

## J. Michael Locke

### Musings

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#### #264: Musing

#### October 26, 2025

You haven't received anything from me in a while. Thanks for those who have been encouraging me to start writing again. I don't know if this will become a regular publication again but at least I will write occasionally.

Hard to tell where we are economically. GDP continues to grow at decent rates. We are now at a point where GDP is basically about consumer spending (consumption almost 70% of the calculation). Various measurements of consumer sentiment (most famously Michigan) have declined but consumers (especially wealthy ones) continue spending. Inflation has decelerated to around 3%. While that is above the Fed long-term target of 2%, it seems manageable. The Fed is much more focused on softening labor market where hiring is not strong. Employers are holding the line in what some call the "no hire / no fire economy." Look for more interest rate cuts as tariffs have not led to structural increase in prices.

Part of the softness in hiring is AI. Many are predicting that AI will "dissolve the knowledge economy" and lead to greater productivity so fewer workers needed. Amazing how 2-3 years ago, you wanted your kid to be a software programmer but now major employers are not hiring new coders because AI can do it. I really worry about today's youth as most of the AI impact will start with entry jobs. You need the more experienced people working with the drafts of documents / reports / models that AI produces but how do you ever make it to be one of those senior people if you can't get the first job? Lawyers and accountants are telling their kids to be plumbers and carpenters.

Webster always publishes its new words every year but how about words going away? Say goodbye to "google" as a verb. Much of my browser use was based on seeking an answer and now I go to ChatGPT. AI browsers are also out (OpenAI just released Atlas). The days of going to the google search bar, getting results and then following a link out to a website are over. Alphabet is lucky it owns YouTube (what a juggernaut) as its business of selling ad-based links is going to die. There is a whole industry around optimizing your website for Google searches (SEO) which is running as fast as it can to become answer oriented and figure out how to come up in AI based results. One benefit of this is that AI results more heavily focus on quality and ratings so companies will corresponding rotate spend from advertising to product/service quality.

While I am down on Google, YouTube is amazing. The volumes for viewership are off the charts. The whole societal discussion around Jimmy Kimmel and Stephen Colbert cancellations shed light on what a meaningless part of the media ecosystem late night shows are. According to ChatGPT, Jimmy Fallon averages around 1.2 million total views per episode. In the key 18-49 demographic, it averages just 150,000-180,000! Late night TV shows are "Blockbuster video counters inside Tower Records" to quote the All-in podcast. MrBeast gets 816 million YouTube views in a week (by the way, his name is Jimmy Donaldson).

Traditional TV at large is going the same way (YouTube TV!). I don't understand why they are still paying the "talent" the way they are (Savannah Guthrie makes \$8mm a year??). I also hate how there is no accountability for "created news." What I mean by that is the stories which highlight a forecasted risk or story --- the terrible weather that is coming or how tariffs will create huge inflation. The "prediction" becomes the news story and often the predictions are wrong. Ted Turner created a societal menace with the 24x7 news cycle -- not enough content to truly fill it.

I think as a society, we are all suffering from Long Covid. I am not speaking to the health condition but a broader societal issue. As an aggregation of human beings and their beliefs, I believe society has a certain balance and center of gravity. Exogenous events might pull things one way or another but over time "the force" gets rebalanced. Covid really skewed things and we are struggling to get back in balance.

Companies are requiring employees to be in the office more - it doesn't work to have a totally remote organization or executive team - people need to break bread, shake hands and form personal relationships. Salespeople need to hit the road like the old United commercial with the owner handing out airplane tickets. Younger employees need to observe experienced executives in action in a meeting and not over zoom. Jamie Dimon at JP Morgan is pushing hard for 5 days a week in the office - I don't think we are going back to that as flexibility has drastically improved the lives of parent employees - but look for a return to 3sh days in the office. Focus your hiring regionally to allow coming together and not nationally. Schools and other educational providers are moving back to more in class instruction. Online will continue to play a major role but we are not headed to a metaverse. You want to be "Omni - modality" so consumers have options.

Wear anything to work is going to start declining. There is a difference between having a bagel at home and working. How you dress should be part of it. I don't anticipate pulling out my suits and ties but less hoodies and more sweaters.

One norm that is not coming back to where it was is trust in our elected leaders. Trump struggles with the truth. At the same time, the Biden administration also forced an experimental vaccine on to the public and dissenters were silenced by the technology platforms in an inappropriate way. I worry about the longer term public health consequences when a large part of society does not trust the public health experts. Vaccine hesitancy is now a major issue. I like the nutrition, get away from seed oils etc. part of the MAHA movement but not sure we need to be telling people not to take Tylenol.

I also think we are seeing a basic "anti-pharma" movement (hard to trust people who gave us unlimited OPIODs). I don't want to be on a statin for the rest of my life. We can't afford to have people on GLP-1s for the rest of their lives. Psychiatrists need to stop putting children on all of these ADHD stimulants which then require an SSRI (anti-depressant). According to some researchers, as many as 15% of Americans are on an SSRI. According to another physician expert I heard, there is not difference between a brain MRI of a "normal" person and a "depressed" person meaning it is not organic. I recommend watching the documentary "medicating normal" on YouTube.

Whatever you think about Trump, he is making us reconsider the role of the government. Should the mayor of LA have forcibly stopped people from going back to check on their house after the fires? Should US taxpayer money fund various social initiatives throughout the world to have soft power when we have to borrow from China to do it? I lean libertarian and like the Rahm Emmanuel mantra

that local government should focus on "safe streets, good schools and stable finances." Interesting factoid, New York and Florida have roughly the same population but the budget of NY government is roughly twice that of Florida (Fareed Zakaria). New York City is about to elect a young socialist as Mayor -- shows the major issue we have around the concentration of wealth. The guy has never held a real job or accomplished anything but is a talented communicator who is channeling the angst of the regular folks who can't afford an apartment and food amidst the hedge fund managers helicoptering to the Hamptons.

Every company needs a "Doge mentality." Historically, many advocated for "zero based budgeting" where you start your annual budget from scratch but few actually did it. Usually, next year's budget starts with this year's and then has some increments. The rise of data sophistication is changing that as queries into databases now provide enormous transparency on expenses. I am not sure DOGE actually got any meaningful reductions but that is because the federal government is "an insurance company with an army" (Ezra Klein) with the majority of expenses being Medicare, Medicaid, Social Security and the military. Every CEO should take the Doge approach.

Be glad you are not in the beer business. The move away from drinking is real. Non-alcoholic beer is booming and THC drinks / gummies are being normalized. "California sober" gaining traction (only marijuana, no drinking). Beer also suffers from the no sugar / no carb movement. Now if we can just get kids to stop ruining their lungs with vaping and becoming nicotine addicts with their Zyns.

Finally, I am increasingly feeling that the ubiquity of technology and the rise of the smartphone are ruining our society (I note the irony as I type this email.) You get on an elevator and all heads are down staring at their phones. You custom order your chipotle delivered to your house by DoorDash. You use the app to get customer support, book a ticket etc. We are creating a life where you don't interact with other human beings. Put down your phones, go for a walk around the neighborhood and say hello to other people. Maybe even go to church.

Congrats to our daughters Cate and Caroline on the launch of their lifestyle brand: [www.rowandwhit.com](http://www.rowandwhit.com). Follow them and look out for their holiday collection coming soon.

Jml