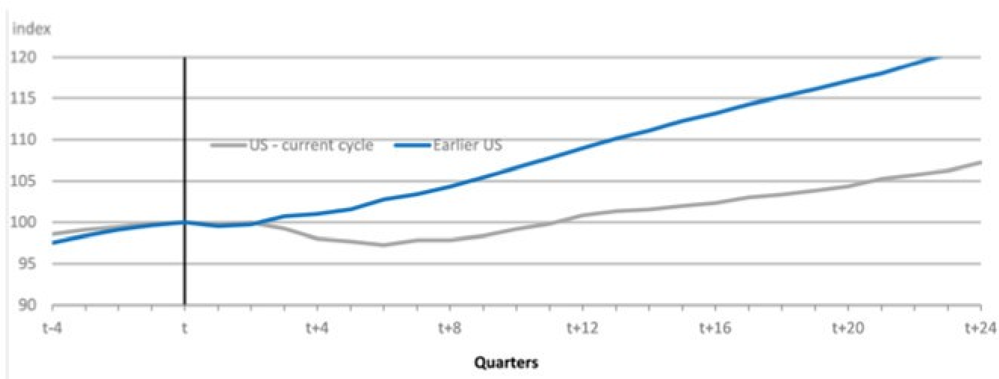
Income inequality in 11 Morgan Stanley charts
By Steve Goldstein, MarketWatch

Exhibit 1: Consumer Spending Around Recessions - Indexed to Start of Recession (t=100)



Note: Earlier US cycles include the past 7 recessions dating back to 1957. Source: Bureau of Economic Analysis, Morgan Stanley Research

This chart shows how consumer spending has been restrained after the Great Recession, despite a $25 trillion increase in wealth since the recovery.

“For U.S. households, the financial crisis was a 30-year debt correction in the making. Left with unmanageable debt levels and constricted access to credit, lower income groups have been forced to spend only what’s in their pocket,” they note.

It’s important to note, however, that even high-end households have pared back their consumption.

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Exhibit 2: Gini Coefficient Measure of Inequality Has Increased by 23% Since 1968

Source: Census Bureau, Morgan Stanley Research

What’s called the Gini coefficient is a commonly used method of measuring income equality. A value of zero reflects perfect equality, and a value of 100 reflects perfect inequality. The chart here shows a clear rise in inequality since the late 1960s.

The Morgan Stanley economists note that the U.S. far outstrips the global average. In 2011, the average income of the world’s richest 10% was nine times that of the poorest 10%, but in the U.S., that ratio was 14 to 1.

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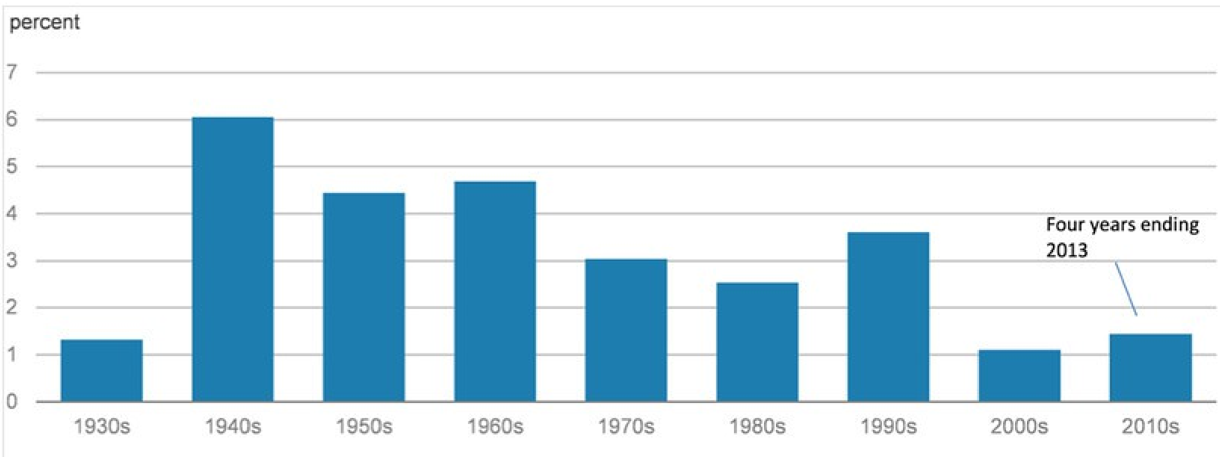
Exhibit 3: Annual Growth in Inflation-Adjusted Wages and Salaries by Decade



