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Steven Ballmer
Former CEO, Microsoft

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QUESTIONER: Charlie Rose
                The Charlie Rose Show
                Anchor, CBS This Morning
                Contributing Correspondent, 60 Minutes

Introduction

Chairman Terry J. Lundgren

The Economic Club of New York is the nation's leading nonpartisan forum for speeches and conversations on economic, social, and political issues. More than 1,000 prominent guest speakers have appeared before our members over the last century and have established a very strong tradition of excellence. I would like to take this moment to recognize the now close to 250 members of the Centennial Society, each of whom have contributed at least $10,000 or more to help this organization fund itself, and they are seated at the Centennial tables in the front of the room. And if you'd like to become a Centennial member there is information included in your program. We'd also like to welcome the two tables of our students. We always like to have students attend whenever possible, and today we have students representing Fordham University's Gabelli School of Business and St. Edmund Preparatory High School, and that is thanks to the generous support of Club members.

So, it is a pleasure for me to welcome, as our guest speaker today, Steve Ballmer. Steve is the co-founder of the Ballmer Group and the owner of the Los Angeles Clippers basketball team. I'm sure that will be on the minds of everybody here, including those of you who are looking for a team to support in New York. (Laughter) Steve is co-founder of the Ballmer Group and owner of the Clippers, as I said, but he's also the recent – retired two years ago, 2014, after a 34-year career with Microsoft. The Ballmer Group focuses on improving outcomes for children and

families facing inter-generational poverty in the United States.

During Steve's tenure at Microsoft, the company pioneered personal computing and democratized enterprise computing, growing from a small startup company back then to a company that employs more than 110,000 employees. He became CEO in 2000, and under his leadership Microsoft grew to an almost $80 billion company in revenue and was the United States' third most profitable company during his tenure as CEO.

He grew up near Detroit, where his father worked as a manager for Ford Motor Company. He earned his undergraduate degree in mathematics and economics from Harvard, and he worked at Procter & Gamble and attended Stanford's Graduate School of Business before joining Microsoft as Microsoft's first business manager. He lives now in the Seattle area with his wife Connie, who I just met and who is here today.

In today's presentation, Steve's going to talk about an exciting new site that he has just launched and it's very current. It's called USAFacts. I went onto the site myself today. It's a first of its kind platform that gives people facts about the need to approach policy debates in a much more informed way. It was inspired by the SEC's Form 10-K, something you are all very familiar with. And USAFacts seeks to present government data in a comprehensible manner. Imagine that, novel idea, to know where your tax dollars are being spent on a local, state, and federal basis.

So after Steve's presentation, we will move to the Fireside Chat portion of the event. So please know that the entire event is being recorded and it will be live-streamed as well. And with that, let me turn it over to Steve Ballmer. (Applause)

Steven Ballmer

Former CEO, Microsoft

Well, thanks Terry. Thanks to all of you. Thanks to the Economic Club for the opportunity to be here today. This is kind of fun. I call this my debut performance not talking about virtual reality and cloud computing. We'll see how this government stuff goes, but it's a pleasure to be here today. The USAFacts project grew out of a discussion I had with my wife shortly after I retired from Microsoft almost three years ago. She was encouraging me to get involved in the philanthropic work she'd been doing, focused in on kids who were born into disadvantaged situations, maybe no opportunity for the American Dream. I said to her, I don't think we need to do that. The government takes care of the poor, the sick, the old, the disadvantaged. All we need to do is pay our taxes. And that was not a very satisfying answer. But it turns out I was part right and part wrong.

Most of the money that goes to taking care of disadvantaged kids does come from government and yet really understanding where that money comes from, where that money goes, what the

role is of various tax pools against that, was extremely difficult to see. And that got me sort of

started with my natural propensity to numbers. I love numbers. I think numbers paint a story of

what really goes on. Not everybody thinks in numbers, but it's just kind of the way I'm wired.

And as I was trying to find out more and more about government, you'd go to the search engine,

you'd search for X, you'd search for Y. And you can find a lot of things, but you can't find a lot

of information in a digestible form.

The thing I decided I really want to see was the equivalent of a 10-K report for government,

because when I was trying to study competitors, when I was at Microsoft, the first thing I'd do is

go find their 10-K, understand how they think about their business in terms of segments, and

then read in a way that is – if you will – without hyperbole and without omission. That's sort of

what the SEC requires. You can't pump yourself up. You can't pick data selectively. You must

sort of – if you will – stick strictly to the facts. And that's what we set out to do, to create

something that was factual. We're only based on government data. We use about 70 different,

information from about 70 different agencies, and I think about 130 different databases. We have

to be unbiased. Everybody has their partisan view, but these are just the numbers. And they can

be used by more liberal, by more conservative people, to make whatever case you want, but you

want to ground it in real numbers, not numbers that are picked and chosen at random.

If you want to do things without omission, you need to be comprehensive. There's barely

anything – we found – that government does that doesn't source some funding from the federal

level, the state, and the local level. So we brought all of the revenue and spend together from all of those levels of government. If you want to have no omission, you better have context, history. What have things looked like in the past? The SEC makes you do that. You have to report on the last three years, and I think that's a good discipline.

Last but not least, the information needs to be comprehensible. Comprehensible turns out to be the big challenge. You know, if you look at government in the United States today, there's over 90,000 government entities in the United States, in addition to the federal government, state governments, counties, townships, municipalities, school districts, water districts, transit districts. Government's kind of big. Across government, there's a lot of shared responsibility for getting things done, but there's a lot of distributed authority, and in many ways, very weak alignment. There aren't a clear set of missions or goals for government that are shared across all of these levels. Even if you look just at the federal level, government is kind of diffuse. The committees of the House are organized differently than the committees of the Senate, are organized differently than the cabinet posts, are organized differently again than the federal budget. And, oh, by the way, the closest thing you get to missions are the party platforms of the Republicans and the Democrats, (a) they're different, and (b) they change every four years. And the business segments – if you will – the way it explain itself comprehensively can't change every four years and have people understand what's going on.

So we struggled with this a while, and I kind of invented myself, okay, these are the missions.

