

## Ronald Reagan's Legacy

*Ronald Reagan's principled positions on the vital issues of the Cold War and the economy confounded his opponents, especially when events proved him correct.*

To appreciate Ronald Reagan's legacy, it helps to remember the state of the union when he was elected in 1980. America was at a low point. November 22, 1963, marked the beginning of 17 years of trouble and turmoil marked by one blow after another: Vietnam, Watergate, assassinations, riots, economic stagnation, double-digit inflation, the energy crisis, and the Iranian hostage crisis. The Bicentennial Celebration was an exception, a rare moment of national unity and celebration. Aside from that, the American spirit seemed to be crumbling. Many Americans had lost faith in the future and in the ideals of America. They were disillusioned, divided, and defeated.

How long ago those days now seem, and how foreign they must seem to Americans too young to remember (if you think the economy is lousy now, ask someone about the 1970s). Ronald Reagan deserves much of the credit for the revival of America's economy, its spirits, and its role in the world as a beacon for liberty. His optimism has been widely credited with restoring pride in America's past and hope for its future. His economic policies helped turn the country away from (or at least slow its journey down) the path of stagflation, bigger government, higher taxes, and the unsustainable expectation that government could solve every problem. He increased spending on national defense, continuing a buildup begun under President Carter, thereby helping to reverse the post-Vietnam aversion to using force, or the threat of force, as a tool in foreign policy.

His foreign policy, of course, also broke with the past. Up until the day the Berlin Wall came down, the Cold War seemed to most people to be unwinnable. After centuries of revolution, war, and shifting national boundaries, the geopolitical map of Europe seemed to have been set in cement at Yalta. Half of Europe was now destined to live in a repressive

totalitarian system and that was that. It took a leap of faith, or even a flight of fancy, to imagine that the Iron Curtain might ever come down.

We who live in free market societies believe that growth, prosperity and ultimately human fulfillment, are created from the bottom up, not the government down. Only when the human spirit is allowed to invent and create, only when individuals are given a personal stake in deciding economic policies and benefiting from their success—only then can societies remain economically alive, dynamic, progressive, and free. Trust the people. This is the one irrefutable lesson of the entire postwar period contradicting the notion that rigid government controls are essential to economic development.

—Ronald Reagan

Thus, when President Reagan stood in front of the Brandenburg Gate and demanded "Mr. Gorbachev, tear down this wall!" his words were dismissed by many as hopelessly naïve, unrealistic, dangerously bellicose, and even a bit embarrassing. Yet two years later, down it came! The world should never forget what an unexpected and stunning moment that was. Ronald Reagan does not deserve all the credit for the collapse of the Wall and of the Soviet Union, as he would have been the first to admit. But his ability to envision it and willingness to demand it stand apart. Most politicians and citizens had long since accepted that the best we could hope for were incremental gains in the Cold War—arms control treaties, some limited cultural exchanges, more frequent and less frosty summit meetings, and a

better connection between the red phones in the Oval Office and the Kremlin so that we would not accidentally blow each other up. Ronald Reagan set the bar higher, and reminded everyone that liberty is a right worth hoping, working, and fighting for.

There were the record budget deficits, of course. These were as much a product of Congress as of the President's policies. The president proposes, the Congress disposes, and it was not disposed, then or now, to shrink government. Most of the budgets that President Reagan sent to the then-Democratic House were immediately pronounced "dead on arrival." The deficits grew even larger under his successor, President Bush, eventually leading Congress to adopt spending caps that helped limit spending growth outlays in the 1990s. (Huge defense cuts—the "peace dividend" that was made possible by victory in the Cold War—also helped shrink the deficit.) Maybe this is the only way to get the politicians to spend less: create a deficit crisis first. At any rate, Ronald Reagan's failure to cut government spending in the absence of a fiscal crisis underscores the supreme difficulty of doing so. No one has yet figured out a politically palatable way to shrink the entitlement state.

That Ronald Reagan lived such a remarkable life and played such an extraordinary role in American history made his situation in his final years especially poignant. Alzheimer's robbed him of the ability to remember any of it. Letters and speeches that he wrote over many decades and that have become public in recent years show that he was a more thoughtful and eloquent writer than anyone suspected. Reagan gives a personal account of his life—from childhood through his second presidency—in *An American Life*.

