

Debate 3 US regulators should not allow share buybacks because managers use them to manipulate their company's share price.

STRONGEST argument FOR debate topic 3

Summary

1. Share buybacks can create an illusion of financial health by boosting earnings per share, diverting focus from long-term investments.
2. Share buybacks may lead to short-term stock price manipulation, benefiting executives over the company's long-term health.
3. US regulators should not allow share buybacks, as they can mislead investors and create a false image of financial performance.
4. Share buybacks exacerbate income inequality by boosting executive compensation, particularly for stock options and performance-based awards.

Team 9 - STRONGEST argument FOR debate topic 3: Share buybacks create a supply shock in the market resulting in a demand shift causing prices to increase. For small investors, which is a large population in the US, it has a large impact on a larger scale. Team 9 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://www.investopedia.com/articles/financial-advisors/121415/stock-buybacks-good-thing-or-not.asp#:~:text=A%20buyback%20will%20increase%20share,shock%20via%20a%20share%20repurchase>

Team 12 - STRONGEST argument FOR debate topic 3: Share buybacks are a form of “paper manipulation,” and it raises questions about whether they represent the best investment for the company. Team 12 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: This argument is put forth by Senator Elizabeth Warren, and can be found at <https://knowledge.wharton.upenn.edu/article/making-sense-of-stock-buybacks/#:~:text=Fundamentally%2C%20stock%20buybacks%20are%20aimed,to%20increase%20future%20cash%20flow>.

Team 2 - STRONGEST argument FOR debate topic 3: Share buybacks can deceive retail investors by inflating earnings per share, but not really increasing shareholders' returns such as capital gains and dividends. Team 2 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-share-repurchases-boost-earnings-without-improving-returns>

Team 10 - STRONGEST argument FOR debate topic 3: Harm small investors: Sudden rise in a stock price may be attractive for new investors who expect future profit but the company is actually not doing well and may face loss in the future. Team 10 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: It only benefits major investors who know insights like senior executives and hedge fund managers who can manage to sell on time. <https://www.ineteconomics.org/perspectives/videos/banning-buybacks>

Team 1 - STRONGEST argument FOR debate topic 3: Share buybacks can create an illusion of financial health by boosting earnings per share (EPS), attracting investors. While enticing in the short term, divert focus from vital long-term investments and innovation. Team 1 - EVIDENCE supporting your STRONGEST

argument FOR debate topic 3: <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-share-repurchases-boost-earnings-without-improving-returns>

Team 13 - STRONGEST argument FOR debate topic 3: Share buybacks can lead to short-term stock price manipulation, benefiting executives and shareholders, rather than the long-term health of the company

Team 13 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3:

<https://corpgov.law.harvard.edu/2020/10/23/the-dangers-of-buybacks-mitigating-common-pitfalls/>

Team 14 - STRONGEST argument FOR debate topic 3: Managers can use buybacks to manipulate earnings per share (EPS), a key metric used to assess company performance. By reducing the number of shares outstanding, EPS increases, making the company look more profitable. Team 14 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: According to a study of 7628 open-market repurchases, firms with poor earnings quality use buybacks to boost stock prices, despite declining sales, negative analyst revisions, and increasing reported earnings

<https://www.sciencedirect.com/science/article/abs/pii/S092911990900073X?via%3Dihub>

Team 3 - STRONGEST argument FOR debate topic 3: The company's share price will not represent the company's performance if the price increases from share buyback because the company buy shares back at a higher price than the market price. Team 3 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://www.cnbc.com/2021/03/02/elizabeth-warren-rips-stock-buybacks-as-nothing-but-paper-manipulation.html>

Team 4 - STRONGEST argument FOR debate topic 3: Share buybacks can incentivize company managers to focus on short-term stock price performance at the expense of long-term growth and investment. Instead of allocating funds toward research and development, employee compensation, or capital expenditures, companies may choose to use those funds for buybacks to boost their stock prices temporarily. This can hinder a company's ability to invest in innovation and sustainable growth, which is detrimental to the broader economy. Team 4 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://hbr.org/2014/09/profits-without-prosperity>

Team 16 - STRONGEST argument FOR debate topic 3: US regulators should not allow share buybacks since it could be used as a tool to mislead investors, giving false imagery of good financial performance which might not reflect the true performance. Team 16 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://corpgov.law.harvard.edu/2020/10/23/the-dangers-of-buybacks-mitigating-common-pitfalls/>

