Bill Gates was the grand finale of the "Techonomy" conference, taking the stage in a packed room to discuss "Reinventing Capitalism: How to jumpstart what the marketplace can't."

On balance, Gates is optimistic.

His biggest concern is about the political process, saying "these things are just complicated enough that the main people who understand them are people who are biased about them. The number of people who are unbiased are so few. How does democracy make some of the tough tradeoffs that need to be made?"

That's what's depressing Gates, but the source of optimism is what technology — "techonomy" — has been able to achieve over the past 200 years. "Society has broadly advanced... When would you like to get Parkinson's," Gates asks. "Now or 20 years from now?" Gates echoed the theme of the conference: "Techonomy" is making the world a better place.

Where the Marketplace fails

Gates says the market fails to encourage innovation in areas where there's a long time-frame -- like investment in nuclear energy. You simply don't have a lot of investment when it takes longer to get things done than the length of a patent, which Gates says is understandable. There's a lack of innovation in curing diseases that happen outside of the developed world. "The rich world has an expensive way of doing things that doesn't map to what could be done practically," Gates says. He also says that there's terrible lack of "R&D"
in education — it's impossible to say that there's been a collective learning that's led to a much higher standard.

Education

Gates says education is incredibly inefficient today, pointing to the fact that 5th grade math text books are over 300 pages long and teachers have no idea who's "getting it" and who isn't. As critical as he is, he's hugely optimistic that education is “about to go through a decoupling enabled by the Internet.”

Why shouldn't the best physics course have a million dollar budget if it's watched around the world?

Gates says K-12 education will not — can not — shift to the Internet. In fact, he says successful charter schools all have long days and some of the highest-performance ones are boarding schools. While long days are important for younger students, Gates says that place-based activity for "colleges" will become five times less important than it is today. The $200,000 college education is increasingly hard to get because there's less money and the capacity is not there, so the self-motivated learner will be on the web, getting feedback and discussion.

What Gates recommends reading?

Before launching into a list of books, he said "Latrines are very interesting" he's fascinated by the challenge of reinventing the latrine. He recommends "Water and Sanitation." He mentioned a number of books about science and energy including "Energy Transition" and "Sustainable Energy without the Hot Air." On the financial crisis he recommended "More Money than God," about hedge funds.

Gates spends two to three hours a day reading and says he's also willing to watch an hour and a half to two hours of videos every day. He recommended buying lectures like David Christian's "Big History"from Teach12.com. He also pointed to AcademicEarth.org as a source for free lectures. He pointed to www.thegatesnotes.com for his "little book reports."

- Slideshow: 15 Leading Innovators to Watch
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