

Cuba Has a New Currency

Written by Westside ID425

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Ernesto "Che" Guevara

Cubans clutching dollar bills and Western Union wire transfers lined up Saturday outside the bank near Leoncio Vidal Park in this bustling town square toward the heart of the island. They came to trade their George Washingtons for notes featuring Ernesto "Che" Guevara and other Latin revolutionaries.

Across Cuba last week, taxi drivers, doctors, tourists, and those with family in the US made the switch after the government eliminated the circulation of US dollars in the island's economy. A resolution by the Central Bank of Cuba last month called for the elimination of dollars as a countermeasure to the recent tightening of US sanctions against Cuba.

More than just a petty snub toward its neighbor to the north, however, some Cuba watchers say the move has a significant upshot for the Cuban economy: a quick infusion of hard currency that may ultimately help circumvent the US embargo.

"While in the short term the dollar ban will certainly increase revenues to the [Fidel] Castro government as many Cubans rush to exchange their dollars for convertible pesos, the main reason behind Cuba's policy is to build a new hard-currency base, which can be deposited abroad more easily," says Paolo Spadoni, an expert at the University of Florida in Gainesville, who recently returned from Cuba.

Dollars first entered the Cuban economy in 1993 during Cuba's "special period" following the fall of the Soviet Union and the loss of Soviet financial support. Throughout the 1990s, shops, hotels, and restaurants opened that accepted only US dollars. But they remained inaccessible to most Cubans. The dollarization of the country also led to a dual economy where only Cubans

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with access to American currency could afford certain goods and services, reports [The Christian Science Monitor](#)

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Most Cubans reacted with pride to the decision to "dedollarize" the economy. "Every nation has its own money," says a teller at the Banco de Credito y Comercio in Santa Clara, who asked not to be named. "The Europeans have the euro, the British have the pound, the Americans have the dollar - why shouldn't Cuba have its own money?"

In fact, Cuba has two currencies. The convertible peso is traded one for one with US dollars, while the Cuban peso is currently valued at 26 to the dollar. The vast majority of Cubans - from doctors making the equivalent of \$17 a month to teachers making \$12 - do business in the Cuban peso, buying rice and a little meat and riding in horse-drawn carts for mere pennies.

But Cubans who had been saving up their greenbacks will have to switch them to convertible pesos if they want to hit the karaoke bars and European style restaurants that have popped up in most towns.