

## J. Michael Locke

### Musings

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**#196: Musing**  
**October 15, 2022**

Inflation is persisting at high levels if you trust the CPI metric which was up another 8.2% compared to last year. Social Security recipients will get an 8.7% increase in their benefits in 2023 which is the highest increase in 40 years. Fed will definitely increase another 75 basis points (.75%) next meeting. The question is whether Fed is going to overshoot. *"None of the post-war economic expansions died of old age. They were all murdered by the Fed."* Rudiger Dornbusch, MIT quote shared by CIBC.

We are getting back to a normalized rate environment. Long end of yield curve providing decent returns for the first time in a long time. Experts say you can get 4-5% return without taking much risk. Be careful though as my understanding is that rating agencies changed their scale (like grade inflation) and some muni bonds with A credit rating now are riskier.

The capital markets serve as a healthy governor on elected officials. Bill Clinton once famously complained on how his decisions had to be approved by f\*\*\*ing bond traders. The new UK Prime Minister learned this hard lesson recently as she had to reverse her planned tax cut designed to stimulate growth as markets reacted violently. She fired her Treasury executive after just 30 days. Not a good start for her.

Famed management professor Peter Drucker once wrote about what makes an effective executive. *"Great managers may be charismatic or dull, generous or tightfisted, visionary or numbers oriented. But every effective executive follows eight simple practices:*

1. *They asked, "what needs to be done?"*
2. *They asked, "What is right for the enterprise?"*
3. *They developed action plans.*
4. *They took responsibility for decisions.*
5. *They took responsibility for communicating.*
6. *They were focused on opportunities rather than problems.*
7. *They ran productive meetings*
8. *They thought and said "We" rather than "I."*

*The first two practices give the knowledge needed. The next four practices help convert this knowledge into action. The last two ensure the whole organization feels responsible and accountable.* <https://hbr.org/2004/06/what-makes-an-effective-executive>

One common characteristic of leaders also IMO is that they make decisions. Right or wrong....they don't let decisions "hang out" but rather make the call. The goal is to get more right than wrong and thus always have forward momentum. Being reluctant to make a judgment call can really slow a growth company down and hurt the culture.

Are gig employees unleashed entrepreneurs who can work on their terms or exploited labor who would prefer full-time employment? The answer to this question probably determines your view on the movement by California and federal government to get more gig workers considered employees. I am talking Uber drivers, free lance photographers, and dog-walkers who get paid on a per job (or gig) basis which has boomed with the arrival of apps. The federal government wants more people classified as employees. *"The proposed rule would allow the determination of whether to classify a worker as a contractor or employee to rely on a more holistic assessment, including whether the work is an "integral" part of the employer's business. The goal is to protect workers from being classified improperly while providing consistency for businesses that wish to employ independent contractors, the agency wrote."* [uber-doordash-plunge-as-labor-dept-proposes-gig-worker-change](#) Historically, an employer looked at four areas to determine status -- The factors are (1) the degree of control that the employer has over the manner in which the work is performed; (2) the worker's opportunities for profit or loss dependent on his managerial skill; (3) the worker's investment in equipment or material, or his employment of other workers; (4) the degree of skill. The decision is key as employees get a number of benefits (healthcare eligibility, tuition assistance, unemployment taxes) that contractors do not.

How fast is fast food? New ranking of drive-through times. KFC fastest at 5 min and 3 sec while Chick-fil-A slowest at 8 min 29 secs. Maybe it is because no one is going to KFC and everyone is going to Chick-fil-A. Whoever has been running KFC for the last 5 years should be fired. Look what Chick-fil-A has done through good service and simple chicken sandwiches while KFC slowly dies.

Not totally surprising but ACT scores have tanked for high school seniors who spent the last two years with subpar education under Covid. *"Scores on the ACT college admissions test by this year's high school graduates hit their lowest point in more than 30 years — average ACT composite score was 19.8"* [-education-covid-](#)

Learned a new one this week — silent disco. Popular activity at Ole Miss at least. From Wikipedia: A silent disco or silent rave is an event where people dance to music listened to on wireless headphones. Rather than using a speaker system, music is broadcast via a radio transmitter with the signal being picked up by wireless headphone receivers worn by the participants.

According to CBS, 80% of all home insurance losses in country are from Florida. Not in Babcock Ranch. Near Fort Myers, this is an eco-friendly 91,000 acre hurricane-proof development using solar power. All electric and phone lines buried. No one lost power. <https://www.cbsnews.com/news/babcock-ranch-solar-power-hurricane-ian-60->

[minutes-2022-10-09/](#) (thanks Jerry McBride).

We all live in a productivity-obsessed culture, constantly looking at the iPhone screen and hurrying to the next kid activity or work meeting. Natural disasters stop time and bring us back to basic humanity. I visited the Southwest Florida area directly hit by Hurricane Ian last weekend. The devastation is incredible but the “natural” human spirit is equally amazing. Neighbors helping each other clean up, strangers volunteering to handout water, employees trying to get their place of business back in order. Most importantly, the “first responder” individuals trying to get infrastructure back – the emergency cell phone tower from Verizon, the electrical crews from out of state, the extra firefighter from the other side of Florida. I left depressed about the physical state of the place but inspired by the window on core human decency it provided which is usually lost in today’s Twitter/social media histrionics.

Mitch Daniels recently wrote about a meeting of the Optimist Club he made in Warsaw, Indiana. I don’t know this organization but share Mitch’s enthusiasm for the principles as expressed in their creed and excerpted by Mitch:

*“Make all your friends feel that there is something in them. Be just as enthusiastic about the success of others as you are about your own. Give so much time to the improvement of yourself that you have no time to criticize others. Be too large for worry, too noble for anger.”*

<https://www.optimist.org/member/creed.cfm>

Hotty Toddy.

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