Sympathy for what he and his wife Nancy endured during the past ten years has, along with the passage of time and now respect for the deceased, muffled his critics. To judge from the remembrances now flooding the airwaves and the newspapers, you would think that Ronald Reagan had always been a wildly popular politician whose infectious optimism and easy charm readily won over his opponents and critics. In reality, the road was never so obvious or smooth or certain.

His view of America may have been that of the “silent majority,” but it was an uphill battle to get it heard in the 1960s and 70s and even the 80s. An army of critics was always on hand to explain why his views were extreme, unworkable, simplistic, outdated, or just plain wrong. But he kept at it, giving voice to a vision of America that had fallen out of favor, back-

ing up his words with actions, and inspiring others to follow. The sentimental stories of the Gipper are appropriate now. But they should not cloud the fact that it was far from inevitable that this vision would prevail. It was not an easy victory, it remains a partial and controversial one, and without more leaders like Ronald Reagan it could be a temporary one. □

mation through their employment. For example, consider the report of the arrest of an employee who stole the credit histories of 30,000 customers and sold them to a ring of thieves.

***If You Have Been Victimized***

Time is not on your side if your identity is stolen. The sooner you take action, the better your chances of reducing the damage. If your identity *is* stolen, the FTC recommends taking the following steps as soon as possible:

**File a police report.** Get a copy of the report to submit to your creditors and others that may require proof of the crime.

**Close the accounts** that you know or believe have been tampered with or opened fraudulently.

**File a complaint** with the FTC by contacting its Identity Theft Hotline toll-free at: 1-877-IDTHEFT (1-877-438-4338) or [www.ftc.gov](http://www.ftc.gov). The FTC maintains a database of identity theft cases used by law enforcement agencies for investigations.

**Contact the fraud departments** of any one of the three major credit bureaus listed below to place a “fraud alert” on your credit file. This informs creditors that fraud has been associated with your credit report. The alert requests creditors to contact you before they open any new accounts or make any changes to your existing accounts, to make sure that an imposter is not attempting to get credit in your name. As soon as one credit bureau confirms your fraud alert, the other two major credit bureaus will be automatically notified to place similar alerts, and all three will send credit reports to you free of charge.

The Federal Trade Commission established a central database in 1999 to collect information reported by identity theft victims. Identity theft has become the number one complaint received by the

**REDUCE YOUR RISK OF IDENTITY THEFT**

*Although identity theft is one of the fastest growing crimes in the United States, there are many steps you can take to avoid being a victim of this crime.*

The Federal Trade Commission (FTC) estimates that in the last five years more than 25 million Americans have been victims of identity theft. This crime occurs when an individual’s personal information is stolen by another person and used to commit fraud or engage in other unlawful activities. The most common form of identity theft is credit-card fraud and in this situation a consumer is protected from significant financial loss since the maximum liability for the unauthorized use of a credit card is \$50.

The same government protection does not apply for ATM or debit cards (an ATM card with a VISA or MasterCard logo on it), unless you report the loss within two business days after you realize that your card is missing. Otherwise you could lose up to \$500 and also face *unlimited* loss if you fail to report an unauthorized transfer within 60 days after your bank statement containing the unauthorized use is mailed to you. The following three steps can help reduce your debit card liability risk: use your credit card rather than a debit card for most transactions, especially for internet purchases; use your debit card only with businesses you trust; and always report any loss, theft or misuse to debit-card issuers as soon as possible.

The more personal the information that an identity thief can get his hands on, the more damage he can do. If an imposter obtains your name, address, date of birth, Social Security number, credit cards and financial information, you can suffer devastating consequences, including the small but genuine risk of arrest, bankruptcy and unemployment.

Identity theft is not always a stand-alone crime. In other words, a major risk associated with being a victim of one fraud is the possibility that the perpetrator will steal your identity and commit a rapid succession of crimes. Many identity thieves are experienced and organized. Once they steal your financial information they act swiftly and charge thousands of dollars

worth of goods and services until a hold is placed on your account. However, even after you notify your creditors you are still at risk. The thief still has your personal information and may open an account with your name or he might even have plans to steal your replacement credit cards after they are delivered to your mailbox.

