

## It is time for the government to decide if it wants eco...

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As the [Guardian](#) has reported:

*Gordon Brown has called for emergency measures to support businesses in the budget after new research from the [London School of Economics](#) warned almost 1m UK companies were at risk of failure in the next three months.*

They added:

*The former prime minister said the report's finding that one in seven businesses — employing 2.5 million people — might be forced to close by the spring should act as a "clarion call" to Rishi Sunak as he prepares his tax and spending measures for [3 March](#).*

The report noted:

*Using data published by the Office for National Statistics, the LSE report found that the UK's micro businesses — those with less than 10 employees — were at particular risk of going under as a result of [damage caused by the Covid-19 crisis](#).*

*It estimated that 908,000 firms could be classified as at risk because they had either no confidence or low confidence in surviving the next three months. Of the total, 390,000 were registered for VAT and PAYE, while the remainder were unregistered because their turnover was too small.*

It's fair to note why Gordon Brown got the headline:

*The report was prepared for the Alliance for Full Employment, a body founded by Brown that includes metro mayors and the Welsh first minister, Mark Drakeford.*

But it's also worth noting that:

*A separate report by the corporate recovery specialists Begbies Traynor found that 620,000 small and medium-sized companies (SMEs) were in "significant financial distress", putting 2.8m jobs at risk.*

In other words, the LSE report is not exceptional.

For somewhat less expenditure I have been predicting this would happen since the start of the crisis. Almost all small businesses fail for one common reason, which is the collapse of their cash flow. Small business owners are remarkably resilient, on the whole. They also tend to hang on to their businesses until all hope has gone, to the point of irrationality, and at the risk of imposing loss on others. But eventually cash flow fails, and the game is over.

The government appreciated that last year. It provided the required money to assist cash flow, and to keep jobs going.

But, those schemes are ending now. The loan funds are running out. And the deferred tax bills will be payable soon. January 31 is going to be very punishing for many self employed people, for example, as deferred tax bills from last year have to be paid at the same time as the first bill for this year.

What is more, without any further hints of support there is no good reason for hope in this community. Business is locked down. Bills are rising. Failure looks imminent for many, I am sure.

So should the government offer more support? There are three reasons to say so.

First, why did they offer support last year only to consign these businesses to failure now? If the government wants to look callous that's what they would be doing. Presuming it wants to look better than that, it has to see this policy through now. So, more support is required.

Second, 2.8 million jobs would not be the end if it. Job losses have spillover consequences. Allowing for that, many more jobs might go than those directly impacted.

Third, these businesses have traditionally been the government's political base. Are they willing to lose it?

The risks that have been found are, I am sure, real. Now it is time for the government to decide if it wants economic carnage on top of everything else. I wouldn't rule it out. But right now it remains avoidable, at a cost. It's decision time for Sunak.