

## **Star Gazer Mike Milken – one of America’s most active philanthropists**

Michael Milken’s most recent initiative is FasterCures, a Washington, D.C.-based think tank dedicated to shortening the time it takes to find cures and improved treatment outcomes for all deadly and debilitating diseases. He also founded the Prostate Cancer Foundation and is Chairman of the Milken Institute. He is widely credited with making capital markets more dynamic and democratic.

[start box] “I try at least one, two times a year just to sit down and think about what might happen in particular areas. So, this year at the end of 2005, I literally took two days when I didn’t take any phone calls. We just went away. My wife Laurie and myself. And just read and thought. I had this enormous luxury for many years when I had a two and a half hour day commute in each direction, or five hours a day for almost eight years from 1970 to ’78 when no one actually spoke to me for five hours a day, to reflect and think. Now I don’t have it as often, but what I try to do is just block everything out and decide what are really the issues of society to deal with. I’ve been a strong believer that the best opportunities are where I can identify what the challenges and the needs of society are – it’s a trite line, “doing good is good business,” but in reality it is.

As I think about the decisions I’ve made over the time, it was really after the Watts riot that I made a decision that I needed to work in the field of finance and that access to capital was a civil right. It took a long time and it wasn’t an easy process to try to innovate to get people to understand that the individual that you’re financing is the key in that decision-making. You’re going to finance the future; not finance the past.

Today when I sit down and think about things in 2006, I think about the concern of the fact of large amount of health care in our system as the largest part of the U.S. economy, and potentially the largest part of all economies worldwide. And how could we significantly reduce that cost as one of the defining issues in society. As we saw in the case of polio, a solution to polio took something where people had estimated was going to cost a hundred billion and had got it down to a hundred million.

There are two elements in the health care area that are driving me today and have been, particularly in the last 12 or 13 years. One, how do we accelerate science and our efforts we concluded we form faster cures – this is under the Milken Institute, but it’s really the standard for accelerating medical solutions. Short name, faster care. And how do we make things happen faster? Sitting down and thinking about it is no longer the science. It’s no longer the technology that’s the inhibiting factor. It is the infrastructure. It’s the processes. We concluded that we’re using particularly 19th and 20th Century ways of approaching medical problems and not using 21st Century data collection technology imaging that’s available to us.

We’re really focused in this effort to accelerate the cure for life-threatening diseases to changing how the processes work or legislation or dealing with things like HIPAA requirements or reporting requirements, getting out the data. It’s greatly due to the dramatic reduction in telecommunication costs and the dramatic reduction in storage costs and dramatic increase in the speed of computing capabilities. If you can figure out how to do that, there’s that large economic benefits in the forefront of business, but there’s tremendous benefits to society in increasing the value and the quality of life. I would say it’s not only a passion. It’s something I think that will make a great contribution.

The basic process that permeates my thinking is that the individual – that individual’s productivity, that individual’s life – is the primary asset on our planet. Depending on whose estimates you use, it makes up 75 to 95 percent of the assets.

There’s two things that empower the increase in the value of that asset. One is medical, increasing the quality and length of life. And two is education that increases the productivity of that life. Both of these were premised on the fact that there was a financial revolution that allowed capital to flow to the individual with ability, which I believe has occurred in the United States and is slowly occurring throughout the world. With that as my basic premise, trying to figure out how to change the perception of medical research, or collection of medical data, or dissemination of medical data obviously would help serve that effort of increasing the quality and length of life.

Then doing the same in education. I would say I’m using finance as a benchmark of what can be done. We were probably the first persons to ever computerize our trading records and data in the 1970s, which, therefore, was no longer required in my memory, which was extensive, but not as extensive as having everyone have access to that information to make good and better decisions.

In the financial service industry today, probably 30 percent of the most valuable companies in the world as of January, 2006 are in the financial service industry. I believe this industry, more than any other industry, has used technology and deployed technology to analyze and substantially reduce the costs.

The elimination of paper and the movement of paper, and the ability to increase the velocity of money is so enormous through the deployment of technology. The first day I walked on Wall Street and started thinking about my first assignment and that was to eliminate the movement of the stock certificate and the bond certificate, which was potentially going to bankrupt the Wall Street firms in the late 1960s. The sheer fact that you wouldn't be paid till you had a physical delivery of a certificate from Missoula in Montana, how long it took to get it there to deliver it was essentially bringing the financial system to a halt. Today there is a central depository, you have electronic transfers and it's no different than us going to the bank and withdrawing money or depositing money. The whole method of finance is changing.

When we're looking at medical today, we're thinking the same way. Medical is motivated to deploy technology more than education is. When we think about education the same way by making it available to everyone worldwide. I think it all stems back from the premise that the most productive thing one can do is the quality and length of an individual to give that individual all the tools they need to enjoy and be the most productive they can be. And that takes the form of education. That's why I've moved from finance to health care and education.

