Health, Education, and Welfare). Like other federal departments, it is plagued by weak internal management, a rigid personnel system, and a lack of long-range planning. At least 65 studies since 1951 have identified these shortcomings, but no corrective action has been taken. Promotion panels still tend to penalize those who seek experience "outside the stagnant mainstream."

The oversupply of senior officials will increase in the months ahead as a result of a recent Supreme Court decision raising the mandatory retirement age from 60 to 70. This development, combined with affirmative action programs that threaten to "force-feed a large dose" of minority applicants into the already clogged personnel system, has made State Department service unattractive to many young college graduates.

Pringle cites the most recent study of the State Department, conducted by the late Ambassador Robert Murphy in 1975, which urges a redefinition of the Department's role. With domestic issues so closely linked to international interests, the Murphy Commission argues, the Department is no longer qualified to oversee all aspects of foreign policy. Agriculture and energy issues, for example, may best be left to their respective departments, with the President handling coordination.

What role is left for State? Articulating the "broader national interest." In short, says Pringle, Foggy Bottom should concentrate on "what it can realistically do, then do it well."

ECONOMICS, LABOR & BUSINESS

U.S.–Cuba Trade: Great Expectations

"The Prospects for U.S.–Cuba Trade" by Andrew Zimbalist, in *Challenge* (Jan.–Feb. 1978), 901 No. Broadway, White Plains, N.Y. 10603.

As Cuba and the United States contemplate normalized diplomatic relations, U.S. businessmen are trying to anticipate the scope of future trade between the two nations. According to Zimbalist, an economist at Smith College, the magnitude of U.S.–Cuban trade will "not approach pre-Revolutionary levels [the United States accounted for 71 percent of Cuba's exports in 1958], but it could be sizeable nonetheless."

Foreign policy issues aside, there are several barriers to a resumption of commercial ties. First, the terms of Cuba's trade agreements with the Soviet Union discourage large-scale economic deals with the industrial nations. The Soviets pay Cuba three times the market price for sugar, 25 percent more for nickel. Thus, Cuba can afford to sell only a small share of its commodities on the open market.

A second obstacle involves the $1.8 billion in American assets Cuba expropriated in the early 1960s. Without a claims settlement, Cuban goods arriving in the United States could be subject to court action initiated by the expropriated companies. The result: confiscation of Cuban merchandise.

Even so, says Zimbalist, increased trade with the United States seems inevitable. Cuba is constructing or refurbishing 27 hotels in apparent expectation of a new tourist boom. Americans have not lost their taste for rum and cigars. And Cuba could satisfy some of the U.S. demand for sugar and nickel (22 percent of U.S. sugar imports now come from the Philippines, 78 percent of the nickel imports from Canada and Norway). Moreover, Cuba badly needs spare parts and other technology to maintain its (expropriated) industries. In sum, Zimbalist predicts, U.S.–Cuban trade will reach the $1 billion mark soon after trade restrictions are relaxed.

Should Banking Laws Be Loosened?

"Bank Regulation: The Reforms We Really Need" by Sanford Rose, in *Fortune* (Dec. 1977), 541 N. Fairbanks Ct., Chicago, Ill. 60611.

In the wake of allegations concerning the banking practices of Bert Lance, former Office of Management and Budget director, Congress is considering a Safe Banking Act to tighten controls over the banking industry. But the guns of regulation are off-target, says *Fortune* editor Rose, who argues that the regulatory agencies (such as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation), not the banks, need policing.

To inhibit the chartering of new banks, for example, the comptroller requires that any founder own no more than 10 percent of the capital stock—"a capricious and discriminatory barrier," Rose contends. The comptroller also demands assurances that the new bank will not cause "undue injury" to existing banks (at best a "nebulous concept").

Government regulators argue that new banks run a high risk of failure while weakening established institutions. On the contrary, says Rose, a "competitive" policy would foster higher interest rates on deposits, encourage more frequent loans, and reduce excess overhead. Even failures, should they occur, play a vital role by "uncluttering" the marketplace. Moreover, Rose writes, by permitting mergers of existing institutions as bail-outs for faltering banks, current regulatory policy rewards inept banking practices. In 1975, for example, Long Island's Security National Bank was able to exchange its worthless stock for $40 million in cash in a merger with New York's Chemical Bank.

Rose suggests that instead of discouraging the rise of new, "risk-taking" banks, the FDIC should simply make them pay higher insurance premiums. To allay bankers' fears of "political pricing," the FDIC could simply invite a private insurance company to coinsure the first $1–$5 million of the bank's deposits.

Liberalizing "bank entry" should be the major goal of the regulators. Restraints on competition and a "failure paranoia," Rose concludes, serve the needs of a bygone era.