The Bill Walton Show

The Bill Walton Story

Bill:

Okay.

Speaker 2:

Is it recording?

John:

Okay. This is Common Ground. Will Walton. July 27th with John Tamny.

Bill:

Great. Rock and roll.

Speaker 4:

And we've got everything. All right. You guys can start your watches when I tell you to in just a moment. Let me just look at the shots. So Bill you're gonna start by looking at that camera. By the way, the camera is the one to the right there is what you're looking at.

Bill:

Which one? To my right?

Speaker 4:

To your right.

Bill:

Okay camera one.

Speaker 4:

Yeah that's right. Let me see you look at that camera for a second.

Bill:

How's this?

Speaker 4:

Okay. There we go. Okay great. So that's the one that you look at, not the other one. Good. And, I don't know John, since you're in the role of interrogator here, if you at any point want to talk to the audience, maybe just in the beginning. You don't have to, but if you want to, it's that camera.

John:

It's camera three?

Speaker 4:

Yes.

John:

Okay, and then the rest of the time-

Speaker 4:

The rest is totally on one, so talking to Will. But if you want to-

John:

That's good, because I probably will with the introduction.

Speaker 4:

That's what I'm thinking, you might want to do that.

John:

Okay.

Speaker 4:

If you like. If you're comfortable with it. All right. One second please. On camera two, Andrew, pan right please. Right there. Okay. All right here we go. Everybody's rolling. Okay. And when you're ready guys. I guess well Bill's starting off right?

Bill:

I'll start.

Speaker 4:

You're starting okay.

Bill:

I'm gonna pitch it to him quickly though.

Speaker 4:

Hang on just one second. Morgan, camera one, pan right just a smidge. There you go. Okay. Here we go. Nice high energy. All right. When you're ready.

Bill:

I'm here today with my friend and frequent guest, John Tamny, who's a brilliant and bold political economist. John and I were talking about ideas for my startup podcast, and he had a pretty interesting one that I thought we might go with. The idea is John interviews me. John?

John:

Thank you very much Bill. The idea, basically, with this is that while people can sit across from Bill and talk about policy, true learning and understanding of policy has to come from people who actually live in the real world, who are working in the real world allocating capital in a world of policy mistakes and also successes. So the idea in today's podcast is to talk to someone who is in the arena as it were, and Bill Walton has been in the arena to a T over the years. Let's go over his resume, however briefly.

John:

He is the founder and chairman of Rappahannock Ventures, a private equity firm, and also Rush River Entertainment, a feature film production company behind The Price of Desire, The Ticket, and Max Rose. He was the chairman of investment banking firm, Allied Capital, for 12 years. Prior to that, he worked for Butler Capital Corporation, the merger and acquisition group of Lehman Brothers Kuhn Loeb, and Continental Illinois Bank. He served in the Army before that, working in the Pentagon and went to Indiana University both undergrad and for graduate school.

John:

This is someone from whom all of us can learn a lot, and I'm excited about what's about to take place, so I will begin with a more basic question. In creating Common Ground, what was the impetus for it, and what were some past influences that have shaped the show as it is today?

Bill:

Well the idea behind this, is I've been very fortunate to have come across a lot of very smart and talented and successful people in the course of my career. I also as you can, maybe more of my background, I've also been involved in the arts and in education also outside of finance. I've got a wide range of interests, and unlike you, I don't really have the temperament to sit down and crank out a book every year or two, and yours are quite good and I admire you for that.

Bill:

But I thought a more interesting, for me anyway, choice of a forum to communicate ideas would be a podcast where we can bring in people a couple times a week maybe. One, two people per show to talk about something, and instead of what we see in the cable channels where people talk about something for 30 seconds or less, or maybe they get a whole minute to talk about something and very often they're cast where somebody in the opposition side is there, and you basically see two people yelling at each other.

Bill:

I thought there might be an interest in a long form show, say 45-60 minutes, where we can dig into topics in depth. Technology is changing a lot now with podcasting. We've got the iPhone, we've got all the different tablets that are out there. People are spending time in the car listening to these things, and I think it's a big and growing field.

