



ANGELES INVESTMENT ADVISORS

429 SANTA MONICA BLVD, SUITE 650
SANTA MONICA, CA, 90401
PHONE: 310.393.6300

375 PARK AVENUE, SUITE 2209
NEW YORK, NY 10152

WWW.ANGELESINVESTMENTS.COM



Dreams Deferred

Eunice Waymon was born in Tryon, a small town of around 1600 people in western North Carolina, in 1933, the sixth of eight children of a handyman father and a house cleaner/sometime-Methodist minister mother. This small town was certainly segregated, as was every town in North Carolina in 1933, but it was also a very close-knit community, protective and supportive of its own.

At a very early age, Eunice demonstrated exceptional musical talent. At the age of two and one-half, she surprised everyone by climbing onto the organ bench at her parents' church and played a hymn she had heard the congregation sing each week.¹ No one knew she could play the organ. When Eunice was five, the family whose house her mother cleaned offered to pay for piano lessons. When Eunice grew older, another local family paid her tuition at a boarding school for music and the arts a few hours away. Eunice graduated at the top of her class, and the town took up a collection to send her to Julliard in New York to work on her audition to the prestigious Curtis Institute of Music in Philadelphia, where tuition was free.²

Eunice worked on her audition for six months, but Curtis that year only accepted a few students, and Eunice was not one of them. Deeply disappoint-

¹ *God Be With You Till We Meet Again*, written by the noted abolitionist and pastor Jeremiah Rankin in 1882.

² It still is.

Angeles

ed that she would not be able to follow her dream to play in Carnegie Hall, Eunice eked out a living teaching piano to children. She supplemented her earnings by performing at a bar in Atlantic City, infusing popular songs with her classical training, creating her own unique sound.

Eunice never became a great classical pianist. But she would become one of the most powerful voices of her generation. Her commercial success was modest, but her music was a major influence on nearly every popular musician from Bob Dylan to Jay-Z. More importantly, she was the musical voice of the civil rights movement. Her songs did not ask for, but demanded, justice; not conditionally, but absolutely; not over time, but immediately. And yes, eventually, Eunice would play in Carnegie Hall.

It is very hard to maintain perspective amidst current events. There are so many actors and forces pulling in multiple directions with nearly infinite possible paths, making it difficult to see clearly what is currently happening, impossible to discern where events are headed. Contradictory facts co-exist to add to the confusion.

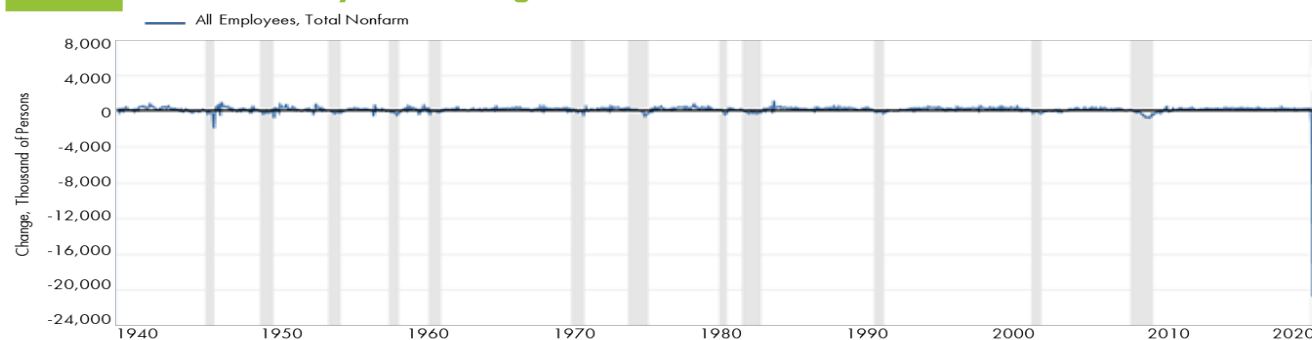
Most singular events are just that, particular to a time and place, fleeting in our memory, illusory in their

impact. But occasionally, an action that has been witnessed dozens, even hundreds, of times previously without incident, triggers a cascade of emotions that coalesces into a movement that marks a generational shift that overturns the social structure. That was true sixty years ago, and it is, quite possibly, true today.

Rarely have we seen a year of such contrasts. We began 2020 with 152 million people working in America, the most ever, and an unemployment rate of just 3 ½%, the lowest since 1969. In just two months, 22 million people lost their jobs (Chart 1) and the unemployment rate surged to nearly 15%, the highest since the 1930s. GDP is expected to decline 10% (absolutely, which is an annualized rate of over 30%) in the second quarter, which would be the steepest drop since 1946 when the war economy abruptly (and thankfully) shut down.

