

There's a use for the excess cash pile of major corpora...

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The [FT reports](#):

[US companies](#) have announced share buy-backs at the fastest pace since the fall of Lehman Brothers as companies search for ways to put their record cash holdings to work in a still nascent economic recovery.

Buy-backs announced by 24 US groups were \$27.3bn last week, topping \$26.5bn the previous week and the most in any week since September 2008, according to figures compiled by TrimTabs Investment Research.

This is an extraordinary report.

What it says is that US corporations are, at a time of recession, sitting on enormous cash piles that they are clueless about how to use. So they're returning the funds to shareholders who are already the richest members of the communities in which they live, who will in turn hoard that cash because this is a time of recession. Such is the [paradox of thrift](#). Keynes was right.

And as I've said for some time, this is the consequence of a greater malaise in the private sector, which is that they're also clueless about how to create any new value in the economy. To put it another way they cannot conceive of new products or services that the private sector might usefully supply.

At the same time we know there is a massive shortage in the supply of services in the public sector - services for which there is demand because they meet real need. Just look [at the disaster befalling Manchester](#) - and these cash piles are also found in UK companies. And all the private sector can think to do is to try to capture the remaining state revenues to extract profit from them - so reducing the supply of real services even more. Hence the planned privatisation of the NHS.

The reality is that this cash which business cannot work out what to do with could be put to pressing and urgent use, if only it were taxed. Ministers talk of rebalancing our economy - but the truth is that the rebalancing that is needed is that the private sector

needs to pay more tax so that the public sector can meet the need which only it can fulfil.