

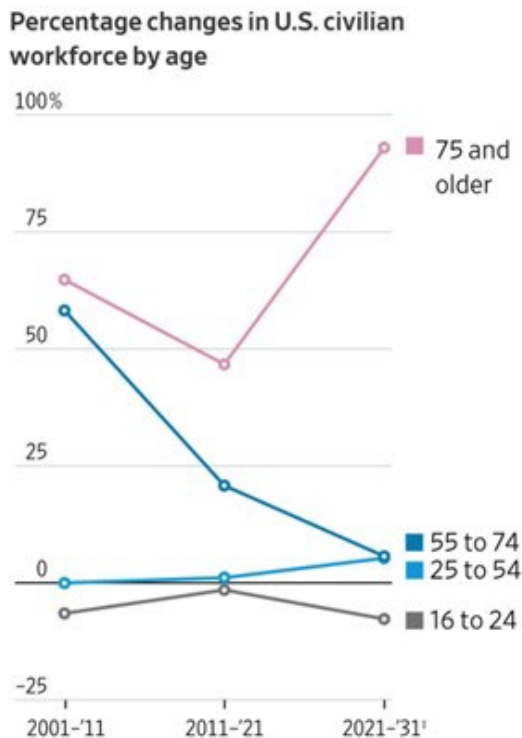
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Musings

#220: Musing April 22, 2023

Tough time to be in the deal business. Rising rates have disrupted the credit markets and stalled most mergers & acquisitions. Investment banking revenue at big banks down over 20%. Residential home purchases are forms of a leveraged deal and they continue to decline in volume and price. We need to get past the Fed raising rates period as quickly as possible so commerce can start again.

We are desperately in need of more kids and immigrants to expand our workforce. With our population skewed to older Americans, our economy is increasingly dependent on workers in their 70s and 80s.



^{*}Asked, Realistically, at what age do you expect to retire? ¹Asked, How old were you when you retired?

¹Projection

Sources: Employee Benefit Research Institute (retirement); Labor Department (workforce)

Looking at this on a job specific level, we are headed into a nursing crisis. Just as nurses take on more of the primary care role in today's healthcare system, we don't have enough. Scary study published this week ([research-projects-significant-nursing-workforce-shortages-and-crisis](#)):

1. Approximately 100,000 registered nurses (RNs) left the workforce during the COVID-19 pandemic in the past two years due to stress, burnout and retirements.
2. Another 610,388 RNs reported an “intent to leave” the workforce by 2027 due to stress, burnout and retirement.
3. 188,962 additional RNs younger than 40 years old reported similar intentions.
4. Altogether, about one-fifth of RNs nationally are projected to leave the health care workforce.
5. A quarter to half of nurses reported feeling emotionally drained (50.8%), used up (56.4%), fatigued (49.7%), burned out (45.1%), or at the end of the rope (29.4%) “a few times a week” or “every day.”
6. These issues were most pronounced with nurses with 10 or fewer years of experience, driving an overall 3.3% decline in the U.S. nursing workforce in the past two years.

While I sympathize with the difficult work conditions of many nurses, I fear we are also getting soft as a country with people lacking grit. The CEO of MillerKnoll is in the middle of a social media firestorm after she told complaining employees to leave “pity city.” Meanwhile, some employers continue to expand time off for their employees. *“employees at NerdWallet get unlimited paid time off, eight hours per quarter of paid time to do volunteer work and a five-week sabbatical after five years on the job. Executives were concerned it isn’t enough, said Ms. Luque. So NerdWallet recently began offering four self-care designated days each year. The idea is that the entire company stops working on the same day to make sure everybody feels they can fully disconnect.”* I would love to compete with these guys because clearly they have too much margin to afford these kind of benefits. As parents, we need to toughen up our youth.

