

# Funding the Future

## Shares in quoted companies are almost irrelevant to the...

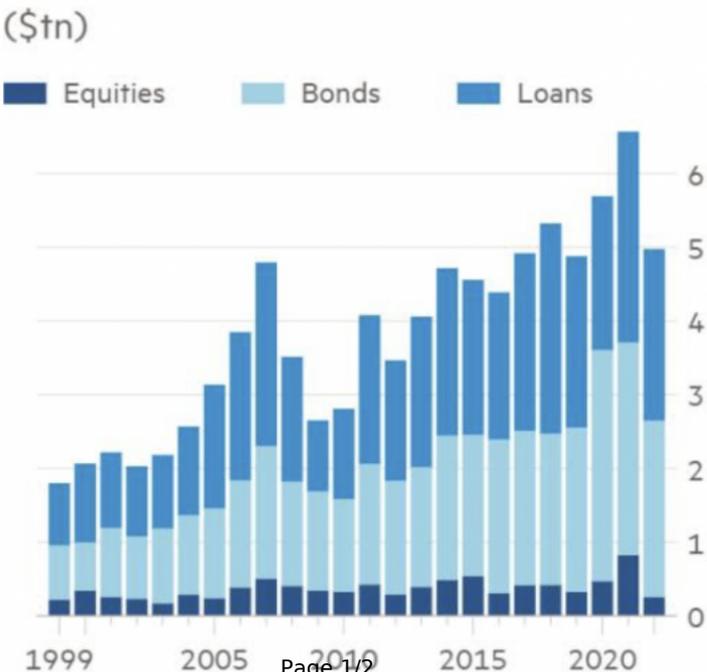
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I have long argued that the stock market is an almost irrelevant institution in UK corporate funding. Put imply, companies do not use equity share capital to fund investment in the real economy. What share issues there are take place to fund mergers and acquisitions activity.

As research [I have done with others shows](#), share prices are also heavily manipulated by companies by way of excessive dividends and share buy backs, often paid at rates in excess of profits generated over long periods of time. And all of this is done to inflate senior management pay and exploit gullible pension funds who insist on buying equities as if they are a meaningful basis for providing long-term returns to those seeking an income in retirement when. the reality is that they are now merely instruments for speculation, which makes them wholly unsuitable for the use made of them.

Data [in the FT this morning](#) confirms the irrelevance of equity investment to business investment:

Corporate fundraising slid 25% in the first half of 2022



The dark blue line at the bottom represents equity funding: it is almost irrelevant.

Four questions follow. First, why in that case the massive emphasis placed on share-related issues by economists, the media and others? Is it all just a giant con-trick on the investor, or are the media and economists conned too?

Second, why do shareholders remain the complete focus of corporate reporting when they are so irrelevant?

Third, why do pensions funds still persist in investing in instruments so unsuited to the needs of those that they represent; which carry such risk because their value is so obviously manipulated; and there is no social or macroeconomic gain from doing so?

Fourth, why do we give tax reliefs for investing in something so useless?

I have long asked these questions. I will be doing so in a more structured way, very soon.