And I don't know, I had about 13, 14 of them, and that seems like a lot to me. It actually was the problem I had at Microsoft, I wanted to show every crack of what we were doing, probably had too many segments for a while. And one of our team said, hey, I've got a suggestion. Why don't we look to the United States Constitution? And we went to the preamble actually, where it says, We, the people of the United States, in order to form a perfect union, establish justice, and ensure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity. Well, those are the segments of the U.S. government. And we organized our work against these four fundamental missions.

Now, in each area, we had to create sub-missions to report on. Establish justice and ensure domestic tranquility. There's crime and disaster, or physical safety, if you will. There's safeguarding consumers and employees, essentially protecting commercially individuals from one another and from the businesses with whom they interact. Child safety, making sure that there's a way to protect children when they're in difficult family situations.

Provide for the common defense, by the way that's an interesting one. Provide for the common defense – it doesn't say go to war successfully. It was easier to describe providing for the common defense, are we prepared, than it is to say are we successful or not? Foreign affairs and foreign aid, border security and immigration, all about providing for the common defense.

Promoting the general welfare, this is where we put the economy, stimulating the economy,

interest rates, deficit spending, blah, blah, blah. We put the money that goes into government

R&D and infrastructure, because they're all about facilitating economic development. Standard

of living and aid to the poor, income, taxes, and grants to the less-advantaged, those are the tools

government has to support standard of living. People are going to disagree about how much of

that should be done, but we put those, those things together on the basis of the jobs that the

economy creates.

Health, and I don't mean Medicare and Medicaid, I mean structuring the healthcare industry.

Government regulation, as I'm sure everybody understands, really structures what doctors do,

what hospitals do, because the fundamental regulation and payment systems come from

government, in addition to the fact that government is the biggest payor.

The government runs businesses, and I call them businesses because I'm a business guy, but

when you run the bus system or you pick up the garbage, I'll call that running businesses,

because we have private garbage pickup in addition to public pickup. So we talk about

government-run businesses which turns out to be a very large percentage by what, a surprisingly

high percentage to me of all government employees.

Secure the blessings for the future, human capital and education are about our posterity. Wealth

and savings, about our posterity. Sustainability, self-sufficiency, if we really had something

cataclysmic go on in the U.S., do we have the agricultural and energy resources to be separate in

the case of a calamity. Obviously, the environment falls into this category. And last but not least, the American Dream. Does every kid have a shot to do whatever they want in America? Are people participating in our democracy? Are they voting? Those are kind of fundamental.

So we organized everything we report on, which is important, if you want to have comprehensibility, you need a structure for all of the numbers and what government spends on, how it's doing, reporting metrics against missions. This is our fundamental framework, and we think it comes simply out of the Constitution.

So what we're launching today is a few different things. First, is our website, USAFacts.org. We had a little problem this morning. We had a lot more interest than we expected. We have our trusty development team with a little support, not surprisingly from Microsoft, since we run on Azure, scaling us up this morning. We do an additional website. You'll find on the website, a summary annual report because businesses create annual reports, a full annual report, the summary is about 50 – if you will – pages of PDF. The annual report is about 300. I love the annual report, but from an accessibility standpoint, we thought we should create a 50-page version. And then a real 10-K modeled after the format that the SEC requires of businesses. It's about 170 pages. It does what you'd expect. We have some things marked "more to come," because there's just so much data to provide the kind of analysis a 10-K does. A 10-K says revenue is up. Why? Because price was up, but quantity was flat. And you can do this in almost every part of government. Why was spending up? Was spending up because the cost per

beneficiary went up, or the number of beneficiaries? So we tried to provide the same analytic rigor that you would in a 10-K.

We've had a lot of review and participation. This has been a serious activity. We've had economists working with us, software developers, designers, writers, analysts. We've had folks from Lynchburg College, Gerald Prante, who we first came across, who can find anything in any government database that exists – very helpful for us – who assembled a lot of the data. We've been working with a group at The Wharton School led by Kent Smetters, who is here today. The Public Policy Initiative, they've been doing the back end, the assemblage of data for us – a great team there. The Stanford Institute for Economic Policy Research – I actually taught a course, a sophomore seminar at Stanford with Mark Duggan who runs the Stanford Institute for Economic Policy Research – a lot of feedback, a lot of engagement of subject matter experts to help us review. And then we've done beta testing with Republicans and Democrats, with lay people, and with subject matter experts, which has all been invaluable.

The final step, which is not complete yet, we are trying to get one of the Big Four firms to audit our work. Now again, audit government numbers? But we want them to audit that our processes have high integrity in terms of taking source data and putting it all together. The last group I want to mention is the U.S. Department of the Treasury. They do produce the closest thing that exists to a 10-K. It doesn't have state and local data. It doesn't have information about specific mission outcomes. But we have borrowed liberally from this government document and we have

some folks from the U.S. Department of Treasury who have authored a lot of the material that we use. Serious project with real support. I'll show you just a little bit of a video, a two-minute video that gives you a sense of what we've done.

VIDEO: What does our government really do? Where does its money come from? And where does it go? What are the outcomes? Welcome to USAFacts, our nation, in numbers. The Constitution, it gives our government these four missions, which are enabled by our government's finances, revenue, and spending, all of which of course, is in service to the population of the United States, whose data can be found here. But first, let's look at the big picture. On this side, we have revenues, like individual income taxes, corporate income taxes, all revenue streams are included – federal, and state and local. On this side, we have expenditures, organized by our government's four constitutional missions. Let's check out education. Here, we see a snapshot of total education spending, percent of total spending, and to what extent it's funded by federal or state and local government. But spending is only part of the picture. How is the country doing on key education metrics? Let's look. Up top, summary data provides instant context. And below, multiple data sets provide even more context. Let's drill down deeper. This seems interesting. Let's explore. Let's download it so we can review it later. Now let's get a better sense of those who are being served – the population. Here, we see a range of demographic data – totals, percentages, changes over time, even the ability to drill down into different groups of people. And if you have a specific interest or passion, like health, immigration, or employment, it's only a quick search away. See, easy. Results can even be

shared, emailed, discussed. And for every data point, official government sources. Also, our latest reports, our 10-K, annual report, and summary can be downloaded. So explore, share, and experience our nation, in numbers. USAFacts.