Every time that you use your debit or credit card, put your financial statements or junk mail in the garbage, place your outgoing mail in an unsecured mailbox, respond to a fraudulent email (a “phishing” attack) or give personal information when you did not initiate the contact, you are at risk for identity theft. There are many steps that you can take to protect your privacy and reduce you exposure for identity theft (see box below), but you cannot absolutely avoid this menace.

Keep in mind that although you may be vigilant about protecting your privacy, that may not be the case for those who have access to your personal information, such as car dealers, landlords, health providers and many other businesses and organizations. Before you give out sensitive information, ask what steps they take to safeguard it. In addition, there is no way to protect yourself from criminals who gain access to your personal infor-

Credit Alerts			
<b>Initial Alert</b>			
	<i>Period of Initial Coverage</i>	<i>Can You Request an Alert Online?</i>	<i>Is a Free Credit Report Provided?</i>
Credit Bureau			
TransUnion	12 Months	No	Yes
Equifax	6 Months	No	Yes
Experian	3 Month Fraud Alert	Yes	Yes, can be provided online
<b>Renewals</b>			
	<i>Period of Renewal Coverage</i>	<i>Is a Free Credit Report Provided?</i>	<i>Number of Renewals Allowed</i>
Credit Bureau			
TransUnion	12 Months or 7 Years	Yes	Unlimited
Equifax	6 Months or 7 Years	Yes	Unlimited
Experian	3 Month Fraud Alert or 7 Year Victim Statement	Yes, provided online	

FTC. Examples from its database suggest that identity thieves will go to great lengths to steal your account and pin numbers. If you are in a public place, identity thieves, known as “shoulder surfers,” may use binoculars or take a picture of your debit card with their cell phone while you are using an ATM. Whenever possible, use ATMs at major banks or financial institutions, and even then get in the habit of blocking your transaction from wandering eyes.

### **Steps to Prevent Identity Theft**

**Monitor your mail** to make certain that you receive your routine monthly statements, and check these statements for unusual or unauthorized activity. Pay close attention to your billing cycles. If you do not receive a scheduled bill, it could mean an identity thief has taken over your account and contacted your credit card company to change your billing address. This gives them more time to run up charges on your account before you know that your account has been stolen.

**Use a shredder** and shred junk mail such as preapproved credit card mailings and preapproved blank checks, as well as tax information, insurance and financial records, before you put them in the trash. The recycling efforts in many communities whereby paper products are collected separately have many benefits, but it also can make it easier for criminals looking for discarded financial records. Thieves steal identities by sorting through garbage, landfills and dumpsters, a practice known as “dumpster diving.” When shopping for a shredder it is recommended that you purchase a crosscut or confetti model (expect to pay \$50 to \$100) which is more effective than the straight strip-cut type.

**Limit the number** of preapproved offers of credit that you receive by calling 1-888-5OPTOUT (1-888-567-8688) and

have your name removed from the marketing lists of the three credit reporting bureaus – Equifax, Experian and TransUnion. (Ironically, the same bureaus you call for help when your identity is stolen.)

**Place your phone number on the “do-not-call” registry** at the FTC by calling 1-888-382-1222. However, even with safeguards in place, you can not afford to let your guard down. Never give out personal information on the phone, internet, by mail or in person, unless you initiated the contact and you know with whom you are dealing.

**Be wary of promotional scams** (this is usually good shredder material). Avoid using easily available information like your date of birth or mother’s maiden name when placing passwords on credit cards, bank and other accounts. Also, keep in mind that thieves may use phony offers to get you to give them your personal information. If you are planning to be away from home, arrange to have your mail picked up or call the U.S. Postal Service at 1-800-275-8777 and ask for a vacation hold.

**Don’t carry your Social Security card** or other items that have your Social Security number on it, such as your health insurance card. Instead, safeguard these items in a secure place. Only give your Social Security number when absolutely necessary. The more personal information that an identity thief can get his hands on, the more damage he can do. If he obtains your name, address, date-of-birth, Social Security number, credit cards and financial information, the results can be devastating and exhaustive. A good first step to reduce your risk of identity theft is to look in your wallet or purse and remove any identifying information that you don’t need. Carry only one or two debit and credit cards, and *always* keep your purse or wallet in a safe place.

