



CORPORATE STOCK BUYBACKS HELP CEOS & WEALTHY INVESTORS, NOT WORKERS

Corporations are using most of their Trump tax cuts to buy back their own stock, which mainly benefits CEOs and wealthy shareholders, rather than to raise the wages of workers or make new job-creating investments.

As of April 9, 2018, Americans for Tax Fairness found that corporations had announced \$238 billion in new stock buybacks since the tax law was passed in late December 2017, but only \$6.5 billion in one-time bonuses and wage hikes to workers. ([Go here](#) for the latest data.)

STOCK BUYBACKS EXPLAINED

Public corporations can benefit their shareholders in one of two main ways: paying dividends and buying back the company's stock to increase share value. Dividends are discretionary payments per share, usually made quarterly.

Stock buybacks are purchases made by a corporation of the company's own stock on the open market. Corporate stock buybacks decrease the number of shares available for purchase, thus raising their value and the wealth on paper of those who own them.

By reducing the number of shares outstanding, buybacks raise the corporation's "earnings per share"—the preferred method of judging a company's performance—without the company having to increase profits.

Making open-market corporate stock buybacks without fear of being charged with market manipulation [has only been allowed](#) under federal regulations since 1982. Over the past two decades, [buybacks have generally surpassed dividends](#) as the principal method of returning money to shareholders.

WHO BENEFITS FROM STOCK BUYBACKS

Stock buybacks (and dividends) mostly enrich the already wealthy because rich people own most corporate stock. The [richest 1% own 40% of all stock](#); the richest 10% own 84%. More than one-half (51%) of American households own no stock either directly or indirectly through a 401(k)-retirement account or a pension plan.

One subset of the wealthy benefits particularly from stock buybacks: CEOs and other top corporate executives. That's because executive compensation comes increasingly in the form of [stock awards and stock options](#)—the higher the stock price, the higher an executive's salary.

For additional information about stock buybacks see this [primer by the Roosevelt Institute](#).