

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Steve Ballmer, Founder, USAFacts and Former CEO, Microsoft
Presents USAFacts' Annual Report and Analyzes National
Demographic Data.**

**Steve Ballmer,
Founder, USAFacts
Former CEO, Microsoft
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DAVID M. RUBENSTEIN: Steve probably doesn't need a big introduction, but I'll give him a little introduction. Steve is a – grew up in Detroit and in Belgium. And at Detroit, he was valedictorian of his high school, Detroit Day School.

STEVE BALLMER: Country Day.

MR. RUBENSTEIN: Country Day School. And went to the – he was a national merit scholar. Went to Harvard. At Harvard he was the manager of the football team, also on the Harvard Crimson, Harvard Advocate. He was in the same class as some other prominent people – Bill Gates, John Roberts, among others. He graduated magna cum laude from Harvard in applied math and economics. From there, he went to Procter & Gamble, where he shared an office with Jeff Immelt, who later went on to run General Electric. He then went to Stanford Business School. And in 1980, he dropped out of Stanford Business School to join a small startup that had 30 employees then – Microsoft. And then in the year 2000, he became the CEO of Microsoft, and was the CEO of Microsoft for 14 years. He's now retired from that position, involved heavily in philanthropy and in basketball, among other things.

And so why don't we just start with a basketball question, which is this: With seven minutes and 31 seconds to go – [laughter] – in the third quarter of the second game of the playoffs, your team was down by 31 points. They came back and it was an NBA record for a comeback in a playoff. Did you send in the plays that enabled that to happen, or? [Laughter.]

MR. BALLMER: Well, yeah, I said, let's pick with Trez and roll with Lou.¹ No, I said absolutely nothing. Absolutely nothing, for the biggest comeback, by the way, of NBA playoff history, in case anybody was wondering about that. It was unbelievable. I was sitting with my son and I said, oh, God. I just don't want us to embarrass ourselves. We got to play hard. And sure enough, our guys, tough, hard-playing, resilient, gritty – kind of like Microsoft. [Laughter.]

MR. RUBENSTEIN: Right. So, did you go in the locker room afterwards and say congratulations and, you know, win one for Steve, or something like that? [Laughter.]

MR. BALLMER: No. I went in the locker room and, you know, gave a bunch of sweaty guys a little dab, as they say. And, you know, in sports, the guys win these games for themselves and maybe for the fans and the city. I just mostly thanked the guys and talked about the great pride they had.

MR. RUBENSTEIN: OK. So, you bought a basketball team for a record amount at the time, \$2 billion. So, did that please all the other owners, that their teams were now worth more, and did they thank you for increasing the value of their teams? Does that happen a lot?

MR. BALLMER: You know, not really, although it was quite an uplift in the price of sports teams. What people – unless people are going to sell something, I'm not sure they care what the asset value is. And at the same time, they were a little afraid I'd throw money around a little

¹ Reference to Lou Williams and Montrezl Harrell of the LA Clippers, among the best pick and roll - offensive basketball play - combinations in the NBA.

aggressively to enhance the quality of our team. So, I think they had a little bit eyes on, so to speak.

MR. RUBENSTEIN: But you enjoy owning the team?

MR. BALLMER: I love owning a team. I love it. I love it. It's not quite as exciting as your – at least, in my case – as my kid's basketball, but it's right up there.

MR. RUBENSTEIN: And any more sports teams in your horizon?

MR. BALLMER: My wife says no. [Laughter.]

MR. RUBENSTEIN: OK. OK. So that probably means not going to happen anytime soon.

MR. BALLMER: Correct.

MR. RUBENSTEIN: OK. So, let's talk about USAFacts for a moment. So, what you decided to do was to let people know more about the U.S. government and also the facts of our country. Is that the idea? And where did you come up with the idea for that?

MR. BALLMER: Yeah, I – when I retired, my wife was trying to pull me aggressively into our philanthropy, which focuses in on kids who are born with not much of a shot, so to speak, at the American dream. And I argued that government spends the money for that. And she kind of said, dude, dude, we can do a little better than that. But I made it kind of my mission to try to understand then where money comes from, does it go into this area. And it was very hard. And I have kind of a systems view, and it was very hard to map out, not just as the federal level, but the states. The states spend a good part of the money that actually helps kids. How does this all come together? What impact does it make? I looked for the equivalent of a corporate 10K,² because when I was working and I wanted to understand an Amazon or whatever, you grab that report and study. There wasn't such a thing. I thought government should be able – and when I say government, I mean state, federal, local. And so, we pulled it together. We created a 10K. And we created an annual report.

MR. RUBENSTEIN: All right. So, when you say “we,” who helped you do this?

MR. BALLMER: I had a small team, merry little band. At the time, there were three of us, plus a consultant at Lynchburg College, who knew every government database there was, because we use about 110 different government—we only use government numbers. That's how businesses work. I think government should believe in its numbers, use its numbers. That's a longer story, how that doesn't really happen. And then we had a team at the University of Pennsylvania Wharton School that was working consistent with another project they were doing.

