A Conversation with Ambassador Nikki R. Haley

TRANSCRIPT

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About Hudson Institute: Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.

Please note: This transcript is based off a recording and mistranslations may appear in text. A video of the event is available: https://www.hudson.org/events/1780-a-conversation-with-ambassador-nikki-r-haley22020
John Walters:
Good morning and welcome to the Betsy and Walter Stern Policy Center at Hudson Institute. I am John Walters, Chief Operating Officer at Hudson. Hudson's mission is to promote American leadership and global engagement for secure, free and prosperous future. We develop policy solutions by thinking about the future outside the limitations of conventional thinking. We are honored today to host Ambassador Nikki Haley, one of America's leading public servants, and someone who in the spirit of Hudson has proven to be a thinker free from the conventional blinders with an extraordinary record of accomplishment.

As you all know, Ambassador Haley was one of the most effective American representatives at the United Nations in decades. Reminding many Americans my age of the great UN Ambassador Jeane Kirkpatrick who also fought against forces of tyranny and those forces against democracy. Ambassador Haley spearheaded negotiations for the passage of the strongest set of sanctions ever placed on North Korea. She stood up for human rights, challenging the oppressive regimes in Iran, Syria, Venezuela, Cuba, and Russia. And she stood proudly with America's allies fighting the malevolent anti-Israel bias at the United Nations. Under her leadership as governor of South Carolina, state became a national leader in economic development including a 15-year unemployment low for the state over $20 billion in new capital investment and leading the nation in foreign capital investment.

As you know, she's a Clemson Tiger as well and we all know that Clemson's football team got pretty good under her watch. For all these accomplishments, Hudson was delighted to honor Ambassador Haley with our 2018 Global Leadership Award. Since leaving the administration, Ambassador Haley has launched Stand for America, an organization that has become a leading voice, promoting public policies that strengthen America's economy, culture, and national security.

Today, Ambassador Haley will discuss a topic that's important not just for our country but for the world, the future of capitalism. Following her remarks, she will be joined in conversation with my colleague, Hudson Institute, senior fellow Peter Rough. Now please join me in welcoming Ambassador Nikki Haley.

Ambassador Nikki Haley:
Thank you so much. Thank you, John for that kind introduction. It's a great pleasure to be at the Hudson Institute. Hudson is in the forefront of the battle of ideas, ideas about what makes America strong and prosperous, ideas about what makes the world freer and more, and I'm honored to be with you. I came here today with a simple goal to remind us why capitalism is the best economic system the world has ever seen. A growing number of people have forgotten this fundamental truth. The democratic presidential candidates are embracing socialism and some in more traditionally conservative circles are calling for a watered-down version of capitalism. While these two camps are different, they are the same in one key respect, both are dangerous to the American people.

For the sake of our children and our grandchildren, America's future must be built on an actual capitalist foundation. I'll start with the people and the place that I know best. My family and my home state of South Carolina. I'm the daughter of Indian immigrants. My parents left lives of relative privilege in India to move to America. They wanted to give their children the best shot at
the best life. It took them to the town of Bamberg, South Carolina. Population, 2,500. When I was growing up, my mother did what so many immigrants do. She started a small business, a retail clothing and gift store in one of the most rural parts of the state. It was a family business in every sense of the word, started from scratch.

When I was 12 years old, my mother's longtime bookkeeper announced she was leaving. After a couple of weeks of not finding a replacement, the bookkeeper got concerned. She had to train someone to take her place and time was growing short. She asked my mom how she wanted to handle it. I happened to be walking past at that exact moment. My mom grabbed my arm and said, "Train her. She can do it." By the time I was 13, I was doing taxes, keeping the ledger and balancing the expenses and the bank account. It wasn't until I got to college that I realized that wasn't normal.

Now I realize it was totally child labor. I love telling this story for so many reasons. Mostly because it shows the promise of America. This is a country where a woman can start a business, where she can hire neighbors and give them a good paycheck, where people can find different jobs, better jobs that match their talents and their passions. This is a country where someone who wants to make the world a better place can, and for these reasons, this country has lifted up more people, unlocked, more progress and unleashed more prosperity than any other country in history. This is America and the American system is capitalism.

Many people avoid saying that word, including some conservatives and business leaders. Some think it's a politically incorrect word, but we shouldn't be ashamed of capitalism. It's another word for freedom and it springs from America's most cherished ideals. We all know the most famous phrases from the declaration of independence. We hold these truths to be self-evident. We are endowed by our creator with certain unalienable rights, but while we know these words, we often forget their meaning. Yes, they mean freedom of speech, freedom of religion, and other fundamental rights, but the founders knew that economic freedom was also essential. What good are our rights if our homes and savings can be taken? Are we really free if we own nothing and the government owns everything? Of course not.