(Applause)

Steven Ballmer: One of the things we thought was very important wasn't just to look at how government impacts people on average, but rather to look at how government impacts various groups of people. This is a chart that shows taxes, income earned and taxes paid by the top 1%, the top 20%. We try to analyze, wherever we can, by income level. But not just by income level, by family type, we define standard family types – single mothers, or single parent families, the bulk of whom happen to be mothers. You know, married with kids, the elderly, age, race, and ethnicity. Wherever we can, we try to show the impact on various parts of the population because I think that's the importance of the way sort of government actions fall on the population as a whole.

Here's a historical picture on the financial side, since finances are important. You can see how the revenue has varied since 1980 to the present. In this case, we adjusted for inflation, but we have a lot of the data in nominal dollars, because if you go back and look at government reports, guess what? They were all reported in the dollars at the time. We want people to be able to tick and tie back to actual numbers.

Here's the expenditure data. A couple of surprises, I thought I might highlight some surprises. Corporate income tax was surprisingly a low percentage versus what I expected of the total. You can see it on there a little bit. And if you look at it, savings, i.e. Social Security and Medicare, education, aid to the disadvantaged, the military, and safety, policy and fire, they really shine as very large percentages of our spend – very, very large, surprisingly large frankly, to me.

Another one that I think is very important, my dad worked at Ford Motor Company when I was a kid, and he'd said, all costs walk on two legs. In government, there's transfer payments, which I think all walk on two legs. But other than those, costs walk on two legs. So, where are government people employed? First of all, 23.2 million, government workers. That was higher than I expected. But then you hear the bureaucrats, blah, blah, blah, people who want to vent about this. Over half of government employees work in K-12 or higher education. We can't even show it to scale, it's so big. The next biggest employment sector, as you'll see, is war fighters. After that, it's people working in government-affiliated hospitals. It's police. It's people working in the transportation area of government. Hey, there's 434,000 people working in Parks and Rec Departments. You have to look pretty hard to find "bureaucrats." Most of these professions, people understand what work they do, and can very easily, if you will, choose to value it or not.

I thought I'd give you just a little example of how you might think about, or pull the data together, to analyze the problem. And I just took a subset of what you might want. Take our criminal justice system. There's a big debate about whether we over-incarcerate, under-

incarcerate. So pull together some data. Arrests by offense. Then you might want to pull together the correctional population, how many people are in jail, on parole, in prison? You might want to take a look at what people are in prison for. You can see violent crime, drug crime, property crime. Then you might want to pull together how much jail time are people doing. This is the mean time served for a first offense. It does not include life sentences. But violent crime is murder, manslaughter, rape, armed robbery, and the mean time you serve, unless you get a life sentence, is just over four years, 50 months. That surprised me. I ran it by a fellow I know who is a homicide policeman. He was not surprised about it at all. So, context is important.

If you take a look at the, I'm just going to give you a few examples of the other kinds of questions that we help answer in USAFacts. I've written down a bunch here that had surprising answers. The population is up 42% since 1980. What's happened with house fires? The spending on transportation infrastructure, since that's in the news, how has that evolved? What percentage of military spend actually goes into durable goods – ships, missiles, tanks, so no bullets and the consumables, just the durable goods? What percentage of all mortgage interest deductions go to the bottom 60% of our population by income? What occupation created the most jobs? Is the public school student/teacher ratio going up or down? What's happened for the cost of a hospital stay? What percentage of all gas emissions came from agriculture? I have a buddy who is here today who is in the ag business and he's always complaining that the ag business gets a bad rap for its contribution to gas emission and global warming. So I wanted to make sure those kinds of answers were in here.

Just a few of the answers. Home fires have decreased by 50% since 1980 while the population grew 42%. I don't care if you're a liberal or a conservative, that to me is a touchdown – our government doing very good work. Transportation spending in inflation-adjusted terms is up since 1980 from $254 per capita to $384. The percentage of bridges that are structurally deficient has gone down from about 25% to 9%. You decide whether you think that's good or bad. It certainly has a directional trend to it.

Only 6% of defense dollars were spent on durable goods. I was surprised. I thought a huge percentage of the defense spend went for tanks and boats and aircraft. Only 4.3% of the value of all mortgage interest deductions went to the bottom 60% by income. That surprised me. I know the mortgage interest deduction is to stimulate home ownership and yet most of the value probably goes to people who would otherwise own homes.

What's the fastest growing job sector? Food preparation and serving, 1.8 million jobs added since 2005, the last year for which government has data. I'm not sure how people would judge that, but I know those jobs don't pay as much as other jobs in the economy.

The student/teacher ratio, this one blew my mind. It's declined from 19.1 teachers per student to 16.1. Why? Gotta dig in more since most parents I know are complaining about larger class sizes. The average cost per hospital stay has gone up 30% and yet the average length of a

hospital stay is the same. And, to my buddy, 9.1% of all gas emissions came from agriculture. People can decide whether that's a good number or not.

As we go forward, I thought I'd just talk a little bit about what we want to do. This is not a one-time product. Annual reports and 10-Ks, they have to get updated all the time. We commit to keeping the data current. We commit also to having more, more data with more breadth. We can't tell you the difference in educational performance today between Mississippi and California. We'll get it in our database to make it just as accessible as anything else on this list. So, updated data, we want our data to be more current. Our annual report is actually for 2014 because government doesn't do a great job of consolidating state and local data on a timely basis. We promise to enrich our technology platform, more ability to search easily, to be extended by third parties who want to build their own sites using our data, more powerful visualization of correlated data. We actually want to inspire educators and students. I'd like there to be a class curriculum that was digestible for an 11th grade Civics student. I'm going to teach this again at Stanford next year. We're going to tune it up again by student interest.

We're going to encourage government to be more effective in its data collection and use. The numbers can be turned around on a more timely basis. We think there's a lot of good people doing a lot of great work, providing data from the government, but I will point out that some government data is inconsistent with other government data. Some of the most important sources, we think are great, but some academics say, oh, everybody knows that that database is

not the most accurate. We'll push to have those things improved. And I hope our government, civil servants and politicians, we make some contribution to their debate. If you think about being a new congressperson, where do you get to see the forest from the trees? We hope we can help.

