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THE SOCIAL COST OF REMITTANCES: RACE AND INCOME EQUALITY IN CONTEMPORARY CUBA

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Introduction

In the span of less than five years after the collapse of the Soviet Union, Cuba became yet another developing country dependent on family remittances for its macro-economic health. The money and goods international migrants send to their home country has outpaced official development aid since the early 1990s ([Martin and Widgren 1996](#), Taylor et al. 1996). In 2001, remittances were double the amount of foreign aid and ten times higher than net private capital transfers--the bottom line after deducting all financial outflows, such as profit repatriation and interest payments ([Kapur and McHale 2003](#)). An estimated \$32 billion per year went to Latin American countries alone in the year 2002 (Hernández 2003).

The growth of remittances and decline of foreign aid has raised compelling new questions for economic development in the context of neoliberal economic globalization. Rather than the direct receipt of hard currency by central governments, remittances put money directly into the hands of the civilian population. This has led to debates regarding the impact of remittances on economic growth and equality for the localities that receive them. While the money is going directly to individual families, of course not all families have migrant relatives abroad. Questions of increasing inequality have special importance for transforming socialist states such as Cuba, where state legitimacy is closely tied to socio-economic equality.

To what degree are remittances contributing to race and income inequality in contemporary Cuba? Given the early class and racial bias of Cuban out-migration and the recent decline in merit-based government opportunities to improve one's standard of living, direct access to dollars through family remittances has contributed to a rising income gap with

tangible material consequences. This paper begins with an overview of Cuban emigration and remittances during the revolutionary period. It then uses data from the 2000 Havana Survey to examine the relative importance of remittances for dollar purchases, their distribution by social class, race, income and education, and their influence on patterns of consumption. This analysis will highlight the specific role of remittances in exacerbating inequality as the Cuban economy gradually re-links to the global capitalist market.

Cuban Emigration and Remittances

Exile and Estrangement: 1959-1979

Cuba's wealthiest families and many of its professionals and technicians emigrated during the first years of the Revolution, from 1959 to October 1962. This first wave of emigrants was almost exclusively white, due to the overlapping of race and social class in pre-Revolutionary Cuban society. These early exiles left home in response to political change, agrarian reforms, the nationalization of foreign businesses and the declaration of the socialist (and later the Marxist-Leninist) nature of the revolution ([Masud-Piloto 1988](#), [Pedraza-Bailey 1985](#)). The approximately 248,000 political exiles who left Cuba in the early years of the Revolution (1959-62) were for the most part upper- or middle-class fiscal and political conservatives, who set a fiercely anti-Communist tone that would characterize Cuban emigrants to the present.

Remittances were almost non-existent during the first two decades of the Cuban revolution. Tangible political barriers to family relationships across the Florida Straits strained personal relationships and, as a consequence, the amount of money sent to relatives during the first decades of the Cuban Revolution. Entire family and friendship networks were disrupted as emigrants and the family and friends who chose to stay in Cuba were confronted by divisive political pressures present in both countries. Cubans in the United States tended to cut off all relations with revolutionary Cuba. In Miami in particular, a violent atmosphere endangered those who made any move towards reconciliation ([Didion 1987](#), [Pedraza-Bailey 1985](#)). Cubans on the island, in turn, distanced themselves ideologically from those who had left, as participation in the Communist Party or even access to study at the university could be denied as a result of contact with those who had left ([Torres 1995](#)).

In addition to ideological barriers, changes in Cuba's monetary policy further deterred remittances during this period. The nationalization of the banking system, creation of a new peso, and the prohibition of holding U.S. dollars were among the factors that limited emigrant's ability to send money to family on the island ([Barberia 2002](#)).¹ Further, the U.S. imposition of an embargo in 1962 completely ended direct financial transactions between the United States and Cuba.

In a period of diminished bilateral tensions from 1968-75, the Cuban government allowed in-kind remittances in the form of small packages of clothing, medicine, food, and

¹ The possession of U.S. dollars first became illegal for Cuban citizens in 1960, and remained so until 1993 ([Ritter and Rowe 2002](#)).

consumer goods. These U.S. goods were stigmatized during the first ideologically heady decades of the revolution, however, and were often left untouched by their recipients (Barberia 2002, Eckstein 2003). On some of the same planes that carried these packages, another 300,000 relatives of the earliest emigrants left Cuba, arriving via U.S. sponsored airlifts between 1965-1973 and through the Camarioca boatlift of 1965 (Masud-Piloto 1996).²

The massive out-migration and the decision to relocate entire families when possible was motivated both by the emigrants' loss of property and status in Cuba and by favorable immigration policies in the United States. In Cuba, the revolutionary government confiscated all property of those who left, and denounced the emigrants as enemies of the state. In the United States, the hundreds of thousands of Cubans fleeing Communist Cuba legitimized U.S. government ideology during the cold war and were rewarded by receiving unprecedented amounts of aid.³ In 1960, President Eisenhower officially recognized Cuba as a Communist state, declared Cuban emigrants to be political refugees, and established a national Cuban Refugee Program. The Cuban Refugee Adjustment Act of 1966 eased the conversion of Cuban refugees into permanent residents (Pérez 1999). Still in effect today, it entitled Cubans to be processed for permanent status in the United States after residing in the country for one year.

The end of this period (1959-1979) was marked by a short period of renewed family and friendship networks as a brief cold war *détente* led to family reconciliation in the late 1970s. Beginning in late 1977, the Cuban government began to allow Cuban Americans to visit their homeland for two-week periods. Visiting Cubans were required to stay in state-run hotels that charged in U.S. dollars, and could buy consumer goods for their relatives in foreign currency stores (i.e. canned food, designer clothing, refrigerators, air conditioners). Signaling a widespread desire to communicate with estranged family and friends, despite strong political pressures not to visit their relatives, more than 100,000 Cubans returned to visit in 1979 alone (Pedraza-Bailey 1985). Mechanisms for receiving cash transfers from abroad were also established in Cuba during this period of normalization of emigrant relations. Cubans on the island were allowed to receive foreign currency transfers on the condition that they be converted into Cuban pesos at the official one Cuban peso per one U.S. dollar exchange rate. The Cuban national bank would then issue a certificate that could be used only for purchases at the foreign currency stores (Pérez-López 1995). Due to these restrictions and to the limited need for aid from abroad (in the context of a healthy domestic economy), remittances remained minimal from 1978 to the early 1990s.

The introduction of American culture and goods (i.e. clothing, tape players) through *émigré* visits from 1978-1980 stirred discontent among Cubans regarding the scarcity and poor quality of consumer goods available in Cuba's socialist system. Cuban officials (and several scholarly accounts) linked this taste of American consumer culture

² This cohort of approximately 679,000 emigrants remain the largest group of Cubans residing outside of their home country (Díaz Fernández and Aja Díaz 1998).

³ From 1961-74, the U.S. government spent over \$957 million in relief and service (García 1996: 45). This included millions of dollars funneled to exile groups by the CIA in support of their various attempts to undermine the Cuban revolution.

introduced by emigrant visits to a political backlash that culminated in the Mariel boatlift of 1980 (Barberia 2002, Martín and Pérez 1997, Masud-Piloto 1988). The Mariel boatlift, which generated 125,000 new Cuban emigrants to the United States in a six-month period, became the second massive wave of out-migration, which in Cuba was accompanied by a campaign of renewed government-sponsored political hostility towards the emigrant population. To avoid "another Mariel," the Cuban government limited emigrant visits and briefly suspended them altogether in 1985. The visits were allowed once again in 1986, but with a cap of 2,500 per year until 1987 and then 5,000 per year until the early 1990s (Barberia 2002: 9).

Tentative Reconciliation: 1980-89

The arrival of 125,000 new Cuban emigrants in the United States set the stage for a new Cuban emigrant population that was more likely to maintain ties and send cash and in-kind remittances to its home country (Díaz-Briquets and Pérez-López 1997). More representative of the social structure of their home country, the majority of the 'Marielitos' were young, working-class men who, if married, had left their families behind (Pedraza-Bailey 1985). As opposed to the earlier emigrants who were fleeing a socialist society in transition, these were largely people who had grown up in Communist Cuba and who had strong ties to that society. 'Marielito' emigrants and their families in Cuba, though facing the same divisive political pressures as earlier emigrants, had an underlying understanding of the political and economic reality of revolutionary Cuban society and deep social and psychological roots in that society in spite of any ideological differences (Díaz-Briquets and Pérez-López 1997).

Although still underrepresented, blacks and mulattos comprised a much higher proportion (30-40 percent) of the Mariel emigrants (Pedraza-Bailey 1985, Masudo-Piloto 1988). The racial composition of Cuban emigrants since the 1980 Mariel boatlift, however, largely returned to its previous, highly unrepresentative racial balance. According to data from the 1990 U.S. census, 85 percent of Cubans arriving in the United States between 1985 and 1990 identified themselves as white (de la Fuente and Glasco 1997). Cuban sources estimated that only 8 percent of all migrants between 1986-1991 were black or mulatto (Rodríguez Chavez 1992). The higher numbers of black and mulatto migrants among those who migrated since 1980 has not significantly countered the overwhelming white bias of Cuban emigration that was established during the first two decades of the revolution (1959-79) and continues to the present.

