

Dick Cheney's role as vice president under George W. Bush is his latest in a long career in both government and the private sector. The former Congressman from Wyoming served in two Republican administrations prior to this one, as Gerald Ford's chief of staff and as George H.W. Bush's secretary of Defense.

In this interview, Cheney discusses his views on the role of the government, foreign trade, and the role of the United States in the global economy.

The U.S. Government: Keeping Up with the World Around It?

INTERVIEWER: We grabbed a speech of yours from a couple of years back. You talked about the power of ideas as economic change over the past decade or more. Now you're back in government. How do these ideas... [translate] into practice, now that you're here back in power?

DICK CHENEY: I've only been back 100 days, roughly, and I'm struck by several things. One of the things, to a larger extent than ever before, I have a feeling that the government is lagging behind the times. We still are very focused on national borders and boundaries. Governments are supposed to do that—that's the way we're constituted; that's where our responsibilities lie. But in the economic realm those borders don't amount to very much anymore. Sometimes they're impediments to transactions, but they don't have nearly the significance that they do for governments.... The most positive thing governments can do, it seems, is to knock down barriers to trade and to international commerce, rather than do anything positive or affirmative in terms of promoting economic growth.

INTERVIEWER: And what's brought about that change?

DICK CHENEY: A lot of it's technology. Government almost by its nature is slow to adapt, especially in our system of government. We've got all of our checks and balances. We don't want a government that's too efficient, in a sense. That's the way it was designed, with fear [of] central power in mind. That's what our revolution [was] all about, but that [idea] carries over now some 200 years later. It's easier to block action than it is to actually achieve something. From the standpoint of things to deal with, the rapid developments of the current economic sector were often left behind. Our management information systems aren't state of

the art. Our information technology in government isn't as good as it is in the private sector. Our procurement system is screwed up in the sense that we can't respond quickly and rapidly in changing circumstances. We're so big, for example, in the Defense Department. You can only change a small part of it at any one time, so we're still using technology in the military arena that's sometimes 25 and 30 years old, whereas no self-respecting corporation would be caught at this point trapped with 25- or 30-year-old technology.

INTERVIEWER: Yet at the same time, particularly in the economic sphere, America's power is unrivaled. It's the greatest it's ever been.

DICK CHENEY: In the private sector, that's true. We're a more powerful country economically than we've ever been. But we also have, out of all the major powers, a government sector that's smaller relative to the economy than most of our European competitors or the Japanese, or just about any major economy.

INTERVIEWER: Do you think there's a connection?

DICK CHENEY: Sure. That's one of the reasons our economy's as good as it is, because government isn't totally in control. It doesn't have the reach and the grasp that it does in some other sectors. So we do continually have these battles over how big government ought to be. We're in the midst of a struggle right now to control the size of government. We're cutting taxes and reducing revenues. [Now that we've generated these] large surpluses, we're having our own internal debates over how much of that ought to go for new spending in a larger government, and how much of that ought to be retained by the taxpayers. Many of us on the conservative side especially believe that the government ought to be limited, and the way to do that is to cut taxes and deny it that source of revenue.

Selling Free Trade

INTERVIEWER: Free trade is a complicated idea. How do you sell it politically both on Capitol Hill and more generally to the public at large?

DICK CHENEY: We've been fairly successful, certainly since the end of World War II, [in promoting] the notion that free trade's a good thing. It doesn't mean there aren't protectionist

tendencies in our society—clearly there are, and there's some protectionist policies in place. We still protect certain industries to a greater extent than we probably should. But I think the record speaks for itself. If you look at the North American Free Trade Agreement, it's been a remarkable success for Canada, Mexico, and the United States. And the extent to which it's generated increased economic activity, significantly enhanced the total amount of trade back and forth between the three nations, leads to rising incomes and more jobs and greater prosperity for everybody involved. It's a difficult political sell sometimes, but if you can get people to look at the generic benefits or the aggregate benefits of free trade I think they begin to see why it's wise. The problem, of course, is the opposition is usually generated by the specific interests that are going to be harmed, or are suddenly going to have to face competitors they wouldn't otherwise have to face if you kept the trade barriers up. But I think there's no question about whether free trade's a good idea. It's been a very solid development. It's a very important principal for us to continue to pursue.

