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DEALBOOK NEWSLETTER

Biden Renews Pushback Against Stock Buybacks

Proposed new limits come as corporations may spend $1 trillion on stock repurchases this year.

By ANDREW ROSS SORKIN, JASON KARAIAN, STEPHEN GANDEL, MICHAEL J. DE LA MERCED, LAUREN HIRSCH and EPHRAT LIVNI

Raising the bar on buybacks

When the Biden administration unveils its annual budget today, it will propose new ways to raise money from big companies and wealthy executives. One of these ideas could rewrite a fundamental practice in corporate America: stock buybacks.

Companies in the S&P 500 repurchased a record $882 billion of their own shares last year. This year is off to an even stronger start, with analysts at Goldman Sachs forecasting that buybacks will set another record, reaching $1 trillion.

The White House plans to propose new restrictions on buybacks, DealBook has learned. This could have further-reaching implications than its plan for a minimum tax for billionaires that's also expected to be announced today. The buyback proposal goes beyond the 1 percent tax on share repurchases that was part of the administration's ill-fated $2.2 trillion climate and social spending bill last year, which was meant to raise around $124 billion in tax revenue.

The proposal will call for a three-year freeze on corporate executives selling their shares after a buyback. To support this move, the administration is likely to cite academic research that found company executives tend to sell far more stock in days following a buyback announcement than at any other time. Other research shows that buybacks have accounted for an increasingly large share of corporate profits (often more than 50 percent of net income) over the years. Apple has spent more than $420 billion buying back its shares over the past decade.

The move is sure to revive debate about the merits of buybacks. Supporters say buybacks can be a shrewd use of cash when there are no better alternatives, and give money back to shareholders to reinvest where they see fit. Critics, including prominent Democratic lawmakers, say that they pad executives' stock-based pay packages by artificially raising stock prices and divert funds from R.&D., hiring additional employees or raising workers' pay.

The restrictions could do more to deter buybacks than previous proposals. Hitting executives in their wallets by limiting their trades may make buybacks less attractive than just imposing a 1 percent tax, which would be paid by the company. Reversing the trend of ever-rising buybacks could drastically reshape Wall Street: It would diminish a key tool to bolster stock prices.

Some major players in corporate America have already distanced themselves from buybacks. In 2017, Larry Fink of BlackRock admonished companies against buybacks that seem designed only to support stock prices. More recently, shortly after Pat Gelsinger became Intel's C.E.O. last year, he said that the chip maker — which spent over $80 billion on buybacks in the previous decade — would focus less on repurchases and more on investments in its operations, like building new factories.

Does the buyback proposal have a chance in Congress? In the narrowly divided Senate, it's unclear whether the two Democratic moderates, Joe Manchin of West Virginia and Kyrsten Sinema of Arizona, would support the move, or whether the proposal would survive legal challenges.

HERE'S WHAT'S HAPPENING

Shanghai begins a strict pandemic lockdown. Local authorities today imposed restrictions on the eastern half of China's financial center until April 1 to conduct mass coronavirus testing; its western half will then be locked down until April 5. Financial firms called employees into the office ahead of the start of restrictions, urging them to sleep at their workplaces.

Search crews recover both flight recorders from the China Eastern Airlines crash. The discovery of the second device could help explain what caused the Boeing 737 to crash. Chinese authorities confirmed that none of the 132 people on board survived.

Part of the U.S. yield curve inverts for the first time in 16 years. Yields on five-year Treasury bonds rose to 2.63 percent, above those for 30-year notes. It's a sign that investors believe the Fed may raise interest rates so high that it leads to a recession.

States begin suspending gas taxes. Connecticut, Georgia and Maryland are among those that have stopped collecting taxes on gasoline to help consumers weather rising prices. Economists say that such a move may have only a limited effect on blunting the effects of overall inflation.

Apple TV+ is the first streaming service to win a Best Picture Oscar. "CODA," which Apple bought at the Sundance Film Festival for $25 million, won three Academy Awards last night, including the top award. But the Oscars may be most remembered for Will Smith hitting Chris Rock onstage.

The latest on the Russia-Ukraine war

• President Biden's ad-lib that Vladimir Putin "cannot remain in power" sent ripple effects throughout the world, with White House officials scrambling to emphasize that regime change is not part of their policy.

• President Volodymyr Zelensky of Ukraine urged Qatar and other energy producers to increase gas exports to Europe, reducing the continent's reliance on Russia. Russian oil exports are plunging, and some tankers are reportedly concealing their movements by switching off their identification systems, Bloomberg reports.

• The latest companies to pull out of Russia include Spotify, which cited new laws restricting free expression, and Heineken, which previously said it would pause investments but now will sell its business there. Some Western firms still operating in Russia aren't sure whether they are legally allowed to pay rent on their offices.

• "The Making of Vladimir Putin," a highly recommended article by The Times's Roger Cohen, traces the president's 22-year slide from statesman to tyrant.

• For up-to-the-minute news, see The Times's live blog and updated maps.

Should Uncle Sam mint electronic cash?

A national debate over the idea of a digital dollar has heated up since President Biden recently issued an executive order mandating that the Treasury Department study the merits of a central bank digital currency, or C.B.D.C.

It's about to get more complex, because today Representative Stephen Lynch, the Massachusetts Democrat who is chairman of the House financial services committee's fintech task force, is introducing legislation on "electronic cash," which DealBook is first to report. The bill, called the ECASH Act, injects a new idea into the mix ahead of congressional hearings on C.B.D.C.s.