The highly unrepresentative white bias of Cuban emigration creates conditions for uneven access to remittances. While the white population in Cuba is commonly estimated to be around 35 percent (with 65 percent black and mulatto), 84 percent of the more than one million Cubans in the United States considered themselves 'white' in the 2000 U.S. census (Inter-University Program for Latino Research 2004). The bias of white Cuban emigration in the early years of the revolution is accounted for by the overlapping of race and social class in pre-revolutionary Cuban society. The absence of blacks and mulattos in later migratory waves, however, requires further explanation.

The racial bias in Cuban emigration is often accounted for by the network-driven nature of migration and the emphasis of both U.S. and Cuban migration policy on family

reunification (Aguirre 1976, Pedraza-Bailey 1985). An increase in the economic and social opportunities for blacks in Cuba and heightened consciousness of prevalent racism in the United States has also played a role in discouraging black and mulatto migration (Aguirre 1976, de la Fuente and Glasco 1997).

Both Cuban and U.S. government policy inhibited contact throughout the 1980-89 period by complicating communication and remittance flows (Barberia 2002). However, the contacts that Cuban emigrants established with their relatives in the late 1970s, coupled with strong remaining family and friendship ties among recent emigrants, resulted in a tentative reconciliation among Cuban families that eventually translated into material aid during the economic crisis of the 1990s. In the late 1980s the Cuban government once again adopted a conciliatory policy towards its emigrant population, which included the encouragement of increased communication and visits between Cubans at home and abroad. These political overtures to the emigrant population foreshadowed major fiscal policy changes that would usher in a new period of heightened remittance activity.

De-politicized Emigration and a Flood of Remittances: 1990-Present

The economic crisis of the early 1990s resulted in a de-politicization of migration, as individuals and the Cuban state began to see emigration and remittances as a practical solution to household scarcity. As a result of growing material dissatisfaction and heightened attempts to illegally leave the island, the Cuban government announced in August 1994 that it would no longer intercept illegal departures. This policy generated an exodus that in the United States became known as the rafter crisis. In the month to follow, the U.S. Coast Guard rescued approximately 36,000 Cuban rafters, and detained close to 35,000 more in military bases located in Guantánamo Bay, Cuba and Panama for eight months, eventually admitting them to the United States (Pérez 1999). In the May 1995 bilateral negotiations that followed the crisis, Cubans lost some of their preferential status as the United States agreed to discourage illegal immigration and establish an orderly, legal procedure for all potential emigrants. Illegal immigrants intercepted before reaching U.S. soil would be returned directly to Cuba, and the Cuban border patrol would actively detain all illegal emigrants seeking to leave from its shores.⁴

A racial bias has continued in the most recent period of emigration (1990-present), and is influenced by different modes of migration. From 1995-2000, twenty-thousand Cubans legally entered the United States annually after winning a U.S. visa lottery in Cuba.⁵ A recent study of Cuban emigrants (Aguirre and Bonilla Silva 2001) concluded that blacks and whites have different modes of migration--blacks rely on legal migration through the (post-1995) lottery system, whereas whites rely on family ties to help them migrate illegally (e.g. entry

⁴ However, the Cuban Refugee Adjustment Act is still in effect. This Act allows Cubans who overstay temporary visas as well as rafters and other illegal entrants “who manage to elude Cuban and U.S. authorities and successfully arrive in the U.S.” protections, including eventual permanent residency (Pérez 1999: 207).

⁵ The processing of U.S. visas has slowed considerably after the terrorist destruction of the World Trade Center in New York City on September 11, 2001.

through a third country, overstaying temporary visas, arrival in boats).⁶ The legal route has proven less efficient--the number of Cubans gaining U.S. residency through the lottery system is much lower than the those granted U.S. residency after arriving illegally--leading to a continued racially-biased emigration flow.

The severe economic crisis and subsequent restructuring of the economy have facilitated a re-connection between earlier emigrants and their relatives in Cuba ([Eckstein and Barberia 2002](#)). Given the strong political antagonism that exists among Cuban exiles toward the current Cuban government and the tendency for entire families to eventually emigrate, the assumption is often made that Cuban refugees--especially the earliest emigrants--will be less likely to send family remittances to Cuba ([Díaz-Briquets 1995](#), [Díaz-Briquets and Pérez-López 1997](#)). The 2000 Havana Survey, however, reveals that compassion for relatives in need of medicine, clothing, shoes, or food has quietly overruled political antagonisms and led Cuban expatriates to send material aid to their family members on the island ([Blue 2004a](#)).

In addition to material need, a general political disillusionment among Cubans on both sides of the Florida Straits may have contributed to a reunification of previously estranged families. The persistence of Fidel Castro's revolutionary government in spite of the Soviet Union's collapse and the end of the cold war, and major economic reforms on the island that have compromised the government's revolutionary principles, are among the factors that have contributed to this transnational political disillusionment. A religious opening in Cuba, strengthened by Pope John Paul II's visit in January 1998, and the Pope's call for reconciliation further served to bring alienated family members together ([Eckstein and Barberia 2002](#)). Finally, the Cuban government eased travel restrictions for emigrants who want to return to visit, an option that Cubans have increasingly exercised. An estimated minimum of 100,000 Cuban emigrants visited annually between 1996 and 1999 ([Eckstein and Barberia 2002](#)).

Remittances to Cuba

Estimates of the amount of remittances annually sent to Cuba range widely between US\$300 million to \$1 billion. While remittances are difficult to estimate in every case due to the multiple channels (both official and unofficial) through which they are sent and their inherently private nature ([Lozano-Ascencio 1993](#), [Orozco 2002](#), [Russell 1986](#)), the wide range cited for Cuba reflects different sources used to estimate remittance flows. Low-end estimates have looked to the demographic characteristics of the Cuban American population and theories of motivation to send remittances ([Díaz-Briquets and Pérez-López 1997](#), [Pérez-López and Díaz-Briquets 1998](#)), while high-end estimates rely on Cuban government statistics for hard currency transfers ([Jatar-Hausmann 1999b](#), [Monreal 1999b](#)). [Brundenius \(2002\)](#)

⁶ Of 1,023 Cuban emigrants surveyed in 1999 who had been in the United States for 90 days or less, blacks were 71 percent more likely than whites to have used a lottery visa to gain entry.

speculated that family remittances may have reached an equilibrium at approximately \$800 million in recent years.

U.S. legal restrictions on remittances to Cuba, tied to the economic embargo, changed several times in response to political pressures but have not stopped the dramatic increase in remittance sending since the early 1990s. Beginning in 1978, Cubans in the United States were allowed to send a limited amount of remittances under a general license controlled by the U.S. Treasury Department, which regulates the U.S. embargo against Cuba. From 1994-1998, the U.S. government enacted a ban on remittances in response to a political confrontation between the two countries, although remittances were permitted for purposes of emigration or extreme humanitarian aid. The general license was re-instated in March 1998, and extended to any U.S. citizen in January 1999. The U.S. government restricts the amount of remittances that may be sent directly to relatives or acquaintances in Cuba to \$300 every four months (\$1,200 annually) (Barberia 2002, Díaz-Briquets and Pérez-López 1997).⁷ That amount is easily superceded, however, by deliveries of in-kind goods and cash sent through private couriers in the United States and third countries such as Canada and Mexico.

Remittances increased exponentially throughout the 1990s in the context of a severe economic crisis, economic restructuring, and the de-politicization of emigration. With the collapse of the Soviet trading bloc (COMECON) in the early 1990s, Cuba's need for hard currency led to several radical policy changes that facilitated remittance sending, primarily through encouraging remittance-based consumption. Among the most important policy changes in this regard were the combined legalization of the U.S. dollar in 1993, the widespread expansion of dollar-only stores, and the establishment of official currency exchange booths in 1995. Dollar remittances began to flow to Cuba on a large scale after the Cuban government authorized its citizens to hold U.S. dollars in July 1993. State-run retail stores, which sell goods at relatively high prices in U.S. dollars, were established throughout the country to recuperate dollar remittances that had been circulating on the black market. Representing the only option available from which to buy imported or higher-quality domestic goods, state-run dollar stores became the main destination of remittance spending. The government also recuperates remittance dollars through exchange booths (CADECAs) where U.S. dollars can be converted to Cuban pesos at rates approximately equal to the black-market rate. Once converted to pesos, remittances fuel the private sector (both formal and informal) as they are spent, for example, on food in private farmer's markets, on shoes and other household goods in artisan markets, and on house repairs made by moonlighting carpenters.

Remittances have been critical in fueling Cuba's economic recovery after the collapse of the socialist bloc. The average annual growth of current transfers (the category that the government uses to report remittances, previously Soviet aid) over the 1992-96 period was

⁷ Originally, remittances were restricted to \$500 every four months, with an additional \$500 remittance allowed for the migration of a family member to the United States, from 1978-1991. In 1991, the amount of remittances permitted to Cuba was lowered by 40 percent per year, to \$300 quarterly, while maintaining the one-time \$500 remittance allowance for emigration to the United States.