When you look to finance a company or invest in a company, I really step back and focus first on the industry. What is the industry? Where is it going? What's its role? Who are the competitors? What affect is technology going to have on that industry? I talked about cellular industry, for example. Growing up in the '50s and the '60s and being a Star Trek fan, seeing Scotty, being told by Captain Kirk to "beam him up." It just seemed to me that the concept of a wireless device and understanding the basic technology that you could speak to each other and could travel through the air. Why would anyone ever want to have a phone hooked into a wall if you could do it wireless? And the sheer concept that your communication device is where you are, not that you go to a communication device to communicate. I was watching a James Bond movie with my daughter, and when he finally had some information, he was rushing around trying to find a phone booth to make a call from, as I recall, she thought it was the craziest thing she ever saw. Why is he driving around? Why doesn't he just take out his cell phone?

The question is if we have this idea of who is going to succeed and the decision to identify the visionary thinkers like Craig McCaw or Wayne Perry or John Penn, you look for a product that you think will be well-accepted, individuals who can accelerate the technology and the concept of that technology, individuals who can manage a large ramp up particularly, like Jim Barton and Bill Cain. I would say its no different than with Steve Wynn. He limped into my office, I think he had a broken leg at the time. He was in his mid-30's, I was in my early 30's, and I saw his passion, his ideas, his creativity, what I thought of as an adult Walt Disney creating structures, environments that adults would love to spend time in, whether it was the beauty of a hotel or restaurant, the entertainment, the sheer structure of the building, and what I saw was an industry in gaming that was more of a sports rink for individuals where they thought they could actually win.

Financially, backing a person like Steve Wynn, who had the passion and ability to create structures all wrapped into one was a tremendous opportunity for me and a very well-wrapped way of creating the development of an industry that was so misunderstood by the public investors at the time.

It was these individuals in this area who succeeded. Whether it's Steve Jobs with Apple, when you talk about MCI, it was really an individual name, Bill McGowan, who I had met in the early 1970's and my own firm would not allow me to finance him, they were very concerned about what AT&T was saying, the chairman of the board of the firm was on the board of Continental Telephone and they didn't want us to "finance competitors."

In the late 1970's, I remember I gave a presentation telling them they were right, I had looked at the various assets and stepped back and when I thought about it, it really wasn't a fair competition. They thought I was going to give up on financing MCI, but I said, no, the 1.3 million people that worked for AT&T were not enough to offset Bill McGowan and his senior management team of eleven people, they might need five million people to do that.

I think these opportunities to marry capital, new forms of securities, with people of talent, whether this individual was John Malone of TCI or Bill McGowan of MCI or Steve Wynn at what became the Mirage, today part of MGM/Mirage, or Kirk Kerkorian or Bob Toll, or Bruce Karatz.

These industries have grown and the companies have been successful particularly one, they ran great businesses and had great vision in these industries, but two, financial technology was adapted to further accelerate the growth of these industries. They, as individuals, understood how to use that financial technology.

Education, if we compared it to my efforts in the media industry where let's say Steven Spielberg spent a million dollars a minute for special effects. It changed what one expected on the movie screen. In education, a lot of our research over the years, and with the National Educator Award, we have operating in I think 48 states now and the District of Columbia. Just the sheer importance of the teacher in the classroom. Our views on education are that the teacher is essential in that classroom, however we've never invested in a digital product where you have another industry where you capture the best teachers, with the best techniques and the best learning, and put it online. In the case of K12, the teacher stands up in front of the classroom today and is teaching science in the elementary schools in Philadelphia using the same curriculum that is online that students who are studying in virtual charter schools or home schools might be using, but here you have a teacher interacting with that child. You've completed the homeschool connection.

I would envision in the next decade or two that some percentage of every class that every child takes, beginning in first grade and increasing as they get older, will be online. Whether they're taking that class at home, the Boy's and Girl's club, the school's computer lab, a local library redefined as to what a library is, and therefore you can invest tens of millions of dollars in curriculum because you are going to advertise it to millions of children around the world. You can bring the best curriculum, the best teaching methods, and empower that teacher in the classroom, or that parent who's helping the child at home, or some other care provider or tutor with the best, and you get immediate feedback as to how that child is doing and how children all over the world are doing, and you can adapt so the deployment of what is late 20th century, early 21st century technology, it allows you to have a dynamic textbook that is changing every day based on your results, how people learn, and what's going on in the world. We all recognize that any textbook is obsolete on the day it is printed because it is based on things that occurred at that point in time, so by the time it gets to the student in the classroom, whether it's an example used in mathematics or whether it's history as it's being taught, or science, it's all dated. By using technology, you'll be able to be more in tuned, know how a person learns best, to present the material in the best way that they learn, to deploy technology.

The best time to learn languages is at age 5 – the paradigm is changing with technology. The key issue is teachers need to be comfortable with technology. It's been a problem in the past, but will get better in the future.

This has occurred in medicine. Many doctors can't explain what has happened in molecular or in the body, but they have instructions to help. The IBM chip for Sony Playstation Games can do 2 trillion calculations per second. Use this for individuals, diseases, use the power of technology to use to diagnose and solve problems, through calculation of all data and all go through permutations, to go from productive, to predictive, to preventative. 60% of all health-related problems are related to lifestyle, whether you smoke, exercise, eat fruits, etc. It makes sense to launch companies that promote healthier living. Wellness will be adopted by society to lower costs and improve the quality of life before healthcare solutions over the next decade or two. [end box]