

BILL GATES REFLECTS ON FAMILY, FORTUNE, AND PHILANTHROPY

William [Bill] H. Gates
Chairman of Microsoft Corporation
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Excerpts from Mr. Gates' Remarks

Early Education: My senior year of high school, I skipped because there was a job that I was being offered, which was an amazing job to work on this very complicated computer project for TRW. And I got to work with some really brilliant people, so I got to learn a lot more. The people I worked with my senior year of high school said, you should skip college and go get a Ph.D. And so, then I went to my parents and I said, yeah, I think I'm going to skip college. And they said, well, actually you should go to college. And that was good advice, because in terms of social development – I never finished my social development but it helped. [Laughter.]

Starting Microsoft: Between the age of 18 and at least 30, I was just totally focused on Microsoft. I didn't believe in vacations. I let other people take them a little bit. I knew everybody's license plate. I knew when they came in the morning, when they left at night. And I was just so excited, so thrilled by the work we were doing and wanting to stay in front of it, that the whole notion of what the company was worth or what the stock was worth wasn't that interesting.

Bill & Melinda Gates Foundation: [Melinda] is an equal partner in this whole thing, which is a lot of fun. You know, to have a project that is deep and complicated. She knows when I get overexcited about something. Maybe I've gone too far. She thinks about the people. She is great. And she'll pick a few topics that she's more in-depth on than I am and vice-versa. And we love learning from each other.

Mission of the Foundation: We decided that our main focus would be whatever the greatest inequity in the world is, something that affects life in a very deep way. And that's where we picked global health, where we saw that, because the poorest people don't create a market, that there's not much research into things like a malaria vaccine or a diarrheal vaccine. And yet, if you get those vaccines, they can be delivered anywhere. They're delivered in every place on Earth, even places like Somalia with no government. And they have an enduring effect, not only on reducing deaths, which is worth a lot, but also reducing sickness.

Foundation Work in Public Education: We have goals in our K-12 education...How much does the field understand great teachers? Do we have examples of all the key things great teachers do to make the subject interesting, to calm down the classroom, to help the kid who is behind, to engage the kid who is ahead?...So the research on great teaching, that can be done. It's amazing how little has been done on that. Over the next 3 years, that will get done. And people can take advantage of it or not. But that's a key goal.

Warren Buffet: We became pretty deep friends. We golfed together, played bridge together, anything to kind of goof off and have a chance to talk. Then tragically, his wife died in, I think, 2004. His plan was that he would make the money, and she would run the foundation.... When that wasn't going to be the case, Warren, completely to our surprise, decided to support five

foundations. But a very substantial portion – I think 85%, something like that – would go into our foundation. So that was fantastic, but completely unexpected.

Scientists Doing Great Work: I still have a soft spot for scientists, people who just spend their time taking a problem like designing a new toilet, which is not a very glamorous problem. But you can actually have this huge impact on humanity, designing a better wheat seed for Africa, designing a plant that makes its own fertilizer. Some of these ideas have achieved fruition – there are others where people are just going to toil their whole life. Some will work out; some will not work out. So I always love finding somebody like that who is doing great work.

Legacy: The global health area I love because it's so concrete and it's so impactful. Last year, a little under 9 million children died before the age of five. And in the next 15 years, we should be able to cut that in half. In the next 25 years, we should be able to cut that down to about 2 million. ... Now, we'll have some wonderful milestones along the way. In the next 3 or 4 years, we think we can achieve polio eradication. That's the thing I am spending the most time on today

Bequests to Children: You want to give them enough so they can do anything, but they can't do nothing. Now, it's not clear what that number is.

DAVID M. RUBENSTEIN: Welcome, everybody. Good evening. I'm David Rubenstein, President of The Economic Club of Washington. Depending on how you count, this is either our sixth event of our 24th season or the first event of our 25th season. We actually count seasons beginning in September, so this is the sixth event, but the first event of this calendar year. Obviously, it's an event that's drawn more people than I think we've ever had at any of the events we've had over the past 25 years.

We're very pleased and honored tonight to have Bill Gates as our special guest. He does not need an elaborate introduction, but I just would like to make a couple points. Today, Bill is essentially the biggest philanthropist and the greatest philanthropist in the world. He's given \$30 billion of his own money – [applause] – to his foundation, the Bill & Melinda Gates Foundation. And that foundation has to date given away about \$24 billion to causes we'll talk about, including K to 12 education in the United States and health care in developing world. And he's become not only a big donor to these causes but somebody actually committed and knowledgeable about the causes and brought to it the intelligence and the dedication of focus that he brought to his business career earlier.

His business career is also legendary. He left Harvard in the mid-1970s and started a company later named Microsoft. He built it into the largest technology company in the world. At one point, it was a company that had the highest market value of any company in the world's history – over \$600 billion. In doing that, he revolutionized the computer system that we have in our country and revolutionized software. Everybody here, I dare say, has used the products of Microsoft. He served as a CEO of that company from 1975, when the company was created, to the year 2000, when he stepped down as the CEO.

In addition to a very successful entrepreneur and businessman and CEO, he became the wealthiest man in the world — by far the wealthiest man in the world – and today is one of the wealthiest men in the world. [Laughter.] *Forbes* today said that he is only the third wealthiest man in the world today, with a modest net worth of \$49 billion. But had he not done what he has done in philanthropy, his net worth today, according to *Forbes*, would be \$88 billion. Fairly nice number. [Laughter, applause.]

But it's one thing to make a very good company. It's another thing to run a company. It's another thing to make a lot of money, another thing to give it away. But Bill Gates has done more throughout this — he has managed to keep his feet on the ground, his ego in check, he has made himself a very humane person and a very personable person and has made himself accessible to people. So, people admire not only his extraordinary accomplishments in philanthropy and business, but also the person he has become and the person he has let so many other people know. So what I'd like to do tonight is not only to talk about the foundation and his philanthropic work and his business career, but also about some of the things that make him so human and so interesting to talk to.

So let me start by saying thank you very much for coming, Bill. I wondered if you ever thought, you know, what you could have made of yourself had you finished college? [Laughter.] You know, it's very legendary that you dropped out of Harvard. But seriously, had you not dropped out of Harvard — every parent wants to know, would you recommend to your own children whether they should drop out of college? — do you think you could have built the company? Or was it the dropping out of college 2 years early that made a big difference?

