August 1995 Havana authorities had granted 278 *paladar* licenses out of 984 applications. However, perhaps signaling the beginning of a popular rejection of the new regulations, the overall number of registered self-employed workers in Havana dropped down to 58,000 by the end of 1995, from a peak of almost 64,000 in August. The number of registered self-employed workers in Havana would never again reach past the 60,000 mark, and by April 1997 had fallen to 35,171 (Martínez 1995: 2; Avendaño 1997; DPPFA 1997).

However, this drop in the number of licensed enterprises should not be interpreted to mean that Cubans had simply given up on this new opportunity to “resolve” their daily needs. Instead, my interviews with Havana’s entrepreneurs indicate that many simply switched into clandestine operation since it seemed increasingly clear that the government was determined to use legalization as a mechanism of control. Thus, micro-entrepreneurs generally interpreted the new regulations as a signal that the government intended to make the rules all but impossible to follow. Such a conclusion, in turn, led many of them to develop elaborate survival strategies and turn more frequently to the black market to obtain expensive and scarce supplies.

Increased regulation and decline (1996–2000). Unfortunately for the operators of Cuba’s *paladares*, the next few years of their existence coincided with a major shift in government policy. Whereas the period before December 1995 saw a gradual expansion of the number of allowed occupations from 117 to nearly 160, along with a concomitant rise in the total number of licensed operators (peaking at 208,786 in December 1995), few new occupations were legalized after that date and the issuance of new licenses in many areas was frozen indefinitely thereafter. The best gauge of the policy change is the precipitous fall in the numbers of registered self-employed workers and the near elimination of the once ubiquitous *paladar*. Legal and fiscal changes during these years included, (1) the announcement in February 1996 of an increase in the monthly tax rates for many occupations, including the doubling of peso *paladar* rates to 1,000 pesos and raising dollar operations to \$600, (2) the suspension of the granting of any new *paladar* licenses in Havana in April 1996, (3) a nationwide re-inscription of all self-employed workers begun in June 1996, and (4) a new comprehensive law aimed strengthening the sanctions against the violators of self-employment regulations in June 1997 (Decree-Law #174, 1997).

New regulations for full-fledged *paladares* included a prohibition against having televisions, live music, or even a bar area where customers could have a drink while

they wait for one of the proverbial 12 chairs to become vacant ("Sobre el ejercicio" 1996:4; Rodríguez Cruz 1996: 5). Additionally, all "family helpers" in the private food service sector would henceforth have to take out their own self-employment license and pay a monthly personal income tax equal to 20 percent of the tax paid by the *paladar* itself. In practice, this tax is usually paid by *paladar* operators themselves, thus increasing their monthly tax once again to 1,400 pesos in the case of peso operations, and to \$840 for dollar operations (Whitefield 1996a, 1996b; Mayoral 1996: 2; Lee 1996a: 2).

For example, in my interview with Patricia, the proprietor of *paladar* "El Rinconcito," she explained that her monthly taxes had risen drastically over the six years she had been in business. Upon obtaining her license in 1995 she was required to pay just 500 pesos (\$23) a month. Six years later, in January of 2001 when our interview took place, she was paying a total of \$775 dollars a month to keep her license (almost 34 times her previous monthly rate of \$23). She also employed five people. However, only three of them were legally registered so as to avoid paying extra taxes.

When I asked Patricia how much she normally owed in taxes on top of her fixed monthly tax of \$775, she laughed, saying that she paid just \$15 on her 2000 tax return. Seeing my surprise, she explained, "Since the state is so aggressive in its enforcement of the laws, we have no alternative but to respond with the same aggressiveness when 'complying with' the law." She also justified her routine dissimulation, cheating, and misrepresentation by saying, "the system is set up such that it obliges us to lie in order to survive." The fact that there seems to be a law against everything has produced a climate where lawbreaking and cheating is commonplace and seen as part and parcel of doing business. "In order to survive, everyone is forced to become a 'criminal' leading to a generalized disrespect for law itself."