The three major credit bureaus, Equifax, Experian and TransUnion, will provide you with a credit report for about nine dollars (see addresses and phone numbers in the box below). However, in some states residents are entitled to an annual credit report for free, and under a new Federal law soon all Americans will be entitled to receive an annual credit report from each of the three credit bureaus for free. This new service will start in December for the western states and gradually roll out across the country, with coverage in the eastern states beginning in September 2005.

You should read your credit reports carefully and be on the lookout for dates of credit applications and any credit inquiries. Make certain that all information is accurate. If you discover any incorrect information, contact the credit bureau immediately and follow up with a letter describing the action you took to correct the problem.

### **Other Possible Protections**

There are an increasing number of services that, for a fee, will monitor your credit reports for activity and alert you to changes. But be aware, that thieves will even use a bogus offer to monitor your credit history as a pretext to steal your identity. Some scam artists will try to steal personal information by offering free credit reports when you submit their bogus application. Therefore, it is absolutely essential that *you* contact legitimate companies if you decide to purchase credit fraud protection. All three of the major credit bureaus provide credit monitoring services ranging in price from four to ten dollars a month. The services offered by these bureaus vary but usually include alerts of any activity, new inquiries, new accounts, monthly “no alerts” to give you peace of mind that the monitor has detected no activity (unusual or otherwise), and insurance to cover some of the costs you could incur if you are a victim of an extremely damaging identity theft in which, for example, you lose wages or need to hire an attorney.

A monitoring service can be helpful for those who are already victims of identity theft, since an imposter has already has their personal information. The prices and services vary widely and some of the services may monitor only one of the three major credit bureaus. A good first step is to review the products offered by the major credit bureaus, then compare the costs and services offered by other companies, such as banks or credit card issuers.

There are several types of “identity theft insurance.” There is a stand alone product; there is a rider to another policy, such as a

### **Credit Bureaus**

#### **Equifax — [www.equifax.com](http://www.equifax.com)**

To order your report, call: 1-800-685-1111  
or write: P.O. Box 740241, Atlanta, GA 30374-0241.  
To report fraud, call: 1-800-525-6285  
and write: P.O. Box 740241, Atlanta, GA 30374-0241.

#### **Experian — [www.experian.com](http://www.experian.com)**

To order your report, call: 1-888-EXPERIAN (397-3742)  
or write: P.O. Box 2104, Allen TX 75013.  
To report fraud, call: 1-888-EXPERIAN (397-3742)  
and write: P.O. Box 9532, Allen TX 75013.

#### **TransUnion — [www.transunion.com](http://www.transunion.com)**

To order your report, call: 800-888-4213  
or write: P.O. Box 1000, Chester, PA 19022.  
To report fraud, call: 1-800-680-7289  
and write: Fraud Victim Assistance Division, P.O. Box 6790,  
Fullerton, CA 92634.

homeowner or renter insurance policy; and there is service that will notify all of your ATM, debit and credit card issuers when your wallet is lost or stolen. As with any product or service, make sure you understand what you are getting before you buy. The FTC cautions individuals to be aware that claims by companies that they can clear up your credit record are often misleading or false. Identity theft victims, in particular, need to clear up debts directly with the original creditor. Most companies will not

deal with a third party.

Today, more than ever, individuals must make an effort to protect their personal and financial information from the epidemic of identity theft. The best way to protect yourself is to order and review your credit reports each year, carry only what you need in your wallet, shred your mail before you put it in the trash, sign up for the “do-not-call” registry, and never give out any personal information unless you initiate the visit, call, or email. □

## BOOK REVIEW\*

*Globalization is not a “race to the bottom” as critics suggest, but a means to human progress.*

Thousands of anti-globalization protesters gathered in Washington D.C. during the spring meetings of the World Bank and International Monetary Fund, which are celebrating their 60<sup>th</sup> anniversary. According to the *Washington Times*, marchers chanted and carried posters, including two that read: “Capital kills like Crack” and “People over Profits.”