So while the founders never used the word, they gave us capitalism in all but the name. And over the years we've proven that capitalism can work for everyone. It's a myth that capitalism is just for the wealthy or big corporations. It has benefited workers and communities most of all. It's also a myth that capitalism is all America stands for. We have other deeply held values that make our economy and our country stronger. We don't allow sweatshop working conditions in America. We've invested in a vast public education system to help our children learn the skills they need. We've created a social safety net to make sure our friends, family, and neighbors don't fall through the cracks when they fall on hard times.

As Americans, we don't want a country where people get left behind and we don't want a country where government tells people, "You can't aspire to a better way of life. We'll just try to make you comfortable with the life you have." We want a country where every American can get ahead and we have made tremendous progress. Every American is massively better off today than our ancestors were. In 1800, no one had electricity. If you needed to go somewhere, you probably walked. You were lucky if you lived to the age of 40. One third of children didn't live past the age of five.
Then Americans did what we do best. We worked hard, we invented things, we gave more people the freedom to pursue their dreams, we reached for the stars and we never let anything get in our way. Now we drive cars, we fly in airplanes, we have the internet, computers and cell phones. Average incomes have soared by more than 4000%. Amazing medical breakthroughs mean we live twice as long and America is just getting started, but it's not just us. Capitalism has transformed the world. 200 years ago, 94% of the world lived in extreme poverty. Today, it's 10%. Much of this drop happened in the last 40 years after Soviet communism collapsed in Russia and Eastern Europe and after communist China adopted sweeping market reforms.

It's a similar story with childhood disease, literacy and even the environment. You wouldn't know it from listening to the gloom and doom on the left, but the facts are clear. The world is getting cleaner, healthier, and wealthier. And the main reason is capitalism. Everywhere capitalism takes root, people do better. We should celebrate this, not apologize for it. I've seen capitalism from two perspectives, private life and public life. My family's experience taught me that capitalism can lift up families and communities. It also taught me that government can have your back or it can stab you in the back. That lesson was a constant reminder when I got elected.

As governor of South Carolina, I would always talk about how hard it was to make a dollar and how easy it was for government to take it. My goal was to flip the script and come down on the side of workers and job creators. I wanted to make it clear that government was there to serve the people, not the other way around. We started by changing the government culture. We had all state employees start answering the phones, "It's a great day in South Carolina. How can I help you?" They hated it, but I wanted to remind them that they worked for the person on the other side of the line. I told my agencies that time is money and if you're costing a person or business time, then you were costing them money and that was no longer acceptable in South Carolina.

We had every agency streamline things. We were determined to set businesses up to succeed, not regulate them into failure. The results were incredible. We attracted over $20 billion in new capital investment. We were number one in foreign capital investment, number one in export growth in our region. We were building more BMWs than any place in the world. We recruited Volvo and Mercedes Benz and had five international tire companies. By the time we ended our administration, business and trade magazines named South Carolina, the beasts of the Southeast, which I loved. And best of all, our state unemployment rate hit a 15 year low.

When I left South Carolina, more South Carolinians were working than ever before in our state's history. Now remember, this is the same South Carolina that just one generation before was devastated by the collapse of the textile industry. For over a century, textiles dominated manufacturing in our state. The process of shifting away from it was wrenching. Real people in real communities suffered, but our answer was never socialism. The same communities in upstate South Carolina that once had textile mills today build cars, tires, and medical devices. The region has never had more jobs or better wages than it has today. South Carolina is proof that capitalism works and it works best for working people.

I'm proud of our state and I'm proud of our record. Then I went to the United Nations. More than anything else, that experience demonstrated to me just how exceptional America is, how
fortunate we are to have the system that we do. Even with all the progress of the last few
decades, there's still too much pain and poverty in the world. There are many causes, but the
biggest cause of human suffering is socialism. Socialism is the polar opposite of capitalism. It's
the dangerous idea that government should control the economy. That government should
control your ideas, your property, your money, your lives, and the consequences are well
documented and heartbreaking.

Socialism has failed everywhere it's ever been tried. Instead of prosperity, it leads to poverty.
Instead of opportunity, it creates dependency. Instead of Liberty, it means oppression at home
and often means aggression abroad. Instead of hope for a better tomorrow, socialism means a
living nightmare every single day. Look at North Korea. Its governing document is literally called
The Socialist Constitution. While I was ambassador at the UN, they released a report
documenting that country's plight. About 70% of North Koreans require food aid. More than one
out of five young and middle-aged women are malnourished. Nearly 30% of children are
physically deformed from hunger.

Torture and murder are the rule in the world's deadliest Gulags and North Korea's leader
dreams of overtaking his Southern neighbor and threatening America. Across the border in
China, while the introduction of market capitalism has done wonders for the economy, the
socialist political system has created the world's most repressive nation. Nearly 1.4 billion
people are under constant surveillance. Corruption is everywhere. In Jinjiang, millions of Muslim
Uyghurs have been thrown into modern day concentration camps, forced to change their names
and dropped their religion. Where people do have a choice in Hong Kong and Taiwan, no one is
choosing the Chinese socialist model.

