Funding the Future

The end of big tech will usher in the new economic era:...

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This comment was made in the Guardian this morning:

The hedge fund of the billionaire Sir Christopher Hohn has written to Alphabet saying staff at the Google and YouTube parent are paid too much and its workforce should be drastically cut back.

London-based TCI, which has been a significant investor in the company since 2017 and holds a stake valued at $6bn (£5.1bn), has written to its chief executive, Sundar Pichai, urging it to emulate cost-cutting measures introduced by big tech rivals including the Facebook-owner, Meta, Amazon and Microsoft.

“We are writing to express our view that the cost base of Alphabet is too high and that management needs to take aggressive action,” said Hohn, managing director at TCI, in a letter made public on Tuesday. “The company has too many employees and the cost per employee is too high.”

Three thoughts. First, big tech is running out of road.

Second, these companies by and large employ very few people, but pay them exceptionally.

Third, the sector could obviously continue its employment rate at lower cost as a consequence.

But the real issue is not these obvious points. It is instead that this technology revolution has now most likely reached maturity. We are consuming as much tech as we want. The room for iterations that will actually appeal to available markets looks small. The rate of change is bound to decline as a result. The tech revolution is not over, and I don't for a moment suggest it is, but I also think it has ceased to be the driver of change that it was.

That leaves us in an era where things are going to be different. For example, if tech changes less often we will not be changing our IT as much to keep up. Nor will we be consuming adverts in the way we were, at least potentially. But, most of all, this is not where the focus of investment attention is going to be, and that seems like a big change.

The obvious question, in that case, is where is that focus going to be? My answer is straightforward. Money will be going towards the green economy now. That is where the money is needed. That is where the returns will be as companies have to become net zero, or cease to exist. And that is where people want to work.

Maybe I am calling this a little early, but I welcome the tech downturn precisely because it implies a new era is replacing the tech boom that really got going in the late 90s (when I was involved in it). Welcome to the age of the green economy. It's arrival is too late, but I think it is where we are going.