

## J. Michael Locke

### Musings

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#### #282: Musing

#### March 23, 2026

Hopefully, this musing makes it to your inbox. I got “cancelled” last week by my email service (I do not recommend Mailchimp) for reasons unknown. Automated system says I violated policies, no way to contact customer service and support requests unanswered. What a world. We have figured out this approach but unclear if it will work as my recipient list is growing. Now to my musings.

It is hard to run something or make investment decisions without good data. I am not sure where our economy is right now. The government does a terrible job measuring KPIs for the economy. Commerce just revised Q4 GDP growth in Q4 from 1.5% to .75%. That is a reduction in the growth rate of 50%. Crazy!! If you can trust it, the CPI print last week was not bad but inflation is “stuck” in the mid 2s vs the overall goal of 2. This Iran war is going to hurt economically as rising gas prices drive overall inflation and the Fed can’t cut rates even with a softer labor market. Worries about stagflation grow and AI anxiety continues. Not a good mix.

One area where inflation (or its transitory nature) can not be debated is healthcare. Company expense to provide healthcare to employees continues to grow in excess of inflation and in most cases in excess of a company’s revenue growth. This year, employer healthcare expenses increased 9.5%. One driver is GLP – 1s which are having good results on individual health but have been very expensive. Some recent price drops may help make them more affordable.

I am becoming a real cynic on healthcare insurers. I won’t be buying tickets to Luigi but they seem to really play all sides to their advantage. When they are the payor, they deny coverage, require prior authorization and are simply a pain. When they will get reimbursed by the government, they charge it up. Medicare Advantage is a system where older citizens get their Medicare from an insurer rather than the government and the insurer turns around and bills the Feds. A congressional study has found the Medicare recipient expense is 17-20% higher when they use Medicare advantage and the insurer gets paid. The insurer then controls drug prices through PBM (pharmacy benefit manager) which they own and get various “kickbacks.” The whole system is rigged.

Healthcare expense, and healthcare in general, is a prime area for AI-led improvements. Many are looking for AI to “save” our healthcare system. Microsoft just introduced a healthcare focused version of Copilot which will analyze all of your records and make suggestions. CVS and Google just announced a digital health assistant. Something is needed. From Mark Bakken of Healthx Ventures: *“Nearly 30% of Americans lack a primary care physician and 2/3 of practices are reporting a difficulty hiring physicians. Rising utilization, workforce shortages, and growing pressure on public and employer-sponsored insurance have combined to create a system that feels fragile to patients and providers alike. As a result, we are at a critical moment for healthcare in this country where quality and access are becoming out of reach for millions of patients.”*

Lots of noise in the private credit market. After the financial implosion in 2008/2009, the government really cracked down on banks and their lending practices. Many investors saw a window and developed separate pools of capital to provide loans. Now, most loans in private equity deals comes from non-bank lenders – called Private Credit . These lenders have raised capital from investors like a PE firm but then loan the money rather than buying stock / ownership (actually many PE firms created separate credit funds). There is no regulatory oversight of this lending so it is hard to know where things stand but lots of concern that a significant amount of these loans are not going to be paid back.

Oracle has jumped into the AI race not by creating an LLM but by committing to build infrastructure for folks like OpenAI. At the very end of this musing is an interesting post on social media critical of this Oracle move which I found interesting.

AI is becoming the new Covid as it relates to companies reporting weak results. If in doubt, blame AI. I worry that poor execution is getting underplayed and AI is getting overplayed as it relates to company performance.

A simple but very effective strategy and leadership principle is speed (thanks for the reminder Paul Reilly). Don't let someone say they will get back to you next week; rather, suggest it be done tomorrow. Weekends are part workdays. Meetings can happen anytime between 7am and 6pm. Don't fall into the 9-5 scheduling trap. "I am travelling" is not an excuse to not be on a phone call or zoom. Do it from the airport. Travel should happen early in the morning or after work hours so you don't lose a day of productive time.

There is something amazingly satisfying about having no emails in your inbox.

AI is making it much easier to start something and get it going. It provides a source of knowledge and also can do some work that historically would have required hiring employees or contractors. Some have termed this "the democratization of invention" (thanks Ed Lhee) and talked about companies of one. With the softness in the labor market for recent graduates, I think you will see more young people starting something like our daughters ([www.rowandwhit.com](http://www.rowandwhit.com)).

I have talked about the thing AI cannot do is establish human connections and folks should focus there. The doctor talking to the patient about what they have vs diagnosing it etc. Some excerpts of a good writeup from Rishad Tobaccowala after my initials

Can we just ban hugging in the workplace?

Sedona AZ is the Wisconsin Dells with prettier views.

Who cares about the Academy Awards?

Can we focus on being good, decent people? Trump tweeted after Bob Mueller death "Good, I'm glad he is dead." Whatever you think about the Russia investigation, Mueller was a Marine who received a Bronze Star and a Purple Heart.