BILL GATES: Well, Paul and I — Paul Allen is my cofounder — saw the very first kit computer on the cover of a magazine. We'd been talking about the miracle of the chip for 3 years by then. And we were going, oh, it's going to happen without us. We've got to get involved. This is so important. So when that product was announced — it was called the Altair and the company later disappeared — we felt like, gosh, we've got to go do it right away. So school didn't stand in the way of that.

I'm actually on leave from Harvard at this point. [Laughter.]

MR. RUBENSTEIN: But, what did your parents say when you said you've got into Harvard. You had 1590 on your SATS. You were a brilliant student. What did they say when you said you were dropping out?

MR. GATES: Well, my parents were used to strangeness. [Laughter.] I'd been breaking them in slowly but surely. They were used to my disappearing in the night to go use computers. They did curb that somewhat.

My senior year of high school, I skipped because there was a job that I was being offered, which was an amazing job to work on this very complicated computer project for TRW. And I got to work with some really brilliant people, so I got to learn a lot more. The people I worked with my senior year of high school said, you should skip college and go get a Ph.D. And so, then I went to my parents and I said, yeah, I think I'm going to skip college. And they said, well, actually you should go to college. And that was good advice, because in terms of social development — I never finished my social development but it helped. [Laughter.]

MR. RUBENSTEIN: But I thought when you were in high school, you prepared a program, which enabled you to get in classes with mostly girls, as I understand it. So you had a better chance of meeting girls at that time. Is that true?

MR. GATES: Well, I wasn't very good at meeting them. But boy, they were nearby. [Laughter.] They tended to be the better-looking girls for some reason. The beauty of being in charge of the computer scheduling is I decided when the classes would meet and who was in the classes,

because it was a semi-complicated software problem. And they were super nice to let me do it. And they paid me money to do it, so that was a great position.

MR. RUBENSTEIN: A couple of years ago, you were given an honorary degree at Harvard. And you said that you always told your parents you would go back and get your degree. But in your speech, you said that you were assigned to live I think in what's called the Yard. And you wanted to live there because there were more girls in that part of Harvard and you thought it would give you a better opportunity, given the fact that there would be so many geeks in that period and you would be outshining the rest of those people. But you said it didn't really work.

MR. GATES: No, yeah, the first year – my freshman year I lived down in the Yard. But then I chose to live up at Radcliffe.

MR. RUBENSTEIN: Radcliffe, okay.

MR. GATES: So my next 2 years were up there. And that had this great 50-50 ratio, whereas the river houses had 3-to-1. I knew 3-to-1, that was hopeless for me; 50-50 didn't do anything for me either. But again, it was at least a better background for studying.

MR. RUBENSTEIN: Well, and when you started your company, did you actually ever have an ambition to build such a large company? What was your ambition at the time? Did you have a business plan that actually led to something like Microsoft becoming what it became?

MR. GATES: No, the interesting thing is that we always had a contradiction in our company plan. We said that there would be a computer on every desk and in every home running Microsoft software, which, that's a plan for a very big company. But in terms of what we thought about, I would constantly be saying, okay, if no customer pays me for a year, can I meet the payroll? And so I always had enough cash on hand because I had a lot of customers go bankrupt. Of our first 13 customers, eight did not pay us in full. It was a very flaky business with people coming and going.

Fortunately, you know, Radio Shack, Apple, a few good ones got in, in that early list. So we were really putting one foot ahead of the other. And whenever somebody said to me, hey, what's your plan? I would always say, my plan is to double. Clearly, we can double. And I said that when we had 100 people, 500 people, 5,000 people. And in a way, we were actually being very realistic about what we needed to do and what the income would be.

I remember once when the Forbes 400 list came out and there were no software people on it. But there was like Aimwing [ph], the Intel people, and I thought, well, that's interesting. If we double a few more times, we might even be on this thing. It sort of brought the contradiction of the vision and the let's just plan the next doubling into focus for me.

MR. RUBENSTEIN: Did you ever consider starting the company or building it anywhere other than your hometown area? I mean, because it wasn't then considered a center for this kind of activity.

MR. GATES: No, that was a real decision. Our very first customer when I dropped out of Harvard was in Albuquerque, New Mexico. So I learned how to spell that – [laughter] – went

there. And then, we were hiring people. So we ended up with about 15 or 16 people. And it was not the easiest place to hire people.

So then that first customer got bought by a California company, and so we knew we had to move. So the choice was to move to Silicon Valley. And we were kind of worried about the traffic and employee loyalty – or to move to be right at the DFW airport because we were doing so much business in Asia. We thought that would be really cool. We could just go get on the plane. Or to move back to Seattle – and everybody in the company wanted to move back to Seattle. But I held the decision for 2 or 3 months and eventually decided that would work, that we could create a loyal group there.

It was completely out of the computer game. The traditional computer game was on the East Coast – Boston was the biggest part of it. And then this new game was almost entirely in Silicon Valley.

MR. RUBENSTEIN: You mentioned *Forbes*. When you took your company public, I think it was March of 1986, you then became the youngest self-made billionaire in the United States, I think at the age of 32. Is that something close to right?

MR. GATES: Yeah. When we went public, the valuation was like \$400 million or \$500 million. But within a few years of being public, the value kept going up.

MR. RUBENSTEIN: So when you became a billionaire at a relatively young age – I guess in the early 30s – how did it change your life? Did you find people treating you much differently? Do your parents treat you differently? [Laughter.]

MR. GATES: No, I would order cheese on my cheeseburger without hesitation. [Laughter.] I was talking to my dad once. He was saying – when Paul Allen was my partner – he said, yeah, it must be tough for Paul's dad that his son makes more money than he does. Then, I didn't answer my dad. My dad thought for a second. He said, oh, okay, you make more money than I do. [Laughter.] I was the best customer of his law firm at the time, and subsequently an even better customer of his law firm. I've done very well for the legal profession. [Laughter.]

I was fanatical. I mean, between the age of 18 and at least 30, I was just totally focused on Microsoft. I didn't believe in vacations. I let other people take them a little bit. I knew everybody's license plate. I knew when they came in the morning, when they left at night. And I was just so excited, so thrilled by the work we were doing and wanting to stay in front of it, that the whole notion of what the company was worth or what the stock was worth wasn't that interesting.