John:

Mm-hmm (affirmative). It's definitely ahead of things, and I think it's important simply because there isn't enough of this discussion of someone who's on cable TV a lot. You don't get the chance to offer up big ideas, so On Common Ground is very important show that I think is going to influence the debate a lot and enhance the discussion.

Bill:

Well and also, America's highly polarized now. We've got a red meat, hot button language on both sides. There's a lot in the internet I think that's caused that to be exacerbated, but I think the name Common Ground comes from seeing if we can't tease out solutions or understand problems in a way without necessarily barking at each other.

John:

Mm-hmm (affirmative). There's a long path before getting to On Common Ground, and I want to jump around a little, and I think it would be interesting first and foremost to begin with someone who was legendarily charismatic. Specifically, William S. Paley, the founder of Columbia Broadcast System, everyone knows that as CBS. What was he like? What was it like to work for him? What did you learn from him?

Bill:

William Paley was born in 1899, and he came from a family that had been very successful in the cigar business. He grew up in the cigar business traveling to Amsterdam every year with his family buying cigar tobacco for the cigars. But he didn't really have the temperament to be a tobacco trader or cigar maker and had a taste for the high life, and in the 1920's his family said well we have to do something with Billy. Billy's really not well suited for the cigar business, and this new thing called radio was coming along. He had a natural flair for music and film and acting, and film in those days was silent. They found a radio station, or he worked on it and then created this idea of a radio network, which by the 40's became a TV network.

Bill:

I think the thing that most impressed me with him, was he had just incredible charm when he wanted to. He could also be very tough when he wanted to. And he loved the stars in the business. He had the famous Paley raids in the 30's I believe, or maybe it was the 40's? Where NBC, the rival to his CBS at the time, had all the big stars, and over the course of 90 days he somehow convinced most of them to come over to CBS. So he had a great love for the talent, love for the actors, love for the medium, and he could be blindingly quick when it came to certain things.

Bill:

His cigar business background showed in everything he did. When I was working with him, he had a private jet, and he wanted- as his investment guy, he asked me to figure out whether we could find somebody to manage it. And we found somebody who I thought was quite good, and he brought him in and we talked for about an hour and I thought it was a very pleasant conversation about destinations and how the plane was going to be managed. The young man left the room, and Bill Paley said to me, "This guy's making all his money in gasoline." That's where his margin is. So he was this combination of showman and penny wise, businessman. I don't think you see many people having that talent combined in one human being.

John:

Hugely perceptive. Did he ever tell you he had regrets, business wise? That were obvious ones in retrospect?

Bill:

No. Bill Paley didn't really share regrets.

John:

I like it.

Bill:

He was- But he was very kind in offering advice. I was much younger than he was when I went to work for him, and he was almost fatherly which was unusual. Now, if I'd been president of CBS, and he was a chairman, the presidents of CBS didn't last too long cause he liked being in charge. But I wasn't. I was his investment guy. We had a great relationship.

John:

Mm-hmm (affirmative). Now before Paley, going back in time somewhat, you were in the Army. Specifically, in the Pentagon, and so you saw, I assume, a lot up close. What did you learn from this that made you think, "This is not what I will do in running a business." And did you learn some good things too?

Bill:

The Pentagon, I think the largest office building in the world in terms of square feet. I think it's a daunting place to be in, because you walk for miles and miles in these corridors. I think I learned that I didn't want to be a career bureaucrat. That was part of the answer, because for example, I had a job in [inaudible 00:10:15] General's Office, and it was an interesting job. I was the enlisted clerk in charge of the Army's investigation in the My Lai incident. As such, they were having trials at the time, and I was the person responsible for seeing that certain kind of documents that lawyers requested could get to them, and I was sort of the librarian for the investigation. But I was housed in the same office as the declassification clerks for the army. At the time, this was 1973, they were working on declassifying documents from 1914, so they were bureaucrats living 50 years earlier figuring out whether something was still sensitive information. Gee, that may be great for some people, but not for me.

