

2.2. How Stock Buybacks Make Americans Vulnerable to Globalization

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1. For Americans, the problem with TPP is not simply that the trade and intellectual property agenda have been shaped by major U.S. corporations. In principle, the success of these corporations in selling goods and services abroad should redound to the economic benefit of the American people. The real problem is that, in the name of “maximizing shareholder value,” these U.S.-based corporations are not working in the interests of most Americans even at home. The massive stock buybacks that U.S. corporations do to manipulate their stock prices help concentrate income among the richest households — those of corporate CEOs among them — while at the same time eroding investment in middle-class employment opportunities. In dealing with the financialized corporation, Americans have business to take care of at home.
2. Critiques of U.S. business behavior and U.S. government policy in the global economy should start with dismantling the laws and norms that support the financialized business corporation. Stock buybacks are at the center of the American inequality problem because corporate resource allocation is at the core of the economy. For anyone concerned with restoring sustainable prosperity in the U.S. economy, a ban on stock buybacks is the place to start. The movement for a ban on buybacks will in turn put a focus on the highly damaging ideology that business corporations should be run to “maximize shareholder value.” With representatives of the interests of households as workers, taxpayers, consumers, savers, and investors on corporate boards, U.S. business corporations can begin to transform their resource allocation regimes from “downsize-and-distribute” to “retain-and-reinvest,” putting the United States on a path to stable and equitable economic growth.

Future research:

- Over the next few months, a main focus of my writing will be on the dysfunctional business model for drug discovery, development, and delivery that prevails in the United States, with adverse impacts on access to medicines on a global scale.