Sometime in my 30s, *Fortune* ran an article about giving it away, about how actually giving a lot of wealth to your kids is not necessarily a favor to them. I remember reading that and thinking, oh okay, that's something I'll have to think about someday. I was 38 when I got married and then I did have to think about it.

MR. RUBENSTEIN: Now, you married someone who not only had two college degrees – two more than you – but she had the advantage of having them from Duke. And now, as everybody knows, she's your partner in the foundation. It's called the Bill & Melinda Gates Foundation. And how does that work in the foundation? Do you both have to agree on every gift or how do

you sort through the gifts? And how do you decide what your areas of focus are in the foundation?

MR. GATES: Well, she's an equal partner in this whole thing, which is a lot of fun. You know, to have a project that is deep and complicated. She knows when I get overexcited about something. Maybe I've gone too far. She thinks about the people. She is great. And she'll pick a few topics that she's more in-depth on than I am and vice-versa. And we love learning from each other.

We do at least a couple trips here where we go together. So in 10 days, we'll go off to India for a week together. And then we do three or four trips where each of us will go somewhere and then we'll get back together and explain what we saw there. And so it's worked very, very well. You know, she knows some of my weaknesses and is very helpful with those things.

In fact, she's up – she went up to – she got to ride on Air Force One before I did – today going up to an education event up in Boston.

MR. RUBENSTEIN: So when you got your foundation pretty much off the ground in a significant way – you had an earlier foundation – but when you really got it jump-started, you contributed \$20 billion, I think, at the outset. So what was it like to write a check for \$20 billion?

MR. GATES: Well, what actually happened was in the year 2000, Microsoft was valued at over \$500 billion, which was a kind of unusual number. And I thought, well, this is a good time to give the stock away. So it was just stock certificates that went into the foundation. And then, over a period of time, those were actually sold. So there's an endowment there that's being managed.

What had happened was, my dad was retired from his legal career. And a Microsoft executive, Patty Stonesifer, retired. And they were talking about working together. And I thought, okay, given that I'm still so focused on Microsoft. And I don't have that much spare time between Microsoft and family stuff, these two will do a pretty good job. And I had started to learn about vaccines and how underfunded they were and what a miracle they were. I'd learned about reproductive health. And so having those people, and already some time from Melinda go off and get focused on this, seemed to make sense.

And so, when you create a foundation, there's a 5% minimum payout. So in the year 2000, we created and then had to ramp up pretty quickly to spending that 5%.

MR. RUBENSTEIN: So now, you retired from Microsoft essentially in 2008, I guess. And you're still the non-executive chairman. But 100% of your time is really in philanthropy now. How did you decide that the two areas you wanted to most focus on were K to 12 education in the United States and healthcare in the developing world? How did you pick those? And which topics or subjects did you not pursue because of those two?

MR. GATES: Well, we decided that our main focus would be whatever the greatest inequity in the world is, something that affects life in a very deep way. And that's where we picked global health, where we saw that, because the poorest people don't create a market, there's not much research into things like a malaria vaccine or a diarrheal vaccine. And yet, if you get those vaccines, they can be delivered anywhere. They're delivered in every place on Earth, even places

like Somalia with no government. And they have an enduring effect, not only on reducing deaths, which is worth a lot, but also reducing sickness.

The majority of kids in Africa never develop above a 90 I.Q. because they've had infectious disease that means their brain doesn't fully develop. And you know, that holds those countries back in a huge way. And then, parents who have healthy children choose to have less children. And so sort of the master switch of all problems is if you have too many people – feeding them, keeping it stable, the environment – everything that counts is impossible. So that's why global health became our number-one thing.

Then we said, well, we should pick a problem in the United States, because it really was the incredible education system and the stability – the brilliance of the American system – that allowed Melinda and I to learn and allowed Microsoft to exist. It allowed Berkshire to be built. And so we give a little over a quarter to U.S. education just because we wanted to have a global cause and a domestic cause. And that's most of what we do.

We've added some things that help poor people in agriculture, water, and sanitation. So we're actually a total of three divisions now.

MR. RUBENSTEIN: I see. But everybody you see must be asking you, at this point in your life, for money in some clever way or subtle way. So you must have gotten used to that. And how do you respond to so many people – do you say, go see the foundation? Or how do you handle everybody who is always asking you for money, I assume?

MR. GATES: Yeah, there's a lot of interest in raising money. But if you really tell people what your focus is – if it's about global health, about poor children, saving their lives – we're very, very interested. If it's about improving the U.S. education system, we're very interested. If it's outside those areas, it's very likely that somebody else should go do that. It's a wonderful thing. But even a foundation our size has to have some degree of focus to build up expertise, to see where we're going wrong.

I think in general, foundations, if they did half as many things, they'd probably be better off. They would do them with more measurement, more of a learning curve. And so, it works out okay. You know, I can say no. Warren Buffett taught me how.

MR. RUBENSTEIN: Well, you mention Warren Buffet and Berkshire. Let me get to that. You had a relationship with Warren Buffet for a number of years. And one day, he, I guess, called you up and said, I want to contribute to your foundation. How did that come about?

MR. GATES: Yeah, it's a very unusual set of circumstances. I had met Warren back on July 5, 1991. My mother said that she had Kay Graham and Warren Buffet coming over and I should come meet them. And I said, you know, I'm busy, mom – [laughter] – which I said to her a lot about a lot of things. But I was still in my ultra-fanatical stage at that point. And she said, no, no, you have to come by. And I said, mom, he buys and sells stocks, you know? Sometimes stocks are mispriced and somehow he knows that. [Laughter.] That doesn't really add to human welfare.

But she said I should come. And so then I went and met Warren. And he started asking me questions about why didn't IBM do what you did? And why couldn't people see where the computer industry was going and how it was going to affect different things? And these were

questions I'd always wanted somebody to ask me. And then I got to ask him about various things about the business he knew.

So anyway, we became pretty deep friends. We golfed together, played bridge together, anything to kind of goof off and have a chance to talk. Then tragically, his wife died in, I think, 2004. His plan was that he would make the money, and she would run the foundation. Most likely, she would outlive him and have lots of time to do it.

