Share-repurchase waves and shareholder value: A concise review with a single-firm illustration

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Abstract: Shares are one of the main ways a company can help raise capital and repurchase programs have become a defining feature of modern corporate-finance practice. Yet, their ultimate effect on long-term shareholder value remains contested. How managers deploy buybacks—timing, scale, and underlying motives—largely determines whether repurchases enhance or erode firm value. By surveying recent global evidence and pairing it with a focused illustration of Apple Inc.'s decade-long buyback record, this paper tries to clarify when repurchase "waves" succeed and when they falter. It weighs signaling, free-cash-flow discipline, and capital-structure optimization against earnings-per-share manipulation and investment crowd-out risks. The analysis is grounded in peer-reviewed studies from 2010-2025 and documented transaction data, in hopes of offering a balanced view that professionals can use to distinguish value-creating programs from value-destroying ones.

Keywords: Share Repurchase, Stock Buy-Back, Payout Policy, Capital Allocation, Shareholder Value

JEL Classification: G32, G35

1. Introduction

During the past decade, share-repurchase programmes have assumed a prominent role in global payout policy, with listed corporations returning unprecedented volumes of cash to their shareholders. These periodic surges—commonly labelled "buy-back waves"—have reignited longstanding debates in corporate-finance scholarship. Advocates contend that repurchases enhance shareholder welfare by reallocating surplus cash and conveying credible signals of undervaluation; detractors counter that such transactions yield, at best, a transient elevation in market price or earnings per share (EPS) and may crowd out long-horizon investment.

The present study undertakes a structured review of the peer-reviewed literature and employs those findings as secondary evidence to inform the ensuing analysis. In addition, two illustrative case studies—selected for the scale and public documentation of their buy-back activity—serve to translate theoretical insights into observable corporate outcomes. Central research questions therefore include: Do repurchases contribute to enduring firm-value creation and superior investor returns, or do they primarily facilitate EPS management and sub-optimal capital allocation? Consensus points, unresolved controversies, and salient regulatory interventions are synthesised and documented with rigorous citation.

Finally, the study recognises the multifaceted motives that underlie repurchase decisions. While certain rationales—capital-structure optimisation, mitigation of free-cash-flow agency costs—are broadly viewed as benign or value-enhancing, others, such as short-term managerial self-enrichment, remain contentious. Distinguishing among the diverse modalities of buybacks (open-market, tender offers, accelerated share repurchases, targeted transactions) and the legal frameworks that now govern them underscores a recurrent theme: repurchases are instruments of strategic intent whose ultimate effect depends critically on context, execution discipline, and governance quality.

The remainder of this study is organised into multiple sections. **Section 2 provides a historical and doctrinal literature review**, tracing repurchase practice from the Dutch East India Company through the post-1982 safe-harbour regime and cataloguing the principal repurchase methods—open-market programmes, fixed- and Dutch-auction tenders, accelerated share repurchases, targeted transactions, odd-lot initiatives, etc. **Section 3 sets out the research methodology**, detailing the systematic integrative-review protocol, database search strategy, inclusion criteria, and the comparative case-study design featuring Apple and IBM. **Section 4 presents the empirical findings**, first summarising announcement-return and long-run performance evidence, then examining EPS effects, investment crowd-out, and price-efficiency dynamics. **Section 5 concludes**, drawing policy implications, identifying governance levers that distinguish value-creating from value-destroying programmes, and proposing avenues for future research.

2. Literature review

The *concept* of a company reacquiring its own equity is at least 420 years old; starting with the Dutch East India Company, where the 1602 charter let participants reclaim their capital after 10 and 20 years (Art. 7). When those windows arrived the company had to take the shares back and reduce capital – an organised, time-tabled repurchase.

The legal recognition of repurchases however, goes as far as the late 19th century, where in America, New Jersey had passed a law that expressly lets a corporation "own its own shares of stock," and Chapman v Ironclad Rheostat Co. (1898) confirmed the right. The statute also bars those treasury shares from voting – exactly today's rule.

