

## J. Michael Locke

### Musings

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#### #260: Musing April 28, 2024

Initial estimate of first quarter GDP came in at 1.6% growth while inflation was higher at 3.7%. These numbers often get materially revised so need to be careful but looks like things are slowing down but inflation stuck so rates will stay higher for longer.

Great quote from Professor Jeremy Siegel at Wharton reminding us that the Fed left the punch bowl at the party way too long with low interest rates and the belief that inflation was “transitory.” For those lauding Fed Chairman Powell now, Siegel says *“Giving Powell a Nobel prize would be like giving the prize to a drunk driver that ran over a pedestrian but got him to a hospital in time to change his life”*

An underappreciated skill is communicated with brevity. Too many professionals created volumes of powerpoint and long emails/memos. Jamie Cowie shared the saying – “I would have written you a shorter letter if I had more time.” This is especially true with the rewiring of our kids brains thanks to technologies like TikTok and Twitter. Their neural pathways are literally are developing differently and their content consumption patterns are in smaller “bites” like 20 second videos or 140 characters (or one page musings). This is not healthy but a reality so don’t communicate with 50 pages of powerpoint. I also think we will see things like classes reduced from their current hour to 30 minutes or so. Ted talks are a maximum of 18 minutes long but many are less than 10 “in order to uphold Ted’s celebrated format of concise and enlightening talks.”

Great quote from executive Don Doctor: “to understand someone else is wisdom, to understand yourself is true enlightenment.”

Don’t send your kids to the “Communist Coachella at Columbia” or many other elite institutions which I believe have lost their way. Based on our country’s history, most of these are older institutions in the Northeast. Even as a graduate of one, I think the days of the “Ivies” are over (as I write this is beautiful from beautiful Oxford, Mississippi and the thriving campus of Ole Miss where the freshman class is up 20%). Our daughters (TCU / Ole Miss) are not an anomaly. From the Free Press: *“An unprecedented number of students are gravitating away from Ivy League universities and looking to Southern colleges that wouldn’t have been on their radar twenty years ago. The exodus is fueled, sources told me, by warmer weather, great college sports, and a more relaxed atmosphere, which stands in stark contrast to the Covid restrictions many Northern universities put in place from 2020–2023. Elite colleges in the North often had the strictest Covid policies—from requiring students to wear masks [at all times](#) to [limiting gatherings](#), inside and out, to five people—while Southern universities from [Florida](#) to [Alabama](#) to [South Carolina](#) allowed students to congregate in large groups, neither masked nor socially distanced.”*

All colleges are going to suffer this year from the government’s incompetence with the new FAFSA roll-out. As I have previously written, this is the federal form families fill out with income information which determines their level of “need” and thus eligibility for federal government grants and subsidized

loans. Congress passed a law years ago to simplify this form especially to help first generation college aspirants. The Department of Education (specifically, the Office of Student Aid or FSA within the DOE led by Richard Cordray of CFPB fame) botched the software rollout leading to delayed and now wrong analyses families. Schools use the EFC (expected family contribution) metric to determine their aid packages so students don't know what money they are getting and the traditional deadline for committing is this week. Many schools are pushing their deadlines. It is a mess. Thanks government.

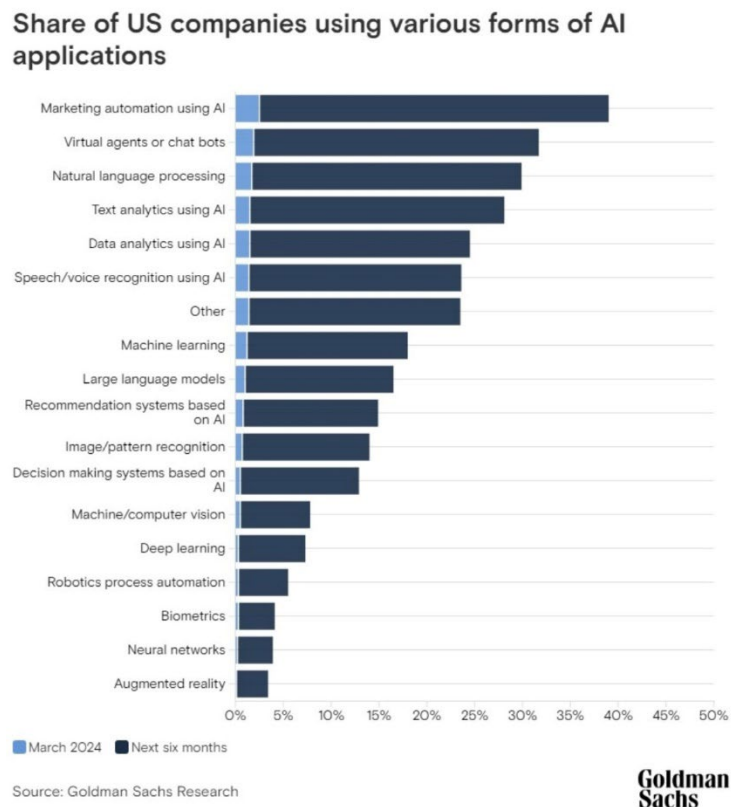
As a society, we have to figure out how to embrace the great development of equal opportunities for women in the workplace while at the same time encouraging women to have more kids. This is part of why I support the movement to remote and hybrid work. I don't think it benefits the employer but it makes family management easier. The federal government reported last week that the average number of kids born per woman (the fertility rate) dropped to 1.62 in 2023 which is the lowest since the government started tracking in the 1930s. The "replacement rate" to maintain our population size is 2.1. Only immigration right now is saving us from a dangerous decline in our aggregate population. It is dangerous because economic growth depends on the size and productivity of your workforce. One newer savior may be the productivity gains coming from AI.

