

CONVERSATIONS WITH MIKE MILKEN



Mark Cuban

Owner, Dallas Mavericks

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Mike Milken: Mark. Thank you for joining us today.

Mark Cuban: Thanks for having me, Mike.

Entrepreneurs in America, those that started small businesses, just like you did many years ago – out of more than 15 million of these micro businesses in America, we've lost more than 3 million of them over the past few months. What is your message for the entrepreneurs of America? Should they try to rebuild the businesses that they had before? Should they try to focus in different areas? What would be your advice?

Agility. Every small business goes through that pain factor, that uncertainty factor at some point in their life cycle. When you face such a unique challenge, such as the pandemic and the social unrest, that is going to halt a lot of businesses. But at the same time, it's going to create opportunities. If you have the ability to just hold on, this is also an opportunity to really reevaluate and reset your business and say, 'what can I do better?' Now that we're going through all these changes, how can I reinvent this company for a new world, for a new

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type of customer, a new opportunity? Because you typically don't get those types of chances while you're running your business.

What's happened here with COVID and other challenges has not hit every industry or every business equally. Those companies in bioscience have done well and expanded. Those in the food delivery or distribution of food business have done well. We've seen that some businesses have been dramatically hurt and what we would expect, whether you're hotels, airlines, cruise lines, restaurants, etc. What are the areas of the future that you're looking at as to growth?

You know, that, that's a great question. If you have a vision for what America 2.0 post-reset should look like, there will never be a better time to create a business that goes into an entirely new direction; something that hadn't been thought of before, something that's completely disruptive. Because the biggest players in the country in the world, the medium-size, even the small businesses, have challenges just trying to stay alive or trying

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to determine what their businesses are going to look like. So if you have a vision for something dramatically different, now's the time to do it.

That's Part One. Part Two, if I was Mark Cuban, the college graduate, high-school kid, 20-something and I just lost my job but if I had an entrepreneurial bent, I'd look at ambient voice. If you've used an Amazon Alexa or Google Home or Microsoft Cortana, as an examples, they'd become very prevalent, if not

ubiquitous in a lot of homes. Yet, very few people understand how they actually work. If I was young and I'm looking for something new, I'd become an expert and scripting and those language in those products. It's actually not much more difficult than writing, HTML code or Java script. And so with that –being able to go to businesses who are looking for ways to go as touchless as possible, and by definition, ambient voice is touchless – you'll be able to work with them and charge them and create a business around supporting businesses using ambient voice. It can be simple things like elevators. It could be simple things like commands. When you walk into a conference room, it can be more complex things like purchase-order listings, product listings. The applications effectively are only limited by your time and imagination.

When we step back and look at what was the world like in 2019, at that point in time only 26% of people in America thought their life was going to be better than their parents. And 50% of young people were thinking maybe socialism or even communism

would be a better system. So we can just imagine the challenges today that they're facing. What are some of the things they could do? Is there a potential for upskilling during this period of time, internships, mentorship? What would you be doing and advising some of the people that lost their internships or job.

The first question you're going to get asked when you go to apply for a job, whether it's now or some point in the future is, 'What did you learn? What did you do? What skills did you add during the pandemic of 2020?' I think it's imperative to anybody looking to get a job, to really push themselves forward, to do better than their parents, to really place a focus on learning. One of the greatest skills that we all can have in the business world is a thirst for knowledge, just being excited about learning and knowing how to learn. This really is the best opportunity ever for people to add to their skills, whether it's taking a Coursera class, or in the past I would've said reading a lot of books, but now having learned from my kids going on YouTube and watching tutorials and watching videos on various subjects, I learned how to write a three-layer JavaScript neural network on YouTube. There's a unique opportunity now for you to add skills, particularly in areas like artificial intelligence that are going to be in great demand that most people have not yet learned because it's so recent that it's become really applicable. So that's first and foremost.