Closer to home, socialism is alive but not well. In Cuba and Nicaragua. I dealt with these
countries as ambassador. My heart broke for their citizens. They live with tyranny beyond
anything Americans would recognize. Yet nothing moved me like the suffering of the good
people of Venezuela. In 2018, I stood on the Simón Bolívar Bridge, which crosses from
Venezuela into Columbia. I watched thousands of Venezuelans go by. Entire families walking in
the blazing heat for hours to get to Columbia where they would have the only meal they would
eat that day. The average Venezuelan lost 24 pounds in 2017 alone, 4 million have fled their
homeland. They are literally fleeing socialism.

The socialist dictator Nicolás Maduro propped up by his Cuban socialist allies has run
Venezuela into the ground. It was the richest country in Latin America when it was capitalist. It
also had free and fair elections. Now Venezuelans are digging in trash cans and killing zoo
animals for food. Millions are sick, starving, and denied the most basic political freedoms. The
same day I stood on the Simón Bolívar Bridge, I met a Venezuelan family and held their
beautiful baby girl. Her mom was emotional. She said she never wanted her daughter to grow
up that way.

Socialism is a total disaster and as Americans we must condemn it wherever it exists. That is
why it is truly amazing to see how socialism has become trendy in parts of America. These
days, it seems like socialism is everywhere. It's in our colleges and universities. It's in Congress
where an up and coming Congresswoman says, "Capitalism is irredeemable. It's at the highest
levels of society and politics." Right now, the Democratic Presidential front runner is an avowed
socialist named Bernie Sanders. Only in a prosperous country like America, sorry, can people be so flippant about capitalism and so naive about socialism.

Do you know where people aren't demanding socialism? Venezuela, Nicaragua, North Korea, every socialist country ever. It's at this point in the argument that defenders of socialism usually say, "Of course, they don't mean that socialism of Venezuela or China," their version is different they say. "It's kinder and gentler." They point to Scandinavia. The same Scandinavia or Sweden tried socialism, saw it fail and went so far in the other direction that it now has one of the freest economies in Europe. The same Scandinavia or Denmark cut its business tax rate by more than half. The Danish Prime Minister criticized Bernie Sanders and said, his country is a market economy and get this, Finland's president was recently asked if his country was socialist. His response "No, God bless."

Other democracies have tried socialism. Israel, India, and the United Kingdom went through periods of socialism only to abandon it. Their people are markedly better off as a result. This trend in America must be taken seriously. An entire generation has grown up without knowing the suffering caused by socialism in the 20th century.

America's collective amnesia is becoming a real threat. We owe it to ourselves and to future generations to educate young Americans about where socialism leads. We have the facts on our side, but more than that, we've seen the faces of socialism's victims. Their stories deserve to be heard. Stories of bread lines that stretch around streets, stories of empty grocery stores and hospitals without medicine. Stories not just of poverty, but of oppression, torture, and murder. Just ask any of our fellow American citizens who fled socialism, they know the truth and we need to tell it. This is a fight we must wage and win. We must promise each other and future generations that America will never become a socialist country, but socialism isn't the only thing that we need to guard against. There's a growing trend of people who reject socialism and capitalism. They say the free market is broken and it needs to be fixed.

I find this strange because it often comes from people who should know better. Take the business round table, it includes the CEOs of America's biggest companies. Last year they tried to redefine the role of business. These corporate leaders want companies to focus not on business, but on some vague notion of helping stakeholders. They seem embarrassed by their country's success. They shouldn't be. When the business round table says it means stakeholders, they say it's customers, workers and communities. Well, that's even more strange. It's puzzling, because in a capitalist economy, companies must tend to their customers, employees, and communities in order to succeed. A company that doesn't serve its customers doesn't have them for very long and will go out of business. A company that doesn't reward its workers sees them go work for a competitor, a company that is not a good citizen in its community breeds resentment and ultimately will not prosper.

A cutthroat company that cheats its customers, abuses its workers and offends its community is going to fail every time. The business Roundtable knows this. They know what capitalism is and why it works. The thing that allows abusive companies to survive is misguided government policies. Remember Solyndra? It was supposed to a global warming and create thousands of jobs. It didn't either and when it went bankrupt, taxpayers were left holding the bag, which brings us to the other critics of capitalism. Some conservatives have turned against the market system.
They tell us America needs a quote, "New kind of capitalism, a different kind of capitalism, a hyphenated capitalism." Yet while these critics keep the word capitalism, they lose its meaning. They want to give government more power to make more decisions for businesses and workers. They differ from the socialists, only in degree. Others reject capitalism in the name of the environment.

Too many young Americans are being convinced that the only way to save the planet is to reject capitalism. The opposite is true. Only countries that succeed economically have the resources and political will to demand a cleaner environment. Our capitalist economy continues to grow even as our carbon emissions decreased in 2019. It falls to all of us to explain to young Americans that if they care about preserving the environment, they should care about preserving capitalism. That is not to say our system is perfect, of course it's not, the critics of capitalism, whether socialist or embarrassed conservatives, have pointed out some real issues. They are just wrong when they try to diagnose the underlying disease. They're right when they say too many businesses engage in corrupt self-dealing. We saw it and the housing crisis of the last recession. We see it today with some anti-market monopolistic behavior, but that's not capitalism, it's corruption. It's often illegal and it's always immoral.

