STOCKS POPULI

Privatization Can Win Bipartisan Support

ROBERT W. POOLE, JR.

Ronald Reagan came to Washington determined to shrink big government. Unfortunately, whatever his successes, shrinking the size of the federal government has not been among them. Consider the following statistics:

- From 1981 to 1987 federal spending increased from $678 billion to $1.05 trillion.
- Federal spending today, at 22.4 percent of GNP, is a larger fraction of gross national product than in any year under Jimmy Carter.
- There were 3.1 million federal civilian employees on the payroll in 1987, compared with 2.9 million in Carter's last year—an increase of 4.8 percent.
- And the stream of record annual budget deficits has ballooned the national debt from $914.3 billion in 1980 to $2.3 trillion in 1987.

Shrinking the federal government would have meant shifting major functions to private enterprise, that is, privatization. Yet despite a lot of rhetoric about the magic of the marketplace, there has been little real privatization during the Reagan years. The Grace Commission identified billions of dollars worth of essentially commercial functions performed by federal civil servants. But aside from Conrail, privatized last year, practically nothing has been spun off to the private sector.

Lessons from Abroad

Overseas, the picture is dramatically different. Governments of all ideological hues—from Margaret Thatcher's Conservatives to Australia's and New Zealand's Laborites to Spain's Socialists—have been selling state-owned enterprises at an amazing clip. In 1987 alone, over $90 billion worth of assets and enterprises were privatized overseas.

Many of the privatized enterprises are former commercial companies that had been nationalized under previous regimes: Britain's Jaguar, Rolls-Royce, and British Airways; the French banks Société Générale and Banque Paribas; and Spain's automaker SEAT; as well as the numerous privatizations proposed and under way in Latin America. But many of the entities being sold have always been in state hands. Examples include utilities such as Nippon Telegraph & Telephone and British Telecom, infrastructure like British Airports Authority (Heathrow and Gatwick, among others) and Air New Zealand (air traffic control), and even the national forests in New Zealand!

From inside the Beltway, the privatization of such enterprises looks politically impossible. Sell the historically governmental and heavily unionized British telephone system? You might as well try selling the U.S. Postal Service! Sell inherently governmental utilities like electricity and water? That's about as plausible as selling the Tennessee Valley Authority—ask Barry Goldwater how feasible that is. Yet these sales and more are taking place with increasing regularity overseas.

Were Thatcher's Britain the only locale of large-scale privatization, we might attribute the difference between her success and Reagan's to greater ideological commitment or more skillful leadership. But that hardly accounts for the fact that similar privatizations are occurring in at least 64 other countries, from Austria and Japan to Bangladesh and Togo.

The Global Money Sink

Privatization is a global phenomenon because governments everywhere have become overextended. Shrinking big government is far less a matter of ideology than it is a fiscal necessity. State-owned enterprises are money sinks. Insulated from marketplace discipline, they operate inefficiently (often requiring taxpayer subsidy). Moreover, they pay neither corporate income taxes nor local property taxes, thus draining the economy and the national treasury. Selling such enterprises produces both one-shot revenues and ongoing annual operating savings, as well as new tax revenues.

Just as in this country, however, those who benefit from government enterprises have political clout that can block action. Government employees, with civil service protection and strong unions, fear being subjected to the rigors of the marketplace. Customers who pay below-market prices for telephone service or electricity or air traffic control services resist being thrust into the unknown future.

The practitioners of privatization abroad have developed several techniques for dealing with such fears and

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resistance. The most important principle is to identify potential opponents and cut them in on the deal, generally by means of stock ownership. Two specific applications of the principle are employee stock ownership and popular capitalism.

Worker Ownership

The Thatcher government pioneered the use of worker/management stock ownership, which has figured in privatizations of such companies as Associated British Ports, British Aerospace, British Telecom, British Gas, Cable & Wireless, National Freight Consortium, and many others. The opportunity to become shareholders can dramatically change the incentives of unionized civil servants, as illustrated by the case of British Telecom. Union officials denounced the planned privatization of Telecom, telling their members not to purchase the shares that were being offered to them at a discount. Yet in the end, sensing the chance to make money, some 96 percent of the work force bought shares.

A major reason for their enthusiasm was the obvious success of a previous privatization, that of National Freight Consortium. When the plan to sell that company was first announced in 1979, it was assumed that the money-losing trucking firm would be sold to a competitor (which would probably sack much of the incumbent management). Working with their bankers, the managers came up with a plan for a worker/management buyout instead. Because stock ownership was so uncommon among British workers in those days, only a third of the work force purchased shares. But those who did saw their holdings increase tenfold in value in just three years. National Freight has become highly profitable, with employee productivity up 30 percent, now that the workers have a direct stake in the outcome.