² A report filed annually by a publicly traded company, providing a comprehensive overview about its financial performance. Required by the U.S. Securities and Exchange Commission (SEC).

MR. RUBENSTEIN: Now, you were a numbers person. You were an applied math an economics person. But there's a Putnam math contest³ that is given out every year. And you actually scored higher than Bill Gates, is that right?

MR. BALLMER: In both of our best years, which was sophomore year in college, yeah, I did. I was 57th in the nation and Bill was, I think, 97th or something.

MR. RUBENSTEIN: Did you ever mention that to him?

MR. BALLMER: Not of late, no. [Laughter.] No.

MR. RUBENSTEIN: OK. So, let's talk about the facts that you were most surprised about. When you came through with this, the USAFacts – and now this is the third year?

MR. BALLMER: Yeah. It's the third year. We just released our annual report. It's online at USAFacts.org. A couple weeks ago – Tax Day we think is a good day to let people know. We actually published a 10K which is a little bigger, a little fatter. But if you really want to know in detail, it's pretty good. The annual report has more charts and pictures with the numbers in it. But we released it and are focused in on, kind of the government soup to nuts.

MR. RUBENSTEIN: Well, let's suppose I didn't have time to read the entire thing. I wanted the, you know, Cliff's Notes version. What would you say is the most surprising thing that came out of this to you, in terms of the demographics or the information?

MR. BALLMER: Yeah, every – there are different things every year. But one thing – I'll just highlight it and we may have some numbers to throw out – 90 percent – 86 percent of government spending comes out of eight areas – 86 percent. Crime and fire protection, education, savings, transfers to non-affluent kids and families to try to support them, Medicare – what am I missing – pardon me?

MR. RUBENSTEIN: Social Security, Medicare, Medicaid –

MR. BALLMER: Yeah, Social Security's the other big. And if you put in transportation and roads, you're – the debt. The debt is a big part. You get to 90 percent if you throw in transportation. I think when most people think of government, they think of big bureaucracy. But if you look at the things on which we spend, most of them are either lean or people-value. And people want more teachers, tend to be, not less, which would grow education. People want good and better crime enforcement. People want a military that can protect us. And people can deliberate the size, but the number of active military has come down from over 2.1 million to 1.3 million. Defense spending has come down a little less because of equipment and software.

MR. RUBENSTEIN: So, as you look at this, what would you say? If you were in the government – do you have any interest in going into government, by the way?

³ The preeminent math competition for college students in the U.S. and Canada.

MR. BALLMER: I – no. I’m not a government guy. And, on by the way, I think in my own case, if I do it right, I can make as big an impact by really talking out about these kinds of issues.

MR. RUBENSTEIN: All right. So, as you look at what the federal government – the revenue that’s coming in and the revenues that are going out, you know, and then the amount of the deficit annually is going up, what would you suggest we do?

MR. BALLMER: On this issue – I’m not nonpartisan in USAFacts. I obviously have my beliefs. I believe in a balanced budget. I just don’t understand how that doesn’t work. And if you look at it, the deficits are at the federal level. The deficits come, you could say, primarily because of Social Security, Medicare, aid to the disadvantaged, and defense. That is by far the lion’s share of what we spend. I think we have to spend a little less and we have to raise a little bit more revenue. I think anybody who thinks you can do it all with expense cuts is wrong. And if you really try to do it with all new revenue, I think that’s probably problematic.

MR. RUBENSTEIN: Now, on one of the other charts that you have – I don’t know if it’s the one that’s going to be coming up next – is on demographics of the United States, and the aging of the population. Right now, your charts show that the population’s aging. And I think it said 16 percent of the population is 65 or older. So, the implication is that the older people – the more older people you have, that’s not as good I guess, right?

MR. BALLMER: Well, there’s two things to just know. As – two things are happening that I’d highlight. The population’s getting older, and more people are living alone. So why do I highlight those things? We talk a lot in the press about median household income coming down. Well, both of those trends drive down median household income. Seniors don’t earn as much as younger people, by and large, and single family – single households are more likely to have fewer earners than larger households. So, there’s a demographic shift that will continue to drive household income lower by, you could say, choices we’re making, including living longer being a choice. On top of that, there are other issues, you if – if you take a look at how people live.

So, the demographics are a driver. When people talk about the percentage of the population that’s foreign born, we’re not at historical highs. The number’s 13-point-something percent. But we are way up. And you can see the number, six-point-something, over the last 30 years. Some people think we have too much immigration. Some people have – we think have too little. But I’ll give you a fact. If you look at population growth in the United States, it’s about 2 million people. Half of that comes because people who live here birth more children than people die, and half of it comes from immigration. So, when we talk about growth in the economy, paying off the debt, immigrants today are a significant part of the driver of the health of our economy. And at least that should be a factor as we think about immigration policy.