Markets magnify events, and in the course of a month from February to March, US stocks fell 35%, the fastest drop on record. The full first quarter saw a price decline of 20%, the worst since the fourth quarter of 2008, in the midst of the Great Financial Crisis, only to be followed by a gain of 20% in this past quarter, the best quarterly gain since 1998 and the fastest rebound from a bear market in history. This quarterly

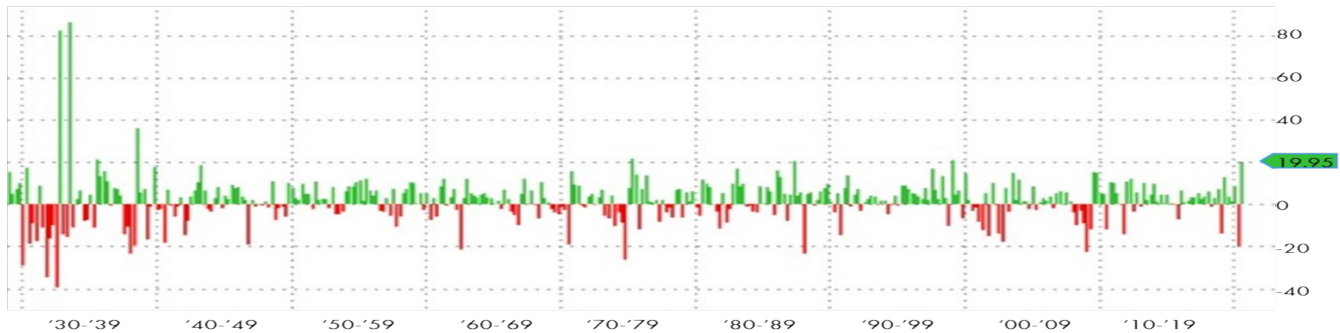
Chart 1 Nonfarm Payrolls, Change, Thousands of Persons, 1939-2020



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

Chart 2 S&P 500 Index, Quarterly Returns, 1928-2020

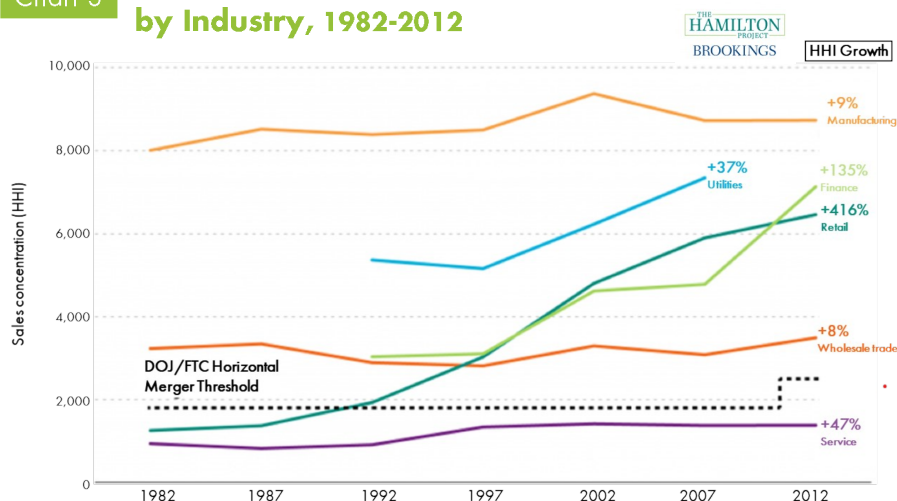
Source: Bloomberg Finance L.P.

swing of 40% was the widest shift since 1938 (Chart 2).³ The US stock market is off just 4% this year,⁴ even with 18 million still unemployed, the economy contracting, and \$4 trillion added to the national debt.

Markets not only magnify events, they also project a future trajectory, one, at the moment, that anticipates a quick economic recovery. This may (or may not) come to pass, but it is useful to distinguish conditions that are favorable for capital markets versus the effects in the real economy.

Many of the factors that have favored financial assets over the past decade have not necessarily translated into support for the broad economy. Owners of capital (investors) have fared significantly better than providers of labor (the broader population). Consolidating market share and the repression of interest rates have boosted profits and suppressed wages.

All industry sectors in the US economy have become more concentrated over the past 30 years, that is, a greater market share held by a smaller number of companies (Chart 3).