What Margaret Thatcher pioneered has now become routine in privatizations around the world. Employee stock ownership has been an integral part of the divestiture of hundreds of state-owned firms in Chile during the past 15 years. Workers typically own 20 to 30 percent of the shares, and in some cases (for example, the EMELTA electric utility and ECOM data processing company) as much as 100 percent.

In Canada, the Saskatchewan government announced in June the sale of the $6 million Meadow Lake and Green Lake sawmills. The new company, NorSask Forest Products Inc., is a joint venture of an employee/management company (Tech-For Services Ltd.) and a company owned by 10 Indian tribes (MLDC Investment Co.). Ninety percent of the 157 sawmill employees bought shares in the company, and the provincial government put up part of the Indians' share of the purchase price. Thus, key constituents of the forest products company now have a stake in the success of its privatization.

Popular Capitalism

Hand in hand with employee stock ownership, widespread public stock offerings provide another successful privatization strategy. Although many state-owned enterprises could simply be sold to large commercial firms, there are sound political and public policy reasons for spreading the ownership widely. First, widespread share ownership gives ordinary citizens a chance to participate in the capitalist system. Second, it gives customers of the privatized firms a stake in their success as business enterprises. Third, widespread ownership insures against the possibility of future renationalization (which once plagued British industries as government alternated between Labor and Conservative).

British Telecom was the first large-scale British privatization in which shares were aimed at ordinary people. The initial public offering was designed specifically to get the shares into as many hands as possible. The government ran an upbeat, six-month advertising campaign, promoting the offering and explaining how to buy shares. To encourage telephone customers to buy shares, they were offered

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vouchers granting them a discount on their phone bills if they held their shares for at least six months. And to prevent institutions and large firms from buying up the lion's share, initial purchases were limited to 800 shares per buyer.

The result was that the initial offering was oversubscribed by five times; the shares opened at 50 cents and rose to 97 cents within hours. In one day more than two million people had become stockholders, doubling the number of Britons who owned stock. And that was only the beginning. By the end of 1987, after eight years of privatization, the number of shareholders in Britain had grown from two million to nine million, some 21 percent of the population.

Similar social transformations are taking place elsewhere, as popular capitalism spreads around the globe. In just one year, 1987, the privatization program of France's Chirac government increased that country's shareholders from one million to seven million, representing 13 percent of the population. In Chile, where capitalism traditionally meant ownership by a handful of the elite, the number of shareholders in the nation's 50 largest firms had increased from a few hundred in the 1970s to some 200,000 by the end of 1987, thanks to privatization. That government, too, has taken care to limit the number of shares available to each purchaser. For example, no individual may own more than 2.5 percent of the shares in a Chilean bank.

Popular capitalism is popping up in some surprising places. Conventional wisdom says that individual shareownership is impractical in small, poor countries because of the absence of large-scale stock markets. Yet the Jamaican government has been disproving this adage. In 1986 the government privatized the country's largest bank via a public stock offering. London's N. M. Rothschild & Sons, Ltd. designed the offering campaign, using the mass media to advertise the shares and distributing prospectuses and application forms in bank branches and post offices across the country. Once again, the offering emphasized individual purchases: no buyer could obtain more than 7 percent of the total. The offering was 170 percent oversubscribed; some 30,000 Jamaicans purchased shares, increasing the country's shareholders fivefold. And this was done in a country whose official stock market was only open four hours per week!

Employee stock ownership and popular capitalism can overcome political resistance to privatization.

The Conrail Model

The one significant privatization accomplished by the Reagan administration was the sale of Conrail in early 1987. Yet the administration's efforts exhibited little knowledge of the extensive experience of other countries. Then Transportation Secretary Elizabeth Dole rejected the idea of a public stock offering, insisting that Conrail be sold to an existing railroad. Both Conrail's experienced management (which had produced a remarkable turnaround, given the freedoms offered by the Northeast Rail Service Act of 1981) and its work force opposed a sale to another railroad and argued strongly for a public offering. Conrail's work force already owned 15 percent of the railroad by means of an Employee Stock Ownership Plan (ESOP) set up in 1980 in exchange for pay cuts.

