“VALE TODO” (ANYTHING GOES): CUBA’S PALADARES

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Today, the political, military, and ideological problem of this country is looking for food. [...] We must be clear about one thing: if there is food for the people, the risks do not matter.—Raúl Castro, September 28, 1994 (1997: 466)

As we went through the makeshift front door of Central Havana’s “Paladar Las Doce Sillas” (The Twelve Chairs Restaurant),1 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 ‘L a 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!” As a “born entrepreneur,” Orestes knows which laws he can discretely ignore. “I see you met the waitress, my ‘cousin’ Magalis?” he joked. “Everyone knows we’re not related. On the other hand, we don’t normally take the risk of serving lobster,” he insisted. “If you want to know the truth, that’s practically the only rule we do strictly follow.”

Finally, he responded to my inquiry over the future of these private eateries by joking, “I wouldn’t buy stock in any paladar. It’s all part of the game and you have to know how to play it. The government can benefit from the positive image that the token existence of private enterprises creates, but I’m convinced that it will remain little more than that, an image.”

Taking this brief anecdote as a point of departure, the following paper 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

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1. In this paper, I make occasional references to various self-employed individuals and businesses. The names of all places and individuals have been changed to protect anonymity and descriptions of individual enterprises such as the one above are in fact composite sketches that combine the characteristics of two or more similar enterprises. Unless otherwise indicated, all translations from interviews, newspaper articles, or scholarly work were done by the author.
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. Understandings of the economic changes introduced in Cuba over the last decade tend to give an overly dualistic image of an economy split into two isolated halves: a vibrant dollar economy and a moribund peso economy; a dynamic private economy and an inefficient socialist economy. However, since the imposition of many internal economic reforms announced in July 1993, the very real divisions in the Cuban economy have become much more complex, fluctuating, and permeable than is often assumed by outside analysts.

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 condemns these private restaurateurs to an informal, provisional existence.

ORIGINS AND HISTORY OF THE PALADAR

Because it is one of the most visible manifestations of private enterprise to foreign visitors in Cuba, much attention has been given to the emergence of the Cuban paladar. Literally meaning “palate” in both Spanish and Portuguese, the name’s origin hints at Cubans’ initial high-hopes for the potential of these private, home-grown eateries during the worst stage of the 1990s economic crisis. The name paladar comes from the Brazilian soap opera, Vale Todo (Anything Goes), which was popular in Cuba in the early 1990s. Raquel, the enterprising protagonist of the telenovela, was a poor migrant from the Brazilian interior who moved to Rio where she worked as an itinerant food vendor. She eventually made it big after setting up her own chain of small restaurants, christened Paladar (Baker 2000: 153; LaFranchi 1996).

At the time when Vale Todo was making Cuban mouths water, the size of the legal self-employed sector was negligible and private restaurants were forbidden by law. However, these speak-easy eateries began to pop up throughout the island in the early 1990s in response to the growing scarcity of food. 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 formally illegal) developed by the Cuban people (Whitefield 1993).

2. In addition to the many newspaper reports on the rise of these speak-easy eateries (Whitefield 1994a, 1994b; Farah 1994; Fletcher 1995; Vicent 2000; LaFranchi 1996), more scholarly studies include, Scarpaci 1995; Serge, Coyula and Scarpaci 1997; Flores Gómez 1997; Peters and Scarpaci 1998; Ritter 1998, 2000; Fernández Peláez 2000; and Duany 2001.
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, fritters, et cetera)” (Decree Law 141, 1993: 4-5; Alonso 1993; CE-PAL 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 fledging restaurateurs to close up shop led to the first of many crackdowns against purported “illegals, indiscipline, and abuses” in the self-employed sector in January and February 1994 (Scarpaci 1995; Segre, et al 1997; 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 the aforementioned “producer of light snacks” licenses (Segre et al 1997: 233). Having learned the important lesson of discretion, many operators were soon back in business. 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; Segre et al 1997; Pérez-López 2001).

The second stage in the life-cycle of the Cuban paladar began with the approval in June 1995 of Joint Resolution No. 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 imposed 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 was true home-based, private restaurants. 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” 1997).