John:

Being in this position cured you of the desire, plainly, to work in government?

Bill:

It did. Many other things cured me of that desire.

John:

Well so, out of business school, your first stop was Continental Bank, a very famous bank. It's something that the books have been written about. What was the atmosphere like? What did you learn, and I'd love to hear specifically, how has the face of banking changed today in your estimation, relative to what you experienced back then?

Bill:

I think the banking business changed enormously. At the time I was there, it was the mid 70's, early 80's. It was still pretty much the banking business it had been since the Depression. There was this saying about bankers- The banking business was such that you borrowed money at 2%, you lent money 5%, and you were on the golf course at 3. It was the 2-5-3 rule. So, banking was not exactly a go-go business, but nor did I think it should be.

Bill:

It was very different in the sense that, say from today, in that you knew all the borrowers. You knew all the customers who were depositing money. It was a very personal business. We made loans to people we knew, and consequently I think we took better risks, because we could assess not just the numbers, but also the human being that was gonna be the borrower.

John:

Did you learn right then- was that precisely because it was a 2-5-3, was your feeling then was that's not what you wanted to be? Was it rewarding your talents not enough?

Bill:

Well, I could be accused of being an ambitious young man, and it was a pretty sleepy business. I felt I wanted to be more in an entrepreneurial world, and I was eager to get to Wall Street. I'd gone to Indiana, which is a Big 10 school, and Wall Street in the 70's didn't recruit much out of the Ivy Leagues or out of the families that owned the small investment banks. So I viewed Continental Bank as something that you decide to do in a career move, where you say gee I'll start out here and I'll try to do well. And I'm gonna learn the skills of lending. I'm gonna learn the skills of assessing entrepreneurs characters, and borrowing and learning basically the commercial world, which I didn't know that much about coming straight out of business school.

Bill:

I learned a lot of that, and I think the things I learned at Continental enabled me to get a job at Lehman Brothers Kuhn Loeb after about 5 years at the bank, and that was where I wanted to be anyway. So it took me a little while to get there, but I got there.

John:

So you would say that the time at Continental made you a better investment banker at Lehman?

Bill:

Oh absolutely. I think the things you see in banking- particularly the banking i was doing- I was asked to go to New York to work in the derivatives group. I don't think they called it that at the time. A highly technical finance. And I was more interested in entrepreneurs. I said I want to go to the steels and wheels group in Chicago.

Bill:

The steels and wheels group was, the customers were automobile dealers and people who owned steel service centers. Warehouses for steel. And they're all owner operated, and they're all mostly started by somebody or somebody's parent or things of that. And I got to know them all very well in terms of how they ran their businesses day to day, and got to assess in that process, who was a good businessman in terms of allocating capital. Who's good in terms of marketing. The experience was invaluable.

Bill:

It was a very personal human experience, and I became friends with a lot of my borrowers.

John:

I always tell people that Lehman Brothers, particularly when you were there- it was 81-84-

Bill:

Lehman Brothers Kuhn Loeb. It's still a private partnership.

John:

- And it was Goldman Sachs before Goldman Sachs was Goldman Sachs. I always try to point out to people that Tom Hill was there. Pete Peterson. Some of the best investment bankers ever were in New York where you were at the time. What was your thought on them? Was it a huge learning experience working for them? What did they teach you?

Bill:

Steve Schwarzman was also there. He was in the M and A group, and Eric Gleacher, and we had a lot of people that went off to set up even greater firms. Lehman Brother Kuhn Loeb was just one of the best firms when I was there. It got sold in 1984. What did I learn?

Bill:

I think one of the most interesting things I learned pertains to the crisis we just went through in 2008, 2009. I was there, it was a private partnership, there were maybe 50 partners, and they were all required to leave their capital in the firm. So you get paid small salary, get a big bonus at the end of the year, but that bonus went to buy preferred stock, which stayed in the firm. We had two cultures in the firm. We had an investment banking culture, which is sort of working with clients and taking companies public or raising capital. And then we had a trading culture, and the risks in the trading culture are pretty obvious. You make a bet, either long or short on something like that, and if it works you make money, and if it doesn't you can lose everything.