When that wasn't going to be the case, Warren, completely to our surprise, decided to support five foundations. But a very substantial portion – I think 85%, something like that – would go into our foundation. So that was fantastic but completely unexpected.

MR. RUBENSTEIN: So when he called you that day and said, I'm going to give you \$30 billion or something like that, what was your reaction?

MR. GATES: Well, it was, wow, he's really serious about this. [Laughter.] He said to me at one point, you know – I think about a year after his wife had died – he said, you know, the logical thing to do would be to give this money to your foundation. And I said, yeah, maybe. But he wasn't even suggesting it would happen. In fact, he was suggesting it wouldn't happen. It was just sort of Warren brainstorming. He said, yeah, that would be the logical thing. I said, well maybe. And then it was like 3 months later he called and he said, I'm actually doing that. And I said you're doing what? He said, I want to give a large portion to your foundation because I like to delegate things. [Laughter.]

And seriously, Warren has very clear principles like when it comes to running GEICO, he counts on Tony Nicely to run GEICO. And in terms of giving money away, he's picked these various foundations and –

MR. RUBENSTEIN: He didn't say, I'd like to have my name on your foundation?

MR. GATES: No, no, we – well, it was funny. First, Warren was saying, no, he didn't even want to be a trustee. But he said it in a way that was kind of unusual. So I said to my wife, Melinda, call him and ask him if he really means that, because he said it kind of in a different way. And he said, no, he kind of would like to be a trustee. But that's his – [laughter] – he has been just totally supportive, gives advice and, you know, helps us think about some of the tough issues we face. But it's a lot like he treats the managers of his businesses that he knows they love their work. He knows they're going to do their best. All those people want – because they admire Warren so much – they want to do good work for him. And they know he's available to provide advice.

MR. RUBENSTEIN: Now, you have obviously had a great career in business and now in philanthropy. How do you compare the intellectual challenge and the excitement you get out of those two different types of endeavors?

MR. GATES: Yeah, I'd say that my career has sort of had three phases. There was the early Microsoft days, the first 10 years, where I got to write a lot of code. I was immensely hands on. Nobody wrote a line of code without me looking at it. Nobody hired an engineer without me interviewing the person. That had a certain perfection to it, that everything had to be in its right place and that was very cool.

But then I couldn't keep that up if I wanted to do a lot of products. So I had to step back and not write code and kind of manage and pick strategies and still pick managers, but not all the people. So I really had to adjust to kind of a more indirect way of contributing. There are a lot of mistakes you can make when you first start doing that.

The work at the foundation is a lot like that phase – which is the third piece – it's very similar because there are scientists working on malaria vaccine. You decide who to fund. It's going to take a decade before you know if they're going down a dead end or not. There are a lot more complexities politically, you know, issues like K through 12 education are fundamentally going to be decided politically.

Well, at Microsoft, we didn't – well, other than our antitrust trial – [laughter] – whatever you call that. Most things were more of an engineering type thing and the marketplace would tell you when you got it right, when you got it wrong. It had kind of this excellent metric.

On some of our science stuff at the foundation, it is more like that where you either have it or you don't. It's subject to clear measurement. The beauty is, if you invent a new vaccine, nobody ever uninvents it. If you invent a way that teachers should be compensated – evaluated and compensated – that can come. Actually in Tennessee in the 1980s, they had a pretty good system. But it only lasted for 5 years and then it was abolished.

MR. RUBENSTEIN: You wrote code for a long time. You're obviously a software expert. I always wondered about two questions I could ask you about your software. I'm usually a last adopter. So I'm not the most expert person. But why is it, when I turn on my Microsoft software, to turn it on, I have to have three fingers – Alt., Control, Delete– what was the theory behind having three different buttons you had to push? I never could figure that out. [Laughter, applause.]

MR. GATES: Yeah, when you want to start up the computer, you want to know there's not some funny piece of software in there that's looking at everything you're doing and just pretending that it's the real software. So there's actually a processor in the keyboard that, when it gets that funny sequence, it does a hard reset on the computer. So, you know that it's the boot software.

Anyway, we could have picked a less obscure sequence. But we didn't want it be confused with normal keystrokes. For a while, people wanted there to be a special button on the computer. But as the keyboard was further away from the computer, we came up with that. So maybe we could have done better. [Laughter.]

MR. RUBENSTEIN: All right, well, that worked out pretty well. I have only one other question, which is why can't you have software – maybe you do in your program – where if I send an email to you but I don't want you to send it to somebody else, you can't forward it? Right now, I send an email to you and it goes all over the world sometimes. How do you prevent that or can you prevent that?

MR. GATES: Yeah, actually, Microsoft Exchange, if you configure it the right way, you can have two things. One is you can have e-mail that cannot be forwarded. The second thing is you can have e-mail that can be forwarded, but the originator sees the trace of every forward and every forward of every forward. And so the originator can see exactly what's going on.

Now, you have to notify people that it's a traced email like that. To some degree, as soon as you send somebody an e-mail, in an extreme case, they could take a photograph of their

screen, put that in a scanner and e-mail that photograph off to people. So once it's in their brain and they can retype it or they can do the photo, you can't guarantee information doesn't leak out. So there's never a perfect system. But there are systems that make it a lot easier to stop people from forwarding things.

MR. RUBENSTEIN: Well, back to those days for a moment. When IBM was looking to have somebody provide software, I think you won the RFP or you were selected – what was it like to get IBM to select you? Were you competing with a lot of other people? Why did IBM not say we want to own the software that you produce for us? Why do you think they didn't want to own that software?

MR. GATES: Yeah, they weren't serious about personal computing. What happened is that IBM became a company with many engineering locations, laboratories. One of those laboratories was Boca Raton. Boca Raton did a product that was a complete bomb, a complete wipeout. So they had all these engineers sitting there.

So some genius up at headquarters, Armonk, decided hey, we take 4 years between when we conceive of a product and when we get it done. We should try to get that down to a shorter time period. So let's just take some random product and see if we could get it done quickly. So there was a kind of RFP at headquarters for labs to bid to show they could use some new methodology. Well, Boca – because they had all these people – did this bid where they said they would use outside vendors. They would use Intel for the chip. They would use us for the software. And they'd get a product done in 2 years.

It wasn't that important what the product was. The forecast was to sell 200,000 of them. So their bid was accepted. It was not a major project. It was just this thing they were doing. They thought of it as a toy computer. It had an optional disk. But it didn't have a hard disk or anything.