Corruption has no place in a free market. Everyone deserves an equal shot. They're right that too many special interests get special treatment, but that's not capitalism either, that's cronyism and corporate welfare. It destroys a level playing field and rigs the economy in favor of the well connected. We should expose it and root it out and no company should ever get a taxpayer bailout. They're also right that some communities in the American Heartland have suffered ill effects from globalist economics, but globalism and capitalism are not even close to synonymous. Take it from me, at the United Nations, I had a front row seat to the values of the multilateral bureaucrats. I assure you, capitalism was not among them. Finally, critics of capitalism are right that income levels are unequal. Income inequality will always exist in a free economy.

That is not capitalism's proudest feature, but it's infinitely better than the alternative. Under socialism, everyone is equal, but they are equal in their poverty and misery. Most Americans don't want to imagine John Lennon's world of no possessions. We want everyone to have the opportunity to prosper and capitalism creates that. Our country has problems. Most of them are driven by cultural decay and big government, not by businesses and billionaires. Broken families, insecure borders, schools that cost too much and teach too little, a safety net that often traps people. Capitalism can't be blamed for any of these problems. In fact, it can solve them. In the past few years have proven that. President Trump has tackled economic issues head on from trade, to taxes, to red tape. Unemployment has hit a 50-year low. Wages are up for working people. Food stamp rolls are down. Companies of all kinds have created millions of new, good paying jobs.

The stock market has created trillions in new wealth helping millions of retirees. After decades of investing overseas, our businesses are investing in American towns and American workers. The United States is on a roll because this administration brought capitalism back. Socialists and hyphenated capitalists have no good answer to this, and if their diagnosis is wrong, then it stands to reason that their cures are wrong, too. Their so-called solutions always end up with the federal government taking a bigger role in telling businesses and workers what to do, how to
invest, how to live. More tax credits here, more subsidies, more mandates for this, more regulations for that. The underlying assumption is that they can design a better economy. My question to them is simple, if politicians can best run the economy, then why is Washington DC such a mess? There's also another big problem with this approach.

For conservatives, the trend toward asking companies to get more involved in public issues is dangerous. If companies jump into politics, we'll get more corruption, more collusion, and more corporate welfare, not less, and by now we should all realize just how captive the corporate world is to the liberal political correctness. Disney threatens to pull out of Georgia, because of a pro-life law. Pension funds consider boycotting Israel and bowing to anti-Semites. Google refuses to work with the Pentagon to keep America safe, even while its search engine is freely used by terrorists. This is what happens when companies become activists. It's rarely a good thing for conservatives and it's bad for workers, too. Few things are more dangerous than big government and big business in bed with each other. Businesses should stick to business. At the end of the day, hyphenated capitalism is no capitalism at all. The better name for it is socialism light and it's just a slippery slope to the full-blown thing.

I don't believe we'll get there, because I believe in the American people. We have proved for nearly 250 years that capitalism works. As Americans, we cannot give up on the values that made us the envy of the world. We must put those values to work once again, and we are, today, and while we renew our economy at home, we must proudly promote our principles abroad. Foreign adversaries like Russia and China seize on our failure to defend our way of life. We must respond to the critics with the truth. Capitalism can end poverty, feed the world, and cure disease. Capitalism can give every child the chance, not just to dream, but to do. That's the hope every parent has for her children. And so my thoughts come back to my family, my mom, my dad, and my sister, and two brothers, the six of us together making our way in Bamberg, South Carolina, where our neighbors didn't know who we were, what we were, or why we were there.

We were there because my parents knew that in America, their children would be better off than they were. I thank God every day for their decision to come here. Our journey was unique, but our story was not. It is the same story that generations of Americans have lived. A story of hope, hard work, hard times, and hard choices, a story of belief that tomorrow will be better than today. It always was and still can be for this generation and all who follow, if we make the right choices. Speaking for myself, I will never forget the lessons I learned in my mother's store and in all the days since and I will never stop being the loud and proud ambassador of those principles to my country and the world. Thank you and God bless.

Peter Rough:
Thank you very much, Ambassador Haley, for those somber but uplifting remarks and welcome also everyone on my behalf. As John mentioned at the outset, I'm Peter Rough, a senior fellow here and it's a great day at Hudson Institute, so thanks for being here. Let me start with a question, maybe not for Ambassador Haley, but Governor Haley, and that is the last time I was in your state, South Carolina, it was for my brother in law's wedding and he got married in Greenville, which for those of you who haven't been there is really a thriving part of South Carolina, the whole Spartanburg, Greenville corridor seems to be doing really well. The main street is lovely. It has a river that's been cleaned up that cuts through downtown.
I raise all this because the wedding was in a former textile mill that's been repurposed as an event space. On the one hand you have this thriving economy that you described, but on the other hand, these subtle reminders of what the South Carolina economy once was. I guess my question for you is, you mentioned, I think you said, it was a wrenching transition. Is there a role for public policy? Is there a role for government to help facilitate or accelerate those transitions to feather the blow, whatever it might be. How should we think about that?