The battle over the method of sale continued more than two years, pitting Republicans (on the side of big business) against Democrats (favoring widespread stock ownership). In the end, with the House refusing to agree to the Senate-passed bill to sell Conrail to Norfolk Southern, the latter withdrew its $1.2 billion offer in August 1986. That move cleared the way for a highly successful $1.6 billion public stock offering in early 1987—the largest initial public offering in U.S. history.

The eventual success of the Conrail sale suggests that both worker ownership and popular capitalism can be used to promote privatization in this country, as they are overseas. A number of successful private-enterprise providers of public services are partly or entirely owned by their workers and management, generally by means of an ESOP. And there are a few cases of the conversion of a public agency into a private, worker-owned company.

The Entrepreneurs on the Bus

One such case occurred in 1985 in South Lake Tahoe, California. The city-owned South Tahoe Area Ground Express (STAGE) was costing the city more than a half billion dollars per year in operating subsidy, and covering only 33 percent of its costs from the farebox. As the city considered shutting the system down and contracting with private providers for limited service, several STAGE employees proposed turning the agency into a for-profit firm, which would contract with the city. The result was the creation of a worker-owned firm, Area Transit Management.

Besides the two principal employee-owners who created ATM, seven of the 17 other employees bought stock from the 49 percent set aside for employee ownership. The city retained ownership of the buses, but no longer provides any operating subsidy, saving some $500,000 per year. Basic service has been maintained, though total ridership has dropped by one-third, due to the elimination of low-ridership routes. Farebox revenues now cover 62 percent of operating costs, with the balance (as before) coming from the state. During its first year of operation, ATM reported a $40,000 profit, of which 25 percent was distributed to employees under a profit-sharing plan.

The South Lake Tahoe bus service privatization resembles in concept a proposal from the Office of Personnel Management called Fed Co-Op. Under this plan, when a federal service is put out to bid under the federal contracting-out policy, the winning bidder would be required to create a subsidiary to run the operation and to hire all the former federal employees. It would set up an ESOP that buys stock in the parent company, with stock accounts for all the employees based on their salary levels. The idea is to give federal workers a stake in privatization.

ESOPs have been around since the early 1970s, when Congress, at the behest of Senator Russell Long, passed several pieces of legislation providing various tax breaks to encourage their creation. ESOPs borrow funds from a lending institution to buy stock from the employer corporation, with the company guaranteeing the loan. The company can make tax-deductible contributions to the ESOP to pay off the loan. And banks can deduct 50 percent of the interest income they receive from ESOP debt.

According to the Oakland-based National Center for Employee Ownership, the number of ESOP companies has grown from 1,600 in 1974 to 8,100 today, and the number of employees owning stock in this manner grew from 250,000 to more than eight million. A study published in the September/October 1987 issue of *Harvard Business Review* found that companies that set up ESOPs grew faster than before doing so, and also grew faster than similar companies without ESOPs. If stock ownership can change employee incentives in the private sector, it seems plausible that stock ownership would motivate employees in newly privatized firms as well.

Out of the Ideological Ghetto

Employee ownership and popular capitalism have been key elements in the widespread acceptance of privatization by governments around the globe. The United States has highly developed stock markets and a well-organized movement favoring employee stock ownership. It would appear that the preconditions exist to use these tools to redraw the line between public and private sectors.

But to begin this process, it is essential that privatization no longer be seen as the province of ideological conservatives and libertarians. No consensus in favor of divesting commercial entities from government can come without the participation of liberals and Democrats. And here is where employee ownership and popular capitalism come in.

Recall that in the Conrail battle it was primarily Democrats, such as Representative John Dingell, who favored the public stock offering, with its benefits to millions of individual investors. And the ESOP movement, while nominally bipartisan, has been championed more consistently by Democrats than by Republicans.

The greatest perceived barrier to privatization is employee opposition to trading the security of being civil servants for the risks of employment in the competitive private sector. It's hardly unreasonable, then, when we ask these people to take such risks, to offer them a compensating benefit—namely, the opportunity to benefit personally by making their enterprise efficient and productive. This might sound like idle theorizing, were it not for the enthusiastic embrace of share-ownership by the heavily unionized employees of British Telecom and the dozens of other privatized firms in Britain and elsewhere overseas.

The other principal political barrier to privatization is the fear that prices will go up after privatization. While that is likely to be the case (indeed, it's often the key to making the service operate efficiently), it is unreasonable to expect people to give up an accustomed benefit without some compensating benefit. The opportunity to share in the ownership and profits of the service offers just such a benefit—and once again, has been proven effective in privatizations overseas.