Protesters also show up routinely at G-8 and World Trade Organization meetings. Their message is that increased global trade exploits workers in poor countries and destroys the environment. Besides linking trade with restrictions on labor and natural resources, demonstrators demand that the debts of all third-world countries be cancelled, ranchers stop raising hormone-treated livestock, and farmers grow organic—instead of genetically engineered—foodstuffs.

Despite the intensive media coverage devoted to the issue, according to Jagdish Bhagwati, a Professor of Economics at Columbia University, “when all is said and done the fact is that we lack a clear, coherent, and comprehensive sense of how globalization...works and how it can do better.” It is this lack of understanding, and not any inherent defect, that is responsible for the loud populist case that is made against globalization.

Bhagwati’s latest book, *In Defense of Globalization*, draws upon a large body of findings to demonstrate that globalization reduces poverty, decreases child labor, benefits women, and does not trigger a harmful “race to the bottom” with respect to wages, labor standards, and environmental protection. His arguments are not directed toward the hard-line anti-globalization elements for whom he believes

anti-globalization is largely a gospel of the uncompromising faith of anti-capitalism, but well-meaning critics who might well be receptive to reasoned discussion.

Very often protectionist policy is invoked in the name of sound economics. Although many development economists still cling to an “import-substitution” approach to trade—*i.e.*, producing goods domestically instead of importing them—Bhagwati says that the evidence against it is “quite overwhelming.” Rather, he observes that trade enhances economic growth and, as a consequence, it reduces poverty.

He cites a recent World Bank study showing that developing countries that reduced their trade barriers between 1977 and 1997 attained higher economic growth rates than those prevailing during the 1960s and 1970s. In contrast, those that did not reduce their trade barriers had slower economic growth.

The experience of India and China, whose economies have grown by average annual rates of 6 percent and 10 respectively over the past two decades, are used to illustrate how growth reduces poverty. Asian Development Bank figures furnished in the book indicate that India’s poverty rate fell from 51 percent in 1977 to 26 percent in 1999; China’s, from 28 percent in 1978 to 9 percent in 1998. Moreover, Bhagwati says, “The truth is that globalization—wherever it translates into greater general prosperity and reduced poverty—only accelerates the reduction of child labor and enhances primary school enrollment and hence literacy.”

What about the claims that globalization leads to a mad “race to the bottom” in terms of wages, labor standards, and environmental protection?

During the 1970s, U.S. wages (adjusted for inflation) increased, even as the prices of labor-intensive goods that are largely imported fell. In contrast, as prices of labor-intensive goods rose during the 1980s, American wages stagnated. This is the opposite of what would have been expected if the “race to the bottom” hypothesis is valid. Bhagwati also brings to the reader’s attention a long-running study that found that outsourcing the production of manufacturing components, actually wound up increasing the wages of low-skilled American workers.

Nor does there seem to be a “race to the bottom” in labor standards. According to Bhagwati, the evidence indicates that “multinationals...do not go streaking to where labor rights are ignored or flouted.” Instead, productivity-adjusted wages and a host of other factors determine where multinationals choose to locate or shift operations and reduced labor standards have not become a magnet for multinationals.

When it comes to the environment, protectionism may lead to increased pollution in addition lower economic welfare,” Bhagwati explains. He cites a study that showed that import quota protection in the automotive market led to a shift to the increased production of higher-margin, gas-guzzling vehicles by the importers. Elsewhere Bhagwati has conceded, “There are times philosophical differences between the proponents of free trade and of the environment cannot be reconciled, as when environmentalists assert nature’s autonomy, whereas most economists see nature as a handmaiden to humankind.”

Finally, Bhagwati strongly recommends that policymakers refrain from “renouncing” globalization and instead concentrate on encouraging it. He concludes, “Public action...will not succeed unless it reflects not only passions but also reason.” If the anti-globalization demonstrations are of any indication, passion is already in abundant supply. Now, with the introduction of his latest book, Bhagwati has supplied reason to complement that passion. □

## PRICE OF GOLD

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			Jun. 3	Jun. 10
Final fixing in London	\$318.75	\$352.25	\$390.35	\$384.95

\* This review of Jagdish Bhagwati’s, *In Defense of Globalization*, New York, Oxford University Press, 2004, 308 pp., \$28.00 (hardcover), was written by Donald Sutherland, a consultant who conducts research on economic and trade policy.

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