Team 15 - STRONGEST argument FOR debate topic 3: Share buybacks can exacerbate income inequality by boosting executive compensation, particularly for those holding stock options and performance-based awards can see significant gains Team 15 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: <https://shorturl.at/dewUY>

Team 11 - STRONGEST argument FOR debate topic 3: Share buyback allows the company to manipulate its financial health by increasing EPS. This method will lower the number of shares but the profit remains the same, creating the confusion for investors. Team 11 - EVIDENCE supporting your STRONGEST argument FOR debate topic 3: Cigna Corporation bought back \$3.5 billion of its stock, which boasted EPS to \$6.04 from \$5.73 per share in Q3 2021. <https://finance.yahoo.com/news/15-companies-buying-back-stock-005623362.html>

STRONGEST argument AGAINST debate topic 3

Summary

1. Share buybacks optimize capital structure and increase firm value when undervalued or underleveraged.
2. Imposing regulations to increase transparency preserves financial benefits while guarding against manipulation.
3. Buybacks don't mechanically inflate prices; they may impact EPS, but not stock valuation directly.
4. Share buybacks return value to shareholders, signal financial health, and attract investors, fostering growth and innovation.
5. A company's share buyback doesn't change share prices significantly; shareholders own a larger piece of a smaller pie.
6. Share buybacks enhance shareholder value by increasing EPS and attracting investors, preserving a free-market approach.
7. Share buybacks demonstrate management's confidence and stabilize the market during downturns.
8. Outright ban overlooks legitimate benefits like enhancing shareholder value and allocating capital efficiently.
9. Share buybacks offer higher yields through tender offers compared to dividends or capital gains.

Team 9 - STRONGEST argument AGAINST debate topic 3: The SEC already has tight regulations on this. Totally banning share buybacks would deprive companies of a legitimate tool for managing their capital and rewarding shareholders. Team 9 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://www.sec.gov/news/press-release/2023-85>

Team 12 - STRONGEST argument AGAINST debate topic 3: In the changing landscape, scrutiny from various stakeholders enforces transparency and fairness. Share buybacks must prioritize governance and strategic alignment over manipulation. Team 12 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: May 2023, the U.S. Securities and Exchange Commission (SEC) enacted new transparency rules specifically pertaining to share buy-backs. <https://arxiv.org/pdf/2307.09617.pdf>

Team 2 - STRONGEST argument AGAINST debate topic 3: Share buybacks enable firms to optimize capital structure by maintaining the right debt/equity ratio, potentially increasing the firm's value when it's undervalued or underleveraged. Team 2 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <http://surl.li/mlxis>

Team 10 - STRONGEST argument AGAINST debate topic 3: Not a complete ban: Not ban, just impose regulations to increase transparency of the managers' decision would maintain the financial benefits of the subject and safeguard against manipulation. Team 10 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://www.investopedia.com/ask/answers/042015/why-would-company-buyback-its-own-shares.asp> (Benefits of share buybacks)

Team 1 - STRONGEST argument AGAINST debate topic 3: Buybacks Don't Mechanically Inflate Prices. EPS might rise, but the discount rate will be higher resulting from use of cash or debt to finance it. As a result, the stock price valuation does not necessarily experience a significant upward impact directly.

Team 1 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3:
<https://knowledge.insead.edu/economics-finance/dont-kill-share-buybacks>

Team 13 - STRONGEST argument AGAINST debate topic 3: Share buybacks can be a legitimate way for companies to return value to shareholders, reinvest in the business, and improve capital efficiency when executed responsibly. Team 13 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://www.smallcase.com/learn/share-buyback/>

Team 14 - STRONGEST argument AGAINST debate topic 3: Share buybacks return value to shareholders, boosting investor confidence. They signal financial health, attract investors, and enhance key ratios. Prohibiting them restricts capital management, hindering growth and innovation for all companies. Team 14 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: According to Investopedia, when companies pursue buyback programs, it signals to investors that the company feels excess cash is better used to reimburse shareholders than reinvest alternative assets. In essence, this provides long-term security for investors. <https://shorturl.at/kMWZ0>