The final major law passed during this period, Decree-Law #174, outlined specific penalties for self-employed workers who violated the law. For minor infractions, fines range from 500 to 1,500 pesos, and were to be paid in dollars for businesses operating in that currency. For more severe violations, in addition to the above fine, one's business license could be revoked for a period of two years. Finally, for the most severe violations, the government can revoke one's business license and seize all equipment (Decree-Law #174, 1997). Thus, while Cuban entrepreneurs are forced, almost without exception, into becoming "liars and hypocrites" out of frustration with unworkable restrictions, the state seems content to maintain the simplistic fiction that splits the self-employed into "honest and honorable" workers on one side and "abusive speculators and delinquents" on the other. This dualistic image is propagated by the official press in an attempt to transfer blame for high levels of delinquency and corruption from impractical laws to "bad elements" within the private sector itself. Indeed, knowing that no registered operator wants to be grouped together with *macetas* (black marketeers), articles in the official media often remind readers of their revolutionary duty to denounce the economic crimes of their neighbors to the proper authorities (Lee 1996c: 4).

Harsher laws, enforcement, and calls for vigilance against crime have paid off given the precipitous drop in the number of registered *paladares*. Of the 1,562 *paladares* that had successfully become registered by 1996, there were just 416 by August 1998 (just over half of them in Havana). Of these, only 253 were still left in 2000, two-thirds of them located in Havana. By 2003, various researchers and jour-

nalists have put the number of legally operating *paladares* at less than 200 in the entire country (Viño Zimmerman 2001; Vicent 2000; Newman 2001; Duany 2001: 48; Escobal Rabeiro 2001; Jackiewicz and Bolster 2003). On my visit to Havana in April 2006, an anonymous government source confirmed that there were just 98 remaining licensed *paladares* in Havana (Lee 1998: 2; "No official market economy . . ." 2000: 4).

In the case of *paladares*, it is ironic that enterprises that have survived to date have been forced by legal limitations and high taxes to raise their prices, charging an increasingly exclusive (and almost exclusively foreign) clientele in dollars (Holgado Fernández 2000). This is a significant change compared with the initial relatively low peso prices and decidedly domestic function of most *paladares* in the first half of the decade. Such a shift is even more unfortunate given the great difficulty most Cubans already have in procuring enough food. It seems that Raúl Castro's surprisingly bold declaration in 1994, that, "if there is food for the people, the risks do not matter," no longer applies, or at least not to the risks presented by private restaurants. Indeed, the fact that *paladares* no longer serve the consumption needs of the Cuban population may be the perfect pretext for the government to continue its repressive policies against them (Scarpaci 1995; Scarpaci et al 2002; Raúl Castro 1997: 466).

Economic recentralization and offensive against self-employment (2001–2006). Since 2001, internal Cuban economic policy has gradually shifted away from the market reforms of the early 1990s toward more centralized control of the economy. The granting of new self-employment licenses in many occupations has been discontinued and many licensed micro-enterprises have been forced out of business or underground by a predatory tax structure and stepped up public attacks on entrepreneurs as corrupt "new rich." The three areas of self-employment most directly affected by this new offensive and most commonly criticized in the official Cuban press are private transport (taxis, cargo trucks, and pedicabs), bed and breakfast operations, and *paladares*. In fact, since Cuba's economy stabilized by the late 1990s and has since shown signs of incipient growth, the government has been able to gradually scale back the opening in the domestic economy by limiting or wholly eliminating many internal economic reforms. The fate of self-employment is the clearest example of this retrenchment.

In the summer of 2003, new regulations were announced against bed and breakfast operators that included raising overall tax rates, requiring all operators to pay an additional 30% tax for providing meals to their guests, charging an additional tax on common areas of the home used by renters, limiting renting to a maximum of two rooms with just two guests per room, prohibiting the hiring anyone from outside the family, revoking the right to rent out an entire apartment, and requiring that a family member always be present in the home. This laundry list of new regulations against a type of self-employment only first legalized in 1997 (Henken 2002), was justified based on the conviction that "negative tendencies and behaviors have emerged in the exercise of this activity that distort the very essence of renting" (Resolución No. 270, 2003). At the same time, by 2003 the overall number of registered self-employment operators had dropped to a new low of 100,000 from 208,500 in 1995 and 153,800 in 2001 (Grogg 2003).