Ambassador Nikki Haley:
There is a role for government but lightly. The things that we focused on in South Carolina that involved government was first of all, creating the environment to be successful, for our business to be successful. We focused on lowering taxes. We focused on tort reform, we focused on making regulations flexible. We focused on the fact that time is money. From that standpoint, the environment you create, from a state government perspective, is hugely important to the success of businesses. The second thing is, as state government, we partnered the companies that were coming in with the tech schools that we had. Every international company that came in, when we partnered them with a tech school, they created their own plan to train and hire workers. That was us being a facilitator. There are roles that government can do, but they're not heavy handed, they're not federal, and they're not harsh. What they have to do is allow companies to succeed and to do that, it's usually to stay out of the way, but just be a facilitator.

Peter Rough:
It's interesting you say that. I have a good friend who runs a construction company in mobile and I was talking to him a few years ago, and he emphasized the importance of state government and how some states have done better than others. I think back to some of the measures Governor Walker took in Wisconsin when he was in Madison to try to create a business-friendly environment. I think Governor Perry, when he was Governor of Texas, used to fly to California and try to convince executives, pop his cowboy boots up on the desk and say, "Come to Texas. We have a better business environment." I think you had a friendly rivalry with some of your neighbors trying to attract business to South Carolina. At the same time, for your entire tenure as Governor, you had a federal government in Washington that I don't think would say that private sector growth was really its priority, or it's number one mission in the Obama administration. What is the relative importance of state and federal government, in a capitalist context, in creating business environment, creating growth, ensuring that communities can thrive?

Ambassador Nikki Haley:
I think what we saw in the last administration was they treated all states the same and they put a blanket on what they thought states should be doing. They went very heavy handed on regulations, particularly with the EPA. What you saw were companies wanted to come, but trying to maneuver that was really hard, and the flexibility was not there. I remember like recruiting companies and then once we recruited them, Obama would put another regulation down for the EPA and then they were stuck. That was time is money, that was heavy handed, that was not taking every industry into account. That was very hard. The second thing you can look at, I don't know if you remember when the national labor relations board took it upon themselves to say that Boeing could not hire workers in Charleston, South Carolina, because it would hurt the workers in Washington state.
It defied all logic. When the federal government can come in and dictate who, what, and where, no one benefits from that. Now we fought the NLRB and we won and now I think there's 7-8,000 employees building planes in South Carolina, but in every one of those respects, it goes back to the fact that the state governments can better know what their companies need. Honestly, with the environmental regulations, what we found were the companies that would recruit into South Carolina, they on their own would build green buildings. They very much cared about the environment, even if it costs them more. They wanted to be able to tell their communities that they were green and that they were protecting the environment, and we saw solar panels, and we saw the fact that they were doing other things. When companies are allowed to be innovative and they partner with states like that, good things happen.

Peter Rough:
One thing that struck me in your speech is, maybe, a hint of concern about where some of these issues are heading and what the future looks like. I read recently, I don't remember where, but a counterintuitive take that, in fact, as people age, they don't necessarily grow more conservative, which is, I think, a cliché that's out there, or people assume that to be true. In fact, people's opinions or worldviews are set at a relatively early age and that which you believe in your early twenties tends to define your worldview going forward. I say all of that as a way to transition to the issue of universities, because clearly socialism seems to be a topic that's being driven a lot in these ideological bastions that are some of our university and college systems. What should we do about that? How should we think about that? I know you speak a lot to young people. Is that the sense you have, or am I off on that?

Ambassador Nikki Haley:
No, and it's concerning from the standpoint of when we were all growing up and going through college, that's when you found the power of your voice. That's when you decided how you think and what you think and all of that. Now it's gotten to where colleges and universities, they don't teach you how to think, they teach you what to think. There was just a study that UNC did and I think it found 67% of students found themselves censoring themselves. When they're so fearful to speak out, because it will hurt their grade, or there'll be ostracized within their classes, you've got a real problem. Colleges and universities are there to allow people to figure out who they are. I think that we haven't been loud enough on this.

Ambassador Nikki Haley:
We are working with college reform groups right now basically having their back, telling them they have the power of their voices, but also showing them the different issues and what it can mean. I think that colleges and universities need to be held accountable, from the standpoint of, you're there to teach, let the students decide where they fall. It's really dangerous. It's been scary to see. I think when the President recently did the executive order linking aid to the antisemitism, that was the first step and saying, "Hold up, you can't start doing this to the point that you're actually teaching hate as well."