242 percent, more than ten times greater than the growth of tourism in the same period (Monreal 1999b). Using a cautious figure of US\$500 million, remittances in 1998 were equal to almost 35 percent of Cuban exports.⁸

Unlike the vast majority of remittance-dependent states, Cuba has a socialist economic system that restricts private investment and limits the possibility of acquiring imported goods, thereby encouraging local consumption. The almost complete absence of return, temporary, or circulatory migration also limits productive investment, as remittances are sent almost exclusively with the intent of supporting local consumption. Productive investment is further limited by the dearth of legal opportunities for private business. In-kind remittances are discouraged through bans on certain electronic appliances and a 100 percent import tax on gifts that must be paid at the airport upon arrival. Expensive imported goods are not widely available and continue to be politically unpalatable. The majority of remittance money is instead limited to local consumption of Cuban-produced food and goods available in dollar stores and farmer's or artisan markets, or on goods and services available in the informal economy (i.e. house repairs).

Remittances have been used in Cuba as a key mechanism of international re-linking and modernization in the post-Soviet era (Monreal 1999b). Beyond their importance in providing economic relief to sectors of the population and in providing a source of hard currency income important for a favorable balance of payments, they have also been critical in creating a sector of "exports within the borders." By creating a large domestic market for relatively protected Cuban goods and services offered in U.S. dollars, remittances have played an important role in the creation of an extensive internal dollar market, which has rejuvenated a large sector of Cuba's light industry, retained employment in the state sector, and contributed to a favorable economic adjustment of the national economy.

While knowledge of the changing socio-economic composition of out-migrants is important, an understanding of which groups of emigrants are remitting money home is also critical in evaluating the impact that money will have on local class and racial equality (Jones 1998). The impact of remittances in Cuba depends in part on what segment of the population they are reaching. While many of the upper- and middle-class families left during the early years of the revolution, a significant number of their educated and professional relatives also stayed behind. While these largely white Cuban families lost their means to earn further income through the nationalization of all private enterprise, they were able to keep their homes, cars and other material possessions.

In contrast, the majority of Cubans, who experienced social mobility in the socialist society by taking advantage of education and employment opportunities, often do not have relatives abroad. In contemporary Cuba, in the context of the current dual economy, higher education or a professional job in the planned economy does not translate into a higher standard of living or access to the market-based economy.

⁸ Remittances are commonly measured against exported goods and services, which are generally a country's main source of hard currency.

Central Questions and Methods

The degree to which remittances are contributing to race and income inequality in contemporary Cuba can be explored by comparing which groups are benefiting from remittances across various indicators of class and by race. Before analyzing the uneven receipt of remittances by socio-economic characteristics, it is important to understand the characteristics of remittances to Cuba and their impact on local consumption.

I led a team of Cuban researchers in conducting a household-level survey in Havana, Cuba in December 2000 (hereafter called the 2000 Havana Survey). To address the inherent tendency to underreport income and informal activities, the questionnaire was designed to be administered only to individuals with whom the interviewer had *confianza* (confidence). In a pilot study conducted five months prior to the survey, I concluded that using Cuban research assistants working via their own personal networks would improve the accuracy and increase the amount of information reported for each household surveyed. In the pilot study many respondents, with the assumption that I did not understand how the Cuban economy or society truly functioned, would respond with greatly simplified answers or intentionally omit seemingly complicated issues. Further, given my U.S. citizenship many respondents felt politically obligated either to agree with the state line on certain issues or to exaggerate their contradictory opinions. In contrast, when talking to fellow Cubans who were living through the same socio-economic conditions, there was less social opportunity to embellish or omit information that their friend or associate was most likely aware of to begin with (i.e. informal economic activities). Conducting the anonymous survey through *socio* networks⁹ increased the likelihood of recording truthful and accurate information on topics such as informal economic activity, racial attitudes, migration and remittance history—this was information that was public knowledge among friends.

The survey was therefore conducted through the personal networks of ten Cuban research assistants. The 334 households that make up the sample population represent the neighbors, friends and associates of ten Cuban research assistants who gathered the data under my supervision. The research assistants included five men and five women of professional or technical background who did not share family, social or professional networks. I selected the assistants according to the neighborhood in which they lived, their social and racial profile (i.e. no overlapping professions, no more than two assistants from any given neighborhood, no common social or professional networks, representative of different racial groups in Cuba), and for past experience with administering surveys. Given the short time frame available for conducting the surveys, I was not able to find interviewers from some of Havana's highest status neighborhoods (i.e. Miramar and Vedado). The surveyed population is therefore somewhat biased towards middle- to lower-middle status neighborhoods (i.e. Cotorro, Alamar, and Centro Habana). In any case, these neighborhoods are home to a mix of socio-economically diverse families. Finally, I instructed the research assistants to seek out individuals representing a diverse range of educational and socio-economic experience to the greatest extent possible.

⁹ See León (1997) for a discussion of Cuban's extensive reliance on *socio* relationships.

The team of Cuban research assistants gathered demographic and individual earnings information for each member of the household from 334 household heads.¹⁰ This allowed for both household and individual analysis of a range of demographic and economic indicators. The household head also reported the number of relatives his or her family had abroad and their year of migration, the amount and frequency with which the household received remittances from each emigrant relative, the degree of communication with, and number of visits from their relatives abroad. Although not representative of Havana or Cuba, surveying a large number of households across a range of socio-economic and racial backgrounds provided insight into patterns that may exist on a larger scale in Havana and will serve as a base for future research. To complement the data gathered in the survey, I conducted twelve in-depth interviews in the summer of 2001.

I begin the following section by discussing the characteristics of remittances to the sample of 334 households in the 2000 Havana Survey and how they are spent. Once put in local context, I then proceed with a comparative analysis of which households are receiving remittances across current household earnings, a measure of pre-1959 class, neighborhood quality, education and race. If remittances are primarily reaching disadvantaged groups (i.e. lower income or education, those living in poorer quality neighborhoods, blacks and mulattos), then their overall effect will be to decrease local inequality. If instead they are reaching already privileged groups, then their overall effect will be to increase local inequality.

Results: The Household Survey

Importance of Remittances in Post-Soviet Socialist Cuba

Remittances constitute a substantial addition to household income, especially when compared to other potential sources of income. As shown in Table 1 below, the amount of remittances received by 114 households in Havana ranged from \$20-\$3,900 annually. The median household income from remittances was \$425 per year--a seemingly modest sum.¹¹ When compared to the \$312¹² median annual earnings from the official salaries of all adults in a household, however, the significance of cash remittances becomes more apparent. The median annual amount received from remittances was also higher than the median household earnings from the informal economy, \$300. Only household earnings from self-employment

¹⁰ I defined the household head to be an adult member who was actively involved in household decisions and finances--52 percent of the household heads surveyed were women and 48 percent were men.

¹¹ Median numbers are used instead of averages, which are higher due to a few very high outliers. To derive total remittances received by households, each interviewee was asked about each relative that migrated and how much money they sent and with what frequency. The total annual amount of remittances received by a household was calculated by multiplying the amount sent by the frequency (i.e. \$50 every 2 months = $50 \times 6 = 300$) and adding the total for each migrant relative that sent money. I did not attempt to approximate the value of goods and medicine sent.

¹² This includes dollar bonuses and salaries earned in dollars by 12 percent of income earners in the survey.

were higher, with a annual median of \$960. While a large percentage of households engaged in informal activities to supplement their family's income (40%), a much smaller percentage (11%) had earnings from self-employment.

Table 1: Remittances as a Source of Household Income

Household Annual Income (pesos and dollars)	Salary*	Informal Economy	Self-Employment [†]	Total Income (from all sources)	Remittances
N	316	130	37	329	114
Median	\$312	\$300	\$960	\$468	\$425
Minimum	\$36	\$12	\$18	\$60	\$20
Maximum	\$4,056	\$4,800	\$5,400	\$5,520	\$3,900

Source: 2000 Havana Survey

* Includes salaries and pensions.

[†] Includes four retirees who work part-time to supplement their pension.

Comparing remittances to *individual* income (Table 2) further underscores the significance of receiving even \$20 or \$50 periodically from family abroad. The median annual salary of 641 adults in the 2000 Havana Survey was \$159, slightly higher than the national average of \$130.¹³ Formal and informal self-employment were also important additional sources of income--6 percent of respondents (36) reported earnings from self-employment, and 26 percent (167) reported earnings from the informal economy. When all forms of income were accounted for, the median individual income rose to the equivalent of \$195 per year. The median amount of money received from abroad by a household in one year, \$425, was therefore greater than the earnings of two working adults.