Bill:

There's a lot of risk, so you've got to hedge your risk, and you've got to do it properly. In the investment banking side, it's more reputation risk. It's more who you choose as a client, and this is where the background I had at Continental Bank was helpful in assessing character of potential clients. But the culture was such that the traders were worried that the investment bankers were gonna take on clients that weren't worthy of the firm's brand. And the investment banker side was afraid that the traders were gonna make bets that they didn't think they should make.

Bill:

So the partners would get the balance sheet of the firm every day. I remember the partner I worked for. I got to be Senior Vice President that was one level below partner. And he would get that balance sheet, and he would look at it, and he would make sure that the trading positions were there. And I think on the trading side, they're doing a lot of the same things. They'd get the client list of who we were thinking of bringing in as a client.

Bill:

So because everybody had their own money in the firm, our leverage was like 5 to 1, $5 of debt to maybe $1 of equity, something like that. There just weren't any big risks taken. Consequently, it's a much more stable business. At the time I was there, there were probably, 1960 there were probably two or three hundred small investment banks raising capital for people, putting together mergers and things like that. But then what happened in the 80's, about the time I was there, they figured out how to raise public capital. And when they brought in the public capital, the argument was, we can do more busi-

Bill:

We can be in more businesses, we can grow bigger, faster, make more money. And that's true, but what happened was, they no longer had their own money in the firm. So I think you saw, the big word for it is agency risk, where you had people in the firm running the firm, that didn't really have all of their capital tied up in it. They still had a lot, and I think a lot of the investment bankers went through a lot of pain in 2008, 2009, because they still had a lot of funds in, but they had an awful lot that wasn't in the firm. And I think that's a cultural difference between then and now.

Bill:

It was also the cultural difference between going from a commercial banking to investment banking, we get private partners. The commercial banking culture, you're really working at an institution, so the incentives and motives were different.

John:

What's your response- To me, investment banking is one of the most important but also least understood professions in the world. I always say it's one thing to come up with a business idea, it's one thing to come up with an expansion idea. It's quite another to find capital. Investment bankers are paid well precisely because they can do what few can do. What's your response when you read in the Wall Street Journal about easy money and easy credit. Do you take that seriously?

Bill:

I don't think anything's easy. You mean easy money as in, what? You mean what the Federal Reserve is doing or-

John:

You know, journalists would give the impression that somehow it's easy out there and it's easy for businesses to raise money. I would guess that someone in your position who's seen this over the years, that in fact it's very difficult to do.

Bill:

You and I talked about this during your show on, I think we talked about your idea of credit. And credit is something that you have as a borrower. It's not something a lender or an investment banker gives you. Yeah, it's pretty easy to raise money if you're Apple or if you're Microsoft or if you're Google. I suppose if you want to raise money that's easy to do.

Bill:

So you've got a franchise like that, capital is abundant. But for most companies and most startups, they're not in that mode. So raising capital is difficult, time consuming, and the banker, if they're doing a good job, is the person that can put the company that they think has some promise together with the investors who would be interested in that.

Bill:

I don't think it's easy. I think many- as I used to say when I managed a lot of investment professionals- a lot of people wanted to be in the business, but it's extremely complicated. You've got to do a lot of hard analysis and have to be pretty good at math and pretty good at negotiation. It's not something everybody can do.

John:

Mm-hmm (affirmative). I just don't think it's talked about enough how difficult this is. I hate the perception that's been created. Now thinking of it, you ultimately moved on into your own investment banking. What made you do that? Was that a scary thing?

Bill:

You know, my resume is such that I tend to do something and then I think I've achieved mastery, I want to try to move on to something that's maybe a little tougher, a little newer. Maybe a bigger challenge. I found myself in the late 80's working at a private equity firm, Butler Capital, started and run by Gill Butler who's an investment genius. Our business then was investing money in private companies as a private equity investor.

