

J. Michael Locke Musings

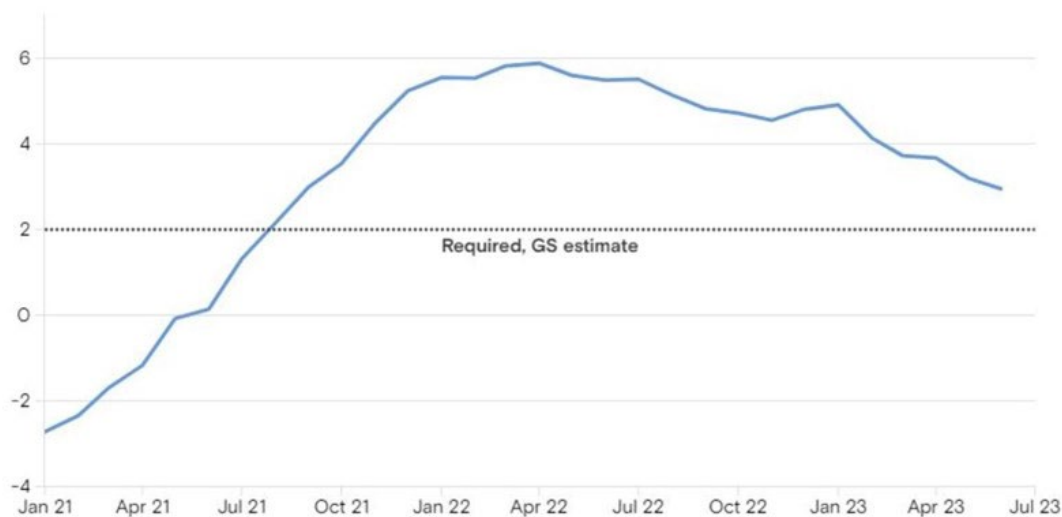
#230: Musing July 4, 2023

The US economy continues to chug along heavily bolstered by consumer spending which was up 4.2% in the first quarter. Higher rates are not getting in the way because we have such a structural shortage of labor that people are keeping their jobs and getting raises.

The structural deficit in labor is improving. Here is an interesting chart from Goldman Sachs tracking the number of open jobs minus unemployed people looking for work (jobs-workers gap). At one point we had two open jobs for every unemployed individual but now down:

The jobs-workers gap has fallen three-fourths of what's needed to be consistent with 2% inflation

Average US jobs-workers gap (millions)



Source: Department of Labor, LinkUp, Indeed, Goldman Sachs Research • Shows difference between the number of job openings in the prior month and unemployed workers in the current month

**Goldman
Sachs**

Watch the intellectual property litigation tsunami coming around generative AI. The tech companies are digesting everything on the internet into the Large Language Models to teach them. Included in this ingestion is content protected by intellectual property rights and so the LLMs should be paying for their use. Interesting move by Musk in putting in a new Twitter rule that a user can only read 600 posts a day — this will prevent automated LLM ingestion of Twitter posts.

Although the economy is good and the stock market is rising, it is still soft in the M&A market. Along with the more expensive debt due to higher rates, the Biden administration much more aggressive

stance to antitrust is also at play. The FTC is very active. According to Bloomberg Businessweek: *"There are at least \$190 billion worth of deals in "zombie M&A purgatory," according to analysts at Bloomberg Intelligence. They calculate more than 2,600 transactions that started in 2022 but haven't closed this year, although rising interest rates and choppy markets are also factors."*

More examples of government incompetence. Air travel is being affected by weather but also by a shortage of air traffic controllers. In the New York area, they only have about 50% of their targeted number of controllers. Then our great public sector unions get in the way and prevent a move to consolidate the various centers into one large regional operation which would create more efficient staffing. Meanwhile over at the FDA, they shut down a plant in India which supplies a huge amount of the drugs used for chemotherapy with no back up plan (remember when they shut down the baby formula plant with no plan) — surprise there is a major shortage affecting people.

Had a minor situation that got me in our healthcare system this last week (nothing big). On the positive side, many providers are connecting their EMR systems (electronic medical records) so the Oconomowoc Wisconsin emergency room can pull up my tetanus shot from the University of Chicago five years ago. On the negative side, the standard protocol is to follow up with your primary care physician. I read once that only 30% of people have a true primary care relationship. The rest of us go to Walgreens, urgent care and the emergency room for a real problem. Amazon is going to crush this model with One Medical.

New term: Grandternity leave. Some companies giving employees time off when they have a grandchild.

Big decisions out of the Supreme Court coming down mostly along conservative lines. I try to stay out of politics on these musings so won't comment on the merits of the decisions but pretty impactful. Fascinating to see the new President of Harvard — a black woman — commenting on the case in which they lost the ability to discriminate against Asian students (Harvard felt they were getting too many Asian students so individuals from other races with lower credentials were getting admitted). Interesting to learn that eight states had already banned using race in admissions decisions including California (by voter referendum). The ruling just applies to race-based affirmative action and schools can still factor in economic position and let more first generation students in etc.

Shooting down the student debt forgiveness plan. was not a close call for me. The President doesn't have that authority, Congress does. Pelosi herself is on the record saying so. From a policy perspective, I also think it is important that society be like the Lanisters and always pay their debts. Will be interesting to see the impact on consumer spending as 40 million borrowers might have been planning on their \$20k in debt being forgiven and not have to start making payments.

Congrats to the power behind the scenes Jennifer Walsh on the birth of her son Lincoln.

I will likely be taking some weekends off this summer. Feeling a little writers block. Don't be surprised if there is no musing.

Happy July 4th.

jml