

J. Michael Locke

Musings

#218: Musing

April 8, 2023

I didn't publish a musing last week. Simply didn't have much to share and I have tried to learn to be better "shutting up" in meetings etc. It is alright to be silent and listen.

I believe the recession is here and the inflation scare is over. It will just take a while for all of our "backward looking measurements" to show it. Job openings down under 10mm. Previous reports on unemployment filings revised upwards. New hires decelerating. Hours worked no longer increasing. Indeed job postings declining. Now you will see a retraction in credit as banks go risk averse on lending following the SVB debacle.

Consumers (2/3 of GDP) are also going to run out of savings to spend. The personal savings rate went way up in 2020 due to government stimulus and the lockdown reducing spending. Now, spending has been way up and government stimulus is over (no more checks, childhood tax credits, delay in student loan payments etc.) The savings rate is below pre-Covid levels and consumption will get reduced (especially in light of depressed values of housing and stocks/401ks). More people are coming back into workforce because they need the money.

I worry about the coming decade based on our population dynamics and screwed up immigration system. From WSJ: *"The World Bank is warning of a "lost decade" ahead for global growth, as the war in Ukraine, the Covid-19 pandemic and high inflation compound existing structural challenges....Three main factors are behind the reversal in economic progress: an aging workforce, weakening investment and slowing productivity."* One wildcard is the productivity uptick from AI. Some early studies are showing a significant increase in the output per worker with AI (materially less time to write code or a report). Goldman Sachs thinks it might double the rate of productivity growth.

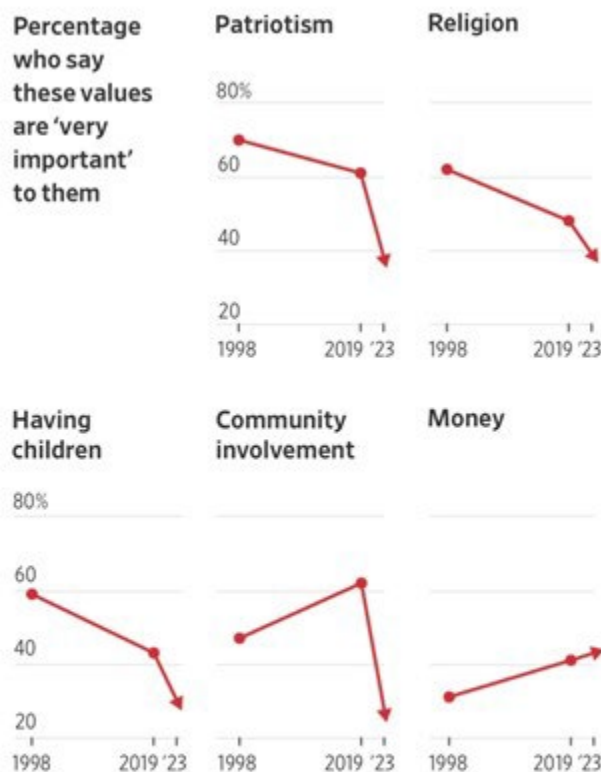
We are encouraging our children to move south. Economic growth creates opportunity and a healthier, happier community. Unfortunately, Chicago and Illinois are in structural decline (accelerated by bad policies IMO). Moody's Analytics created an analysis of best labor markets.

1. Nashville, Tenn.
2. Austin, Texas
3. Jacksonville, Fla.
4. Dallas, Texas
5. Raleigh, N.C.
6. Atlanta, Ga.
7. Orlando, Fla.
8. Charlotte, N.C.
9. Salt Lake City, Utah
10. Miami, Fla.

I would start by going south for college. Many southern schools are bucking the overall decline in higher education enrollments. The “you have to go to college” for economic success mantra is over. The labor shortage has opened the aperture for corporate recruiters to those without degrees. The ever-escalating cost of higher education has hurt the ROI. What matters more now is your competencies and not your BA. Better yet, show you know how to use ChatGPT. [chatgpt-is-the-newest-in-demand-job-skill-that-can-help-you-get-hired.html](https://www.linkedin.com/pulse/chatgpt-is-the-newest-in-demand-job-skill-that-can-help-you-get-hired.html)

When interviewing, really drill down on why someone left their last job. Few people are fired anymore — rather, they get an opportunity to resign so they can say that when interviewing. You have to drill down and get specifics on last performance review (ask for it) and be skeptical when an answer is given.