Peter Rough:
Maybe if I could ask you to put on the ambassadorial hat now, you described some of the failed socialist experiments around the world, and I'd like to get to a point on China, because it strikes me that as we go back over the past 20 years, there's really been a shift in the debate on China.
In the early 2000s, there seemed to be a lot of support for bringing China into the world trade organization. Part of the theory that I think was dominant among think tanks, scholars, academics, politicians, was that as China grows as market, capitalism takes hold and people begin to own property, they have their own Bamberg South Carolina experience, they then would want to have more of a say in how they’re governed. Capitalism was almost seen as kind of a way of bringing about political democratization. Now I think we’re starting to wonder whether or not that bet was accurate, because China seems to be, in a lot of ways, still a market capitalist economy. On the other hand, we’ve seen a pretty stark crackdown under President Xi in the current government in China. How do you view this issue? Do you think that capitalism can play a role in bringing about democratization? Do you think we've made a mistake here? How do you see it?

Ambassador Nikki Haley:
Well, I think the United States, we were naive to sit there and think that just because we helped them get into the World Trade Organization, they were going to start to think like the West. I think that that was naive and clearly it's not true. What it has shown is, when you look at their market now, they're much healthier. They're much stronger. The problem is, they're using all that economic strength against us. Now they've got another agenda. But what has been interesting is when people see what it's like to live in a capitalistic environment where they can grow themselves and grow their way of life and be prosperous, they find the power of their voice.

Look at what's happened in Hong Kong. Look at what's happened with the protest in China. Any time a government suppresses its people, conflict is bound to happen and things are bound to happen. And that's why you're seeing that. Now, a government has a decision of, do you listen to your people and become flexible and light up or do you push down harder? Those that push down harder, all you have to do is look at Assad in Syria and see what happens. You've seen this in multiple other countries.

So I think China is seeing the resistance. I think they were caught flat footed with the protests in Hong Kong and I think that's just going to continue to grow because people, when they get that feeling of strength and what it's like to own property and to have a way to grow their life, they want that for their children. And when they don't get that, they speak out and they get loud and then conflict comes to bear.

Peter Rough:
One thing we're really proud of at Hudson Institute is a kleptocracy initiative that we've launched, and it's, the name actually is a misnomer. It's an anti-kleptocracy initiative. We're not trying to thieve money from around the world. But I know this is something that's important to you, I think you hosted the only session thus far in the United Nations Security Council on corruption and conflict. I would say, and I don't want to speak for my colleagues but I'll do so anyways, in the cryptocurrency initiative, we really think that corruption is poisoned to capitalism. Could you expand a little bit on that? Talk about where the United States can take a leadership role, how important that is. You mentioned a little bit of that in your remarks, how corruption can be so damaging to the image and functioning of capitalism.

Ambassador Nikki Haley:
Well, I mean, and that's why we made it a point at the United Nations to really talk about corruption because it wasn't being talked about. Transparency International came out and nine of the 10 countries dealing with corruption were the ones we were discussing in the Security Council. Because usually corruption hampers people's ability to put that money in their pockets and it goes to those in authority. And I think that we've seen that in multiple countries and the United States, if we give foreign aid, we want to know it's going to the people we're trying to help and not to the pockets of the dictators in the process.

And so, I think corruption, there are a few things that you have to watch for a healthy environment. I think human rights is certainly one of them. A country that doesn't take care of human rights of their people will fall. Corruption. You can only have so much corruption until you get resentment, until you start to see that the people get upset. And then that tends to cause problems as well. And so, corruption is a key factor to watch for when you're looking at prevention and you're looking at conflict possibilities. You always have to watch out for corruption.

Peter Rough:
So to get to this question of where the balance lies between public policy, government involvement, and free market economy, I was talking to one of my colleagues earlier this week who focuses a lot on trade and now he's really into telecoms and 5G issues, Tom Duesterberg. He raised with me this example of how in the 1960s when President Kennedy announced the space ambition, the space project and going to the moon, there was a lot of research and development that ended up coming out of that, that in the 70s and 80s produced new industries like semiconductors, which are still a huge and important part of America's competitive advantage. Is there an R&D role that you see today that the United States can undertake or a direction the US can go that can potentially have an equivalent impact in the future? I mean, how should we think about that?

Ambassador Nikki Haley:
Well, I think that... look, government is good to identify issues that we need to be dealing with and identify places that we need to go, but government doesn't need to do it themselves. So, with the 5G situation, for them to go and identify to the world that we don't need to be dealing with Huawei, other countries need to be careful of that and that we need to make sure that we're becoming independent ourselves to identify that fact as one thing, but to allow the private sector go to take it on. That's the other thing. And so, we want to always make sure that we're doing that.

When you look at cyber security, last thing the government needs is to develop an agency that deals with cybersecurity. Instead you partner with the private sector to say, "What are the issues we need to be watching for and how do we educate the rest of the companies and public on this?" And so, I think it always has to be a partnership. But at the end of the day, government messes up more than it touches. So put out the ideas, partner with the private sector and let them do the innovation and let them do the creation.

