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Musings

#268: Musing November 23, 2025

Markets are showing their fragility. Material losses most days this week as investors worried about the AI trade and even good Nvidia earnings couldn't settle things down. Folks are looking for a reason to derisk and take money off the table. Risky things like Bitcoin have really sold off. I would not be buying or selling anything right now. Be diversified, sit tight and turn off CNBC.

The delayed September jobs report showed decent hiring in the private sector with unemployment rate moving up slightly to 4.4% with the biggest weakness among young people at 13.2%. An overall challenge we have is a lack of workers. Only 62.4% of eligible folks are trying to work (labor participation rate). As a country, we have 163 million people working to drive GDP to support themselves and the 180 million people not working.

One way to grow the workforce is immigration. Can we have a rational conversation about immigration please? We can't have an open border nor can we deport 11mm plus people who did not come here legally but are mostly integrated into our society. We need legal migration to offset declining birth rates and still have population growth which is a necessity for GDP growth (absent a sustained increase in productivity). Our labor shortage is a real risk. Ford CEO just commented how he has thousands of unfilled mechanic jobs paying over \$100,000 a year. Lets have a rational legal migration system which prioritizes skills and filling jobs (yes, H1B is part of this). Our higher education system also deserves criticism for failing to create the right labor pool despite billions and billions of dollars spent. According to NFIB, 32% of small businesses have jobs they can't fill.

Unclear what Fed should do. Here is how a Goldman Sachs economist describes the situation: *"The labor market is weak, with hiring at "stall speed," but it's unclear whether that weakness is cyclical or structural. [He] also points to "matching issues," where college graduates struggle to find jobs while other positions remain unfilled. "If it turns out that a lot of this weakness is matching related, I don't know that monetary policy is the tool to deal with [it]."*

I have never understood retailers who understaff their checkout lanes. Customers are literally trying to spend money. You have attracted them and they want to buy something. Dick's Sporting Goods has been replaced as the worst in my opinion by Target. Sometimes business is pretty simple – make it easy for the customer to spend.

Remember all of the talk about the investors who gave Musk money to buy Twitter. He way overpaid and lots of people wrote about what a bad investment it was. Not looking too bad now. Twitter (now X) has a 25% position in Musk's startup xAI. xAI is currently raising money at a \$230 billion valuation meaning the 25% stake is worth almost \$60bn. I think the investors put in around \$33 billion to buy Twitter so they are doing ok.

Lots of positive commentary about the latest AI model from Google called Gemini 3. From the WSJ: *“The release of its latest AI model this week dazzled users who praised its intelligence, accuracy and creative capabilities. On Thursday, the company said Gemini 3 would power a new version of Nano Banana, a popular image-generation tool that has already driven rapid growth in Gemini usage this year.”*

While I believe in the potential of AI, it does not eliminate the role of people. The “magic” is the combination of people and technology. Even Palantir deploys people to help clients use their technology. From one of their executives: *“Further, when innovating in emerging technology applications, often the customer doesn’t yet have a conceptualization of how they will work in the future, so by being one of them, you can establish the first patterns for doing that work excellently.”* On the education side, it is about “owning your learning” (or co-constructivist to be fancy). YouTube or an LLM provide endless amounts of knowledge but the individual must own their learning expedition and interacting with these technologies. Too many data people look at only the numbers the technologies now provide. You have to combine this with conversations with the people running the business processes. Looking at the data alone (without talking to the people) can give a false impression and bad decisions can be made.

You should always be hiring salespeople. Unfortunately, turnover rates of sales professionals are much higher than other jobs. Add to that the inherit risks you take anytime you hire a new person and almost by definition, you will lose 25%+ of your sales team every year. As such, good sales execs are always in the labor market hiring so they are never shorthanded.

Being fully staffed in sales is also paramount because most business comes down to driving revenue. Yes, you have to manage expenses but at the end of the day you grow profits by growing revenue. I am a fan of investing in the front end until you have materially deterioration in your CAC (client acquisition costs). Basically, you should look at your CAC against the revenue generated. Really you should use gross margin generated not revenue. To maximize profits, you would keep investing and take the deteriorating CAC as long as below the year one gross margin it generates (some take the LTV approach). If you think you need 4 sales people to hit your numbers, I suggest you hire 6. You also need to be looking at next year needs as it takes awhile to ramp a rep up to full productivity. I am a big fan of forward organizational planning overall where you build org charts for each quarter out a year or two to understand the talent you will need. It is like running a professional sports team and having depth charts and a minor league where folks are training for future needs.

