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Advancing Economic Mobility and Innovation

Advancing Economic Mobility

Announcer 00:03

Please welcome the panel on Advancing Economic Mobility, moderated by Dan Carol, managing director finance, Milken Institute.

Dan Carol 00:12

Goodbye, music and hello, everyone. My name is Dan Carol. I wanted to welcome you to our Advancing Economic Mobility panel. First of all, we had a great lunch appetizer with Kevin Hassett and Mike Piwovar, but now this next part of the lunch program, we've assembled some great doers who are going to help us dive in even further into specific ideas and the meat of solutions for how we can actually lift up pathways to promote economic mobility and catalyze opportunity, reduce wealth inequality, and promote economic growth. We all pretty much know what the problems are and trends, right? Gig economy replacing a factory job for life, education and capacity challenges, the need for networking and mentors to encourage entrepreneurship, and an aging social contract that needs to be modernized in this AI moment to create opportunity and dignity for all generations, and address the other big words out there, affordability, inequality, innovation. Together, our panel will address these critical questions and how we can ensure that the American Dream is still achievable and the changes we need to build shared prosperity with public, private, philanthropic and all sectors working together. What also links this panel is that they are part of a new Economic Mobility Alliance, which I'll tease out here and get into a little bit at the end. But think of this as an effort on a joint basis to tackle key problems and challenges dealing with lifetime savings, gig economy, ownership, equity, mid-career changes, talent, asset management, small business entrepreneurship, building community infrastructure, a whole bunch of things that require smartness and strategic interventions. I can't think of a better panel to dig into this today. Rob Shapiro, senior advisor at the Milken Institute, CEO of Sonecon, senior fellow McDonough School of Business, economic advisor to Presidents Bill Clinton and Barack Obama. I'm going to start with you on the lifetime savings challenge. You know, you're essentially a first album OG when it comes to economic mobility. You were part of the group of policy thinkers who promoted the Earned Income Tax Credit back in the day, working on minimum wages and a bunch of stuff. But I want you to talk about the new, newborn

investment accounts, which are officially opening up for business in July for American babies born between 2025 and 2028, a critical step for incentivizing lifetime savings for young Americans. Please give us the origin story, from idea to the fact that it's actually happening.

Rob J. Shapiro 03:09

Well, the origin story, I'm only one third of the origin story, or one quarter. Kevin Hassett and I worked for a year on this for the Milken Institute, as did Mike, and it will end the sponsorship of Brad Gerstner. The notion of an investment account that goes to every newborn in America starts with the starkest data that one can imagine about wealth in America, 72 percent of all wealth is held by the top 10 percent. The bottom 50 percent hold 2 percent of all wealth. The Federal Reserve tells us that ownership of stocks and mutual funds, apart from retirement accounts. In that case, the top 10 percent own 87 percent of those stocks and shares, and the bottom 50 percent own 1 percent, 1 percent half of the country. So the future of finance has got to begin with bringing all Americans into the investment economy, and that's the fundamental principle that drives this note, our proposal, that every newborn in America would receive an investment account funded by the government with \$1,000 invested in a broad index of American companies. And, this is an investment in two ways. First of all, it's an investment in all the children in the country. And second, it's a way to invest all the children in America in the American economy, because they're not invested in it right now. You can't be invested when half the country owns only 2 percent of all the wealth in the country. We built an econometric model to understand the impact of this over 20 years, that is, by the time the infant who received the account went to college, it would hold \$8,000, over 40 years it would hold \$64,000, and over 60 years, if you held it to retirement, it would be worth \$574,000, that's a real stake. In fact, all of these are real stakes in the economy. And we also found that there have been pilot programs in states for that created savings accounts for newborns, and it has many positive effects as the child is growing up. Test scores are higher, graduation rates from high school are higher. College attendance is higher, college graduation rates are higher. Why? Because they feel a part of the economy and a part of the society, we are not only changing material conditions, we're changing minds.

Dan Carol 07:10

Thank you, sir. Shil Patel I'm going to go to you next about the next smart strategic intervention in terms of addressing the challenge of gig workers working across multiple jobs in their career. I'm going to let you bio yourself, because you have a very interesting bio, but I will note that your American dream Thrift Savings idea got a State of the Union mentioned last week, which means you're a serious dude, you know, Washington, you got it in there. So tell us how it works, why you're taking this on, because you're, you know, I think there's been paper and content. The idea is in there. Now you're beginning the road that has been traveled for the baby, the baby counts.