Bill:

One of the things that struck me was one of the companies that we invested in was called Sylvestery and run by a really neat entrepreneur named Steve Burkowitz. Everybody was always talking about, Steve, he's great, he's a triple threat. He can manage people, he can do numbers, and he can market. And at that time I was thinking I wanted to move out of investment banking into something where I was running something. Since I had no background in running something, I wasn't exactly an obvious hire.

Bill:

So I thought, well gee, I think I can do what Steve does, and so I went out and set up my own little boutique called Walton Kennedy. I have sort of been working for myself in many ways ever since. But I had to do it on my own. I didn't think- In your world, I don't think I had the street cred, or the credit, to go to somebody and say, let me run your company. I decided well I maybe need to just start one on my own and see how it goes.

John:

What were the early days like? Did you find yourself sometimes regretting it or was it something you took to right away?

Bill:

I never regretted it, but it wasn't easy. We started the private equity firm in 1991, 92, I think, and it was right in the middle of one of the famous recessions we have where you couldn't get anything financed. And I had a couple deals that were close to closing and they didn't happen because financing fell through, the entrepreneur changed their mind. It was always difficult, but I always enjoyed it.

John:

One of the most important things I ever heard was from a former, very successful trader in the Chicago merk, and he made the point that if you're good at this business, you'll be wrong 51% of the time. If you're great, just about every one of your trading ideas will be incorrect, but you'll get more right than you get wrong. Venture capital, I've heard that the batting average for failure is about 900. Where is it in private equity? We're talking about a very difficult business, correct?

Bill:

I think the batting average in private equity is higher because you're betting more on established companies and you're analyzing cash flow and you're looking at markets that already exist and products that already have customer acceptance of some type. Companies that have typically been around for several years, maybe sometimes a lot more. Venture capital, it's more an idea, concept, an entrepreneur. The trade there, though, is that the venture capital when it works, the return's gonna be exponentially higher. A hundred times, a thousand times higher than in a home run private equity deal.

Bill:

I think generally the batting averages are higher in private equity, but the average returns are somewhat lower. Now, today, that field is so crowded and capital is so abundant that- I think it still can be a good business, but it's very competitive.

John:

You're also quite the movie producer.

Bill:

I would hardly say that.

John:

I always go back to Brian Grazer's point, he's got this amazing track record, Splash, Beautiful Mind, Parenthood, very successful TV shows. He says he can't get his ideas funded 90% of the time. Is his broader point that he doesn't get to, this is an incredibly difficult business to call?

Bill:

Let me just say at the outset, before I went to business school, I was working in New York and Washington, D.C. as a wannabe actor and director and things like that, so I had an interest in theater and film from my early 20's. But then when I went to business school, I more or less focused on finance and investments and that's pretty much what I did. Then when we merged Allied Capital with Ares Capital in 2010, there was a part of me that said, gee I really wonder if I could have produced movies or done things like that.

Bill:

I was a fascinating experience, and I'm glad I did it, but it's a very tough business. Our movies, two of the three movies I was involved in I think were quite good. One of them could have been better. I learned the difference between a final cut and not having final cut. If you have final cut, you get last word in what the movie looks like. If you don't have it, somebody else does, and if their opinion isn't the right one you can lose a lot of money.

Bill:

But yeah, I think movies are very difficult particularly for independents. Because movies are very- Hollywood's a very small shop. A very social shop. There are guys and gals playing poker together Tuesday night someplace in west Hollywood, and they get to know each other and there's a very- It's a small industry in that regard.

Bill:

The other side of it, though, is you go onto sets where you go out afterwards and you're involved in this thing, and it's a lot of fun. They're great people. Everybody on the set loves doing it. They wouldn't be anyplace else. It's a great band of artist gypsies and it's great fun to be part of it. And the ...

Bill:

Let me go from an and to a but. The issue with movies is you're making a product. A single movie in 90-120 minute product, and you finance, you put it together, you produce it, you go into post production, you get it distributed. And everything's really behind that one product, and there's not other next product. So, if it works you've got some sort of upside in that one movie but that's it. I think you're seeing a lot of the creative talent and the financial people, financial acumen moving into TV, or they already have.