MR. RUBENSTEIN: I think for a population to stay the same, a woman of child-bearing age in that population should have 2.1 children on average. And the United States is around that level. But our population is growing because immigration largely, right?

MR. BALLMER: Largely immigration.

MR. RUBENSTEIN: So, do you know anybody that's not in favor of immigration? [Laughter.] No? All right, we'll go to the next subject.

MR. BALLMER: I am nonpartisan. We present the – well, look, people can look at this thing, these things, and see something different. Our job, and what we're trying to do with USAFacts, is to arm people to have civilized discussion, numbers are helpful. Adjectives can be uncivilized. Numbers are what they are. And if you don't like the numbers the government produces, and you are a politician, in the executive branch, whatever it is, then, damnit, get the numbers right, and believable. That's what a corporate CEO has to do.

MR. RUBENSTEIN: Now, everybody who runs for office always says, I want to protect the middle class. They don't say, I want to protect the upper class, though they may protect the upper class, but they want to protect the middle class. Is the middle class shrinking?

MR. BALLMER: [Laughs.] Nobody defines the middle class, which bugs the heck out of me. So, I just say, the middle class must be the middle 20 percent of households by income. That's – therefore it's not shrinking, because it's always 20 percent, but if you take a look at the state of the middle 20 percent, the following things are true. And this is true for every group in that – in that bracket, except seniors. It's true for married people with kids, et cetera, et cetera. You take a look at it, and the amount of money – this is in the lower right – the amount of money it takes to be in the middle 20 percent by income has declined, which you could say is strain on the middle class. The amount of money that it takes to get into the next quintile up, if you will, also is lower.

So, incomes are lower. On the other hand, transfers from government into this population has grown. Not just for seniors, but it has grown overall. And taxes for this group of people have come down. So, the middle class, you could say, has more disposable resources – more disposable resources, which is good, but more of it comes from government policy in terms of transfers and taxes. You're entitled to whatever opinion you want on that. That could be a good thing. That could be a bad thing depending on how you look at it. It's good for what government's doing. I'd take a capitalistic view that says the jobs that exist and what they pay comes out of capitalism. And if you want to change that, it takes change in government policy to drive up wages.

Now, this group of people all earns over the equivalent of \$15 an hour. I think the minimum to get in here is \$33,000 bucks. So, raises in the minimum wage will not impact people who are in the middle. And so, the question is, what could happen in our economy that would change that?

MR. RUBENSTEIN: OK. Let's talk for a moment, if I could, about your background and just, you know, how you came to be CEO of Microsoft. So, you graduated valedictorian from the Detroit Country Day School. And Harvard was the only school you applied to, or?

MR. BALLMER: No, I also applied to Cal Tech and MIT.

MR. RUBENSTEIN: And did you get in?

MR. BALLMER: Proving – yeah, I did – proving my numbers orientation.

MR. RUBENSTEIN: All right. OK. So, you get to Harvard. And when you get to Harvard do you think, hey, you're a lot smarter than you thought these people were going to be, or they're a lot smarter than you thought?

MR. BALLMER: I was intimidated as heck. I took my first exam. I thought I had failed it. I came out of that. I was supposed to go with the football team to Philadelphia for a game. I went to see my advisor. I had failed. She was trying to buck me up. I got a 33 out of 100 – 33. [Laughter.]

MR. RUBENSTEIN: What was the subject?

MR. BALLMER: Physics. Physics. And I thought I was good at math. And then I was relieved to know that the median on the test was a 25. [Laughter.] I felt a little better. But there was also a guy who had an 88 or 90. By the way, happened to be Bill Gates' roommate at the time. So, I knew there were geniuses, and I knew I was not one of them. [Laughter.]

MR. RUBENSTEIN: So, Bill Gates lived down the hall from you. Is that how you met him, or something like that?

MR. BALLMER: Sophomore year, yeah, he lived down the hall.

MR. RUBENSTEIN: And did you think he was a business potential genius or something like that, or you didn't?

MR. BALLMER: I knew he was a genius. I knew he was a genius. I knew he was a genius from the first time I met him.

MR. RUBENSTEIN: All right. So, you graduated from Harvard and you went to Procter & Gamble. Why did you go to Procter & Gamble?

MR. BALLMER: I knew I wanted to get into business. Procter & Gamble had the best raining program for business folks at the time. My decision came down to that and what was then a small company called Progressive Insurance, which has grown mammoth over that period of time. That job – both jobs were assistant to the president, which sounded like good jobs to get. No, Procter & Gamble was brand assistant. And so, I picked that job.

MR. RUBENSTEIN: You obviously like companies that began with a P, right?

MR. BALLMER: Microsoft.

MR. RUBENSTEIN: Right. OK. So, you then decided to go to business school. Why did you decide to go to Stanford not Harvard?