Shil Patel 07:52

Absolutely! Thank you for the introduction, and thank you for having me here. So I work for a gentleman, Alex von Furstenberg, out in Los Angeles. He has a family office, and that's where I'm taking up this initiative. But a little bit about my career. I started my career in banking in Chicago, then worked for the Federal Reserve, and then for the last 10 years, previous to this job, I was in the US Senate with Senator Thom Tillis, and was his chief of staff for the last four years. So this is—in the Senate is where I got the first, you know, idea from other folks about this and this what we're talking about—is very similar to the Trump accounts for kids, but these are accounts for workers. And when I was with Senator Tillis, there was this idea; And the idea was actually Kevin Hassett and Theresa Gillarducci wrote a paper about how the Australian system of retirement accounts has really been revolutionary. And in the US, we have employer sponsored 401k's for folks, but as we know, as our economy evolves, there are now more 1099 workers. And you know, probably going into the future, there's going to be less W2-type workers. So folks came in to Senator Tillis office while I was the chief of staff, and it was something where I hadn't really thought about that before. I think a lot of folks just assume, you get a job, you get a 401k, or a 403b, or whatever type of retirement plan, and then you get a match. And it builds over time, but there's a whole group of 50 million workers in the US that don't have access to an employer sponsored retirement plan. And so when I was sitting with Senator Tillis, I talked to the Senator, and he was like "Oh yeah, of course!" He grew up in a trailer park. And he's like, "I would have loved to have had a 401k compound, but that just wasn't the reality for me." So Senator Tillis thought it was a great idea. Yeah, I think it's a big public policy gap. Some of the same stats apply here, where the US government spends three to four hundred billion on retirement every year, but most of that goes towards your 401k deduction, or your Roth IRA, or all these different plans, only about 6 percent goes to the bottom 50 percent so, you know, this was a public policy gap. I think that was really good. You know, as Senator Tillis was—our party was trying to attract working class voters when we were running for re-election in 2020, our base really changed from W2 workers to 1099 workers, the electrician, the plumber, the Uber driver, the DoorDash driver, these folks need to save for retirement. And one of the big things that we discovered through the help—we had Jason Metheny from the RAND Institute to build a budget model for us, which was really revolutionary, because normally when you're in Congress, you have to ask something called the CBO, the Congressional Budget Office for a score, and it takes years, and they only do things based on a 10-year interval. But Jason Metheny at RAND was able to give us a 40-year budget model based off our idea, which was mentioned in the State of the Union for opening up investment accounts with \$1,000 match, and it was determined that, based off the RAND budget model, it would save the federal government 4.4 trillion over 40 years. And the reason for that is, as folks go into retirement, those 50 million workers generally rely on Social Security, which is an anti-poverty program. It's not a retirement program that wasn't designed to be a retirement program—\$3,000 a month is generally not going to be able to—you won't be able to live off that in a very comfortable way. So the RAND budget model said it saved 4.4 trillion because folks were less likely to get on Social Security, disability, Medicaid, Medicare. So that's

all to say. I'm now working on this initiative for Mr. von Furstenberg, and we got a mention in the State of the Union, where we're—the President, said he's going to do an executive order. But then after that point, the real work begins. We need to build off of that with more legislation.

Dan Carol 12:20

So yeah, am I going to, you know, when we're in the economic mobility pathways, the capital, business—you know, the real work is the implementation of strategic so I'm going to come back to you on that. Treat this as like a live fire exercise. We have a lot of smart people in the audience to you can give your theory of the case of how you move it forward. I'll be coming back to you about that. I'm going to go next to Anna-Lisa Miller, CEO of Ownership Works, it's really great to have you here today, along with the two savings efforts to promote economic mobility that were just described by Rob and Shil, you're aiming at another element for building individual and community wealth, and that's ownership equity for workers. I remember well, and unfortunately, Mike Milken couldn't be here today—wasn't feeling well, but a couple years ago, a global conference, I remember an incredible launch panel that you led with Andy Stern, former president the SEIU, Mike Milken and Pete Stavros of KKR. So, love to hear about your background and what you're doing to scale up this effort?

