



Carol Roth

Recovering investment banker and author of The War on Small Business

2021-09-16

<https://predictablesuccess.com/carol-roth-on-the-war-on-small-business>

Note: This transcript has been lightly edited for clarity and understanding. There may still be grammatical and spelling errors,

Les McKeown: Hi everybody, welcome back to Scale! with Predictable Success, where we get to talk with bright, smart, brilliant people about building sustainable scalability. And one thing that I know, is that the environment that is the foundation of sustainable scalability is capitalism. And one of the things that I'm really delighted about is to have today's guest, my dear friend, Carol Roth as you'll hear in a moment, many of you already know we've known each other for quite some time, great friend of Predictable Success, and you will not find a more fervent apostle for Capitalism than Carol. Carol, welcome to the show.

Carol Roth: Well thank you for that lovely introduction Les and excited to be back with you for, I guess it's three times a charm now?

Les McKeown: It's a three-peat and, some of the folks may recall, you know, we got into deep reminisce mode last time you were on, because I think the two of us met at a time that was pretty formative for both of us. We both had our first book coming out. I had "Predictable Success" and you had "The Entrepreneur Equation" and, we sort of gelled at that point, realized we've got a similar worldview and guess what, you've gone and done it again. This is the bit that I couldn't quite believe, you wrote another book and not just any old book. This book is the war on small business, how the Government used the pandemic to crush the backbone of America. Tell us what you really think. Carol.

[laughter]



Carol Roth: Usually I really hold my tongue on things Les. I'm sure this is very surprising and I'm pretty sure I swore to you the last time we talked that I wasn't going to write another one.

Les McKeown: Yes you did.

Carol Roth: But certainly the pandemic came around and I was approached as somebody who understood economics and could actually give a deep dive on something that was really historic to write something. And like a complete idiot I was like, "*oh, you know, I'm not going to be out speaking; I'm home for a little bit, so sure, yeah, why not? That sounds fun*". Not really realizing what a Herculean effort it was to follow what was happening real time. And I say real time somewhat, almost in jest because obviously things would happen.

But then as time would go on, you'd get reporting that would sort of add context to that. So, as we've talked about offline, I probably wrote about three and a half different books; I had two additional titles that made it before this, but as I went through and really tried to connect the dots and say what happened, we were in a situation where people thought and the takeaway is, oh, well, we had lockdowns and we were all in this together.

And I'm here to tell you, we did not. We had the Government picking winners and losers. They decided who was essential and who was quote unquote non-essential; who could thrive and who had to fight to survive. And they did this, not based on data or science, but based on political clout and connections and what this enabled was the most historic wealth transfer that we have ever seen in history on multiple levels. And it went from Main Street into Wall Street.

So we were not all shut down. There were probably about a third of us were shut down. We were not all in this together and when they had the opportunity to do the right thing and to support the small businesses in the ways that would sort of even the playing field, that's not exactly what happened.

So to be able to chronicle that, particularly at a time when media likes to gaslight us and rewrite history, and we're already seeing it rewritten and the post-mortem, which is then turning into a new potential round of lockdowns is being shifted, is that I really wanted to document this because as you said, capitalism is the foundation for economic freedom.

Small business is the backbone of the economy. And if we don't understand what's happening, we lose those wealth creation opportunities and those opportunities of economic freedom for everybody. And that would be a huge tragedy.

Les McKeown: And as you've so wonderfully shown, just in that introduction, the book is not a gloss, you've really dug deep into the events of the last 18 months, almost two years. And as in my reading in the first half, it's really a pretty searing indictment of how the US Government responded to the economic aspects of the pandemic and I wanna dig into that in a moment or



two. And then in the second half of the book, you broaden the discussion out a lot more into how Capitalism needs to respond to not just economic crisis, but just the day-to-day maintenance of an economic infrastructure.

And I want to move to that as well, but before we do any of that, you and I have had the pleasure of sharing a few TV studios, and you've got a great career as a TV pundit in the intersection between economics and politics.

And as you know, that really pushes you into sound bites and trying to sum everything up and here you've done an incredibly detailed amount of work. I mean, you really do lay out your case. Whenever you started to write it, was the conclusion formed? Did you know what you thought about this? Or did the evidence that you were picking up, inform where you ended up?

Carol Roth: Yeah, that's a great question. So the original mandate was this is a historic economic moment. Find out why it's historic and what happens. Going into that because of my experience, first as a recovering investment banker, then as a small business advocate. And as you mentioned, following the markets, I've always had a lens on what's happening on the small business part of the economy, which is very difficult for a lot of people to understand.

I think when people hear small business, they think niche and they think small impact, and they don't realize that if you take, whether it's a spectrum or a pie and you like divide it straight down the middle, about half the GDP and about half the jobs is completely decentralized, before COVID, these numbers are before COVID in the hands of 30.2 million small businesses.

And so that really represents this free market, this decentralization, and that wide opportunity. And then you have the other entire half of the economy, again about half the GDP and half the jobs, in the hands of about 10,000 to 15,000 big businesses.

Les McKeown: Right

Carol Roth: And that is highly concentrated. And so like when you start to have these discussions, sometimes those things get flipped. I think people feel like there are millions of big businesses, so it's trying to get in there and first just kind of make people understand.