At the same time, a new set of self-employment restrictions was enacted that included the suspension of new licenses in 40 occupations, including licenses for

such specific and seemingly innocuous occupations as magicians, party clowns, sellers of used books, makers of crowns of flowers, masseuses, and newspaper vendors (Resolución 11, 2004). Also included on this list were all four food service occupations: street vendors, cafeterias, caterers, and *paladares*. This change reduced to 118 from 158 the number of self-employment occupations for which licenses were still available. Moreover, *paladar* operators were instructed that their required three (up from two) family helpers must have been members of the family or residents in the home for at least the three preceding years (Resolución 11, 2004).

Finally, towards the end of 2005, the Cuban Government kicked off an ideological campaign that included a crack down on corruption, theft, pilfering, and the “new rich.” In a 6-hour speech, delivered on November 17 to students at the University of Havana, an aged but energized Castro called for nothing short of a cultural revolution. He declared a return to an egalitarian society and hinted that this “total renewal” of Cuban society would include drastic moves to eliminate rising differences between Cuba’s haves and have-nots. Castro also publicly disclosed the existence of a multi-pronged government “Death to Corruption Operation,” authorizing military intervention in the Port of Havana, where the embezzlement of merchandise from arriving container shipments had become pervasive. Most surprisingly, he revealed that he had replaced all of Havana’s gas station attendants over the previous month with as many as 28,000 young social workers in order to counteract what later turned out to be the systematic pilfering and black market resale of fully half of the city’s gas. Similar government social worker takeovers were carried out in many of the city’s bakeries and *bodegas* (rationed goods stores). The fall offensive also included raids against farmer’s markets, illegal satellite TV access, and Old Havana’s ubiquitous private pedicabs (Ritter 2006).

In his speech, Castro zeroed in specifically and repeatedly on the self-employed, attacking them as the backbone of the rising class of “new rich.” He specifically singled out taxi drivers, bed and breakfast operators, and *paladar* owners as the most egregious flouters of socialist morality. “The abuses will end,” railed Castro. “Many of the inequalities will disappear, as will the conditions that allowed them to exist.” Stressing the seriousness of the threat of economic crime and corruption, Castro declared, “In this battle against vice, nobody will be spared. Either we will defeat all these deviations and make our revolution strong, or we die.” Finally, referring to U.S. promotion of private enterprise in Cuba, he reminded his listeners that self-employment has no real future in a socialist Cuba. “The empire was hoping that Cuba would have many more ‘*paladares*’ but it appears that there will be no more of them. What do they think that we have become neo-liberals? No one here has become a neo-liberal” (Castro 2005).

SURVIVING UNDERGROUND

For every unreasonable legal restriction placed on *paladares*, entrepreneurs have developed specific strategies to circumvent those restrictions. Quite literally, Cuba’s *paladar* operators have taken inspiration from the Brazilian soap opera “*Vale Tudo*” (*Anything Goes*), despite (or perhaps precisely because of) the many legal restrictions. The most common strategies that micro-enterprisers have developed in the face of the onerous legal requirements include the serving of forbidden foods, the

use of hidden rooms with additional place-settings, the printing and distribution of business cards, and the increasingly common presence of *paladar* sites on the internet. Also, *paladares* make common use of intermediaries (to whom they pay illegal commissions), rely on black market goods, and purchase bogus receipts to account for those goods.

Because of the high retail prices and limited supplies in the dollar stores and farmers' markets, *paladar* proprietors often turn to the "wholesale" prices of the black market. In the case of the few remaining large-scale operations, more egregious violations are common. For example, while nearly all *paladares* employ non-family workers, large-scale operations are often staffed by a small army of employees, including professional cooks, private security personnel, taxi drivers, and troupes of musicians who entertain guests with live music. The availability of rooms for lodging, drastic underreporting of earnings, and special "arrangements" with the inspector corps, are salient features of some of these high-end operations. One negative side effect of the use of such strategies is that it tends to push smaller operations that are unable to afford them out of business, resulting in the survival of a small number of lucrative and/or well-connected large-scale operations (Fernández Peláez 2000; Ritter 2000).

