

## Is the stock exchange past its use by date?

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The FT [has an editorial this morning](#) in which it argues that the London Stock Exchange needs a revamp, post Brexit.

The argument is insipid, at best, and is mainly a lament to the fact that London has not attracted tech stocks and ends up with mining companies instead. But underneath the existential angst there are suggestions.

These include the suggestion that rules be waived unilaterally to attract the right flotations. In other words, favours should be done.

There is also a strong recommendation that 'dual listings' be permitted, with two classes of share from one company being allowed, which is a mechanism invariably used to reinforce control by a power elite within a company.

And there is the almost ritual call for state aid for this bastion of free market capitalism, this time to encourage a flow of new market entrants, as if tax relief suddenly makes people entrepreneurial, which it clearly does not. Tax is good, but not in that way.

So, the FT wants to relax the rules, assist the flow of funds upwards in society and seek state assistance to do this. You literally could not make something so harmful to the UK up unless you were the FT.

But what the FT really misses are the big questions. These are really significant. They include why are companies themselves steadily reducing the number of shares they make available in the stock exchange? Is that an attempt to push up their share price by restricting supply?

And why are so many companies paying out dividends in excess of their apparent capacity to do so? Is that motivated by the same concern?

And why is the stock exchange relaxed about the resulting [hollowed out firms?](#)

Why in fact is the whole edifice based on the false premise that shareholders own

companies, which is not true? They merely own the right to an income from that company if that company, at its sole discretion, agrees to pay it? The shareholders have no claim, except in liquidation (when the claim is usually meaningless), on the actual organisation at all.

So why do we give this shallow activity, that so distorts behaviour, the credibility that we do?

And would we, in that case, be better off at least reviewing these concerns before wondering how to perpetuate the capture of wealth by an elite within companies, which is what the stock exchange already does, and which the FT would wish to make worse?

Like so much else, it seems to me that in its current form the stock exchange is past its use by date, but apparently very few can smell the rot setting in. I think that will change.