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## A Strong Push From Backstage

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Air Force Two touched down at the Greenbrier Valley Airport in West Virginia on Feb. 6, 2003, carrying Vice President Cheney to the annual retreat of Republican House and Senate leaders. He had come to sell them on the economic centerpiece of President Bush's first term: a \$674 billion tax cut.



When the president announced his economic package the day after this Cabinet meeting in January 2003, Cheney had one more thing to add. Corbis

Cheney had spent months making sure the package contained everything he wanted. One thing was missing.

The president had accepted Cheney's diagnosis that the sluggish economy needed a jolt, overruling senior economic advisers who forecast dangerous budget deficits. But Bush rejected one of Cheney's remedies: deep reductions in the capital gains tax on investments.

The vice president "was just hot on that," said [Cesar Conda](#), then Cheney's domestic policy adviser. "It goes to show you: He wins and he loses, and he lost on that one."

Not for long.

As the Republican lawmakers debated in a closed-door session at the Greenbrier resort, the vice president revived the argument, touting his idea as a way to energize a stock market battered by scandals such as Enron. House allies inserted Cheney's cut into their package. But that came at the expense of one of Bush's priorities: abolishing the tax on stock dividends.

Cheney has changed history more than once, earning his reputation as the nation's most powerful vice president. His impact has been on public display in the arenas of foreign policy and homeland security, and in a long-running battle to broaden presidential authority. But he has also been the unseen hand behind some of the president's major domestic initiatives.

Scores of interviews with advisers to the president and vice president, as well as with other senior officials throughout the government, offer a backstage view of how the Bush White House operates. The president is "the decider," as Bush puts it, but the vice president often serves up his menu of choices.

Cheney led a group that winnowed the president's list of potential Supreme Court nominees. Cheney resolved a crisis in the space program after the Columbia shuttle disaster. Cheney fashioned a controversial truce between the legislative and executive branches -- and averted resignations at the top of the Justice Department and the FBI -- over the right of law

enforcement authorities to investigate political corruption in Congress.

And it was Cheney who served as the guardian of conservative orthodoxy on budget and tax matters. He shaped and pushed through Bush's tax cuts, blunting the influence of Federal Reserve Chairman [Alan Greenspan](#), a longtime friend, and of Cabinet rivals he had played a principal role in selecting. He managed to overcome the president's "compassionate conservative" resistance to multiple breaks for the wealthy. He even orchestrated a decision to let a GOP senator switch parties -- giving control of the chamber to Democrats -- rather than meet the senator's demand for billions of dollars in new spending.

On the home front, the vice president is well known for leading a secretive task force on energy policy. But in a town where politicians routinely scurry for credit, Cheney more often kept his role concealed, even from top Bush advisers.

"A lot of it was a black box, and I think designedly so," said former Bush speechwriter David Frum. "It was like -- you know that experiment where you pass a magnet under the table and you see the iron filings on the top of the table move? You know there's a magnet there because of what you see happening, but you never see the magnet."

### A 'More Effective Role'

When Bush tapped Cheney to be his running mate seven years ago, he chose a man who had put a great deal of thought into how a vice president can transform himself from a funeral-trotting figurehead into a center of real power.



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In 1980, as Ford was being wooed to run for vice president, Cheney played a key role in re-imagining the job. [More »](#)

Photo: President Bush and Vice President Cheney check their watches in the White House on Jan. 26, 2001, following the ceremonial swearing-in ceremony for Secretary of State Colin Powell. (White House via Reuters)

As President Gerald R. Ford's chief of staff in the 1970s, Cheney saw firsthand how White House policies got shaped -- and how a vice president such as Nelson Rockefeller could become so marginalized as to be dumped from the ticket. Former Army secretary [John O. Marsh Jr.](#) said Cheney knew that he needed to control the process by which the president makes choices to ride "the rushing river of power" that winds through the West Wing to the Oval Office.