Bill:

I think cable right now, the long form, the binge watching series on Netflix is really where most the talent is. I thoroughly enjoyed producing a movie, at least maybe I didn't enjoy it financially, but I enjoyed every other aspect of it. I would argue people ought to think more of the long form series, which is I think where the future is today.

John:

I once asked an actor, why don't you direct? And he said, you have no idea how difficult it is to be a director. I'll ask you this. What's your perception of the director having made movies?

Bill:

I agree with your friend. But it's not just the director. Well yeah, the director on the set is- It's unbelievably complex, because you've got sound, you've got the actors, you've got cinematography, you've got the storytelling, you've got all of that. But my own experiences may be an example of this.

Bill:

I invested in this, I put a small amount of money with some local film entrepreneurs. They made sci fi and fantasy films. Shorts. As you know from my background, I spent decades running things, being in charge, which I enjoy. But there's a certain point at which you really don't want to be in charge. I'll never forget the moment when I was on the set of one of these little shorts, and I think I was playing the heavy. I was playing the bad guy, which was fun. And I was there, and I was watching this guy run around doing things, and I was thinking, gee I'm really glad I only have to remember my lines.

John:

Such difficult work.

Bill:

Yeah. It's fun though. It's highly, it's worth the aggravation.

John:

I love that point about how it's only knowing the lines, because that was the actor's point to me. He didn't say it quite that way, but he said that's a really-

John:

Now kind of changing gears. I know you through the policy world. Obviously you're a long time benefactor for all sorts of organizations. Where I'd like to begin there is what shaped your political views? How long have you felt, have you been a believer in free enterprise and freedom in general?

Bill:

I think I was not particularly political for most of my life. I'm not all that active, but I think the thing in shaping my views was running a public company. What I came to appreciate, running a public company, and this would have been around, I think I started around 1997. And what I came to appreciate was the regulatory climate that a public company operates in. Not only the laws, the regs, but also the personal attitude towards business. In the 80's we had entrepreneurs who were pretty much lionized and I think that was true in Ink Magazine and Money Magazine. Maybe it wasn't Money but it was something along those lines.

Bill:

The entrepreneur, wealth creator, was a hero. That remains my view. But I think with the public company world, and particularly with Enron, World Com, and I can't remember the third member of that group. Oh Tycho. All blowing up because of fraud and CEO sweep in 1999. I've dated- 2000?

John:

2001.

Bill:

I'm losing my ears. Anyway, I think at that point I saw public opinion sway hard and strong against free enterprise. And I saw a regulatory climate that was increasingly hostile to the market, and that-

Bill:

By that I mean, regulatory climate- When you run a public company there are things like Sarbanes-Oxley, there's Section 404. There are all these things you've gotta do that are supposed to keep the company safer. In my view they don't really do that, but they detract from your ability to create businesses. I think that got me into thinking more about politics and which side I wind up on. So I find myself more of a libertarian. Although, now I've come to view not only libertarian views, but also some of the social issues are vital to this country. I think we need strong families. I think we need respect for life, things like that, so I've evolved probably in the last 15-20 years.

John:

It's interesting that you bring up Sarbanes-Oxley, and maybe I'm wrong but I kind of feel like it's been forgotten. How damaging it was when it passed. That was back in 2002, and George W. Bush said this is the toughest anti-business crime law since FDR. Is this something that still weighs-

Bill:

And it did nothing to prevent 2008. Nothing.

John:

Is it something that-

Bill:

It was the generals fighting the last war.

John:

As they always do. I like to say that the people regulating the business, whatever sector, are those who couldn't get a job in that sector in the first place.

Bill:

That sounds true. I concur with that.

John:

Is it something that- I think it's unfortunate that no one's talking about it. What do you think the impact would be, someone who's in the world, if we finally repealed it? Would it be a noticeable impact for businesses? Or have they gotten used to it?

Bill:

Well I think the big ones have gotten used to it because they can afford it. The thing to keep in mind is that in the public company world, there're half as many public companies now as there were 10 or 15 year ago. And the reason is, the regulations like Sarbanes-Oxley, where you're required to do all this extra accounting work, incurred an enormous cost burden, particularly in a small company.