Peter Rough:
Can't get away with appearing of the think tank without your conversation partner referencing a public intellectual. So I'm going to do that. Irving Kristol once gave capitalism two cheers, not
three cheers, but two cheers in part because he said that there were other factors that mattered to the healthy functioning of a society. So, capitalism can accomplish a lot, but things like patriotism, like societal health and all the rest mattered too. You addressed that a little bit in your remarks, but I thought maybe you could expand upon for a holistic view of, what does American need to do to remain America, to be strong, to be a vibrant society? What other factors feature in and are kind of, I would say, supplemental to capitalism or together with it?

Ambassador Nikki Haley:
I've always strongly believed in personal responsibility. I think it's so important that we're responsible for ourselves, responsible for our actions. I think when you look at that, that contributes to families, it contributes to what you do in your professional life. It contributes to how our economy works, is when you take on personal responsibility and independence, you allow for better success and you allow others to have better success. And I think that has always been just a key point to American prosperity, is that, yes, are we patriotic?

Ambassador Nikki Haley:
We're patriotic because we invest ourselves, we put ourselves into sacrifice and we put ourselves into being philanthropic. We put ourselves in making sure that it's not just us that's doing okay, but our communities are doing okay. And so, I think personal responsibility can never be lost. That's the dangers of socialism; because when you give that to the government to deal with, you're taking away that investment as a person into your own country and its success.

Peter Rough:
Any lessons that you would take from your time as governor that you would share if you were still a member of the National Governor's Association to your fellow colleagues around the country about how to get an economy going? I mean, you mentioned a few things like the apprenticeship linkup program, which I think was fairly innovative. I don't know a lot of other states that have done that and BMW has profited from that immensely. Are there any other lessons that you would take or kind of creative ideas that you think other governors might do well to?

Ambassador Nikki Haley:
I've always thought putting business measures into state government are hugely important and we got creative. Don't go and look at what's always been done. You will be surrounded by people who want to tell you that. But really what we did was, you can't change government. You can't change federal government. You can change state government. But what we did, for example, is every company that we recruited, we put one person on site every day that was there to do nothing but help that business facilitate government to make sure things were moving. We didn't have to do that, but that was truly a time as money thing. If we could get that to businesses, we could make a bigger difference.

Our training. The idea that we would go and partner with the technical school and take people from the technical school overseas to learn the company, learn their culture, learn the way they do things, come back, create a training program, and then have South Carolinians go through this training program and then let the company decide if they want to hire them. They hired 98% of the people we would put through the training programs. And so, we didn't treat all five
international tire companies the same. We put the culture, they each had their own one. That was government being a facilitator.

It's the idea that we wanted to make sure in prisons that when someone came out of a prison, they weren't going right back in. So we partnered with companies to put the training inside the prison. We trained those prisoners on things that they actually, when they left the fence, they had a job waiting for them. South Carolina has now the lowest recidivism rate in the country. We took welfare to work. What we did was state government partnered with businesses and said, "If you will train this person that's on welfare for 60 days, we will take care of it," because we were paying for the welfare anyway.

You take them for 60 days, we'll pay for it. And after you train them, let us know if you want to hire them. The thousands of people we took from welfare to work because by the time the company had invested in that person, by the time the person felt the pride of going to work and earning a living, the partnership was amazing. And so, you have to be creative but never lose sight of what it means to lift people up. People don't want to hand out, but they do want to know they have a chance, and that's where state government can have a role of being a facilitator and a creator of putting people together and then magic happens.

**Peter Rough:**
Let me take you back to my wedding weekend in Greenville that I started with.

**Ambassador Nikki Haley:**
That may be way too much information but okay.

**Peter Rough:**
I confess, I don't remember everything from that weekend. It was a very, very fun town, but the people I did speak with, the locals brought up the fact that the river there used to be really rather polluted quite frankly when the textile mills were operating at full force and it really is now very clean, kind of lively place. It really drove home the point that environmental protection or advances in environmental quality are not necessarily at odds with capitalism, the development of a new economy. You mentioned that a little bit about how companies are on their own going ahead and greening or undertaking steps to reduce their carbon footprint. Can you just talk just in general terms about how progress in the economy and progress in the environment are really compatible and not necessarily at odds with one another?

**Ambassador Nikki Haley:**
Well, as governor, when we would recruit companies to South Carolina, to me, I would spend time with those companies letting them know the state they were getting ready to come into, who the people were, what we cared about, the things that we believed in. So, when a company would come in, I would always say, "I need you to do two things for me. Take care of our South Carolinians and when you do business, do business with our small South Carolina businesses." The other thing I would say is, "The way to take care of the South Carolinians that you employ is, include them in solutions. Let them feel a part of your company. Have a company luncheon, a company family day every year so that their families can come and see what they do for a living. And always respect the fact that Sundays are church days and don't ever compromise on their personal life like that."
I did that because they needed to personally know what it was like to come into South Carolina. They were coming into an environment, they weren't coming into create an environment. And by investing that, they also learned that the people in South Carolina cared about the environment. They cared about whether it was the low country and the beaches and how that was taken care of, whether it was in the upstate and the bike trails and the river and the scenic parts of it. So when companies came in, they wanted to impress the communities they were coming into.