Speaking of sports teams, I also think it is healthy to create rivalries to motivate the troops. If you hire right, you should have a lot of competitive people who want to win and beat the competition. Call it out. Lean into it. Rivalries are a core part of human behavior – see century old things like the Monon Bell (congrats DePauw) or the Big Game in California.

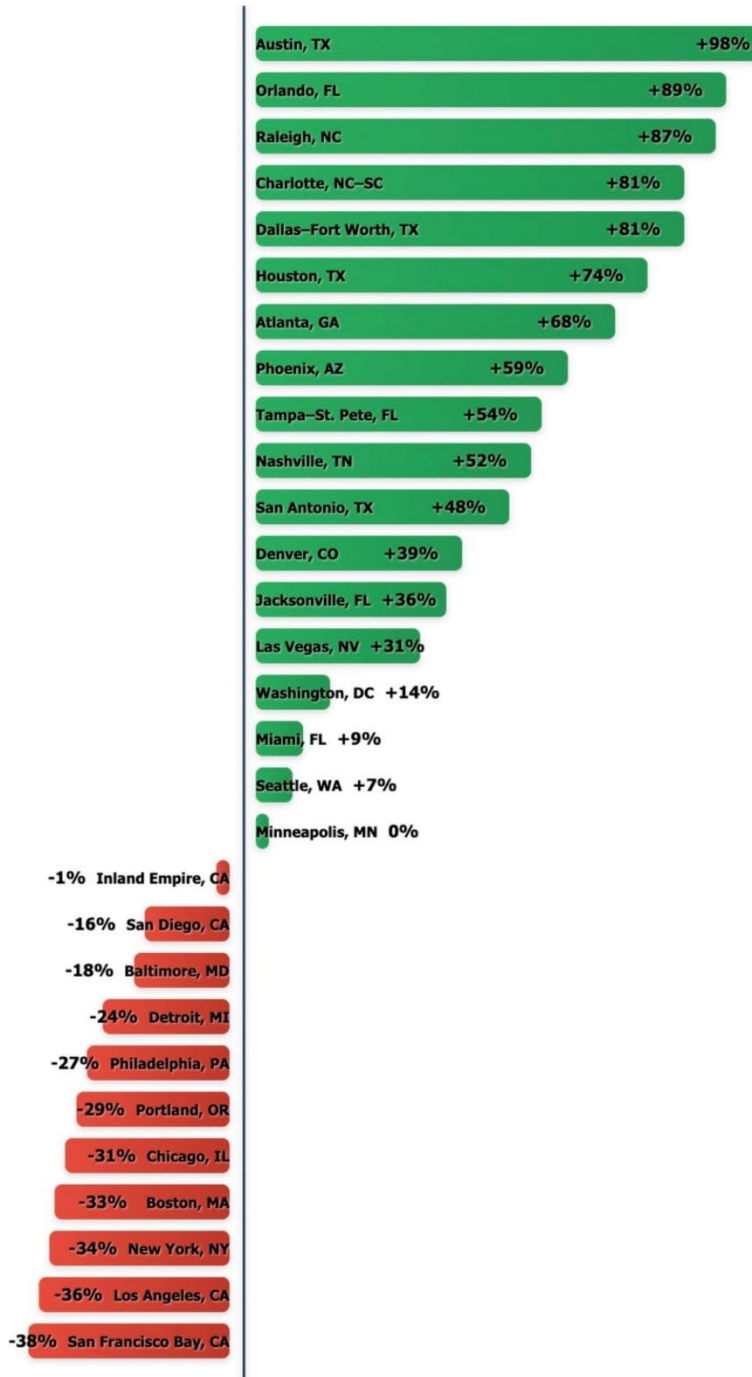
Celebrities are starting to understand the value of their ability to drive demand. Whether it is Kim K with her underwear or her sister with her makeup or Mr. Lively and his cell phone, gin and soccer team, these celebrities are taking equity positions in the companies whose products they are promoting and effectively driving business at a low CAC. Buc-ee’s gets the game as well using 100 gas pumps to drive demand into its general Walmart-like store.

