

Banks Admit They'll Keep on Hoarding Cash

By [Global Research](#)

Theme: [Global Economy](#)

Global Research, October 21, 2008

George Washington Blog 21 October 2008

Many people have been warning that the banks will keep hoarding cash no matter how much money the feds give them.

Now, even the banks themselves are admitting it.

As the New York Times writes in an [article](#) entitled "Banks Are Likely to Hold Tight to Bailout Money":

"Will lenders deploy their new-found capital quickly, as the Treasury hopes, and unlock the flow of credit through the economy? Or will they hoard the money to protect themselves?

John A. Thain, the chief executive of Merrill Lynch, said on Thursday that banks were unlikely to act swiftly. Executives at other banks privately expressed a similar view.

'We will have the opportunity to redeploy that,' Mr. Thain said of the new capital on a telephone call with analysts. 'But at least for the next quarter, it's just going to be a cushion.'

Lenders have been pulling back on credit lines for businesses, mortgages, home equity loans and credit card offers, and analysts said that trend was unlikely to be reversed by the government's money.

Roger Freeman, an analyst at Barclays Capital, which acquired parts of the now-bankrupt Lehman Brothers last month [said] 'My expectation is it's quarters off, not months off, before you see that capital being put to work.' "

And another Times [article](#) includes the following quote:

"It doesn't matter how much Hank Paulson gives us," said an influential senior official at a big bank that received money from the government, "no one is going to lend a nickel until the economy turns." The official added: "Who are we going to lend money to?" before repeating an old saw about banking: "Only people who don't need it."

The banks are going to sit on the cash, not loan it out. So can everyone please stop saying that the bailouts were necessary to increase liquidity?

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