

## J. Michael Locke

### Musings

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#### #156: Musing December 10, 2021

Much of business (and life) is risk management. Evaluating risk and deciding how much risk to take. The most successful people are those who take appropriate risk IMO. Right now, many are moving to a “risk off” way of life.

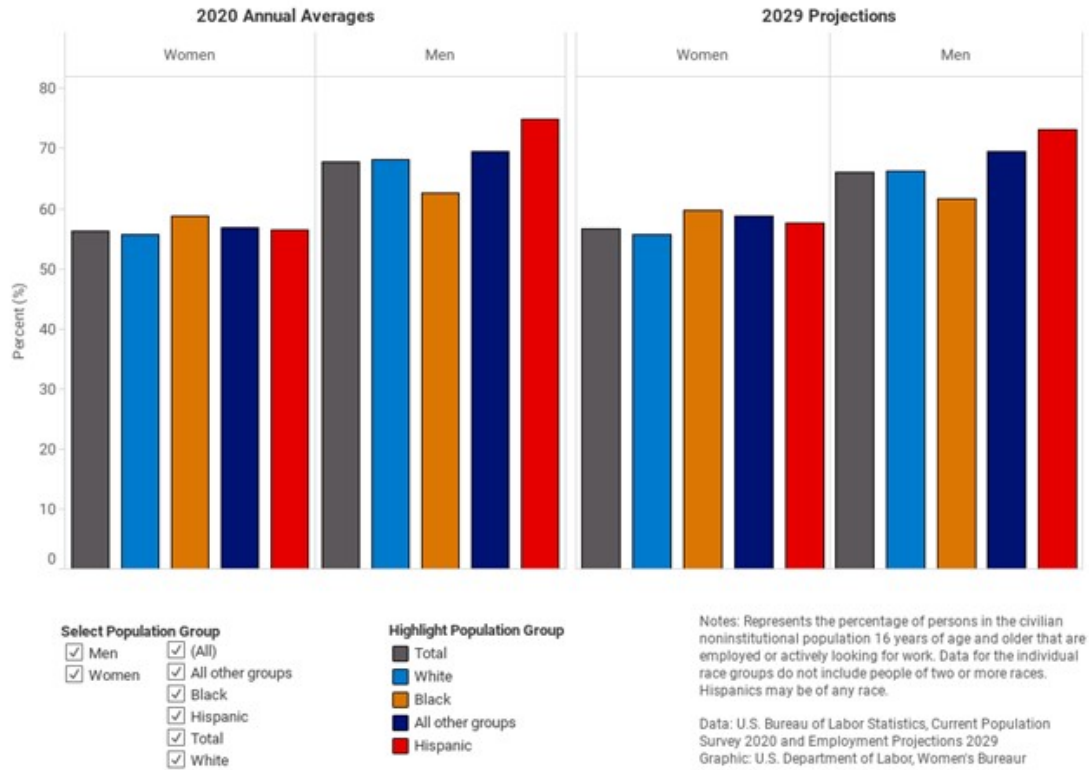
On the personal side, this is manifesting itself with lower marriage rates and lower birth rates. *“Last year the marriage rate fell to 33 per 1,000 of the unmarried population, and the lifetime fertility rate to 1.64 per woman—“levels never seen before in American history,” as per the study. (Fertility has been below the “replacement rate” of 2.1 for more than a decade.)”* [social-distancing-was-a-problem-before-covid-family-marriage-pandemic-religion](#). This is going to create even larger labor supply issues in the future let alone the social dynamics. On the investment side, this is manifesting itself with more allocation of portfolios to cash or buying the same large cap equities as everyone else.

When you see others going risk off, go risk on. Unfortunately, many (if not most human beings and investors) fall into a “lemming” mode where they follow the pack. This is why FOMO (fear of missing out) is such a powerful dynamic. If you have the emotional fortitude and the right conservative capitalization, this provides opportunities for those willing to take the risk. Be the first to cut prices if you have a declining demand market. Be the first to market with a new product idea. As a mentor once taught me, “Many of the best decisions are lonely decisions.”

Speaking of “risk on”, chalk me up as “Covid exhausted.” Tired of wearing a mask and all of the government rules. Not sure government can try to control things at this point and individuals are going to engage in their own risk management (getting my booster next week). Frequent testing is going to be a part of our life going forward. I think society is exhausted and we may see a meaningful decline in purchasing decisions or other forms of action. Watch the velocity of your sales pipeline. Not sure what is going to happen with “return to office” plans in light of Omicron. To quote an accomplished HR exec, employees want “belonging” (level two in Maslow hierarchy after safety) so we need to get some level of office interaction going again for in person engagement to create community.

The labor crisis continues. From WSJ: *“There were 11 million job openings in October, up from 10.6 million in September, according to the Labor Department. By contrast there were 7.4 million unemployed workers that month, a sign of the tight labor market.”* We need to get everyone participating in the labor force at over 70% like Hispanic men. Labor participation rates by gender and race are:

Labor force participation rate by sex, race and Hispanic ethnicity



*celebrity customers."* [virgil-abloh-dead](#)

So this musing in summary: take smart risks, get married, have a lot of kids, go to work, push back on big government and wear cool sneakers.

jml