And last but not least is with the citizens in a broad sense. We want to promote more informed civic discussion and debate. I have found that when people – well, at least when I worked at Microsoft – people would be arguing and debating something, but then if you made them look at exactly the same data, they'd say, oh, we're not really that far apart. In a political debate, you can have people talking about something as huge and something as small. And one guy is talking about the number 10 and the other guy is talking about the number 11. So, anchoring in data versus adjectives, I think, can help de-politicize at least somewhat the very partisan dialogue that we have.

Overall, what we hope is that this will lead to great, spirited debate in our country about what we value, what we invest in, and what we get for that. It's not important that we all agree. It's important that we engage. I hope the project does inspire citizens to engage in these matters, in the mission set out by our founders, in the questions that are being raised. One thing I can tell you is I came away – this is a nonpartisan statement, everybody can go make their own conclusions – I came away feeling better about my tax dollars than when I started this project, but also more engaged in the questions and topics that government addresses. So, I hope if

USAFacts can do a little bit more to help that for a broader set of Americans, that would be a great privilege for us. I view USAFacts as a civic opportunity for me to make a little bit of a contribution. I'm dedicated to it. I hope it brings some value. Thank you all very much, and I look forward to the Q&A. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN TERRY J. LUNDGREN: Thank you. Thanks very much, Steve. That was obviously very interesting and very unselfish of you to generate all this data for us to look at. And obviously there's a great deal of interest and that's caused the site to have some complications. I just want you to know that I know Satya. I can help you get powered up if you need to.

STEVE BALLMER: Don't worry, baby, we're back online. USAFacts.org running on Microsoft Azure.

CHAIRMAN TERRY J. LUNDGREN: Alright, I have a thousand questions, but I think I'm going to instead turn it over to the best questioner on earth. He, of course, has the Charlie Rose Show. We couldn't get enough of him, so we now have Charlie Rose: The Week. And we all know him, of course, as the CBS This Morning anchor and contributing correspondent to 60 Minutes. Welcome back, Charlie Rose.

CHARLIE ROSE: Thank you. So, let me just start back to where you were. When you had the question that you wanted to answer, you know, how is government money spent? And you went looking for that, had anybody else tried to do this?

STEVEN BALLMER: You can find everything in our site, you can find it someplace else. I mean we didn't create anything original except the structure around the data. So, the answer is yes on every topic. And there are actually some very good sites that pick certain of these topics and do them very well. I saw a great visualization the other day of how government money gets spent. That's super. You don't see many places where people are adding together state, federal, and local data. That's pretty rare, because most governments present themselves government by government. But everything out there is available. Part of the question is bringing it together. If you say how many jobs are in food preparation and service, you will find the Bureau of Labor Statistics website. You may not navigate it very well and it may be hard to correlate that with other things going on in the economy.

CHARLIE ROSE: Who is going to use it?

STEVEN BALLMER: I hope what we get initially is people in the government field, journalists, I think, will benefit, and what I would call the most engaged part of the citizenry – people who read the kinds of publications that regularly cover things in some depth, in some use of numbers.

And that would certainly point to the great national newspapers and magazines, *The Economist,* the *FT,* the *New York Times,* the *Wall Street Journal*, etc.

CHARLIE ROSE: Who is financing it?

STEVEN BALLMER: I am. I am. I'm paying for it. I'm paying for it with after-tax dollars. I decided that even taking a tax deduction was the wrong thing to do. By the way, it's no coincidence that we chose to do this event on tax filing day. I think there's a certain poetic justice to telling you what you're paying for on the day in which you're signing your federal income tax return.

CHARLIE ROSE: Why do you feel better about how the government money is being spent?

STEVEN BALLMER: I thought there were a lot of pockets where you could really – you can debate the money is not being spent on your priorities – I thought we'd find a lot of pockets where things just looked very expensive relative to output. And I don't think, at least I didn't feel like I found that. Take transfer payments, I think transfer payments are about $2.4 trillion if I remember correctly. So that is Medicare, Medicaid, Social Security, SNAP, and some other stuff. So that's $2.4 trillion on spend to $5.4 trillion. Well, you can agree or disagree about how much of that we should do, but the truth is you know that money goes straight through to purpose. People are eating the SNAP dollars. People are spending their Social Security money. I feel good

about that. When you look at the people that work in government, I feel pretty good actually on what people were doing. I don't mind spending that money. Government pensions, they look high. If you look at government pension costs compared to private sector pension costs or private sector 401K contribution, that looked a little bit different to me. So, I went through sort of category by category in addition to profession by profession and I felt a little bit better about effective use of money. And as I say, reasonable people can disagree about what to spend on.

CHARLIE ROSE: No subcontracting here. I mean you brought together a bunch of experts, 20 or so, and they put this data together.

STEVEN BALLMER: Yes, I mean we subcontracted – they're not all employees – so yes, we were writing checks for people who were working with us. But, yes, there's nobody, you know the biggest group we have is the group at the University of Pennsylvania which is a shared back-end project with some work that they're doing elsewhere in the Public Policy Institute.

CHARLIE ROSE: How do you ensure that it's bipartisan?

STEVEN BALLMER: Numbers don't know whether they're liberal or conservative – at least the last time I checked. Adjectives may, but numbers don't know. We have actually informally shared our work, our annual report and some of the other documents, with people who are clearly Democrats and people who are clearly Republicans, i.e. politicians. And I got no feedback about

this thing being partisan, none whatsoever, not from Democrats nor Republicans.

CHARLIE ROSE: The idea of takeaway, I mean you talk about the fact that the government is doing better than you had imagined, other takeaways for you?