Table 2: Comparison of Household Remittance Income with Individual Income Potential

Individual Annual Income (pesos and dollars)	Salary*	Informal Economy	Self-Employment [†]	Total Income (from all sources)	Remittances
N	546	167	36	641	114 (households)
Median	\$159	\$240	\$960	\$195	\$425
Minimum	\$60	\$12	\$120	\$24	\$20
Maximum	\$3,900	\$4,800	\$5,400	\$5,400	\$3,900

Source: 2000 Havana Survey

¹³ This includes dollar bonuses and salaries earned in dollars by 12 percent of income earners in the survey. Even without dollar earnings, the median annual salary remains at \$159 (or 265 pesos a month).

*Does not include pensions.

† Does not include four retired persons working part-time to supplement their pension income.

The purchasing power of the U.S. dollar versus the Cuban peso, combined with the growing number of products available only in dollars, highlight the ubiquitous need for dollars and the importance of remittances for those households that receive them. Cash income has become an increasing necessity in Cuba as fewer household necessities are rationed or subsidized. Dollar income has become particularly important, as many essential goods (e.g. clothing, shoes, soap, cooking oil) that were previously available in pesos are now only available in dollars. The advantage of having dollars, multiplied by the large number of Havana residents with relatives abroad has created an impressive remittance economy. Of the 334 households surveyed, 51 percent (171) reported having at least one relative abroad,¹⁴ and 34 percent (114) reported receiving cash remittances.

The fact that remittances are received directly in the form of U.S. dollars greatly facilitates their recipients' access to the dollar economy. Remittances were the easiest and most common way that the surveyed population accessed dollars (Table 3). A third of all households received cash remittances (114 of 334), ranging anywhere from \$20 to \$3,900 annually (the latter case represented a household that received remittances from three different relatives). This compares favorably with other modes through which Cuban households acquire dollars. Sixteen percent (54 of 334) of the households earned dollars as a bonus (“*estimulo*”) through a household member’s work,¹⁵ 12 percent (40 of 334) of the households earned dollars through informal activities, and only 4.5 percent (15 of 334) earned dollars through self-employment.

Cash remittances also yielded more money in dollars than other sources (except for legal self-employment).¹⁶ While the median amount received via remittances per household was \$425, informal dollar earnings were \$300 and salary bonuses were \$246. The only source generating more dollar income was licensed self-employment, with a annual median of \$600 per household. Licensed self-employment in dollars, primarily tapping into the tourist industry through private restaurants and bed-and-breakfasts, is an option available only to a very small segment of well-situated *habaneros*.

Table 3: Remittances as a Source of Dollars

	Total Annual Remittances	Annual Household Salary Earned in Dollars	Annual Income from Informal Activities Earned in Dollars	Annual Self-Employment Income Earned in Dollars
N (334)	114 (34%)	54 (16%)	40 (12%)	15 (4.5%)

¹⁴ Six friends who were sending remittances were included here.

¹⁵ This number may not include the “*java*”, or bag of toiletries with a value of \$10-\$20 given monthly to workers in some domestic enterprises and joint ventures.

¹⁶ There are few opportunities for Cubans to formally own their own business. Self-employment occupies only 3 percent of economic activity nationally.

Median	\$425	\$246	\$330	\$600
Minimum	\$20	\$60	\$60	\$60
Maximum	\$3,900	\$3,600	\$3,600	\$4,800

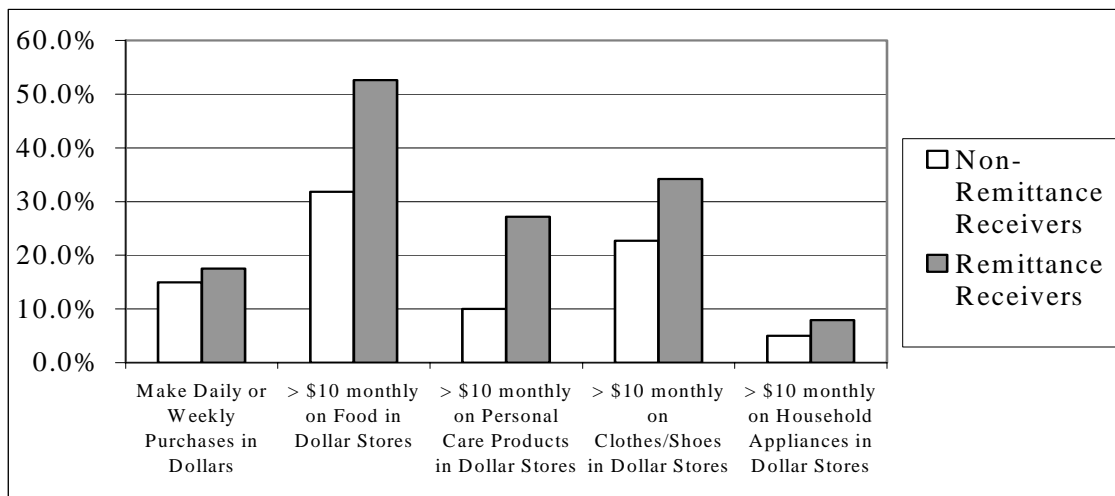
Source: 2000 Havana Survey

This empirical data clearly indicates that remittances are an important source of dollars in contemporary Havana. Remittance dollars signify an easy, direct and legitimate source of cash received by one-third of the sample population. Receiving money from abroad was the most common source of supplemental dollar income for the surveyed population. The median of \$425 received annually per household was also more money than most other sources of dollar income. These remittance dollars translate into a higher standard of living, whether it is using \$300 sent once a year to buy a new color television or to repair one's home or using \$50 a month to buy meat and basic goods in the dollar stores.

Impact on Local Consumption

One of the biggest visible benefits of receiving remittances in Cuba over the past decade has been the enjoyment of an improved diet and heightened material comfort experienced in one's home. This is reflected in a comparative analysis of the amount spent on food, clothing, personal care products, major household appliances, and home repairs over the past four years by remittance versus non-remittance receiving households. Figure 1 clearly illustrates these differences.

Figure 1: Expenditures by Remittance versus Non-Remittance Receivers



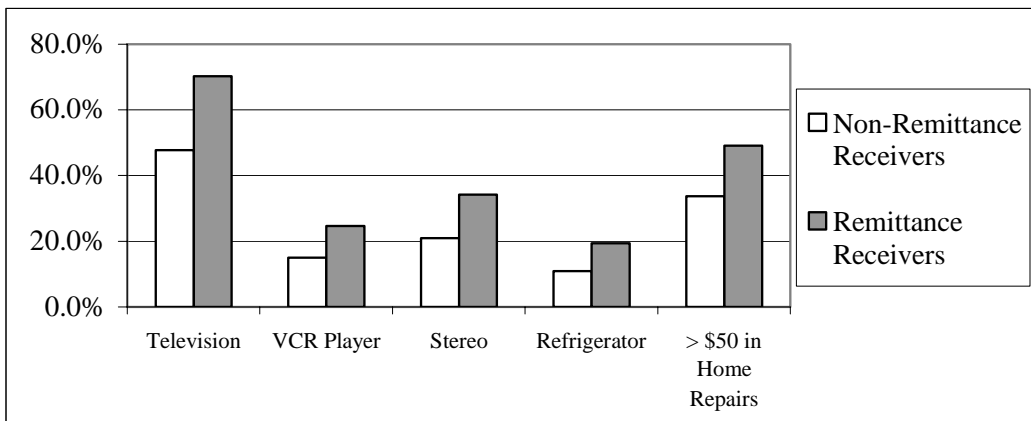
Source: 2000 Havana Survey

Remittance receivers are consuming more in the dollar-only stores, where higher quality and a wider variety of goods are available. The 2000 Havana Survey reflects that remittance receivers spent significantly more money on food and personal care items (e.g. soap, shampoo, deodorant, cologne) and somewhat more on clothes, shoes, and household

appliances.¹⁷ In what is likely a reflection of the strength of the informal economy in Havana as a source of dollars, it is interesting to note that there is little difference in the frequency in which remittance receivers and non-remittance receivers make purchases in the dollar stores. The difference lies in how many spent money on a wide range of products on a regular basis. While 53 percent of remittance-receiving households spent more than \$10 monthly on food in the dollar stores, only 32 percent of non-remittance receiving households did so.

When asked specifically about household purchases made within the past four years, it is clear that remittance-receiving households are more easily able to purchase major electronic items such as televisions, VCR players, refrigerators, and stereos than are their non-remittance receiving counterparts (Figure 2). Seventy percent of households receiving money from abroad had purchased a new television in the past three years, compared to 48 percent of those who did not receive money from abroad. They are also able to invest more money in home repairs (49% versus 34%). Many owners of standardized Soviet-style apartment buildings have invested in major expansions and innovations by adding patios, expanding living rooms into previous balcony areas, installing new windows, closets, and bathrooms. Without a doubt, remittances are allowing recipients easier access to more comfortable living (e.g. through house repairs, new household appliances) and better diets.

Figure 2: Purchases by Remittance versus Non-Remittance Receivers



Source: 2000 Havana Survey

The data presented above clearly establishes not only that remittances have become a key source of supplemental dollar income, but also that those dollars are being spent locally to improve individual household's standard of living. I now turn to the specific question of remittances' potential impact on equality in Cuba by comparing remittance-receiving and non-remittance receiving households by income, neighborhood, education, and racial groups.

