

# Funding the Future

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As the [FT noted](#) yesterday:

*Warren Buffett has warned Berkshire Hathaway shareholders that his sprawling \$905bn conglomerate has virtually “no possibility of eye-popping performance” in the years ahead, laying bare the challenges that will confront his successors.*

They added

*The so-called Oracle of Omaha said in his annual letter on Saturday that “There remain only a handful of companies in this country capable of truly moving the needle at Berkshire, and they have been endlessly picked over by us and by others. Outside the US, there are essentially no candidates that are meaningful options for capital deployment at Berkshire.”*

As the FT also noted, Berkshire's cash pile, has continued to climb. It hit a record \$167.6bn at the end of 2023, up \$39bn over the course of the year.

If you are unfamiliar with Berkshire Hathaway, the [Wikipedia entry](#) is probably good enough to get a feel, because I am sure that the company makes sure it is right. It is a conglomerate led by Warren Buffett, 93, and until last year by Charlie Munger, who died recently at age 99. The company was transformed from the 1960s onwards by the two of them buying companies that could either be restructured to show a profit or that had the power to grow quickly. Buffett became one of the richest handful of people in the world as a result.

And now, apparently, there is nothing left for Berkshire Hathaway to buy. There is no company worth parting with cash for. About \$10 billion went back to shareholders last year. The rest of the company's cash just accumulates, doing nothing for anyone within the economy at large because, as we know, cash balances like this are not the basis on which loans are made, which always come out of new cash creation.

I can't think of a stronger metaphor for American (and so Western) capitalism having come to the end of the road than this. Buffett is not just suffering from old age. He's out of ideas, and the reason why is that there are no ideas in the marketplace that provide

any obvious signs that there is profit to be made by parting with his cash pile.

So-called entrepreneurial activity would appear to be over.

Businesses can no longer generate new wants, however much they spend whilst seeking to do so. The reality is that the world's wealthy have all that they need. Persuading them to spend more is a futile exercise: the wealthy cannot drive growth any more when there is nothing else that can materially improve their collective well-being (which, as an aside, is good news for the green agenda).

On the other hand, we live in a world of massive unmet needs. We face crises that demand action. But our politicians are doing all that they can to limit the size of the state, which is the only agency capable of meeting those needs and addressing those crises. They are doing this, they say, so that room is left for what they think to be the essential private sector activity that they think will drive the growth that they believe is the precondition of additional state spending because they think that is paid for with tax and borrowing, when the reality is that it is paid for with money creation.

The inherent conflict should be obvious. The private sector can see nothing to grow. The rich have run out of the desire to spend on new wants, and are sitting on cash. Simultaneously, those in need are ever more desperate as there is said to be no cash to assist them. And the result is an ever more stressed economy, reflecting an ever more stressed society.

This is the world that we now live in. It is divided, broken, purposeless and angry. And all that is because of the absolute determination of our politicians to follow a cult-like belief that the market has an answer to all known questions when it very clearly has not.

What we need are politicians who believe that they have the power to meet needs, as states so very obviously do.

They could do that by spending more and then taxing the wealthy more to remove the inflationary consequences that would otherwise arise.

And, by changing the rules on tax relief for saving, they could redirect investment away from the meaningless and now futile creation of additional wants into the necessary creation of the resources to address the climate, education, health, energy, housing transport, rising water level, and other crises that we now face where very real rates of return for society can be created.

We could have a better world. Curiously, Berkshire Hathaway's inability to spend tells us that this is not just essential but necessary, because the rich have run out of anything to do with their money. What we now need is the clearest possible expression of the alternative that needs to be created now. And then, and only then, might we

diffuse the anger that is beginning to spill over in our society.