Second, don't stop looking for a job now. If you grind it out and you continue to be persistent, whether it's emailing, calling, setting up on seminars, whatever it may be; however you can connect with people, applying for jobs, wherever, however, do it. Every no gets you closer to a yes. And all it takes is that one opportunity to propel you to where you look to be. When I came out of college way back when was the last time that unemployment was in double digits. The unemployment rate of Northern Indiana was 20 percent. My friends were freaked out like kids are today and I had to be mobile, right? I had to go from Indiana back to Pittsburgh, my home, down to Dallas in order to really get to a job that I could platform. As you look for these things, you really have to be more adventurous, if you will, and be more mobile and be more flexible and agile. That's not necessarily a bad thing. You don't have to get the best job. You don't have to get a perfect job. You just have to get a job. And now, all of a sudden you're getting paid to learn and you can platform that just like an NBA free agent, right? They might spend one year or two years at one team, build their skillset to get better and go to a better situation. Looking and finding a job, looking and finding an internship, looking to building

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your skillset, to prepare yourself for what comes next, there's no better opportunity than now.

So Mark, as you know, we've announced again an infrastructure effort; 'let's go spend a trillion dollars on infrastructure.' Japan spent about \$4 trillion after the crisis at the end of the 1980s, early 1990s, and really had nothing to show for it. So they built infrastructure, but it didn't create jobs and it didn't change things. Where should we spend this money? And how should we spend it?

We need to look for leverage points. I mean, historically when we talked about infrastructure, we build highways between cities and that increased commerce. We built airports that allowed us to connect with the world and that increased commerce. We built shipping ports, etc. Those were great leverage points for the time, but now they're maintenance and they're not really leverageable. I'm not saying don't do maintenance of bridges and roads and airports, but that shouldn't be the focus. If we truly want to

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become once again a global manufacturing hub rather than offshoring all of our manufacturing, we as a country need to invest in robotics and the AI that's associated with it and other opportunities.

The United States is first in so many technologies, but we're not close to first when it comes to robotics. You've got Japan, Germany, Korea, and maybe we're tied with China, but China has so many more installations that they're moving quickly ahead of us. We do okay with software and robotics, but the physical

manufacturing, we are way behind. We need to start investing there. There are so many inflection points right around the corner for robotics – manual dexterity among the most important – so that if we can become the leaders and push forward through those inflection points we can recapture and re-shore a lot of the manufacturing. That's something one of my organizations is doing right now for an API [application programming interface] for drugs that we want to bring back the manufacturer year. We're not going to look to recreate what was done in the past. We're looking to push forward. But it's very difficult for individual organizations, no matter what their size, to do it at a scale that's going to compete with other nations. So when we talk infrastructure. I like to talk about Infrastructure 2.0, and I think a real focus of that has to be robotics.

Mark, I think there's a 100 percent chance after this experience this year that we will bring back manufacturing to the United States. And I think you've raised an important point here. Let's make sure we bring it back as it's going to be in the 21st century.

Yeah, because otherwise we're just subsidizing it and trying to protect it via tariffs, which don't work. I'm a big believer in American Exceptionalism. I really truly believe that we can be the best with anything related to technology. But we have to understand that the idea of manufacturing from the seventies, eighties, nineties, 2000s is gone. That's no longer competitive. One of the things I liked to do Mike, as a business person, as an entrepreneur, was ask myself the question, 'how would I kick my own ass?' Right? For any of my businesses, what would I do to put myself out of business? We have to do that as a sovereign nation as well.

What is China thinking to get the rest of global manufacturing, to take away what manufacturing the United States has or North America has? They're investing in robotics and AI. Russia's trying to do the same thing.

Particularly the AI, Vladimir Putin said whoever controls AI controls the world. And he's right. We have to recognize that we're not doing this in a vacuum, that other nations are investing to compete, but we're not. So

we're falling further behind. To your point, this is something that has to happen or things will get worse. We can't build a wall around ourselves for global commerce.