If privatization is to have a future in this country, it must become a bipartisan issue, transcending liberal/ conservative pigeon-holing. By embracing the principles of popular capitalism and worker ownership, privatization advocates can present proposals that stand a realistic chance of enactment.

Of what, then, might such an agenda consist? Here are four possible candidates from the numerous commercial activities of the federal government.

U.S. Postal Service

Though much derided for its poor service and antiquated methods, the Postal Service has the potential of being a viable commercial enterprise—if it can gain the freedom to draw on the capital markets for new equipment, the freedom to enter new lines of business (for example, electronic mail), and the freedom to manage like a business (without constant "oversight" by Congress and the Postal Rate Commission). Largely because of its extensive real estate holdings, the Postal Service has a net worth of approximately $13 billion, according to a Reason Foundation study by the economist Douglas Adie.

The British Telecom model of privatization is directly relevant to the Postal Service. The USPS should be sold in one or more public stock offerings, with a significant block of shares offered to employees and management at a hefty discount. At the same time, its monopoly on first- and third-class mail should be ended, permitting other firms to enter those fields—but also allowing USPS to enter any other field it chooses. It could buy its own fleet of jetliners and set up central sorting hubs as do Federal Express and UPS; it could go into electronic mail.

Rural areas could be protected by means of an "essential postal service" subsidy program, analogous to the program for rural airline service enacted with airline deregulation. Office of Management and Budget Director James Miller estimates that such a program would cost only $25 million a year—a pittance compared with the economic benefits of a competitive postal market. Advertising and application forms in every post office could encourage postal customers to buy shares. Millions of citizens (not just stamp collectors) would welcome the opportunity to purchase shares in one of America's largest ($30 billion in sales a year) companies.

Such a program would bring immense economic benefits to this country, opening to competitive innovation the last of the major arteries of commerce (after airlines, trucking, telecommunications, and financial services, all of which have been at least partially deregulated).

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Air Traffic Control

Like postal service, air traffic control (ATC) is a vital function. But because ATC is apparently a natural monopoly, it cannot simply be sold to a for-profit company (due to the danger of monopoly pricing). The alternatives are to sell it either to a regulated public utility or to a nonprofit user co-op. Because of the well-documented problems with utility regulation, a growing number of observers (including Transportation Secretary James Burnley) now favor divestiture of ATC to a nonprofit user co-op.

An ATC user co-op would include airlines, private pilots, business aircraft owners, airline pilots, and the federal government (whose aircraft account for about 15 percent of the traffic handled by the civilian ATC system). "Users" should also include the controllers themselves. A federal corporate charter could spell out the maximum percentage of shares that could be owned by each user group, all of which would be represented on the co-op's board. Conflicts among user groups—for example, between "general aviation" and airlines—would be negotiated at the board level, rather than being endlessly lobbied in Congress. The result would be a system that is far more responsive than today's bureaucratic, politically managed ATC system.

Air traffic controller unions have often spoken in favor of ATC privatization. The airline trade group (Air Transport Association) has called for divesting ATC from the Federal Aviation Administration to an independent corporate structure. And the major airport group (Airport Operators Council International) has endorsed a similar proposition. As with postal service, it may be necessary to guarantee funding for small-town airport development to ensure passage of privatization legislation. But that, too, would be a small price to pay for the benefits of a high-tech, state-of-the-art, user-friendly ATC system.

Widespread share ownership gives customers of the privatized firms a stake in their success as business enterprises.

Tennessee Valley Dinosaur

Once considered a model of regional development, today's TVA is viewed as a model of mismanagement and environmental depredation. Its costly nuclear units are either incomplete or out of service, and present potentially huge future rate increases to TVA customers. Its coal-fired plants are among the country's worst polluters.

Privatization should separate TVA's operations into a number of companies. The nonnuclear power plants could be spun off into three or four generating companies (GENCOs) and sold in a public stock offering, with discounts for TVA customers and employees (as in the case of British Telecom). A large separate transmission company (TRANSCO) could be created from TVA's existing grid and sold to the users—with the requirement that the grid be open to all potential power suppliers, not just the GENCOs. This would foster a competitive market—and lower long-run costs—in electricity supply in the region. The nuclear units should be held in a separate company for eventual sale, and their liabilities written off, so as not to drag down the rest of the companies.