MR. BALLMER: Yeah, I thought it would be good to do something else. My father thought this was a huge mistake to go to Stanford. My dad grew up in Europe. He was an immigrant. And growing up in Europe, the school you've heard of in the United States is Harvard. And my dad worked at Ford. The whiz kids, Harvard Business School. And then he checked around Ford, and Stanford was considered an OK place. And I said, OK, I'm going there.

MR. RUBENSTEIN: All right. You went there. And then after one year, you dropped out to work at a start-up called Microsoft. What did your father say then?

MR. BALLMER: That was a little worse. [Laughter.] My dad didn't finish high school, let alone college. My mom didn't go to college. And what the heck are you doing? And I said, well, I'm going to work with this really, really smart friend of mine. His company's the leading company in software for personal computers. And my dad said: What's software? Now, we're talking about 1980, and my dad was a smart guy. That was not a dumb question. My mom asked the more prescient question, which is: Why would a person need a computer? I think that's now been well-established, but not in 1980.

MR. RUBENSTEIN: OK. So, do you have any regrets about not graduating from Stanford Business School?

MR. BALLMER: I do not. I do not. As I've now taught three classes at Stanford, I feel vindicated in my dropout status. [Laughter.]

MR. RUBENSTEIN: Well, just think how your life could be better had you got that degree? Have you ever thought about that? [Laughter.]

MR. BALLMER: Much improved, David.

MR. RUBENSTEIN: All right. So, you went to Microsoft. When you went there, there were only 30 employees. And so, did you actually ever think it could grow to the level that it did at that time?

MR. BALLMER: No, no, never. I think it's hard to conceptualize that. Particularly I was 24, I guess, when I started at Microsoft. Even after about 10-15 years in, I remember when Andy Grove, who ran Intel, said: Someday there'll be a 100 million computers sold a year. And Bill and I thought that was crazy. But we were doing the smart thing. We were investing broadly in our future. We opened up in Europe, in Japan, when the company – it was already open, when I got there, 30 people. So, we invested for the long term. We believed in that. But we didn't then build up a cost base that was inappropriate, which is why the company is so profitable today.

MR. RUBENSTEIN: So many of the things that have made the company profitable today actually you began, you began cloud computing when you were there. So, the stock has gone extremely well in the last four or five years. And you are the single-biggest single shareholder of Microsoft. How come you own more than Bill Gates?

MR. BALLMER: Well – [laughs] – said simply, he sold, and I did. When I was CEO of Microsoft I just said, look, you’re not supposed to sell shares. You’re supposed to believe in yourself, in your teammates. I believed in myself and in my teammates, a little like you should in sports. The company, while I was CEO ironically perhaps, the stock was 57 when I took over, it went down as low as 20 something when the – when 2007-8 hit. We were in the 30s when I left. I love to believe – in large part, I hope, true – that the company was in good shape. The stock’s now 100 and – you know, almost 130.

MR. RUBENSTEIN: Twenty-eight.

MR. BALLMER: Yeah, exactly. So, you could say that next guy sure did a good job. [Laughter.]

MR. RUBENSTEIN: Well, do you – do you ever say to Satya Nadella, hey, you – thanks very much for making me even wealthier, because the stock has gone up a lot, or?

MR. BALLMER: Yeah, I actually sent him a congrats note and thank you after the last earnings. You know, the company was making \$30 billion a year when I left, which is a lot. Company’s making \$40 billion a year now because they’ve just done a great job of execution. Every time I see them, though, I keep pushing the same things: More innovation, got to run up your costs, more innovation. But they’re doing a great job.

MR. RUBENSTEIN: So, what propelled you to buy a basketball team? You could buy – you had the wealth to buy anything. You could buy anything you wanted. Why did you buy a basketball team?

MR. BALLMER: Well, I love sports. I love the emotion of sports, the psychology of sports. It was literally two weeks after I retired, I went to visit both Roger Goodell from the NFL and Adam Silver and started talking about this. I had thought before about buying the Sacramento Kings and keeping the Seattle Supersonics. But my kids were younger. Didn’t want to – didn’t want to get involved. But I was excited about the sport and the energy. It’s been an even greater experience than I – than I recognized. And I was the beneficiary of some very poor behavior by my predecessor, who owned the Clippers.

MR. RUBENSTEIN: OK. So today you have – you know, you’re one of the wealthiest people in the United States, and one of the most successful people in philanthropy and business. What motivates you now? Is it philanthropy, giving away the money you have, making more money, sports? What is it that motivates you and gets you to get up every day and try to work hard and do something?

MR. BALLMER: I don’t spend too much time at all, hardly any at all, on making more – any more money, although Satya Nadella, my successor at Microsoft, has done a very good job for me. So, I guess I have benefited by the confidence in that choice. Our philanthropy probably gives me the greatest warmth. As I said, we focus singularly on kids in the U.S. who don’t have an opportunity. It’s actually hard to make a difference. I did learn from USAFacts that the overwhelming share of the money that goes into this comes from government. So, the question

is, how does philanthropy test new approaches, fill in gaps, if you will, and help leverage government money and channel it? It's difficult. We're trying to figure out now my wife and I think there should be better early childhood care and education for less-fortunate kids. But it takes a bunch of money. How would you finance that, is on our brains. From an excitement standpoint and kind of let me say child-like interest, there's no question the basketball feeds me the best. And in terms of my natural analytics and numbers, USAFacts.org.

