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.