¹⁷ The higher ratio of new appliances among the remittance-receiving population may not have been accurately reflected in this question. Many remittance receivers do not buy the appliances themselves, but rather receive deliveries through international remittance companies or as gifts from visiting relatives.

Impact on Income Equality

Comparing household income for the entire survey population, first excluding and then including remittances, is the clearest measure of the impact remittances are having on income inequality. Table 4 illustrates that there were virtually no differences in income earnings among remittance-receiving and non-remittance receiving households *before* accounting for remittances. However, remittances more than *doubled* the income of those households which received them--household income increased from a median of \$468 to a median of \$1,146.¹⁸ Having established that remittances do contribute to increasing income inequalities in Havana, an examination of which groups of households receive remittances will provide insight into the broader effects of remittances at the community level.

Table 4: Impact of Remittances on Annual Household Income

(US\$)	All households	Non-remittance receiving households	Remittance receiving households	
	Annual household income excluding remittances	Annual household income	Annual household income	Income including remittances
N	329	216	113	114
Median	\$469	\$474	\$468	\$1,146
Minimum	\$60	\$60	\$89	\$221
Maximum	\$5,520	\$4,860	\$5,520	\$6,015

Source: 2000 Havana Survey

A comparison of which households in different income categories receive money from abroad lends insight into the impact of remittances on current income differences, unique in the Cuban context, among the sample population. Cash income was de-emphasized and restricted to very equal levels in Cuba during the two decades prior to the economic crisis of the early 1990s. Since the 1993-95 restructuring of the economy, however, cash income has become increasingly important and multiple new formal and informal venues through which income can be earned have arisen. Current income levels in Havana therefore do not represent a historic economic profile of the households comprising the sample population, but rather individual household's industriousness, connections, or good fortune in securing (often multiple) new sources of income in the new mixed economy. The new economy has,

¹⁸ These numbers were derived by asking the interviewee for each household the earnings for each person living in the home, both in dollars and in pesos. The interviewee was asked about monthly earnings from the following sources: salary (including production bonuses) self-employment, and any other activities (informal sources of income) for each member of the household. Household income typically included the peso salaries of two or more working adults, pensions from older relatives, and in many cases informal earnings in pesos or dollars or productivity bonuses paid in dollars. To determine annual total household income, all monthly income from all sources in pesos was added and converted to a dollar equivalent (using the quasi-official 20:1 exchange rate), added to all monthly income received in dollars, and multiplied by twelve. Household income does not include remittances, which were reported separately.

however, brought new levels of economic differentiation, in large part reflecting the success of individual households in securing work that pays at least partially in dollars. To compare which income groups are benefiting from remittances abroad, I have broken down annual household income (from all sources except remittances) into three categories: \$60-\$434, \$435-\$899, and \$900-\$5,520 (Table 5). The categories represent the lowest, middle, and highest third of income (from all sources, including remittances) for all 329 household incomes comprising the sample.

Table 5: Households Receiving Remittances by Income Group

		Household has Relative Abroad		Household Receives Remittances		Total
		Yes	%	Yes	%	
Household	\$60-\$434	78	53%	50	34%	147
Income	\$435-\$899	51	45%	38	34%	113
	\$900-\$5520	41	59%	25	36%	69
Total		170	52%	113	34%	329

Source: 2000 Havana Survey

The distribution of remittances is even across income groups, with a slightly higher proportion of the highest income groups receiving money from abroad. This even distribution implies that remittances are neither increasing nor decreasing income inequality among contemporary income hierarchies at the local scale.

Another way to address the question of remittances' impact on class is to consider the previous (pre-1959) class status of remittance-receiving versus non-remittance receiving households. Because early emigrants (1959-1979) were overwhelmingly white and from professional or working classes, it is possible that remittances are benefiting Havana's previously wealthy or middle-class families and thus re-establishing historic (pre-Revolutionary) class differences. To evaluate this possibility, I compare responses to the question, "Your family's level of material comfort or wealth before the Revolution was: higher than present, same as present, or lower than present" for the two groups of households. Table 6 shows that half of those surveyed reported that their family's standard of living was higher today than it was before 1959. Among remittance-receiving households, however, more households were better off before 1959. Comparing the responses of remittance-receiving households to the larger surveyed population indicates that remittances are to some extent favoring households that reported a higher standard of living prior to the Revolution in relation to the general population (a 13.5 percent increase).

Table 6: Level of Material Comfort before the Cuban Revolution

	Level of Material Comfort before Cuban Revolution						
	Higher than present		Same as present		Lower than present		Total
Total Surveyed	93	29%	68	21%	157	49%	318
Total Remittance Receivers	47	43%	18	16%	45	41%	110
Remittance Receivers vs. Total Surveyed	13.5% more		5% less		8.5% less		

Source: 2000 Havana Survey

Finally, remittances' impact on equality can be measured through a comparison of which households in different types of neighborhoods are receiving money from abroad (Table 7). To this end, I classified the 24 neighborhoods represented in the 2000 Havana Survey into three categories of neighborhood quality.¹⁹ Of the households surveyed, 16 percent (53) were located in one of eight "more desirable" neighborhoods, 51 percent (171) were located in one of ten "moderate" neighborhoods, and 33 percent (109) were located in one of six "less desirable" neighborhoods. Neighborhood quality also reflects to some extent pre-1959 class status. Although many families living in more desirable neighborhoods were given their homes by the current government as political rewards after the original home owner emigrated, many members of previously (pre-1959) wealthy families who did not emigrate retained their homes in these neighborhoods as well. Residence in more desirable neighborhoods therefore signals membership in Havana's previous (pre-1959) economic or political (1959-present) elite. Table 7 indicates that while remittances were fairly evenly distributed across neighborhood groups--households located in more affluent neighborhoods were somewhat (6%) more likely to receive remittances than was the total population. While not a dramatic effect, an analysis of remittance receipt by neighborhood enforces the finding that remittances are to some extent favoring an elite segment of the population.

¹⁹ This classification scheme is based on a random survey of 15 Havana residents in the summer of 2000. The "more desirable" neighborhoods included Miramar, Nuevo Vedado, Plaza de la Revolución, Vedado, Boyeros, Habana del Este, and Playa. "Moderate" neighborhoods included Lawton, Sevillano, 10 de Octubre, Cotorro, La Vívora, Luyanó, Regla, Alamar, Arroyo Naranjo, Marianao, and Centro Habana. Finally, the "less desirable" neighborhoods were Cerro, Habana Vieja, Guanabacoa, San Miguel del Padrón, La Lisa, and Mantilla.

Table 7: Households Receiving Remittances by Neighborhood Classification

	Household has Relative Abroad		Household Receives Remittances		Total
	Yes	%	Yes	%	
Neighborhood Rank More Desirable	30	57%	21	40%	53
Moderate	83	49%	56	33%	171
Less Desirable	58	53%	37	34%	109
Total	171	51%	114	34%	333

Source: 2000 Havana Survey

A comparison of which groups are receiving remittances according to current income levels, previous (pre-1959) socio-economic status and neighborhood quality enhances our understanding of the effects of remittances on income inequality at the neighborhood level. The 2000 Havana Survey establishes the clear advantage that remittances give to the households that receive them--in the aggregate, remittances more than doubled median household income. No great differences exist between income groups receiving remittances in this sample--households from all groups had relatives abroad and were equally likely to receive money from abroad. More differentiation is apparent when considering previous (pre-1959) socio-economic status through a reporting of a household's relative material wealth and its neighborhood location. Both the individual reporting of a household's pre-1959 material status and an analysis of remittance receiving by neighborhood quality indicate that remittances are contributing somewhat to a re-establishment of previous class inequalities. While this is not a strong effect, this evidence shows that remittances do not appear to be disproportionately benefiting disadvantaged groups--past or present--and therefore cannot be said to be decreasing local income equality.

Impact on Class Equality - Education

The impact of remittances on class equality can also be measured by comparing which groups receive remittances by education level. Education often does not translate into a higher socio-economic status or greater income in transforming socialist societies such as Cuba. Nevertheless, higher education does carry some degree of social status, and more educated groups can by this measure be considered a more advantaged group. If higher-educated households are receiving more money from abroad, this is another indication of remittances' contribution to increasing class divisions in Havana.²⁰

The emigrants reported in the 2000 Havana Survey came from households representative of every level of education, from predominantly primary/secondary to predominantly technical/university (Table 8).²¹ With the exception of a very few households that have only an average primary or secondary level of education, an equal number of

²⁰ There is a growing incidence of parents hiring private tutors to teach their children English, computer skills, or prepare them for university entrance exams.

²¹ The average level of household education was calculated as follows. Respondents were asked to report the level of education completed for each member of the household. The

households across education levels received remittances. Those households with the majority of adults holding a technical degree were somewhat more likely to have an emigrant relative and to receive money from that relative.