Source: Bureau of Economic Analysis, Morgan Stanley Research

Wage growth has been slowing for decades. It's been hurt by deep labor-market downturns and weak recoveries during the past two business cycles, the Morgan Stanley economists note.

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Source: OECD Employment Outlook 2013, Morgan Stanley Research

In 2012, the U.S. ranked highest in the developed world for the share of low-paying jobs among a country's workers, according to Organization for Economic Cooperation and Development data.

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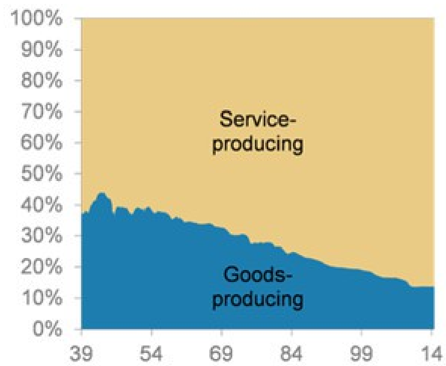
Exhibit 5: Manufacturing vs Services, Share of Total Private Sector Jobs



Source: Bureau of Labor Statistics, Morgan Stanley Research

One reason for that sluggish wage growth has been the declining share of manufacturing jobs. In the 1950s, goods-producing sectors accounted for nearly 40% of private job creation. By the 1990s, that share had fallen to 14%.

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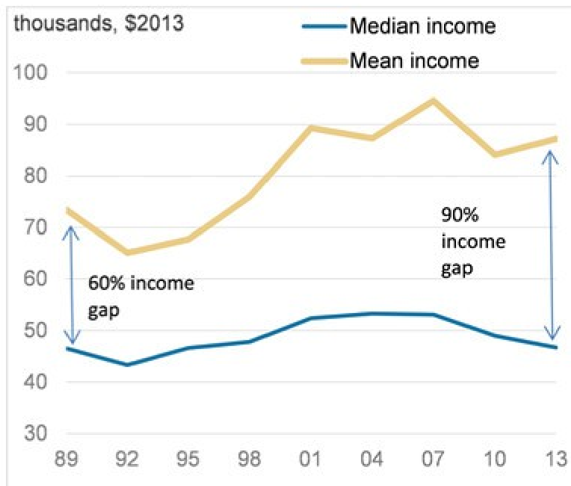
Exhibit 6: Growth in Mean and Median Family Income Reveal Widening Gap



Note: Mean income is the average income across all families regardless of how that income is distributed. Median income is the level at which 50% of families have lower income and 50% have higher incomes.
Source: Federal Reserve, Morgan Stanley Research.

This shows the growing disparity between the median family income — that is, the 50th percentile — and the mean, or average, one. The chart for wealth gap is even starker.

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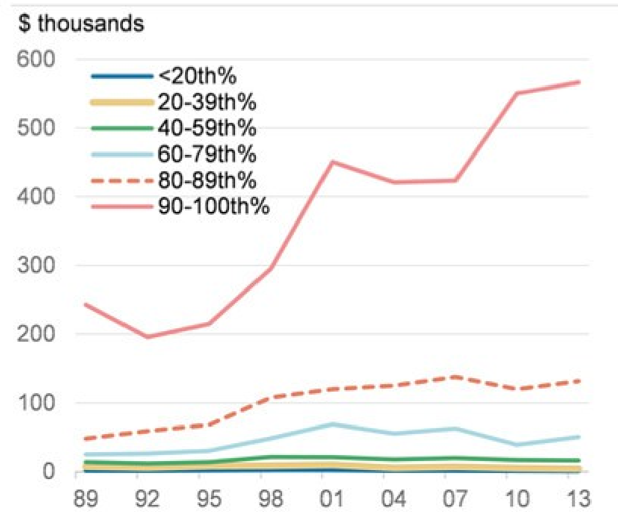
Exhibit 9: Growth in Financial Assets Has Benefitted Top 10% of Income Earners



Source: Survey of Consumer Finances 2013, Morgan Stanley Research

The gains in financial assets have primarily benefited the top 10% of income earners, while most of America has been basically left behind. This chart reflects the run-up in stock values, from which most Americans don't benefit.