As was the case with the British utilities, customers would have to be offered some compensation for giving up historically below-market electricity rates. While the proposed privatization plan would free TVA customers from having to pay for white-elephant nuclear plants, their support for privatization would be enhanced if they were given attractive opportunities to become stockholders. Shares could be made available through a monthly purchase plan, as an adjunct to the utility bill. Discounts off the initial offering price could be offered, as was done in Britain. Customers who agreed not to sell the stock for a period of several years could be given discounts on their monthly bills.

This proposal would turn a floundering dinosaur into a set of viable commercial enterprises. Their workers and customers would stand to gain, as shareholders, from the firms' improved efficiency and performance. Customers would be relieved of the huge impending cost burden of the nuclear units, and the federal government would realize an estimated $12 billion from the various sales (which would nearly offset its TVA liabilities).

Commodity-Producing Lands

The U.S. Forest Service and the Bureau of Land Management own nearly 375 million acres of commodity-producing lands—commercial timberland and grazing land. Despite the fact that these lands are ostensibly operated to produce salable commodities (timber and cattle, for the most part), the government manages to lose more than $1 billion per year on these operations. Much of this loss arises from economically and environmentally unsound activities, such as building roads to harvest timber in practically inaccessible areas.

There is no inherent conflict between multiple uses (hiking, hunting, fishing) and commodity production. Many privately owned forests in the East encourage (and profit from) such multiple use. And private ownership provides powerful economic incentives to preserve the long-term value of the land—short-sighted "rape-the-land" practices immediately decrease asset value on the balance sheet.

These lands could be privatized in various ways. An individual forest could be converted to a corporation and sold through a public stock offering, with incentives for purchase by local residents and individuals. Or a forest could be auctioned acre by acre, which would facilitate the purchase of those portions valued by environmental organizations and the more-commercial tracts by timber companies. In any case, deed restrictions that require future owners to continue to make the lands accessible for multiple uses could be imposed.

A recent Reason Foundation study estimated that the sale of federal commodity-producing lands over a 10-year period could yield $160 billion. That is a sum large enough not to be dismissed by those who immediately assume that environmental objections would doom such a plan.

The $300 Billion Question

Can privatization become a bipartisan issue in this country? Certainly the same broad motivation is present here as it is in the welfare states of Europe and Australia/New Zealand and the republics of South America: government is overextended, with ongoing deficits and soaring debt.

New Zealand's Labor government is committed to selling sufficient government assets and enterprises to pay off 25 percent of its entire national debt. Japan is selling both the highly profitable Nippon Telegraph & Telephone (proceeds thus far: over $50 billion) and the grossly inefficient Japan National Railway (which loses $1.3 billion per year). Britain has already sold some $37 billion in assets and enterprises, and has a lot more in the pipeline.

The June 1988 report of the Privatization Task Force, a joint effort of 10 free-market think tanks, identified over $300 billion in federal assets and enterprises that could be sold (including the $160 billion in commodity-producing lands discussed above). So it's clear that a privatization agenda on the scale of that being carried out in Britain and New Zealand is conceivable in this country.

But is it politically feasible? A February 1988 article in the *New York Times* noted a growing interest in privatization among Democrats in Congress. It cited Representatives Dennis Eckart and William Gray as being willing to look at such alternatives, not for ideological reasons but as a matter of weighing all the alternatives. The article quoted a House budget committee staff member: "I'm bothered by the notion that we need more privatization per se. But I do think asking about what kinds of activities should be in the private sector makes a lot of sense." And it quoted Senate Budget Committee staff director Richard Brandon as saying, "Where Congress could be convinced that the issue is efficiency and not ideology, I think it is willing to listen."

Also worthy of note is that the chairman of the President's Commission on Privatization was Professor David Linowes, a lifelong (and well-connected) Democrat. During the life of the commission, as he became exposed to privatization, including the British experience, Linowes seemed to become especially interested in the ideas of employee ownership and popular capitalism. Another key member of the commission was Walter Bish, head of the union at employee-owned Weirton Steel (which has been rescued from bankruptcy by a successful ESOP). The experience of these people produced a report that has much to say to Democrats and liberals. Even the liberal columnist Robert Kuttner conceded that the President's Commission on Privatization report made some excellent points.

Whoever is inaugurated president next January will face a $150 billion deficit and an unconscionable national debt. To restore fiscal sanity, he'll be forced to make hard choices. Conventional wisdom puts the choices at two: either raise taxes by hundreds of billions or cut spending by a like amount. Yet the lesson from abroad is that there's a third choice: Spin off from government those hundreds of billions worth of assets and enterprises that are basically commercial and put them into the hands of workers and individuals.