MR. RUBENSTEIN: So, did you parents live to see your success?

MR. BALLMER: My parents both passed in the late '90s. My – literally it was sort of like, for me, this grand sign. I became CEO two weeks – or, no a month – before my – two weeks – before my father passed away. My mother was earlier, before I became president. And it both seemed appropriate. My mom just wanted me to be happy. My dad just wanted me to be successful, more or less. And they both got to see what they needed to see.

MR. RUBENSTEIN: OK. And so today you are – your children – when you have the kind of wealth you do, raising children, how did you shield your children from your wealth, and they are now in the business world, grown?

MR. BALLMER: Yeah. Well, I have one still in college. You can't shield your kids from wealth. I mean, they know you have it and their friends will tell them, if nothing else. [Laughter.] What my wife and I focused in is to try to stay grounded – grounded in terms of not too much success. I think if we made a mistake it was probably being a little too consistent with our roots. My dad was an immigrant, we kind of grew up, you know, middle class, maybe lower middle class. My wife grew up on a farm. And it's good to impart those values, but at the same time we did have great fortune. And balancing that's tough.

MR. RUBENSTEIN: So, in the business world, when you have a good product you often do something that's called a line extension, you know, you kind of extend it a bit. So USAFacts, any line extensions? Are you going to do any TV shows on USAFacts? Or what else do you have in mind for it?

MR. BALLMER: Yeah, I think we do need to do more. Figuring that out, whether it's a YouTube channel, a TV show. Part of the problem is really getting people to focus in on the facts – numbers are factual, adjectives aren't – is – and stories may or may not be factual, which is part of the problem of what's going on today. It's tough. And so really figuring out how to visualize and condense and simplify without oversimplifying, and we'll play with podcasts. We'll play with video presentation. We will also – we have also focused in on individual subjects. You can go to our website and we'll focus just on immigration, or just on what's going on in terms of movement across states. It's fascinating to see what tax base is moving where in our state system.

MR. RUBENSTEIN: Well, in our country now where is the population moving? It's basically moving south and west?

MR. BALLMER: South and west, quite dramatically, with the greatest kind of pull out of the northeast. Not necessarily that it means – yeah, in this case it actually means people physically moving in addition to birthrates are higher in the south and west. Birthrates are higher amongst Hispanics and African Americans. Forty percent of Hispanics live in the west. And I think 57 percent of African Americans live in what the census calls the south. So, you do see growth in those two areas quite dramatically.

MR. RUBENSTEIN: So, when you were at Microsoft there are lots of videos of you talking to employees, and you were very enthusiastic. And you have a deep voice, a very deep, loud voice. Is that something you practiced? Where you ever a singer? How did you get this deep voice?

MR. BALLMER: [Laughs.] Quite the contrary. I had vocal – I suffered from what they call vocal abuse at one time and had to have surgery. And they won't do surgery for vocal abuse unless you take essentially singing lessons. So, I took them. I'm not sure I exercised those skills very well. I've always had a deep voice, but as a kid I was quite shy. I was nervous to speak in class. That even persisted to my first job at Procter, as well as business school. But with confidence, I've actually become quite comfortable talking.

MR. RUBENSTEIN: So, for somebody who's watching and who says: I want my kid to have a good math background and be a superstar in math and do well in the math SATs – and you got a perfect score on that, I guess, right?

MR. BALLMER: Seven-ninety, not 800. This is the facts. And numbers describe these things very well. [Laughter.]

MR. RUBENSTEIN: Seven-ninety, wow. How did you miss something? But OK. So, what do you recommend? Special tutoring when you're little, playing the piano? What is it?

MR. BALLMER: Two things. Two things for me made, I think, all the – three things. When I was in second grade, my father moved to Belgium. And we moved in May. So, I had a month in this international school. And the teacher told my parents I was bad at math and I might struggle in the third grade before – because of my math. I call that motivating. So, a little extra motivation is good. In sixth grade, I had the most important math class of my life. We had two math classes, a regular one and one that was called mental math that sort of put you in a position where you get comfortable with numbers by only doing numbers in your head.

I came in my high school, also a year behind in math in ninth grade because my junior high didn't go as fast as this private school. Again, I got scared, I got motivated. So, motivated I went to a math camp somewhere after ninth grade. And the word at Microsoft is oftentimes meeting with me was like going to math camp. The thing people miss about math, they think it's all about remembering individual details. To me, math is about describing an environment. Rather than saying something is big and little, it's about saying, hey, look, we had 400,000 border apprehensions last year. And that was down from 1.2 million in 1992. And undocumented immigrant estimates are about 12 million. That, to me, paints a picture.

