

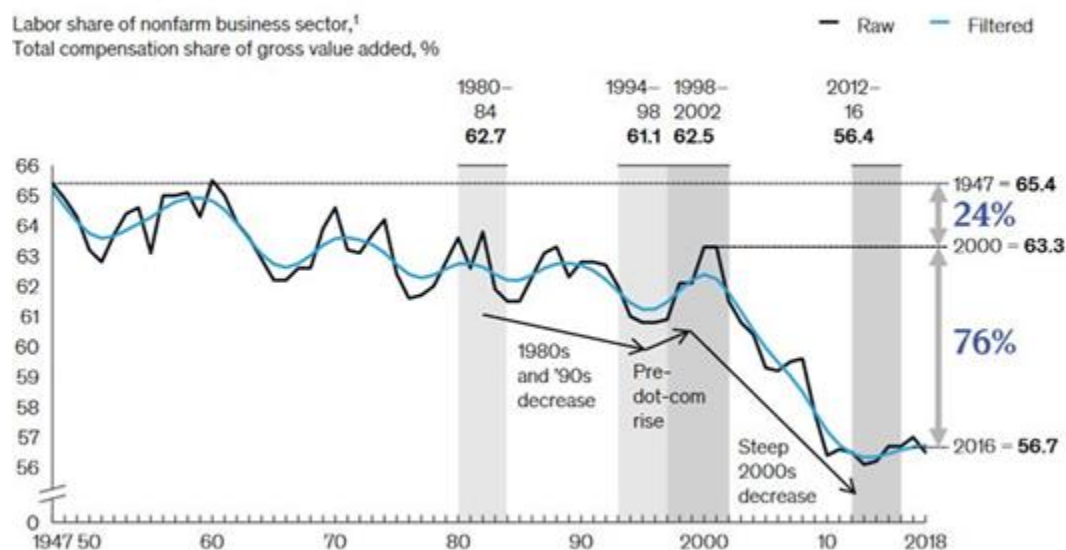
## J. Michael Locke Musings

#125: Musing  
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A metric economists look at is how income is split between labor and owners. With the arrival of a knowledge economy and technology, there has been a noticeable decline in the aggregate share of national income going to labor. Many of our jobs have gone from \$60,000 a year factory worker to \$13 an hour hospitality which is roughly \$26,000 a year (2080 hrs a year on standard 40 hour work week). The fundamental question is what is “fair” or necessary for a healthy society? There is no right answer on this but the material decline in the share for labor is part of the current societal discussion around wealth disparity and the “death of the middle class.” Here is the relevant table (full report - [mckinsey on labor share of income](#)):

### Three-fourths of the decrease in labor share in the United States since 1947 has come since 2000.

The accelerating decline in labor share in the United States



<sup>1</sup> Detrended using Hodrick-Prescott filter (restriction parameter = 6); adjusted for self-employed income (non-farm business sector, 75% of total economy), from Labor Productivity and Costs database, Bureau of Labor Statistics.  
Source: BLS (March 2019 release); McKinsey Global Institute analysis

The rise of “gig workers” is part of this dynamic. An interesting topic to watch will be the classification of workers between those who are benefits eligible employees and receive a W-2 versus those who are deemed independent contractors and receive a 1099. This classification is guided by the Fair Labor Standards Act. Many technology platforms like Uber classify their “employees” as independent contractors. Labor activists are fighting against this classification because it eliminates benefits and overtime eligibility. The UK made Uber reclassify drivers as employees and Uber took a \$600mm charge this quarter for additional expense. Biden’s NLRB gave labor a win by repealing a pro gig-worker regulation this week. [biden-blocks-trump-era-gig-worker-rule](#). While I am no labor activist, our societal

structure assumes that individuals get benefits like healthcare and 401k from their employer and we must design a system for gig-workers to have these benefits. I bought health insurance for our family once “in the retail market,” not a good experience.

Wealth disparity met European soccer last week. Manchester United fans stormed the field in protest against American owner Glazer family and the scuttled plans for a Super League designed to get more of the spoils for a select group of teams. Even JP Morgan Chase had to apologize for its role in providing funding for the planned league. I like the Green Bay Packer community ownership model for pro sports teams.

Ted Lasso knows European soccer. Now he is becoming a political phenomenon. From Politico: *“And everyone seems to agree that the show is an antidote to a deep cultural problem. There’s a swelling idea that we’ve reached a national topping-off level of bile, a moment when every negative thought can be instantly unleashed on the world and picking fights on Twitter has become its own sport, and whether you blame Trump or the woke left, you can acknowledge that it’s gone too far. For a politician, trying to do the best possible job amid an ever-evolving pandemic, the desire for some grace is irresistible.”* Full article: [ted-lasso](#)

The number of children born in the US hit a 41 year low last year according to the WSJ. On average, US women are now having 1.64 babies. If our economy is going to keep growing long term, we need more children!

And then there was one. The only remaining pit open on the floor of the CME (the merc and board of trade combined) in Chicago will be the Eurodollar options. All others have “gone to the screen.”

An underappreciated issue in management is the establishment of “decision rights” -- when do you need to go to your boss to make a call vs making it on your own. I think the general tendency is for individuals to underestimate their decision rights and instead of using judgment to decide something, bring everything to their boss. Don’t enable this. If you are the boss, refuse to make the decision; rather, force the colleague to make the decision him/herself and further develop. They will make some good and bad calls but developing that judgment is key. Personally, I recommend the same approach when parenting. Don’t be a “snowplow” parent. Make them figure it out.

One of the key traits shared by successful executives IMO is curiosity. They ask the follow up question, read the article, listen to someone else’s perspective and don’t just accept historical ways because they are curios.

