J. Michael Locke
Musings

#108: Musing
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A while ago, I made the decision to avoid politics in these musings. Folks did not sign up to hear my thoughts on that. However, there is a leadership lesson as it relates to communication. Good leaders speak in "moderated" tones and do not use "extreme" language. Leaders must serve as the "super-ego" on the "id" impulses that individuals might have.

The stock indices are increasingly dominated by a handful of stocks. This makes them less useful as a metric for overall company performance or economic activity. The so-called "FAANG" stocks -- Facebook, Apple, Amazon, Netflix, Google plus Microsoft make up 25% of the S&P 500 with the other 494 stocks making up 75%. They have also contributed 77% of the return in 2020 according to Melody Hobson. So it is a "best and rest" deal. She recommends you look for buying opportunities in small stocks like Russell 2000.

I believe our basic model of corporate governance is losing its effectiveness. Under law, the shareholders (as the owners) control who sits on the board and must approve major decisions (specifics vary by state). As more investors go through mutual funds or ETFs, these "intermediaries" need to step up their oversight and exertion of authority IMO. Too many ineffective CEOs get way overpaid and keep their jobs because the boards are asleep (see GE and Jeff Immelt for a prime example). There is also a troubling trend where the Silicon Valley crowd is using two-class stock structures where the founder/CEO has a different class of voting stock and thus can still control the decisions even though they don't own a majority of the stock. For instance at Lyft, co-founders, Logan Green and John Zimmer, retain their control of the company, even though they only own 7% of the stock. Shareholders need to be more active!

Part of our social division is the enormous disparity of wealth. A friend of mine shared this on LinkedIn (I have not verified the math): *"Jeff Bezos in 2020...Net worth rose 67% to $192 billion....Charity donations equaled 0.5% of his net worth...Amazon's higher worker pay and bonuses equaled 1.3% of his net worth.....Amazon could have quadrupled its worker pay and bonus increases and still been more profitable than last year. Bezos could personally have given every one of Amazon's 1.2 million employees a bonus of $60,000 and still been richer than he was at the start of the pandemic."* Economists study national income and how much is going to the capitalists/owners and how much to labor. Labor is getting a declining share. We need to ensure overall fairness of distribution. For the policy wonks, here is a McKinsey article on the topic. [a-new-look-at-the-declining-labor-share-of-income-in-the-united-states]

There is currently a tension between the macroeconomic perspective and microeconomics. Due to the unprecedented fiscal stimulus, the overall economic numbers are not bad. However, the pandemic has drastically impacted the economic position of large amounts of workers -- especially those in retail/restaurant hourly jobs. A good article taking the macro view in the WSJ: [yes-it-is-possible-to-have-too-much-stimulus]

Watch the increasing deployment of "zero-trust" models where you have to multi-authenticate every time you use an app or website. Hacking and cyber theft out of control right now. I guess I filed for unemployment insurance on the Illinois website last week!

Surprising facts: The Naked Cowboy is 50, the median salary of a Google employee is $258,708 and the Queen got a rose.

Be safe. Go Bears!

jml