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 indicated that each household was restricted to a single self-employment license. Operators were restricted to the expensive, retail food supplies sold in state-run dollar stores and private farmer’s markets. 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 (Segre et al 1997).

Along with the other legalized food service activities, paladares would be subject to unannounced visits from a number of different inspector corps. Specific
prohibitions were made against the sale of seafood and horsemeat, and though later banned altogether, beef, milk, and milk derivatives would only be allowed if obtained in dollar stores. 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. Furthermore, 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; Avenaño 1997; DPPEA 1997).

**Increased Regulation and Decline (1996-2001)**

Unfortunately for the operators of Cuba’s paladares, the next two years of their existence as legal, licensed micro-enterprises coincided with a major shift in the government’s policy toward self-employment. 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 of 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 at strengthening the sanctions against the violators of self-employment regulations in June 1997 (Decree-Law #174, 1997).

Issued on April 18, 1996, Joint Resolution No. 1 mandated a nationwide re-registration of all self-employed workers and added a host of new fiscal and operational regulations for workers to follow. First, porch-front cafeterias were legally separated from roving street vendors, the former being issued the detailed regulation: “These cafeterias cannot be equipped with tables, chairs, benches, or the like; and services should be performed through direct dispensation of products without any mediating type of gastronomic service.” Therefore, it bears mentioning that not only are paladares prohibited from having more than 12 chairs, but these lesser cafeterias are forbidden from having any chairs or tables, or engaging in any kind of customer service beyond sales (“Sobre el ejercicio…” 1996: 4; Rodríguez Cruz 1996: 5).

Second, 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. The law reads, “When alcoholic beverages are offered, they cannot be consumed in an isolated space specifically built for that purpose.” The wording here is important since the law does not prohibit bars per se. As a result, nearly all paladares visited by the author do have a bar and operators are simply careful about openly serving drinks to waiting customers there (“Sobre el ejercicio…” 1996: 4; Rodríguez Cruz 1996: 5).
Third, the 1996 Regulation stipulated that 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% of the tax paid by the paladar itself. In practice, this tax is usually paid by paladar operators themselves, thus increasing their monthly tax to 1,400 pesos in the case of peso operations, and to $840 for dollar operations. The new law also prohibited advertising by paladares apart from a external sign for which another tax equal to 20% of their base monthly tax must be paid tax (Whitefield 1996a; Whitefield 1996b; Mayoral 1996:2; Lee 1996:2).

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, the number had dropped to 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. Recent articles in the international and independent Cuban press have confirmed the continuation of this downward trend, recently reporting that over 200 paladares were closed down in the year 2000 alone, and estimating less than 200 legal paladar operations left in the entire country. My own research visits to Havana and other Cuban cities during 2001 confirm this general picture (Lee 1998: 2; “No official market economy...” 2000: 4; Viño Zimerman 2001; Vicent 2000; Newman 2001; Duany 2001: 48).

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; Segre et al 1997; Castro 1997: 466).

**SURVIVAL STRATEGIES USED BY CUBA’S PALADAR OPERATORS**

For every unreasonable legal restriction placed on those who engage in private food service, entrepreneurs have developed specific strategies to circumvent those restrictions. The most common strategies that micro-enterprisers have developed in the face of these 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, rely on black market goods and purchase bogus receipts to account for illegally obtained goods. Due to the high commissions charged by intermediaries and to the prohibition against many foods, some paladares have designed two or three different menus. Diners in these establishments are offered a distinct menu based on intermediary costs, menu selections, and, sometimes, their nationality.

Because of the high retail prices and limited supplies in the dollar stores and farmer’s markets, paladar proprietors often turn to the “wholesale” prices of the black market. According to media reports and the author’s own interviewees, a source of supplies for some paladares is the personnel of Havana’s many foreign embassies. Diplomatic status allows embassy employees to purchase goods at low rates in state stores. These employees often then resell these items to Cubans at a small profit (Stanley 2000; Fernández Peláez 2000; Reyes 1998).