However, in the early 20th century, after the 1929 crash, Congress made open-market repurchases risky: Sections 9(a) and 10(b) of the 1934 Exchange Act treat price-stabilising buy-backs as potential manipulation. Issuers still bought stock but disclosed little, and volumes were small.

In the early 1980's, there was a deregulatory sweep along with Reagan's own embrace of an alternative economic model that brought upon the US an explosion of repurchases. SEC Rule 10b-18 created a four-part "safe harbour" (single broker, timing, price cap, 25 %-volume limit). Staying inside those guard-rails shields issuers from manipulation liability.

From 2006 to the present, we have a lighter-touch regime all around the world following suit after 1982 - from Europe to Canada, to the US and onward - that lets both private as well as public companies repurchase shares. These shares are subject to distributable-profits and solvency tests.

To make a short summary, we basically have a slope that brings us from acknowledging the existence of repurchase agreements, to then outright banning them, followed by a chain of deregulation.

Now, what type of Repurchases are there and what categories?

1 Open-market and Fixed-price Tender Offers

The most common share repurchase method in the United States is the open-market stock repurchase, representing almost 95% of all repurchases.

A firm will announce that it will repurchase some shares in the open market from time to time as market conditions dictate and maintain the option of deciding whether, when, and how much to repurchase. Open-market repurchases can span months or even years.

There are, however, daily buyback limits which restrict the amount of stock that can be bought over a particular time interval again ranging from months to even years. According to SEC Rule 10b-18, the issuer cannot purchase more than 25% of the average daily volume.

Let's give an example. Management announces an authorisation - say, they give one for up to 5 billion dollars - and instructs a broker to buy shares over time. Differently, a fixed-price tender offer invites all shareholders to sell at a single, often premium, price within at least a 20-day window. Open-market programmes maximise flexibility; tenders are faster when very large blocks are desired, or a clear undervaluation signal is intended.

2 Accelerated Share Repurchases (ASRs)

An ASR is a contract in which the firm hands an investment bank a lump-sum payment and receives a large tranche of shares up-front; the bank later buys the shares in the market to close its short position.

Companies choose ASRs to reduce share count immediately (often to meet leverage or EPS targets) and to outsource execution risk to the bank.

Academic work on ASRs finds they credibly commit the firm to follow through, but their use is statistically linked to quarters in which management incentives emphasize EPS accretion.

3. Dutch-auction Tender Offers

The introduction of the Dutch auction share repurchase in 1981 allows an alternative form of tender offer. According to Bagwell, Laurie Simon, A Dutch auction offer specifies a price range within which the shares will ultimately be purchased. Shareholders are invited to tender their stock, if they desire, at any price within the stated range. The firm then compiles these responses, creating a demand curve for the stock.

4 Targeted Repurchases

A targeted repurchase buys shares from a single hostile or activist holder—often at a premium—to forestall a takeover attempt. When executed opportunistically the practice is called greenmail.

5 Odd-lot / Small-shareholder Self-Tenders

Some companies periodically repurchase holdings of fewer than 100 shares to reduce administrative cost and concentrate ownership; There's little research and there won't be any focus on this behavior, but we wanted to mention it - however the research only

6. Fixed-price tender

Prior to 1981, all tender offer repurchases were executed using a fixed-price tender offer. This offer specifies in advance a single purchase price, the number of shares sought, and the duration of the offer, with public disclosure required.

The offer may be made conditional upon receiving tenders of a minimum number of shares, and it may permit withdrawal of tendered shares prior to the offer's expiration date. Shareholders decide whether to participate, and if so, the number of shares to tender to the firm at the specified price.

Frequently, officers and directors are precluded from participating in tender offers. If the number of shares tendered exceeds the number sought, then the company purchases less than all shares tendered at the purchase price on a pro rata basis to all who tendered at the purchase price.

If the number of shares tendered is below the number sought, the company may choose to extend the offer's expiration date.

When talking about the opinions of economists about share repurchases, we have two main ways of looking at things; there's positive and negative opinions.