Anna-Lisa Miller 13:22

Sure. Well, thank you so much for the opportunity to be here today and tell you guys a little bit more about Ownership Works. I'll start with my background. I started my career as an attorney. I transitioned to the nonprofit sector, where I was broadly focused on creating economic opportunity for entrepreneurs and workers and families. And then in 2019 I learned about employee ownership, and it just felt like this incredible tool in the toolkit of economic mobility that should be everywhere, but it wasn't. And so it's been my passion for the last what?—six years and counting now to try to advance the strategy to—for the benefit of businesses and investors, workers, families and communities. And you know, we're sitting here in this Center for the American Dream, and just connecting this to my own story. I'm the daughter of a single mother, an immigrant from Trinidad, and our American dream in the 80s and the 90s was all about property and—that's still very much a big part of the American Dream story. You know, it trades place with corporate equities, is the one, first and second largest sources of wealth. But as Ben's pointing out, the disparity in terms of who has access to stock ownership is huge and it bears repeating that the bottom 50 percent of all households owns just 1 percent of corporate equities. And so if we're trying to think about how to promote economic mobility, shrink the wealth gap, give folks access to their American dream in this century, giving people access to stock ownership has to be on the table. So that's what we do at Ownership Works. Our strategy is to work directly with companies to launch broad equity participation programs that make everyone at the company from the CEO, down to the front line, a part owner of the company.

Our strategy to deploy this model at scale is to partner with private equity firms who acquire dozens, hundreds, thousands of companies and work with them to make commitments to implement these—the model in select portfolio companies. So to date, we've formed partnerships with 45 private equity firms. We launched in 2021 there's now 180 companies that have launched shared ownership programs, extending equity participation to 250,000 employees. And the projected wealth that we're anticipating as these companies sell is \$11 billion in payouts for workers outside the C-suite. So the model has legs to be scalable with there's been 14 exits to date, and the average payout for the individual workers has been \$50,000. So it's showing clear benefits for the workers. And then on the business side, we get asked the question, Well, why would a private equity investor make a commitment to launch a program like this? Or why would a CEO do this? And it's not just because there's this clear upside in terms of economic mobility and inclusion, but it's also because there's a really solid business case for this work as well. So 70 percent of the companies that have shared ownership programs see improvements in engagement and attrition and operational metrics like safety, and so if you talk to any CEO or investor that's thinking about, you know, how do we take a business from good to great? How do we have a really strong exit? You'd be hard pressed for us to find someone that didn't see the value in a more stable and engaged employee, and who wasn't aware of the fact that 70 percent of employees in the United States are disengaged and 40 percent of attrition is seen as preventable, where you have strong performers who are leaving because they just don't feel attached to the company. And so we want to spread the word about this, not just being a good thing for society, but being a really smart business strategy that can create better outcomes for everyone. So our hope is with more proof points and reps over time, more investors will want to replicate the models, more CEOs will see the benefits. Hopefully we can leverage the enthusiasm of the private equity industry to inspire public companies and family owned businesses to adopt these models. And for those of you who are familiar with employee ownership, a lot of folks associate it with the ESOP, which is a fantastic model. The work that we do is trying to find other models for companies to implement employee ownership, so these are a bit more flexible in their mechanics, which are making them a lot easier for companies to adopt.

Dan Carol 17:38

That's amazing. And we're going to come back to you for some more stories, but the scale that you've built in the last couple of years is really impressive. So another element of economic mobility not to be overlooked isn't just policy, but people and talent and making sure that this talent is seen and uplifted and gets on the radar. And for that, I wanted to turn to Marcus Shaw, president, CEO of AltFinance, a national nonprofit focused on strengthening the talent, pipelining the alternative investment industry, and introducing career pathways to HBCU students. Marcus, if you could tell—us a little bit about the problem, and then we can go in a couple rounds on the different ways that you're trying to lift up, lift up people and get them in the game, as it were.

