

J. Michael Locke

Musings

#261: Musing
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Happy Father's Day

I am back. Just got consumed in personal and professional things. Congrats to our daughter Cate on her college graduation from TCU (awesome school — I am a 10 on Net Promoter), to our son Graham on his high school graduation (off to DePauw) and our nephew Andrew (off to Ole Miss). RIP my mentor Bob Craft. Nothing in life like fighting a 130lb Tarpon and watching it get eaten by a shark or hearing a loon call at sunset in Northern Minnesota. Now to the point of the musings:

I never had a chance to write about the FTC and noncompetes. Roughly 20% of workers are subject to some kind of noncomplete which limits the employee's ability to work for a competitor of their current employer. For senior people and those receiving free equity via options etc., these make a lot of sense. Courts have always been wary of limiting labor mobility and have tried to keep these limited in their scope (geography, time, definition of competitive). The FTC decided (which means Lina Khan decided) these held back wages and passed a rule making them illegal across the board. It is unclear to me how a federal agency with one powerful person uses executive action and rewrites a rule across the whole economy. Whether you like them or not, this is about decision rights. This action is for Congress and not Lina Khan.

Inflation is killing consumers. It does not mean the economy is bad (to the contrary, it means too much demand against supply). American house prices are up 47 percent since the start of 2020. Most homeowners have a cheap mortgage so can't afford to move leading to a major shortfall in "for sale supply" which props up prices. Grocery bills are crazy. Higher rates should slow down the economy but inflation stuck at 3% plus due to housing and labor. The structural shortage of people in the labor market will keep wages up. I am not sure we will see even one cut this year.

Ai and LLMs are going to drastically change the search market. Google has over 90% share and delivers you links to relevant sites. That's changing. Search in the future is going to give you answers. Marketers need to learn the new skill set of how to optimize their websites for the LLMs and not for Google search engine. Article here: [how-marketers-can-adapt-to-llm-powered-search](#)

I have written about supporting remote work due to the benefits for family management not the employer. I share the view of many that it also hinders professional development. Good article in WSJ from the guy who reversed the downward path at IBM a couple decades ago and was very successful. (thanks Dave Galliher). [we-need-leaders-so-get-back-to-the-office-remote-work](#)

There is a discussion in higher education about "flipping the classroom" where content transfer happens outside of the classroom (read lecture notes, read the book, watch a video) and classroom time is an exchange between people who have already absorbed the material. I think business meetings should be

the same. Presentations should be sent early and even emails can lay out positions for one on one meetings. Attendees then enter the meeting having absorbed the relevant content and you discuss, debate and decide.

The recent earnings season was all about capex for big tech (Meta is going to spend \$35 - \$40 billion on Capex this year!). Accounting reminder — Capex goes onto your balance sheet and is not on the income statement. It is then “amortized” across the useful life of the asset conceptually to match it up with the revenue it supports. However, the cash flows are not matched — Capex is cash out the door now. Increasingly, Capex is not hard assets like machines (thus the term capital expenditures) but more commonly now is labor expenses which go into developing a product for the future like AI. Start your review of financials on a tech company with the balance sheet and look at how much software development is capitalized (thus leading to higher profits). Easy to lose sight of this major expense especially as the private markets have historically traded on EBITDA which does not factor in capex. Warren Buffet once said *“Does management think the tooth fairy pays for capital expenditures?”* It is even worse with “adjusted ebitda” where nonrecurring charges are taken out. Important in today’s world of high interest rates to focus on actually cash flow. There is a lot of room between adjusted ebitda and free cash flow.

I have never seen a formal study but anecdotally I think business leaders are usually not the front row A students from college. Why is that? One theory is that A students are usually anxious people who over study and over prepare. Leadership invokes motivating a team, taking some risk and being someone people want to follow. These people are more likely to be their sorority recruitment chair than valedictorian. I also think most business leaders are not from the nation’s “top schools” so parents should let their kids pick the school they like and have fun. People also follow positive people. The field of positive psychology is booming (our daughter Cate’s focus of her Masters work). Interesting article on the “macronutrients” of happiness describing how happiness is not a state you arrive at, but a way of living. [arthur-c-brooks-the-3-macronutrients-of-happiness](#)

I am no health nut we could all eat better. According to the New York Times, 67% of calories consumed by children and teenagers in US is ultraprocessed foods. Some folks gave Michelle Obama a hard time but she was right to try and get healthier food served at schools.

The rates of breast cancer among young women are rising. Insurance policies need to change to cover mammograms earlier. Since most young women do not get regular mammograms, the tumors get diagnosed later in their development. Rates are materially higher for young black women. Interesting report for Washington University’s cancer center (which is rapidly becoming one of our nation’s best). [breast-cancer-rates-increasing-among-younger-women/](#)

Kids with ADHD is also way up. Some of this is the changing scale of diagnosis and some of it is due to technology and the rewiring of our kids brains. I share this author’s view that we are too quick to apply a pharmaceutical fix. An interesting excerpt from Morning Brew:

*“One in ten American kids has an ADHD diagnosis: We knew ADHD diagnoses were being handed out freely these days, but a new study finds that more than one in ten Americans between the ages of 5 and 17 have been diagnosed with the condition. To us, at least, that’s a shockingly high figure. Abigail Shrier, whose new book *Bad Therapy* is about what she sees as the pathologization of ordinary childhood behavior, thinks the study shows that we’re too quick to diagnose the disorder. Here’s what Abigail told us: *We should be asking what’s in American kids’ environments that’s making them so hyperactive? Are**

they spending too much time on the iPad? Is their classroom cluttered and filled with distraction? Are they eating two Krispy Kreme doughnuts for breakfast? Instead, we hand them a diagnosis and put them on speed. But handing kids a diagnosis for a mental disorder is not a neutral act: it's telling a child there's something wrong with his brain, something he can't fix on his own."

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