And so I had this lens going in, in March when the very first businesses to be shut down were small businesses. It was retailers, it was independent gyms, it was restaurants, it was bars. And I said, okay, this is how we're going to play this game. The people who don't have the clout, that's fine.

And I wrote an Op-Ed, back in March of 2020 and said, well, if you want to make sure that we sustain the economy while we're dealing with whatever this looks like, here's an easy way to do it. Just make sure you pay these small businesses to have their workers stay home and stay on



the payrolls. And it would have cost them maybe a trillion or a trillion and a half dollars, not to say that that's insignificant, but it's a fraction of the \$6.5-\$6.6 trillion that was spent last year.

And it would have preserved people staying on the payrolls; they would have been paying it to taxes. So the net effect would have been less; it would have held everything together and it would have given them two to three months minimum to figure out a mitigation strategy.

And so there was a way to go about this. And the first thing that we saw was that didn't happen. The small businesses were targeted. Wall Street was propped up. The Cares Act was a disaster. So the small business thesis was always a piece of it, but it wasn't necessarily the focus.

And I would actually argue, even though that it's the title of the book, the book really is more about decentralization versus central planning, and small business just happens to be emblematic, and happens to be an easy way to have a non-partisan conversation at a time when everything is so partisan.

I mean, there are very few people that say, "*bleep you small businesses*". There are some, by the way; I've encountered them on the internet, but most people are pretty sympathetic to the opportunity to kind of create your path. And so I felt like it was a good way to demonstrate the bigger thesis.

Les McKeown: Right

Carol Roth: And as I cleared everything out, that's kind of where I landed. And I actually, by the way, landed at about 160,000 words. And then my editor was like, "*Carol, nobody's going to read that. We're going to have to get it under 90,000*". I said fine.

Les McKeown: That's a better problem to have.

Carol Roth: Which by the way when I was going through the fact checking, cause that's the other thing on the book, everything is sourced in this book; like everything, like from major outlets.

So when I was going through the fact checking on the hundreds of sources in there, at that point, I was like, "*oh man, I'm really glad we got this down by like 50%*" because you know, if I had to do this for another few days, my eyes would have fallen out of my head.

Les McKeown: Yeah, we're both familiar with that dynamic where by the time this baby is getting close to publication, you just don't want to see another page of texts.

Carol Roth: But I will tell you it's so much different than my last book, because my last book was very opinion and story-driven, and sure there were a few, you know, citations and sources about



things, but it wasn't, "Hey, here's like news that's happening in the world and here's like deep economic statistics".

Les McKeown: Right

Carol Roth: A lot of it was just more of like, what did I think of the world, and this was here's what's happening. And then let me create the tie in between. So it was a much more difficult writing process.

And I'm somebody who writes very quickly and enjoys writing. And this one was much more of a bear than the first one.

Les McKeown: Well, it lays out a pretty devastating case in the first half of the book as we discussed. And, I wanted to just, hone in on a couple of aspects of a few of the things that you said. You know very well and many of the listeners know you can tell by my accent, I grew up in the UK, which was for a long time, a part of Europe.

I still have a British passport. I still have an Irish passport. I've got my US Citizenship and I'm proud to carry my US passport. But, you know, I am in European terms right of center, which makes me over here essentially a Marxist communist.

[laughter]

Les McKeown: So bearing that in mind, that I have that sort of European rightist mindset. I get it when you talk, so you share, for example, the stories about Floyd Mayweather, was it Puff Daddy? Kanye West?

Carol Roth: Kanye West, Floyd Mayweather, Tom Brady

Les McKeown: We also had the horrible Ruth's Chris stuff and they at least were shamed into giving it all back and we could all see there's a bunch of massive, discrepancies which I guess is an easy way to put it. Just a whole bunch of horrible stuff.

But I know many, many, many people who wouldn't have made it, but for a PPP check - just wouldn't have made it. And we're very grateful for it and frustrated, perhaps about some of things that they read and saw, but still it got them through.

Did you see, did you hear from, or see any positivity in that whole process, or was CARES as far as you're concerned, just a complete disaster?

Carol Roth: So it's one of those things that's kind of like, if somebody comes and burns your house down and then they start a Go Fund Me campaign for you and it raises some money, like,



do you thank them for the Go Fund Me campaign? I mean, this is basically the conversation and unfortunately that's the sort of the gaslighting that that's happened to people, as opposed to the UK.

One of the reasons why the United States has been great and has been such a bastion for entrepreneurship is because they hold up individual rights and property rights. And there is a concept in the constitution called Eminent Domain, which is if you take somebody's property for the public good as the Government, you have to give them appropriate compensation for that.

So the fact is that they took these small businesses properties, and again, they didn't take Walmart, they didn't take Target, they didn't take the Liquor Store.

They didn't take the Weed Dispensary! Which by the way, had been illegal years ago, right. They didn't have Amazon's warehouse shut down and they put trillions of dollars into the stock market.

So if you had had all of those shut down, we all can hypothesize that this probably would have lasted two weeks and the guys would have said, forget it, we're not doing this anymore and it would have reversed. But because the small guys didn't have the clout, they shut them down for, you know, in some cases like in part, at least like over a year, right?