I believe our country is losing its foundation. Our capitalistic model has been the envy of others as we built great companies and raised the overall wealth of our citizens in a large part due to hard work. While the Europeans took August off and the French retired at 62, Americans have burned the extra hours to innovate. We supplemented this hard work with a commitment to our communities and our families. Many of these traits are now declining. From a WSJ survey, look at these stunning graphs. Depressing. [americans-pull-back-from-values-that-once-defined-u-s-](https://www.wsj.com/articles/americans-pull-back-from-values-that-once-defined-u-s-11644444444)



Source: WSJ/NORC poll of 1,019 adults conducted March 1–13, 2023; margin of error +/-4.1 pct. pts. Prior data from WSJ/NBC News telephone polls, most recently of 1,000 adults conducted Aug. 10–14, 2019; margin of error +/-3.1 pct. pts.

I consider Jamie Dimon, who runs JPMorgan Chase, as one of our country’s best executives right now. He published his annual letter this week and here is a summary of the section of his letter on management. The full section of the letter (the whole letter is 46 pages!) is after my initials below:

MANAGEMENT LESSON: THE BENEFIT OF PURPOSE AND THE TREMENDOUS VALUE OF WORK

- *Perfect your Picasso — have something to strive for and motivate you.*
- *Recognize the tremendous value of work.*
- *Nurture the extraordinary value of trust.*
- *Combat the enemy within.*
- *Drive high performance, the right way.*
- *Retaining talent is important and so is life outside of work.*

Let's all try to improve the "niceness" quotient of our communities by saying hello/good morning or whatever to those we pass in walking on the street or path. I try to do this and am always stunned by those who don't make eye contact and just frown as they walk past you. At church, I would say almost 100% of people give a warm hello. Makes it a nice place to be.

Happy Easter to those celebrating. Avoid pink and purple peeps (just put them in microwave for fun) as they contain red dye #3 which is a carcinogen. [red-dye-no-3-peeps-wellness](#)

Jml

Jamie Dimon: "Management Lesson: The Benefit of Purpose and the Tremendous Value of Work"

Great management and leadership are critical to any large organization's long-term success, whether it is a company or a country. Strong management is disciplined and rigorous. Facts, analysis, detail ... facts, analysis, detail ... repeat. You can never do enough, and it does not end. But creating an exceptional management team is an art, not a science. In the section on Investments, I described what we consider our most important investment: our people, who in accounting terms are not even considered an asset. But we all understand the value of building a great team. In the rest of this section, I talk about some management lessons — I always enjoy sharing what I have learned over time by watching others and through my own successes and failures.

PERFECT YOUR PICASSO — HAVE SOMETHING TO STRIVE FOR AND MOTIVATE YOU.

It seems to me that people are happier and more motivated when they have a passion, a moral purpose, something they are devoted to — when they are painting their own Picasso, striving for something. Some people find it in religion, the military, teaching, science, athletics, parenthood, entrepreneurship or simply being their best at their craft. Whatever it is, all these things combined — when done well — create a wonderful society. And most people I know get an enormous sense of satisfaction from the exploration and learning that take place on the journey. Personally and professionally, I am motivated by the desire to leave the world a better place — if I do my job well, this company can do so much for individuals, shareholders, communities, countries and humanity. I am motivated when I see our customers and employees in action, knowing there is increased opportunity for each of them when we do better as a company. I am motivated when I go to our annual National Achievers Conference, which recognizes some of our most successful bankers and managers in the branches. Sometimes they have tears in their eyes as they accept this recognition — many have never been recognized before — and it is hard to describe how this deepens my own sense of responsibility.

RECOGNIZE THE TREMENDOUS VALUE OF WORK.

Work, all work, has value. It was a beautiful thing during the onset of COVID-19 when we celebrated our essential workers (in New York City, it was unbelievable to hear the sound of 1 million New Yorkers shouting thanks out their windows every evening at 7:00), including nurses, firefighters, emergency medical service staff, sanitation workers and police officers (although recently that spirit seems to have waned). They were always essential workers, and they appreciated our recognition. Along the same lines, some in society diminish “starter” jobs, such as cashiers, office workers, bank tellers, fast food cooks and others. These “starter” jobs bring dignity, provide security for many families and create a solid work ethic. Often, they result in better social outcomes in terms of reductions in drug use and crime, similar to outcomes we have seen from summer youth employment. For many, these jobs are the first rung on the career ladder, leading to bigger and bigger jobs. For example, more than 95% of Domino’s franchise owners started as delivery drivers or pizza makers. At JPMorgan Chase, about one-third of our branch managers started as tellers or personal bankers. I have expressed regret for many years in this letter that we, as a society, have not found a way to better prepare our young people for jobs, whether through conventional schooling or apprenticeships and skills-based training, which is more important today than ever before. Offering better training and getting more income to lower-paid workers would hugely benefit the economy, the individuals involved and social outcomes — and would help rectify income inequality. We must do a better job improving the outcomes of an education; i.e., that it leads to well-paying jobs. I also believe that we should immediately increase the minimum wage and the EITC to both entice more people into the workforce and to get more income into the hands of the lower paid.

