

## A riposte to investors' new rush to gold

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It is hard to describe the joy and tragedy of creating and losing a business, to someone who has never experienced it.

When you sell or shut down a company, it is a little like the death of a good friend. You have to move on, rebuild and try not to look back. And you always wonder: can I ever do that again? Can I find those great people and seize that moment, or am I all out of luck this time?

A business is so much more than its stark asset register. It is the goodwill generated over the years, the customers served, the energy of the staff and the effort of the founder. It is the jobs, the brand, the added value, the taxes, the products sold and the services provided. Poets, novelists and scriptwriters rarely capture that incendiary cocktail of ambition, invention and fortune that delivers great commercial triumphs. They miss the drama of it all.

Too often outsiders boil it all down to the money. But that is merely the lubricant and the scorecard. The outcomes that really matter are human advancement, satisfied customers, employment and hope. Talk to most visionary entrepreneurs, and generally they started their company not for financial rewards, but because they believed in an idea.

But when business goes badly - as is happening now - a great darkness descends, and citizens despair and turn to vicious thoughts. Without work and tax payments, our system simply unravels. The very idea that this recession will lead to a moral reawakening is a sick joke. How exactly is mass unemployment going to improve the grand total of human happiness?

Next year, the British government will be crushed in an electoral landslide of epic proportions, partly because it absolutely does not understand how entrepreneurs think or what they do. The left has always viewed entrepreneurs with suspicion, to be tolerated at best, while too many civil servants see them as donkeys and semi-house-trained. But when the job creators buckle, the whole edifice crumbles, and so much that we take for granted disappears.

Yet when the policymakers do try to support business, it is mostly at the behest of noisy union bosses. Unfortunately, entrepreneurs tend not to be well organised in lobbying terms; by their nature they are individualists, and not political or corporate types. And they carry few votes.

Lip-service is paid to their economic contribution, but legislation almost invariably makes their task harder. In truth, the public sector regards private enterprise as "another country - they do things differently there".

Currently, fear is in the ascendant, which is why investors have turned to relics such as gold to preserve their wealth. I find such trends hugely demoralising. Buying lumps of metal will not boost economic activity or improve our standard of living. Yet investment demand for gold rose by 64 per cent last year and its price hit an all-time high recently. Such diversion of capital from productive uses, such as backing industry, will damage all our prospects in the long run.

Sadly, asset classes such as venture capital are much out of favour, in spite of their hugely beneficial side-effects - jobs, new technology and so forth. We have to fix this shortage of credit if we are to innovate our way out of problems.

Of course, investors must be free to deploy their cash wherever they choose. And, given the performance of equities in the past 18 months, it is not totally surprising that people are seeking havens such as gold and gilts.

But I hope this is a short-term shift. Ultimately, intelligent societies should direct their savings

towards things that can grow and transform lives - in other words, private sector companies. Gold is a passive element that offers no income, while governments can generate income only by forced extraction from citizens.

I firmly hope that government borrowing will not crowd out the needs of the private sector in the coming years. The future belongs to those nations that support free market enterprises - those enterprises that can in turn deliver new products and services the world wants to buy. The alternative is miserable decline.

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