In the case of the few large-scale operations, more egregious violations are common. For example, while nearly all paladares resort to employing non-family workers, larger-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. Furthermore, 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 effect of the use of such strategies is that smaller operations that are unable to afford them are pushed under, while a small number of lucrative, well-connected operations thrive (Fernández Peláez 2000; Ritter 2000).

Finally, in recent years, two “last-resort” survival strategies seem to have become increasingly common in the food service sector. First, a number of entrepreneurs who have felt pressure to close their doors due to the impossibility of surviving under the maze of legal requirements put in place for paladares, have decided to turn in their food service license and apply for the much less onerous license to rent rooms in their homes. However, having invested much time and capital in equipping their home with the infrastructure necessary to provide quality meals, these clever operators continue to operate an unofficial paladar behind the legal façade of a bed and breakfast. The second “last resort” strategy is that of turning in one’s license, but continuing to operate the paladar clandestinely (“Establecen procedimiento” 1997: 4-5).

Taken together, the common use of most of these survival strategies by licensed paladar operators do not support the assumption that illegality is the result of a lack of adequate top-down control or the delinquency of a few individuals deficient in proper revolutionary mentality. Instead, due to an antagonistic legal framework, in order to engage profitably in this activity, paladar operators have found it necessary to rely on a host of informal strategies including the illicit networks of supplies in the black market.

CONCLUSION
Apart from President Fidel Castro, whose long-time ideological opposition to markets and private enterprise is well documented, other key political leaders on the island have repeatedly made open declarations against an increased role for self-employment. For example, 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 “piñanhas… 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.

However, Valdés Vivo admitted that the reasons for the restrictions against domestic capitalists are not only economic, but political and ideological as well (“Cuba will not…” 1998). Specifically, he wrote that allowing Cuban citizens to provide money to private micro-enterprises “would introduce a social force that sooner or later would serve the counterrevolution” (Rice 1997). Adding that Cuba does not desire the return of an exploitative national class propped up by foreign interests, he cited President Castro’s words during the 5th Party Congress: “Cuba cannot afford the existence of a new class of rich that would later acquire great power and end up conspiring against socialism” (“Cuba will not…” 1998). Such an attitude could not contrast more with the supposed trust in the integrity and ingenuity of the Cuban people that originally permitted self-employment.

The tension between the state policies of toleration, legalization, and expansion of the private sector on the one hand, and moves toward greater control, containment, and repression on the other, reveal the revolutionary government’s deep mistrust of Cuba’s new entrepreneurial sector. Cuban officials and journalists continually emphasize the systematic “indiscipline, illegalities, and lack of order” that characterize the private sector, always coming to the same conclusion. Since the cause of indiscipline is the lack of strong regulation and the waning revolutionary consciousness brought on by “the individualist psychology of the private producer” (Lee 1997: 3), the only solution is greater top-down control combined with calls for greater revolutionary fervor and vigilance.
On the other hand, most Cuban social scientists who have written on the topic of self-employment are in favor of less, not more bureaucratic control. Far from advocating wholesale privatization and a withdrawal of the state from the economy, these scholars recommend a proactive government approach to the private sector that would include monetary incentives, technical training, expanded opportunities to market products, and greater access to wholesale supplies. They argue that such an organic, integrated approach would allow for a greater, if still decidedly subordinate role for the non-state sector in the Cuban economy, leading to the creation of more jobs and higher standards of living for the Cuban people. However, due to the political costs and ideological compromises involved, the revolutionary leadership has refused to implement this advice.

As this study of Cuba’s fledging paladares has shown, the Cuban state has attempted to distinguish between micro-enterprises that fall within the legal framework and those that have resisted legalization, preferring to operate underground. However, Cuba’s private restaurant sector is much more heterogeneous and complex than such a legalistic distinction would indicate. While unlicensed private restaurants clearly operate outside the law, virtually all of Cuba’s paladares find it necessary to develop illegal strategies to ensure their survival. What distinguishes one operation from another is the degree of each one’s links to informality, not the fact of such a linkage itself.

The paternalism characteristic of the Cuban leadership 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 causes these micro-enterprises to deepen their links with informality, leading to an even greater distrust of the government and socializing these entrepreneurs further in criminality as their only means of survival. 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.

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