This group at Boca Raton was a very good group. It was fantastic working with them. And we made the thing more powerful than maybe headquarters understood. But that was the magic of the microprocessor. And we wanted to do that.

Well, what happened is this thing ships in November 1981. And it just sells like mad. You know, very quickly, it sells over a million machines. Well, the other divisions at IBM – there was a group that did the low-end business computer called Datamaster and a group that did the word processor called Displaywriter. Those two divisions said, these guys are out of control. They're selling a machine cheaper than ours. They're messing up our market. They're messing up business computing and word processing.

So they both bid to take over the personal computer division down in Boca. And they said, remember, these guys are morons. [Laughter.] And headquarters said, hey, wait a minute. This Boca thing is pretty dynamic. This thing is going well. So they actually took this guy, Don Estridge, who ran the PC division and they put him in charge of those other two divisions. [Laughter.]

And so IBM in some ways, like many companies of import, they were actually fairly enlightened about a lot of key steps. And other key steps they weren't. The particular contract we had with them was – we were very explicit that if anybody else does computers, we need to make more money than we're making from you, IBM. You didn't pay us enough to keep us happy the rest of our lives. You don't own our company. So we have to be able to sell it to other people. And they understood there were IBM 360-compatible machines up there. So they understood that we had kept that upside.

The nature of the value of that – there was one guy at IBM who objected to their contract. He actually thought, hey, maybe we shouldn't do this. And he was overridden. Well, later he tried many projects inside the company to replace us. But they had just – they weren't fanatics basically.

MR. RUBENSTEIN: But had he not been overridden, that would have been the – that was the most expensive decision IBM ever made, I assume.

MR. GATES: Yes and no. The IBM PC was not guaranteed to be successful. There were lots of personal computers – you know, Commodore, Apple, Radio Shack. What happened was there was a sort of generational leap that the group at Boca Raton and we decided – and Intel was part of this – decided to move them up to a slightly more powerful machine. And because it was good and because it came from IBM, it became a template.

Now, I believe 16-bit computing would have happened even if IBM hadn't been part of that. But it's hard to go back and consider those other pathways. You know, IBM did very well. They made a lot of money on personal computers for a long time and then eventually sold off that division.

MR. RUBENSTEIN: But do you think, had Apple licensed its software to people – in those days, they didn't have open software or open systems, I guess, open architecture, so they didn't license it. Do you think that would have made a difference in your company?

MR. GATES: Yeah, we actually told Apple they had made a mistake on the Macintosh not licensing it to other companies, because we had applications that ran on the Macintosh. Strangely, we made more money when a Macintosh was sold than we did when an IBM PC was sold, because the dominant word processor on the PC was WordPerfect. And the dominant word processor and spreadsheet and database on the Mac was the software we had written. So we kept telling Apple – who almost went bankrupt – please, license your software. It's the only way you can get the scale economics.

Now, the irony is that they fired their CEO. They brought Steve back. They've continued on the model of building their own hardware and they've made it work fantastically, not only for their computers, their tablet, their phones. So you can go it on your own. But it's just a different model. The Microsoft model is to support all the hardware companies. And the Apple model is to do their own hardware.

MR. RUBENSTEIN: Okay, and now when you wrote your first book about your company and your life, I don't think you mentioned very much the Internet, it is said, in that book. Maybe I'm wrong. Did you foresee the Internet coming along or did it surprise you at how important it became as part of the whole computer generation?

MR. GATES: Yes and no. It's easy for an answer like this to sound not humble. The book "The Road Ahead" talks all about the information superhighway, which was this stupid term at the time. It sounds very antiquated. But yes and no – I mean, the Internet is this mind-blowing thing that has completely changed the rules for everything. So there are some elements of it that all sorts of people in the computer industry were talking about for a long time.

Now, we kept expecting it to happen. It never happened; it never happened. And then all of a sudden, it took off. So I don't think any of us sort of realized why it didn't happen for the 5 years before it did. Then, of course, once it did happen, it's one of those unbelievable phenomena that, the more people were connected, the more people want to be connected. And the volume means that the stuff gets cheaper. These idiotic investors completely overinvested in these Internet companies. They spent like \$100 billion of silly money to try all sorts of companies, a few of which like Google and AOL and others, eBay, actually survived. But the net return on that money, between 1996 and 2001, of building infrastructure and building websites – you know – 90% of them were laughable. It's like a sock puppet type thing that people invested hundreds of millions into that thing.

Anyway, that phenomenon was mind-blowing because it had such a powerful dynamic. So no, we didn't see that – some of these applications were what we and everybody else saw – were why we were doing the personal computer in the first place.

MR. RUBENSTEIN: Now, in your current position, you can see almost anybody in the world, I assume. And I assume you're not turned down for a lot of meetings. But who would you say are among the most impressive government or business leaders you've met over the years? Are there people that stand out as being so talented or so far-sighted that you can remember what they said to you or you were very impressed with them?

MR. GATES: Well, I think Warren Buffett probably gives me the best advice about the world of business and how things are going. You know, I'm constantly learning from Warren because he's just amazing. And he puts things in a simple-to-understand fashion.

I've gotten to meet a lot of great political leaders. Nelson Mandela was probably the most inspiring, because if anybody had predicted what would have happened in that power transition, they would have predicted lots and lots of bloodshed. And really, I think it's his unbelievable insight, his personality and that thoughtfulness applies to lots of things. So he's been quite amazing.

I still have a soft spot for scientists, people who just spend their time taking a problem like designing a new toilet, which is not a very glamorous problem. But you can actually have this huge impact on humanity, designing a better wheat seed for Africa, designing a plant that makes its own fertilizer. Some of these ideas have achieved fruition – there are others where people are just going to toil their whole life. Some will work out; some will not work out. So I always love finding somebody like that who is doing great work.

MR. RUBENSTEIN: Let me ask you – you've met a lot of political figures. And you're in Washington today, I guess, meeting some Members of Congress. Does it ever occur to you that you could do their job better than them? And have you ever thought of running for office?

MR. GATES: No, I could not do their job better than them. I don't think it would draw my best talent out, meeting with constituents, raising money. I mean, it's very important. It's interesting. If you think about the history of the country, it's been very well run. So whenever you look at politics and think, oh my God, what a mess, you have to say, well, it's always worked out before. Does this just happen to be the time it looks like it's not going to work out? [Laughter.] It sure feels that way.

