

CONVERSATIONS WITH MIKE MILKEN



Scott Minerd

Chairman of Investments and Global Chief
Investment Officer, Guggenheim Partners

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Mike Milken: Scott, we sometimes forget that on economic terms that 50 percent or more of all economic growth in the world in the last 200 years can be attributed to public health and medical research. And the greatest achievement of mankind, womankind, has really been the extension of life that's occurred. In the last 120 years, we've extended life expectancy on this planet by 42 to 44 years.

As we think about building meaningful lives, one of the things that joins us is the belief that we can create financial instruments or incentives to solve problems. As you lead Guggenheim and focus on your investments and who you're investing in and how you allocate hundreds of billions of dollars of capital, how does that play into your decisions?

My number one first priority for investment are the people who work with me. I was fortunate that I've had a lot of great mentors in my career, and I don't think you're fully aware of how much of a mentor you were to me. When I first heard of your work in

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the seventies and how you were creating a market for fallen-angel securities and the work you were doing to really change the world. A lot of people aren't familiar with your days at Berkeley. The reality is that your reason for going to Wharton and then going on to do the work that you did was really motivated by changing our society and providing opportunity to people. That is my first priority, that the people who work with us have to have an opportunity not just to succeed, but to grow as human beings. By growing our human capital and the capability of our people, then we're better able to invest in our clients and help our clients do well.

Where I'm focused now in terms of the future is a number of different areas. This is one of these transformative events of history; like the Second World War was a transformative event. What is the world after the lockdown going to look like? How are we going to work? How are we going to be productive?

There are many things that I'm exploring, Mike. I've been working on AI for quite a while. I often tell people that if somebody would just follow me around for two years and ask me questions about how I made decisions, you would find out that my intelligence is artificial

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and it could easily be replicated. So that is clearly a big investment that I want to make in my time, going forward. And I want to make sure that what we've built in, in terms of a creation of a machine that provides opportunity financing to companies, I feel that I've taken up the torch to carry on your legacy and to make sure that we're helping people get access to capital in areas that are meaningful. That's one of the reasons that we did Goal 17, which was to motivate what we think is going to be necessary – \$70 trillion of capital – to meet the objectives of the Sustainable Development Goals, which were established by the United Nations. That is for us to build

adequate infrastructure, to have sustainability. That is a challenge that's beyond the public sector; without the private sector involved there won't be enough capital, and probably even more importantly, there won't be enough human capital that they can actually make this happen. It sounds like a rather grand vision for my future. I think you've had a grand vision for the world, and hopefully in some ways I can live up modestly to all the things you've achieved.

Well, Scott, you're very modest, but I think one of the reasons you set up this effort at Global 17 was really to underline that our investments and our strategy have to consider that we only have one place to live in the universe at this time, and life as we

know it is dependent on sustaining the environment that we live in. Scott, what was you're ah-ha moment when you decided that we're going to have to focus on protecting this planet? We're going to have to focus on governance. We're going to have to focus on sustainability and by using your capital for investment, we discover in life that doing good is also a good investment.

My father, my grandfather, my great grandfather were all entrepreneurs. They didn't work for a company necessarily. My father had one of the largest insurance agencies in Pennsylvania. My grandfather had a highway construction business, which he started after he sold the land that was related to the mining business that was owned by my great grandfather. But the thing I think that really made me sensitive to this was watching my grandfather deal with leaving the mining industry. He had a great deal of respect for the environment in Western Pennsylvania. My family had settled there sometime between 1700 and 1725, when that was the frontier and this beautiful land that was there with streams and waterfalls and things that were just irreplaceable.

He was concerned that with the change in technology, around coal mining, that he was going to be forced to get into strip mining rather than into deep mining. As you know, strip mining, excoriates the earth and you just cut the top of a mountain off and you take the coal and you leave. He was concerned that even if he sold the land to somebody else that would happen. So he ended up selling the land to the State Conservancy in Pennsylvania, and that became what is today the largest state park in Pennsylvania.

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Watching the values of my grandfather and my father who saw business as a mechanism to help people. I remember in the recession of 1973, my grandfather's highway construction business not having work, but yet every day the employees showed up and sat around and did little projects. I said to my grandfather, why don't you just send them home and lay them off? And my grandfather said to me, they have families they need to feed; that's part of my responsibility. I own a business. I'm responsible for them.

This idea of responsibility toward the environment and to people was naturally ingrained in me. I think that I've been fortunate. I think you've been fortunate in terms of having come to this realization early in life. I think that the principles of always looking at your

community and saying, 'how can I make my community a better place,' have motivated a lot of your actions and has made a huge difference in the world.

As I reflect on my parents' survival and their parents' survival during the Depression and World War II, was dependent on the government. The decision in the CARES Act to give companies money to keep their employees on their payroll, that had to be done. Now with interest rates as low as you predicted them, I could argue that the annual burden is less on the U.S. government than before. Shoring up the lives of people that are devastated – those millions of small entrepreneurs that owned a restaurant, two dry cleaners, a carwash – were responsible men or women in their community who made a living not only for themselves, but for their employees and to give money to their local church or other charitable organizations; their life has been turned upside down.

The government had no choice but to do what it did. I think that the programs that have been instituted so far have been a mixed bag. Many of them have been very positive,

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especially in the area of keeping people employed and sustaining income so people can afford food and rent and so on and so forth.

I view low interest rates as an opportunity. The challenge we have going forward is what long-term policies will we commit ourselves to that we can use in this low-interest rate period as an opportunity to finance for the future? Will we invest in things which will enhance the quality of life and enhance economic growth and output? Or will we cave to the craven issues around politics, which actually encourage people to

behave in a way which is expedient and often do what is necessary to get elected. I think leaders like us have enough of a window into the policy world that we can have an opportunity to have influence on the policies of the United States and the world, and that we can take this crisis and use the opportunity it's presenting to help reshape our world for the future. Because we can't go back to the old world. I think the new world can be a much better place if we can continue being a community of people which have come together.

I think when we look back at the history of this human disaster, we will redefine what the relationship is with the community and how dependent we are on each other.

Many of us have had family issues where you had to make life-and-death decisions on your loved one as to what path you're going to take. We've lived these issues. And I just hope that the leadership around the world steps back and understands that we are all interconnected. As we think about building meaningful lives at every level of the socioeconomic scale, it starts with health; it starts with safety; it starts with access to food; it starts with shelter. This pandemic, I think again Scott, brings us back together.

Mike, I think we share a core value here, which is that the vast majority of people in the world are looking for a positive and constructive outcome. My view is that true leadership is that profile in courage that steps forward and says, 'I'm not going to participate in the noise. I'm not going to look for recrimination. I want to talk to you about tomorrow.' Mike, you have really transformed the world in so many ways. I don't think anybody has probably had as big of an influence on our society as you have in the last half decade.

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Thank you for joining us today, and I've appreciated our friendship over the years.
