

CUBA TRANSFORMACIÓN

EDITION 4

GUIDING PRINCIPLES FOR CUBA'S ECONOMIC TRANSFORMATION

This article argues that Cuba's deep economic crisis requires a comprehensive transformation that goes beyond partial measures, combining macroeconomic stabilization with structural reforms aimed at building a social market economy. The author contends that, alongside the impact of external sanctions, internal policy failures and institutional weaknesses have significantly contributed to economic stagnation and the deterioration of living conditions.

It further maintains that recovery should be driven by higher productivity, greater investment, stronger legal certainty, and institutional modernization, while ensuring effective social protection. The success of this process will depend on a gradual, coherent, and socially viable implementation strategy capable of laying the foundations for sustainable growth.



Omar Everleny

**Ph.D. in Economics from the
University of Havana**

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The depth of Cuba’s crisis—**reflected in macroeconomic imbalances, productive deterioration, persistent shortages, and institutional weakening**—confirms the need for comprehensive economic transformation. U.S. government sanctions have aggravated external constraints, but today’s problems stem primarily from economic mismanagement and structural failures in the current model.

The way out cannot be reduced to partial adjustments or disconnected administrative measures. **Cuba needs to move toward a regulated, open, and inclusive market economy, grounded in macroeconomic stability, competition, the full coexistence of different forms of property, the rule of law, and social protection.** In broad terms, the task is to build a social market economy adapted to Cuba’s conditions.

That process should not be improvised. It requires clear priorities, a realistic policy sequence, and guiding principles to orient both the initial stabilization and the subsequent structural reforms. The principles below aim to provide a basis for discussion of such a transformation program.

Principle	Core idea
Stabilize to gain time, reform to grow	Contain critical imbalances while preparing structural reforms capable of sustaining the recovery.
Prioritize supply and productivity	Rebuild productive capacity, expand domestic supply, and raise productivity as the foundations of real wages and price stability.
Social protection and institution-building	Sustain the legitimacy of change through targeted protection, transparency, institutional capacity, and the rule of law.
Sequence, coherence, and feasibility	Order measures properly, avoid policy contradictions, and distinguish among what is urgent, what is possible, and what is structural.

STABILIZE TO GAIN TIME, REFORM TO GROW

Any economic transformation program in Cuba must begin from a basic premise: the country needs to stabilize to reform, but it cannot stabilize sustainably without reforming the foundations that produced stagnation. Stabilization and reform are not separate stages; they should be understood as two dimensions of the same process.

The initial phase should focus on halting the deterioration of the main macroeconomic and social imbalances: the fiscal deficit, unbacked monetary issuance, inflation, recession, shortages of fuel, food, and medicines, and the loss of confidence in the banking system. Without a minimum degree of stability, the economy will remain extremely fragile, making it very difficult to implement broader changes.

Stabilization must send credible signals to the population, producers, savers, and potential investors. This means rebuilding confidence in the currency, the banks, fiscal policy, and the state's ability to operate under predictable rules. It also requires transparency about the country's fiscal, monetary, and financial situation, as well as about the real costs of the measures adopted.

At the same time, stabilization cannot simply mean managing scarcity. Cuba will not recover a growth path unless it changes the institutions, incentives, and rules that have led to productive stagnation. Some institutions will have to be transformed, others eliminated, and others created to sustain a new economic model. Necessary reforms include a new enterprise law, a modern framework for foreign investment, and rules that guarantee competition, transparency, and legal certainty.

Once the most chaotic phase of the crisis has been overcome, the priority should shift toward structural transformation: raising productivity, modernizing strategic sectors, and creating conditions for economic actors to invest, produce, import, export, and compete. This entails encouraging the growth of the private sector, closing or restructuring nonviable state-owned enterprises, granting real autonomy to efficient public enterprises, and attracting foreign investment under clear, stable, and non-discriminatory rules.

PRIORITIZE SUPPLY, PRODUCTIVITY, AND THE RECONSTRUCTION OF PRODUCTIVE CAPACITY

The social emergency requires immediate attention to the population's essential consumption needs. However, a transformation program cannot focus only on demand. The central problems of the Cuban economy are supply contraction, low productivity, and the progressive destruction of productive capacity. Economic policy must therefore be oriented toward producing more, producing better, and reducing costs.

Food shortages illustrate this problem clearly. Today, a significant share of available supply arrives via private imports at high cost. These imports have helped ease some shortages, but they do not replace the need to rebuild domestic production. Greater domestic output would expand supply, reduce inflationary pressures, create jobs, and improve real wages in a sustainable way.