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About six years ago at the Milken Institute, we became concerned about how young people were feeling and whether they felt they had a chance at the American Dream. It's personally dominated my life for the last 55 years, thinking about this and the idea that every individual should have a chance to try and fail and try again. The American Dream to me, was equal opportunity not based on where you're born, where you went to school, who your parents are, what your race or religion, your gender, but that you'd also have access to capital. What do you think the American Dream is? And why do you think so many people believe that they don't have access to it today?

I still believe in the American Dream. One of my compatriots on Shark Tank Daymond John, always talks about the “power of broke;” the fact that he was broke is what propelled him forward to be able to start a business. And I've experienced the same thing. The American Dream has become segmented into different types of challenges now. There's no singular approach to business any longer. There's no singular approach to education any longer. Everybody has got their own experiences and their own backgrounds, and that's what we have to start to recognize if we want to revitalize the

American Dream for everybody. We have to start to realize that kids growing up in the inner cities don't have the same opportunities and we have to invest there. And when we talk about inner cities in particular, we tend to think New York and LA and our big cities and forget about the small- to medium-sized cities and the need for us to invest in education and opportunity there as well.

Then I'll add one more thing and maybe the most important thing: I think one area we fall down that I know I have in the past, we tend to think of ideas and businesses in terms of our own context, our own history, our own background. We fail to realize that we're

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missing all those opportunities for communities that don't look like us. I've learned a lot with the Mavericks in terms of selling to different communities. In Dallas, we have the sixth-largest Indian community in the country, and we didn't have anybody from the Indian community selling to the Indian community. You can say the same thing about every ethnic community and every race. I think we need to start looking for opportunities for people from communities selling into those communities. Why that's particularly important is because those aren't high-cost opportunities at all. Some

people would call them side hustles that can grow into something special. We need to start finding kids of all ethnicities, all races, in communities we typically don't touch, and find ways to enable them. Then find ways to give them the education they need to start running businesses. Not only do they not have the mentors, but they don't really have the access to the specific languages of businesses that they need; finance, marketing, sales, etc. By going out there, investing in these companies and in people in their communities, we can do so much more.

So Mark you've given me a chance to read a lot of material here, hundreds of pages on an area that is so important, and that is health. As we know, a very large percent of America cannot afford a \$400 to \$500 emergency. Whereas America has the highest percentage of people worth more than a million dollars, along with Australia, of all developed countries it also has the highest percentage of people with a net worth under \$10,000. The issue today particularly brought to bear with the coronavirus, if I get the virus and I lose my job, what happens to my family? Can I pay the rent? Who's going to feed my family? The issues that I'd like to touch base on really quickly are two, Mark. One, the Sick Bank that you've worked on and the other year 10 Plan here. If you

could quickly outline those? How we make people feel more comfortable and more safe?

We traditionally rely on insurance companies to pay for things that are outside our immediate affordability. From that perspective, starting with Sick Bank, a friend and I came up with a concept that said, look, 20 days of sick days from your employer is not going to be enough if you get COVID. People who get to that 21st day, they have to quit, they lose their jobs, whatever, they can't go to work. Particularly if it's a smaller company. So the concept of Sick Bank is that we work with employers and employees, and we say to the employer: 'If you'll pay and the employee will donate one day, one day of their sick time to Sick Bank, then we'll aggregate all those as a quote, unquote, not a real bank, but aggregate all those sick days. And then we'll allow the participants to withdraw up to an additional 20 days.

So, if you have 20 days from your employer and you donate one day and you're just an average wage earner, and that's \$263; the employer pays the \$263 in. Now you have 19 days of sick days available to you. But if you need them after a 30-day preparation period, you take them from the Sick Bank and Sick Bank will pay you for those days.