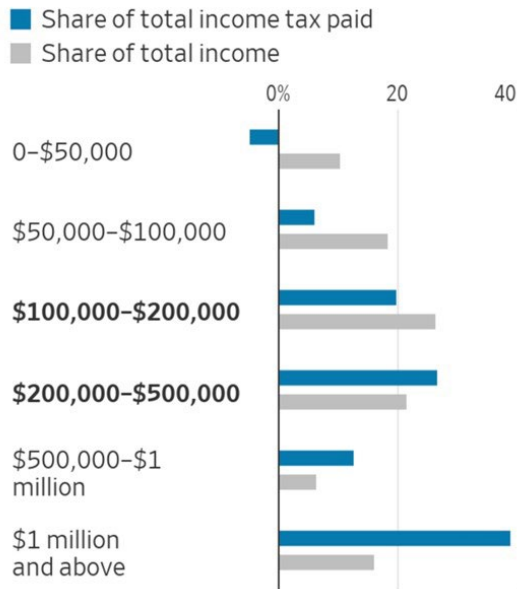
Is phone-based customer service going to die? I am amazed how our children are so reluctant to call a customer service number. Many big tech companies don’t even really offer it. Ever try talk to someone at Amazon or Facebook? It is almost impossible.

Good quote from Elon Musk: *“Success can’t just be about solving problems, some things must inspire you.”*

The development of the litigation finance industry is fascinating. Historically, individuals or smaller companies were at a disadvantage suing larger entities due to the expense of long and extensive litigation. Plaintiff lawyers were a financing source as they operated under a contingent fee model where they were not paid for their work until a positive outcome was achieved. Then third parties entered like billionaire Peter Thiel financing the lawsuit by Hulk Hogan which brought down Gawker Media (Gawker had outed Thiel earlier so he had an axe to grind). Then entities set up litigation finance funds (like private equity funds) where a set of managers raised capital and then pursued an investment thesis of picking good lawsuits and bankrolling them in exchange for a percentage of money received. The recent lawsuit with Fox News turned Dominion into a litigation finance play. Staple Street Capital paid \$36mm for 76% ownership of Dominion in 2017 and now will receive almost \$600mm from the Fox settlement. 16x your money in 5 years is a pretty good investment.

I hate mid-April when we pay large amounts taxes into a government that I consider dysfunctional. I have no problem paying my “fair share” but that term has no definition. Most people don’t realize how progressive our current tax code is with millions of people having “negative taxes” as they get a check back without paying taxes due to credits (childhood tax credit). Roughly 50% of Americans do not pay any federal income taxes. Million dollar earners pay almost 40% of all taxes collected. The following shows share of all income compared to share of taxes paid.

2022 tax estimates, by income



Source: WSJ analysis of Staff of the Joint Committee on Taxation JCX-14-22 data

So our federal tax system serves as a massive wealth redistribution system. This is not inherently wrong as a well-functioning society can only have so much disparity amongst its members and the knowledge economy is eroding the earnings power of the many. We must support those in need of food, housing and healthcare. The challenge IMO is the waste and inefficiency of government and the danger of lost work ethic when things are given away. I support the concept of requiring something of those receiving entitlements like the newly proposed Republican position on Medicaid where those under 55 *“need to work, enroll in job training or volunteer 20 hours a week. The rule wouldn’t apply to the disabled, parents with dependent children, pregnant women, or those in drug treatment.”* There is also some level of taxation which will take away the incentive to innovate and build businesses (although I don’t think we are near that at this point).

So much for the “Champagne of Beers” in Europe. Miller high life is going to need a new slogan as only products made from grapes in the Champagne region of France can use the term. *“At the request of the trade body defending the interests of houses and growers of the northeastern French sparkling wine, Belgian customs crushed more than 2,000 cans of Miller High Life advertised as such.”* <https://apnews.com/article/champagne-beer-intellectual-property-belgium-miller-09f27ee4a921c66e9605893c51fb9b91>

RIP the presidential aspirations of Ron DeSantis. He has gotten petty and puerile in his fight with Disney and a 6 week ban on abortions is out of sync with the majority of Americans.

Jml