

Press Release

Understanding Stock Buybacks

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The ongoing coronavirus pandemic has brought the issue of stock buybacks back into the news again, as some are seeking to deny assistance to firms that have recently engaged in a stock buyback. AAF President Douglas Holtz-Eakin provides a straightforward examination of how stock buybacks work and draws three central lessons. The underlying presumption of critics — that stock buybacks are harmful or dishonorable — is completely at odds with any rational assessment of firm financial management, he argues.

Holtz-Eakin concludes:

The populist assault on stock buybacks and the managers who initiate them is unmoored from the realities of corporation finance. They are a tell for the betterment of shareholders, not management, and they produce no harm. Especially now, it is counterproductive to condition availability of emergency response funds on past or future firm buybacks.

Read the analysis.