

## J. Michael Locke

### Musings

---

#### #248: Musing January 21, 2024

A lot of our economic health is a psychological question. Consumer spending makes up over 65% of GDP so basically consumers feeling good and spending means healthy GDP growth and vice versa. US consumer sentiment just made its [biggest two-month jump](#) since 1991, up 29% since November (University of Michigan). I don't see a recession coming.

Competition is good. It brings a healthy intensity to a business as you fight to take market share or survive. Consumers also benefit as companies are forced to innovate and keep price down to win business. This is the basic underpinning of our antitrust law. While I don't agree with some of the new thinking out of the FTC, I like the judge's decision to stop the JetBlue / Spirit Airlines merger. According to Morning Brew: *"Since 1960, four of the biggest carriers (Delta, American, United, and Southwest) have collectively acquired 36 other airlines, according to Axios. Those four airlines control two-thirds of domestic air travel, according to the Bureau of Transportation Statistics."*

You should also worry if you don't have competition. When I hear "we are the only one x or y", I wonder why noone else is doing it. It might be a sign of a lack of depth of the market or the ability to make good profits doing the service.

Some fall into this trap due to "strategic myopia" according to Rishad Tobaccowala: "Strategic myopia is some combination of short-sightedness, long-sightedness or being blind to reality.

**Blind to Reality:** *How many times have we all experiences where our firms or our customers seem to exist in a fairy land disengaged from reality. Nobody calls out the ["turd on the table"](#) because either we do not want to acknowledge the pain that we are on the wrong track or somebody is terrifying or being terrified. Everyone pretends that the brown moist thing in the middle of the table is a brownie when it is a piece of waste. The problem will solve itself. The issue will dissolve. It is just a short-term hiccup. But we all know that the issue is real but to confront it means taking on challenges that will be hard to resolve.*

**Short-sightedness:** *This is a focus on the short term. Results must be delivered this quarter or this year. Either because the urgent crowds out the important, or there are mis-aligned incentives, or short tenures or a focus on the scoreboard of a stock price (even though in reality markets punish companies for not preparing for the future.) Too many executives align the way they allocate their time with the way they allocate their budgets. Most companies allocate 90% or 95% of their budget on the coming year but that does not mean senior executives should allocate their time that way. The smart ones allocate a quarter of their time to tomorrow, delegating some parts of managing today to their teams. The future cannot be delegated to an innovation group or a futures group (both of which may be important as focal points) but needs a lot of time and commitment of senior management since only they have the expertise to make hard calls, see the patterns and most importantly by doing so signal to the company that the future is important.*

**Long-sightedness:** A form of myopia is long-sightedness which is not being able to see things clearly that are near. We all have heard the refrains of “this will not happen till I retire”, or “this will happen many years from now so we will worry about it later” only to realize later that 1) change often scales exponentially and what looks like a gradual slope suddenly goes vertical and 2) it takes time for organizations to change (often years) and so waiting is not a form of maximizing strategic options but kicking the ball down the road.

Good leadership is often very similar to being a good parent or friend. I wrote about the need for high emotional intelligence last week (which is also growing as the workforce increasingly has authority-resistant millennials.) I heard a good sermon this week where the pastor boiled it down to three things one needs to do to support another human being. Tell them (and support it with actions) that “I am **for** you, I am **with** you, I **believe in** you.”

I hope the Supreme Court overturns Chevron. This is an older decision which led to the “Chevron deference” doctrine whereby federal agencies are given wide latitude in applying laws passed by Congress. I have personal experience with this where the federal bureaucrats took language from a law passed over 50 years ago and used it to justify new regulations which had tremendous economic impact. This is the “legislating” being done by the executive branch in today’s world (both Democratic and Republican) where Congress doesn’t pass anything so administrations implement their policy objectives from the federal bureaucracy with no accountability. Overturning Chevron would stop that.

Another stupid rule from the government. The Federal Highway Administration published new rules prohibiting states from using humorous highway signs with pop culture references that could require people to think. Your tax dollars at work.

Most people would consider me more elitist than populist but even I roll my eyes at the gathering in Davos. The ultra-rich flying to Switzerland to discuss the world problems is a waste. I think there are probably 100 people just as talented as each individual in Davos and we should be “crowd sourcing” more than looking to global elites who spend their cocktail time “windexing” as explained to the WSJ by Anthony Scaramucci (Trump’s 30 day press spokesperson and hedge fund guy) “Say you are chatting with someone interesting, but notice out of the corner of your eye that the British prime minister or a well-known billionaire-entrepreneur walks into a room. You may suddenly feel the urge to move on, and look past the person you’re talking to “like he’s a sheet of glass,” Scaramucci said. “Don’t be that person.”

Concurrent with the elite gathering in Davos, the nonprofit Oxfam releases its annual report on global wealth. The amount of money accruing to a small group of individuals is simply stunning. “The world’s five richest men have more than doubled their fortunes from \$405 billion to \$869 billion since 2020—at a rate of \$14 million per hour— while nearly five billion people have been made poorer, reveals a new Oxfam report on inequality and global corporate power. If current trends continue, the world will have its first trillionaire within a decade but poverty won’t be eradicated for another 229 years.” From Yahoo Finance on Bezos: “Jeff Bezos saw a massive increase in his net worth from \$107 billion in early 2023 to \$177 billion a year later, marking a \$70 billion gain, according to Fortune. This equates to an increase of \$191,780,822 per day or about \$7,990,868 per hour”

My distaste for “arrogance of the elite” seems to be common according to Peggy Noonan and recent polls. From Noonan: “the distance between the elite and non-elites has widened, the estrangement deepened.” This is why Trump is winning (although it is so ironic that the warrior for the common man

lives in a gilded gold apartment on 5<sup>th</sup> avenue and was born into wealth).

The elite tend to love electric vehicles to the point that California is mandating their adoption and the federal government is massively subsidizing it. I love my Tesla but most consumers are not getting on board with decelerating EV sales growth. The headwinds facing electric vehicle adoption got stronger with the cold weather. Lithium batteries degrade and have less capacity in cold weather. According to AAA, they lose over 40% of their capacity when temperature falls under 20 degrees. In addition, the process of recharging involves a chemical reaction in the battery which is much slower in cold temperatures. Enter "Tesla "graveyards" where Teslas were running out of charge while waiting to recharge in lots outside charging stations.

Good quote from Gary Brecka. "Aging is the aggressive pursuit of comfort" (thanks John Carolan).

RIP Naomi Feil who was an American [gerontologist](#) who developed [validation therapy](#) (holistic therapy that focuses on empathy and provides means for people with [cognitive deficit](#) and [dementia](#) to communicate). (Wikipedia). Dementia is a terrible disease as we experienced firsthand with our mom. The loved one is still there and Naomi Feil helped teach people how to connect. One technique is "to meet them where they are" and not to correct them. Music is also a way to unlock memories for those suffering from dementia --- it utilizes different parts of the brain. Watch this video: <https://youtu.be/fyZQf0p73QM>

jml