Table 8: Households Receiving Remittances by Household Education Level

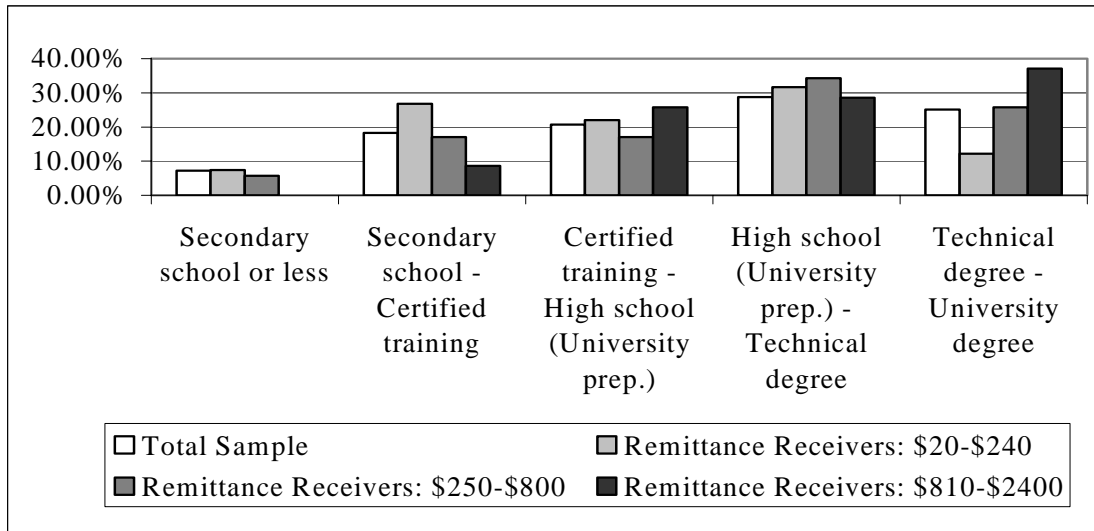
Average Household Education Level	Household has Relative Abroad		Household Receives Remittances		Total	Percent of Emigrant Relatives who Sent Remittances
	Yes	%	Yes	%		
primary-secondary	6	54.5%	2	18%	11	33.3%
secondary-certified training	16	48.5%	11	33.3%	33	68.8%
certified training-high school	38	50.7%	26	34.7%	75	68.4%
high school-technical degree	36	60.0%	27	45.0%	60	75.0%
technical degree-university degree	70	50.4%	45	32.4%	139	64.3%
Total	166	52.2%	111	34.9%	318	66.9%

Source: 2000 Havana Survey

When the amount of remittances received per household is examined, an advantage for households with the highest educational level becomes apparent. Figure 3 shows that households with the highest education level were somewhat more likely to receive larger and somewhat less likely to receive smaller dollar amounts. In general, those households that received higher amounts of remittances had a higher overall average education level. This is another case of an advantaged group in Cuba, the highly educated, receiving more remittances, which would serve to increase local inequality if this pattern held true for the population at large. In spite of the slight advantage accrued by households with higher levels of education, including more relatives sending money and in some cases larger amounts of money, remittances are probably not having a major effect on class equality with regards to education. Because education continues to be free at all levels and is not tied to significantly higher salaries, overall it is safe to conclude that remittances do not have anywhere near the effect on education inequality in Cuba that they have in other poor countries.

level of education for each adult (>18) was ranked from lowest to highest and assigned a number reflecting the level (primary = 1, secondary = 2, certified training = 3, high school = 4, technical degree = 5, university degree = 6). The total number was summed and divided by the number of adults in the household, resulting in the average household education level.

Figure 3: Remittance Receivers by Average Household Education



Source: 2000 Havana Survey

The previous analysis examined remittances' impact on local socio-economic equality through an examination of which households remittances are benefiting according to income and education groups. Evidence from the 2000 Havana Survey indicates that remittances are, for the most part, evenly distributed across current hierarchies of income, neighborhood, and education. Remittances gave a slight income advantage to households that belonged to the middle- or upper- class groups prior to the 1959 Revolution, that lived in better neighborhoods, and that were better educated. If we can make any generalizations from the survey data, then, it would be that remittances are somewhat related to increased local inequality, but at the same time, remittances appear to be benefiting households across class boundaries in Havana. There is one social group where the differences in who receives remittances is great, however, and that is according to race.

Impact on Racial Equality

To measure remittances' impact on racial inequality, I tabulated which households receive remittances by race and then analyze how that distribution translates into income differences, re-establishment of pre-1959 class inequalities, education differences, and access to the dollar economy. Here racial inequality does not refer to racial discrimination, which may be another factor contributing to increased racial inequalities. Rather, I am referring to one dimension of racial inequality--namely how remittances impact differences in class as measured by income and education, and how those differences transform into a better standard of living for households that receive them.

Table 9 indicates the unequal receipt of remittances by race in Havana. To compare the receipt of remittances across racial groups, I assigned each household a "household race" of 'white', 'mixed' or 'black'. Any household with only 'white' or '*trigueño*' (Mediterranean)

members was classified as a 'white' household.²² Those households with only black or mulatto members ("mixed", "mulatto," "jabao," or "black") were categorized as 'black', and any households reporting a mix of 'white' ("white" or "trigueño") and black or mulatto ("mixed", "mulatto," "jabao," or "black") were classified as 'mixed'. The sample was composed of 158 (47%) 'white' households, 39 (12%) 'mixed', and 137 (41%) 'black' households. A little more than one-third (51) of the 137 black and mulatto households in the total surveyed population had relatives living abroad. Many more white and mixed-race households had family members abroad--63 and 54 percent respectively. Thirty-four percent of all households surveyed received cash remittances. Breaking these numbers down according to race, a significant difference emerges in regard to which families are receiving remittances and which are not. While 44 percent of the white and 36 percent of the mixed households received remittances, only 23 percent of the black households received remittances.

Table 9: Households Receiving Remittances by Household Racial Composition

	Household has Relative Abroad		Household Receives Remittances		Total	Percent of Households Receiving Money from their Emigrant Relatives
	Yes	%	Yes	%		
Household 'White'	100	63%	69	44%	158	69%
Race 'Mixed'	21	54%	14	36%	39	67%
'Black'	51	37%	31	23%	137	61%
Total	172	51.5%	114	34%	334	66%

Source: 2000 Havana Survey

Relatives of black households who had migrated were also slightly less likely to have sent remittances than were relatives of white or mixed households. As shown in Table 9, while 69 percent of the white households received money from their relatives abroad, 67 percent of mixed households and 61 percent of black households received money. The smaller percentage of black emigrants that sent money home may reflect their more recent emigration--83 percent of the emigrants from black households in the sample migrated between 1980-2000, compared to 74 percent of emigrants from white households over the same period.²³

Given what we know about the small percentage of black and mulatto Cuban emigrants in the United States (10-15 percent), the fact that even 23 percent of black households in the 2000 Havana Survey receive money from abroad may seem high. These numbers reflect a bias among the surveyed population towards recent emigrants (70 percent of emigrants reported in this sample left Cuba after 1980, compared to an estimated 37 percent of the total emigrants in the United States), perhaps due to the tendency for early emigrants to

²² Race was self-reported in the survey by the interviewee, and reported by the interviewee for all other members of the household.

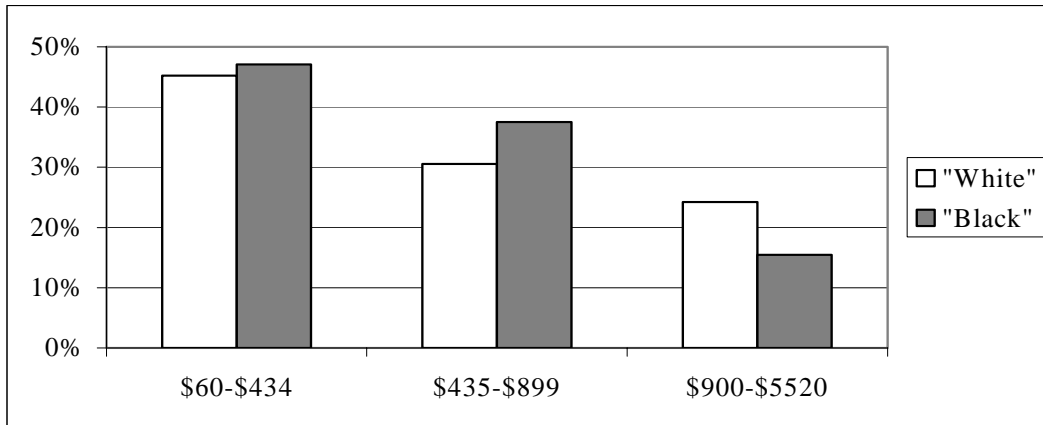
²³ Not shown in the table. The probability that a relative will send remittances is strongly associated with income earned, which is in turn associated with education, ability to speak English and number of years abroad (Díaz-Briquets and Pérez-López 1997).

eventually reunite their entire family abroad.²⁴ While reflecting a slow trend of increasing black and mulatto migration since 1980, the emphasis on family unification by both U.S. and Cuban governments and a lack of migrant networks for Cuban blacks and mulattos has sustained this uneven out-migration by race. The data presented here confirms that black Cuban households are disadvantaged in their access to this easy and direct form of supplemental family income. How this plays out in specific indicators of class inequality is examined next.

