Economic Imbalances Reveal Wall Street/Main Street Divide

Key Takeaways:
- Stock market and economy on different trajectories
- Economic inequality adding to tensions
- Out of uncertainty comes opportunities for growth

The economy and the stock market have generally moved in the same direction over time, though rarely in lock-step. The gulf between current headlines for Wall Street (best 50-day rally ever for the S&P 500) and Main Street (one-in-four American workers have now filed for jobless benefits) seems more extraordinary than normal. The stock market is famously forward looking and some of the recent market recovery can be attributed to economic data shifting from worse than expected to better than expected even if overall levels of activity remain subdued.

Sustained recovery in the economy (and continued gains in the stock market) may require a closer look at the economic trends that have been developing beneath the surface and on which recent events are casting a bright light. Corporate trends that have seen earnings per share growth outpace profit growth have benefitted shareholders but done little for employees. The employee share of corporate value-added has been below its long-term average for two decades. This has led to an increased reliance on government transfers to supplement wages. The economic weakness brought on by the fight against the coronavirus has had a disproportionate impact on younger workers, low-wage earners and minorities. This adds fuel to the unrest and tension that has produced demonstrations and protests across the country. While not looking past the current pain, the hope is that from these moments of uncertainty, a path toward a more hopeful future (and more robust economic participation) will emerge.
While off lows, employee compensation levels still below long-term averages

**Employee Compensation**
(as a percent of gross value-added of corporate business)

- Total compensation
- Wages & Salaries

Average: 62%
Average: 54%

Source: Bureau of Economic Analysis

Government transfers accounted for 30% of personal income in April

**Government social benefits to persons (as a % of total personal income)**

Source: Bureau of Economic Analysis
Impacts of economic shutdown have been unevenly distributed

FT-Peterson poll underscores racial disparities of the Covid-19 pandemic

Per cent of respondents saying ...

- Their family's income has been reduced during the coronavirus outbreak:
  - 58% White, 74% Black

- They've been laid off or furloughed due to the outbreak:
  - 19% White, 25% Black

- Coronavirus in their community will get worse over the next month:
  - 32% White, 43% Black

- Restrictions should be lifted after three months or longer:
  - 36% White, 52% Black

- An additional economic impact payment is important to them and their families:
  - 72% White, 98% Black

Source: FT-Peterson poll of 1,000 likely US voters, May 2020
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Wealth disparities reflect long-standing imbalances

**Ten Times Less**

Black families' net worth was $17,150 in 2016, one-tenth that of white families'

- White family median net worth
- Black family median net worth

Source: Federal Reserve Survey of Consumer Finances
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