And so, it's not the specific – and if somebody gets some 50,000 people wrong, it doesn't matter. The picture now is well-described to me. And I think using numbers and charts to describe things is very important, because there are more – if you want to debate something, and people say you can, you know, debate your opinions don't debate the facts. There's a Moynihan⁴ quote. There's actually a James Madison quote that says in order to have a functioning democracy the population needs to be well-educated. The numbers are not something you can quibble with. And the numbers tell a story. And they tell a story that people might choose to interpret different ways. But you want people discussing civilly from those numbers that tell a story.

MR. RUBENSTEIN: So, there are facts and there's no alternative facts. It's facts, right?

MR. BALLMER: Numbers are nonpartisan, it turns out. They're one of the few things that are truly nonpartisan.

MR. RUBENSTEIN: OK. All right. So, by the way, when you go out to a restaurant in, let's say, Seattle, can you be going to a restaurant and not be bothered? People recognize you and they come up for selfies, or autographs, or advice, or charitable contributions, or? [Laughter.]

MR. BALLMER: In Seattle, I don't get bugged much. I don't get – a little more at Costco. Costco is a dangerous place. But other than Costco – [laughter] – I don't – Costco is a favorite – the one Costco we go to is a favorite shopping place for Microsoft engineers. So, Costco a little bit more. In L.A., I tend to get approached more – it turns out this sports ownership thing is even a bigger deal than being CEO, I now know, in terms of people wanting to express their opinions. God, you got to trade for blah-blah-blah. You got to sign blah-blah-blah. It's tampering for me to use any names. So, I get a lot more of that in L.A.

MR. RUBENSTEIN: OK. Questions? Who has some questions here? Raise your hand. Anybody? This is a shy audience. If not, I have a couple more. All right. Here's one. Just speak up – or stand up, so people will hear you.

Q: Yeah, I'll stand up. Any thoughts on – or is there any data or stats around talk of government intervention in big tech, and specifically your views on any antitrust issues there?

MR. BALLMER: Yeah, in terms of – the question is about government intervention in big tech. We don't happen to have the numbers. The numbers that set the table can – you know, concentration of industry ratios, et cetera – are important elements to informing views. But then you still have to decide, you know, what constitutes OK. And we don't make policy prescription. I have my own personal experience as the CEO of a company that was hit with antitrust action by the government. What I would say in general is it is not inappropriate for government to review business actions. I am not one of those guys. There are cases where government regulation is perfectly appropriate. We're trying to build a new arena. We're being pushed and have agreed to have a certain percentage of our workforce come from the local community. I think those kinds of things are good.

⁴ Daniel Patrick "Pat" Moynihan, Democratic senator from New York and adviser to President Richard Nixon.

In the case of regulation of larger companies, the thing I worry a lot about is discouraging innovation through the regulatory action or tying people up so much by time that the fundamental innovation ceases. That doesn't mean there shouldn't occasionally be some action. The European Union took an action against Google recently which, frankly, I was promoting well before I left, because I do think the tied products is an issue. But I think it's something that needs to be used thoughtfully. I would never make moves that started in the Congress. I think what happens needs to happen from regulatory authorities that can get expert enough and have enough nuance in what actions they take to make sense.

MR. RUBENSTEIN: Right here.

Q: How confident are you that the innovative aspects of our economy will end up creating as much opportunity for the middle class, that you described before, as it will destroy in the changing nature of work?

MR. BALLMER: Well, let me – and now we're – these are my personal views. They're not grounded particularly in the numbers. My personal view is innovation will improve quality of life and will net create jobs. The issue, I think, in terms of how well off people are by their income, as opposed to transfers – and I do think people prefer to earn money than have it transferred to them, although the government's doing a good job of improving people's lives through its actions, if that's – if that's the goal. I do think that the issue is there's still a lot of jobs being generated that don't pay as well.

And they won't go away. They won't go away. We're still going to need people to work fast food stores, which is one of the big employment occupations for the less-affluent. We're still going to need home health aides. We visited, my wife and I, a preschool – a very good preschool in Dayton, Ohio. The preschool teachers were making nine bucks an hour. Those jobs are not going to go away. And I think you can say: Will capitalism necessarily drive those wages higher? I don't think they will. I think capitalism is doing what it needs to do. So, the innovation will improve lives. It will create more jobs of higher pay – which really happened if you take a look at it.

I used the middle class as 20 percent. But what we're finding is there's great growth in higher-paying jobs. There's great growth in higher-paying jobs. There's more growth in higher-paying jobs than there are lower-paid jobs. But all the growth is in higher-paid jobs and lower-paid jobs, and very little of the growth is in the middle, which is I think what people typically are pointing out when they talk about the hollowing out of the middle class.