Chart 3 Market Concentration and Growth by Industry, 1982-2012

Source: The Hamilton Project, Brookings Institution

Note: Market concentration refers to the Herfindahl-Hirschman Index (HHI; sales). After defining the boundaries of a market and calculating each firm's shares (e.g., of total sales), HHI is calculated by summing the squared market shares of all firms, then multiplying the sum by 10,000. HHI growth is for the date range available (1982-2012 for all series except Utilities and Finance, which show 1992-2007 and 1992-2012, respectively). The dashed line indicates the threshold market concentration established by the U.S. Department of Justice (DOJ) and Federal Trade Commission's (FTC) Horizontal Merger Guidelines above which a proposed merger would

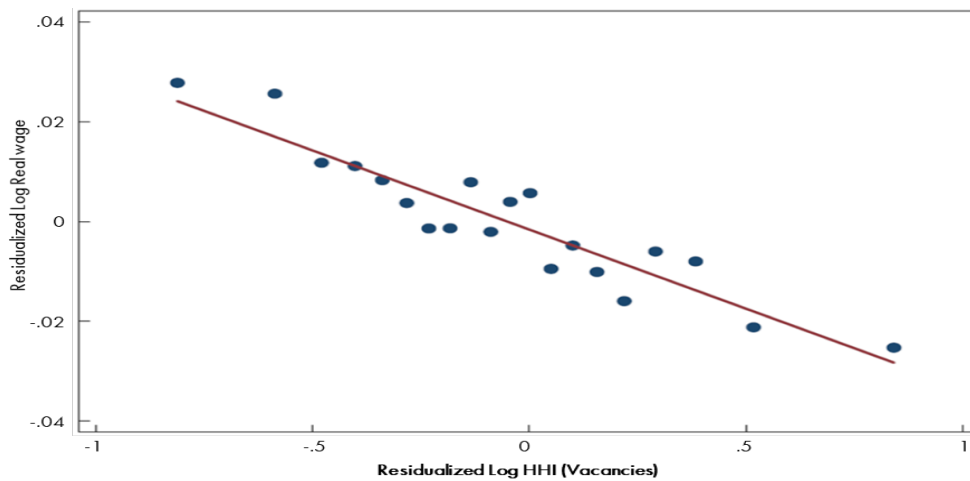
³ The first quarter of 1938 saw stocks plunge 19.4% only to be followed in the second quarter by a gain of 36%.

⁴ -3% with dividends

One effect of higher market concentration is lower wages (Chart 4). This has helped boost

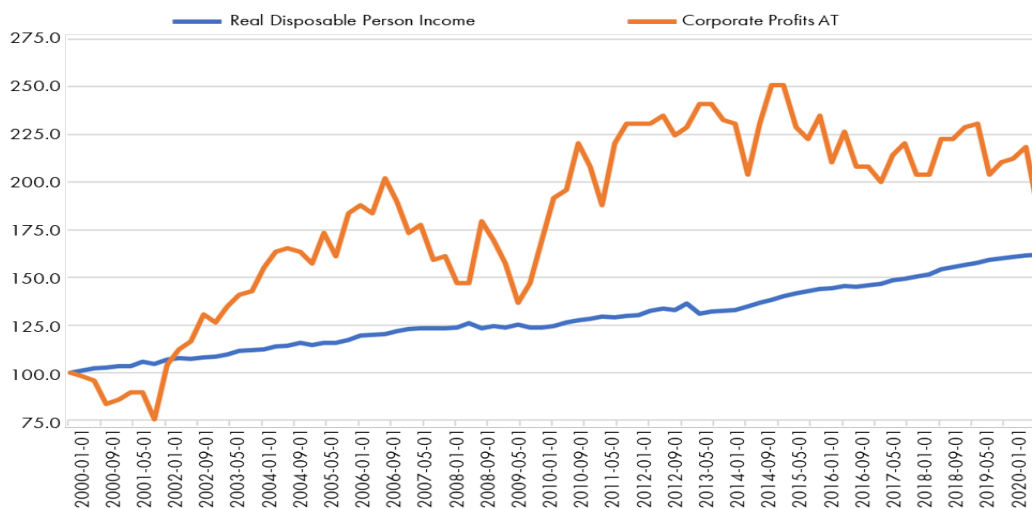
corporate profits, which have doubled over the past 20 years while wages rose just 50% (Chart 5).

Chart 4 Market Concentration and Real Wages



Source: Azar José, Ioana Marinescu, and Marshall I. Steinbaum, *Labor Market Concentration*, NBER Working Paper No. 24147, December 2017, Revised February 2019.

