

Why bankers are a waste of space

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From the [FT this morning comes this gem:](#)

Goldman Sach's attempt to spend some of its \$170bn excess capital on loans, real estate and other distressed assets is being hampered by a prolonged rebound in risk appetite that has lifted prices on many would-be bargains.

Goldman's financial strength in the wake of the crisis has helped the bank stockpile "excess liquidity," or cash deposits and securities it could sell or pledge quickly, but the assets have weighed down its returns.

Undaunted, Goldman executives have said they would continue to prioritise these deals above accelerating stock buy-back plans or raising dividends.

David Viniar, Goldman's finance chief, told analysts last month: "Our number one choice will be to find opportunities to use the capital profitably, and if not we would probably give some more back."

So here we have modern banking explained in a nutshell. A bank with 'excess liquidity' (despite which it needed considerable government assistance, please note) sits on a pile of cash because it cannot find 'distressed' assets to trade.

There's not a hint it might really invest in the economy. And recall, that by investment I always mean providing funding for the creation of real capital - tangible or intangible - that results from the expenditure of new human endeavour. No, the only thing it can think to do with its money is trade in second hand goods.

And these are the people we're beholden to.

No wonder we're in the doldrums because let's be candid, bankers appear to have not one ounce of economic sense between them.

The sooner we regulate banks to require investment performance, or better still, the sooner we tax them much more heavily to ensure that the state has the cash needed to

deliver investment, which it is very clearly in a much better position to identify and direct, the better off we will all be.