

J. Michael Locke

Musings

#180: Musing June 4, 2022

Are recession worries becoming self-fulfilling? Consistent headlines about people worrying about recession has led to “risk off.” Consumers (70% of GDP) start pulling back on spending so softer sales at some retailers and businesses move from “can’t find people” to tech layoffs as venture capital funding pulls back (<https://www.trueup.io/layoffs>) connected to slide in stock market. The job market is still strong with low unemployment claims and decent new hire numbers. Inflation is a problem along with Ukraine war but how quickly we move from “go go days” to “Armageddon and hurricanes” is concerning. I worry our economy and markets have become overly subject to emotion like children. Good overall summary here: [economy-jobs](#)

Don’t count Elon Musk in on the move to hybrid and remote work. Quite the contrarian, he has ordered Tesla employees back in the office 5 days a week. He wrote: *“Everyone at Tesla is required to spend a minimum of 40 hours in the office per week. Moreover, the office must be where your actual colleagues are location, not some remote pseudo office. If you don’t show up, we will assume you have resigned. The more senior you are, the more visible must be your presence. That is why I lived in the factory so much – so that those on the line could see me working alongside them. If I had not done that, Tesla would long ago have gone bankrupt. There are of course companies that don’t require this, but when was the last time they shipped a great new product? It’s been a while. Tesla has and will create and actually manufacture the most exciting and meaningful product of any company on Earth. This will not happen by phoning it in.”* There is a difference in the “work model debate” between manufacturing companies and tech-services companies.

Remote hiring does not have to mean “one – off.” The key to employee retention is engagement and that is hard when someone operates in an isolated way. I am not arguing everyone has to be in the office but if you do go with a remote hiring model, consider “clustering” your hires into groups so they have some connectivity and co-workers around them. Historically, this was done with regional sales offices. It also will facilitate network effects with employee referrals so you might end up with a group of individuals working in Sioux Falls, Iowa which is better than one person in Sioux Falls and one person in Fargo and one in Decatur.

Some good data on the population shifting out of major urban to nicer locations from Instant Group (Thanks Joe Brady.) *“The pandemic has eroded the geographical boundaries of work, freeing businesses to relocate their or disperse their workforce across hub locations. Due to the shifting economy, rise in hybrid work opportunities and a growing desire to improve work-life balance, new migration patterns are emerging across the U.S. **Work has evolved from a noun***

to a verb, from a place we went, to a thing we do, irrespective of place(emphasis added)....Lifestyle cities are also experiencing an influx of demand for agile workspaces, with Florida leading the race to flexibility. Orlando (+84%) and Tampa (+50%) have seen demand rebound at phenomenal rates, but Miami has experienced the highest growth in demand of any city nationally since pre-pandemic (+143%).” [the-great-workforce-migration-is-shaping-the-flexible-office-landscape-in-the-u-s](#)

Great quote: Mitch Daniels on \$10k student loan forgiveness idea. “This dead fish doesn’t smell any better the older it gets.”

While I am usually a pretty hard core capitalist, I share Ray Dalio’s (famous hedge fund manager) view on the risk to our social cohesion due to income inequality (for those interested, you can read his writing from a couple years ago here: <https://www.linkedin.com/pulse/why-how-capitalism-needs-reformed-parts-1-2-ray-dalio>). One metric to look at is the share of profits going to owners vs workers. While there is no “right” answer on this metric, obviously there should be some overall sense of balance on how much owners should make and how much they should pay workers in aggregate. This metric has been going the wrong way IMO with workers getting diminishing share of the pie. This in part is leading to the unionization drive. *“In principle, the share of an economy’s income that goes to worker compensation and the share that goes to capital in the form of profits and interest on business debt should not vary much because relying too much on one or the other would be inefficient.”* [workers-share-of-economic-pie-isnt-growing](#)

Labor share of national income



Source: Commerce Department

I think the biggest difference between a “big company” culture and a “young, scrappy, entrepreneurial” culture is a sense of urgency. Big company people do what can be done working from 8 to 6 Monday through Friday. Entrepreneurial culture people get it done as fast as possible with regular calls on weekends etc.

The baby formula fiasco is even worse because breast feeding has fallen off in recent years. *“Since 2020, the share of breast-fed one-year-olds has plummeted from an estimated 34% to an estimated 14% this year.”* [baby-formula-shortage-worsened-by-drop-in-breast-feeding-rates](#)

Interesting commentary by Peggy Noonan in WSJ: *“I think I am seeing a broad and general decline in professionalism in America, a deterioration of our pride in concepts like rigor and excellence.... I’m saying we are losing old habits of discipline and pride in expertise—of peerlessness. There was a kind of American gleam. If the world called on us—in business, the arts, the military, diplomacy, science—they knew they were going to get help. The grown-ups had arrived, with their deep competence.”* Not so much anymore.

Congrats to all of the graduates out there during this season of celebration. I haven’t heard of any particularly good or bad graduation speeches but I did enjoy this quote: “You will never have more energy or enthusiasm, hair or brain cells than you have today” (Tom Magliozzi)

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