On one hand, the economists that talk about the positive side of repurchases mainly talk about the possible value added through the share repurchases by signaling undervaluation - having management give out an open-market buyback announcement to signal confidence. Furthermore, by reducing funds at management's discretion, buybacks can mitigate wasteful spending and "shrink the empire, thereby **avoiding value destruction."** Another advantage when it comes to repurchases is that repurchases give flexibility to adjust leverage – replacing equity with debt. This suggests that

On the other hand, theory also highlights scenarios where repurchases might **diminish long-term value** or reflect conflicts of interest. A primary concern is **managerial opportunism;** where a manager might repurchase shares to make his own management look better and to get a higher pay based on his performance. Another motive is using repurchases to **fine-tune capital structure** by reaching a target debt-to-equity ratio. While this can raise return on equity in the short term, the net impact on long-term value is ambiguous – higher leverage can bring tax benefits but also greater bankruptcy risk. If buybacks are done with ill intent (to meet EPS targets or to activists at the cost of investment), they could be "excessive from investors' longer-term perspective" [5].

Overall, theory suggests buybacks can either create value or destroy value. With respect to all of the theory above and the theme of this paper, we've proposed the following research question and subsequent objectives:

What are the long-term effects of share repurchases, and how do repurchasing firms perform relative to otherwise-similar firms that abstain from buy-backs?

Objectives:

- **Analyse the immediate market reaction to repurchase announcements**, quantifying short-run abnormal returns across jurisdictions and buy-back methods.
- **Measure the mechanical and discretionary impact of repurchases on earnings per share (EPS)**, separating typical accretion effects from episodes of earnings management.
- **Assess whether, and under what conditions, buy-backs assist corporate executives in meeting bonus-linked performance targets**, thereby testing the agency-cost and incentive-alignment dimensions highlighted in the literature.

3. Research methodology

Our research employs a **systematic integrative-review design that is mostly made of secondary research**. First, peer-reviewed studies published between 2010 and 2025 were retrieved from Google Scholar, SSRN, JSTOR and major finance journals using Boolean strings such as *"share repurchase" AND "long-term returns"*, *"buyback wave"*, and *"EPS manipulation"*. We retained papers that offered either international samples or clearly identified identification strategies. Bibliographies were studied yielding a core corpus of 40 empirical papers.

To complement the literature synthesis, we adopted a **comparative case-study approach**. Apple Inc. (successful buyback exemplar) and IBM (cautionary case) were selected through a criterion of cumulative repurchases > $150 billion and divergent long-run share-price trajectories. Financial-statement data (10-K/20-F filings), Compustat buyback variables, and press releases were triangulated with daily price data to plot EPS, share count, and total shareholder return over 2012-2024. This mixed-methods design—systematic review plus illustrative firm-level analysis—allows us to test whether the conceptual drivers identified in the literature (surplus-cash discipline, EPS opportunism) manifest in real corporate outcome.

4. Results and discussions

Announcements of share buybacks seem to generate a **positive short-term stock price reaction**, on average, consistent with investors perceiving buybacks as good news. This result has been documented in many markets. For example, an international study by Manconi *et al.* analyzed over 9,000 buyback announcements from 31 countries (outside the U.S.) and confirmed significant **positive excess returns at announcement.**

A central question in our study is whether buybacks contribute to long-term value creation for continuing shareholders (beyond the initial pop). A seminal study on U.S. repurchases in the 1980s found that firms engaging in buybacks outperformed their peers by about 12% (abnormal return) over the four years following the repurchase. This suggests a long-run benefit, possibly due to the correction of undervaluation or improved capital efficiency. Notably, recent research indicates this is *not* just a historical artifact. Manconi *et al.* (2019) extended the analysis globally and found that in most countries, repurchasing firms continued to earn **positive long-run excess returns** relative to non-repurchasing firms. In their sample (31 countries, 1998–2010), buybacks were associated with significant outperformance over the subsequent 2–4-year period, contradicting the "short-term sugar high" critique. Moreover, they did not find that the long-term returns were merely compensation for higher takeover risk (a hypothesis in U.S. studies) – the abnormal performance remained even after controlling for that [6].