MR. RUBENSTEIN: By the way, let me ask you about – a Microsoft question. Xbox was a big thing for Microsoft, it still is. Some people say that these videogames are encouraging violence and so forth. And how do you respond to that? Because a lot of the games are mostly killing people or killing things, I guess.

MR. BALLMER: Yeah, both, killing things and people. I am not a psychologist, so it is hard for me to opine. It's hard for me to actually believe that that is the correlation. And if you look at the homicide rate, I think it's probably fair to say, at least in the case of homicide, most

homicides are actually committed by less-affluent people who are in dysfunctional situations, as opposed to somebody who played Call of Duty. When you look at some of the more mass killings, it is possible that, you know, some of this violence has been stimulated. And I don't want to sound insensitive, but the kinds of things that sensationalize mass killing in the press is a very small percentage of all the homicides committed in the country.

MR. RUBENSTEIN: So, when you're the CEO of Microsoft, you have to use Microsoft products for everything. So, like, when the iPad came out, you didn't use it. You had Surface, right? But now that you're not the CEO, can you use other products as much? Or not so much? [Laughter.]

MR. BALLMER: I still have deep – I drive a Ford to this day. My dad worked there. So, let's ground here deeply. Microsoft doesn't make phones anymore, much to my – well, anyway. So at least in one category, it is true I do not use a Microsoft product. The Ballmer Group and the Clippers, we're pretty religiously Microsoft, with the exception of the department that cuts videos for the players. Actually, what happens real time, we have big server farms in the back of every arena. And we have people who are literally cutting video for the players to look at in real time on the bench. There are a few Macs involved in that.

MR. RUBENSTEIN: And the reason that Surface is better than an iPad, in your view, is?

MR. BALLMER: Surface is a real PC, and it's a real tablet. And – this is an area I don't think it gets used as much as it could; Microsoft needs to sell – it's a real replacement for the notebook in which you write. The iPad is the iPad. It does one of those functions well.

MR. RUBENSTEIN: OK. Other questions? Right here.

Q: Question about the relationship between Google and – oh. Question about the relationship between Google and Microsoft. You know, I've heard Google employees badmouth Microsoft and vice versa. And when Mark Penn, who's a friend of some of us in this room, came to Microsoft, the rumors were that he came as a hitman versus Google. Can you talk about that a little bit? Is it real? Is it not?

MR. BALLMER: Well, I'm five years out of the – what shall I say – the squabble – the squabble rumor mill. So, all I know now is what I read in the newspapers. And things seem to have quieted some. But, look, competitors are competitors. There's all kinds of ways of competing. Some of them feel a little more civil, some a little less. But the two companies do compete. And I do hope they compete intensely – at least, my old employer. I hope my old company wins. The place in which I think it is tricky is actually the recruiting of talent. If it's going to get personal, it's going to get most personal in saying, hey, you know, they're a junkie company, don't join. That sort of thing.

Where things stand today, I know at least on some strategy issues the companies are working together more. Although Microsoft has taken advantage of some of the technology that Google makes opensource. And I did notice that Google is not supporting and not acknowledging that as legitimate stuff. But who am I? I'm just an outside shareholder.

MR. RUBENSTEIN: So, when you want to get information, do you go to Google, or do you go to Chrome?

MR. BALLMER: I go – well, Google and Chrome, kind of the same thing. I go to Bing and Microsoft Windows, and Microsoft Edge. I am a – I am a devotee, David. [Laughter.]

MR. RUBENSTEIN: OK. Questions? Right here.

Q: Since you're in Washington, you can expect a lot of us are concerned about public policy – hopefully, good public policy. And your USAFacts should help to make good public policy, or at least good decision making. Following on David's question earlier, you know, it's sort of the tree doesn't fall if policymakers don't get these facts. How do you see rolling it out? How do you see getting into the decision-making process?

MR. BALLMER: Well, we've been pushing, educating. But I have an idea, a real boom idea. That's a long shot, but I love it. Let me tell you what it is. When corporations put out their 10K report, remember, the CEO has to say to a test, this to the – the CEO doesn't know everything that's going on, but the CEO has to sign and say: I've read this, and to the best of my knowledge and my capability this represents an accurate statement of where we are. The 10K report can't have flowery language and bold predictions. Just the facts, ma'am, as they used to say.

And what I say is, politicians should have the same thing. There should be a report, not that we've put out, government has to put out, that says: This is the condition of our country by the numbers. And politicians have to sign and say, I read it. And I believe the statistical agencies of this country – the Census Bureau, the Bureau of Economic Analysis, the Bureau of Justice Statistics. I believe they are well-run. So, I will sign this because I believe this to be the best we can do.

Now, if we get the DATA Act⁵ to evolve to really not only say, hey, you have to make data available, but, hey, decision makers, you've got to actually say it's true. You've got to vouch that you've actually, heaven forbid, read it. I think that would be a big step forward. And from a policy perspective, people like to focus in on other things, but fundamental grounding in the discussion. There is the DATA Act. There is some momentum. There is some interest. And we're hoping to push an agenda that would require that.