MR. RUBENSTEIN: You probably would have to spend all the time raising money though, if you got into politics. [Laughter.] Now, what do you consider – you're 55 years old. So that's relatively young for somebody to have the worldwide stature that you have. Usually people often become the most famous person or one of the most influential people in the world even at a later age. You're one of the most respected men in the world and people in the world, one of the most influential in the world, 55 years old. What would you like to see as your legacy? And what would you like to do for the next, let's say 25 years of your active life, assuming you have 25 years at least? What do you want to do for the next 25 years? And what would you like ultimately your legacy or legacies to be?

MR. GATES: Well, the global health area I love, because it's so concrete and it's so impactful. Last year, a little under 9 million children died before the age of five. And in the next 15 years, we should be able to cut that in half. In the next 25 years, we should be able to cut that down to about 2 million. And that has this huge effect in terms of reducing sickness and reducing population growth. And so, all it takes is about 10 new vaccines, getting them invented and getting those distributed out to lots of people. So that's going to be – unless things go way better than I expect – it'll be most of the rest of my life that I'll be working on that global health mission.

Now, we'll have some wonderful milestones along the way. In the next 3 or 4 years, we think we can achieve polio eradication. That's the thing I am spending the most time on today, because it requires making sure that even in these tough times, the money gets raised; the political will is there; there's a little bit of scientific work that still needs to be done to tune up these vaccines. They're not quite as good as they need to be. So there will be very neat things along the way that happen there.

In education, you know, education today is not much different than it was 50 or 60 years ago. I mean, if you take almost any endeavor – engineering or medical understanding, whatever you want to take – the pace, the improvement in the past 50 years has been incredible. And education, that's just not the case.

If you said the best teacher was some 1960 teacher, nobody could prove you wrong. So the idea that there is a system where teachers learn from each other, where these amazing teachers – who exist – that you actually analyze why they're so good. Maybe you can't be as good as they are, but you could be a lot more like them. Having an evaluation system that encourages that improvement and having technology come in so that a student can have the world's best lectures; a student can be analyzed so you can see what you know and what you don't know. You can be motivated in terms of examples that are of interest to you.

Anyway, I think I'd love to see big success in helping the world's poorest, which is health and agriculture. And I'd love to see big success in education. Outside of my family life, if those things can be achieved, that would be worth the next 50 years.

MR. RUBENSTEIN: Well, now you have three children. And you know, what would you do if your son or daughter went to college and said, I want to drop out and start a company? I mean, how would you face that kind of situation?

MR. GATES: Well, I wouldn't be able to say no. But I think it is kind of an exceptional situation, when it's logical to not complete your education. So I'd probably resist as much as my dad did. And you know, hopefully the kid has a passion. Being willing to tell your parents that

they're wrong is almost an acid test. If your parents' objection make you say, oh, okay, I'll go back to school, then you probably weren't meant to drop out and start a company. [Laughter.]

MR. RUBENSTEIN: How do you keep your family life relatively normal? I mean, for example, do you drive your children to school or pick them up from time to time? And when you're driving down the streets in Seattle, people stare at you? They see you in a car and driving?

MR. GATES: No, people are great. I get to work with lots of smart people. Taking the kids into school, everybody is just focused on their kid. We meet lots of families through our kids. You know, we do our best. And the kids are a lot of fun. Learning things with them, I'm very envious of my children, because today if you're curious about something, you can find out about it. With your parents, go read a Wikipedia article; go watch a YouTube video. Whereas when I was young and I asked my parents a lot of those questions, they said, hey, we don't have an answer.

MR. RUBENSTEIN: Do you have limits on how much time your children can spend on the computer?

MR. GATES: I would if they showed signs of extreme behavior like I did. [Laughter.]

MR. RUBENSTEIN: But presumably not limits on Xbox, I assume?

MR. GATES: No, I would have limits on all those things. I mean, everything is in moderation. You want your kids to read a lot, but not to the exclusion of other things. You want them to do sports. You want them to do things with friends. Striking that balance is hard. That's why that tiger mother thing was such an interesting thing to send around, because what is too much? And what balance should the kid have? Everybody draws those lines differently.

But so far, none of my kids has shown such tendencies that we actually had to make a quota.

MR. RUBENSTEIN: Warren Buffett famously said he wasn't going to give his children any money. And he ultimately gave them the foundation to kind of monitor and administer and give away money from. In your case, do you have plans on how much you might leave your children? How do you deal with the enormous wealth you have and your children and the effect it would have on them?

MR. GATES: Well, I'll give them – my wife and I will end up giving them a very, very small percentage. The goal, of course, is to give a kid – [laughter] – enough –

MR. RUBENSTEIN: A small percentage is still probably a lot. [Laughter.]

MR. GATES: You want to give them enough so they can do anything, but they can't do nothing. Now, it's not clear what that number is. And you know, I'm sure we'll think about it as time goes on. It's a tricky problem, because every kid should have a chance to make their own way. Their friends and associates shouldn't think of them as somebody who has been handed this strange position. But then again, they do get a great education. They get exposed to neat things. And so they're getting one of the best deals in life.

And from time to time, they'll say, remind me why you're not giving me any money? It's great actually when they'll ask about something specific. Like, but at least you'll give me a car, right? And I think good, we've got the bidding really low here. [Laughter.]

MR. RUBENSTEIN: So when you go to buy something, are you ever short on cash? Or do you have a credit card? I mean, do you carry cash or do you have a credit card? I mean, you show a credit card, people say, oh sure. That's really you. I mean, they –

MR. GATES: Yeah, actually, my name – my name is William H. Gates III. And so whenever I would take my dad's credit cards, they would say William H. Gates Jr. And I would use them when I was young. They'd say, oh, you're too young. I'd say, no, it says junior right there. But it's been more trouble than it's worth to have the same name as my dad, for both he and I, I think. No, I don't carry much. I don't have a problem carrying money around. [Laughter.]

MR. RUBENSTEIN: Okay, all right. We have some time. One last question before we ask the audience. You've said your foundation would probably not stay around too many years after your wife and you leave the Earth. Is that for a reason? Why don't you want to have a perpetual foundation like the Ford Foundation, Rockefeller? What's your thinking?