Team 3 - STRONGEST argument AGAINST debate topic 3: A company share buyback decreases a company's equity value by proportional amount, hence the share prices should not change as shareholders would own larger piece of the smaller pie. Team 3 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://knowledge.insead.edu/economics-finance/dont-kill-share-buybacks>

Team 4 - STRONGEST argument AGAINST debate topic 3: Share buybacks enable companies to return value to their shareholders by repurchasing shares, effectively reducing the total number of shares in circulation. This can enhance shareholder value by increasing the earnings per share (EPS) and potentially attracting more investors. Allowing companies to make this choice preserves their autonomy and flexibility in managing their financial resources, promoting a free-market approach. Team 4 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: https://www.americanbar.org/groups/business_law/resources/business-law-today/2021-april/should-congress-or-the-sec-do-something/

Team 16 - STRONGEST argument AGAINST debate topic 3: Share buybacks demonstrate management's confidence during market downturns, reassuring shareholders amidst distress or panic selling, enhancing overall market stability. Team 16 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://navi.com/blog/share-buyback/>

Team 15 - STRONGEST argument AGAINST debate topic 3: While regulating misuse is important, an outright ban would overlook some legitimate benefits such as the ability of share buybacks to enhance shareholder value, allocate capital efficiently, and signal confidence in a company's prospects. Team 15 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: <https://shorturl.at/jzEW3>

Team 11 - STRONGEST argument AGAINST debate topic 3: Share buyback allows investors to earn higher yield than dividend or capital gain. This is due to a tender offer which has a higher price. Team 11 - EVIDENCE supporting your STRONGEST argument AGAINST debate topic 3: Balrampur Chini Mills offered share buyback for ₹175 per share, which represented 30% more than its closing price of ₹134.40 at that time. Investors immediately gain 30% more profit.

UNIQUE argument FOR debate topic 3

Summary

1. Share repurchases contribute to wealth inequality, wage stagnation, and slow economic growth.
2. Share buybacks are driven by personal gain, leading to income inequality.
3. Consistent earnings manipulation via buybacks results from inadequate governance.
4. Past buybacks underlie rising corporate debt and economic vulnerability.
5. Excessive buybacks divert funds from long-term investments, exacerbate inequality, and hinder addressing global threats.
6. Neglecting environmental and social responsibility can result from allocating earnings to buybacks.
7. Managers can manipulate stock prices through buybacks, benefiting themselves.
8. Responsible buybacks return excess capital to shareholders, fostering investor confidence.
9. Buybacks benefit shareholders and executives, exacerbating wealth inequality.
10. Overemphasis on pleasing shareholders can lead to financial mismanagement.
11. Buybacks can redirect capital from research, innovation, and job creation, hindering long-term growth.
12. Using free cash flow for buybacks instead of reinvesting can undermine revenue growth.

Team 9 - UNIQUE argument FOR debate topic 3: Share repurchases have emerged as a significant contributor to wealth inequality and a potential impediment to innovation in the United States. Responsible for wage stagnation, corporate underinvestment and slow economic growth. Team 9 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://www.theatlantic.com/ideas/archive/2023/02/biden-sotu-stock-buybacks-tax/673220/#>

Team 12 - UNIQUE argument FOR debate topic 3: Share buybacks are being used for personal gain and enrichment, leading to an income inequality in the economy. Team 12 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: Instead of redistributing earnings to the company's workers or investing in projects, buybacks contribute to executive compensation. (<https://corpgov.law.harvard.edu/2020/10/23/the-dangers-of-buybacks-mitigating-common-pitfalls/>)

Team 2 - UNIQUE argument FOR debate topic 3: Consistent earnings manipulation via share buybacks stems from inadequate corporate governance, an overemphasis on "shareholder primacy," and neglect of other crucial stakeholders like employees. Team 2 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://corpgov.law.harvard.edu/2019/10/22/examining-corporate-priorities-the-impact-of-stock-buybacks-on-workers-communities-and-investors/>

Team 10 - UNIQUE argument FOR debate topic 3: Economic contraction: The buybacks conducted a decade ago are the underlying reason for the ascending in corporate debt, making the economy susceptible to a severe downturn that may be out of control. Team 10 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://hbr.org/2020/01/why-stock-buybacks-are-dangerous-for-the-economy>