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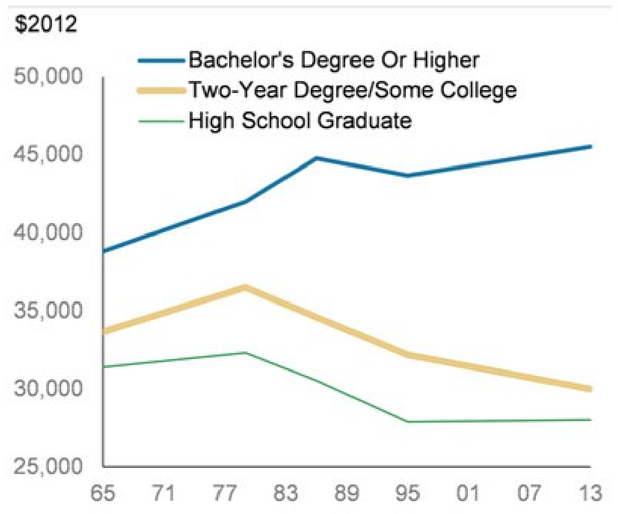
Exhibit 17: Wage Premium for Bachelor's Degree Holders



Source: US Census Current Population Survey, Morgan Stanley Research

This chart shows how divergence in education has exacerbated inequality. Those who are not able to obtain a college degree face a lifetime of dimmer prospects for income and employment, the economists point out.

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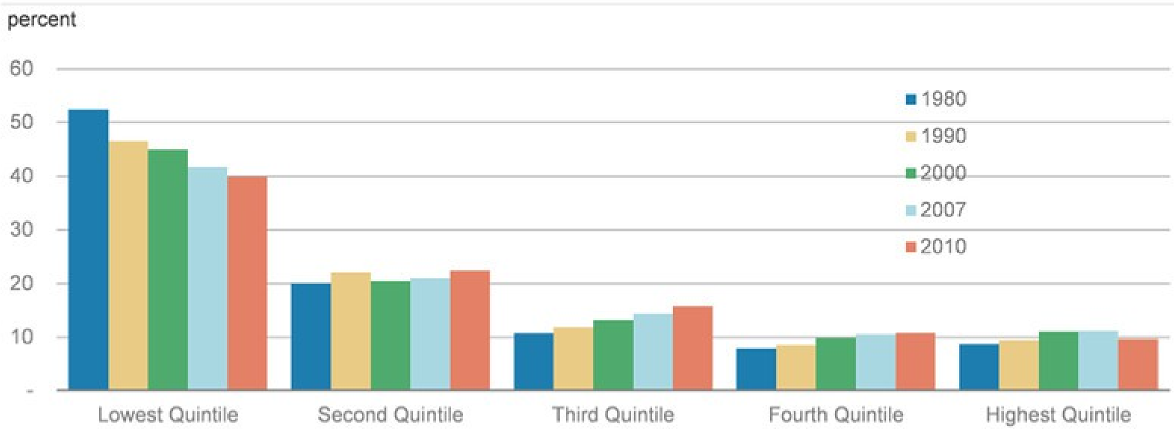
Exhibit 23: Distribution of Federal Transfer Payments by Income Quintile



Source: Congressional Budget Office, Morgan Stanley Research

Federal transfer payments are disproportionately benefiting those on lower income but to a lesser degree than in the past. That's mostly because Social Security and Medicare have expanded, the economists point out.

