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The Conscience of a Liberal

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Cash Is Not the Problem

A couple of followups to my [repatriation post](#).

First, are corporations really awash in cash? Yes. Here's corporate cash flow versus business investment spending; since not all investment spending comes from corporations, this actually understates the degree to which corporations are taking in more cash than they are willing to invest:

Second, banks are also sitting on large amounts of cash that they aren't lending:

These aren't abstruse points. On the contrary, the fact that corporations aren't investing as much as they could has become a major right-wing talking point, with repeated claims that companies are holding back because of political uncertainty. Actually, they're holding back because they don't see enough consumer demand — but in any case, cash is not the problem.

So it's truly remarkable — an impressive case of doublethink — that the same people who decry the fact that firms and banks are sitting on cash insist that it's totally vital that we give those firms and banks more cash, so that they can invest and create jobs.

You see this in a number of contexts. The repatriation issue — in which we're going to give companies a big tax incentive to bring cash home, and then sit on it or use it to buy back their own stock — is one.

Another is the way Republicans are defending against attempts to curb things like the tax break on corporate jets; as [Greg Sargent reports](#), they're basically saying that if you take money away from “the wage payer offering a job”, you'll reduce employment. Um, but those “wage payers” are sitting on lots of cash already, and not using it to pay wages or anything else.

And then there are the banking issues. We mustn't hold the banks accountable for the mortgage mess, or impose higher capital standards, or anything, because that would reduce their ability to lend; never mind the fact that if they wanted to lend, all they would have to do is withdraw some of those huge excess deposits they have at the Fed.

So repeat after me: lack of cash at major corporations, both financial and nonfinancial, is not the problem with our economy. And showering more cash on these players will do nothing except, well, shower cash on these players.