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Across all the country that accomplishes two things. One, it's peace of mind for employees that in the event that they get sick, instead of whatever the number of days they have from their employer, they now have that plus 20. And two, not only is it a, an attractive tool for employers, but it also gives them the opportunity if they weren't able to afford 20 sick days, they can roll it back to 15 days or 10 days, whatever they think is more economic for them. They have an economic incentive to participate in Sick Bank as well. You extend the number of sick days and the payments that are available for your sick days significantly, and you reduce the cost to the employer and across the entire population of employees. We think that could have just a dramatic impact on just the sanity of this country.

Mark, one of the things that struck me when you first started talking about this is America is the most generous country in the world; gave away about \$400 billion last year. So 2 percent of the GDP, which is higher than other countries. But that pales in comparison to people giving of their time, mentorships, internships, etc. What really struck me was everyone who is healthy, and this is not an issue for them or their company, this gives them a chance to give. Many years ago when Charity: Water began with the idea to give up your birthday and tell everyone, any gifts you would have given me for my birthday, give them and we can drill a well and sub-Saharan Africa, etc. What

really struck me was the desire of helping others with the idea you could give up one of your sick days.

Yeah, it's a great point. I mean, for the one day that you give up, you can make a difference in somebody's life up to 20 days and really give them the confidence that if they get sick or somebody in their family gets sick, or somebody in the company gets sick, that you're going to allow them to get taken care of. Because we already know that they don't have the money, to your point, to just continue to pay. We already know the healthcare system isn't the way it should be. and we can talk about that in a minute. So this is a way to give and is so simple and so easy from both the employer and the employee side. The impact is significant; the leverage again is just incredible.

So, let's talk a little bit more about healthcare. Obviously this is a really important issue; among the major causes of bankruptcy or economic uncertainty in America is healthcare costs. Many people are not covered. What are your thoughts about a new structure on healthcare?

In 2017, when the Republicans were looking at replacing the ACA [Affordable Care Act] without a replacement program, I said, 'okay, what would I do?' The first thing I did was look at my own companies, and we self-insure. Very quickly it became obvious that 95

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percent of companies with 5,000 or more employees self-insure. I asked a very simple question: 'What if the United States of America, the government, self-insured?' And I started putting together a map and I started putting together a basic outline, which said that if you make 250 percent of the poverty level or less, you'd pay nothing but the copay. If you make above 250 percent up to some high level that we set, and we reset the models for anywhere from \$800,000 to \$1.5 million, you'd pay anywhere from 1 percent of your income to 10 percent of your income for all your healthcare. But with two key defining elements: number one, you don't begin to pay into the system until you use the system, because with the United States

government acting as the insurer, we don't have to create a pool of capital like a traditional insurance company does. So that's part one. So particularly if you're young and healthy, you're going to save a lot of money and we're going to be able to cover a lot more people.

Part two, if you have a very costly health event or series of health events, whatever your costs are, you'll still only pay up to your means test the percentage of income. But after 15 years, if you have an outstanding balance still, we'll wipe that off. And so that's part two. Now, big picture, we set it up so that employees would stay on their employers insurance, Medicare would stay on Medicare, Medicaid usually would stay on Medicaid. This would be available to all those eligible for the ACA, which at the time was 46 million. Now it could be as high as 60 or 70 million. But using the 46 million as a reference, when we did the math in that report, and we modeled it, consumers save \$63 billion a year. We covered all 46 million eligible people immediately; they're immediately eligible, no signups, no nothing. On top of that, the actual cost to the government was effectively break-even. So versus covering the 12 million people under the ACA, the cost would be the same to cover 46 million people. That's the 10 Plan. And I presented it to the Biden campaign and to the Trump campaign. So we'll see what happens from there.

Well, you also presented it to the Milken Institute, which is bipartisan. So thank you on that one, Mark. In closing, I want to go to sports. I really want to start with sports from a different standpoint. One of the podcasts we did that's up on the Milken Institute site was with Rob Manfred, commissioner of baseball. And the point was sports is a lot more than a game. For many people, it's one of the few positive things in their life. For senior citizens, it makes up a big part of their entertainment, that team that they were rooting for. And as you know, it's a positive thing and something that they want to belong to. So when is the NBA coming back? But two, how do you view your fan base and how do you feel your relationship? Not necessarily just with your players or the people working the team, but how do you view it with the community?