Les McKeown: Right

Carol Roth: So they were owed due compensation. So at that point to get something to save you, it's not like a thank you. It's like you're owed that and you probably didn't get the full amount that you were owed.

And there were a lot of small businesses that didn't get, you know, any, or got like a handful of dollars. Some that just didn't trust the process and trust the Government, that they were going to get paid back because of the way it was structured.

There are small businesses, as we know that use independent contractors that weren't eligible and all kinds of things. So it did some small businesses get saved by the small amount that was given to PPP. Yes, but that's not the point.

The larger point is they burned your house down. So they got to pay you to rebuild it and maybe get in there and help and put in a nice new refrigerator or something. And I think that's where it gets lost because, oh, well, you know, they got PPP and they were saved.

The amount, as I said, they got in multiple trenches of PPP. I mean, the first part was, as you noted, gone, in about 13 to 14 days, they did do the right thing by extending that.



But it was a fraction of the overall dollars that were spent. And it was a fraction of the amount that was needed to sustain what was done by mandate. And I will contrast this to, like, if you think about the Great Recession and you think about the banks and you think about, these sort of extra risks that they took on; they took on too much risk and it had consequences; not just for the U.S. economy, but really for the whole economy based on their own actions.

And they were told they were too big to fail. They got all kinds of money, which, you know, they didn't have to go somewhere and fill out an application for it. It's just like delivered to them. And here you had the opposite situation where the small businesses of no fault of their own were told that they couldn't work, yet they were told they were too small to matter, or too hard to control or whatever you want to say by the lack of money that they got.

And again, small business and big business, they're both half of the economy, but because there's so many more in one half, they just weren't treated the same way.

Les McKeown: Right

Carol Roth: The Kennedy Center got \$25 million. All these other big places got money that they didn't have to jump through the hoops to even get. So yes, there are small businesses around, but we have to understand that, like, that's the thing that they want you to take away from it. And that's not the thing that you need to take away from it.

Les McKeown: Okay. So there are two things that I want to come back to; the not needing to jump through hoops bit because you talked very eloquently about the Crony table, which I find fascinating. I want you to come back and have you share with the listeners, your view about the Crony Table.

The other thing that I want to talk about is that "they", that you just talked about, I don't want to just, hone in on that a little bit, but before we do, I want to ask you something that actually you don't mention in the book, but just genuinely out of a personal interest.

So you talk about, for example, the story of, was it Shelley Luther, the woman who opened her...

Carol Roth: ...hair salon

Les McKeown: hair salon and ended up in jail for a few days. And, you have a great line in the book, and I'm paraphrasing this and I shouldn't paraphrase a great line. I should read exactly what you're saying.

[laughter]



Les McKeown: Essentially, Shelley Luther was put in prison full stop. In America full stop. In 2020 full stop. Now, there is a perspective that's, I think a valid one to be held that, and I don't want to personify Ms Luther, but people who were either put in prison or fined or whatever, were fined, not for going to work, but for being a public health risk at an incredibly dangerous time.

And I just wondered, I know it's not the ambit of the book, but just as a person, you're one of the reasons that we love each other so much is that you've great opinions and you don't hold back on them.

What's your view on the role of Government and keeping, it's, not just workplace, but people in general healthy? What's valid for them to do or not to do?

Carol Roth: So. Let me ask you this question before I answer it.

Les McKeown: Oh, no, you're not going to do the turn the table thing, are you?

[laughter]

Carol Roth: I think it gives it context. What is it you think Government does well?

Les McKeown: Not very much. I mean, I'm not in disagreement with you in that regard.

Carol Roth: If we were to say that the people that we've hired to quote unquote protect us, we're not hiring them because they filled out a questionnaire and taken a test and they excel in these areas.

We have not hired them through a rigorous process to get the best people. I feel like, regardless of what side of the aisle you're on, maybe like somebody on your side of the aisle, but like overall would agree like the House of Representatives is a clown show.

And the Senate is like, you know, maybe like the sister to a clown show, [laughter] whatever that is, the graduate, the master clowns of America

Les McKeown: The retiring grand clowns, right?

Carol Roth: So there's this thought process that we need someone to keep us safe versus us taking personal responsibility for doing so. And I go back to the mask discussion that is in the book where people were out buying masks and doing the right thing.

And a lot of people can't remember this because we flip-flopped so many times, but we were told by the higher ups, by Fauci, by the Head of Health and Human Services, by all different kinds of people, don't buy masks. They're bad for you. They're going to hurt you.



And I'm not exaggerating. I have these things sourced in the book from major news outlets and from their own mouths and the science on that, by the way, hasn't changed.

We have Dr. Fauci on tape in an interview with a major news outlet saying, "yes, we said this because we thought that the American people were going to go out and buy up all the masks and we wouldn't have them for the healthcare providers", but then they changed their minds in April and they told them the same thing, they could have just told all of us, "Hey, we're worried about this. Here's how to make a cloth mask at home, or here's how to get a paper mask. Don't get the N95".

But they chose to be intentionally deceitful. And there are many of those discussions just on the health decisions.

