

The best entrepreneurs in this country are entirely uns...

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The FT [has an editorial today](#) on the taxation of private equity and hedge funds. It comes in response to the review of capital gains tax, whose [findings were announced last week](#). In the editorial the FT says:

Industry executives on both sides of the Atlantic have been quick to warn that any tax rises would be bad for business. In the UK, they have suggested they would be a body blow to the country's start-up scene and penalise entrepreneurship. The argument has some validity, but as it relates to private equity, it is tangential at best. It is in a nation's interest to foster entrepreneurship – but carried interest is not entrepreneurship.

The last point is what I wish to focus on. That is because in no small part the statement made is capable of massive expansion.

It is entirely true that the vast majority of the activities of hedge funds do not represent entrepreneurship, largely because those who claim that this is the case actually have almost none of their own personal money at stake in the enterprises that they manage. The FT makes this point. But when it comes to a discussion of entrepreneurship, the same is also true of almost all financial capitalism, which is about exploitation rather than value creation, and so is not entrepreneurship. And it is also true of almost all those who are called entrepreneurs in big business, almost none of them have ever experienced any real risk with regard to the returns that they make, because they have always enjoyed a secure salary paid at the end of every month throughout their entire careers.

The simple fact is that entrepreneurship is something that the vast majority of those who actually espouse its virtues have never partaken in, whether those espousing be most right-wing politicians, or the leaders of large business, or those who work for organisations dedicated to this promotional activity, such as the CBI. Right-wing think tank staff almost universally fall into the same category. Almost without exception none of these have created businesses. They do not know the risks involved, and so do not understand the issues that a genuine entrepreneur has to face.

In contrast, I know quite a lot about entrepreneurship. I created a firm of accountants at the age of 26. I advise many entrepreneurial companies. I was a director of a number along the way, and sometimes invested my own money. Since 2003 (the years at City, University of London excepted) I have been a social entrepreneur, taking not dissimilar risks to create ideas that I believe of social advantage. And what all that experience tells me is that what is essential for entrepreneurship to flourish is a strong, enforced, and fair tax system that creates a level playing field where each contributes according to their ability to pay.

That is not what we have in the UK at present. The highest marginal rate of tax in the UK at this time is paid by those on below average pay.

The lowest marginal rates of tax are frequently paid by those with the highest earnings who can divert their income into capital gains or corporate entities.

The tax system is stacked with opportunities for tax mitigation, and sometimes avoidance, by those with wealth.

And who pays the price for all this? Those on lowest pay.

And at the same time those who have never taken a risk claim a status that they should not enjoy and a reward for having it that they should not be entitled to.

There is real entrepreneurship in this country, but most of it is evidenced by those who have to struggle with a variety of sources of income, whilst also juggling family responsibilities, all the time just seeking to make ends meet. We really have misunderstood where the real abilities in managing risk are in this country, because the vast majority of those who have them are not to be found amongst those who claim they should be paid for skills they do but have and for risks that they have not taken.