



[Home](#) [Canada](#) [Business](#) [Investing](#) [Life](#) [Opinion](#) [World](#) [Politics](#) [Personal Finance](#) [Cult](#)

OPINION

To fix Canada, we must fix our troubled stock market

Why the public markets matter – for you, Canada and the wealth of our nation

J. ARI PANDES AND L. DANIEL WILSON

THE GLOBE AND MAIL

PUBLISHED DECEMBER 1, 2025

UPDATED DECEMBER 8, 2025



ILLUSTRATION THE GLOBE AND MAIL/SOURCE GETTY IMAGES

 188   **Listen to this article**[Learn more](#) about audio

07:24

1X

J. Ari Pandes is an associate professor of finance and an associate dean at the University of Calgary's Haskayne School of Business.

L. Daniel Wilson is an associate professor of law and an associate dean at the University of Calgary's faculty of law.

While trade tensions have certainly created severe headwinds for Canada's economic outlook, the deeper issue is structural: Canadian productivity has been declining precipitously for more than a decade. Adjusted for inflation, Canadian median family income has barely changed from 1976 levels.

This essay is part of the *Prosperity Path* series. With the U.S. trade problems with Canada's economy have only gotten more visible, more numerous and worse. This series brings solutions.

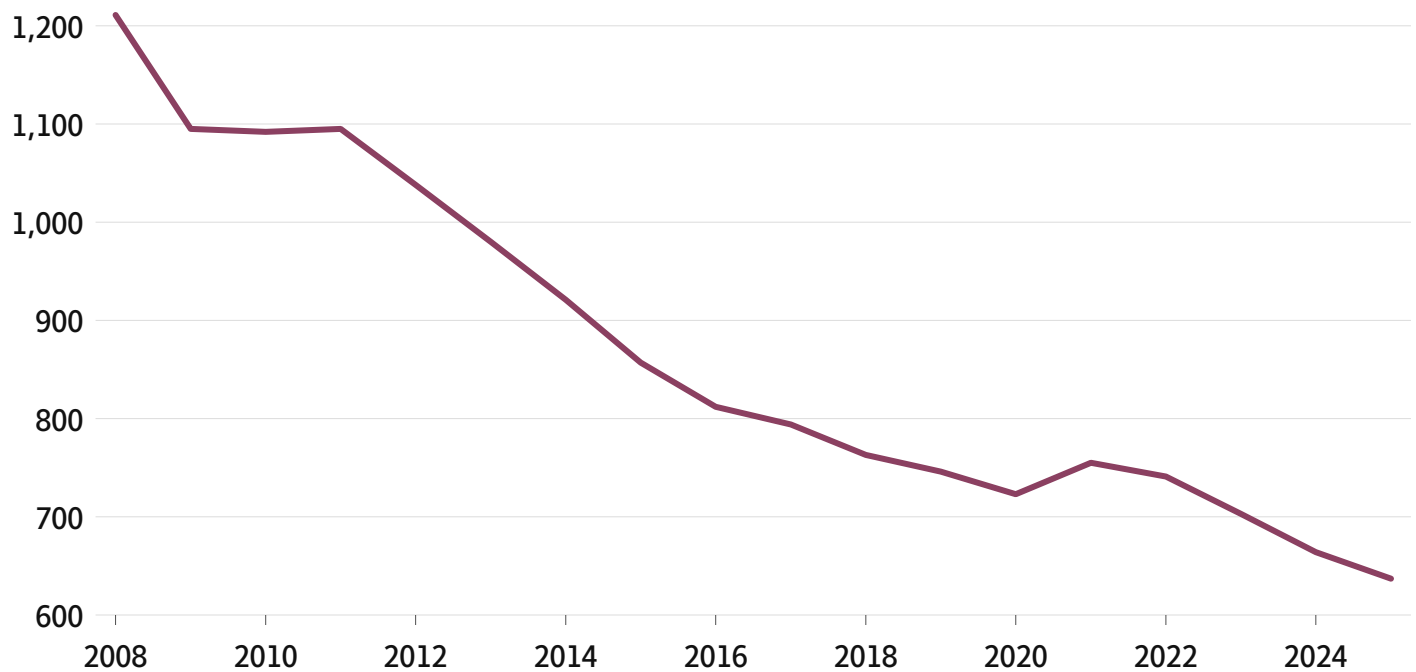
If we are serious about turning things around, we must look beyond the innovation policy and targeted sectoral support that Ottawa likes to serve up. We need to rethink how we finance growth – and that means fixing our public markets.

