

## The death of the entrepreneur foretold

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I had a long, and enjoyable, discussion on the impact and consequences of wealth inequality in the UK yesterday. Who with does not matter: at the end of nearly two hours of discussion I was asked to identify a likely tangible consequence of this growing inequality, which was a surprisingly easy task. I was able to foretell the end of entrepreneurial Britain.

Although many readers are unaware of it, and many opponents ignore it, I have a bit of history as an entrepreneur, having created not only a successful firm of accountants but also a couple of dot.coms and chaired, been CEO or CFO of about ten other companies over a period of about twenty years, most of which are still trading now or have successfully merged. So entrepreneurship is something I know something about, not least because I advised (and still do on occasion advise) many other companies.

In that case let me summarise my concern. Experience tells me that the vast majority of small businesses do not access conventional capital markets. They do instead raise money from family or friends or via bank borrowing, which when it gets to any serious level is dependent upon bank security charged on freehold property. Without that borrowing secured on property most small business cannot and will not grow.

But the fact is that most young people - and most new, entrepreneurial ideas unsurprisingly come from young people - will not own property in the future, let alone property in which inflation has provided them with a convenient equity stake. So their access to capital will virtually disappear when at the same time they will be burdened by student debt and, if family or friends have been willing to help, it's probably been to help them mitigate the costs of university or get a deposit for a property in the parts of the country where prices are not growing because those are the only places

they can afford to live.

So, entrepreneurship is going to be denied to tens or hundreds of thousands of potential small businesses which, however good their ideas, will not grow in the future.

But what, you might say, of those with wealthy parents? I am afraid you should not look there for hope. Time and again it has been shown that the psychology of wealth is to preserve it, not risk it. So those with wealth invest in rents i.e. buy to lets, portfolio stock market investments, secured loans and other low risk income streams because their greatest fear is losing what they already have. Their motive is retaining, not growing, which means they make very poor entrepreneurs, but very good bankers and senior managers in large companies who have never taken a risk in their whole careers at potential real cost to themselves. In contrast, entrepreneurs are usually those who have little and want more: the attitude is wholly dissimilar to those with wealth.

The inevitable consequence is that entrepreneurship will wither in the UK for lack of access to capital. And this matters. Small businesses account for about 40% of UK jobs and much of its innovation and growth. Wealth concentration risks all that.

Don't think wealth concentration does not matter then. If you believe in a string mixed economy in the UK (and I do) then the consequences of growing wealth concentration in the UK are deeply worrying. I foresee the decline and death of entrepreneurship in this country, and I would mourn that.

NB: written on an iPad on a train: apologies for typos if they remain. I always find editing hard on the iPad