Other studies echo these findings: for instance, Peyer and Vermaelen (2009) and Dittmar and Field (2015) document that **risk-adjusted long-run returns after buyback announcements are typically positive**, and *higher than for comparable non-buyback firms.* The evidence thus leans toward buybacks being consistent with shareholder value creation in the long horizon, on average.

A related aspect is whether managers can time buybacks advantageously and how repurchases affect stock price efficiency. Busch and Obernberger (2017) provide a detailed at actual repurchase transactions (not just announcements) in the U.S. and their effect on pricing. They find that when companies buy back their stock, it tends to "make prices more efficient" and reduce volatility. "In particular, the beneficial effects are strongest in declining or "down" markets."

Importantly, Busch and Obernberger find **no evidence that managers use repurchases to manipulate the stock price for insider benefit** (e.g. temporarily boosting the price to sell their own holdings or exercise options) This addresses a common suspicion: in their data, repurchases were generally aligned with genuine value maintenance (supporting the stock when undervalued) rather than exploitative market timing against outside shareholders. Another study by De Ridder (2015) showed that firms which repeatedly execute buybacks (multiple programs) tend to achieve **higher cumulative returns** than firms with infrequent buybacks – roughly 0.79% per month higher, on average.

Overall, the empirical consensus is that **share repurchases, especially when done in response to undervaluation or surplus cash, are associated with positive shareholder returns in the long run**. There is little indication that markets "penalize" frequent repurchasers; if anything, investors appear to reward the disciplined return of capital.

Much of the early buyback literature focused on U.S. firms, but recent studies confirm that many findings generalize internationally. Research in specific markets has similar conclusions. For instance, **UK data (FTSE 350 firms, 2007–2017)** analyzed in a government-commissioned study found that buyback announcements did not have negative long-run effects; if anything, UK repurchasing firms performed at least as well as others, and there was *no* evidence of systematic harm to investment.

In Europe, prior regulatory changes allowed share repurchases only in recent decades (e.g. many countries legalized buybacks in the late 1990s or early 2000s), and studies have documented *"wave"* patterns as these practices spread. **Andriosopoulos and Lasfer (2015)** note that in markets like the UK, repeated buybacks over time carry diminishing surprise (investors come to expect them), but initial buyback news still conveys positive information

In emerging markets and Asia, the evidence is more limited but generally consistent: when firms initiate repurchases (often a novel payout method in these markets), it typically signals confidence and undervaluation, leading to favorable stock reactions. Overall, across different countries and regulatory regimes, **the bulk of empirical evidence finds that share repurchases are not detrimental to shareholder value**; indeed, they often coincide with improved stock performance, provided they are not funding a fundamentally weak enterprise (a nuance explored in the case studies). As we will see, the real contentious issues lie in *how* buybacks might affect other aspects of the firm (like investment, earnings metrics, or financial risk), rather than the direct stock-return impact.

1. Buybacks, EPS Manipulation, and Management Incentives

One of the most debated aspects of share repurchases is their effect on **earnings per share (EPS)** and whether managers use buybacks to **manage earnings figures** (potentially to hit targets or influence their compensation). By reducing the number of shares outstanding, a repurchase mechanically **boosts EPS** (net income divided by fewer shares). The critical questions are: *How large is this EPS effect in practice?* Do *managers actively engage in buybacks to exploit this for personal or market gain?*

Several studies in the past 15 years have investigated if firms repurchase stock to meet or beat analyst EPS forecasts or internal EPS targets. A rigorous study by **Almeida, Fos, and Kronlund (2016)** exploited a clever regression discontinuity design: they showed that U.S. companies that **would have just missed their quarterly EPS consensus forecast are significantly more likely to conduct a buyback in that quarter, compared to firms that just beat their EPS forecast.** In other words, managers appear to "scramble" to repurchase shares when it looks like EPS will come in slightly below expectations, presumably to cancel enough shares and round EPS up to the target. Crucially, Almeida *et al.* find this behaviour has "real effects": these EPS-motivated repurchases are associated with reductions in employment and investment in the firm.