"Dick's major concern, one of them was, and I agree, that there needs to be a greater and more effective role for the vice president," Marsh, a longtime Cheney friend, said in an interview. "He holds the view, as do I, that the vice president should be the chief of staff in effect, that everything should run through his office."

In Bush, Cheney found the perfect partner. The president's willingness to delegate left plenty of room for his more detail-oriented vice president.

"My impression is that the president thinks that the Reagan style of leadership is best -- guiding the ship of state from high up on the mast," said former White House lawyer [Bradford A. Berenson](#). "It seems to me that the vice president is more willing to get down in the wheelhouse below the decks."

When the space shuttle Columbia disintegrated over Texas on Feb. 1, 2003, for example, Bush

was consumed with concern for the families of the seven dead astronauts. That left Cheney to make the first critical decisions about the future of manned spaceflight.

Even as the vice president and others were grappling with the invasion of Iraq, Cheney crafted a solution to the most pressing problem facing the space program, said former NASA administrator [Sean O'Keefe](#), a Cheney protege.

With its shuttle fleet grounded, the space agency had no way to resupply the crew aboard the international space station, including two Americans. Russia was demanding \$100 million to take up the slack. But Congress had barred space-related payments to Moscow unless the administration could certify that the Russians were not transferring banned technology to Iran for nuclear, biological or chemical weapons. Getting the law changed would take time, and could "open up a can of worms" with no guarantee that the result would be to the administration's liking, O'Keefe said.

The vice president's solution, he said, was to get around the law by cutting the deal as a barter. The Russians wouldn't charge the United States for the costs of flying to the space station, and in return, the Americans wouldn't charge the Russians for their share of some operating and equipment costs.

The vice president then took the lead in persuading the State Department to go along with the plan, which never came to public attention. "He helped frame how to do this without a major diplomatic dust-up," O'Keefe said.



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When it came to vetting potential nominees, the vice president steered the selection committee. [More »](#)  
Photo: The president meets with Supreme Court justices on Oct. 3, 2005. A day earlier, Cheney learned, through a Bush aide, that the president had nominated White House counsel Harriet E. Miers for a spot on the court. (AP)

Last year, Cheney was behind another unprecedented and controversial deal that inserted the White House into an ongoing criminal probe.

When the FBI seized files from the office of Rep. [William J. Jefferson](#) (D-La.) as part of a bribery investigation, House Republican leaders erupted. With a number of their own members under investigation for other matters, they charged that the search violated the Constitution. They demanded the return of the files.

Cheney quickly gravitated toward the House's position, aides said, but Attorney General [Alberto R. Gonzales](#); his top deputy, [Paul J. McNulty](#); and FBI Director [Robert S. Mueller III](#) threatened to resign if forced to hand over evidence they believed had been properly collected under a warrant.

White House Chief of Staff [Joshua B. Bolten](#) called a meeting on May 25, 2006, to resolve the political and legal crisis. The president's lawyers and congressional liaison were in the room, and so was Cheney. Once again, it was the vice president who came up with a solution, according to a participant. Cheney's plan met his goal of keeping the files from federal investigators. The files would be placed under seal for 45 days. Within hours of the meeting, Bush made Cheney's recommendation official. As often happens in government, delay was decisive. Jefferson [was indicted earlier this month](#) on 16 counts of bribery, racketeering, fraud, money laundering and obstruction of justice. But nearly half of the files remain off-limits, tied up in legal disputes.

### Taking Options 'Off the Table'

Cheney's influence is manifested not just in crisis but also through his extraordinary involvement in the daily machinery of the White House.

The vice president chairs a budget review board, a panel the Bush administration created to set spending priorities and serve as arbiter when Cabinet members appeal decisions by White House budget officials. The White House has portrayed the board as a device to keep Bush from wasting time on petty disagreements, but previous administrations have seldom seen Cabinet-level disputes in that light. Cheney's leadership of the panel gives him direct and indirect power over the federal budget -- and over those who must live within it. [\[Read then-OMB Director Joshua Bolten's memo about the review board.\]](#)

Mitchell E. Daniels Jr., who served as Bush's budget director from 2001 to 2003 and is now governor of Indiana, said that during his tenure the number of times a Cabinet official made a direct budget appeal to Bush "was zero," which aides from previous administrations found "stunning," he added.