Speaking of remote work, congrats to my friend Joe Brady and the upcoming publication of his new book: "Work Shop – the consumer-centric reshaping of commercial real estate." Here is a quick summary: *"The book delves into the migration of "shop" and "work" from nouns to verbs, illustrating how these activities are no longer tied to specific places but have become fluid actions that can be performed anywhere. The rise of e-commerce has revolutionized the retail industry, allowing consumers to shop from the comfort of their homes, while hybrid work models have blurred the lines between the office and the home, enabling people to work remotely. The author argues that e-commerce and hybrid work are two sides of the same coin, both driven by the demands and preferences of the modern consumer. As technology continues to advance, consumers are increasingly seeking convenience, flexibility, and personalization in all aspects of their lives. This shift in consumer behavior has far-reaching implications for the real estate industry, forcing developers, investors, and businesses to adapt and innovate to meet the evolving needs of the market."*

Along with consuming content differently and working from home, the younger side of our workplace doesn't want a boss. They have grown up as kids who negotiated with their parents and got timeouts instead of spankings. Technology has allowed them to get things exactly like they want (I wasn't allowed to special order food as a kid). The result is they don't like being told what to do and these folks have the leverage. The aforementioned decline in the volume of workers is giving talented employees the power to work how they want. The military model of leadership is gone and we now live in the "debossification" era. From Rishad Tobaccowala: *"In many industries particularly "White-collar" ones the era of "bosses" is in decline. There is a rise in the need for leaders, guides, coaches, mentors, role-models, creators, and builders. Less of a clamoring for bosses, managers, controllers, monitors, evaluators, and paper pushers. This shift has been driven by changing demographics, the spread of technology, the rise of unbundled and distributed work, new behavior expectations, and a re-definition of what "work" is including the rise of fractionalized and free-agent talent who work for themselves or at multiple jobs and are expected to comprise most of the work force in the US by the end of the decade. Once upon a time a manager controlled the flow of information, access to opportunities and was a font of expertise and craft. Today the half-life of knowledge is growing shorter and shorter and the "way of this is the way things were done" is often the opposite of what needs to be done as new competitors and customer expectations do not care a fig about the way it was or is. AI will turbo-charge this change in ways deeper and faster than anyone of us can even comprehend as the cost of knowledge goes to zero*

*and enables talented individuals to combine, re-combine, scale and re-invent in new ways. Talent can find information, opportunity, and knowledge at a click of a mouse, a sharply written prompt or the pinch of a finger. The unbundling and distribution of where and when we work has just begun and culture, teams and excellence will need to be cultivated across time and space with limited in-person interaction as the age of AI, Web 3, XR will make working anywhere and everywhere increasingly the default state in white collar industries making old-fashioned monitoring, controlling, and overseeing difficult.”*

Get smart on AI! It is about to drastically change many job functions. Interesting chart from Goldman Sachs:



With the boom in datacenters to support AI and the growing volume of electric cars and other electric products (lawn equipment etc.), the demands on our electrical grid are growing and it may not keep up. I like this note from Scott Galloway on our underpreparedness. *“One of the looming threats to our economy that doesn’t get enough attention is the [state of our electrical grid](#). The average transformer is 40 years old; moreover, our grid was built for a more stable climate and a world run on fossil fuels. The massive [Texas blackouts in 2021](#) cost the state \$90 billion and killed 240 people. Since then, the state has mainly built additional natural gas backup generators, doubling down on the system that didn’t work in 2021”* Get your natural gas powered generator.

Hotty Toddy

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