Bill:

So 25 years ago you might have thought about going public with $5 million in profit, but now Sarbanes-Oxley, some people estimate, would cut that profit in half. So you don't want to go public because you're going to incur all these other costs and obligations. So it takes Sarbanes-Oxley -

Bill:

And there are other rules that changed. There used to be rules in investment banking where investment banks- for investment banking- where they could make five cents on each trade of the stock. Well then it made a lot of sense to be in that business because you could make a profit trading stock. Then they decided in their wisdom that that was not good, because the investment bankers were making too much money. So they created the so-called "penny rule", where you couldn't make much money trading in small stocks. So the number of people supporting the stock went away. The research covering went away. Research coverage went away.

Bill:

So it's not just Sarbanes-Oxley. It's the whole trading environment. Now with Dodd-Frank, the ability of upstart investment banks to get into the business is almost non-existent. Dodd-Frank, I mean Jamie Dimon and Lloyd Blankfien, would say Dodd-Frank is great for us. It's created a regulatory moat around our business using Warren Buffet's idea about a moat that keeps people out of your castle. It's not just that, but there are probably seven or eight thing you'd want to unwind. But I don't see a real constituency for it right now.

John:

Mm-hmm (affirmative). Well thinking about this and being in the business world and seeing the different policy actions that made life more difficult, if you could tell Paul Ryan, who would probably agree much more with you than the average person. If you could tell him one thing that he perhaps doesn't know, what would you like to tell him? What is he missing policy-wise that would have a big impact?

Bill:

Oh my. John you promised easy questions.

John:

Well you know.

Bill:

I think Paul has a very big brain. He knows a lot. I don't know what he doesn't know. I think ... Let me rephrase that. What he could do right now is we could just get a good tax cut. I think if we put all of our eggs in a basket and got a 15% rate on corporations, we'd see an investment boom in this country like we haven't seen since the good old days. And we could get our economic growth rate up from an anemic 1.5-2% to 3.5-4%, maybe more. Because you have lots of capital coming back in the United States that's been driven out by the high tax rates.

Bill:

You'd have a major incentive that they'd have much more capital to reinvest because they're paying less taxes. I think Paul could do that.

John:

What if it's Nancy Pelosi and Chuck Schumer sitting in my seat? What would you like to tell them that they don't know? And again, this is not a bad thing. It's more what would you like them to know if they perhaps knew it might change their view of the world.

Bill:

That economic growth is a good thing, and that they can do a lot to make that happen. If the economy is growing robustly, they'll have a lot more money to play with, because they're gonna be collecting that much more tax revenues. They ought to be thinking about the policies they've enacted or the things they've blocked that slow economic growth. I think I would also stop demonizing the wealth creators. I don't know about Nancy Pelosi or Chuck Schumer in particular, but we've got Elizabeth Warren saying "you didn't build that" to an entrepreneur. It's not exactly motivating.

John:

Yeah. I don't want to live in a world without Jeff Bezos, among many other great wealth creators.

Bill:

Sure, yeah.

John:

Now thinking about all this, the media have created all sorts of perceptions of Donald Trump. They do this with any political figure. You obviously were a major part of his transition to the White House. What do people not know about him that they should? And what do you think might change their mind if they knew it?

Bill:

Well I think one thing they said is that he really doesn't listen. He's not somebody who sits in a meeting and barks at people. He really does listen. He takes in a lot of information, and I think his ability to learn new things and act on them is evident in his entrepreneurial career, and I think he's showing some ability to learn in office. But I think his-

Bill:

I'm in the school where I think his tweets got him elected. They got him to go- He got his message out directly, but he also forces the media to cover him, and that's still true. But I just wish I could edit his tweets. Announcing LBGT policy in a series of three tweets is not the way you do it.

John:

I suppose the tweets got him elected also made him do those other ones. So you get the package.

Bill:

Yeah your character is who you are. Yeah it's a package, you can't take it and say "I like this piece of him, but I don't like this other piece of him." People aren't built that way.