Later in the book we talk about when they did reopen restaurants like in New York, if you were a bar you had to serve food, and chips weren't enough. You had to serve a dip with a chip. So the dip is now protecting you from COVID apparently in their curfews.

So the role that they played was not a role. I feel like if they would have empowered us individually, and by the way, shared the science and data, which was the vulnerable population, which we all knew by the beginning of March, is the elderly yet in certain places they sent those elderly who had COVID into nursing homes.

Again, these are the people who are charged with the decision-making. You know, if we like took charge of that personally, and we're empowered to do so instead of outsourcing this to a bunch of morons, I feel like we would have been in a better health place.

And I feel like people should have that information and be able to make those risks. If you knew you're vulnerable, like yes, you should definitely stay home. And we should have focused our resources on making sure those people who had comorbidities and followed the data and the science, well, they didn't do that at all.

So there's no sort of history to show that Government has a good role in protecting us. I think they did a really crappy job.

Les McKeown: I don't disagree.

Carol Roth: By the way, this isn't by party pardon. Like, I don't feel like if we had a different slate of people in there, because we've seen this now under two administrations, we're doing a lot of the same kinds of things.

The fact that we are trying to outsource our common sense to a group that is politicized is not, I think, to the public health benefit. But again, even if you think that it was, we didn't have full



lockdowns and we didn't have full liberties. So like both of those options were on the table, they did this like mash up that didn't get to either of those.

Les McKeown: And you mentioned, you know, a couple of different things in the way through there. And I just want to get your view on the possible separation of them. Or, are they the same thing?

So you talked about deceit and you've talked about morons, and I guess my shorthand here is I absolutely get it, and your book and I don't mean this in a demeaning sense, but all it did was make me feel well Carol has done the work to prove what I felt intuitively, which is there's just been such an enormous amount of incompetence in the handling of so many aspects of dealing with this pandemic.

Not everything, but a lot. And there's a sense certainly in the cover title and subtitle and then in a few of the comments that you make, you almost say that you feel it's a conspiracy, but don't quite get there. I get all of the incompetence abounding, but do you feel that this was thought through like, you know, bizarro world Illuminati trying to do something horrible to small business.

Or was it just a complete screw-up by a bunch of people who don't know how small business works?

Carol Roth: So I think it's probably somewhere in the middle of that. Do I think there is a special council that gets together against small business? No. Do I think that small business is an inconvenience to politicians who are looking to consolidate power? And big business, special interest in politicians who were all in the club together?

Whether, again, it's, they're too small to matter too hard to control, find them inconvenient. So whether it is, inconvenience intentionally or inconvenience by like, it just doesn't matter, or heck we just need to do something.

So let's just take this small guy and, you know, I don't care, whatever, you know, he'll open a pizza party or somewhere else, and we'll make sure it guys are taken care of. Like, again, it doesn't really matter. It's the intention doesn't matter. The outcome is always going to be the same.

Les McKeown: Right

Carol Roth: And I feel like there is definitely a, you know, here's our Cabal of Power. And, you know, if you're a politician who's looking to consolidate power, you want fewer businesses. You want the ones that have the lobbying dollars, and that can contribute to your coffers.



Having decentralization stands in the way of you spending more money, passing more laws, getting more power. I mean, those two things are completely at odds. I had somebody say to me that small business is the natural enemy of the Government.

Les McKeown: Right

Carol Roth: Because there's a story in the book from all the way back of FDR, where he had this small business meeting and he wanted to come get the small businesses to buy in. And they couldn't because they were just too independent. They were all over the place and nobody could come to, you know, one view.

And that's very inconvenient for politicians, which it's great for freedom and choice and transparency. So that's just the natural order of freedom, choice and transparency on one end versus a handful of people making decisions often using force coercion control and opacity.

And that's, I think, again, the thing we're thinking. So when you say, is it a conspiracy, it's not like, Mr. Burns, "*ooh Smithers hee, hee, hee, we're gonna all get together and we're evil*".

It's a conspiracy in that, like we just aren't useful. And the more of them there are, the less power there is on the side that is useful and that's the battle. So I think it's a different way to think about, you know, the struggle there.

Les McKeown: And the point of which those two overlap, you know, the incompetence and the conspiracy theory, I believe, indubitably is in the who you know world, the crony side of things. And you have a whole chapter devoted to the Crony Table. So tell us a little bit about what the Crony Table is and what you discovered about it.

Carol Roth: Yeah. So cronyism, which often gets conflated with capitalism is really when the Government tilts the playing field away from that freedom and choice and gives you a sort of a special advantage to a group of people. Those tend to be people that are well-connected wealthy or big.

It never seems to be like, it's the little guy, even though that's always the guys that it is, sold under. And again, the natural order of things. If you know this, this is all really a study in human nature. I mean, we talk about economics and we talk about politics, but just this is human nature.

The reality is people seek power, people are greedy. People do things for their friends. That's just sort of the natural order of things. So I don't believe in unicorns. So it's a question of, of how do you create a system or a non-system that minimizes that, for the most people, and then kind of takes away that power.



And it's really fascinating, whether it is, you know, the laws that are passed or some of the special tax advantages, or, you know, kind of anything that's done, like how does that impact the small guy versus the little guy?