Marcus Shaw 18:22

Yeah! Dan, thank you so much, and thank you to the panel. I'm going to start with a little bit of my story as the root of the problem, and actually not my story, but my parents' story. My dad was born in Canton, Mississippi in 1929. He was sharecropping when he was seven years old, and actually fibbed a little bit about his age to go into the Navy in 1945. He spent 20, almost 30 years in the Navy. Through the Navy, he was able to take advantage of the GI Bill, get his undergrad graduate and PhD, and worked at the Library of Congress until he passed away. For generations, the military and education were the ways to drive the American Dream, particularly for marginalized communities, communities that were underserved. Today, it's the financial ecosystem, and so what we're doing at AltFinance is highlighting ways to create a more inclusive, capitalist environment by helping nurture and develop the spirit of the financial services world at historically Black colleges and universities. We see it as a unique opportunity, because HBCUs and other sectors of the economy represent a disproportionate amount of impactful people of color operating whether it's judges, doctors, educators or engineers. UNCF has done phenomenal work around indicating 80 percent of Black judges attended HBCUs. Nearly 50 percent of Black doctors attended HBCUs; 20 percent of Black engineers attended HBCUs. I'm sure there are a number of HBCUs in the room today. We're solving for a similar equation in the world of finance, and particularly with alternative investments. We believe that if we create a market in which we create industry driven education, value add networks and sustainable financial support for infrastructure at some of the nation's most coveted education institutions, like HBCUs, that we can build an environment that's beneficial for all. You know, when I think about HBCUs, and I think about the work that we've done thus far in just five years, almost 300 students coming through our fellowship program; 85 percent of those students interning or taking on full time roles in careers that are not only impactful as financiers, but in careers that are often times increasing their compensation their first year out 2 to 3x the household income that they graduated from when they were in high school. So you're talking about a meaningful shift in the American Dream happening in just three or four years. Once a student graduates from high school, and they come through a program like AltFinance. In addition to that, we've also had over 1800 students participate in our educational platform in partnership with the University of Pennsylvania at the Wharton School, where we're leveraging a best in class educational platform to share it with educators and students at HBCUs, to prepare them for what we believe is the next generation of finance in America. And so that impact is really about the great American story. It's how 30 or 90 years ago, you would take a young man out of the cotton fields in Mississippi and put them in the military, or take a young woman out of Durham, North Carolina and send her to college to become a teacher. Today, we're preparing our students to have impact and change generations through the world of finance.

Dan Carol 21:31

That's fantastic. And you know—you I'm, you know, we all know the stats, 1, 2 percent of asset management, whether minority-owned asset manager firms or women-owned firms. It's a problem. And I think what's interesting, in the same way that the, you know, the new investment accounts for newborns, goes upstream to start the saving cycle, the kind of work that you're doing, which we're really proud to partner with you on, is really, really exciting stuff. I'm going to move to another strategic intervention as we think about the, whatever you want to call it, the social safety net, the social contract, you know, things that were designed for an industrial era giving way to a new area, a new era where there's different disruptions and challenges. One issue is, you know, we have a community college system that's been around for years, training high schoolers and folks as an alternative to college in the trades. Obviously, with manufacturing, there's a lot more interest in this now. But what about people who are in mid career and so wanted to go back to Rob Shapiro is working with one of our economists, Brock Smith, to begin yet another strategic intervention on whether or not the case can be made for saving money and generating economic opportunity to have a mid-career change. So tell us about the Second Chance master plan.

Rob J. Shapiro 22:55

This is another study that we're doing for the Milken Institute, supported by the Milken Institute, and it really, you know, I just want to say that the Institute really does put its money where its mouth is to support this kind of research, this kind of policy research. In a—in any fast changing economy, particularly today, where the change is being driven by new technologies, we need to think about what happens to all the people who have been trained and educated for professions and jobs that are now superseded by technology. And whether it's AI or look—this is a continuous process, most recently, computerization, and then the internet, and now I'm not quite as much of a optimist on AI as my friend Kevin is, but it will be disruptive. And indeed that's seen as kind of the essence of entrepreneurial success now—is to disrupt. And what about all the people whose jobs and livelihoods have been disrupted? Well, you know, we make it. We provide support for high school graduates to go to college; 33 states provide full tuition support for recent high school graduates at community colleges so that money is not a barrier. But only two states provide support for adults who want to go back to retrain or increase their education, because the training they had and the education they had has diminishing labor value, as we economists say. And so we built a model to try to figure out, what if we provided the same tuition support for all adults who wanted to go to community college? That is, take the barrier and make it zero, the financial barrier, the direct financial barrier, zero. Indirectly, people still have to take the time which often comes out of their jobs. But, the government can, can do for 25-, 30-, 35-year olds, 40-year olds, what it does for 18-and 20-year olds. And we built a model to see how many people would respond, how many more people would enroll, how many more people would graduate. And we found that over the first 10 years of this kind of program, from 2026 to 2035, you would have one and a half million people enrolling who would not have enrolled otherwise. You also—but it would benefit not only them, but also all the other adults