INTERVIEWER: A couple of weeks ago we interviewed President [Vicente] Fox in Mexico. We were also up in Quebec City, and obviously he and the president [Bush] have a great personal rapport. He also talks about his long-term vision of eroding order, in economic terms, between the two countries. How does that sit from where you stand in terms of looking after American interest?

DICK CHENEY: It depends on what you're talking about. If you're talking about economic commerce and transactions back and forth, it's clearly much freer today than it's been in the past. We'll continue to try to pursue those objectives. If you get to the point where you're talking about total freedom of movement in terms of people back and forth across the borders, that gets to be a little bit difficult. The U.S. does have a tremendous attraction for people all over the globe, and we welcome migrants, but it has to be controlled. There has to be a legal, orderly process for doing this, and so there [cannot be] an absolutely totally wide-open situation.

INTERVIEWER: How significant was President Fox's election for both Mexico and, more broadly, for the U.S. as a long-term partner with Mexico?

DICK CHENEY: I took it as part of the maturing of Mexico's political system, and the fact that you can now have that shift in terms of which party's in control of Mexico. The strength of a strong democracy and good solid evidence that Mexico is moving forward, is making progress, is gaining in terms of its own self-esteem and prepared to have a more normal relationship with the United States than has been true in the past.

INTERVIEWER: We've talked some about trade and the benefits of trade from your perspective.... [That is] not something one traditionally thought of as a Democratic issue, and yet they adopted [it in the last election]. Did you have a sense that traditional Republican ideas were being appropriated by Democrats?

DICK CHENEY: No, I just thought it was good, sound policy. I was glad to see that the Clinton administration pursued it. It was something I remember Ronald Reagan talking about, a North American Free Trade Agreement back early in his days. And of course it ultimately came to fruition through the [first] Bush administration and the Clinton administration. But I think a good idea ought to be appealing to politicians of both parties. It shouldn't be restricted based simply upon political affiliation. Give Bill Clinton credit for that. I thought that was something they did well. I didn't agree with much of what he did, but I thought that was one of his better policies.

U.S. Self-Interest vs. the World's: "No Fundamental Contradiction"

INTERVIEWER: We've seen a marked extension of trade. How do you see America's role in the global economy? How do you balance America's economic self-interest [and] national interest with its larger role in the world?

DICK CHENEY: I don't see any fundamental contradiction between what we want to do in terms of our own long-term economic interests [and] our role in the world. I think the U.S. is going to do very well in a global economy. We want our consumers to benefit from getting the highest quality products at the lowest possible price. We want our companies to be able to compete on a global basis and be able to sell anywhere and be able to go head to head with companies from other countries. Plus, increasingly, international borders don't mean a lot in terms of the management, even ownership, of companies. A lot of these are truly more

financial concerns now, and I think a lot of that's in keeping with the United States's role in the world. I don't think there's any fundamental contradiction built in there.

I have a problem with this notion that there's widespread resistance out there to globalization. I see things like the Quebec summit or Seattle, and there are people in the streets protesting, but it's hard to tell what they're really against. You put the microphone in their face and give them a platform, and they're very inarticulate. They describe themselves as anarchists. I frankly don't think it's very widespread. It gets more attention as the opposition than deserved simply because they're very good at going to where the cameras are gathered, and so it gets covered. But at this stage I don't find in my travels around the country, or even around the world, that there is widespread opposition to the basic fundamental trends that have been there for the last 40 or 50 years. Millions of people a day are better off than they would have been without those trends and developments, without globalization, without the developments of increased international commerce, and that's all [for] the good. And very few people have been harmed by it.

INTERVIEWER: Millions of people abroad?

DICK CHENEY: And in the United States.

Does Expanded Trade Lead to Social/Political Change?