MR. GATES: Well, Rockefeller and Carnegie and some other foundations that are perpetual have done an amazing job. Rockefeller Foundation, at many times, picked causes that were totally out of the mainstream – deworming, schools for black children, medical research, University of Chicago. They just did an incredible job. So everyone should aspire to that level.

I don't think though – at least for Melinda and I – having a perpetual foundation makes sense, because there are serious problems today like these childhood health problems or education. And the people who are rich today and have energy should focus their resources on those problems. And there will be rich people in the future who can know very well what those problems are. There's a foundation in the U.S. that has to give most of its money in one county. It's a gigantic foundation. It makes no sense.

It's very hard to anticipate what will happen in the future and pick people who will stay true to it. So we're probably going to have the foundation last something like 20 years after the last of us to go, because this vaccine mission that we're involved in, some of these things. We've built up a team and a staff. And you should have continuity. It's worthwhile, somebody doing that. But when you pick a timeframe where that particular mission will end, then the money should be spent and someone else can form a new foundation.

QUESTIONS FROM THE AUDIENCE

MR. RUBENSTEIN: Okay, any questions? By the way, you stay outside of politics now? You don't endorse candidates, I assume. Or is that what you – you're pretty apolitical?

MR. GATES: I try.

QUESTIONER: You retired at a pretty young age. I was wondering if that had anything to do with the antitrust experience.

MR. GATES: Well, the antitrust experience, I don't recommend it. [Laughter.] You know, when your own government goes after you, then all the other governments of the world say, oh great. Now, we can really go after them too. You're just lying out there in the field bleeding and every vulture is coming to get you. Anyway, it's an interesting experience.

But no, I wouldn't say it had necessarily affected my timing. I always knew that Microsoft was a company that whoever was leading the technology strategy shouldn't be 60 or older. So I chose to retire earlier in my 50s than I might have guessed I would have when I was in my 30s. But I knew it was in that range, 50-60.

What happened was, my dad and Patty Stonesifer did such a good job on the foundation that I felt like both my impact and my ability to learn lots of new things would actually be higher at the foundation than at Microsoft. You never know on these things. But we had a great, great team at Microsoft, and I made the change.

MR. RUBENSTEIN: Okay, other question here? Go ahead.

QUESTIONER: Could you please talk about the relationship between agriculture and health and the expressed intent of the new leadership in Congress to defund global agricultural development?

MR. GATES: Well, yeah, I didn't talk much about agriculture. But other than the health vaccine things we do for the poorest, the next really sizable thing we do is get involved in agricultural research that is helping farmers have better seeds, access to fertilizer. And that is super-catalytic. Over 70% of the poor people in the world are farmers with very small plots of land who have a hard time feeding their family. The vagaries of weather are very tough on them. Yet, there is this potential to give them better tools, better information, and particularly better seeds that will help them deal with that weather variability and get enough output to have cash crops as well as subsistence.

It's great that the world actually spent a lot on agriculture in the '70s and '80s, the so-called "Green Revolution," although Rockefeller and Ford Foundation were central to that. World Bank and government funding for roads and fertilizer – it was a miracle. We more than doubled the output and in many cases tripled the output of farmers. Now, we need to do that again. Africa didn't get the benefit of that first round. But even in Asia, we need to get yields up. And the U.S. government has funded some of this and was definitely talking about some increases – made a few increases.

Now, it's one of those things that's kind of up in the air in terms of the overall budget picture. Is that something that will be maintained or will it be cut? There is a proposal where most of it gets cut. There is a proposal where most of it gets maintained. We'll see where it comes out.

MR. RUBENSTEIN: Okay, a question here?

QUESTIONER: A very fun question here. What's your golf handicap and do you ever take mulligans when you play? [Laughter.]

MR. GATES: I was with some friends at Augusta just last week, which is my once a year – I go once a year. I hadn't golfed for 6 months but I'd played tennis. I thought, well, tennis, hey, that's kind of the same. That didn't work for me. So I think I was probably golfing to about a 24 handicap when it was all said and done.

MR. RUBENSTEIN: But people don't let – the putts, I mean, they just give you the putts I assume, a lot of people – no?

MR. GATES: No, well, no, we usually have a \$1 bet. So that makes them take it all pretty seriously. [Laughter.]

MR. RUBENSTEIN: Okay. Back here?

QUESTIONER: Yes, I'm wondering if you might comment on our recent mayoral election here. As a resident of the District of Columbia and also as an entrepreneur who has headquartered my business here, the outcome was very disappointing with regards to the education and maybe a lack of support of that referendum. So I'd like to hear your two cents on that.

MR. GATES: Well, Washington D.C. is a system of contrasts. In many ways, many of the statistics would tell you it's one of the worst school districts in the country. It is a school district that has a lot of charter schools. And a lot of those charter schools are quite amazing. There's a KIPP charter school; there's a SEED charter school. And those charter schools not only are providing great education; they've actually been laboratories to learn about things like if you have kids from the inner city who have a very tough background, can you do well with them? And when KIPP achieved 90% of their kids going to 4-year colleges while spending money at about the same rate as the normal public schools, that was a phenomenal thing.

Now, the tactics they used – long school day, going in on Saturdays, really getting the kids involved in strong relationships – those are key things that have proven difficult to map over to the normal public school system. But I think it's a huge contribution.

The work that Michelle Rhee did to put in a teacher evaluation system, we were supportive of that because we believe that over time, evaluation systems can get very good. They can use test data. They can use cameras in the classroom. They can use student interviews. There's all sorts of ways to create a system that's fair and encourages improvement and takes the compensation somewhat away from the pure seniority basis that it's been to date.

The jury is out on what's going to happen in the D.C. school system. Will they continue to drive forward in terms of the evaluation system, making it better and really running the system in a strong way on behalf of the kids? So it will be interesting to see.

Around the country, there are a lot of school districts that are trying out teacher evaluation. The whole state of Colorado passed a law. There are six districts that our foundation is funding these new systems in – some in partnership with unions that they've been a good partner in those places. So I think we will get great evaluation systems. And I think the D.C. experience will contribute to that. And I hope it stays in the vanguard.

MR. RUBENSTEIN: Okay, we have time for one more question right here. Last question.

