Trade Union
Advisory Committee
to the OECD
Commission syndicale consultative auprès de l'OCDE

Corporate share buy-backs in times of COVID-19

15 July 2020 – 14.00-15.30 CET
TUAC Webinar

Since the global financial crisis of 2008, unprecedented expansionary monetary policy, in the form of quantitative easing and persisting low interest rates, has fuelled a corporate debt bubble. Yet, this massive liquidity injection did not translate into a corresponding rise of corporate investment; why is that?

The phenomenon of corporate share buy-backs - listed companies buying and destroying their own shares to inflate stock market price – is not new, but has taken systemic dimensions over the past decade. Already in 2013, the OECD warned that «debt finance is cheap, while the cost of equity capital needed for risky long-term investment is still high. This combination provides a direct incentive for borrowing to carry out buy-backs (de-equitisation)».

In 2019, companies listed in the US S&P 500 Index spent USD 729 billion in share buy-backs, coming on top of USD 485 billion in dividend payments. Professor William Lazonick labelled this process *predatory value extraction*.

What are the macroeconomic risks associated with the growing corporate debt and share buy-backs at a time of systemic shock caused by the COVID-19 crisis? What is the relation between share buy-backs, the sustainability of firms, employment fragility, income inequality, stagnating productivity, and what should be done about it?

SPEAKERS

William LAZONICK, *President, The Academic-Industry Research Network, and Professor of Economics Emeritus, University of Massachusetts*

Robert PATALANO, *Deputy Head of the Insurance, Private Pensions and Financial Markets Division, OECD Directorate for Financial and Enterprise Affairs*

Moderated by Pierre HABBARD, *General Secretary, TUAC*

Followed by Q&A.

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Registration by 10 July 2020 via tuac@tuac.org and for TUAC members on mytuac.org.