

GOODBYE TO THE GREENBACK

While the US dollar is making a comeback against powerful international currencies, Cuba's emaciated peso, which is not officially convertible, has dramatically gained against the almighty greenback.

"Mysterious" is the word used by this week's *Juventud Rebelde* newspaper to describe the sudden drop in value of the dollar.

Rumors abound about the meaning of it all. Even the economists cannot agree on why it happened or what it means for Castro's socialist nation.

Outside the confines of this Caribbean island partially isolated by a US economic embargo, the Cuban peso barely rates much attention.

But inside the impoverished nation, the change in value has had a dramatic affect on the lives of many people.

The major shift in the pesodollar rate of exchange has taken place in the nation's ubiquitous black market, which was offering 10 or 15 pesos for a dollar recently compared with 30 pesos in mid-August and 100 to 150 pesos a year ago.

In part, the strengthening of the peso has been attributed to the government's strategy of taking excess pesos out of circulation by raising the prices of certain goods and services.

In less than a year, the amount of pesos in the hands of the people has dropped from 12 billion to nine billion. According to economists, most of that money is in bank accounts that belong to people who are not desperate for ready cash.

The official exchange rate at banks is still an artificial one peso to \$1, which is the reason why both Cubans and tourists alike sell their dollars on the black market.

Those who want dollars also go to the street-vendors because Cuban banks only buy dollars. They will not sell them because



The dollar is rebounding on the world market, but it's falling in Cuba.

By Lionel Martin

of the nonconvertibility of the peso on the world market and the critical shortage of hard currency in the country.

UNTIL NOW, the name of the game in Cuba has been to obtain US dollars, commonly known as "verde" - the green stuff. Now, many of Cuba's budding small businesses insist on being paid in pesos.

A year ago \$2 could be exchanged for an average monthly wage in pesos, and only

two weeks ago it took \$8 to buy the same amount of pesos.

At the recent black market exchange rate, a Cuban needs to trade in \$20 or \$30 for the equivalent of a monthly wage.

For the most part, Cubans are paid in pesos. But dollars enter the domestic economy in numerous ways.

Some who work for foreign enterprises get a small percentage of their wages in dollars, while workers in the tourist industry

get tips. Some families receive dollars from relatives overseas and there is a growing small private enterprise sector that sells food, handicrafts and other goods and services to foreigners for hard currency.

The average Cuban family uses what dollars they have to buy cooking oil, tomato sauce, spaghetti, soap, toothpaste and other needs at special government dollar stores because these items are in scarce supply or unavailable elsewhere.

But because the government dollar stores are very expensive, Cubans prefer to exchange a substantial portion of their dollars for pesos. These pesos allow them to buy much cheaper vegetables, fruit, chicken and pork at the private enterprise markets that were legalized last year and where only pesos are accepted.

Last week's *Juventud Rebelde* said the lowest-paid sector of the population, which had no access to dollars, will be better off now. With the weakening of the dollar, those people can now afford to buy oil, soap and other products at the dollar stores.

At the same time, the currency exchange turnabout has been a blow to those who have been saving up dollars in the belief they would maintain their value. Those who receive dollars from overseas relatives are also finding that their buying power has diminished since they now get fewer pesos for them.

Castro's government sees the drop in the dollar as positive because it means that the Cuban peso has more value for the population.

Economists hope that as a result, absenteeism in industry and agriculture will decrease and that nurses and teachers and others will return to jobs they abandoned when the buying power of their take-home pay diminished.

- Reuter

Oct. 1995
Jerusalem
Post
WE-80