Figures 4 and 5 illustrate the contribution of remittances to income inequalities by race. Of the 334 households surveyed, there were no great differences in income (excluding remittances) by race (Figure 4). Both black and white households were equally distributed in the lowest income category (47% and 46% respectively), with slightly more whites (23%) than blacks (15%) in the highest income category. When remittances are added to total annual household income, however, race becomes more significant (Figure 5). Proportionally, many more white households shift from the lowest into higher income categories (16 percent, or 25 households) than do black households (7 percent, or 9 households). The number of white households in the middle income category shifts down slightly, while the number of black households shifts up slightly (each by 3 percent). The largest effect of remittances on household income by race is seen in the highest income category. The number of white households earning more than \$900 per year increases from 36 to 61 (39 percent of all white households), while the number of black households increases from 21 to 30 (22 percent of all black households). Remittances do appear to be an important source of income inequality for this sample population.

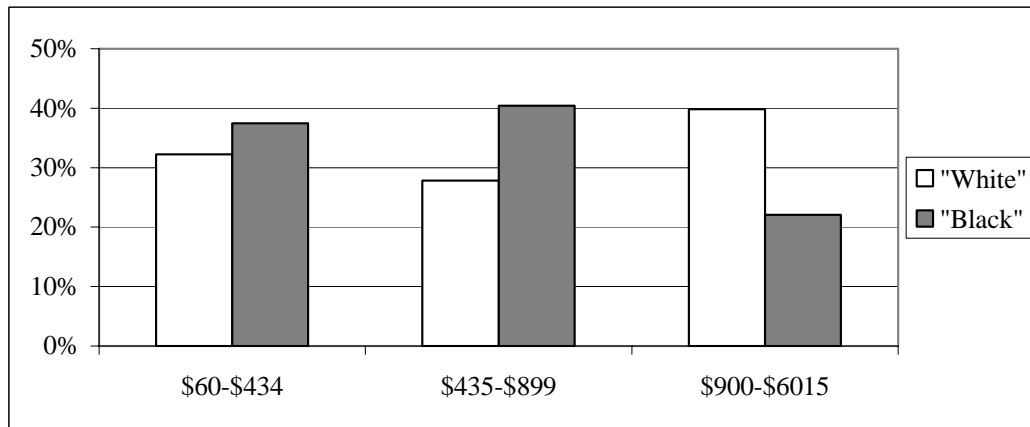
²⁴ A total of 249 migrants were identified by their relatives in the 2000 Havana survey. Thirty percent (57) migrated before 1980 and 70% (192) migrated in 1980 or later. When compared to approximations of the number of Cubans who have migrated in distinct cohorts since 1959, the sample reflects a bias towards more recent migrants. According to a recent estimate of Cuban emigration from 1959-1997, 66 percent (678,757) migrated between 1959-1979 and 37 percent (379,938) migrated between 1980-97 (Díaz Fernández and Aja Díaz 1998).

Figure 4: Annual Household Income, Excluding Remittances



Source: 2000 Havana Survey

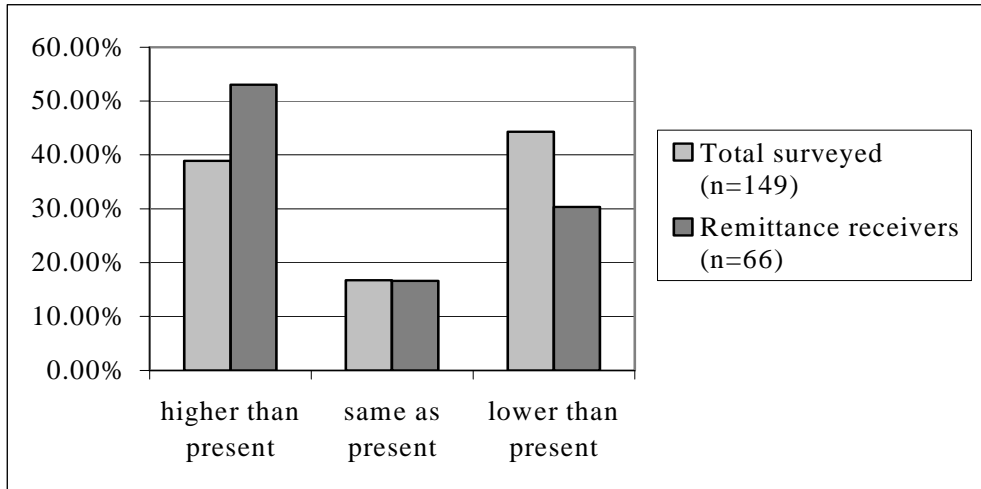
Figure 5: Annual Household Income, Including Remittances



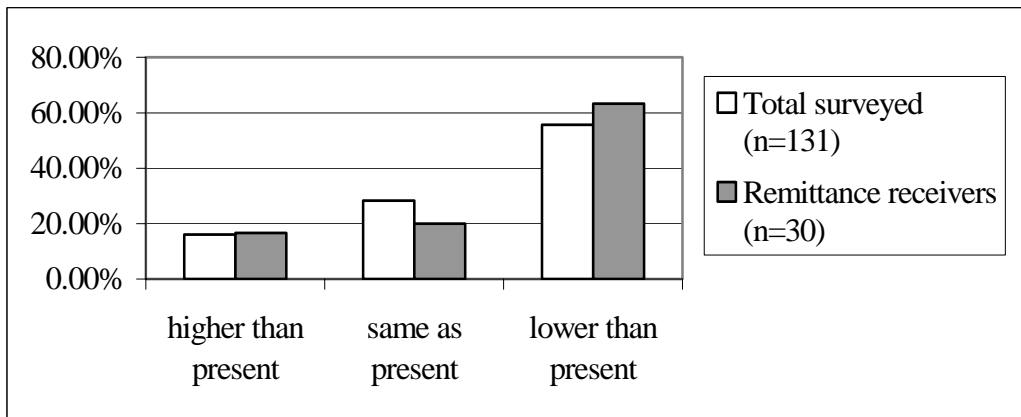
Source: 2000 Havana Survey

The impact of remittances on the re-establishment of pre-1959 class privilege also varies by race in important ways. Returning to the survey question inquiring about families' pre-1959 class status, 53 percent of white remittance receivers report that their family's level of material wealth was higher before 1959, as compared to 39 percent of the total white population (Figure 6). For the white population, then, remittances can be said to be contributing to the re-establishment of previous class inequalities. The opposite may be true for the black population, for which 63 percent of the remittance receivers reported their family's level of material wealth to be lower than before 1959, as compared to 56 percent of the total black population (Figure 7). For the black population (27 percent of all remittance receivers), remittances may signify a means through which previously lower class families are able to achieve a higher standard of living.

Figure 6: Relative Level of Material Wealth, 'White' Households



Source: 2000 Havana Survey Figure 7: Relative Level of Material Wealth, 'Black' Households



Source: 2000 Havana Survey

As expected, remittances had little to no impact on obtaining a higher education for the survey population across racial categories. As shown in Table 10, there was no differentiation in the average level of household education by race. The adult members of black and mixed households were slightly more likely to have between a technical and university degree than were white households (45 and 46 percent versus 43 percent), but in general the even level of education attainment across racial groups is striking. A comparison of the portion of the total sample that receives money from abroad by race reveals little difference between racial groups (Table 10). In general there are more remittance-receiving households in the highest education categories, but this is a trend that carries across racial boundaries (43 percent for white and 40 percent for black households), with the exception of the few mixed households (31 percent). Remittances only began to be sent from abroad on a large scale with the restructuring of the Cuban economy in 1993 (especially the legalization of the U.S. dollar); therefore, the effect of remittances have not had much time to show up in the general population. Given the continued free and universal nature of education in contemporary Cuba, however, we can expect that the disproportional amount of remittances

going to white households will continue to have a neutral effect on the level of education received across racial groups.