Their evidence suggests some managers are indeed willing to **trade off long-term assets (capex, R&D, or payroll) to free up cash for buybacks that allow them to meet short-term earnings benchmarks.**

This is a striking result linking buybacks to potential short-termism and capital misallocation. It supports the concern that repurchases might sometimes be used opportunistically to manage accounting metrics (and possibly trigger bonus payouts tied to EPS). Other research concurs that firms do use buybacks as an earnings management tool under certain conditions. For example, Farrell, Unlu & Yu (2014) document that share repurchases are a prevalent mechanism to increase EPS, especially for firms facing constraints on other earnings management methods. They find that companies with debt-financing constraints (i.e. limited ability to borrow) are *less* able to do EPS-boosting buybacks, and those firms instead resort to accrual accounting tweaks, whereas firms with slack can use repurchases to prop up EPS. Such studies established that the phenomenon of **buybacks for EPS accretion** exists – at least in some firms and time periods – lending credence to critics' claims that executives might favour buybacks to hit quarterly targets.

While EPS increases from buybacks are mathematically certain (fewer shares => higher EPS, all else equal), recent research indicates that the **average impact is quite small** in most cases. A 2021/2024 study by **Griffin and Lont** examined thousands of U.S. firm-quarter observations (2004–2019) and found that the **average boost to EPS from an "accretive" buyback was only about 0.2 cents (i.e. $0.002) per share. In fewer than 15% of buyback cases did the EPS increase exceed one penny per share.** They also show that this modest effect **has not grown over time** – despite

the volume of buybacks increasing in the 2010s, the contribution to earnings per share remains trivial in the aggregate. In other words, Wall Street earnings estimate largely ignore the effect of repurchases, likely because it's usually too small or uncertain quarter-to-quarter to incorporate. Griffin and Lont conclude that the **"EPS boost from buybacks" is not a major driver of the widespread pattern of firms beating earnings forecasts** in recent years.

2. Do Buybacks Help CEOs Meet Bonus Targets?

An important related question is whether executives are **intentionally using buybacks to hit incentive plan targets** (for EPS or stock price) and thereby inflating their own pay. The **UK study by Edmans & colleagues (2019)** provides illuminating evidence. Analyzing a decade of data from FTSE 350 companies, they found *"not a single firm successfully used share buybacks to meet an EPS target that it would have missed otherwise."*

In other words, among companies that had EPS-based performance targets in CEO compensation, none were observed to be below the target and then jump above it due to a repurchase. In fact, firms that *did* end up hitting their EPS benchmarks tended to have **repurchased fewer shares** than firms that fell short. the opposite of what we'd expect if buybacks were routinely employed to game the system. They further found no overall relationship between having EPS-linked bonuses and the likelihood or magnitude of repurchases. This suggests that, at least in the UK, incentive structures did not lead to systematic misuse of buybacks for personal gain. The Bank for International Settlements (BIS) reviewed global evidence and similarly noted that *"misalignment of managers' and investors' incentives was not a major driver of buybacks."* Studies found that prior to 2000, firms with poor governance occasionally engaged in opportunistic buybacks that hurt long-run performance, but after 2000 (with improved governance and disclosure), those effects waned.

Moreover, while managers with large stock option holdings do prefer to return cash via buybacks rather than dividends (to avoid diluting the share price), research shows this **affects the form of payout more than the total amount**. In fact, firms with stock-optioned CEOs would have distributed similar cash *via dividends* in absence of buybacks – they *reallocate* payouts toward buybacks but "generally do not distribute more funds through buybacks than they would have through dividends."