STEVEN BALLMER: Yes. And I'll be careful because it's surprises that are important. I'm not going to give you my policy, my personal policy views. They're not relevant. For today and in this work, I'm only partisan about three things. I'm partisan about the numbers. My wife and I, in our philanthropy, are clearly dedicated to trying to find a way to have private and public money give an opportunity to kids to live the American Dream. And I have to say I sort of think over the long term, balanced budgets are a good thing. I don't understand companies not making money, and I don't understand how you sustain yourself long-term. But whether that means increasing taxes, decreasing spend, sort of the democracy should figure that out. That's not the point of this work. So with that as context, what was surprising? I ran through a few things. I'll give you another one. We did an analysis of how much money it took – inflation-adjusted – to be in the middle quintile in 2000 versus today, versus 2015. It actually takes lower income to be in the middle quintile today than it did 15 years ago. That's probably not a very good thing. When people say the middle class is getting hollowed out, maybe that's what they're talking about. I don't know what the middle class really is. I'm a numbers guy, so I just say, hmmm, this must have something to do with income quintiles. That would be another example of something that was surprising to me to see actually laid out numerically.

CHARLIE ROSE: At this stage, where do you think government money is being spent badly?

STEVEN BALLMER: Again, badly depends on your political view. Let me take the simplest one. I talked to you about...

CHARLIE ROSE: You have said you were surprised, or pleasantly surprised, that you thought it was doing better. Now, why can't you be pleasantly surprised or pleasantly disappointed because you thought it was doing worse?

STEVEN BALLMER: That's based on my values. I don't want to complicate this discussion with my values.

CHARLIE ROSE: I'm asking your values.

STEVEN BALLMER: No, I don't want to share them because it's sort of not important to the dialogue. The dialogue is about what the numbers say. It's not about what I happen to value. It's not.

CHARLIE ROSE: Well, can't you make a judgment about values?

STEVEN BALLMER: Let me pick one that you think everybody can agree on, but let me pick it. Okay, so bridge quality has improved dramatically since 1980, dramatically. Transportation, investment in transportation infrastructure is up. Somebody might say, oh, that's a great correlation. Somebody might say – and we haven't had that many bridge accidents, traffic fatalities are down, bridges are, you know, there's not a lot of bridge collapse fatalities – somebody might look at that and say, let that continue to go, it's going well. Some mother, with their baby in the backseat, might say I can't stand the fact that 9% of the bridges in the country are structurally deficient. I can't take that. That's way too hard for me, because I value my baby. So, is that a good set of statistics or a bad set of statistics? People have to decide. Take the economy, we have a table in the annual report where we – I call it the knobs and dials chart – at the top, we have like ten things government can do to stimulate the economy. At the bottom, we have a bunch of outcomes. And we do this stuff over time because oftentimes government stimulation can drive things up and then you'll see a phase down or a decline. You can look at that chart, and some people will say government action has a huge impact on the economy, and some people may say it seems to be uncorrelated. And we've had people look at this table and say both. So, value judgments by me are not that important. I'm not a politician. I'm not running for office. I never will. I'm just a guy with a bunch of numbers trying to make sense of the world.

CHARLIE ROSE: Okay, do the numbers, though, tell you that the government needs to do a better job, the government needs to do more, and there needs to be a better divide between public

and private contributions in a philanthropic way?

STEVEN BALLMER: Well, let's take the philanthropic, we're focused very narrowly in our philanthropic work. We are not medical research people. We're not hospital construction people. We do give to our alma maters but I'll put that in a separate category. Long Live the University of Oregon, Long Live Harvard and Stanford.

CHARLIE ROSE: Oregon's your wife, and Harvard is you.

STEVEN BALLMER: Yes, exactly. So, great institutions that we'll support. But when you focus in on money that goes to support disadvantaged kids, in many – if not most – of all the not-for-profits we work with, 50 to maybe 80 or 85% of their funding, which is still insufficient versus what they do, but it comes from government contracts. So, yes, is it important? Sure. There's a whole contracting industry out there funded by government to provide social services. So, is that money well spent? On the philanthropic side, we're very focused in on that. Most government dollars are not spent, at least in the social service sector, with a pay-for-performance mentality. You pay for the number of kids processed, not whether those kids are getting good outcomes through the system. You pay based upon the number of people who go to jail, not the number of people who stay out of jail. The notion of performance-based contracting, we think, is very important, but that deals specifically with our interest, the one I'm willing to cop to publicly, I think that money can be better spent. But, I will cop to that one publicly when I think about

balancing the budget and blah, blah, blah. Everybody here is an expert. I'll just give you the numbers to make your case.

CHARLIE ROSE: Where is the human element in this?

STEVEN BALLMER: The two biggest things that we did – human element – was try to decide how do explain what government does, and that's where the Constitution wound up helping us. I mean part of the problem with government databases is everybody's got a different taxonomy about what government does. You know, what are government's actions? And then you wind up going to all these databases and you think government does millions of things. In a way it does, but in a way it can be simplified. That's part of the human element. That's part of decisions we made. I think they're impartial, non-partisan, and unbiased, but they're human decisions we made, non-numerical decisions. Which parts of the population should we really study in terms of how government impacts? We pick the family types, the income levels, race and ethnicity is more obvious. We decided that we would look at 65-plus. So we did make some – let me call them human decisions – before we got up to bat to present the information, and we presented it in a certain context. We decided, at least for our first version, what's material and what's not material. Somebody asked me, can you tell me what's spent on the National Park System? I wasn't sure we had it. So I went and typed in our search bar, national park spending. And guess what? We don't have it. But we do have the total number of acres that are in national parks, in national forests, etc.

CHARLIE ROSE: Why don't you have it?

STEVEN BALLMER: Charlie, we didn't get there in Version 1. There will be continuing upgrades to the database. It's not a material number relative to total government spend. It's not in our first, it's in our numbers, it's just not discoverable specifically.

CHARLIE ROSE: So where will this be in five years?

STEVEN BALLMER: I hope you'll have, the most important thing I would hope is we have the same missions and sub-missions, so we have consistency in presentation. And I hope we have a much broader set, much more data, but we continue to have a simplified way to present it, but with tools that let you just dig in and find exactly what you want. What is reading proficiency for fourth-graders in Mississippi versus California? And you want to correlate that with education spend in, let's say LA, since we have a basketball team, versus Oxford, Mississippi.

CHARLIE ROSE: They're called the Lakers I think.(Laughter)

STEVEN BALLMER: I'm leaving. We're done now. (Laughter) God, that was a real cheap shot, Charlie.

