



Stock Buybacks • Explained

- The Democrats' recently passed Inflation Reduction Act includes an important tax on **corporate stock buybacks** – it's a good start that puts the brakes on a corporate kick-back scheme and raises revenue to fund investments for working families.
- Stock buybacks are one of the most self-serving financial tricks that CEOs use to enrich themselves at the expense of working people – and you should be talking about them.
- Stock buybacks are the ability of a corporation to buy its own stock simply to inflate its value. CEOs don't make most of their money from a paycheck, like workers – they make it through stock options.
- Giant corporations could use their skyrocketing profits to invest in things like higher wages, more innovative products, or lower prices. Instead, they invest it in *themselves*.
- Buybacks are an encapsulation of soaring economic inequality in the U.S. – they're a big reason why a **CEO of a big corporation can make 670 times more than a median employee**.
- As powerful corporations hike prices on hardworking families and fight workers who deserve an honest day's pay, **corporations will spend almost \$1 TRILLION buying back their own stock** – that is 5 percent of our GDP, or more than \$3,000 that could go to every man, woman, and child in America.

- It doesn't have to be this way. Before the Reagan administration and their cronies unleashed a corporate free-for-all, stock buybacks were illegal before 1982 because they were considered market manipulation.
- The Inflation Reduction Act, signed into law last week, includes a 1% tax on buybacks, marking the first time in 40 years that the government has taken action to rein in this self-serving practice.
- Congress or regulators must not only tax buybacks as they did in the Inflation Reduction Act but **ban them altogether**. [It's popular among voters across party lines](#) – supported by 77% of Democrats, 64% of Independents, and even 54% of Republicans.
- Politicians should **make stock buybacks illegal again** as an important check against corporate greed run amok.

Why you should care:

- **WEALTHY GET WEALTHIER:** Corporations in the U.S. are projected to spend more on stock buybacks than ever before – [nearly \\$1 trillion in THIS YEAR alone](#). That's [5% of our GDP](#) or more than \$3,000 for every man, woman, and child in America.
- **IT'S POPULAR:** The 1% tax included in the IRA is popular among voters across party lines with [66% overall supporting its passage](#) according to a Data For Progress poll. It's supported by 77% of Democrats, 64% of Independents and 54% from Republicans – even though not a single Republican voted for it.
- **IT'S TIME TO BREAK 'EM UP:** We need to keep fighting to break the power of these giant corporations, who can invest in stock buybacks in part because they're not worried about competing for workers, competing for customers, or competing on the merits of good, innovative ideas.

The crisis in the wild:

- **BABY FORMULA:** Abbott Laboratories, a \$35 billion conglomerate, manufactured baby formula in dirty facilities that caused two babies to die of a bacterial infection and made others sick, leading to a massive shortage crisis. While working families were struggling to find formula to feed their families, the company spent more than \$5 BILLION on stock buybacks. Instead of making sure their product was safe, Abbott's executives lied to safety inspectors while spending corporate cash on pumping up its stock price.
- **OIL AND GAS:** Chevron, Shell, and Exxon said they would spend \$47 BILLION in stock buybacks after making record profits and gouging consumers at the

pump.

- **GROCERY STORES:** Supermarket chain Kroger charged more for groceries and spent \$1.498 BILLION on stock buybacks between April 2020 and July 2021 to enrich their shareholders, even as median worker pay decreased by 8 percent in 2020.

Have a question about corporate power or an idea for an upcoming edition? Please let us know. If you know a fellow advocate, leader, or organization who would also benefit from this, please encourage them to [sign up here](#).

If you need a deeper dive into stock buybacks or have any questions, let us know! Please reach out to our Communications Director, Bianca Recto for more information and guidance: bianca@fightcorporatemonopolies.org

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