

## Cuba: Justice vs. Foreign Investment?

Teams of advisors from many nations have been converging on Cuba to attempt to persuade it to change its constitution and adopt a market economy, something that Fidel Castro and his government have sworn they will never do. This July, however, a different sort of advisory team visited Havana to meet with high officials in the government and offer a different scheme for economic reform. The trip was the brainchild of former US Attorney General Ramsey Clark, who is reportedly on familiar terms with many officials in the Cuban government. He was joined by Ted Gwartney, assessment expert and Executive Director of the Robert Schalkenbach Foundation, Michael Hudson, widely-published financial analyst specializing on the financial sector's utilization of community-created land values, and Cornelia Wunsch, an economist from the former East Germany whose work centers on the problems of economic transition. The group met with Ricardo Alarcón de Quesada, President of the National Assembly of People's Power and author of the Foreign Investment Law, and made the case for the rent-as-revenue system. Apparently Mr. Alarcón was neither dismissive nor enthusiastic. A follow-up visit was proposed, in which the principles of such a system could be explored in depth.

Economists in Cuba are not unfamiliar with the ideas of Henry George. The writings of reformer Jose Martí, a contemporary of George, were decisively influenced by *Progress and Poverty*. Cuba's constitution, which owes a great deal to Martí's influence, states that the value of Cuba's land and resources belongs to the Cuban people. The President of the Association of Cuban Economists, Dr. Roberto Verrier, affirmed that the ideas of Jose Martí still mean a great deal to intellectuals in Cuba. Elena Alvarez, Director of the Economic Planning Institute, told the visitors that the government was intent on retaining the value of Cuba's land and natural resources for the Cuban people.

Officials insist that Cuba will remain a planned economy. However, the increasing interest of foreign investors in Cuban tourism sites has created a problem for their economic policymakers. In order to facilitate international investment, they wish to allow market pricing for tourists and investors. Yet, if this is done, who will control the large increases in real estate value that will inevitably result?

A policy of land valuation and public rent collection is the

only way out of that dilemma, according to Ted Gwartney. He has done considerable work in Russia on developing ways to assess land values in the absence of a local market. A market-comparison system could provide sufficient accuracy, he said. He promised his help in devising such an assessment system, and will meet with Ricardo Alarcón in New York, when he comes to the United Nations in September, to discuss the proposal in detail.

Dr. Wunsch emphasized that transnational corporations have many ways to protect their profits from local taxation — and only a policy that recaptures ground rent will protect the nation's interests. Other forms of income are very easy for multinationals to hide. Dr. Hudson seconded that point, adding that the Cuban Government is in a very advantageous position if it simply uses its unquestioned authority to collect the land rent directly. Land price gains are the main reason why foreign companies are interested in Cuba, and the policy of using those gains to benefit all the Cuban people is finding a sympathetic ear. — L.D.

### **Betting on Land-Grabs in Cuba: Nothing New**

Land speculation in Cuba is also, of course, a major part of United States Cuba policy. This was made rather shockingly explicit in the 1995 Helms-Burton Act. At the time, the law was characterized as a punitive response to the Cuban government's shooting down two small private planes that belonged to an anti-Castro Miami group. But it is probably more accurate to see the law as the endgame thrust of a long strategy. Helms-Burton allows claimants to sue for the current market value of property that was seized by the Cuban revolution thirty years ago (or the value of the property when it was seized, plus interest, whichever is greater). And since United States Courts' jurisdiction over this issue is tenuous (to say the least), Helms-Burton backs up its position by allowing the US to refuse to allow entry to any foreign national who has "trafficked" in such confiscated property. Ironically, the Act cites International Law as a basis for its authority to provide recourse in US Courts for investors who had the nerve to deal directly with the Cuban government. The Helms-Burton Act — and United States Cuba policy in general — casts the fundamental absurdity of private land ownership into sharp relief. According to Ralph Nader, "The best response to Helms-Burton is a recent Canadian law which allows the Canadian legal system to penalize American businesses which profit from land seized from the Canadians during the American Revolution." — L.D.