Now, there is one big problem in the U.S. We have over 90,000 different governments in the U.S. Ninety-thousand different governmental entities. And unfortunately, none – no one of them does everything. You know, Medicaid spending, who decides Medicaid spending? State governments. The states decide who they're going to cover. That drives spending. So, you have to look at that in an integrated way. Who paid for building the road that goes, you know, sort of inside – at least in Seattle – Seattle to Bellevue? Who paid? Did the federal government pay, county government? You have to amalgamate these things to really understand what's being spent. So, it's hard to get any one government to take accountability. But I think you have to start with the federal government.

⁵ A 2014 law designed to make information on federal spending more easily accessible and transparent.

Let me give you an example. The data on state finances, if you want to look at state finances as part of this, they're two years old. Each state does its own format. They all roll up differently. The numbers are out of date. So, if you really want to know what's been spent on Medicaid, add it all up and then see the outcomes, you're two years out of date. So, I think these things are integrated, and that makes it a little trickier to know who to hold accountable. This is one place where our democratic form makes things – or, our distributed government make things a little more complicated. But I do think the federal government has enough influence through its spending that it ought to try to drive this consistency.

MR. RUBENSTEIN: But probably President Trump is not going to read this material, would be my guess. But if you were president, you would presumably read it. So, you have any interest in running for president ever?

MR. BALLMER: You know what I said about owning another sports team and my wife said no? My wife said no too about being a politician. And so, no, I don't see myself running for elected office. I think, look the impact I believe I can make may be bigger in my own case from the pulpit of an outsider, through our philanthropy. You know, and the likelihood anybody gets elected who throws their hat in the ring for anything is small. It is small. And believe me, for business people these days, my suspicion is it'd be even smaller than it used to be.

MR. RUBENSTEIN: OK. There's somebody from your neighborhood, Seattle, who's running for president. Do you know him?

MR. BALLMER: I do know Howard Schultz, yeah.

MR. RUBENSTEIN: But you haven't – you don't endorse anybody, I assume? You're not involved –

MR. BALLMER: Nonpartisan from a USAFacts perspective. There are only a few things. One, data is necessary. Two, I believe in balancing the budget. And I'll own it. I believe in giving opportunity to disadvantaged kids. Now, do I have other opinions, do I vote, do I pick candidates in that sense? I do. But I think everybody's entitled to their own personal viewpoints and I won't foist mine on anybody.

MR. RUBENSTEIN: So, let me ask you a final question. So, what do you hope to achieve by this report? Do you hope people will be more informed about their governments? Do you hope they will take some action? What is it that you hope will be the end product?

MR. BALLMER: Our mission, first of all, is to educate people – number one. Number two, we do want people to take action. We have a partnership with another organization called Countable. Countable allows you to communicate regularly with your legislators. We're building their technology directly into ours. So, if you're reading something and you want to fire off a note to your representative, over time your state legislator – because states are so important – we want to make that super easy. And then, as I said, the big enchilada out there, so to speak,

that we're going for is to really drive the use of numbers to be a fundamental part of civil debate in this country. Not only amongst citizens, but as importantly amongst politicians.

MR. RUBENSTEIN: Steve, I want to thank you for coming by and thank you for doing this. And I'm sure everybody will take a look at it. Thank you.

MR. BALLMER: USAFacts.org. [Applause.]

MR. RUBENSTEIN: Thank you very much. Appreciate it. Thank you. Thank you.



Steve Ballmer
Founder, USAFacts
Former CEO, Microsoft

Former Microsoft CEO Steve Ballmer is the Founder of USAFacts, a not-for-profit, non-partisan civic initiative making government data more accessible and understandable. USAFacts.org is an online resource of well-visualized data and trends in US spending, revenue, demographics, and policy outcomes – aimed at helping to ground our public debate in facts. USAFacts produces an annual report and 10-K each spring on how the nation is doing.

Along with his wife Connie, Steve serves as Co-Founder of Ballmer Group, which supports efforts to improve economic mobility for children and families in the United States who are disproportionately likely to remain in poverty.

Steve is Chairman of the Los Angeles Clippers basketball team. He is working with LA-based tech company Second Spectrum to change the way sports is viewed. Their augmented reality streaming video product CourtVision was named the NBA’s Innovation Award winner in January 2019.

Steve became Microsoft’s CEO in 2000, having served for 20 years in roles as president, senior vice president of sales and support, senior vice president of systems software, and vice president of marketing. He was the company’s first business manager. During his tenure at Microsoft, the company pioneered personal computing and democratized enterprise computing, growing from a small start-up to a company that today employs more than 110,000 people. When Steve retired from Microsoft in 2014, it had grown to almost \$80 billion in revenue and was the third most profitable company in the United States. He remains a significant shareholder.

Steve and Connie have three sons and reside in Bellevue, Washington.