

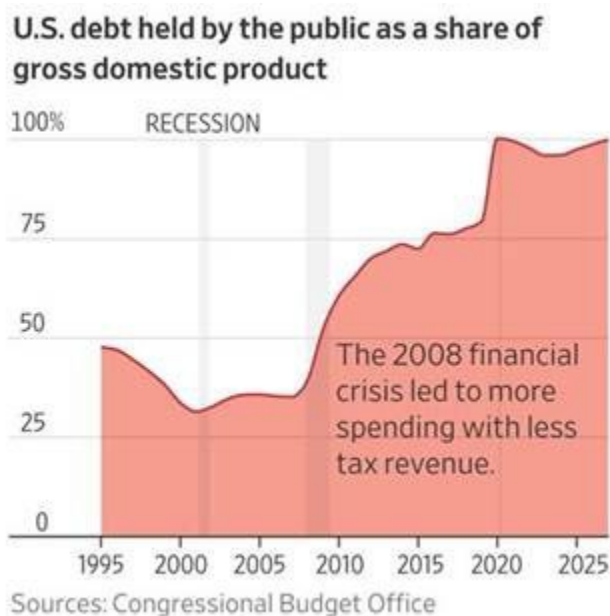
J. Michael Locke Musings

#212: Musing February 18, 2023

Long one today...bear with me.

The markets are obsessed with the Federal Reserve's interest rate policy. The CNBC commentary crowd is like royals watchers -- out of control obsessing about everything -- billions and billions swing on speeches by Fed governors and what adjectives they use. In light of this, you would think our CPI data would have great precision as it is the quantitative input to the dialogue. Housing is the largest individual component of CPI. The formula for figuring out what is happening with housing pricing is convoluted and all based on rents/rent equivalents and measured by surveys with a large lag! It is ripe for imprecision. New home purchases fell 40% in the fourth quarter but the CPI formula focused on rents doesn't reflect that. From CNBC: *"The CPI for 'shelter' has historically lagged home price changes by four quarters... The lag effect is largely due to how long it takes for leases to roll over into a new contract. Landlords typically renew leases every 12 months, which means current price dynamics won't be reflected in new contracts for a year."*

We have to get honest and deal with our federal government financial situation. We need to raise taxes **and** cut spending. Look at this graph comparing federal debt to income (GDP). We can't keep borrowing from China (they are a big purchaser of US treasury bonds) and surviving on the US dollar as the world's reserve currency. The projections are for only further deterioration.



The shortage of labor is driving technology adoption. Aging baby boomers, declining birth rates and our

dysfunctional immigration system mean companies don't have enough workers. Don't get thrown off by the headlines of big tech layoffs. As a result, companies are adopting technology – self checkout at the grocery store, kiosks in McDonalds, check-in on your hotel on the app. Good article on the labor market by Andy Kessler. *"It's a new jobs paradox: We have both a shortage and a glut of workers. Expect more jobs lost and better jobs gained as we embrace tele-doctors and pharmacists, food subscriptions, custom-fit-clothing services, paperless government, campus-less degrees, smart toilet diagnostics, concierge plumbers, drone delivery and soon (please) autonomous trucks and cars. This, in fits and starts, will drive the next cycle....Bell Labs invented the transistor in 1948, but its parent, AT&T, had 10 to 20 years of old vacuum-tube inventory and so delayed using transistors. Similarly, for decades the economy had an inventory of baby boomers to throw at growth. But not for much longer—the fertility rate in the U.S. was 1.6 in 2020. This will be a year of re-rationalizing workers."* [one-puzzling-job-market-employment-unemployment-productivity-tech-layoffs-help-wanted-technology-automation-robots-ai-chatgpt](#)

Boston Consulting Group calls it the decade of innovation: *"Absent pricing power, growth and margin expansion will often come down to innovation. Advances in digital and AI are leading to new paths toward deeper relationships with customers and more customized offerings. The huge transition underway to a decarbonized economy is revealing new vectors for growth. And deep tech is offering new midterm opportunities. Distractions made it easy to lose sight of a hard-core innovation agenda in 2022, but this will be a critical determinant of value creation in the remainder of this decade."*

I believe innovation mostly comes from smaller organizations. Companies have a crazy ability to get in their own way, especially as they get larger. Under the guise of "scalability" and "standardization", entrepreneurial thinking gets lost and the bureaucrats, project managers and HR take over. Good article on how this has happened at Google (thanks Greg Hafemann). [bureaucracy at Google...the-maze-is-in-the-mouse](#). *"Google has 175,000+ capable and well-compensated employees who get very little done quarter over quarter, year over year. Like mice, they are trapped in a maze of approvals, launch processes, legal reviews, performance reviews, exec reviews, documents, meetings, bug reports, triage, OKRs, H1 plans followed by H2 plans, all-hands summits, and inevitable reorgs. The mice are regularly fed their "cheese" (promotions, bonuses, fancy food, fancier perks) and despite many wanting to experience personal satisfaction and impact from their work, the system trains them to quell these inappropriate desires and learn what it actually means to be "Googley" — just don't rock the boat....The way I see it, Google has four core cultural problems. They are all the natural consequences of having a money-printing machine called "Ads" that has kept growing relentlessly every year, hiding all other sins: (1) no mission, (2) no urgency, (3) delusions of exceptionalism, and (4) mismanagement."*