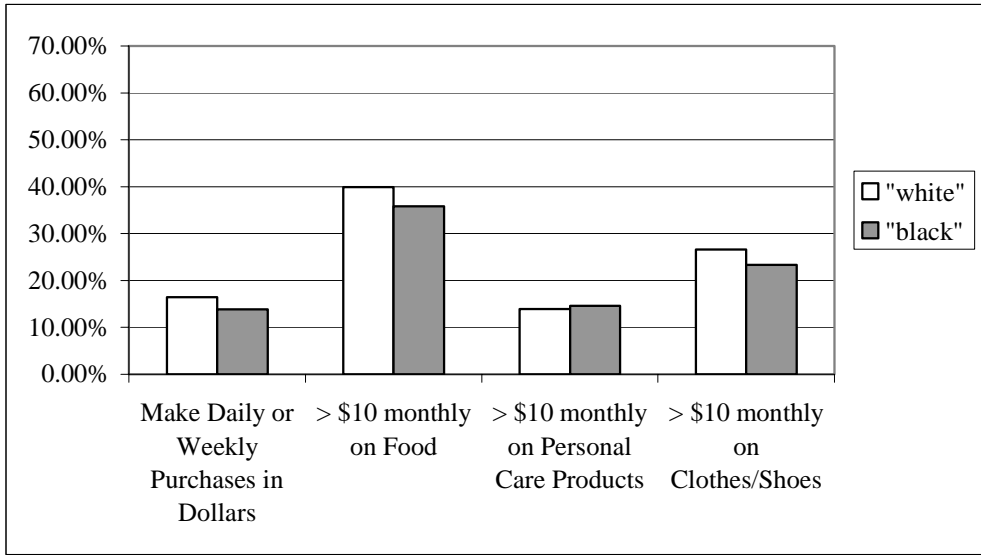
Table 10: Household Level of Education by Racial Categories, by Total Sample and Remittance Receiving Households

Average Household Education Level	Household Race											
	'White'				'Black'				'Mixed'			
	Total		Remittances		Total		Remittances		Total		Remittances	
primary-secondary	7	5%	1	1%	4	3%	1	3%	0	0%	0	0%
secondary-certified training	15	10%	5	7%	13	10%	4	13%	4	11%	2	15%
certified training-high school	35	23%	16	24%	31	24%	6	20%	9	24%	4	31%
high school-technical degree	30	20%	17	25%	23	18%	7	23%	7	19%	3	23%
technical-university degree	65	43%	29	43%	58	45%	12	40%	17	46%	4	31%
Total	152	100%	68	100%	129	100%	30	100%	37	100%	13	100%

Source: 2000 Havana Survey

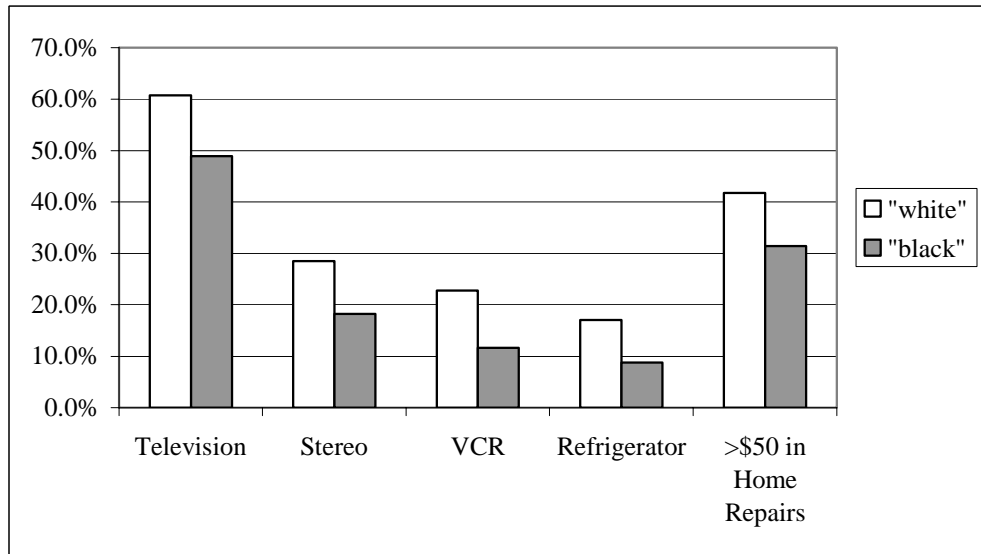
When comparing levels of consumption, as reflected in purchases in the dollar stores and money spent on home repairs, across racial groups another aspect of the unequal impact of remittances becomes apparent. Although there was almost no difference in household income before considering remittances among racial groups, there were large differences in what major purchases households were able to make. While there were little to no differences in the amount of money spent monthly on food, clothes, and personal care items (Figure 8), greater differences appeared among which households had made major domestic purchases, including spending on house repairs (Figure 9). White households were more than ten percent likely to have bought a new television, stereo, VCR, refrigerator, and to have spent more than \$50 on home repairs in the past four years than were black or mulatto households. The purchases of these expensive electro-domestic items in many cases are made possible by remittance dollars, as their U.S. prices put them well out of range of what an average salary can buy in Havana. At the local scale, remittances are contributing to unequal levels of consumption--a concrete measure of access to the new market-based economy.

Figure 8: Expenditures in Dollar Stores by Household Racial Category



Source: 2000 Havana Survey

Figure 9: Major Purchases by Household Racial Category



Source: 2000 Havana Survey

At the household level, remittances were not perceived as a source of resentment among neighbors and friends, nor as a major source of inequality. As part of my interview schedule, I asked if those people without relatives abroad or remittance income in general felt resentment towards those who received this easy and direct form of aid. I then referred to the racial bias in Cuban emigration, and asked if the interviewee felt that remittances were contributing to increasing racial inequalities. Across the board, none of the twelve people I interviewed in depth felt that remittances were a source of resentment between neighbors, nor had they contemplated the possibility that they might be contributing to racial inequality. Resentment was expressed, instead, towards those who work in the market-based sector of the economy and earn large amounts of money. Although the data clearly show that remittances

did lead to a substantial difference in income among the households in the sample, there is a great difference between a new television or occasional home repairs that \$425 (the median annual amount of remittances received by the sample households) would buy, and the new home, car and expensive watch that are acquired by the *nouveau riche*, who may earn \$300 or more a month.²⁵ Receiving help from family abroad was expected and not something to be resented, whereas obtaining a new social status and "forgetting your friends" was not pardoned.

Overall, the evidence presented from the 334 households surveyed in Havana in November and December of 2000 has illuminated patterns of how remittances are contributing to greater racial inequality in that city. Due to a smaller likelihood of having emigrant relatives, most black and mulatto families are cut off from this important source of supplemental income. While more than half of both white (63%) and mixed (54%) households had emigrant relatives, only slightly more than one-third of black families did (37%). Putting black households at a further disadvantage, they received remittances from family members abroad at a slightly lower rate than did their white counterparts (61% of black households received money from their emigrant relatives as compared to 69% of white households). Almost twice as many of the white households received money from relatives abroad than did black households (44% versus 23%). Differences in which households received remittances did translate into noticeable differences in income by race, shifting many more white households into the highest income categories than their black counterparts. Migration also may lead to different class effects for white and black populations. Whereas white migration appears to be contributing to a re-establishment of pre-1959 class privilege by benefiting previously wealthy households, black migration appears instead to provide new opportunities for previously poor families to benefit economically. Because education is free and is not tied to higher incomes, remittances had little to no influence on educational attainment for different racial groups. The material advantages accrued by families that receive money from abroad is especially apparent in the analysis of differential consumption by race. Although income levels were more or less even across racial groups before remittances, white households outspent black households in dollar stores and in the purchase of major household appliances.

Conclusion

This paper points to the important role of remittances in increasing material inequality in contemporary Cuba, especially along racial lines. There is no doubt that remittances have helped an important part of the population to establish a comfortable standard of living. Given the extremely unrepresentative racial composition of Cuban emigrants that favors white over black or mulatto emigrants (84 percent of Cubans in the United States identify as white), however, remittances are also clearly reinforcing a pattern of racial differentiation in access to the new capitalist consumer culture. For the sample population, remittances did in fact

²⁵ New homes or cars are not legally available for purchase in Cuba (they may be attained through one's workplace or as a privilege given to those who completed volunteer work abroad). However, the exchange of these commodities does occur illicitly through black market transactions.

contribute to racial differentiation in income equality. The historic white bias of Cuban emigration has narrowed the potential for an important source of income for black Cuban households. Moreover, data from the 2000 Havana Survey point to a possible re-establishment of social classes that were historically based on inherited wealth rather than merit, reinforcing pre-1959 social inequalities.

The Cuban government has relied on remittance and tourist dollars to finance what is, to date, a relatively successful means of maintaining its import substitution development goal through the purchase of Cuban-made products in dollar stores (Monreal 2002). This strategy also has widened access to the dollar economy for workers in general, as more industries have established connections to the market-based economy. Indirect financing from remittances has important backward linkages that have increased access to the market-based economy for a larger share of the population. This has occurred through both the indirect remittance financing of private (formal and informal) economic activity and through the creation of a market for domestically-consumed export products and the dollar-based incentive programs established in the workplaces that generate these products.

This solution, however, does not address a new racial imbalance in access to the market-based economy that have accompanied this strategy. The government's reliance on remittances to restore the economy's balance of payments has ultimately compromised its commitment to socio-economic equality at the household level. Although the lottery system established in 1994 has favored blacks and mulattos, the white bias of Cuban emigration continues as many more white Cubans arrive in the United States through illegal means (i.e. overstaying visas, arrival in boats) (Aguirre and Bonilla Silva 2001). Fewer emigrant relatives translates into fewer remittances and uneven access to the dollar economy, which in turn reinforces previous patterns of racial inequality that thirty years of socialist revolution was unable to fully erase.

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