Raising nominal incomes without expanding supply fuels inflation and erodes purchasing power. For that reason, the recovery of real wages must rest on effective productivity gains and a greater availability of goods and services. Economic policy must create incentives to produce, invest, hire workers, innovate, and compete.

To achieve this, the state must dismantle the obstacles that limit production. In agriculture, this means reducing bureaucracy, eliminating restrictions on commercialization, decentralizing decision-making, expanding access to credit, and allowing producers to respond to market signals. The weight of state monopolies and constitutional or legal restrictions that inhibit productive accumulation, private investment, and business growth must also be reduced.

The supply strategy should concentrate on sectors with spillover effects across the rest of the economy: energy, food, tourism, supply chains, and services linked to productive modernization.

SOCIAL PROTECTION AND INSTITUTION-BUILDING

The transformation toward a social market economy will only be viable if it combines economic opening, macroeconomic discipline, and effective social protection. Social protection and institution-building are not separate processes: they reinforce one another and determine the legitimacy of change.

Cuba has a tradition of broad social policies, although many have deteriorated. Public health, access to vaccines and medicines, education, culture, and pensions are part of a legacy that should be preserved and rebuilt. However, that protection cannot rest on broad promises or unsustainable universal subsidies. It must evolve toward a more targeted, transparent system capable of reaching those who need it most.

Social protection will be indispensable to maintaining public support for the reforms. A process of stabilization and restructuring can generate short-term costs, including the closure of nonviable firms, changes in relative prices, and the reallocation of employment. Without a credible social cushion, those costs can translate into political rejection and a deterioration of social cohesion.

For social protection to work, reliable institutions are required. A subsidy system without updated registries can exclude vulnerable households or benefit people who do not need assistance. The country must therefore develop modern administrative capacities: public registries, digitalization, audit mechanisms, anti-corruption controls, and channels for citizens to file claims and appeals.

Institution-building also requires professionalizing the public sector, improving incentives for civil servants, strengthening transparency, and ensuring legal compliance. A rule of law adapted to the circumstances of transition must ensure stable rules, limits on discretionary power, independence for oversight mechanisms, and effective protection of economic and social rights.

Social protection should not be seen only as expenditure. It is an institutional and political investment that enables the sustained implementation of difficult reforms, the protection of the most vulnerable, and prevents the transition from producing exclusion. In a social market economy, the market should generate efficiency and growth, while the state guarantees rules, competition, stability, and protection against social risks.

SEQUENCE, COHERENCE, AND FEASIBILITY

An economic transformation program must precisely define which measures come first, which depend on others, and which require prior conditions to be effective. Sequencing matters. Not all policy combinations produce the same results, and the wrong order can exacerbate instability rather than correct it.

The experience of the so-called Ordering Task (“Tarea Ordenamiento”) offers an important lesson. The increase in wages and administered prices was implemented in a context of restricted supply, low productivity, and limited enterprise capacity to respond. The result was an acceleration of inflation that quickly eroded the purchasing power of incomes. Before nominal incomes were expanded across the board, productive capacity should have been strengthened, business activity should have been liberalized more consistently, and conditions should have been created to expand supply.

Coherence requires that policies not contradict one another. Prices cannot be controlled sustainably without expanding supply. Nor can enterprise creation be encouraged while firms’ access to inputs, foreign exchange, imports, credit, or markets is restricted. Likewise, external capital—including capital from Cubans living abroad—cannot be attracted without changing the current legal framework, guaranteeing legal certainty, allowing the repatriation of profits, and establishing reliable dispute-resolution mechanisms.

Feasibility requires recognizing political, administrative, financial, and social limits. Not everything that is necessary can be implemented in the first phase. A realistic program must distinguish among emergency measures, immediate institutional reforms, and medium-term transformations. It must also consider the state’s capacity to implement policies, the type of external support required, and the degree of social acceptance of the initial costs.

The Cuban population has already endured a severe adjustment: declining consumption, deteriorating public services, shortages of food and medicine, prolonged blackouts, transportation shortages, and a loss of real income. For that reason, any additional stabilization must be designed with social sensitivity and explicit protection mechanisms. The strategy must combine three criteria: a clear sequence, a coherent policy architecture, and a rigorous assessment of what can be implemented at each stage.

These principles do not replace a detailed economic program, but they do establish criteria for evaluating one. A social market economy model will only be viable if it combines macroeconomic discipline, economic freedom, competition, legal certainty, social inclusion, and institutional capacity. Without that combination, the transformation risks becoming another cycle of partial measures, insufficient to overcome the country's structural crisis.