CHARLIE ROSE: I'm sorry.

STEVEN BALLMER: The Los Angeles Clippers playing tonight against the Utah Jazz. Go Clips to be precise. Now you really got me off target. Anyway, I was talking about something with...

CHARLIE ROSE: Where is this going to go in five years was my last question. And what are some things that you have to have that will accelerate its growth? For example, in connection to a big search engine, that kind of thing.

STEVEN BALLMER: Well, that's certainly one, connection to the search engines. So literally, you could go to Bing, my favorite search engine, or Google, and literally pose the kind of question you can. How many arrests were made for murder in a certain year? You'd like those to come back as answers, if we can get well hooked up. So we have a lot of work we need to do. I think the most important thing we'll do between now and then is to try to bring the data alive. Wouldn't it be great to have a debate once a week, once every two weeks on YouTube or on Facebook Live, where you had somebody from the left and somebody from the right debating a topic but anchored, you've got to look at the same data. It's being vouched for, its integrity. And people can't get away with saying things that are just not right, or are framed in adjectives that are not supported by numbers.

CHARLIE ROSE: Let me talk about some other things too in the 15 minutes I have remaining.

And the Clippers, let's talk about the Clippers. Is the joy of owning a basketball team, an NBA franchise, everything you thought it would be? Because you, at the games, are, how do I say this, a crazy man.

STEVEN BALLMER: It's everything I hoped for and more. It is so cool. I'm actually sitting here at the table with Glenn Hutchins who I've known since we were in college. Glenn is an owner...

CHARLIE ROSE: Connected to the Celtics.

STEVEN BALLMER: An owner in the Boston Celtics. We just made a deal that if the Celtics and the Clippers are in the finals, we're sitting together. But I think Glenn would agree with me, it's, you know, losing is not fun. I gotta tell you, losing at the buzzer to the Jazz in our first playoff game...AAHHH. That was not fun. But if you want to have the fun, you've got to take a little pain along with it.

CHARLIE ROSE: So a good investment for you?

STEVEN BALLMER: I don't know. I'm going to own it 'til I die, so I probably won't know what the return on the investment was.

CHARLIE ROSE: Is that what you saw it as? You saw it as a psyche income.

STEVEN BALLMER: No, that's not what I saw it as. Look, I didn't want to pay a stupid price, and I didn't want to lose a ton of money.

CHARLIE ROSE: But you did.

STEVEN BALLMER: I didn't pay a stupid price. I feel good about that. Very good. I paid 5% over, 10% over the next bidder. That's fine. That's how it works. And guess what? There will be somebody who wants to pay a lot of money past that. Now in terms of the regular operating income, I had a beautiful model. The thing was going to make a dividend return, if you think about it that way, of about 3%. That was great. Now it's time to spend luxury tax, and all of a sudden I realize, I'm all juiced up. We've got to win. So I think the economics never look as good as you think they're going to be because you just want to win so much.

CHARLIE ROSE: When you and the board of Microsoft decided that you had different visions for the company and it was time for you to leave, how was that for you? I mean did you, I mean you'd been at this company, you built this company, you had remarkable success. You'd become amazingly rich. And now, you will still be amazingly rich, but you weren't doing day-to-day what you had been doing all your adult life. What do you go through?

STEVEN BALLMER: Well, my life plan had been to work and then have a second phase of life. I always wanted a second phase of life that I would hit before I was too old to really enjoy it. My plan had probably been to work another couple of years passed where I...

CHARLIE ROSE: You were mid-50s when you did this.

STEVEN BALLMER: Yeah, and I probably planned to do that until my youngest son went to college, so a couple of years, three years longer. But, you know, at the end of the day I'd made a decision that if we couldn't agree on strategy, it made sense for me to go. That was fine. You know it's tumultuous. It's always tumultuous when you stop doing something you've done for 34 years. But what really happened was I had this sort of principle. I was going to work hard until the last day. So the last day, okay, I'm done, and I haven't planned anything about the future. What the heck am I going to do? Thank goodness my wife challenged me. I got involved philanthropically. Thank goodness that, you know, this USAFacts thing came to mind. And, at least from my perspective, and maybe our fans, thank goodness the L.A. Clippers was forced to be sold, and I was there, I had already looked at three NBA teams to buy. I knew how the math worked. And it was like this manna from heaven that the Clips became available. So, I wouldn't say it was quick. I probably had a tough year, trying to re-sort.

CHARLIE ROSE: A tough year is what, trying to figure out how you're going to spend your day? Or the tough year is finding something that has such a compelling call on you, like

Microsoft did?

STEVEN BALLMER: Just knowing what you're going to do every day. I wound up playing 100 rounds of golf – that's a lot in case you're not a golfer – in the first year after I retired.

CHARLIE ROSE: It's like going every third day.

STEVEN BALLMER: Yeah, and it's 500 hours basically, or 550 hours of your life dedicated to something. But that wasn't where I was going to go long-term. I now have a pace that is a more relaxed pace, although not today with this launch, a more relaxed pace than I had at Microsoft, which is good for this phase. I have no demands on my time. If I want to work on USAFacts, I do, but I have a great team in place. If I want to help philanthropically, we've got great people in place. I'm there to help with strategy. And when it comes time for basketball, I can't offer much to Doc Rivers about what we do with our basketball team other than show up and cheer. And I have a hard time thinking about that as, well, it's high stress, but I can't do anything about it, so I'll just cheer.

CHARLIE ROSE: Doc Rivers will be your coach for...

STEVEN BALLMER: Yes, I love Doc Rivers as our coach and president of basketball operations, which means our front office works for Doc too. He's an amazing guy.

CHARLIE ROSE: Microsoft. It's done, many say, really well. Stock prices have gone up benefitting you as the largest stockholder. How do you assess why they've been so successful since you left? (Laughter)

STEVEN BALLMER: Let me give three comments on that. Number one, I think they're doing a great job. I do think they're doing a great job.

CHARLIE ROSE: Approve of your successor?

STEVEN BALLMER: Yes, I do approve of my successor, and I think they're making the right strategic moves. They've got to make more, better, faster, but they're doing a great job.