The ECASH Act is different, said Rohan Grey of Willamette University law school, an expert in currency design and regulation who worked on the bill. Unlike C.B.D.C.s, these e-dollars wouldn't be issued by the central bank or rely on blockchain technology. It would address privacy and financial inclusion issues that a Fed-issued digital dollar alone cannot, he added. The law would "inform, complement, and advance ongoing efforts" to design and deploy a digital dollar, Lynch said in a statement.

Cash has its advantages: It's private by design and can be spent without the need for an intermediary, like a bank. The electronic cash proposed in the new bill would work in the same way, with the Treasury building security into the hardware instead of relying on a transaction-recording blockchain, the distributed ledger underlying cryptocurrencies (and C.B.D.C.s). Grey said there have been "productive talks" with both progressive and conservative lawmakers and advocacy groups. A spokesman for the Treasury declined to comment on the bill.

"We should treat sophisticated surveillance technology in the same way we treat sophisticated missile or drone technology."

— Representative Tom Malinowski, Democrat of New Jersey, on Western companies selling advanced technologies in authoritarian countries. The conflict in Ukraine has upended the idea that these products and services are agnostic, as Russia uses these tools to crack down on dissent against the war.

A new investigation by The Times, drawing on more than 75,000 documents, found that Nokia knew it was enabling a surveillance system in Russia, where it had become a top supplier of equipment and services. Nokia said this month that it would stop its sales in Russia.

When health and antitrust conflict

The F.T.C.'s challenge of a biotech deal challenged is drawing the ire of an unusually varied group of lawmakers who say the agency's antitrust zeal is endangering lives. Last year, the genomics company Illumina announced the acquisition of Grail, a cancer-testing company it spun off in 2016 that now screens for 50 types of the disease. The F.T.C. sued to block the deal because Illumina is the only gene sequencer for these kinds of tests, arguing that the takeover would diminish the screening market, deterring companies that compete with Grail.

Republicans say that the F.T.C. is prioritizing "speculative economist theory over public health." This claim was made in a letter by nine Republican lawmakers, including several physicians, sent last week to the commission chairwoman Lina Khan. The letter, which DealBook is first to report, argued that the Illumina-Grail deal can't be anticompetitive because no similar cancer-screening test exists in the market.

Democrats are critical of the F.T.C.'s approach, too. In recent letters to the Biden administration, Democratic lawmakers, including cancer survivors, expressed concerns about antitrust policy conflicting with President Biden's "Cancer Moonshot" initiative aiming to cure the disease. And in December, members of the Congressional Black, Hispanic and Asian Pacific American caucuses wrote to the administration about barriers to access, saying: "Our communities do not have the luxury of waiting for economic theories to be debated while we die preventable deaths."

Resolution probably won't be swift, which could irk impatient lawmakers even more. The administrative law judge just closed the case record and ordered post-trial briefs, but barring a settlement a decision isn't expected until late summer (and may be appealed in federal court). Meanwhile, Illumina is in talks with antitrust regulators in Europe about a settlement there, which could be rendered moot by a jurisdictional challenge.

THE SPEED READ

Deals

• Only 22 companies have gone public via I.P.O. so far this year, though bankers expect the pace to pick up. (WSJ)

• A federal investigation into block trades at Morgan Stanley has set off a wave of schadenfreude across Wall Street. (Bloomberg)

• Two failed deals illustrate what critics say is disastrous indecision at the social network Pinterest. (The Information)

• The chemicals maker Huntsman successfully rebuffed a board challenge by the activist investor Starboard Value. (Reuters)

Policy

• "How Joe Manchin Aided Coal, and Earned Millions" (NYT)

• A former Microsoft executive accused the tech giant of firing him for trying to expose what he said were violations of federal antibribery laws. (Protocol)

• Politically conservative activists have filed a record number of shareholder proposals at companies this year. (FT)

Best of the rest

• The riskiest E.T.F.s are attracting the most traders. (WSJ)

• Chris Wallace, who is starting a new show at CNN, said that life at Fox News, where he worked for 18 years, had become "unsustainable." (NYT)

• Institutional investors are buying mobile home parks and pricing out residents. (NYT)

• Exxon Mobil is mining Bitcoin in North Dakota as part of its plan to reduce emissions. (CNBC)

• "Vanguard Stumbles In Pivot From Cult of Jack Bogle" (Bloomberg)

We'd like your feedback! Please email thoughts and suggestions to dealbook@nytimes.com.

- *Andrew Ross Sorkin is a columnist and the founder and editor at large of DealBook. He is a co-anchor of CNBC's "Squawk Box" and the author of "Too Big to Fail." He is also a co-creator of the Showtime drama series "Billions." @andrewrsorkin ● Facebook*

- *Jason Karaian is the editor of DealBook, based in London. He joined The Times in 2020 from Quartz, where he was senior Europe correspondent and later global finance and economics editor. @jkaraian*

- *Stephen Gandel is a news editor for DealBook. He was previously a senior reporter for CBS News, and a columnist at Bloomberg. He has covered Wall Street and financial firms for most of his career. @stephengandel*

- *Michael de la Merced joined The Times as a reporter in 2006, covering Wall Street and finance. Among his main coverage areas are mergers and acquisitions, bankruptcies and the private equity industry. @m_delamerced ● Facebook*

- *Lauren Hirsch joined the New York Times from CNBC in 2020, covering business, policy and mergers and acquisitions. Ms. Hirsch studied comparative literature at Cornell University and has an M.B.A. from the Tuck School of Business at Dartmouth. @laurenshirsch*

- *Ephrat Livni reports from Washington on the intersection of business and policy for DealBook. Previously, she was a senior reporter at Quartz, covering law and politics, and has practiced law in the public and private sectors. @el72champs*

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