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Op-Eds

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Pain on Main

Over 610 thousand people applied for first time jobless claims today, and continuing claims surpassed six million; workers who are still seeking employment while collecting benefits.

The headline number, an improvement over last week, but during a holiday adjusted week, brought some level of excitement. It was "not as bad as expected" but it still translates to more Pain on Main Street. The 'real' impact will be lost on Wall Street.

The market has been on a tear for the last five weeks. The historic 20% rise in March continued well into April and hopes of a permanent turn in the economy was evident in the voices of the CNBC hosts, and the traders and analysts on Wall Street.

But, that euphoria, one of green shoots and mustard seeds, will be short-lived. The bear will again dominate the market much to the chagrin of hopeful and optimistic bulls.

No matter how traders and analysts evaluate the bits of perceived news in the economic data, they fail to see the disconnect between Wall Street and Main Street.

Main Street is in extreme pain, anguished by declining home prices and job losses that have a tremendous affect on the consumer, and an undetermined destructive force on the economy.

This week's retail sales report was evidence of a deepening hole in which American consumers find themselves. They are beginning to feel the severe consequences of living beyond their means.

March retail sales were down 1.1 percent, well below the consensus of a gain of 0.3 percent. It was a surprise for Wall Street but not for business on Main Street. Business owners feel the pain of a slowing economy everyday. Traffic is slow and continues to deteriorate. Shoppers are spending less, focusing more on necessities and searching out bargains in their discretionary purchases.

Periodic reports show slight glimmers of hope, but the increases in sales are misleading. Though not untrue, sales numbers increased due in part to deep discounting by retailers to attract customers. Sales do in fact go up, but, at the expense of margins. Moving inventory does not necessarily convert to profit.

Consumers are no longer willing to pay full price, especially for discretionary items. Demand for oil and gas is declining because consumers who are losing their jobs, and being charged usurious interest rates on credit cards, cannot afford to drive even with gasoline prices down considerably from last year.

Supply and demand will drive prices at some point. The price of gas may have to go down to $1.00 per gallon before demand will rise again.

Department stores during the week sometimes have more sales clerks than they have customers. Restaurants may be packed on a Friday or Saturday night but still might have to close their doors because they have no customers during the week.

Despite the rising levels of stress and anxiety, psychologists and therapists are counseling fewer clients while those they are seeing stretch out their sessions. Pharmaceutical companies like Pfizer layoff thousands of sales people while retaining top, over-paid executives.

Even seemingly recession-proof businesses are feeling the squeeze on Main Street.

Medical clinics and coffee shops, wine shops and book stores, dentists and small restaurants have struggled in this recession; many are having to take drastic measures.

With accelerating job losses conditions are bound to get worse before they get better. Evidence of the unemployment numbers was seen throughout the retail sales report.

Declines were seen across the spectrum. Electronics and furniture were hurt most, down 5.9%. Incentives and great deals didn't help motor vehicle sales which declined 2.3 percent. But, It's the year-on-year declines that are most devastating on Main Street. March was down 9.4 percent from a year ago.

Year-on-year declines are not improving but Wall Street doesn't seem to notice. But they do notice it on Main Street and until a balance between job losses and the cleansing process of de leveraging occurs retail sales will have a huge effect on the economy.

The consumer's ability to spend is an absolute necessity to begin the recovery process, not the ability to borrow.

As long as Wall Street stays disconnected from the Pain on Main Street they will be excruciatingly surprised by the sudden downward fall in the market.