

Economy for Beginners

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Although one cannot copy the experiences of another country, one is able to learn from them. I believe that the experiences of Central and Eastern European countries can be incredibly useful for transition in Cuba. The value of studying others experiences is something I have personally learnt. When I became Prime Minister of Estonia, I knew nothing of economy. The only economy book I had read was Milton Friedman's *Free to Choose* (1990). But I was a historian, and therefore to lead my country through the transition process, I gathered all the information I could about other countries experience of transition. I observed and researched transition successes and failures, on the basis of which I formulated the Estonian reform plan, which has subsequently been referred to by a number of different experts as one of the most successful economic transitions in Central and Eastern Europe.

Therefore the advice I can offer to those in Cuba is simply practical advice. The first significant thing to remember is that the end of communism is always ugly. The longer communism lasts the more terrible the outcome and the more ugly the end. So we can predict what we will see at the end of communism in Cuba: huge inflation, a fall in production, the deterioration of social networks and so on. Such a collapse is not the fault of democracy or change but is the result of 40 years of communist rule. Furthermore, economic problems are automatically followed by mental ones. Under Communism, people are taught not to think, not to participate, not to make decisions, and this problem is not easy to deal with. Therefore, when communism finishes, the people must change — immediately and quickly. Trying to get out of the situation using the old structures will automatically result in failure. The only way out is through democratic and radical economic reforms.

You cannot copy the reforms of other countries, yet there are some common rules that have worked in all transitions. The first lesson of any successful economic transition is to deal with politics first. You cannot introduce market economy reforms when you have not yet made political breakthroughs. A market economy will not work without democratic institutions-parliament, government, a free press, independent courts, the rule of law, property rights and so on. There must first be a clean break with the communist past and with all who represent it.

My second piece of advice is this: move quickly — the window of opportunity for extraordinary reforms is narrow, and time is incredibly valuable. You cannot afford to waste time. My third piece of advice is to not be afraid. When you are stood in the middle of a collapsing system, you may feel as if you will never escape such mess and disaster. Yet if you have the courage to make the necessary decisions, you will recover. Everyone knows what needs to be done to get Cuba out of a macroeconomic crisis — balance the budget, introduce monetary reform, liberalize the economy. Of course, this is easier said than done, but if you are not afraid, you will recognize how to get your country out of crisis.

Then the second stage of reforms arrives, with banking reforms, privatization and property reform, the opening

of the economy for competition, tax reform and the reform of the social and education systems. The more we are prepared for these reforms the more successful they will be. Because there is one thing that we really know will happen in Cuba: Communism will go down! So let's be prepared.