If you talk to small businesses all across the country, they'll tell you that dealing with administrative paperwork, dealing with laws, regulations, permanent, you know, those are the kinds of things that keep them from being able to grow their business and eat up their time in a non-revenue producing fashion.

And, we did some work on this many years ago was like 40% of the average small business owners time was spent on like, non-revenue generating BS. So obviously like that that's not intended to make you more productive. If you're a big company, you have more money, more access to capital, which was by the way, the Government enables and you're able to navigate that more easily.

The one that really stood out to me, you know, as I was doing my research, cause it's one of those things like I knew about, but I didn't actually know the numbers and the aftermath, was the Great Recession and the banks as we alluded to earlier.

So we said the banks, you know, took on this outside risk and they were going to get some kind of punishment after they got their reward of the taxpayer bailout. And that came in terms of legislation. Dodd-Frank. Great. Do you think? We're going to reign in the big banks That's a good thing, right? That's good for everybody.

So what ended up happening - it was so onerous to comply with, that it ended up killing the formation of small and community banks. It put a bunch of small business banks out of business.

And if you've ever tried to get a loan before, you know, that the best place for a small business to get a loan is from a small business bank, because they have less capital to deploy and they're able to do smaller chunks. The big guys, it just doesn't register for them.

So it ended up killing small business lending as well. That just went down. I think they said it went down like 80%. It was insane. At the same time, the big businesses now had less competition and they had more capital coming pumped in from the Federal Reserve and big business lending and their business went through the roof.

So you have this legislation that is meant to punish, meant to reign in the big banks, that gave them free reign.

Les McKeown: Right



Carol Roth: And so those are the things that happen every single time because of the structure of whose writing the laws, who's on the inside, who has the lobbying dollars. So anytime you have a problem that's enabled by Government.

Having more Government in there actually makes the problem worse versus just letting the market sort it out. And so again, these are the kinds of things that good intentions don't produce, good outcomes.

And I feel like we're in a point in our history where we're spending too much time talking about intentions versus outcomes. As you know, you are the business operations master, and this is all about outcomes and bottom lines. And what processes do you put in place to ensure that to happen.

And it's at the point of the economies of scale. and you know, can't do anything well, let alone one thing. And we're asking it to be involved in all these different aspects of our lives. And at the end of the day, it's to the detriment of our economic freedom.

Les McKeown: And, I wanna move to that. Where should we be heading and cover the ground that you cover, extensively in the second half of your book, but one final, sort of resting point on what's been going on before we do that.

You make it pretty clear in the book that you're not a great fan of Jerome Paul and the Fed in general. Just share a little bit of your thoughts about that. You make a fascinating point, which I didn't know, you point out that the financing model that the Fed has, actually means that it's not independent. I'd love you to just share a little bit more about that.

Carol Roth: So I have a whole chapter on the Fed and it's one of everybody's favorite two chapters. The Fed and China was everybody's; my favorite two chapters, it's everybody's.

Les McKeown: I know.

Carol Roth: And I think the reason people like the Fed chapter and why I felt so strongly about devoting an entire chapter is that (a) it's the source of many of our problems and much of the unequal playing field; (b) it's so wonky and hard to understand the way that people talk about it.

And because of the way that it's designed, frankly, because it's designed for confusion that most people like kind of heard about it, but they have no idea what it actually is, what it does or the impact that it's having on their lives.

So you have this like weird scenario where it's this group of banks that then has a board of governors and the Reserve Bank, and it gets its authority from congressional mandates, but then



it gives its profits, if it makes any, and it gets profits by, if it's holding securities on its balance sheet and its making any interest or anything on that, it gives it back to the Treasury.

[laughter]

So it's like you have this like weird hybrid where it's like, wink, wink, nudge, nudge, oh yeah, we're independent. But they're being driven in a sense by the banking interests as well as Congress and the Government. And it's enabled, you know, this insane change and an insane transfer of wealth.

So, as I mentioned, this was historic, there were two things that happened during 2020 and continuing this year. One is that when they shut down the small businesses, if you had dollars to spend, you were going to go spend them at Target or Walmart or Amazon, the places that were open and could accept that money.

And so they had record quarters. I mean, it was like insane in terms of the amount of revenue that they generated while hundreds of thousands of small businesses were murdered and millions more were struggling to survive, like they were hitting records.

So I think that part is very easy for people to understand. The hard part to understand is that the tools, let's put that in "air quotes", that the Federal Reserve uses in terms of artificially depressing interest rates, and then going in buying securities in the market and putting it on their balance sheet, what that does in effect is it disrupts risk.

And these, if you are a saver or a retiree that you put your money away in the bank and you're earning nothing on it. So if you want to be able to keep up with the cost of living or to, you know, live your life, the way that you had expected, you have to take on more risk to get the same return that you would under normal circumstances if the Fed wasn't doing that.

The same banks then take this money, which basically is almost free at this point, right? They're not putting out very high interest rates and they're giving it to the big companies. And they're able to use that to then go and compete with you as a small business owner.

And because of this disruption of risk in the market and the amount of money that's flowing in, the valuations of the companies expand. So we had seven tech companies that gained \$3.4 trillion in value in 2020. We had a record year for IPOs. We had a record value in terms of the amount raised by SPACs, which are these highly speculative investment vehicles.

