

J. Michael Locke

Musings

#273: Musing January 4, 2026

Hope everyone enjoyed amateur night. No thanks to Dick Clark for creating the inane NYE productions of empty calories.

I will spare you another “big stories of 25” or “predictions on 26” but would just comment on AI. Despite what you hear, our economy is not dependent on the AI spending craze. Yes, it is a large part of the 4% growth but it is not that large a part of GDP. Our economy lives and dies with consumer spending (70% of GDP) and almost 50% of that consumer spending is wealthier households. So in large part, our economy moves with the spending of the rich which is driven by asset prices.

Not a big fan of this quote from the new Mayor of NYC: *“We will replace the frigidity of rugged individualism with the warmth of collectivism.”* Sounds like someone who has never really had a job.

The part of AI to really watch is the impact on the labor market. Most companies are holding their headcounts flat if not cutting jobs. Watch the “underemployed” as well as the standard unemployment rate. There is a huge shift happening in the attractiveness from white collar jobs vs blue collar jobs. Entry level software coding is now an unattractive path while plumbers and electricians are killing it. Higher education moving too slowly to build trade school capacity.

Interesting stat: 17% of holiday purchases will be sent back (WSJ).

Welcome to the Hotel California – you can check out any time you want, but you can never leave. A proposal to tax billionaires 5% of their net worth (including unrealized investment gains) is being proposed for the November ballot. Watch the billionaires leave the state. It is happening right now in the UK due to a similar changes pushing higher taxes (change in domicile rules for foreign residents). The blue states need to recognize the mobility of people and their capital. In a similar vein, the Mayor of Chicago wanted to charge a “headcount tax” for companies with offices downtown. Fortunately, the city council didn’t go along as such a measure would have just driven more businesses out of the city. I have written often about the need to address our growing wealth gap but simply taxing the rich more and giving that money to our inefficient and often inept government entities is not the answer (see Minnesota). I liked how this commentator put it *“call it a “wealth tax” or a “billionaires tax” or a “millionaires tax” or whatever polls well, but at the end of day, it’s the seizure of private property from citizens by the government. Citizens that earned money, paid their fair share of those earnings (53% if you live in California) and are now being told they need to hand over after-tax assets because the government has failed to provide promised services with the revenue it’s collected, and are now re-casting their own failure to be a socio-economic inequity that must be solved...a slippery slope that has never gone anywhere good (see economic effects in USSR, Cuba, Venezuela, France and Norway)”*

The idea behind the Minnesota scam was not bad. Childcare is a huge issue. With more women than men now in the workforce, our society must have decent childcare. From Gemini: “The average annual cost of childcare in the United States currently ranges from \$11,500 to \$15,500 per child, depending on the type of care and the child's age....with many families now spending upwards of 20–29% of their household income on childcare.”

Watch the legs of the MN childcare story. I don't know what is true and what is not but there is a lot of “smoke” and our overtaxed residents are going to have little patience for large amounts of government waste especially if the recipients are then turning around and using some of the money to support the giving politicians.

Not sure what this next situation says about capitalism. I was checking bags at Southwest airlines and recognized a guy who was always very helpful when we had our 4 kids and 8 bags in tow. He shared that he no longer works for Southwest (after 31 years) as they outsourced baggage claim to a third party. So technically he retired and got hired by the new outsourcing company which does not provide any paid time off or vacation days. His earnings are way down. He is consulting labor attorneys. So an activist hedge fund pushes Southwest on profitability and it outsources the function to save money. Technically, this guy was probably overpaid for the skillset but now is “thrown to the curb.” Not sure this works for our society. Capital allocation is more efficient but human toll is heavy.

I am becoming a Tesla believer. Good quote: “the car is to Tesla what books were to Amazon.”

Just like picking a stock before it goes on a good run, we encourage our kids to look at cities the same way. I believe in moving south as the weather and business-friendly climates are driving good economic growth throughout the Southeast. It is too late to move to Austin or Nashville (they are struggling to keep up leading to infrastructure problems as well as high housing prices). I think the prime cities right now are Raleigh, Knoxville and Columbia.

Are sports scouts just not that good? Caleb Williams was drafted first and makes \$10 million a year and just got outplayed by Brock Purdy who got drafted last (pick 262) and made only \$800k in his first year. Ole Miss is in the hunt for a national championship with a quarterback who was barely recruited out of high school. Personally, I think digital curation based on data is better than humans. Give me the AI function on Spotify over an old fashioned DJ.

Maybe it is a bruised ego, but drives me crazy to meet someone 4 or 5 times and they don't remember meeting you before. I understand not remembering every encounter or two but when you get to 4 or 5, c'mon man.

Googles top searches of the year:

Top Trending Searches in the U.S. (2025)

1. **Charlie Kirk:** (Conservative activist, assassination)
2. **KPop Demon Hunters:** (Netflix series)
3. **Labubu:** (Collectible figures)
4. **iPhone 17:** (Apple product)
5. **One Big Beautiful Bill Act:** (Political legislation)
6. **Zohran Mamdani:** (NYC Mayor-elect)
7. **DeepSeek:** (AI/Tech)
8. **Government shutdown:** (U.S. political event)
9. **FIFA Club World Cup**
0. **Tariffs:** (Economic topic) 

Congratulations to our daughter Cate and her new fiancée Danny Glimco. Fun times ahead.

jml