Team 1 - UNIQUE argument FOR debate topic 3: Excessive share buybacks divert trillions from vital long-term investments, exacerbate inequality, and hinder addressing global threats like climate change and public health. Regulating them is crucial for public health and economic growth. Team 1 - EVIDENCE

supporting your most UNIQUE argument FOR debate topic 3:
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9832402/>

Team 13 - UNIQUE argument FOR debate topic 3: Share buybacks can be a negligence to environment and social responsibility as the company's retained earnings could be allocated to repurchase stocks, reducing ESG funds and employee compensations. Team 13 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://www.bloomberg.com/opinion/articles/2021-05-26/stock-buybacks-aren-t-holding-back-worker-wages#xj4y7vzkg>

Team 14 - UNIQUE argument FOR debate topic 3: Share buybacks enable managers to manipulate stock prices, benefiting themselves at shareholders' expense. By announcing buybacks, managers can drive up stock prices, allowing them to sell their own shares at a profit—a form of insider trading. Team 14 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: Evidence: A Roosevelt Institute study reveals that after buyback announcements, insiders exploit higher stock prices, selling shares for greater profits. A 10% increase in buybacks correlates with a 5% rise in insider sales, showcasing manipulation for personal gain. https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI_Corporate-Insiders-use-Stock-Buybacks-for-Personal-Gain_Working-Paper-201910.pdf

Team 3 - UNIQUE argument FOR debate topic 3: When done responsibly, share buybacks can help companies return excess capital to shareholders, fostering investor confidence and encouraging long-term investments. Team 3 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://www.forbes.com/advisor/investing/stock-buyback/#:~:text=Public%20companies%20use%20share%20buybacks,a%20good%20thing%20for%20shareholders.>

Team 4 - UNIQUE argument FOR debate topic 3: Share buybacks predominantly benefit shareholders and corporate executives, who often receive substantial portions of their income in the form of stock options or bonuses tied to stock performance. This can exacerbate wealth inequality, as those who own significant shares in the company reap the rewards, while the broader workforce may not see the same level of financial benefit. This inequality can contribute to social and economic disparities. Team 4 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://corpgov.law.harvard.edu/2020/10/23/the-dangers-of-buybacks-mitigating-common-pitfalls/>

Team 16 - UNIQUE argument FOR debate topic 3: US regulators should not allow share buybacks since companies could focus too much on pleasing shareholders, leading to financial mismanagement and potential bankruptcy. Team 16 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://theconversation.com/what-are-stock-buybacks-which-critics-are-blaming-for-hastening-bed-bath-and-beyonds-bankruptcy-a-finance-professor-explains-199635>

Team 15 - UNIQUE argument FOR debate topic 3: Share buybacks can redirect capital that might have been allocated to research, innovation, and job creation, potentially impeding a company's prospects for long-term growth and competitiveness. Team 15 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3: <https://shorturl.at/quAKV>

Team 11 - UNIQUE argument FOR debate topic 3: The company used free cash flow for share buyback instead of reinvesting in CAPEX, R&D, and investment to enhance the company's growth. This

undermined the company's revenue growth. Team 11 - EVIDENCE supporting your most UNIQUE argument FOR debate topic 3:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817978/share-repurchases-executive-pay-investment.pdf

UNIQUE argument AGAINST debate topic 3

Summary

1. Share buybacks enable tax-efficient returns to shareholders, offering a lower capital gains tax rate.
2. Share price manipulation can deter skilled professionals, affecting talent retention.
3. Share buybacks should be more transparent to reduce information asymmetries and prevent insider abuse.
4. Buybacks align management and shareholder interests, benefiting all stakeholders and focusing on long-term growth.
5. Share buybacks efficiently allocate excess capital, avoiding the need for risky projects or taxable dividends.
6. Buybacks stabilize stocks amid economic uncertainty, preventing market volatility and negative impacts on businesses and the economy.
7. Buybacks involve transactions with investors who want to sell their stock in the public market.
8. Buybacks help companies manage their capital structure efficiently, returning excess capital to shareholders when needed.
9. Share buybacks can be used as defense mechanisms against hostile takeovers, promoting market fairness and competition.
10. Companies benefit from buybacks by reducing capital costs, consolidating ownership, preserving stock prices, and addressing undervaluation.