QUESTIONER: You've talked a bit about how one of the advantages in the global health arena is that you have very concrete goals to point at and to focus on. And recognizing in the K-12 or domestic higher education or domestic education space is a little more political and perhaps it's a little more challenging – with 25% or so of the foundation's resources still focused in that area, I am interested to hear a little bit more about what the concrete goals are that you believe define success in that arena for the foundation?

MR. GATES: Yeah, we have goals in our K-12 education, some of which are goals that are under our control. That is, how much does the field understand great teachers? Do we have examples of all the key things great teachers do to make the subject interesting, to calm down the classroom, to help the kid who is behind, to engage the kid who is ahead? You know, there are all these things that these great people do. And you should be able to submit your video to a website, have somebody critique your teaching, have them point you to examples where those things are done well.

So the research on great teaching, that can be done. It's amazing how little has been done on that. Over the next 3 years, that will get done. And people can take advantage of it or not. But that's a key goal.

The role of technology in the classroom and helping kids know where they are, there's a huge opportunity there. Having the best lectures available for kids to watch online – that's something we can make sure it happens. There's a website called Khan Academy – K-H-A-N Academy.org, that if you want to see this in progress, the work that Sal Khan has done – he created that website that we support and that others do – is at the cutting edge. It's an amazing thing. If you want to be reminded of anything about math or science, if you want your kids to try it out, I highly recommend it.

So the technology piece, the research piece, and the idea of what a good personnel system is, that can be designed. For example, we've gone and asked students lots of questions. It turns out, two questions are very diagnostic of whether the teacher is good. You ask the kids: Does your teacher use the time in the classroom well? And second: When you're confused, does the teacher help straighten you out? And that has a near-perfect correlation with test scores and other ways of evaluating kids. And you know, it's not hard to ask those questions.

Then we have goals that are not under our control, which are reducing the dropout rate and increasing the number of kids in the United States who either get a college degree or get some type of post-secondary accreditation for some profession they want to go into. We have very – [chuckles] – ambitious goals there.

Now unfortunately, if you ignore the technology or personnel system, those trend lines are all in the wrong direction – that is, as health budgets soar, the funding for both higher education and K-12 is about where that comes out of. You know, Pennsylvania today – and it's just an example. You know, they cut their higher-ed funding by 50%.

And so we really need some magic to achieve those goals. We're going to need the personnel system. We're going to need technology; we're going to need to make sure – [chuckles] – that somehow either by increasing revenue or being smart about healthcare that we don't de-fund the level in investment that we make in education. So it's a tough thing, but we do have metrics that we feel very directly responsible for.

MR. RUBENSTEIN: OK, well, thank you. I want to thank Bill very much for giving us an hour of his time this evening. It's been very enjoyable. I want to thank you on behalf of all Americans

for everything you're doing, on behalf of our country and for citizens around the world. And to thank you, I want to give you two gifts that we have. Let me get them now. As a small token of our appreciation, this is a reproduction of a map of the District of Columbia in 1791 –

MR. GATES: Cool.

MR. RUBENSTEIN: And – [laughter]. And this is a flag that flew over the Capitol today. And thanks to Congressman Dingell and Debbie Dingell. [Applause.] OK. So thanking them for that. I appreciate everything you've done this evening. I appreciate everything else you're doing for our country. Thank you very much. [Applause.]

Bill Gates

William [Bill] H. Gates is chairman of Microsoft Corporation, the worldwide leader in software, services, and solutions that help people and businesses realize their full potential.

On June 27, 2008, Mr. Gates transitioned out of a day-to-day role in the company to spend more time on his global health and education work at the Bill & Melinda Gates Foundation. He shares his thoughts about the foundation and other topics on Gates Notes, a Web site launched in January 2010. Mr. Gates continues to serve as Microsoft's chairman and as an advisor on key development projects. In June 2006, Ray Ozzie assumed Mr. Gates' previous title as chief software architect and oversees technical architecture and product oversight responsibilities at Microsoft. Craig Mundie assumed the new title of chief research and strategy officer at Microsoft and is responsible for the company's research and incubation efforts.

In 1973, Mr. Gates entered Harvard University as a freshman, where he lived down the hall from Steve Ballmer, now Microsoft's chief executive officer. While at Harvard, Mr. Gates developed a version of the programming language BASIC for the first microcomputer — the MITS Altair. In his junior year, Mr. Gates left Harvard to devote his energies to Microsoft, a company he had begun in 1975 with his childhood friend Paul Allen. Guided by a belief that the computer would be a valuable tool on every office desktop and in every home, they began developing software for personal computers. Mr. Gates' foresight and his vision for personal computing have been central to the success of Microsoft and the software industry.

Under Mr. Gates' leadership, Microsoft's mission has been to continually advance and improve software technology, and to make it easier, more cost-effective, and more enjoyable for people to use computers. The company is committed to a long-term view, reflected in its industry-leading investment in research and development each year.

In 1999, Mr. Gates wrote *Business @ the Speed of Thought*, a book that shows how computer technology can solve business problems in fundamentally new ways. The book was published in 25 languages and is available in more than 60 countries. *Business @ the Speed of Thought* has received wide critical acclaim, and was listed on the bestseller lists of *The New York Times*, *USA Today*, *The Wall Street Journal* and on Amazon.com. Mr. Gates' previous book, *The Road Ahead*, published in 1995, was at the top of *The New York Times* bestseller list for 7 weeks. Mr. Gates has donated the proceeds of both books to nonprofit organizations that support the use of technology in education and skills development.

In addition to his love of computers and software, Mr. Gates founded Corbis, which is developing one of the world's largest resources of visual information — a comprehensive digital

archive of art and photography from public and private collections around the globe. He is also a member of the board of directors of Berkshire Hathaway Inc., which invests in companies engaged in diverse business activities.

Philanthropy is very important to Mr. Gates. He and his wife, Melinda, started a foundation in 2000 to help reduce inequities in the United States and around the world. The Bill & Melinda Gates Foundation supports philanthropic initiatives in the areas of global health and learning, with the hope that in the 21st century, advances in these critical areas will be available for all le.

Mr. Gates was married on Jan. 1, 1994, to Melinda French Gates. They have three children. Mr. Gates is an avid reader and enjoys playing golf, tennis, and bridge.