So if you were big and you can access capital and you had this like, you know, kind of off balance sheet, like weird, your organization, you know, mafia behind you, like you were doing really well at the same time, the rest of us, you know, that were shut down, were struggling, that, you know,



that, that these businesses were going out of business, that people were really just doing everything they could to cut their salaries, to make sure they saved their businesses.

The imbalance of that is horrendous. And then the worst part about the whole thing is then people that blame it on capitalism and say, oh, that happens to capitalism.

Well, the Federal Reserve putting more than \$8 trillion on their balance sheet and holding interest rates artificially low isn't capitalism, that's central planning. And that goes back to the Government interference and tilting the playing field away from us and transferring these wealth opportunities.

And to take that like one step back, you know, it's harder for you now to be successful in terms of owning a small business, which is a wealth creation opportunity. You have to take on more risks to be successful in the market.

That's the wealth creation opportunity. They have given so much money to these big firms and made it so hard for them to find a return on investment anywhere because of what they've done in the market, that they are now competing with you to buy a house.

So if you're going out and trying to buy a house, you now have pension funds and private equity firms that are out there competing with you. That's a wealth creation opportunity. So you have the Government interfering and making it harder for you as the average American to create wealth.

And then you hear about the inequality of capitalism, that that's the inequality of central planning. And so I think it's important for people who want to right that ship, to understand the fundamentals of these things so that we can have the appropriate discussion.

Because I guarantee you, nobody who's listening here has called their representative and said, "Representative, I need you to reign in the Fed". But honestly, like that's one of the first things everybody should be doing. And it's not part of our discourse because it's intentionally designed to make you confused.

Les McKeown: You've summarized it really well. And a wonderful sentence you say there are new varieties of capitalism; it's capitalism, and what you point out is the degree to which, you know, I'm not going to say we have been hoodwinked or whatever, but a lot of us have come to accept central planning as an integral part, when it doesn't need to be.

So apart from that, let's move to the whole of the second half of the book, you have a wonderful overview of capitalism in its pomp, if I can put it that way, what it looks and feels like, when it's doing the right thing. Apart from calling our representative and telling them to shut down the



Fed, how do we get from here to there? What are the practical steps in trying to take what is an enormous lumbering bureaucracy and turning it into effective government in your view?

Carol Roth: Yeah, I mean, it's, it's getting rid of as much of it as possible. And it's, I think if you ask most small business owners, what they want more than anything it's just to be left alone, right?

They don't need any help. They just don't need the barriers that make it difficult. Or if they do what help it's well, you gave this help to this big guy, so we just would like for it to be even, and that's the problem is that we're continually told, oh, we need more spending in this area, or we need more rules, or we need more laws, you know, right.

As we're recording this, between the pro act, increasing the minimum wage. And now there's a framework for a three and a half trillion dollar budget that expands the Government's touch points in lots of areas and expands things that look a lot like Universal Basic Income under different names and look like laying the foundation for Medicare for all.

And you know, all of these issues. And I think that a lot of us agree on the same issues. Like we agree that healthcare is a mess. You know, we agree that the education system is not working, but too many people want to throw more governance into solve the problems that have been created by the Government.

And so that what people should be doing is standing up and just saying nothing. Like we complain when we don't think Government's doing anything like, that's good [laughter], that's a good thing.

We need them to do less than we actually need them to take back and repeal being the middleman. And I just kind of go back to the concept of all these people that talk about monopolies, or, you know, know middleman and like how those you, those aren't necessary.

Well, the biggest monopoly we have is the U.S. Government, the biggest duopoly is the two party system.

And the biggest middleman is Congress. They're in the middle of everything. So if you really believe in those tenets, let's apply them across the board. And yeah, I mean, this is not an easy thing to do.

So, you know, what you can do, you can vote with your dollars. You can support small businesses, which is an important thing to do because we have too many people who would just reflexively go and give their dollars to big companies.

And again, nothing wrong if you get value from them, I'm a capitalist. But again, in terms of that power dynamic, you need to be more thoughtful about your role in terms of that.



And then in terms of you being supportive of policies that continue to feed the monster, you know, just maybe think about like, is there a different way, is there a better way, and is there is freedom and choice and us all making our own decisions going to lead to a better outcome and more transparency than a handful of people who don't have expertise, making the decisions and then forcing or controlling, coercing everybody to follow along.

Les McKeown: Well, sadly, I agree with so much of what you just said, and sadly history shows that in its nature, Government expands to absorb the revenue available. That's just what happens.

You know, you start somewhere and once you put that piece of yeast in and you'll have your first governing organization, it will expand somewhat as long as there's revenue that it can absorb and turning that around is going to be a pretty tough thing to do.

One thing that you did talk about at the start, and then we'll finish with a few quick-fire questions, was just, the level of competence and the people that we've hired to do this, or, or who have been hired to do this.

You know, you made the point, unlike say Singapore, which for many decades, really had a high quality hiring model for their civil servants above everybody else, because they wanted the best to come work there. We don't have that here.

Presumably there is no point in shrinking Government down if its still full of dunderheads? Hasn't the whole recruitment process, how we get people into government, got to change?