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**Rishad Tobaccowala**

### **Computing Machines Vs. Feeling Machines**

*In building upon this statement, Tobaccowala reflected that AI systems are computational engines operating in binary logic. Human beings are not. “Computers are digital, silicon-based computing machines,” Tobaccowala said. “We are analog carbon-based feeling machines. Ask a machine a question and it returns a direct answer. Ask a human a question and the response may be layered, emotional, or evasive. “Human beings are not computing machines. We are feeling machines,” he said.*

*This distinction has profound business implications, as many technologists model the future on machine logic by assuming humans will optimize decisions purely for efficiency. But real-world behavior tells a different story. If humans optimized purely for utility, Tobaccowala asked, why wear expensive watches when smartphones keep better time? Why own cars in cities where ride sharing is available? Why choose luxury brands if cheaper alternatives function just as well? “Humans choose on stories,” he said. “We choose on identity. We choose on design. We choose on desire. People choose with their hearts, then use numbers to justify what they just did.”*

*That tension between rational optimization and emotional decision-making will shape how AI integrates into markets.*

### **The Work Disruption Ahead**

*Historically, technological revolutions have created more jobs than they destroyed—over time. But Tobaccowala worries about the pace. “My biggest fear is organizations are moving too slow,” he said. He expects 20-30% of current tasks to be “machined away” in the near term. That work will not be reassigned to humans using AI. It will simply disappear. “Half the jobs are cut away because the machines can do it better,” he said. “That part of our job is not going to be done by anybody.” While new roles will emerge, the transition could outpace institutional adaptation. “No organizational design is setting up for the other world,” he said.*

### **Alien Intelligence Plus Human Intuition**

*Despite the disruption he anticipates, Tobaccowala remains optimistic. The future, he argued, belongs not to AI alone but to a combination of AI and what he calls HI: human intuition. “Human intelligence is overrated,” he said. “It’s long been beaten.” Instead, Tobaccowala emphasizes four uniquely human strengths: intuition, insight, imagination, and interaction. “Only messy human beings can connect with messy human beings,” he remarked, offering an example from health care. AI tools may analyze scans with remarkable accuracy, yet patients still want human doctors to deliver life-altering news.*

### **X user Ricardo “tweet” on Oracle**

*Larry Ellison borrowed \$125 billion to bet everything on a single customer that LOSES \$5 billion a year. American banks are already refusing to lend him another dollar. And now that single customer has started to slowly walk away. This is one of the biggest gambles in tech history - and it’s NOT looking good:*

*Oracle has \$124.7 billion in debt on its books right now. That's more than the GDP of 100+ countries. Their free cash flow over the last 12 months? Negative \$13.18 billion. They are spending more money than they make. And they're doing it on PURPOSE.*

*Every other hyperscaler funds their AI buildout with cash. Google has cash. Amazon has cash. Microsoft has cash. Oracle has IOUs. They raised \$58 billion in debt in just two months. \$38 billion for Texas and Wisconsin data centers. \$20 billion for New Mexico. And they need another \$100 billion on top of that. Even US banks are starting to say no. TD Cowen reported that multiple banks have pulled back from Oracle lending. Borrowing costs have roughly DOUBLED since September. They're now paying interest rates typically reserved for companies rated below investment grade. Barclays downgraded their debt to underweight and warned Oracle could run out of cash by November 2026.*

*So what does Larry Ellison do? He FIRES 30,000 people. Oracle is planning layoffs affecting up to 18% of its entire workforce. The goal is to free up \$8 to \$10 billion in cash flow just to keep the lights on while they build data centers for ONE customer: OpenAI. Oracle's \$553 billion backlog sounds incredible until you realize a massive chunk of it flows through a single relationship. If OpenAI sneezes, Oracle catches pneumonia. And OpenAI is already sneezing...*

*Sam Altman DROPPED plans to expand the Stargate site in Abilene, Texas. And the reason is insane: Nvidia's chips are improving so fast that by the time Oracle finishes building the data center, the processors inside it will already be outdated. Oracle is building with Blackwell chips. But Nvidia's new Vera Rubin platform delivers 5x the inference performance at 10x lower cost per token. So Oracle is borrowing billions to build facilities that will house yesterday's technology before they even open. The world of bits moves faster than the world of atoms. And Oracle is trapped in between.*

*But here's where it gets wild: The earnings call revealed something most people missed...Oracle now REQUIRES certain customers to buy their own GPUs upfront and hand them over. They call it the "bring your own chips" model. Translation: Oracle can't afford the hardware anymore. So they're asking customers to fund the construction of Oracle's OWN data centers. The stock is still down 23% this year even after the 12% earnings pop. Moody's rates Oracle just two notches above junk status. Lower than Amazon, Alphabet, Meta, and Microsoft. And they have \$248 billion in ADDITIONAL lease obligations that aren't even on the balance sheet yet.*

*Larry Ellison is 81 years old and making the biggest bet in corporate history. He's trying to turn a legacy database company into a hyperscale AI cloud provider using other people's money. All while his only major customer is a startup that burns \$5 billion a year and just had its expansion partner refuse to fund the next campus. The earnings beat was real. Revenue up 22%. Cloud infrastructure up 84%. But revenue growth funded by debt isn't growth. It's leverage. And leverage works both ways.*

*If OpenAI stays loyal, if the Stargate buildout continues, if the debt markets keep lending, if Vera Rubin doesn't make their entire infrastructure obsolete overnight, then Larry Ellison pulled off the greatest corporate reinvention in history. But that's a lot of ifs for a company two notches above junk.*

*Oracle is either the most undervalued AI play on the market or the most overleveraged house of cards since 2008. The next six months will tell us which one.*