Team 9 - UNIQUE argument AGAINST debate topic 3: Shareholders can defer paying taxes on their profits if a company buys back its own shares instead of paying dividends. This is because share buybacks are taxed at a lower capital gains tax rate than dividends. Team 9 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://www.investopedia.com/articles/investing/123115/4-reasons-why-investors-buybacks.asp>

Team 12 - UNIQUE argument AGAINST debate topic 3: Executives aim to attract and retain talent. Share price manipulation may deter skilled professionals who seek ethical, stable workplaces. Team 12 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: The LRN Ethics Study highlights the importance of ethics in talent decisions, with 82% choosing ethical companies over higher pay. <http://surl.li/mlbid>

Team 2 - UNIQUE argument AGAINST debate topic 3: Share buyback shouldn't be completely disallowed but should be more "transparent" to reduce information asymmetries and to prevent insider abuse during peak buyback periods. Team 2 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://www.barrons.com/articles/fed-rates-stock-bonds-3ec5efdf>

Team 10 - UNIQUE argument AGAINST debate topic 3: Tax-Efficient Returns to SH: When a company buys back shares, it returns funds to SH through capital gains, which are typically taxed at a lower rate than dividends, thus maximizing SH's value. Team 10 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://www.taxpolicycenter.org/briefing-book/how-are-capital-gains-taxed> (Figure 1: Capital gains are typically taxed at a lower rate than dividends (income tax rate)).

Team 1 - UNIQUE argument AGAINST debate topic 3: Buybacks can align the interests of management and shareholders if used in tandem with stock-based compensation (rewards/options), meaning both parties benefit directly from increases in share price. As such, buybacks benefit all stakeholders by focusing on long term growth rather than short term or individual gains, namely without diluting existing shareholders. Team 1 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: Buyback: What It Means and Why Companies Do It (investopedia.com)

Team 13 - UNIQUE argument AGAINST debate topic 3: Share buybacks are a crucial method to allocate capital. If the company has excess cash, managers do not need to find more risky projects to invest in or pay dividends which are subject to tax. Team 13 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: https://web.stanford.edu/~delao/DelaO_jmp.pdf

Team 14 - UNIQUE argument AGAINST debate topic 3: Share buybacks stabilize stocks amid economic uncertainties, ensuring stable market capitalization. Forbidding them could lead to volatile markets, impacting businesses and the economy negatively. Team 14 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: According to Investopedia, research has shown that increases in the stock market positively affect consumer confidence, consumption, and major purchases, a phenomenon dubbed "the wealth effect." <https://shorturl.at/vwQV6>

Team 3 - UNIQUE argument AGAINST debate topic 3: A company undertaking buyback repurchases stock in the public market. Therefore, it is buying from investors who want to sell the stock and conducting transactions within the market mechanisms. Team 3 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://www.bankrate.com/investing/stock-buybacks/#what-is>

Team 4 - UNIQUE argument AGAINST debate topic 3: Share buybacks provide companies with a tool to efficiently manage their capital structure. They can be a valuable method for returning excess capital to shareholders when they don't have immediate investment opportunities that meet their return criteria. Limiting or prohibiting buybacks could lead to suboptimal capital allocation decisions, as companies may be forced to pursue projects with lower returns or hold excessive cash reserves, which may not be in the best interests of shareholders. Team 4 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: https://www.americanbar.org/groups/business_law/resources/business-law-today/2021-april/should-congress-or-the-sec-do-something/

Team 16 - UNIQUE argument AGAINST debate topic 3: Share buybacks can be used by the management as defense mechanisms against hostile takeovers, promoting market fairness and healthy competition. Team 16 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1041&context=nlsir#:~:text=Buyback%20of%20shares%20may%20be,the%20potential%20acquirer%2C%20or%20by>

Team 15 - UNIQUE argument AGAINST debate topic 3: Companies raise capital through share sales but can benefit from share buybacks. These reasons include reducing capital costs, ownership consolidation, stock price preservation, addressing undervaluation, and improving financial ratios. Team 15 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: <https://shorturl.at/etXYZ>

Team 11 - UNIQUE argument AGAINST debate topic 3: Share buyback allows the company to adjust its D/E ratio in order to lower the cost of equity. This allows the company to access funds at a lower cost. Team 11 - EVIDENCE supporting your most UNIQUE argument AGAINST debate topic 3: The cost of

equity is higher than the cost of debt. In the WACC, the lower the weight of equity, the lower the cost of equity. The company will have lower overall cost of capital (WACC) as well.