attending community college. And for them, it would have a major effect on retention rates—60 percent of people who go to community college don't graduate, that is, don't achieve a credential. So one of the great goals is to raise that retention rate. And we found that providing this tuition support would increase the retention rate from 40 percent to 55 percent Well, what difference would it make? Someone who earned a certificate to be a plumber or a programmer or a practical nurse, could expect that their income would increase by \$5,000 annually in real terms. If you got an associate degree, it would increase by \$8,400 a year. And it's not just that year, it's for the rest of your working lifetime. And 15 percent of people who attend community colleges either transfer to a four year institution or graduate and then go on to a four year institution and earn a bachelor's degree, and the impact on their annual income is about \$28,000 so we're talking about a program that changes the lives of several million people every year. You know, I spent a lot of time in Washington. I worked for a senator. I worked for a President—two Presidents, and the first question for any proposal is, what does it cost? What does this do to the resources for all the other things the government does? Well, it increases it, and the reason is that, that additional income throughout these people's lives, that additional income is taxed and it generates more revenues. And if you look at the cohort who would benefit from this, from over the first 10 years, over 30 years, the present value of the additional income, which means the income earned in the future. What is it in today's dollars? The additional income is \$464 billion in present value, just for the first 10 years, for those who benefit—who use the program in the first 10 years. And that means-

Dan Carol 30:09

Bang for the buck! Bang for the buck! I want to, I want to suggest to you, Rob, that there's a guy sitting to your right that can help you get this into the next State of The Union. But real quick. When is the paper coming up?

Rob J. Shapiro 30:22

The paper is in what they call production, which means it's going through all the copy people, it's going through the graphic people, economists are not—

Dan Carol 30:33

Agentic modelers are talking to the other modelers, and then it'll come out. Shil, I want to go back to you and to extend your comfortable, I mean, a bunch of smart people, and we want to be helpful as you think about, you mentioned the executive order in terms of how to make this

happen bipartisan, the strategy. Do you want to share a little bit about the camp? I mean, we need to think about this as a campaign, right?

Shil Patel 30:57

Yeah, no, it absolutely is a campaign, and it's going to have to be bipartisan, because it's going to be a long campaign to get these legislative parts into law. And kind of like Rob was saying, the first question folks ask is, how much does it cost? There's no secret that we have a tremendous budget constraint with our national debt and deficits, interest rates, all that. I won't get into that, but yeah, I mean, we're hoping to get the EO soon, and when we get the EO, it'll have a framework of how the administration wants to approach these 50 million workers that right now don't have a retirement plan. And I think both parties, when I was on the Hill both this really isn't an ideological fight. I think both parties just have different ways of trying to help these 50 million folks. So the campaign would be, how do we right now, there's an existing program that will provide \$1,000 per year. It's a 50 percent match on the first \$2,000 you put into one of these retirement accounts, which could be an IRA, but that phases out after \$35,000 so in law, we do have something to help these 50 million workers. So the whole point would be to increase that \$1,000 for folks, and then to make the eligibility broader. So maybe don't have it phase out once you make \$35,000, maybe have it phase out once you make \$65,000, and then a very important part is auto-enrolling people. That's to say, right now, if you go work for a corporation, they're going to give you a form that says we're going to enroll you in our 401k, you can opt out if you want, but right now, we're going to put you in with a match. And 95 percent of people do it because it's free money from your corporation on the table. So you asked how folks can help. This is going to be a big campaign. We are going to ask folks to talk to their policymakers that they know, to co-sponsor the legislation we're going to have to do later on, in the summer, the fall next year, next Congress, we're going to have to keep on working on this pretty big problem. But like Rob had mentioned a little bit before, if you can do this correctly, you'll save money over the long run, because less people will be on means tested social safety net programs. So it's a political campaign, but we got a great, you know, with the State of the Union, that was a great mention by the President, and then executive order, hopefully will be coming out in the next couple of weeks.

Dan Carol 33:39

Nice and you know, Cheryl and Marie from our lifetime security unit here are at the ready to help, if they can. I want to move a little bit into stories. Anna-Lisa, you talked a little bit about a number of exits, maybe a story or two, both in terms of how an exit works for one of your companies, but also how this is hit with, with workers.