Taken together, the common use of most of the above survival strategies by licensed *paladar* operators contradicts the assumption that illegality is the result of a lack of adequate top-down control, a deficiency in revolutionary consciousness, or the delinquency of a few individuals out to exploit the masses and "live off the work of others." Undoubtedly, there are those who abuse the system for personal gain, but the vast majority of entrepreneurs help make a notoriously inefficient system work more effectively while providing jobs, goods, and services to a population in need. Instead of recognizing and encouraging the positive contribution that entrepreneurship could make to the country's economic recovery, the state's antagonistic legal framework creates an ideological environment where entrepreneurship, even when legal, is still not considered legitimate.

CONCLUSION: BETWEEN TOLERATION AND PATERNALISM

In an April 1997 *Granma* article citing the need to mobilize Cuba's Committees for the Defense of the Revolution in the battle against growing economic crime, National Assembly President Ricardo Alarcón expressed the following sentiment toward the island's *paladares*:

We mustn't be confused by the "miracles" which they attribute to [self-employment]. The richest ones, such as the *paladares*, would do well to ask themselves first, in what home if not the one given them by the Revolution would they have been able to set up shop and second, if in a capitalist society, the owner of those houses would have permitted one of his tenants to set up a restaurant in one of his properties. If capitalism were to return to Cuba, it would sweep them away. (Lee 1997)

The lesson here could not be clearer. The Cuban state sees itself as a generous landlord (*estado patrón*) who has permitted his unappreciative tenants to go into business in what, after all, is not really their property, but the patrimony of the revolution

(Escobal Rabeiro 2001). Such an attitude reveals the profound paternalism with which the revolutionary leadership views Cuba's fledging micro-entrepreneurs.

Similarly, in a November, 1997, *Granma* article, Raúl Valdés Vivo, the director of the Communist Party's ideological school and a member of the Party's Central Committee, rejected claims that it was unfair to allow for foreign investment while prohibiting domestic capitalists to participate more fully in the island's economy. Comparing the latter group to "piranhas. . . capable in a minimum of time of devouring a horse down to the bones" (Rice 1997), Valdés Vivo stated that the leadership had been forced to resort to capitalist investments from abroad against its will and claimed that Cuban nationals could not have provided the necessary capital, technology, or markets brought by outsiders.

As this study of Cuba's fledging *paladares* has shown, the Cuban leadership's characteristic paternalism seems determined to choke out all autonomous economic activities, seeing them as threats to its top-down control. Existing policy treats most of these entrepreneurs as an anachronism, whose role in the economy will decidedly decrease as the socialist economy recovers. Such an antagonistic policy only discourages the growth of *paladares*, drives most entrepreneurs out of business or underground, provokes tax evasion, and encourages operators to develop deeper links with the informal sector, all leading to an even greater distrust of the government and socializing entrepreneurs further in criminality as their only means of survival. The few large-scale operations which benefit from economies of scale and special government connections tend to thrive, while the majority are condemned to informality. Moreover, the conspicuous financial success of a select few operations in a context of generalized economic hardship and growing inequality has made it easy for the government to target them as "new rich" exploiters and justify new crackdowns and closings since the fall of 2005. In summary, the emergence of Cuba's *paladares* over the last decade teaches the following lesson: the state's paternalistic desire to regulate and restrict their growth has transformed what was hoped to be a true expansion of the private micro-enterprise sector into another mechanism of state control over the economy.

NOTES

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1. See especially the newspaper reports by Whitefield (1994a, 1994b, 1996a, 1996b) and LaFranchi (1996), as well as the more scholarly studies by Pérez-López (1995), Scarpaci (1995), Núñez Moreno (1997), Peters and Scarpaci (1998), Ritter (1998, 2000), Fernández Peláez (2000), Duany (2001), Scarpaci et al (2002), and Jackiewicz and Bolster (2003).

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