Daniels said he chalked that track record up to "the respect people had for the vice president." Cabinet members, he said, recognized that if the board didn't agree with them, "then the president wasn't likely to, either."

It is well known that Cheney is usually the last to speak to the president before Bush makes a decision. Less so is his role, to a degree unmatched by his predecessors, in steering debate by weighing in at the lower-level meetings where proposals are born and die.

Cheney, Bolten said, is a vocal participant at a weekly luncheon meeting of Bush's economic team, which gathers without the president. As the most senior official in the room, Cheney receives great deference from Bush's advisers.

Wise officials vet their proposals in advance. White House budget director [Rob Portman](#), for instance, sought Cheney's counsel as he was putting together the budget for the upcoming year, using him as a "sounding board" on issues as varied as defense spending and tax reform.

"He never, ever has said to me, 'Do this.' Never. Which is interesting, because that might be the perception of how he operates," Portman said. "But it is 'What do you think of this?' Well, he's the vice president of the United States -- and obviously I'm interested in his point of view."

Perhaps more important than Cheney's influence in pushing policies is his power to stop them before they reach the Oval Office.

When [Edward P. Lazear](#), chairman of the White House Council of Economic Advisers, broached the idea of limiting the popular mortgage tax deduction, he said he quickly dropped it after Cheney told him it would never fly with Congress. "He's a big timesaver for us in that he takes off the table a lot of things he knows aren't going to go anywhere," Lazear said.

Lazear, who is otherwise known as a fierce advocate for his views, said that he may argue a point with Cheney "for 10 minutes or so" but that in the end he is always convinced. "I can't think of a time when I have thought I was right and the vice president was wrong."

But Cheney is careful to choose which issues deserve his attention, preferring not to dissipate his influence. "Dick Cheney learned early on to say no to things that were peripheral to his primary interests or assignments," said his longtime friend [David Gribbin](#).

Current and former White House officials say that the vice president has largely steered clear of hot-button issues such as stem cell research and Bush's "faith-based" initiative to funnel more federal money to religious groups. He is also savvy enough, they say, to retreat when the president expresses strong personal views.

Cheney sided with conservatives who wanted to urge the Supreme Court to reverse a landmark ruling that permitted affirmative action. But, former officials said, he did not press

the case when the president, who as governor of Texas had run a state university system, made it clear that he intended to take a more limited and nuanced legal position.

Word of a Cheney loss seldom leaks, a trait that has further endeared him to Bush -- and that has served to exaggerate his influence. Former Cheney and Bush aides described several domestic policy defeats that never reached public notice.

Cheney shared conservative trepidations about the president's signature education initiative, the No Child Left Behind Act, which gave the federal government more control over K-12 education. He has griped privately to confidants, such as economist and CNBC host [Lawrence Kudlow](#), about the administration's failure to control spending. And in robust internal White House discussions, he raised concerns about the cost of the administration's decision to expand Medicare to include a new multibillion-dollar drug entitlement, but bowed to the political reality that the president had to fulfill a campaign promise.

"At least in my area, he didn't have a 100 percent batting average," said Conda, the former domestic policy adviser.

In each case, however, Cheney was a loyal soldier, instrumental in helping to sell the president's policies on the Hill and to the Republican base.

"Dick once told me that our president is a 'big-government conservative,'" said former senator [Phil Gramm](#) (R-Tex.), in a recollection disputed by Cheney's office. "Now, Dick keeps his opinions to himself whenever he disagrees with the administration, as he should. But I believe that Dick is a small-government conservative."