First, we'll go backwards. July 30th is hopefully, hopefully, when we play our first game with safety considerations first. In terms of the community, I learned early on that I didn't own the Dallas Mavericks; all Mavs fans everywhere around the world own the Dallas Mavericks. When I first bought the team, everybody said we were in the business of basketball. I talked to the commissioner, David Stern back then, the other owners; 'Yeah. We're in the business of basketball.' And within three weeks I realized, no, we're not. We're in the business of experiences and emotions. If you think of the games that you've gone to, you don't remember the scores, the touchdown, the dunks, the home runs. You remember who you were with; you remember, was it your brother, your sister, your dad, your mom? You remember the first game you went to with your parents or your girlfriend or your wife. And so creates these special moments. We grow up rooting for specific teams, so it also becomes a family bond. And so all these things together, creates this strong, emotional attachment that we're missing right now. And it becomes so important. Once I learned that, I realized that what we did off the court was easily as important, if not more important, than what we did on the court.

So Mark, I've been a little worried here because you might've been the most emotional owner. And now that I see Steve Balmer at every game right here ...

He's trying, but you know, give him a few years. Let's see if he keeps it up. I've kept it up for 20 years.

The teams and your interaction with the other owners: as I've interacted with maybe 200 CEOs and the events in Minneapolis and the issues of Black Lives Matter, one of the reactions that I had mentioned to you was many of these CEOs who had felt that had been extremely focused on inclusion, equal opportunity are, as you would point out, on a reset today. What are they going to do differently? In sports, you have an enormous opportunity to communicate. What have the Dallas Mavericks done over the past few months to communicate to your fans any differently than you did before?

I mean, we have programs, we have something we call it Courageous Communications, where we brought people in to have discussions. You know, it really comes down to recognizing that this is a unique inflection point for race relationships as well. And to the points we mentioned earlier, we have a place in the community to have these conversations. What we've tried to do is listen to our players. Really, I wish I had picked it up sooner. It took me too long to really recognize that the challenge is truly that African American men go through just trying to grow up and just trying to live their lives normally. That's really led me to understand that this is an opportunity for me, for other sports owners, particularly since we're almost exclusively white – you know 95 or 98 percent white – for us to really have tough conversations, not with the black community, but with the white community.

You know, it's very, very difficult for a white CEO or a white person period to talk about race. African Americans have no problem sitting at the dinner table talking about race. It's normal, but you will never sit around a bunch of white people and say, 'well, let's talk about the white race. Let's talk about racism from white people. Let's talk about white privilege.' Because it's very, very difficult for us to do. The minute we hear the term white privilege, we get defensive and we start manufacturing equivalency. 'It's not me because I did A, B or C. I can't be privileged because my ancestors, my grandparents, my dad, me have gone through these challenges.' That's not what any of this is about. But it's difficult to have those conversations. And that's what we've tried to do. That's where I've tried to use my platform. And that's where I'd encourage all CEOs to use their platform, to have white people talk to white people. But that's where the racism is coming from. It wasn't black people that who institutionalized racism, it was white people. And that's hard to talk about. That's uncomfortable to talk about. We just have to realize that progress is not pretty, that we have to have these conversations because they're difficult, because that's the only way white people are going to change.

Well, Mark, thank you for joining us today, and we will look to see how you do in Orlando when you go there and bring sports back to so many people in their lives.

To all of you out there that want to follow up with any of this with me, my email is mcuban@gmail.com. Keep it short and I'll try to get through all of them and hopefully we can all make these a little bit better. And thanks for having me on Mike.

Well, Mark, maybe we'll send a million entrepreneurs your way.

I hope so.