John:

Who's your favorite president of all time?

Bill:

Calvin Coolidge.

John:

Why? I agree.

Bill:

I think Calvin Coolidge had the view that things could run pretty well if people just tended to their own affairs, and he was a very articulate man. He was actually quite a good speech writer, although he didn't give a lot of them. But he was very good at that. He kept government in a place where it was supporting people and not intruding. I think he would probably be- yeah he's in my pantheon.

John:

Mm-hmm (affirmative). If I made you dictator for a day, and I think I know one of the policies, what would be your top three policy changes that you think, if you could just do three, that would have the biggest impact on economic growth specifically?

Bill:

I think the biggest thing I'd do is not economic, per say. It's if I were dictator? Do I get the states as well as the federal?

John:

You get it all.

Bill:

I get it all?

John:

Yeah. For a day.

Bill:

I would bring about radical reformative education. I think that's the biggest opportunity. I think we've got issues with people worrying about what happens with automation, and when trucks are driven by computers and not by people that we're gonna have people to employ. I think what the government run schools and teachers unions have done, particularly in inner cities, is just a tragedy. I would free up the schools, and not just choice, but I would really break the lock of the unions. I'd break the lock of certification. I'd break the lock of accreditation, and I would open up education to people who prove they could produce economic results. And not have a one size fits all system.

Bill:

People have this talent, they go to this kind of school. And you open it up to the market. Cause I think education is definitely something that could be improved by competition and market forces. And there's very little of that now.

Bill:

After that, my next two- If I did that I'd probably rest on my laurels. Because the rest of it might take care of itself.

John:

Mm-hmm (affirmative). Are you optimistic?

Bill:

Oh gosh. I'm optimistic for people. I'm sort of the opposite- There's this thing about the great intellectuals, that they love mankind but not people individually. I kind of like people. I'm optimistic about people I meet. I'm optimistic that we can make things happen. I love working in organizations where you can get together with people. My favorite word is getting together a work group, where you work with people to make something happen. I'm very optimistic about peoples' ability to bring about solutions in their own lives.

Bill:

Where I get pessimistic is where I think we try to order something like reregulating one fifth of our economy, like healthcare. Which is impossible. There's no human brain that could comprehend that. You can get the smartest hundred people in healthcare in the world, and they still couldn't agree or figure out what a system is. We've ignored the individual solutions, the people closest to the problem, being the problem solvers. And so I'd be optimistic to the extent that we can make that happen.

Bill:

In a political world, that involves federalism, that means pushing more experimentation of old things and new things back to states. And so Vermont can try one thing and Texas can try another, and we see what works best. In a business it's true, and in the military it's true. You very often delegate the decision making to the people closest to the problem.

Bill:

In Germany, for example, one of the reasons they think the German manufacturing machine worked so well is the people on the lines in the factories are very close to making decisions about how to use them and how to change them and how to do things. And you know where their model came from? It came from the military, where the sergeants in the German army were the ones who often delegated the most power in the battlefield to make decisions. And Germany- most people don't know this- probably won World War I until the United States came in. And they did it because they were organized to be close to the action.

John:

Mm-hmm (affirmative). Well it's an essential point. Business mistakes are born by the businesses themselves. Federal mistakes are suffered by all of us, so I think you're hitting on something really important, in bringing most decision making back local.

Bill:

Yeah.

John:

Well thank you very much for this. This was very educational for me.

Bill:

Educational for me too.

John:

For the [crosstalk 00:45:24] too, thank you for this. Thank you for letting me sit sort of in your chair today.

Bill:

Well you're in my chair. That's okay. John thanks.

John:

Thank you.

Speaker 4:

Excellent.

John:

Did we get the time correct?

Speaker 4:

Yeah. You're right on.

Bill:

I didn't hit my time.

Speaker 4:

Yeah you're fine. It was forty three and a half minutes. It was good.

John:

And was that correct? Was that what we were looking for? I wasn't sure.

Speaker 4:

We can stop rolling.

Bill:

We don't have a slot. The goal is