INTERVIEWER: What do you say to people who say, "Yes, globalization in trade is good, but there's a whole swamp of developing countries that are left out"? What hope can they have to be a part of the global economic system?

DICK CHENEY: A lot of times you have to ask why they're left out. Has something happened in connection with the development of today's modern world economic system that's disadvantaged them? Are they worse off than they used to be? And [in] general, the answer is no. If they've got problems, then there clearly are serious problems. There are problems of poverty and disease. Think about the AIDS epidemic, for example, that's now raging in Africa and in many other parts of the world. That's a terrible, terrible tragedy, and we need to work to find ways to deal with those kinds of circumstances.

But in many cases these countries haven't been able to benefit in terms of the global economy because they don't have modern financial systems, or because there is a very high level of corruption in the government, [or because of] political instability of various kinds. They're not good places to invest to the extent that they [have yet to] adapt and seek to attract investment and compete out there for investment dollars with other parts of the world, and adapt their systems so they become an attractive target for investment. Then they generally succeed. There are a lot of examples of that throughout Southeast Asia—for example, the Asian tigers.

Now look at China. China's a classic case of a country today, even with all their problems, even with as many disagreements as we have between the United States and China.... I was in China 25 years ago. I know what it was like when Mao was still alive, and I know what fantastic progress there has been economically. There [are] still significant parts of the population in China that have never benefited from that growing prosperity. But there are [millions] of Chinese today who are living better lives than they were 25 or 30 years ago because of what's happening with respect to the world economy and because of the changes they've had to make in order to become part of the world economy.

INTERVIEWER: That's another case where the connection between trade and political change could be quite [strong].

DICK CHENEY: One of the greatest spurs to change in the reform in a lot of these countries... is to meet the standards [required] to be an effective participant in the international marketplace ... and to allow outside investment and to welcome new technology. We can't really go in and dictate to these nations how they should conduct themselves and implement reform to give a better break to their citizens. But this spur of economic development and [of] wanting to participate in that global economy is as strong an incentive as they're ever likely to have to do the right thing by their own populations.

Containing Contagion

INTERVIEWER: We're looking at the Asian crisis of contagion that's spread around the world and, more broadly, what it means. I was wondering whether you think, as a businessman and

now a government leader, that we're going to see those kinds of financial crises spread rapidly more often, and if so, can you do anything from where you sit to prepare for it?

DICK CHENEY: There clearly have been periods when you talked about the Asian contagion, and it does ripple around the globe fairly rapidly. On the other hand, we adjust more rapidly than we ever have before. We've got the good sense not to retreat into a protectionist posture when there are economic problems in the world, and we didn't repeat the mistakes of the 1930s. We don't always get it right, [but] that's a big, complex mechanism. I don't think we always understand it, but generally, overall, over the last few decades we've done pretty well in this regard.... We also have a greater capability today to understand what's going on, to know what's happening out there in the global economy, to keep track of currency flows and so forth, and better understand how to avoid making these problems worse.

INTERVIEWER: And if they happen, can they be managed? Can the U.S., or should the U.S., try to manage them?

DICK CHENEY: I don't know that you can manage them on a worldwide basis. Certainly we can have the dominant impact just given the size of our economy—we are the world's biggest market, the world's biggest exporter. If we manage our affairs properly, the odds are pretty good that we can weather these kinds of conflicts and deal with them. The jury's still out. There's no absolute guarantee we'll always get it right. We've been blessed in recent years to have a man like Alan Greenspan [as] chairman of the Federal Reserve. [He's] done a pretty good job as our Fed chairman. Hopefully we'll always have people of that caliber in that position, but there's a lot riding on the decisions he makes.

Problem Solving in Government and the Private Sector

INTERVIEWER: You've seen your career in public life shift from Keynesian economics and the idea that government plays a strong role to some new model. How has that affected your own thinking about government's role?

