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Money Talks

Dissecting the big themes in markets and the economy

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Americans are extremely exposed to market turmoil



Mike Bird

Wall Street editor

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And just as worries about growth can knock the value of stocks, falling stock prices can slow growth. Estimates of the “wealth effect”—the amount that rising or falling stocks can support or hurt consumer activity—vary wildly. One academic study in 2019 suggested that a dollar increase in stockmarket wealth boosted American spending by about three cents. Visa, a financial-services firm, suggests that the pass-through has risen significantly in recent years, coming up with an extraordinary figure of 24 cents. Whatever the true number, a declining stockmarket matters for the broader economy.