



October 17, 2019

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The American Securities Association<sup>1</sup> writes regarding the October 17<sup>th</sup> Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets hearing on stock buybacks. We write to express our strong concern about each of the four pieces of legislation that will be considered as part of the hearing. Collectively, these bills would impose a new “savings tax” on workers, retirees, senior citizens, and every Main Street investor hoping to share in the success of America’s public companies. This would represent an extraordinary attack on the economic freedom of hardworking Americans and their families.

Businesses of all sizes must retain the ability to allocate capital through dividends, share buybacks, investment in R&D, hiring, wage increases, capital projects, or any other way that management believes will enhance the long-term performance of a company and benefit investors who own the company.<sup>2</sup>

Evidence shows that stock buybacks generally benefit shareholders and improve the long-term competitive position of businesses.<sup>3</sup> Adopting a central planning mandate that forces businesses to allocate their capital away from the owners of companies (i.e. retail investors and retirees) and toward non-owners (i.e. special interest groups), would be an unprecedented confiscation of shareholder rights by the U.S. government.

According to Federal Reserve data, households headed by individuals over the age of 55 own 73% of the value of U.S. domestic stocks.<sup>4</sup> It is these households – in or near retirement – that will suffer the most if Congress severely limits or prohibits the ability of businesses to return money to shareholders through buybacks or dividends. This policy directly targets the savings of every American shareholder who uses or plans to use stock ownership to fund their retirement.

---

<sup>1</sup> The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA’s mission is to promote trust and confidence among investors and support efficient and competitively balanced capital markets that advance financial independence, stimulate job creation, and increase prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States. [www.americansecurities.org](http://www.americansecurities.org)

<sup>2</sup> <https://www.nytimes.com/2019/02/24/opinion/letters/stock-buybacks.html?login=smartlock&auth=login-smartlock>

<sup>3</sup> <https://www.yardeni.com/premiumdata/TS84.pdf>

<sup>4</sup> “2016 Federal Reserve Survey of Consumer Finances” <https://www.federalreserve.gov/econres/scfindex.htm>



These policies would also add to the existing disincentives for companies to go public and remain public. Why would anyone take their company public or stay public if the government can take over their board of directors or force management to bend to the will of special interest groups in order to invest in areas that make little economic sense?

The outside interests clamoring for this central planning policy are political elites<sup>5</sup> and Wall Street hedge funds whose bets against a rising stock market have consistently lost money.<sup>6</sup> This begs the question: Why should Congress favor the priorities of Harvard professors, elitist think tanks, and greedy hedge funds over American savers and retirees?

The proposals the Subcommittee is considering would impair economic freedom, elevate the status of special interest groups over retail investors, introduce corruption into the corporate governance model, and do absolutely nothing for hardworking American families who are trying their best to build and sustain wealth.

Congress would be well served to remember that it's the hard-earned money of American investors who own public companies which allows these companies to hire and grow. Until the government or its special interest proxies take over public companies, neither should have a say on how a company operating in the free market decides the best way to allocate its capital.

We urge members of the Committee to reject these ill-conceived proposals and instead focus on measures that would promote entrepreneurship and capital formation in America.

Sincerely,

Christopher A. Iacovella  
Chief Executive Officer  
American Securities Association

---

<sup>5</sup> <https://hbr.org/2014/09/profits-without-prosperity>; [http://rooseveltinstitute.org/wp-content/uploads/2019/02/RI\\_EndingShareholderPrimacy\\_workingpaper\\_201902.pdf](http://rooseveltinstitute.org/wp-content/uploads/2019/02/RI_EndingShareholderPrimacy_workingpaper_201902.pdf)

<sup>6</sup> <https://www.cnn.com/2019/02/10/investing/stocks-week-ahead-buybacks-mark-yusko/index.html>;  
<https://www.cnbc.com/2019/05/05/corporate-buybacks-will-fuel-the-next-recession-says-wall-street-bear.html>