Carol Roth: I mean, yeah, I love it, but I'll dispute a little bit of the first point because one of my favorite books, which is actually, I wrote my first book to be sort of the prequel to is "The E-Myth Revisited".

Every small business owner who focuses on systems, loves Michael E Gerber, right?

And the thesis of that book, which I feel like we all agree is, that the best designed systems allow the unskilled and those who aren't the smartest people in the room to run them. The reason why McDonald's has gotten so big and is still able to be effective is because it can hire somebody off the street and it works.

So I would contend that if you require a system with the smartest people, to be able to have it function, it's probably not a great system, which is why I believe in the non-system or the unsystem of capitalism and free choice. That being said I would like to see a lot shifted in terms of the way that we, you know, get people into office.



Part of the things that I had put out there and was cut out in the book were some suggestions, perhaps around this. But, you know, I do think that the two party system needs to be broken up.

I think that, you know, if you don't believe in that the tenets that, you know, control in centralized power, you know, equals freedom, which it doesn't. There's just too much in, in only having two parties come to the table and just chopping that up would certainly be helpful.

But if we're going to have people like, you know, stewarding \$8 trillion at the Federal State and local levels, wouldn't, you want somebody who knows the difference between a balance sheet and a cashflow statement and, you know, an income statement or understands what the Federal Reserve does.

I remember a couple of years ago here in the state of Illinois, that we had a crazy increase in our taxes. It was going from, you know, three, something to four, whatever. And it was like a 75% increase.

And we had this member of Congress, a member of the Illinois Congress, whatever you want to call it, who said, he was like, it's 1%, it's not 75%, you're lying. And he didn't understand the difference between a percentage point and a percentage increase. It was going all over social media.

And so of course me, I'm not going to not jump on that. So I went and said like, these are the people who are in charge of your money and made a complete fool and he retracted it, but then double down on it and still look like a complete idiot.

But like, there are a lot of people who are making these decisions that really like fundamentally don't understand the difference between a percentage point and a percentage increase. And so, yeah, I mean, it would be great.

I mean, it would be great to do the whole thing blind, right like, wouldn't it be good if you didn't know who the people were, what they were affiliated with, but you just knew their principles and like their test scores and stuff. I mean, I just feel like us demanding that we have, and honestly, like it may be paying people more like making these more attractive jobs.

That's something that Anthony Scaramucci has suggested that if you really want to get somebody who's competitive, like make it a choice to do this, or to go work for Google. But then of course, then you're going to have the people say, oh, well, you know, you're making so much money.

Like there's no win. This should honestly, it should be what it was intended to be. It should be a part-time job where you're representing the State's interest. All of the stuff that we've outsourced to the Federal Government should be going back to the States.



I mean, we honestly probably just need a convention of the States, but you need to get the States, in like, you know, a frame of mind where you've got some decent people in there in order for that to make sense, but that would probably be a good thing. Why do we pay money to the Federal Government that like it sits around and plays reindeer games and then gets back to the States

Even social security and this wasn't in the book either, but I'm sure since you referenced Singapore that you've heard of Providence funds before, you know, there's like, why do you need the Government to be a middleman?

Like, why wouldn't you just pay into social security? And it, even if it's a Government requirement, you actually own that money and that you can invest it to get a return, assuming that the Fed wasn't messing with the market instead of the Government going out, spending it, and then having an IOU on future people in order to be able to do it.

I mean, there's so many things, so many ways you could bring capitalistic tenets and take the Government out of the equation and limit their power as a middleman. But unfortunately people keep trying to push them in the opposite direction.

Les McKeown: One small point that came up in, what you just shared that I don't want the listeners to miss out on is. Folks, if you do want to see Twitter snark done correctly, just find Carol, it's not hard to find her, just Google her name. And, if you want to see the epitome of that, Google it a little further, and have Carol Roth and you know who I'm going to say, Carol...

Carol Roth: I do

Les McKeown: Piers, Morgan, and I'll say no more. It's worth finding that exchange.

Carol Roth: By the way, that still goes viral on a regular basis. And I still have people, you know, we're now 12 years, no, nine years, nine years into it. And it's still, people are still finding it. And every time it still makes me laugh.

Les McKeown: Me too, and it's worth folks pulling and finding it. Okay, let's finish with a couple of quick round questions and you've already touched on one of them. State's rights. What did this work and the research that you did here what were your thoughts about how the States handled the pandemic versus the, the Feds, the Federal Government?

Carol Roth: I mean, it's, it's interesting. A lot of people forget the Federal Government under Trump is the one who came up with the name 15 days to slow the spread and gave that blueprints to the States who ran with it and use it coverage to become 500 is to slow the spread.



So I actually thought it was very appropriate that they left it up to the States. I think that again, given our geography, the number of people, the scale that we have, that it's impossible to have one size fits all plan.

That being said that a lot of States didn't do a very good job with it either. I had a tournament of the worst States Governors for small business, and it was very hard. We had a bracket, it started with a sweet 16, I think. And it was very hard. There were a lot of people who were left off that deserve to be on there.