NURTURE THE EXTRAORDINARY VALUE OF TRUST.

Trust is earned, given and received. To maximize human creativity and freedoms — which are the greatest gifts of capitalism — trust is essential. We must make it safe to argue, disagree and challenge each other while continuing to dig deeper in areas where we’re not doing as well as we’d like. It must be okay to fail or make mistakes. Trust is the force multiplier that gets the best out of everyone. You do not earn trust if you finger-point, don’t admit to your own mistakes or don’t share the credit.

COMBAT THE ENEMY WITHIN.

While trust is the force multiplier, a workplace cannot devolve into excessive, feel-good collaboration and bureaucracy. I have seen work environments in which everyone is so nice to each other and so collaborative that it slowly creates crippling bureaucracy as everyone’s opinion is sought out — and everyone has a veto. The other disease that arises from within is a workplace completely run by corporate headquarters: It is very easy to be critical of people in the field for their failures when you don’t walk in the trenches with them. Very often, the enemy within fights change, resists making bold decisions and balks at investments that are hard, such as growing the salesforce. When the enemy within takes over, energy and creativity wither quickly ... although it may take decades for the company to die.

DRIVE HIGH PERFORMANCE, THE RIGHT WAY.

So how do you drive high performance while creating a safe workplace that values relationships built on trust and respect? The best leaders treat all people properly and respectfully, from clerks to CEOs. Everyone needs to help one another at a company because everyone’s collective purpose is to serve clients. When strong leaders consider promoting people, they pick those who are respected by their

colleagues and ask themselves, “Would I want to work for him? Would I want my kid to report to her?” We must strive for continuous improvement, set high standards and emphasize the negatives when we observe them but always remember to make life fun. When I travel around the world and see our people and our company in action, I love it. And you must make it fun — not only because it has a positive effect on retention, attitude and the overall culture of the company but also because it leads to sharing and truth-telling. I’ve enjoyed the show “Ted Lasso.” He tries to get the best out of everybody, and he displays great gratitude. While I could get a little better at showing more gratitude on a day-to-day basis with my management team (I did give them biscuits in little pink boxes this year), they do know how much I trust, respect, appreciate and admire them. Three additional things: You don’t create a winning team by pandering to individuals. You must deal with conflict immediately, directly and forthrightly — problems do not age well. When people cannot do their job, they should not have that job. We should either work with them to find another role where they can thrive or ask them to leave. Just do it respectfully to everyone involved — do not embarrass people who have been working for the company. Bring energy and drive — not just every day — but to every meeting and interaction. Finally, sharing credit, recognizing the contributions of others, and not casting blame or finger-pointing all are critical to earning trust.

RETAINING TALENT IS IMPORTANT AND SO IS LIFE OUTSIDE OF WORK.

Retaining your best talent is essential. In addition to being treated with enormous respect, what people want most is a challenging job with meaningful work. All companies have turnover in staff, and all turnover is not necessarily bad. People seek out new challenges, may find outside advancement opportunities or may just want a change in lifestyle. Sometimes good people leave because they are getting a better opportunity or increased compensation at another company. You should not be angry when someone receives a higher compensation offer from another company. No one likes to feel they are being taken advantage of — everyone wants to go home each day thinking they are treated fairly and equitably. And everyone has their own needs in terms of family, income, work-life balance and other factors. But turnover can be bad, too. It is bad when inefficiency or bureaucracy or ineffective managers drive out good talent. It is still true that most people leave their job because they don’t like their boss. We also recognize and ask our employees to take care of their mind, body, spirit, soul, friends and family. While we do what we can to help them, we recognize that these are the most important things in their life, and we try to constantly remind them to give the needed time and attention to what they cherish most.