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Curbing Stock Buybacks Would Strengthen the Economy

Curbing stock buybacks would push companies to invest in their workers, productive capacity, and innovation. Stock buybacks are when a company purchases its own shares, resulting in fewer outstanding shares, an artificially higher share price, and higher executive pay. Buybacks surpassed $1 trillion in 2025, largely fueled by windfalls from a deep cut in the corporate tax rate. Before SEC rules changes in 1982, stock buybacks were largely considered market manipulation and therefore illegal.

Stock buybacks divert resources from productive investments and worker pay: Every dollar spent on stock buybacks is a dollar not spent on research and development, increasing worker wages and benefits, consumer safety, and other productive investments. Studies have shown that stock buybacks are associated with wage stagnation and layoffs, investment slowdowns, and reduced innovation. For financial markets to work properly in service of the real economy, higher share prices should reflect an increase in a company's prospects for the future, not price-juicing gimmicks.

Executives win big from stock buybacks: Stock buybacks inflate the value of equity-based compensation — which makes up over 80 percent of CEO pay — by artificially raising share price. Executives can even benefit from the short-term bump in share price that results from a buybacks announcement. Lastly, CEO pay plans often include incentives to hit earnings per share targets, which stock buybacks can help companies meet.

Corporations broke promise to use windfall from tax breaks to increase worker pay: Large corporations promised to use windfalls from a deep cut in the corporate tax rate in 2017 to raise worker pay. But a JUST Capital analysis of 145 companies found that they planned to allocate only six percent of their tax savings to workers. Instead, corporations went on a stock buyback spree. S&P 500 firms alone spent $806 billion on buybacks in 2018, a massive jump from the $519 billion spent repurchasing stock in 2017.

Stock buybacks exacerbate racial and wealth inequality: Stock ownership — and therefore who can benefit from stock buybacks — is deeply unequal. The wealthiest one percent of the population owns 50 percent of all corporate equities and mutual fund shares. The bottom 50 percent, half the country, owns just one percent. Racial disparities are also stark. While white households hold 87 percent of all stocks and mutual fund shares, Black and Latine families hold under 0.7 percent each. A recent study released by PolicyLink and

Oxfam found that between the fourth quarter of 1996 and the second quarter of 2025, white households gained 91 percent of the wealth generated by stock buybacks, while Black and Latine households gained one percentage each.

Corporations often spend more money on stock buybacks than they pay in taxes: An Americans for Tax Fairness report found that between 2018 and 2022, 280 corporations spent a combined $2.7 trillion on stock buybacks, more than four times what they paid in corporate income taxes over the same period, with 85 percent of firms spending more on stock buybacks than they paid in taxes.

We all pay for excessive stock buybacks:

- **Higher costs and lower quality:** Even though approximately 70 percent of healthcare spending in 2020 was financed by taxes, healthcare companies spent 95 percent of their net income on shareholder payouts, largely in the form of stock buybacks, between 2001 and 2022. The researchers concluded that this spending "may be associated with higher prices and may not be reinvested in improving access, delivery, or research and development."
- **Lower wages:** The 100 largest low-wage corporations spent $718 billion on buybacks between 2019 and 2025, according to Institute for Policy Studies research. In this group, Lowe's was the biggest spender. With the $46.8 billion the retailer spent on buybacks over the past seven years, they could have covered the cost of a $24,235 bonus for each of the company's 276,000 employees every year during that period.
- United Auto Workers' striking members called attention to the big three U.S. automakers' 1,500% increase in spending on stock buybacks over the four years preceding their strike (2019-2023) as part of their fight for higher wages.
    - In the last year, General Motors has spent $4 billion on stock buybacks, with Barron's referring to it as a "stock buyback machine that happens to make cars."
    - In March 2026, Ford approved a plan to buy back 31.7 million shares, valued at the time at almost $370 million.
    - In 2024, Stellantis spent $1.1 billion in stock buybacks in just nine weeks as UAW was accusing the company of evading its $19 billion investment commitment.
- **Environmental harms:** Norfolk Southern, the company responsible for the 2023 Ohio train derailment spent more than $10 billion on stock buybacks in the four years prior to the crash, $3 billion more than the railroad company spent on equipment

upgrades and other long-term investments. A class action lawsuit was settled with the company agreeing to establish a $600 million fund. A lawsuit brought by the federal government was settled with the company agreeing to pay $310 million.

- **Consumer harms:** Abbott authorized $8 billion in stock buybacks between 2019 and 2021 before its 2022 tainted infant formula recall, which contributed to a national baby formula shortage.
- **Public subsidies to corporations through benefits:** According to an Institute for Policy Studies report, the 20 largest employers of low-wage U.S. workers spent $32.5 billion on stock buybacks in 2024. Meanwhile, 15 of those companies reported median worker pay below the income limit for a family of three to be eligible for Medicaid in most states, and 13 of them reported median pay below the threshold for a family of three to be eligible for SNAP.

What we can do about it:

- **Government contracting:** Government contracts should include enforceable provisions prohibiting stock buybacks, so public money is invested in the real economy for the public good and not wasted on artificially inflating share prices and enriching executives. The government can also condition other public money it gives corporations, such as grants and subsidies, on a stock buybacks prohibition.
- **Tax:** The Inflation Reduction Act of 2022 instituted a 1 percent tax on stock buybacks – a small but important step toward curbing this wasteful practice. An increase in this buybacks surcharge to four percent, as proposed in the Stock Buyback Accountability Act, would generate revenue and disincentivize stock buybacks.
- **Regulation:** The SEC opened the flood gates to stock buybacks in 1982, when it created a safe harbor so massive that some argue it amounted to legalizing stock market manipulation. Before then, companies had to worry about being held liable for market manipulation under the Securities Exchange Act. In 2023, a court struck down a simple disclosure rule the SEC promulgated that would have, for the first time, given it information about whether companies were abiding by the strictures of the safe harbor. The SEC should rescind, or significantly curtail, the safe harbor.
- **Statutory ban:** Congress could also step in to ban stock buybacks by statute. The Reward Work Act would do just that.