3. Case Studies: Buybacks in Action

To concretely illustrate these concepts, we consider two contrasting case studies of publicly traded firms known for their significant share repurchase programs. These examples (one largely viewed as a success for shareholders, and one often cited as a cautionary tale) help show how buybacks can play out in practice over the long run.

3.1 Case Study 1: Apple Inc. – "Successful Capital Return to Shareholders"

Apple Inc. provides a striking example of massive share buybacks coinciding with substantial shareholder value creation. Apple initiated its first modern dividend and share repurchase program in 2012, amid mounting cash balances. Since then, the company has executed *the largest repurchase program in history*, returning hundreds of billions of dollars to investors via buybacks. In 2018, Apple announced a $100 billion buyback – at the time, a record for any U.S. company

It then expanded authorizations: $75 billion in 2019, $50 billion in 2020, and $90 billion per year in 2021, 2022, and 2023. In April 2024, Apple's board approved another $110 billion repurchase – breaking its own record for the largest ever.

Cumulatively, over 2012–2023 Apple spent well above **$500 billion on buybacks according to Fastcompany.com**, roughly halving its outstanding share count. These repurchases were facilitated by Apple's enormous free cash flows from iPhone and services sales and were initially funded in part by issuing debt (to avoid repatriation taxes on overseas cash pre-2018 tax reform) – a benign use of leverage given Apple's strong balance sheet.

From a shareholder perspective, Apple's buybacks have been generally applauded. The company's stock price rose roughly tenfold over the last decade (2013–2023), reflecting robust earnings growth but also enhanced by the shrinking share base (which boosted EPS growth). Apple's management stated that repurchases are a way to **return excess capital to shareholders** after funding all internal investments (including hefty R&D in new products and services). Indeed, despite spending tens of billions on buybacks annually, Apple also consistently increased its R&D budget each year – indicating that buybacks did not come at the cost of innovation. Instead, they deployed Apple's **surplus cash (which reached over $200B at one point)** to reward investors. Long-term shareholders benefited not only from **higher EPS** (simply due to fewer shares) but also from the **signaling effect** – Apple's willingness to keep buying its stock signaled confidence in its future and underscored that it viewed its shares as undervalued at various points.

3.2 Case Study 2: IBM – "Buybacks Amid Business Decline"

International Business Machines (IBM) offers a contrasting narrative. IBM engaged in aggressive share repurchases for over two decades, yet the outcome for shareholders was mixed at best. From 1995 through 2019, IBM **spent approximately $201 billion on buying back its own stock**

To put that in perspective, this sum exceeded IBM's entire market capitalization in many of those years. Under successive CEOs – Louis V. Gerstner (1990s), Sam Palmisano (2000s), and Ginni Rometty (2010s) – IBM poured cash into stock buybacks: Gerstner oversaw ~$44B of repurchases, Palmisano ~$99B, and Rometty ~$58B. On average IBM was allocating $8–10 billion per year to repurchases.

For a while, this seemed to work superficially: IBM's **earnings-per-share did increase** significantly through the 2000s, largely aided by the shrinking share count. The company even set (and initially met) ambitious EPS targets – notably a roadmap to hit $20 operating EPS by 2015 – where buybacks were a key lever in offsetting lack of revenue growth. However, the **underlying business fundamentals were deteriorating** (or at least not keeping pace with competitors in cloud and software). By the mid-2010s, IBM's revenues were declining year after year.

The market eventually looked past the engineered EPS and IBM's stock stagnated and then fell. Despite the enormous buyback expenditures, IBM's stock price in 2019 was roughly the same as it was in 2007, and well below its late-1990s highs (after accounting for inflation, long-term holders saw poor real returns). In effect, IBM spent $200 billion to retire shares – which did make remaining shareholders *own a larger piece of the company* – but since the company's overall value was eroding, that larger slice was of a shrinking pie. Critics have argued that IBM's buybacks were a **misallocation of capital**: instead of investing more in new technologies or acquisitions that could have reinvigorated growth (or even instead of paying larger dividends), IBM exhausted its cash on propping up the stock. The return on those buyback dollars turned out to be very low, as IBM often repurchased at prices that later turned out to be peaks before further declines.