Anna-Lisa Miller 34:00

Yeah, for sure. So if you can imagine a, you know, a company is sold, a private equity firm has acquired it, typically, that firm will give equity participation to the C-suite. And the idea is, we want to get the C-suite, the CEO, everyone else aligned in the same direction as the investors, so we have a successful outcome. So that's the typical playbook. In an Ownership Works Company. You take a step back and you say, Well, what does this look like, if we don't just include the C-suite, we include all of the employees? And so as I mentioned, that's happened at 180 companies, but I'll share a story of Integrated Specialty Coverages, which is a tech enabled insurance business that was acquired by KKR about five years ago and recently sold to Onyx. And their CEO, Matt Grossberg, was incredibly excited about the opportunity to lead a company where he wasn't just leading a team of employees, he was leading a team of owners. So the first step on a journey like—the program like this, is you need to size and structure the equity participation plan. The goal, typically is that the payouts would be six to 12 months of the employee's salary when you sell the company, assuming you hit your target returns. So once you have the plan set in place, that's sort of like the easy part, although convincing folks to give up equity is not easy, but once you do have the plan in place, now the journey begins to convert the equity participation into value creation. So how do you now get this entire workforce understanding what the goals of the company are, understanding what their role is, and how it impacts the performance of the company, wanting to stay on this multi-year journey with the company. For a lot of folks, I went to the launch of one of these programs. It was my first month at Ownership Works, and our founder had been doing this for about a decade before launching the nonprofit. So there was a company where he did this that was announcing that they were launching a shared ownership program, and I was so excited, and I was like, Oh my God, these employees, it's going to make their day. Everyone's going to be so emotional. And they plan this incredible event, and the CEO gives the most passionate speech, and they announced, as of today, you're all owners. And it was crickets, like no one understood what that meant at all. And so telling everyone that they're a part owner of a company is the very beginning of the journey. Most of the work comes from the multi-year process of having folks internalize and build an identity as an owner, as a shareholder, as an investor, that requires engaging with employees very differently. But Matt, the CEO of ISC was completely up for the challenge, and so he set on a journey of cascading KPIs, of transparently sharing the goals and the performance of the company, of setting up quarterly shareholder meetings the way a public company would, of setting up new ways for employees to share ideas for how to improve the business, and then regular ways of recognizing employees for showing up and thinking and acting like owners. So this kind of transformation doesn't happen right away, right you don't go from crickets at a program launch to behavior change a week later. It typically takes about 18 months for the program, for the trust to build, for people to really understand the opportunity that's there for managers to start engaging differently. But what ISC started to see, and this is what we see at so many companies, is all of a sudden, their quit rate went down from 25 percent to 10 percent and their employee engagement rate went up from the 70th percentile to the 90th percentile. They started to see improvements in productivity, and when it came time for the exit. This was, like, a really solid private equity deal. This was a two and a half times return, so like, straight down the

lane of what a lot of investors are looking for, and it yielded an average payout of \$80,000 for the employees. And we have a video for the exit on our website. It's so emotional. You have employees feeling they've never felt so recognized and so seen and appreciated. And one of the things that I consistently see at these exits is like the employee's shoulder. You could see this like their shoulders, like drop, and this sense of, oh, I have a little something that's providing me with financial security. Because the reality is, most people are not making enough money to save a rainy day fund, let alone save for retirement. These interventions are so important that everyone's talking about today. But you know, walking away with six to 12 months of salary and one paycheck is huge. We hear stories of folks buying a home for the first time. You know, people have just had babies. Is so common, right? And they're like, Oh, my God, I can pay for college for my kid, and no one was able to show up for me in that way. So we're just we know that these stories are not going to replicate unless the business and investing community sees this as a business strategy, not just a way of doing good in society. So we're just trying to amplify these stories as much as possible, and hopefully people will replicate.

Dan Carol 39:03

Great stories. And I think your point about the curation requirements for the companies that do that, I think, is critical. Speaking of journeys, Marcus, want to go to you. You know, as you work with these HBCU students and fellows, are there particular moments, the first internship, paycheck, or the ability to contribute to home. What are some things that emerge that really, where they feel that, you know, you got workers feeling a piece of the rock, and then, you know, students feeling a piece of something really happening for them.