The Toronto Stock Exchange has recently hit record highs, surging past 30,000 points this year, gaining over 20 per cent year-to-date and outperforming the S&P 500 in the United States. But underneath the numbers, all is not well. Historically, such bullish conditions would trigger a wave of initial public offerings – new companies selling their shares to the masses. This time around Canada continues to see a puzzling drought.

Year to date, there has been only one new operating company on the TSX. In fact, the TSX has not seen more than two operating company IPOs in any year since the short-lived post-COVID tech bubble burst in the fall of 2021. At the same time, the pace of graduations from junior stock markets to the TSX has also declined.

Number of operating companies on the TSX

Year ended Dec. 31



Note: 2025 numbers are as of Sept. 30, 2025

THE GLOBE AND MAIL, SOURCE: TMX GROUP

Meanwhile, there has been a systemic evolution in the preferences of growth-stage Canadian companies away from the public markets in favour of private institutional financing alternatives. The problem is that in 2024, total private equity deal value in Canada was only \$27.5-billion, about 3 per cent the size of it in the United States. This stark imbalance means many of our most promising companies seek U.S. or foreign private equity funding. Before long, Canadian companies are relocating.

This should matter to all Canadians. Public markets democratize ownership for middle-class Canadians, allowing retail investors to participate in the growth of home-grown companies alongside pension funds and other institutions. Going public on the TSX allows companies to scale to become big global champions while being anchored here, spurring a virtuous economic cycle.

And when public markets decline, the impact filters down. It contributes to our stagnant wages, falling living standards, housing crisis and decaying infrastructure. When public markets decline, so does Canada.

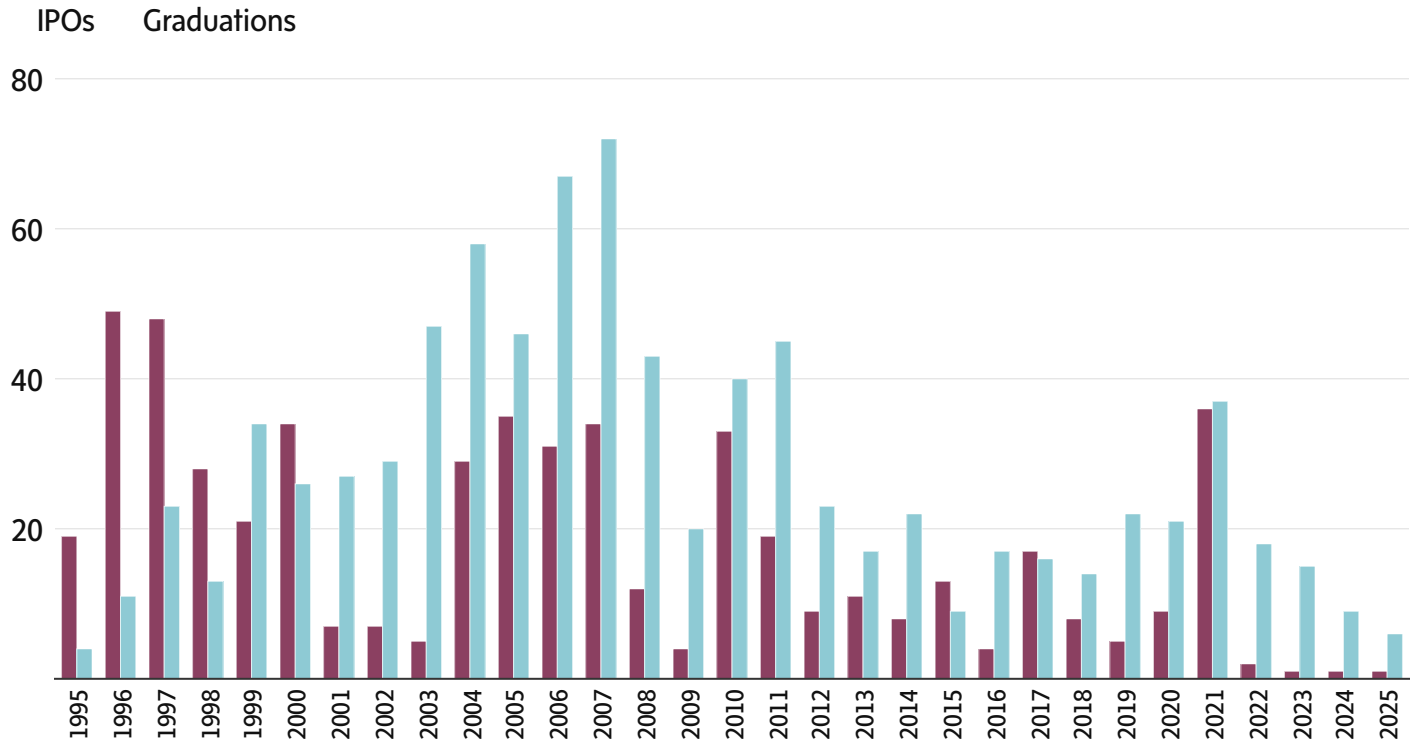
There's a lot that can be done to solve this issue. Red-tape reduction, further harmonization of securities regulations across provinces and modernization of the IPO process are all essential. However, the depth of the challenge demands that we act more boldly by pursuing innovative policies.