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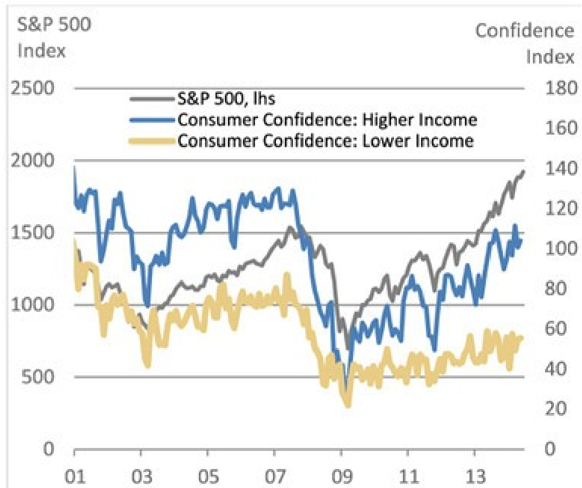
Exhibit 36: Consumer Confidence By Income Versus S&P 500



Source: The Conference Board, Morgan Stanley Research

Consumer confidence has climbed since the end of the recession, but those gains are noticeably more for the wealthy. Again, this rise shows the benefit of those stock-market gains.

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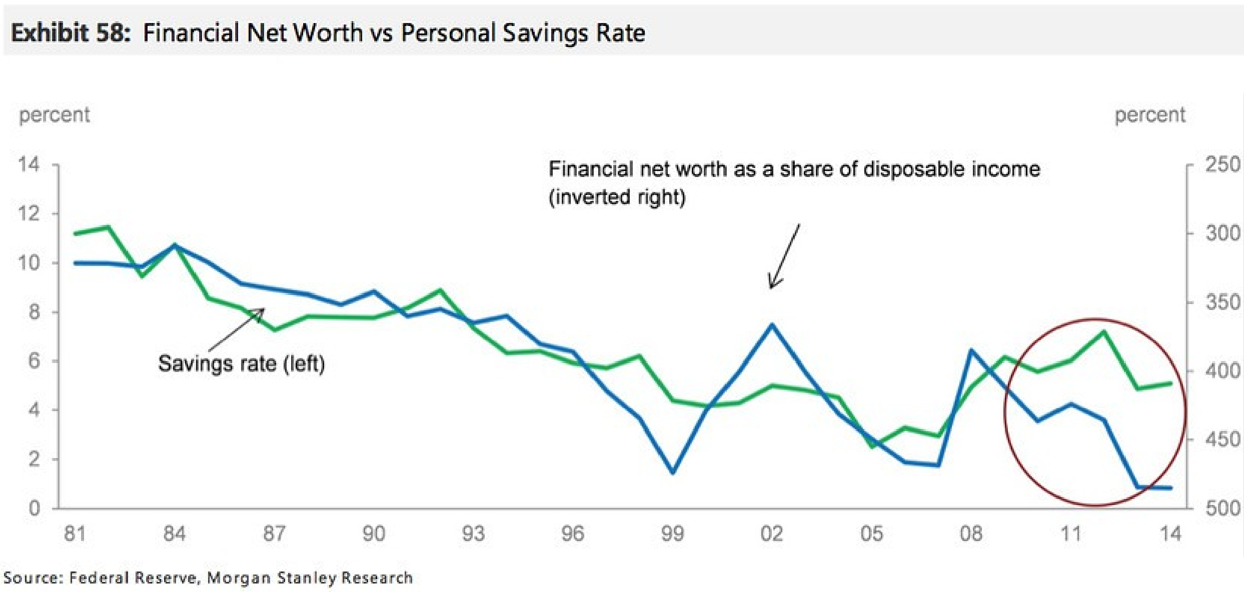

Even among the wealthy, there's lingering caution. The gap between growth in financial net worth as a share of disposable income and the personal savings rate has widened.

Still, it's good to be the king. Adjusted for price changes, pleasure aircraft was the fastest-growing category of all consumer spending in 2013.

Web Source: https://secure.marketwatch.com/story/income-inequality-in-11-morgan-stanley-charts-2014-09-22?link=MW_home_latest_news