Conventional wisdom can give dozens of reasons why those things can't be sold. Yet all over the world they *are* being sold. Making owners out of workers and taxpayers appeals to both Britain's conservative Margaret Thatcher and New Zealand's liberal David Lange. It should appeal equally well to Republican Senator Phil Gramm and Democratic Representative William Gray, both of whose parties must cope with the reality of the deficit.

Privatization can play a major role in the post-Reagan era. But only if it comes to be appreciated as a tool for solving economic problems and broadening the base of ownership. It would be ironic if the country that is the bastion of free enterprise lagged behind the rest of the world in bringing capitalism to the people.

How Great Was Ronald Reagan?

Our 40th President's Place in History

A Symposium

How will President Reagan be most remembered? How, if at all, has he changed American politics and government? Has he been one of America's great presidents? Has he been a conservative president? To what other presidencies might the Reagan administration be compared?

These questions were put to seven leading political historians and presidential biographers.

STEPHEN E. AMBROSE

A funny thing happened to Ronald Reagan on the way to his place in history. At the three-quarter point, he made a sharp left turn, then another, and ended his journey going in the opposite direction from his start. Initially, he was headed towards the title of the toughest Cold War president of all. His rhetoric was bellicose in the extreme, as "evil empire" replaced detente. When martial law descended on Poland, Reagan tried to organize an economic blockade of the Soviet Union. On the military front, he launched the greatest arms race in history, topped by the single most expensive weapons system ever undertaken.

But history will remember Reagan as the first Cold War president to preside over eight years of unbroken peace, the first to reach an arms reduction accord with the Soviets, and the American president who helped make it possible for Mikhail Gorbachev to begin the process of restructuring Soviet society.

Historians will also stress the gap between Reagan's domestic goals and his accomplishments. Most obvious is the deficit; what he promised to eliminate he has allowed to swell beyond comprehension. On the social agenda, abortion remains legal, prayer in the schools illegal. Reagan's failure in the war against drugs and related crime activities is so great that drugs are the number one issue in the 1988 presidential campaign.

Nevertheless, Reagan will be remembered as the president who reversed the decades-old flow of power to Washington. By dismantling some federal programs, and reducing others, he forced the states and the cities to assume more responsibility for running their own shows. If he failed to break the Democratic hold on Congress, he did force the Democratic Party to move to the right. When Reagan entered politics 22 years ago virtually every Democrat outside Dixie identified himself, proudly, as a liberal; today, in large part because of Reagan, almost every Democrat in the nation tries to call himself a conservative.

Bid for Greatness: Tax Reform

These are important changes, but not of such a magnitude to earn Reagan a title of "great." The great presidents are the ones who bring permanent changes in society. Teddy Roosevelt and conservation and trust-busting, as one example, or Woodrow Wilson and the Federal Reserve System, Franklin Roosevelt and Social Security, Harry Truman and the integration of the armed forces, Dwight Eisenhower and the interstate highway system, Lyndon Johnson and Medicare and civil rights.

Reagan's bid for greatness is tax reform, and on this one it is just too early to tell. If the doomsayers are right and we are dragged into a depression by the deficit and the trade imbalance, Reagan's tax policy will be reversed and forgotten. If the optimists are right and the economy continues to grow, the new tax rates will become permanent and Reagan will be blessed for his wisdom and courage.

Like Ike and JFK

Comparing Reagan to other presidents produces mixed results. He has been very like Jack Kennedy in a number of ways: cutting taxes to stimulate the economy, accepting large deficits in order to step up the pace of the arms race, indulging in Cold War rhetoric. He has been like Dwight Eisenhower in a number of ways: talking tough while maintaining the peace, using the CIA's covert capabilities rather than the Armed Forces' overt firepower to support his policies in the Third World, using a show of force rather than force itself in the Middle East while attempting to maintain an even-handed policy toward the antagonists. Reagan has also been very like Eisenhower in his tremendous personal popularity, as well as in his inability to use that popularity to promote the Republican Party.

Therein lies the biggest difference between Reagan and Nixon. Many people admired Nixon, almost no one ever liked him. Almost everyone likes Reagan, although not so many admire him. Every scandal in the Nixon administration came home to stick to the president; the Reagan administration's scandals have been more numerous, and in the case of Iran/Contra, more serious, but none of them have stuck to the president.