It is estimated that more than **\$63 billion** was fraudulently disbursed due to fraud in federal unemployment benefits to as much as 10% of the recipients.

The WSJ reported that 42% of US adults have an unwanted weight gain during the pandemic. The average weight gain of this group is 29lbs!

I have shared how I believe that “naming conventions” are an underutilized tool in framing a discussion and merit more consideration. Politicians get it. Senator Amy Klobuchar is working to rename “antitrust” (it was originally about breaking up trusts) to “competitive policy.” Epic Games doing its part taking on the 30% “tax” Apple takes for in game purchases by requiring they be made through the app store. Shows the power of controlling customer access. Speaking of monopolies, is there anyone worse at customer service than Comcast? Example 1 on why markets need good competition.

Isn't it ironic that the firm which preaches that it is democratizing investing with its app (Robinhood) earns its revenue selling "order flow" to big hedge funds like Citadel so they can have an advantage on the market? I am with Warren Buffett who said that Robinhood has *"become a very significant part of the casino aspect, the casino group, that has joined into the stock market in the last year or year and a half,"* while his partner Charlie Munger added *"I think it's just God awful.....It's deeply wrong. We don't want to make our money selling things that are bad for people."*

Speaking of the "Oracle of Omaha" Warren Buffet, appended to this musing after my initials at the end is a list of some of Buffett's best quotes compiled by Yahoo finance. Really grounded and rational.

Take the Buffett approach in contrast to today's "flash mob investing" world where a tweet by a prominent person drives billion dollars in value for a fictional currency created as a joke. From CNBC: *"Dogecoin was started as a joke in 2013, at a time when the cryptocurrency boom was in its infancy and there was a flood of small, primitive coins entering the market. Doge has regained popularity, apparently boosted by attention from billionaires like Musk and Mark Cuban and easy access through free-trading app Robinhood."* Below is the actually tweet which is moving the market in Dogecoin.



A \$1,000 dogecoin purchase on Jan. 1, 2021 would be worth \$121,052 at Wednesday's high, a gain of more than 12,000% according to CNBC calculations. Not to be outdone, Carole Baskin decided lions were better than dogs and launched her own "\$cat" cybercurrency [tiger-king-carole-baskin-crypto-coin](#). Anybody want to buy some Dutch tulips? [tulip-mania-financial-crash-holland](#)

Don't let the IRS trip you up (thanks Terry for this one). They have added a new question to the 1040 filing form: "At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?" Remember how they got Capone.

Jml

## Warren Buffet Quotes

1. **Trust in American ingenuity.** "American magic has always prevailed, and it will do so again."
2. **Don't be a fearmonger.** "Fear is the most contagious disease you can imagine. It makes the virus look like a piker." (A [piker](#) is one who gambles with small amounts of money.)
3. **Learn the language.** "You've got to understand accounting. You've got to. That's got to be like a language to you,"
4. **Go long.** "[Our] favorite holding period is forever. We are just the opposite of those who hurry to sell and book profits when companies perform well but who tenaciously hang on to businesses that disappoint. [American investor] Peter Lynch aptly likens such behavior to cutting the flowers and watering the weeds."
5. **Invest in companies you believe in.** "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."
6. **Price and value aren't always the same: Don't pay too much.** "Price is what you pay. Value is what you get."
7. **Reputation is everything.** "Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless."
8. **Be skeptical. If something looks too good to be true ...** "A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful."
9. **Don't invest in something you don't understand.** "The important thing is to know what you know and know what you don't know."
10. **Don't do a deal with someone you don't trust.** "You cannot make a good deal with a bad person."
11. **Don't buy a stock unless you think it's undervalued.** "Just buy something for less than it's worth."
12. **Price dips are an opportunity to increase your positions.** "Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."
13. **The future is never clear.** "Uncertainty actually is the friend of the buyer of long-term values."
14. **It's usually the buyer who encounters unpleasant surprises.** "As in the case with marriage, business acquisitions often deliver surprise after the 'I do's.'"
15. **Park your money in index funds rather than in individual stocks.** "In my view, for most people, the best thing is to do is owning the S&P 500 index fund. There are huge amounts of money people pay for advice they really don't need."
16. **Use a bucket, not a spoon.** "Every decade or so, dark clouds will fill the economic skies, and they will briefly rain gold."
17. **Seize an opportunity while you can.** "Don't pass up something that's attractive today because you think you will find something better tomorrow."
18. **Stay cool.** "The sillier the market's behavior, the greater the opportunity for the businesslike investor."
19. **It's during hard times that the winners — and losers — get exposed.** "You only learn who has been swimming naked when the tide goes out."
20. **Read and think A LOT. Buffett spends the majority of his day — 80% — reading and thinking.** "The best way to think about investments is to be in a room with no one else and to just think. If that doesn't work, nothing else is going to work."
21. **Buffett has long said it doesn't take a high IQ to be successful in business — knowledge is more valuable.** "What we do is not beyond anyone else's competence. I feel the same way about managing that I do about investing: It's just not necessary to do extraordinary things to get extraordinary results."

- 22. Follow the rules (Though Buffett readily admits to making a few mistakes of his own.)** “Rule No. 1 is never lose money. Rule No. 2 is never forget Rule No. 1.”
- 23. Keep this in mind if you’re looking for a board position:** “When seeking directors, CEOs don’t look for pit bulls. It’s the cocker spaniel that gets taken home.”
- 24. Be frugal. With the exception of his private jet, Buffett is famously sparing and has lived in the same house since 1958.** “I have every possession I want. I have a lot of friends who have a lot more possessions. But in some cases, I feel the possession possesses them, rather than the other way around.”
- 25. You're your own best asset.** “Your best investment is yourself. There is nothing that compares to it.”