CHARLIE ROSE: Wait, wait, they've got to do more, better, faster, strategic moves meaning they're not doing as much, they're not as fast?

STEVEN BALLMER: Right. And I would have said that when I ran the place too – more, better, faster. More, better, faster. I'll say that about my successor. More, better, faster. But I think they're doing a good job.

CHARLIE ROSE: Okay, but let me just ask, what keeps them from being more, better, faster?

STEVEN BALLMER: There's so much to do in any tech business. You just have to keep pushing yourself relentlessly. I'm not being critical even in the slightest, but I do know the industry moves quickly and you'd better move quickly with it. So that's number one. Number two, I think they've done a great job reestablishing the image of the company. How much has really changed versus how much has changed perceptually I can't comment. One thing I did tell the board when I was going was my successor will have a better opportunity to change the perception of the company, including its stock price, than I would. I'd been doing what I'd been doing 14 years, people weren't going to say, oh, everything changed overnight. I think that's an advantage my successor had, Satya Nadella.

CHARLIE ROSE: So he got a fresh look?

STEVEN BALLMER: Yes, and I think he's done a great job with that too. It's a little different, but how you're perceived is often important to actually how well you do. So that's number two. Number three, I will point out that the hot products that they're promoting today we all started on my watch. I feel pretty good about that. And number four, I want to see more profit growth. Profit really hasn't grown much since I left, and I know in the tech world today not making money is cool, and you get high market caps. But I still, I'm a big believer in profit growth.

CHARLIE ROSE: Is that the proudest thing you did in terms of, say the last, in terms of your

tenure, how you made that huge lift in profits?

STEVEN BALLMER: I think, I'd say yes. But I'd also say, you know, we started X-Box, we started Bing, we started Surface, we started Azure, and we started Office-365 all on my watch. I'm very proud of that. And the team that's in place today was largely the team we had in place when I left, and my successor found those folks all worthy of staying in their jobs. He's a guy I identified as a high potential star within a year or two of him starting at the company. So those people, the team, I have great pride, the profit, I have great pride, and the products, I have great pride.

CHARLIE ROSE: Greatest regret?

STEVEN BALLMER: Greatest regret remains, I think the company should have gotten into hardware sooner. That's my mistake.

CHARLIE ROSE: So why didn't you?

STEVEN BALLMER: Reasonable people could disagree. Apparently the board disagreed.

CHARLIE ROSE: Apparently Bill disagreed.

STEVEN BALLMER: Apparently yes. The company is still doing hardware. I think it's

probably fair to say the biggest miss was our position in the phone business. I think the phone

business, it's very hard to have a business case for doing phones just with a royalty. Google does

it by forcing their search engine into the game. Their search engine is a money machine. Apple

does it with the gross margin. I think our model, trying to reproduce the Windows model in

phones, was flawed. I pursued it for a long time, but it was fundamentally a flawed model.

CHARLIE ROSE: You couldn't put Windows into phones.

STEVEN BALLMER: Well, you could put a derivation of Windows into phones, you just

couldn't get paid for it. So the question in a lot of these things just isn't what the product should

be, it's how do you monetize the technology that you build? And Apple and Google both had a

monetization approach – hardware and search. We never had a monetization approach, which

means we didn't invest in the right way. We couldn't get our product bootstrapped at high

volume. I would approach it differently if I could do it again, but I can't.

CHARLIE ROSE: Yahoo. You were prepared to pay big dollars.

STEVEN BALLMER: I'd look like a genius if we had actually bought it. If you take a look at

what I was willing to pay versus the value of that asset, touchdown.

CHARLIE ROSE: Mainly because of the investment in Alibaba?

STEVEN BALLMER: Absolutely. Absolutely. That would look like a perfectly good investment. Plus, putting Yahoo and Bing on the search...

CHARLIE ROSE: You're talking about $40 billion, somewhere like that?

STEVEN BALLMER: Yeah, something like that...$30-something. It was, I forget...$33 a share, whatever that meant back then. But you put the two things together, there would been a lot of synergy and speed to market that took a lot more time and the cost benefits didn't accrue as much to Microsoft in the final partnership we did as they would have if we had acquired. So I think with ten years of hindsight, because it was about ten years ago, I think, we first proposed the acquisition, it wouldn't have looked good five years ago, but with ten years having passed, I think that would have looked like a great acquisition.

CHARLIE ROSE: When you look at the future – Cloud has clearly been a huge part of Microsoft's success, success today – where do you see the future going? What is it that's going to be, what are we going to be talking about in terms of the way we talk about data, the way we talk about the Cloud, the way we talk about mobile today?

STEVEN BALLMER: Well, I think it's probably fair to say that I spent two and a half to three

years working on USAFacts because data wasn't very accessible. So, in a sense, what you'd really like to do is have technology that can, you express your interest in a topic, and the artificial intelligence – if you will – that lives in the Cloud is smart enough to say I'm not just going to bring back one data element the way search does, I'm going to bring back a picture of what's going on in this area. I'm going to understand intent. I'm going to work off of intent. And whether that's preparing me for my visit to the Economic Club, looking up the bios of everybody at the head table because they're all in my agenda, it could have looked them up, presented them to me if it understood my intent. I'm interested in government spending. It doesn't take me to some random website where I might find what I'm looking for. It actually brings back to me a picture of government spending. So the notion of technology, software, understanding intent, and being able to harness data to serve intent, however that comes about, there will be magic words. It was machine learning. It's artificial intelligence. It'll probably change two or three more times. But that's where I think there's a lot of opportunity. Virtual reality, augmented reality, in a way they're part of intent. I have on my little augmented reality glasses and I look at you and it shows me your bio because it recognizes who you are. And when I'm, you know, 85, I may not recognize who the heck you are, but at least there's a laser shining into my eye, assuming I can still see it. And actually the laser will work better than my eyes were because they can tune automatically to my vision. Anyway, this notion of technology that recognizes intent and serves you based on that, I think, is super important.

CHARLIE ROSE: If you were starting over today, right out of Harvard Business School, what

would you do?

STEVEN BALLMER: Well, I think that, you know, there are some people close to my age in the audience, but from the movie, The Graduate, you may remember the father-in-law says Plastics. I'd still say software.

