

Business can restart but at its core will be new forms ...

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The [FT's editorial this morning](#) noted that:

The [OECD suggests](#) that each additional month of shutdown will lower growth this year by two percentage points. Unless the cessation of activity is brief, this will be the biggest contraction in history.

No one wanted to live through such times. Doing so is unprecedented, by definition. But what is clear is that the number who will suffer directly and indirectly as a result of this crisis is staggering, and will always remain untold, such is the scale of it.

And yet it will pass. One day - although we do not yet know when - there will be no threat from coronavirus. We will be able to live more normal lives. The sooner, the better is clearly everyone's wish. It is the FT's too: as they say in the conclusion to their article:

Yet now come the crucial weeks. Governments have rightly decided to close their economies down. But they must make the sacrifices worthwhile. Having to do this again would be agony for societies. There is but a brief period in which to gain secure control over the disease and so be able to reopen the economy relatively safely. That opportunity must not be thrown away. Make these lockdowns work. All the blundering of recent months has to end.

So, they pass the buck: they say it is for the government to decide how the blundering must end. The implication is clear, and is that they have faith in those who have blundered not to do so again.

I have not got that faith. My own contribution, which I am in effect already working on is to think about Tax After Coronavirus (TACs) for which the website is already registered: the whole of tax and its role in society has to be rethought after this crisis.

That, though, is an issue for time to come. The restart after the closedown is an issue requiring planning now. If, as everyone would hope, this happens within weeks or a couple of months or so at most - and it is hard to see how it cannot, at least in some

form - then what is that recovery going to look like?

We already know we are going to have an economy radically different from now. That is because whole sectors will have simply ceased to exist unless radical action to save them is taken. The FT does, for example, [wonder today](#) who, if anyone, in the High Street fashion market will survive what is happening right now. That's not going to impact me too much, but it will millions. I offer it as indication of so much that is failing.

The question arises in that case as to how the capital that is being destroyed now can be recreated? That is a massive issue. And I see no way around it without what will, in effect, be job grants to get businesses going again.

What might a job grant be? Effectively it would be a tax holiday, to a limit. An employee on earnings of up to around £30,000 might have to receive their net pay, after tax, but some or all of that tax bill may need to be waived for an employer who might but for that waiver fail. We are seeing wage subsidies now to stop people working. What we are going to need to get matters going again - for those who can - is a wage subsidy to get people back to work.

This, though, cannot be unconditional. The grants must have a condition attached, not least because they will be abused otherwise. That price will have to be in capital terms right now: it will be in the form of mandatory loan stock issued to the government (or a National Investment Bank) in exchange for the grant. In effect, the government would take a stake in every such business involved. And the companies would have to agree - and agree to do the accounting involved, at personal cost to directors if they fail to do so.

The stake would behave like share capital at first and might remain that way if losses were incurred. But when balance sheets began to repair then conversion into loans that might then become at least partially repayable will be necessary.

Over time these stakes should reduce. One reduction might be by way of cash repayment to the government. The other - which should probably always be on the agenda - should be by retention of a stake for a national wealth fund. This is about claiming prosperity for our long term out of the role taken by the state now. And how big will that stake be? That depends on the support provided, of course.

But what this implies is that we cannot think now just about the short term costs of revenue support to business. That makes almost no sense when what has been created is a long term crisis.

Nor can we for one minute think solely about the government walking away from this issue as soon as it thinks recovery starts: that will be impossible. So capital solutions - that focus on the recreation of balance sheet strength (an almost forgotten part of accounting, so keen have most companies been to undermine their balance sheets in

recent decades by piling them high with debt whilst distributing every penny to shareholders that they can) will have to come to the fore in accounting for time to come.

And that means new rules, new accounting, new objectivity and the replacement of mark-to-market accounting of the type we have now with something that looks very much like historical cost accounting plus sustainable cost accounting to allow for environmental impacts - which will have to remain in the mix - will be the direction of travel down which we will need to go, and very quickly. And into that equation will be new forms of capital accounting for government loan funding of types previously unknown.

We can recreate worth, but only communally. Business can restart, but only with support in many cases. We can have prosperity of a new kind, which will endure. But at its core will be new forms of thinking about funding that will take us to places where few have thought it necessary to ponder to date.

This requires a lot of work.