

When companies hoard cash worry

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I've been arguing for some time that there is a fundamental problem at the core of our market system. That problem is that our big companies and corporations have no clue what to do. Far from being entrepreneurial, and far from taking the risk on investing in new goods and services, what they're actually doing is simply sitting on big piles of cash. And if they do seek opportunity for expansion it has, in the main, been to seek to capture state revenues for private benefit - which is the PFI model, the privatisation model, the outsourcing model and now the NHS privatisation model.

I've just noted some strong evince in support of this - albeit from the USA, and [published in the Wall Street Journal](#) in December, which said:

Corporate America's cash pile has hit its highest level in half a century.

Rather than pouring their money into building plants or hiring workers, nonfinancial companies in the U.S. were sitting on \$1.93 trillion in cash and other liquid assets at the end of September, up from \$1.8 trillion at the end of June, the Federal Reserve said Thursday. Cash accounted for 7.4% of the companies' total assets— the largest share since 1959.

The cash buildup shows the deep caution many companies feel about investing in expansion while the economic recovery remains painfully slow and high unemployment and battered household finances continue to limit consumers' ability to spend.

The buildup has a big downside for companies, which get little return on their money because interest rates are low, but it reflects the relatively few opportunities they see to deploy their cash more creatively.

Precisely.

And that's why all they can think to do is raid state activity to promote their own growth.

And that's also why growth is extraordinarily unlikely if we rely on private sector

expansion - which is just not going to happen.

At a deeper level this is even more significant. Has technology run out of steam? Is there nothing new to really invest in? Or is it that people simply don't need more 'stuff'? And is it actually true that what they really want is what only the state can provide really well - such as education, healthcare, public services, care for the elderly, and more besides?

I think that wholly plausible. Of course there are those who will, dogmatically, disagree. But suppose I'm right - and suppose the corporations are right - there really is nothing to invest in? Then in that case the state is undoubtedly the future.

Ed Balls please note.