Is the London Stock Exchange irrelevant now?

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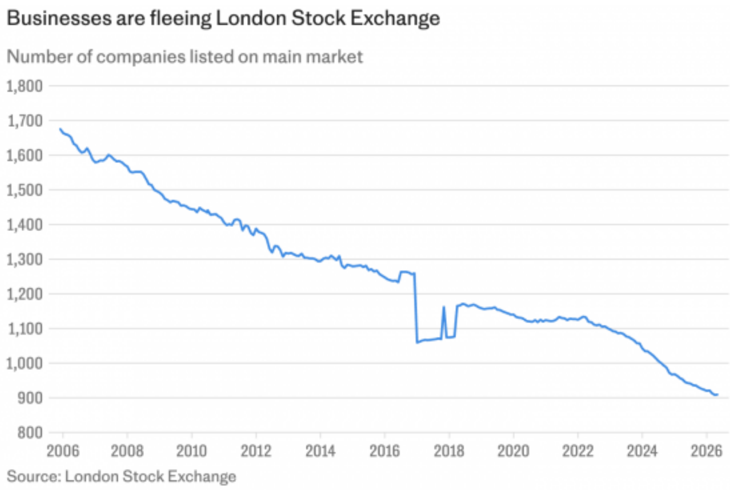
As rarely as looking at a stopped clock when it is telling the right time, the Daily Telegraph does sometimes have an interesting message to convey. That happened this morning.

In an article, they say that "The number of listed companies on the main market of the London Stock Exchange has plunged from nearly 1,700 in 2006 to just 909 in July 2026." This chart plots the decline, with the particular impact of Brexit being very notable.



As they also note:

During that same 20-year period, the number of companies joining the market has also fallen. The number of new listings… is down from nearly 60 in 2007 to barely a handful in each of the last four years.

What is more, as they also note, the value of those listings, or new share offers, that might, potentially (but probably will not), lead to new investment in British companies, has declined to less than £2 billion a year, which might fairly be called an insignificant statistical blip in the overall need for investment finance in the UK economy.

Having noted something of use, the Telegraph does then, of course, get its analysis of the entire situation wrong. It goes on to blame pension funds for failing in their patriotic duty to invest in UK markets, whilst saying that if only tax relief were changed, increased funds from pensions might flow into them.

The reality is that, at present, UK pension funds enjoy overall tax relief worth more than £70 billion a year, making the cost of this subsidy one of the government's largest expenditures in any year, desoite which it goes almost unnoticed whenever any discussion of cuts takes place. A subsidy that is well over 30 times the resulting value of additional investment in potential job-creating activity in the UK economy appears to be more than sufficient for me.

In addition, the disparity between the subsidy and the investment is so great that it must be assumed that the London Stock Exchange's failure is systemic and that it cannot now deliver value to investors or to companies seeking to raise investment funds. In other words, stock exchange funding has ceased to be of any consequence in the UK economy when it comes to actually creating useful economic activity. In that case, why offer it more tax relief?

A better answer is to use these tax incentives more effectively. I have already suggested (chapters 25 and 26 in the main report, here) that, if the government were to make a change in this process, which I think it should, then the desired action is to require that one quarter of all new pension fund savings made in any year should, in exchange for the tax benefits provided, be directed towards investment in job-creating activity in the UK economy. If UK companies were unable to demonstrate their ability to supply this, either through the issue of shares or the placement of bonds on markets where the use of the resulting funds would be subject to rigorous scrutiny and independent audit to demonstrate their use in this way, then it must fall to the government to use the funds in question to promote public investment in things like replacement infrastructure, a Green New Deal, housing and much else that is critically needed within our society.

Inadvertently, what the Telegraph proves is that the London Stock Exchange is now utterly irrelevant, except as a casino or gambling den. What we need to do is redirect the wall of money that floods into pension funds away from it and towards useful economic activity instead. If there is one single change that could be made that could reignite investment in the UK economy, this is it, but the Telegraph entirely misses the point.

In its own way, that highlights the problem we have. There is a deep, pervasive, ongoing and entirely inappropriate belief in the UK that only markets can provide solutions to our problems. That belief is the problem that we need to address, and when we do, we will all be a lot better off.