One intriguing idea is granting tax deferrals on certain capital gains if the proceeds are reinvested domestically. The Conservative Party has proposed a version of this. Various think tanks have called for this, too.

Their plans are broad, applying to a wide range of situations, such as an entrepreneur selling a private business or a retail investor selling stocks. But we want to focus on something specific: capital gains earned from investing in Canadian-controlled IPOs. Such gains, and only such gains, should be allowed a deferment, provided those gains are reinvested in other Canadian IPOs within a set period.

IPOs and graduations on the Toronto Stock Exchange

Initial public offerings by companies on the Toronto Stock Exchange, plus graduations, where companies move up from a junior stock exchange



THE GLOBE AND MAIL, SOURCE: TMX GROUP

We do not want to simply juice the stock market, overly prop up businesses that would otherwise not be receiving investment, or cause unwarranted tax leakage. We focus on IPOs because that is the most important aspect of our capital markets, the aspect that contributes the most to Canadians' collective prosperity.

When a company IPOs, its bigger economic footprint grows. A report by the Kaufman Foundation of Entrepreneurship that studied American IPOs over 15 years found an average of 822 jobs added per company and a nearly 100-per-cent increase in sales.

An IPO also lets early investors, such as employees who own shares, get their money out. In 2012, when the company then known as Facebook IPOed, a thousand new millionaires and a dozen new billionaires were created.

All of that has significant spillover effects. According to a 2019 study by three U.S. universities, every US\$10-million in IPO proceeds by a company leads to 41

new jobs in the surrounding area and 0.7 new businesses. We want those effects to happen in Canada.

Our plan to roll over capital gains is not a tax giveaway; it's a timing adjustment. Taxes would eventually be paid, but in the interim, capital remains active in Canadian public markets rather than being pulled out after a single win. Such a mechanism would encourage investors to recycle gains into new listings, creating a continuous flow of domestic capital for emerging firms looking to scale.

This approach would broaden investor participation and strengthen domestic ownership. It would also reduce reliance on foreign capital, which often comes with strings attached, including pressure to relocate operations or list on foreign exchanges. By encouraging reinvestment at home, we create a deeper pool of capital that aligns with Ottawa's ambition to build globally competitive Canadian champions.

Of course, safeguards would be needed to prevent abuse and ensure qualifying IPOs meet Canadian-controlled criteria. Clear timelines for reinvestment and caps on eligible amounts could help maintain integrity. If structured properly, a capital gains deferral program could be a practical way to revitalize Canada's public markets – fostering a virtuous cycle of investment, growth and competitiveness.

Our current government has made a push for bigger Canadian companies that are more globally competitive, and that is welcome, but this aspiration must include public capital market reform if it is to have any chance of bearing fruit. Ottawa must send a strong message that Canada is serious about creating an environment where homegrown firms can scale without leaving the country.

PROSPERITY'S PATH

Opinion: As pipeline politics begin anew, Ottawa must fast-track the courts

Opinion: What will you sacrifice for Carney and country?

Sign up for the Real Estate Newsletter. Your house is your most valuable asset.
Read about the latest closing sales, house market trends, mortgages and more

 **SIGN UP** | **EXPLORE NEWSLETTERS**

[Report an editorial error](#)

[Report a technical issue](#)

[Editorial code of conduct](#)