International Credit by Renée Sigerson

Heritage calls for U.S. autarchy

The Washington-based foundation advises Reagan to opt out of the international monetary system.

Policy guidelines written by the Heritage Foundation for Ronald Reagan's U.S. Treasury Department transition team propose that the United States greatly reduce its role in world monetary affairs.

In particular, the Heritage plan would allow the phase-out of the reserve role of the U.S. dollar.

The plan also rejects cooperation with America's allies in the European Monetary System and asks cuts in lending to the Third World.

Although President Ronald Reagan himself seeks no such result, Beryl Sprinkel, the man in line for undersecretary of the Treasury for monetary affairs, is in agreement that "there is no need to pay any attention to the international monetary system or the dollar. Let it take care of itself," a Heritage source says. "Why should the dollar have to be an international currency?"

The foundation, which officially advises the Reagan transition team, bills itself as a conservative think tank. Why would a conservative group seek a decline in America's world standing? Essentially because Heritage is the U.S. subsidiary of the British Centre for Policy Studies, headed by U.K. Industry Minister Sir Keith Joseph. This grouping seeks domination of world finance by the City of London and its continental European allies, who have always sought to quash the funding potential for development represented by the U.S. and thus the dollar.

The Heritage guidelines are contained in a secret Heritage Project Report on the U.S. Treasury for the Reagan transition team, written by a team headed by Dr. Norman Ture, the Washington consultant who is in line for undersecretary of the Treasury for tax policy. The international monetary section was written by Wilson Schmidt, former assistant treasury secretary, now a professor at Virginia Polytech.

According to Schmidt, "The international section of the report basically says: 'to hell with the international markets.' As Beryl Sprinkel intends to present the case to Reagan, we should concentrate on getting our domestic house in order, on cutting money supply at home and deflating. If we do this right, the dollar will have to take care of itself."

Sprinkel, currently chief economist at Chicago's Harris Bank, was trained under Milton Friedman, who works closely with the Heritage Foundation. According to Schmidt, he and Sprinkel are "close collaborators."

"In particular, I advocated in the report that the U.S. government cease all foreign exchange intervention to support the dollar," Schmidt said. "It's just government interference in the markets."

The Heritage report also recommends decimating U.S. exports, and thus the U.S. balance of trade by "shutting down the Export-Import Bank. It is a terrible program, a tremendous interference with free trade, and the budget-cutters should do away with it."

The current troubles of the European Monetary System, caused by the dollar's gyrations and rocketing U.S. interest rates, are "not our problem," according to Schmidt. "Let the Europeans take care of themselves. The EMS is an artificial mechanism that doesn't work anyway; you can't fix exchange rates."

In particular, Schmidt advocates that the U.S. Treasury "immediately resume gold sales. U.S. gold should be returned to the private markets." If Europe, which has monetized gold, objects that this destroys the gold reserve base of the EMS, "that's their problem," he said. "Let the EMS sell off its gold and hold dollars as reserves instead."

Regarding the Third World, Heritage recommends the U.S. pull out and allow bankruptcy. "We practically recommended a phase-out of the Treasury's Office of the Assistant Secretary for International Affairs (OASIA)," Schmidt said. "The Treasury has been worrying too much about the Third World. Let them fend for themselves. If their commodity export prices collapse, it's too bad; that's the free market."

Except for big debtors like Brazil, "U.S. banks should cut lending to the Third World," he said. "And the government can't bail them out with Third World policy. If they make bad loans, let them pay for it. We can deal with the Third World defaults on a case-by-case basis."