They wanted the communities to invest in them. And that's what I said, as you know, like with what the business roundtable is doing is you automatically do that for the communities because the communities believe in you. They will support you. And so, we created that bond of letting companies know we're going to watch you and we want you to assimilate in how we do things. And they always wanted to do that. And I was always amazed at the number of companies that would automatically want to do solar panels.

You've massive big automotive companies or those big tire companies; solar panels, the water situation, how they would do things and build the building from the ground up green. Even though it was more expensive, they would do that because they wanted the community to know they were doing their part. And it's conversations that have to take place and relationships that have to take place. Never underestimate, that's who we are. Americans are all about relationships and we're all about taking care of each other and that's why you saw that happen in South Carolina.

Peter Rough:
And I think that's probably more than organic way of building coalitions and proceeding. We just had a partial nationalization of a fifth of our economy through Obamacare. And then on top of that more regulatory led to the potential more takeover of the private sector through some of these big regulatory environmental programs I think worry people that want to a free functioning in open economy. Let me take you back to the United Nations, especially in the Security Council, but in general political and security matters are kind of on the forefront of the agenda.

You raised several examples of countries that had adopted the socialist, not just moniker but actually the socialist model and we see the gut wrenching results in Venezuela, North Korea and elsewhere. How did capitalism feature in the UN system, not the beloved part of the, as you I think you put it, the multilateral bureaucrats, but is it at all something that's a part of the agenda there? Is it really not an appropriate kind of venue to think about that as the way it is, for example, as governor of South Carolina?

Ambassador Nikki Haley:
Well, I think you have to look at capitalism and socialism as part of a country's culture. So, if a country has always known socialism, they assume that's the way it should be. If a country knows capitalism, then they do tend to shy away from socialist tendencies. But what was really telling for me was, as much as countries would resent us or beat us up or talk negatively about us, when we would have our private conversations, they always loved that in America you had freedom of speech, freedom of religion, freedom to be as successful as you wanted to be. So, they gravitated to the way we did things because it worked and they saw the freedoms that we have. You can't put a price on freedom, ever.
There are too many countries that are members of the United Nations that don't know what freedom is, but they see what it looks like because they watch how we live every day. And the one question, I just spoke to a woman recently from Hong Kong and she said, "I just don't understand. Explain to me. Why do kids in America not get, this is the best system in the world. Why is it that they don't get that and that they criticize it?" And I think that's telling for itself. I think that says everything.

Peter Rough:
Yeah, the Cold War or at least the Soviet American competition sort of fading into the background and maybe we have a little bit of collective amnesia. I'm not sure. Or maybe we have it too good, I don't know. I took a delegation from an unnamed Western country recently to Silicon Valley and we met with a whole series of tech entrepreneurs. We also went to some of the big tech companies like Google, and it was really interesting watching them interact with the tech people because they're clearly mesmerized by what America has built there and they want to replicate it at home.

The way they went about it is they would ask, what are the 10 things we need to do to build Silicon Valley at home? And they almost wanted to engineer Silicon Valley, but I'm not sure that it really works that way. It seems to be a little bit more organic and capitalism kind of flows in its own direction. You have Stanford, you have venture capitalists, you have these entrepreneurs and innovators. But just as a point of the cultural contrast that you're referencing. One thing I'd like to ask about is automation, which is a big topic and there are whole campaigns that have been built up about what the repercussions or impact of automation might be for the United States. Do you have any thoughts about automation, what it means for the American economy and capitalism at large?

Ambassador Nikki Haley:
Look, I think you can... it's kind of like what I said in the speech, is look at how far the country has come. I mean, now that you have the internet and you have computers and now what we're talking about is artificial intelligence. And the fact that actually my husband and I were talking that the new big thing is going to be manufacturing in space because you can create materials there that you can't create down on earth. And so I think that automation is a part of, how do we do things better and make them more effective and more efficient in the way that we do it to improve the lives of people and improve the lives of the world.

And so, I think automation is going to continue to be something. You can go into any one of our automotive plants in South Carolina or our tire plants. These are not plants that are dirty and gritty and people have stuff all over their faces. These are plants that are ergonomically very, very effective for the people that work on them because they've created automation. And I think there's been a fear of automation that if you have automation, then you take people's jobs away. But it's actually not the case. You make people's jobs easier and then you go on and you work towards different jobs. And so, I think we should never shy away from anything that's going to allow us to move forward.

Peter Rough:
Well, thank you Ambassador Haley. Your team has told me that you've a very busy schedule, so I'm going to ask everyone to remain seated as she exits. And she's not as shameless as I am and won't hawk her own book, but it's an excellent book. It just came out. I liked the title, With
All Due Respect, but what I like even more is the subtitle, Defending America with Grit and Grace. I think we saw that today. Thanks so much for coming to Hudson. It's a great day.

**Ambassador Nikki Haley:**
Thank you very much. I appreciate it. Thank you.