Being a good leader can sometimes come down to very basic things like being respectful of employees. Aretha Franklin had it right decades ago. A study was published in Harvard Business Review (thanks Jeff Dobosh): *"According to the study's authors, being treated with respect was more important to employees than recognition, getting feedback, and even professional development opportunities. Employees who reported getting respect from their leaders experienced positive outcomes like ([what-will-make-people-really-stay-at-their-jobs-you-can-sum-it-up-in-1-word](#)):*

1. 56 percent better health and well-being.
2. 55 percent more engaged at work.
3. 1.72 times more trust and safety.
4. 89 percent greater enjoyment and satisfaction with their jobs.
5. 92 percent greater focus and prioritization.

6. 1.26 times more meaning and significance in their work.
7. 1.1 times more likely to stay with their organizations than those that didn't".

Bad management is also part of our nation's mental health crisis. *"The common saying that workers don't leave a job, they leave a manager, may be borne out in the UKG data. Previous surveys have backed up the finding. But bad managers are more than just an annoyance, UKG data showed — they have a serious impact on workers' wellness."* [managers-influence-mental-health-more-than-therapists-employees-say](#)

Being a good employee can also be about basic attributes: show up on time, be nice and pitch in when needed (even if not "your" job). Ryan Holmes went a step further and identified these five characteristics of a superstar employee:

1. *Not limited by job title: Flexible and intellectually curious*
2. *Thinks big AND small: Sees big picture of market but also in the details*
3. *True grit: Dogged persistence even during choppy times*
4. *Respectful by nature: Ability to work with others at all levels*
5. *Gets shit done: Produces actual results*

Good two minute TedTalk by Angie Duckworth who opines it is all about Grit and developing a growth mindset. [best-predictor-of-success-isnt-iq-social-activity](#). Well intentioned parents need to not answer the kids' cell phone call, make them get their own lunch, turn off Life 360 and make the kid figure it out.

We have a mental health crisis in our youth, especially girls. *"Nearly three out of five high-school girls in the U.S. who were surveyed reported feelings of persistent sadness or hopelessness in 2021, a roughly 60% increase over the past decade, new research from the Centers for Disease Control and Prevention found."* The same challenges in boys are about half the rate. [teen-girls-experiencing-record-levels-of-sadness-and-suicide-risk](#)

A retired CEO friend had a good quote on sloppiness. *"How you do something is how you do everything."* Don't let an executive dismiss sloppiness by saying it was a trivial matter (having room wrong or being late). Precision and attention to detail is a way of life – a habit – for any good executive. Show me an executive with a cluttered desktop (virtual or real) or tardiness and I would bet against him/her.

Interesting point from Bloomberg on ChatGPT — apparently it is the ultimate bullshitter who makes stuff up if it doesn't know. *"Mistakes are inevitable, because large language models don't have any inherent sense of truth. ChatGPT has a tendency, when confronted with a question it can't answer, to simply make up something. These "hallucinations," as AI experts call them, can be extremely convincing. Last year, Meta Platforms Inc. pulled down a large language model known as Galactica, which was supposed to be "a curated corpus of humanity's scientific knowledge," after critics pointed out it had a tendency to invent science behind queries such as "the benefits of eating crushed glass."*

I am amazed at the traction algorithmic online dating apps have gotten. According to Pew Research, 30% of US adults say they have used a dating site or app. Match Group serves over 100 million people through its 15 apps like Match, Hinge and Okcupid and is rolling out a premier \$500 a month service for its top platform Tinder (unclear what you get for that amount of money.) [the-virtues-and-downsides-of-online-dating](#)

I would bet against the mass adoption of virtual reality (VR). Microsoft reducing its investment. Facebook/Meta user numbers continue to disappoint. People don't want to put something over their eyes and be in a virtual world. If you haven't done it, give it a try. Kind of a weird experience which is fun at first but I would not want to be in it often.

From Jeff Selingo -- A new think tank study on what Americans want out of K-12 education revealed that getting kids ready for college has plummeted from the 10th highest priority to 47th. *"It's not that they don't want kids prepped for what's next but colleges no longer have the monopoly on that opportunity. It's not clear that the value proposition of college is what it used to be."* Many colleges in the US are losing their bearings and focusing on amenities. High Point University has taken it to a whole new level with valet parking and a steakhouse. Good article by Ryan Craig on what this says about higher education. [when-the-college-of-last-resort-is-a-resort](#)

Really don't agree with this one. Apparently, some school districts are eliminating honors courses under racial equity initiatives because some have low percentages of black and Latino students (example; Culver City CA). From WSJ: *"The district earlier this school year replaced the honors classes at Culver City High School with uniform courses that officials say will ensure students of all races receive an equal, rigorous education."*

Press is saying Rihanna Super Bowl halftime show was awesome. Personally, I thought it was boring. I give her credit for doing it while pregnant. I give her even more credit as the second wealthiest black female entrepreneur (behind Oprah). Apparently she has very successful businesses in makeup and lingerie which have given her a net worth over \$1.5 billion at age 34.

jml