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Musings

#228: Musing June 17, 2023

Inflation ticked down (CPI at 4%) and Fed held rates steady although it said rate hikes were not over. My M&A friends tell me credit availability is contracting post-SVB debacle so economy will continue to slow. Student loan payments about to restart and Medicaid eligibility being tested again with ending of Covid emergency which will put headwinds on consumer.

The Feds big challenge is the absence (so far) of the inverse relationship between interest rates and employment (the so-called Philips Curve). The structural shortage of labor has resulted in labor market staying strong even as Fed has raised rates. It is increasingly looking like we may see a soft landing where the economy stays decent even as Fed brings down inflation with higher rates.

Labor economists will likely have to rethink all of their models with the arrival of generative AI. No one knows but estimates are pretty large on the amount of human work the models can do and the resultant pickup in productivity. McKinsey put out a big report stating that over half of your job will get replaced. *“Generative AI has the potential to change the anatomy of work, augmenting the capabilities of individual workers by automating some of their individual activities. Current generative AI and other technologies have the potential to automate work activities that absorb 60 to 70 percent of employees’ time today. In contrast, we previously estimated that technology has the potential to automate half of the time employees spend working. The acceleration in the potential for technical automation is largely due to generative AI’s increased ability to understand natural language, which is required for work activities that account for 25 percent of total work time. Thus, generative AI has more impact on knowledge work associated with occupations that have higher wages and educational requirements than on other types of work.”* [the-economic-potential-of-generative-ai-the-next-productivity-frontier](#)

A specific example of this dynamic is the automated code that can be written with tools. You won’t need a software developer to write queries into a SQL database when instead the user can tell the AI model what it is looking for and the model will generate the query.

A challenge companies are having with deploying generative AI is where to start. It has applicability across the enterprise. Common design thinking is to start with a problem but that is not the case here. This HBR article suggests a framework on how to figure out the opportunities in your company. [discovering-where-chatgpt-can-create-value-for-your-company](#)

Watch for the development of a new type of “business analyst” who helps figure out how to use AI in business processes. I heard one education leader talk about the new field of “prompt engineering” which focuses on how to write your questions (prompts) for the AI model to get the best results.

I would not bet against Elon Musk. Tesla has doubled this year. Just cut a deal for GM to use Tesla chargers. I suspect the charging infrastructure will get spun off as a separate business. I would bet

Twitter starts getting traction.

New term for me — “bopis” which is the retail concept of a consumer buying online then picking up in the store.

If you wanted another example on how capital access can be the ultimate competitive advantage age, look at the golf tour merger. LIV was backed by the Saudi sovereign wealth fund and was paying huge fees to players and pursuing antitrust litigation. The PGA was not capitalized to compete in this arms race so threw in the towel and agreed to a merger.

Fascinating stat — mandatory retirement age for an E&Y partner is 60.

Sad stat: 41% of babies born in US are on Medicaid.

Interesting dynamic in college admissions around “structural racism” and “privilege.” Historically, colleges gave an advantage to the children of alums. This built loyalty and helped fundraising. Critics argue it perpetuates privilege. Amherst got rid of legacy admissions and saw the percentage of its incoming class from alum kids drop from 11% to 6%.

We need to figure out how to make our nations teachers happier. According to the AFT (not my favorite organization), teachers saying they are dissatisfied with their job has risen from 41% in 2020 to 74% in 2022. There is no way an educator is at their best teaching our young ones if they hate their job.

New term — “Micro kidnapping.” A friend headed to South America shared that there is a trend of criminals grabbing kids right off sidewalk with parents and then making parents go to ATM and give them money to get kid back. Crazy.

For those interested in a lifestyle which incorporates healthy eating and wellness, check out our daughter’s new website (www.cateintexas.com) and subscribe to her newsletter (sorry for the shameless parental promotion).

Happy Father’s Day. Lost my dad 14 years ago. Do my best to follow his lead.

Jml