And by the way, Gavin Newsome happened to win the whole thing, slowly edging out Andrew Cuomo. but, you know, there were a lot of states that really didn't do a great job. And the interesting thing about it is if you go back and you look at the data in terms of death outcomes, the ones that had the heavy hand didn't have better COVID outcomes, because of the way that they put it out, they weren't targeting the vulnerable populations.

They were doing this, you know, we're connected, not connected, small business, big whatever. And so, well, economically there was some variance, there was definitely not, in terms of the healthcare outcomes, which I think, you know, kind of speaks to some of the things we were talking about earlier.

Les McKeown: Which probably I think is going to lead to the answers to my next question, which is, who across the whole Panorama of Actors, who did come up well, who do you admire for how they approached the pandemic economically?

Carol Roth: Again, I'm not one of those, like, I don't admire people, I just kind of like principles and I don't like parties.

Les McKeown: Let's put it this way. Who would have been in the other end of the Twitter...

Carol Roth: I'll just lump them all together because then somebody's gonna be like, "oh, I don't like this person from a principle standpoint".

As I said, I feel like those who let people make more of their own choices who were on the side of freedom, who didn't do sort of indiscriminate, lockdowns. I feel like, you know, those people who were more transparent with the data, did better and had no worse, and in some cases better outcomes, obviously part of that has to do with, you know, geographies, if you were in a big city, you know, you're going to geographically where you had a lot of older people, that's going to skew the numbers too.

So we have to, you know, think about that.



But yeah, I mean, there are definitely some States and there were also some smaller States that did a horrible job. I mean, New Mexico was one of the worst. And you would think that that would be a State that maybe would be, you know, a little bit, you know, because it's more spread out and it doesn't have, it's not as populated whatnot and disaster there.

So, you know, as I feel like those that aired, on the side of trying to follow at least some semblance of data, empowering people to make decisions, being super clear about the data and not trying to pick winners and losers. I think that those had the, the better outcomes.

Les McKeown: And finally, what would your approach be, or what would you suggest, an approach would be to the current hiring issue with the fact that we've got mounting job vacancies, but I'm in a small town, local restaurants can't get anybody; everybody's screaming for employees.

Carol Roth: This is long tail outcomes of central planning. And again, we can argue about whether this was intentional or not to get more people conditioned, not to go back to work, to be on the Government dole, to prime them for UBI.

We now have 10 million job openings in the U.S. I mean, it's historic and people received stimulus. They received enhanced unemployment benefits. And this is really important because there's a lot of misinformation around this.

You know, if you work, your employer, or if you're in one of the five States that has you pay in, pays in on your behalf and you have access to unemployment. That's fine, everybody should do that.

But what they did, starting in March as it started at \$600 a week, and then it was down to \$300 a week, is that they gave you an incremental amount on top of it, that enhanced unemployment that's extra benefit.

And that made it really financially, for a lot of people, it made it that they didn't want to go back to work because either they were making about the same, or even if it was a bit less, by the time you have gas and you have to commute and all this stuff, it just wasn't worth it.

So now you have the Government competing with businesses for employees. We go back to what I said from the beginning. If you would have paid people to stay on the payroll, you would have paid them and say, instead of giving it through unemployment, we're going to give it to you as part of this, really, but you have to stay employed.

You have to stay committed to that employer and go back to work when they reopen, we would have preserved the businesses. We would have preserved the jobs people would still have had that loyalty to their jobs.



And then they wouldn't have had that disruption. And this heavily falls on the shoulder of small businesses that don't have the access to capital to be able to withstand this, or the ability to close certain locations and still come out okay.

They're contending, you know, first they had the mandated shutdowns. Then they had the employment issues. They're having price increases from the inflation that's been caused by this whole supply chain disruption. and then, you know, you get to the point where there's, there's so much demand from consumers.

So like you go to the restaurants, they're dealing with all these issues. They've increased their prices. They have no staff, you have a bad experience, and now you're not going to want to go back to that restaurant. So it's just a no win situation.

And the important takeaway is that that was not caused by the pandemic that was caused by the Government's reaction to the pandemic.

And there are so many different things as we've discussed, some of them that they could have done, if their intention was not to cause chaos and/or that they had anybody competent leading the charge and it was done the way a business person would do this versus the way a politician would do this, that would have produced an entirely different outcome that wouldn't have been so devastating for the people who were the most vulnerable.

Les McKeown: Well folks, if the last X number of years, particularly here in the U.S. has led you to believe that it's impossible anymore to be both passionate and eloquent and gracious, then there's much more of what you just said in this fantastic book, "*The War on Small Business*".

My dear friend, Carol Roth, my best ultra capitalist friend, thank you so much for coming back and sharing.

Carol Roth: Thanks Les, and if I can just make one more plug, since we're talking about this, if you're want to buy the book and I hope you do, because it's an important education, buy it from your local bookstore, go to bookshop.org and they will fulfill it locally because for us to have this conversation and then just go the easy route to one of the biggest names, you know, again, that's what you want, I'm a capitalist, please still buy it, but be thoughtful.

So this is like the first step into being thoughtful about how you put your dollars and you participate in capitalism, but thank you for being a warrior for businesses. And, hopefully we can, we can save some more together.

Les McKeown: Well, I look forward to welcoming you back for episode four. Thanks, Carol.