
2022BCDCC-CORP-20220428--- Reinstate Total Ban on Stock Buybacks by Publicly Traded Firms

Whereas the Stock Buyback process has been abused since it was implemented following issue of SEC Rule 10b-18 in 1982 under President Reagan. The original rule language was reinforced by additional changes in 2003 to enrich an inner circle of executives at the expense of the well-being of the company's future,(1) (2) and prior to the 1982 rule change corporate, stock buybacks were considered market manipulation(3);

Whereas these stock buybacks have enabled executives to consume up to half their revenue to increase the price of their shares while increasing the Earnings Per Share (EPS) statistic which is critical to ensuring their bonuses while starving the firm for investment in their future; (3) and these buybacks consumed more than \$4.3 Trillion between 2009 and 2018 alone(4);

Whereas cash would better be used to invest in the future capability of the company, pay employees bonuses, and pay ordinary shareholders bonus dividends. Cash distributed as bonuses is taxed at higher levels than long term capital gains on sale of stock so the national budget is supported and share buybacks are associated with downsizing and wage stagnation(5);

Whereas the impact of these executive decisions cutting investment, workers and workers salaries and benefits (General Electric (\$42 billion) and underfunded employee pensions by \$32 Billion, and Boeing Company management spent \$50 Billion while cost cutting that resulted in MCAS disaster and the South Carolina Assembly plant failure) have damaged workers and ordinary shareholders; (6)(7)

Whereas these rules have increased inequality within our society, “ Over 60 percent of white families own some stock, directly or through mutual funds or retirement accounts, but two-thirds of Black families and three-quarters of Latinx families have absolutely no stock holdings at all. The typical value of these investments by those Black and Latinx families is only \$15,000 — less than one-third the typical \$50,000 holdings of white families.” (8)

Be it Resolved that:

Washington state democratic party will work with Washington state Governor and our elected US Congress persons and SEC Chair to ban stock buy backs by rescinding SEC Rule 17 C.F.R. 240.10b-18 and pass laws to prevent any future such SEC rule. State party will encourage US Congress persons to promote use of cash to invest in company capability, employee bonuses and shareholder bonus dividends as Seattle based PACCAR does.

Washington state democratic party will work to achieve a complete ban rather than focus on a small tax on buybacks;

1. SEC Rule C.F.R. 240.1710b-18, Purchases of Certain Equity Securities by Issuer and Others
2. <https://thehill.com/policy/finance/391662-sec-commissioer-calls-for-update-to-stock-buybacks-rules-paragraph-10>.
3. Americans for Financial Reform,Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021, page 1 para 4 sentence 2 “Corporate stock buybacks were

essentially considered market manipulation before the Securities and Exchange Commission (SEC) gutted the regulation in 1982.”

4. Americans for Financial Reform, Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021; page 1 para 4. Sentences 3 & 4. “Before the rule change, S&P 500 companies spent about 2 percent of profits on stock buybacks, but between 2009 and 2018, S&P 500 companies spent \$4.3 Trillion on buybacks – more than half of their income.”
5. Americans for Financial Reform, Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021; page 2 para 2 sentence 3. “Studies have found that share buybacks are associated with downsizing and wage stagnation.”
6. Americans for Financial Reform, Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021: page 2 para 2. sentence 1, “Stock buybacks harm workers and undermines long term economic growth by shifting revenues from capital investments and workers’ wages and benefits.”
7. Americans for Financial Reform, Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021: page 2 para 2 sentence 4, “In the two months after the TCJA [Tax Cuts and Jobs Act 2017] slashed corporate taxes, S&P 500 companies dedicated 106 times more money to share buybacks (\$160 billion) than to wage increases (\$1.5 billion)”
8. Americans for Financial Reform, Tax Corporate Stock Buybacks that Enrich Executives and Worsen Inequality, November 2021; page 1 para 6, sentences 2 & 3.

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Chair, Benton County Democratic Central Committee