These celebrities also understand that “information is the new oil and attention is the new economy” (thanks Philip Verdova). With so much content in your hand via the smartphone, the challenge is

separating out the message amidst the sea of content. This is also why “curators” or gaining more power either as individuals or in the form of an algorithm. We need more good curators vs listening to “random Joes” venting online who get coverage in a way they never would have before Twitter, Reddit and comments sections.

This attention challenge is part of Trump’s success. He has no shame so any publicity is good publicity. My understanding is he learned this from some less than flattering events in Manhattan back in the day when he was taking his father’s Bronx real estate business into the city. Infamous Roy Cohn told him not to sweat the negativity because he was on the front of the paper and that is what mattered. Cohn’s mantra has been reported to be “never admit, never apologize, counterattack.”

The world is moving South. I continue to be surprised that more “blue city Mayors” don’t recognize that their policies are creating an exodus of people, employers and capital. The Mayor of Chicago is talking about charging employers a new tax based on their headcount. The Treasurer of Chicago is saying the city won’t buy any US federal debt (the most liquid and safe security in the world and a part of any portfolio) to protest Trump!?! Look at this chart showing the change in kids under the age of 5 from 2005 to 2024:



If you ever want a fascinating experience, go “church shopping.” (For my more religious readers, I hope my discussion of church like a consumer product is not offensive.) Our family church got very political over the last five or so years and drove us away. I am not a fan of the minister telling you who to vote for. As a result, we have been checking out a lot of churches of various denominations. Here are my takeaways. The nondenominational churches are booming because they are comfortable. You bring your coffee in. The music is uplifting (almost too rock). No politics. I do wonder where the money goes as there is no “systemic oversight.” You can still be “traditional” and successful based on leadership. A younger man took over a local Catholic church and it is packed including 7am mass with his inspiring

homilies. We need consolidation in the mainline churches. In our town of under 15,000, there are 6 or 7 protestant churches in addition to a big Catholic parish. I am sorry but there is not that big a difference between Presbyterian, Congregational, Methodist, Lutheran, Episcopal and Christian reformed. I am surprised that more churches don't offer services at times other than Sunday mornings.

I am stunned at how embedded remote work has gotten in many businesses. Sales people are not travelling. Executive teams are not meeting face to face. It is going to take a lot of "pushing" to get things back to where they should be. I am not saying 5 days a week in the office but a company with the CEO and top executives dispersed across the US will not be as effective as a company where those folks are together every day. It also "sterilizes" the relationships. True teams know the personal sides of their colleagues. I had an opportunity to dine with some key executives and their spouses this week just to get to know each other better. That doesn't happen on Teams. You should have met the spouse/partner of those you work closely with and know the names of their kids.

If you get together with people and build relationships, not only will your business be more effective but you will live longer. The key common elements of so called "Blue Zones" where people have longer lifespans are: 1) a predominantly plant-based diet, 2) regular low-intensity physical activity, 3) a sense of purpose, 4) strong social connections, and 5) effective stress management. I think intergenerational relationships are particularly rewarding as each party brings a different perspective to the table.

Scott Galloway is out promoting his book (Notes on Being a Man) about how our society is creating a generation of asocial, asexual young men with their smartphones in their parents' basement living off technology-driven Dopamine hits. Based on his interviews, sounds like a good read.

Lots of feedback on people who don't ask questions and the "McWeeny hello test." I was recently at a table with robust question askers and it was almost like tug of war for conversation control. On the hello test, some debate about whether the reluctant wave back after you acknowledge someone counts (I say no). Also, that some very kind people just simply aren't as "warm" when you initially meet them and might not say hello (I agree). Still no excuse for not having any interest in the other party you are talking to.

Happy Thanksgiving. Keep working through the holidays. Too many companies "take the holidays off" and basically have almost no productivity this week and much of December. You can get a step up on the competition by pushing for the next six weeks.

jml