CHARLIE ROSE: Would you really?

STEVEN BALLMER: Oh, come on, it doesn't matter what business you're in, the future of so many businesses is in the quality of the software you write. Whether you're in industrial businesses, the quality of the software becomes the new competitive advantage. Health care industry, the quality of the software becomes the new competitive advantage. The software business, the quality of the software becomes the new competitive advantage. My middle son is a computer science major. He's banging on my youngest son, you've got to be a computer science major. The future is in computer science.

CHARLIE ROSE: I would say bio-medicine today too.

STEVEN BALLMER: Bio-medicine will largely be a software-driven thing. I mean I'm not saying don't go into bio-medicine. I'm saying if you want sort of a good general purpose background that will let you contribute in sort of the job opportunities of the future, getting

grounded in software is probably the best thing you can do.

CHARLIE ROSE: Let me talk about just a few people. We look at what Elon Musk is doing in driverless cars and we see where Apple is going to make a big push into driverless cars – we assume – they haven't spoken much about it. Is that something Microsoft would have been interested in?

STEVEN BALLMER: You'd have to ask current management.

CHARLIE ROSE: All right, but I said might have been interested in, because a lot of it is driven by software, as you know.

STEVEN BALLMER: Yes. And I would say it is interesting, but it's a little bit like the phone. You have to pick the go-to-market approach. If all you're writing is some software that's in the back end that gets embedded in cars, there might not be a lot of money in there. You might spend a lot of time trying to convince automakers. You might get there slowly. But it might be the right approach, or the right approach might be to build a car, which is what Tesla's done. It sounds like it's what Apple would do. Google might approach it differently. So there's two reasons to get the business model right. One is so you get paid. And two is so you get your product to market quickly. If you build a bunch of software and then you're begging GM and Ford and BMW, and you don't get to market quickly, the guy who builds their own car might get ahead of

you. On the other hand, TESLA doesn't build many cars in the grand scheme of things. Maybe that's not the best way to get there.

CHARLIE ROSE: They've got a hell of a market cap, don't they?

STEVEN BALLMER: They sure do.

CHARLIE ROSE: Let me just talk about core competence quickly as we end here. Core competence, Steve Jobs, what was it?

STEVEN BALLMER: I think Steve had a unique ability to put together familiarity with technology as well as sort of understanding of what makes sense to consumers in conceptualizing products. I think that was a talent. In my world, anybody who can do one magic thing in business is great. Most companies are not, or startups, don't do, let me call it, a single trick. They talk about a single-trick pony. Most businesses are zero-trick ponies. Successful businesses are at least a single-trick pony. And almost nobody does more than one trick. Steve Jobs did more than one trick. He did do Apple II/Mac. And he did do, let me just call it the i-Series: iPhones, iPads, etc. And that's amazing, two tricks. I think Microsoft did two tricks and that's why I think part of Microsoft is amazing. But I would say that was certainly a great skill of Steve Jobs.

CHARLIE ROSE: Jeff Bezos.

STEVEN BALLMER: Jeff Bezos is certainly a guy who's bet for the long term, has pushed position into multiple areas. I marvel at the market cap they have, and I wonder about their long-term profit streams. I think what they're really focused in on is commoditizing a lot of industries, taking the profit down and having them benefit from their huge scale. And yet they haven't proven the benefits at least in terms of profitability from having that scale.

CHARLIE ROSE: Bill Gates.

STEVEN BALLMER: Bill Gates, a super energetic businessman able to comprehend and really see the market opportunities, and himself, a decent product conceptualizer for sure, and great at mobilizing technical talent.

CHARLIE ROSE: I think it was Steve Jobs who once said that Bill was more Rockefeller than Edison.

STEVEN BALLMER: That was a way to kind of give a backhand compliment. I think that's way overstated. In the grand scheme of things, was Bill a better businessman than Steve Jobs? Probably. Did Steve spend more time on really product creation? Probably. Are they both incredibly amazing people who did amazing things? Yes, so I'm not sure it's really important to debate who's Rockefeller and who's Einstein. If somebody said I was close to either one of

them, I'd feel pretty good. (Laughter and Applause)

CHARLIE ROSE: Alright, one last name, one last name. Steve Ballmer, core competency. Reliance on data, we know that.

STEVEN BALLMER: Yes, I think my core competencies do have to do that I can really walk through and try to form a simplified picture of a fairly complicated topic. That is the USAFacts core competency, but it was also a core competency when I was writing Microsoft. And I'd say that's probably part of the reason why we make as much money, or Microsoft makes as much money as it does, is the ability to see those opportunities through the numbers. The other thing I think of as a core capability for me is bringing teams together, pointing them in a direction, and getting them fired up. And I think I'm pretty good at that, I've got a lot of energy. I've got a lot of enthusiasm. And in order to be good at that, you also have to be good at simplifying things. I think I have an ability to simplify, you know, we're only going to have four goals, let's follow, let's go. Of course, if you're pointing people in the wrong direction, that's very bad. Charismatic leaders who lead you over cliffs should be better off not being a charismatic leader. Leadership is about being excited and firm and clear, but it's also about getting the ideas right. And I think that's what kind of really helped at Microsoft. Bill was very helpful getting the ideas right, and I was very good at bringing them to action.

CHARLIE ROSE: Thank you for coming to New York Economic Club. (Applause)

CHAIRMAN TERRY J. LUNDGREN: Thank you, Steve, for sharing all of what you've been up to. And thanks, Charlie, for always making the conversation so interesting. Just to let you know what else we have on our agenda, we've got a lot going on. May 4th, we'll have breakfast with Andrew Liveris, Chairman and CEO of Dow, and there's a lot of interesting things going on in that company. We'll have lunch on May 22nd with Ruth Porat, CFO of Alphabet, Google of course, and a former board member of the Economic Club of New York. And then Howard Schultz, who has just moved over to the Executive Chairman role, a long-time CEO of Starbucks. He'll be here on May 24th. That's just May. We have a very strong lineup for June after that. Again, thank you Steve. Thank you Charlie. Great conversation today. Enjoy your lunch. (Applause)