Marcus Shaw 39:34

Yeah, it's, um, you know, Dan, it's really the biggest part of the work that we do. For years, as an equity research analyst, I invested in public equities, and the duration of those returns sometimes, you know, is much shorter than we think. However, investing in human capital is much more durable in terms of the returns, and we see that already in the work we're doing in AltFinance. The investment in a student for two or three years in undergrad is unlikely to deteriorate over time, which means if you find a great student that has high capability, and you put them on the right path, it is unlikely that they're going to fall too far off of that path, that trajectory is generally going to be higher than it would be had you not put an investment in them. And so some of the things that we've seen, the stories are numerous, but I'll tell you a couple, one that I think really reflects the ideal scenario that we want to see in the first three years. A young man at Howard University, brilliant student, could graduate in three years. So that's a new thing. Kids, you know, because of the cost of education, they want to get out of school as quickly as possible. Well, the power—the pathway for finance is really a four year career path, right? There are a few folks out here that can do it in three but it's really designed

for a freshman year, sophomore internship, junior internship. Convert that into a full time. We told the student, listen, I want you to trust us. You're pretty well scholarshipped. I want you to stick around for your true senior year. I believe that you've got everything that it takes to get into a competitive alternative investment internship, and I believe you can convert that. He went to Carlisle, got the offer to come back full time. Here's what's incredible. Not only did he almost quadruple the household income from which he graduated just four years earlier. He's done incredible promotion path, but in turn, turned back to Howard University and made a \$25,000 commitment back to the school that was doubled by his firm in just three years out of school. This person not only has taken risk in life to move themselves to a different trajectory, but has already started to pay back right the feed, the flywheel effect has already started to contribute financially, but also educationally, back to other students that are in the program. So you see this, each one teach one dynamic that we believe is ultimately the pathway. I mean, when we look at where the Milken Institute has originated from, it was really this incredible flywheel effect around investment and taking risk, not just in financial instruments, but in people, phenomenal people that could change the world. And so we see that. We see incredible young people that literally had very little knowledge. They were engineers. We have a young woman, also from Howard, who was an engineer that wasn't clear that she wanted to go into finance. She said, I really want to stay in tech. We found an incredible opportunity with a fund in Texas that allowed her to operate at the intersection of software and investing. She has literally changed her life story in her first year and a half at that firm. And those stories are just compounding over and over again. Not only are they—will they be more numerous as we have more alumni that come in the program, but this, again, speaks to the element of human capital. Not only will you have more stories, but each one of those stories will get better. We have students that are buying homes three years out of undergrad. We have students that are making contributions to their undergraduate institutions. We have students that are investing, right—in other opportunities, making their first investment in private companies, right—three or four years out of school. That is an incredible return on investment. I would argue that that return on investment is more significant and more durable than what you could get in the financial markets alone. And so I think many of the folks on the stage and me in the crowd, that's why we've decided to invest not only in financial assets, but in the assets of talent.

Dan Carol 43:34

That's awesome. I want to build on that optimism and maybe challenge the optimism a little bit. So want to go down the line. I'll start with you, Marcus, maybe do about a minute. You know, we're in this moment where there's a ton of disruption, AI, other disruptions, you know, challenging time in general. How do we—I think there's everything that's going on along this panel, whether it's company led, government led, human led efforts to try to find innovation and a set of strategic solutions to these challenges is also, you know, spinning into a lot of wind in terms of disruption of all kinds, geopolitical and otherwise, technology going on now, as you think about in a minute, you know, I'm old enough to remember, like, the passage of NAFTA and

there was talk of tech, trade, adjustment assistance for people that they were going to lose jobs. We're in a similar moment now. So whether you want to look at as a social contract one minute or an optimism one minute and get over it, you're an old man. You're having Terminator fears, and just get over it. Why don't you start with, like, some advice in this disruptive era.

Marcus Shaw 44:44

So I'll start off, and I'm a little bit of a technocrat, right? So I'll say this, there's tremendous arrogance and fatalism. Okay, we should not believe that we are so special that the world will somehow end during our term, right? None of us are that special. So how do we create the new dynamic? To your point, we've been here before. We've seen disruptive technologies come about, for the most part, all of our lives, and all 350 million of us here in the United States, most of our lives are better for it, whether that's in education, whether that's in health care, whether that's in politics, whether that's in engineering. The question is, how much resilience can we have during the moments of uncertainty? Right? It's a risk, is what we're talking about. And for the most part, folks in the financial sector, that's what we the business that we operate in, the business of risk. How can we find the proper applications for AI that allow us to be more productive and allow us to increase population growth. That's how you grow, GDP, productivity and population growth. If we can harness those opportunities, this moment of uncertainty and fear that we have will be fleeting, and we will all sit here in 10 years with a better life.

Dan Carol 45:55

Nice, Rob You said in 2010 for the first time ever US businesses have been investing more in the development and use of ideas and other intangible assets than in physical assets. Agree with that, still, I would assume?