#### 'A Spine Quotient'

When Sen. [James M. Jeffords](#) (Vt.) threatened to bolt the GOP during negotiations over the president's 2001 tax package, senior Bush advisers and Republican senators were deeply split over whether to buy him off. It was a momentous decision -- a Jeffords defection would toss the Senate to Democratic control for the first time since 1994.

But in a contentious internal debate, the vice president forcefully argued that the administration should not capitulate by giving Jeffords the billions of dollars in special-education funding he sought, recalled O'Keefe, at the time deputy director of the Office of Management and Budget.

O'Keefe said Cheney argued that the White House should not sacrifice conservative principle in the face of Jeffords's threat by scaling back tax cuts dear to the GOP base in order to create an expensive new mandate. Gramm, who confirmed that account, said there would have been no end to such demands if the president had caved.

"The principle was 'Hell, we can't go around funding programs based on what some individual might do,'" said Gramm, who worked closely with Cheney during the negotiations.

By the end of the critical meeting, O'Keefe said, the divided group presented Cheney's view as the consensus recommendation to the president. Bush's \$1.35 trillion tax cut passed, and Jeffords defected as promised.

Such stands by Cheney were not uncommon, said Bolten, the White House chief of staff. Cheney often stepped in if he sensed the administration was softening its commitment to Republican "first principles," Bolten said, and he was "a pretty vigorous voice for holding the line on spending and for holding the line on tax cuts." Longtime Cheney adviser [Mary Matalin](#) said the vice president brings a "spine quotient" to internal debates.

Cheney's power derives in part from meticulous preparation paired with a strong will to prevail. He knows what he wants, and as one rival put it, Cheney and his staff are "just ferocious negotiators."

The vice president regularly convenes a kitchen cabinet of diverse outside economic experts,

often before the president is about to make a major decision. Members of the group describe a man who enjoys the nitty-gritty of economics, poring over charts of obscure data such as freight-car loadings and quizzing experts on the subtle ways the government can influence the economy.

"With the president it was much shorter. It's 'Marty, what do you think of where we stand today?'" said Martin Feldstein, a Harvard economics professor and the president and chief executive of the National Bureau of Economic Research. "It's also a less technical presentation."

**R. Glenn Hubbard**, Bush's former chairman of the Council of Economic Advisers, said of Cheney: "I'd have conversations with him that were at a level of detail that those with the president were not."

In the weeks following the attacks of Sept. 11, 2001, as the White House was putting together an economic recovery package, Cheney gathered his kitchen cabinet, frequently interrupting the experts as he furiously jotted notes on a stack of cards embossed with the vice presidential seal. What kind of tax cuts are needed? Cheney wanted to know. How big?

A few days later, Cheney was "on fire" when he met with the president, Cheney's chief of staff, **I. Lewis "Scooter" Libby**, later told Conda. Cheney had decided that the best way to shake business leaders out of their post-attack paralysis was to let them immediately write off the cost of new plants and equipment. After hearing him out, Bush made Cheney's idea a centerpiece of his plan.

In previous administrations, such initiatives typically have been generated by the Treasury Department or the White House economic team. But Cheney has made the vice president's office a hub of tax policy, enabled by the fact that "this president appears to want to have Treasury take the orders from the White House," said John H. Makin, an economist and an informal Cheney adviser.

All this put Cheney in a position to outflank some of Bush's top advisers, and even his old friend Greenspan, to shape the administration's signature tax package: the 2003 cuts that Cheney sold at the Greenbrier resort in West Virginia.

### 'The President Made the Call'

As far as Greenspan knew, the vice president agreed with him on the danger of the tax package Bush was contemplating. The Federal Reserve chairman worried that the sheer size of the cuts would drown the federal budget in red ink.



When Bush met with Alan Greenspan, Cheney was almost always present. Behind the scenes, the vice president took steps to undermine a study the Federal Reserve chairman gave him that could threaten the 2003 tax cuts. AP

Cheney and Greenspan met regularly, far more often than the Fed chief met with Bush, according to interviews and Greenspan's calendar. And when the president did meet with Greenspan, Cheney was nearly always in the room.