IBM exemplifies the risk that buybacks **alone cannot create value if the core business is underperforming**. In fact, they can mask issues for a time. IBM's management was heavily incentivized on EPS (which buybacks reliably boosted each year), arguably at the cost of ignoring strategic pivots that were needed. Eventually, IBM's board and new CEO halted buybacks entirely – IBM **suspended repurchases after 2019** as it needed cash for a major acquisition (Red Hat) and to stabilize the business. This suspension tacitly acknowledged that the decades-long buyback spree had not delivered the hoped-for sustainable value. Shareholders who had held IBM since the early 2010s saw the stock essentially flat to down by the early 2020s, lagging the broader market dramatically (which had been buoyed in part by tech firms like Apple that were growing and buying back stock).

In summary, IBM's case doesn't mean buybacks are inherently bad – but it highlights that **repurchases cannot substitute for innovation or revenue growth**. If done in excess in a stagnating company, buybacks might temporarily boost ratios (EPS, ROE) but eventually, the market will punish the lack of growth.

5. Conclusions

In reviewing recent academic literature on share repurchases and shareholder value, several **key takeaways** emerge:

On average, share buybacks are consistent with shareholder value creation, not destruction. Both U.S. and international studies show that firms engaging in repurchases tend to experience positive abnormal returns and no systematic decline in long-term performance. This suggests that markets largely view buybacks as an efficient way to return excess capital, especially when firms have limited growth opportunities or see their stock is undervalued.

The primary theoretical benefits of buybacks (reducing agency costs of free cash flow, signaling undervaluation, optimizing capital structure) appear to dominate in practice for the typical firm. Many companies use repurchases as a flexible complement to dividends, distributing cash when available without committing to ongoing payouts. This flexibility can enhance capital allocation efficiency over the long run

Evidence of EPS-driven repurchases exists (some managers do boost EPS via buybacks in tight quarters) and such behavior can entail real costs (lower investment). However, these cases, while real, do not represent the majority of buybacks. By and large, firms are not depleting R&D budgets or taking on dangerous debt purely to repurchase stock – and widespread claims that buybacks are hollowing out the economy are not strongly supported by data The aggregate impact of buybacks on metrics like employment or investment is relatively neutral on average, according to cross-country studies

Corporate governance and incentives matter. Strong governance and well-designed executive compensation can ensure buybacks are undertaken for value-maximizing reasons (returning surplus cash) rather than managerial self-interest. Research indicates that in the 21st century, improved disclosure and governance have limited the scope of "opportunistic" buybacks that plagued some firms in earlier decades. When managers' incentives are aligned with long-term shareholder value (e.g. via equity that vests over years), buybacks are more likely to be used judiciously, as one tool in a value-creation toolkit. Conversely, if executives are unduly focused on EPS targets or short-term stock pops, buybacks can be misused – a risk that companies and boards should monitor. The trend of tying CEO pay to broader performance (and adjusting for buybacks' effects) is a response to this concern.

Regulators have generally not banned buybacks but have taken steps to improve transparency and guard against abuse. For example, the SEC's new reporting requirements (Form SR filings for buybacks) will provide researchers and investors more real-time data to scrutinize repurchase behavior. The U.S. introduction of a modest excise tax on buybacks is an experimental nudge to ensure companies aren't unduly favoring buybacks over investment or wages. There is an ongoing policy debate about whether further restrictions are needed, often fueled by high-profile political rhetoric. Finance scholars often caution that **restricting payouts could have unintended consequences**, and that the focus should be on **root causes of short-termism**, such as executive pay structure and shareholder pressures, rather than on the payout mechanism itself It's notable that buybacks were illegal in the U.S. pre-1980s due to fears of manipulation, but the safe-harbor rules (SEC 10b-18) since 1982 have generally worked well to allow legitimate buybacks while prohibiting fraudulent activity (e.g. companies cannot repurchase during sensitive periods like just before earnings releases to manipulate price).

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