Rob J. Shapiro 46:08

Oh! Even more so! And this began with a study that I did with Kevin Hassett several years before to try to measure the value of all the intangible assets in the economy. And we could see that the shift in the basis of the value of public companies from their physical assets to their intangible assets, mainly intellectual property, but also other things like brands. That process has certainly only accelerated. And I do think that one of the most important questions we need to think through at this point about artificial intelligence, the application of artificial intelligence, is not simply what's its impact on the productivity of those who can harness this technology, but what about the productivity of those who've been displaced, who are displaced by that, by the technology. Their productivity goes to zero, but because of what we—the way that we measure

productivity, which is output per worker per, hour you have to be working. It's—the costs don't appear in the data.

Dan Carol 47:54

That sounds like your next paper with Maggie and Brock. She'll—I love the Christmas of how you talk about 1099 world, displacing a W2 world. It's actually, you know, as you read about how to use AI effectively, it's that kind of sharp prompt is how we're really going to get a lot out of it. But what are your thoughts on this question?

Shil Patel 48:15

I would say, you know, we're lucky enough to live in the greatest country in the world. We and we also print our own currency, so there is going to be a public policy response to whatever happens, regardless of whether it's positive or negative. I happen to think it will be more positive, but let's just say we have an AI induced W2 recession, and we have a lot of folks out of a job because of AI. And also, you know, corporations probably aren't going to be as aggressive to bring on more folks if they think technology is going to disrupt, and I would just say in that world, there's going to be a massive public policy response from Congress and the White House. But how do we tailor that public policy response? We had something similar with Covid, and we decided to do stimulus checks. And when I was in the Senate, everybody loves stimulus checks. Most folks in North Carolina spent that money immediately. It'd be great if, when we have this public policy response, maybe some of it goes towards retirement and saving for the future. So that's what I would hope we would do

Dan Carol 49:20

Very sharp and specific. Thank you. Anna-Lisa,

Anna-Lisa Miller 49:24

Sure. You know two things come to mind. I think on the workplace side, you know so much to be seen in terms of what jobs will be eliminated and how it will transform work. I think for company leaders, as you're thinking about how this technology is going to make your business better, more efficient. One advantage we see of a workforce of owners is that you have more initiative, more motivation on the part of the employee base to also think creatively about the use of the technology in their own roles. So, it's not just the leadership team trying to think about, what is

our AI strategy, but you have a entire workforce that's thinking about, how could this technology enable my job to be, you know, better, smarter, faster. But I think on the you know, we're all talking about, you know, pathways to asset ownership, pathways to wealth. And, you know, I think it's without a doubt that AI is probably going to make businesses more productive, potentially with fewer employees. And who's going to capture the benefits of that productivity—could be increasingly in a smaller and smaller group of you know, the folks that have an ownership stake and to capture that benefit. And so I think it's going to become imperative to think about how we broaden asset ownership and, you know, passive ways of producing income for a much broader group of workers and people who have been displaced from jobs. I think thinking creatively around who owns what and how we create those pathways is really critical.

Dan Carol 51:00

Awesome. Thank you. So before thanking and closing out the panel, I wanted to invite everyone here to consider engaging with our Economic Mobility Alliance and Pathways to Capital programs as we learn from one another, share back best practices and, most importantly, get stuff done in solving these problems. Years ago, this collaborative approach led by our chairman, Mike Milken, who sends his regrets today, resulted in passing the 21st Century Cures Act, which unlocked millions in funding for NIH, accelerated medical product development and innovations and patents coming to market more quickly. We are now with partners trying to take that same idea and applying it to economic mobility, partnering with organizations like AltFinance, the Shil's new effort, Ownership Works, and others to explore how we can lift up their work and learn from each other. On behalf of our team at Milken and I'm proud of our economic mobility wins to date, and include shifting billions in pre-development funding over the last several years to support public private partnerships to build community infrastructure in forgotten communities, helping entrepreneurs secure start up capital through our Pathways to Capital program led by Senior Director Rachel Reilly, And playing a key role in getting newborn investment accounts from smart policy and paper and modeling to over the finish line and into law. Our Economic Mobility Alliance and Pathways to Capital implementation partners are too many to mention, but we are thrilled to welcome these new EMA partners today. TD Bank, Alex von Furstenberg, JB Insurance, JPMorgan Chase and Ownership Works. More to come up the trail, but please join me now in thanking our great panel.

Announcer 52:54

Thank you for attending our lunch program.

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