The vice president and the Fed chairman had formed a close bond when both served in the Ford administration. The Fed chief saw the vice president as a conduit to a president he did not know nearly as well, someone he could trust to fairly present his views to Bush.

So Greenspan sent Cheney a study by one of the central bank's senior economists showing that

big deficits lead to higher long-term interest rates, according to a person with firsthand knowledge. Higher rates, Greenspan believed, would wipe out any short-term benefit from a tax cut.

In subsequent meetings with the Fed chief, Cheney never took issue with the study. What Greenspan did not know was that, behind the scenes, the vice president took steps to undermine an argument that could threaten the big tax cut he favored. Conda, the vice president's aide, said Cheney asked him to critique the study. Conda attached his own memo arguing that the Fed's analytical model was flawed. He said "it wasn't my job to know" what Cheney did with the paperwork, but noted that Greenspan's study did not gain traction inside the White House.

Aside from Greenspan, Cheney had faced down opposition from many of the administration's senior economic voices, including Daniels, Treasury Secretary [Paul H. O'Neill](#) and Commerce Secretary [Donald L. Evans](#). They believed that the economy was recovering and that a deep tax cut wasn't needed. Daniels said he worried that it would undermine the GOP message of fiscal discipline.

Cheney, however, pressed his argument that the economy needed a jump-start. He wanted not only to reduce the tax on dividends but also to cut the capital gains tax and accelerate income tax breaks for top earners, according to Daniels, Conda, Hubbard and others. Conda said Cheney subscribed to the view of supply-side economists that when government cuts taxes the economy grows, generating additional tax revenue that largely offsets the losses from lower tax rates.

The standoff came to a head in late November 2002, during a meeting in the Roosevelt Room.

O'Neill continued to oppose the tax cut on grounds that the government was moving toward "fiscal crisis," irritating Cheney. "The vice president really got a sense of where O'Neill was coming from and surmised it was a problem," Conda said. The following month, Cheney would demand O'Neill's resignation.

Bush sided with Cheney on the dividends tax but thought it would be better to eliminate it altogether. The president was cooler on the capital gains tax, according to Conda and others. And having campaigned on a platform of compassionate conservatism, he expressed doubts about giving another income tax break to the wealthiest Americans, particularly because they would benefit the most from the elimination of the dividends tax, Hubbard said.

But by the time Bush publicly announced his tax package on Jan. 7, 2003, Cheney lost on only one major count. The president included no reduction in the tax on capital gains. **[Read the legislation: [As first introduced in the House](#) | [As passed by Congress](#).]**

"There was a question of priorities and how to fit things in," said Karl Rove, Bush's chief political adviser. "And ultimately the president made the call."

It was then that Cheney doubled back at the Greenbrier retreat.

"We were deciding how to proceed," recalled Rep. [Adam H. Putnam](#) (Fla.), now the third-ranking Republican in the House. "Are we going to put all our eggs in the dividends basket, or are we going to move on capital gains? As I recall, he was a very strong advocate on both counts, but particularly capital gains in terms of its potential to unleash the economy."

In the end, the House decided against eliminating the dividends tax cut, as Bush had wanted, choosing instead to just reduce the rate to make room for a capital gains cut.

[Bill Thomas](#), the California Republican who guided the final bill to passage as chairman of the House tax-writing committee, said he and Cheney go way back and "use each other in the best sense," with the two men deciding which one will make a proposal and which will speak up in its support.

In the case of the capital gains proposal, Cheney pitched it to the Greenbrier gathering.

Thomas pitched it to the White House, and he credited the vice president with persuading Bush to go along. "That," Thomas said, "is why the administration changed its position."

The vote in the Senate was **51 to 50**. Cheney, exercising his only formal power under the Constitution, cast the tie-breaking vote.

*Staff researcher Julie Tate contributed to this report.*

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