DICK CHENEY: If there's a general trend in my thinking over the time that I've been in government, I've become probably more conservative. That may just come from experience. In a sense there's always a great temptation when you're relatively young and you've just

come to government for the first time to want to fix everything and to think that somehow there's a government solution for every problem out there. Sometimes there isn't. Sometimes a problem just has to be [left alone]. Things will happen, and you let them happen. You may not have the answers; you have to resist the temptation to do something on the grounds that you have to be seen as doing something. Lots of times the right answer is don't do anything; let things take their course and it'll get sorted out in due course. But government doesn't necessarily have the answer. I've watched Congress do this all the time. Right now we've got energy problems in California, and some of my friends on the Hill are running around trying to figure out how to pass legislation that would avoid blackouts this summer in California. There's no bill you can pass that's going to create kilowatts. It's just a simple problem. It's a long-term problem, and we do need to be in on solving the problem, but politicians need to resist the temptation of telling their constituents "I'll take care of it" if in fact there's no immediate relief available, or [there are no] regulations that can be issued.

INTERVIEWER: And what did you take from being in the private sector in the '90s at the time of rapid change?

DICK CHENEY: I came away from it with great respect for what people accomplish in the private sector, with a sense of how enormously competitive it is, the extent by which our business executives get measured. I was there during a creative time when we moved [toward] a general practice of greater accountability on the part of corporate executives for the performance of their company, and if they didn't perform they were out. They were quickly replaced. I was involved as a board member in a couple of situations where we actually replaced CEOs. There is a greater degree of accountability there than I'd thought before I got involved. But there's a pragmatism of practicality that goes with trying to run a big company and create new products and bring new technology to problems. I've a much healthier regard for the business world than I had before I was part of it.

New Rules of the Game: Building the Imaginary Bridge

INTERVIEWER: We need new global rules of the game to prevent a crisis like [the] financial Asian contagion and also to ensure equity in [both] the developing world and the developed world. Do you think that the global economic system needs new rules in itself? Who should set them?

DICK CHENEY: They're being developed all the time. We're in the midst at any given time of trying to develop new cooperative approaches to things. We just had a summit in Quebec. We've developed recently the North American Free Trade Agreement. There's a lot of discussion about other trade agreements involving the U.S. We've now got the common currency in Europe, the European common market. There's a constant, continual process of evolving new institutions and mechanisms, new practices that make it easier for the world to function given modern technology and the modern economy and so forth, and that's fine. I don't think there is any one overnight solution. I don't know anyone who's smart enough to sit down and write a brand-new set of rules that we should all then adhere to. It is a process for negotiation among solvent and independent nations. That's probably as it should be, and it will evolve over time. I do think we learn from our mistakes. But the idea that there's some sort of basic right way to do it out there, and there's one individual or group that have got all the answers, I'd be deeply suspicious of that notion.

It's a part of my attitude towards governments involved in the economy, [one that] goes back to having been involved in wage/price controls during the Nixon years. I was the assistant director of the Cost of Living Council, supervising 3,000 agents trying to enforce wage/price controls. I always remember a debate we had. This was in 1972 during the reelection campaign, the Nixon administration, when the public was convinced that food prices were going up, so the political debate was whether or not we should re-impose a freeze on food prices. But in reality, if you looked at the consumer price index, the food component, it hadn't budged in six months. There had been absolutely no increase in food prices whatsoever. But we had a meeting in the Cabinet room where we argued about whether or not we should put controls back on food prices. And at one point President Nixon spoke up and quoted... "Sometimes in order to be a statesman you have to be a politician for a while. And when the people see an imaginary river out there, the politician doesn't say, 'There's no river there'; he builds an imaginary bridge over the imaginary river. Therefore we ought to control food prices." That struck me. It captured a lot of the dangers, even though best intentions can get you in trouble with respect to too much government involvement in the community.... But especially it's dangerous when you get to the point where you're working off misperceptions and trying to build a government policy that's not based on fact and on reality and on truth, but rather on the myth that somehow there's an imaginary river there. You don't say to the

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public, "There's no river there"; you say, "Okay, we'll put an imaginary bridge over your imaginary river."