Chart 5 Real Disposable Personal and Corporate Profits 2000-2019

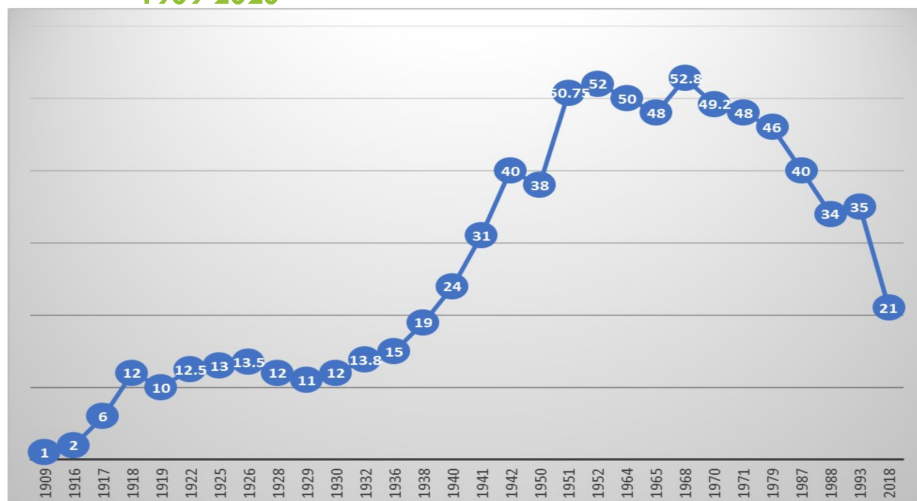


Source: US Bureau of Economics Analysis

The lowest corporate tax rate since 1938 has also contributed to strong profits (Chart 6).

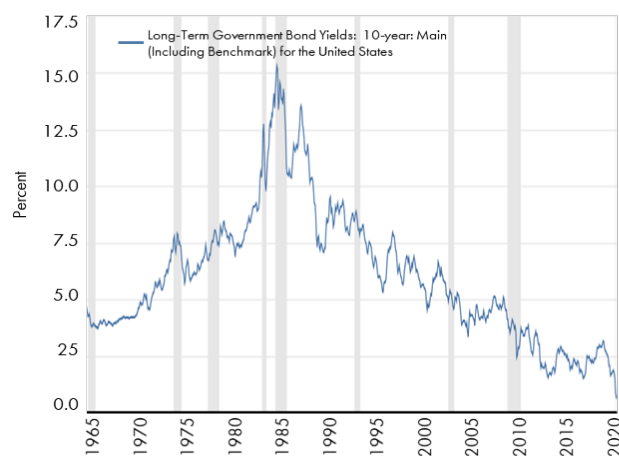
And then there is the Fed, which has driven borrowing costs to record lows (Chart 7) by ballooning its balance sheet seven-fold (Chart 8).

Chart 6 US Maximum Corporate Income Tax Rate 1909-2020



Source: IRS

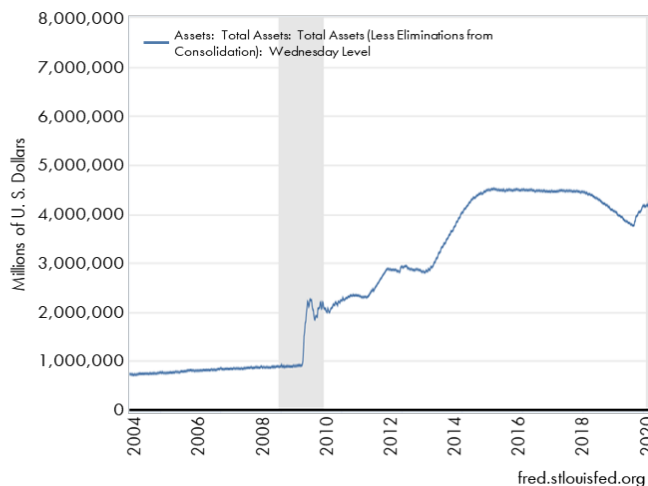
Chart 7 US Ten-Year Treasury Yield 1960-2020



Shaded areas indicate U.S. recessions

Source: Organization for Economic Cooperation and Development

Chart 8 Total Assets, Federal Reserve System 2002-2020



Source: Board of Governors of the Federal Reserve System (US)
<https://fred.stlouisfed.org/series/WALCL>

Since 2009, investors have seen outsized gains, as asset prices have far outstripped growth in the real economy (Chart 9). The preponderance of this gain has accrued to the very wealthiest: over the past 30 years, the richest 1% of Americans has had their share of the nation's total wealth rise from 23% to

31% while the bottom half of the country saw its share fall from 4% to about 1% (Chart 10).

In this most recent Pandemic recession, workers in the bottom wage quintile experienced a 37% drop in employment, recovering only slightly through mid-May. In contrast, workers in the top wage quintile

Chart 9 Total Return of Asset Prices and Real Economy Prices, 2009-2020

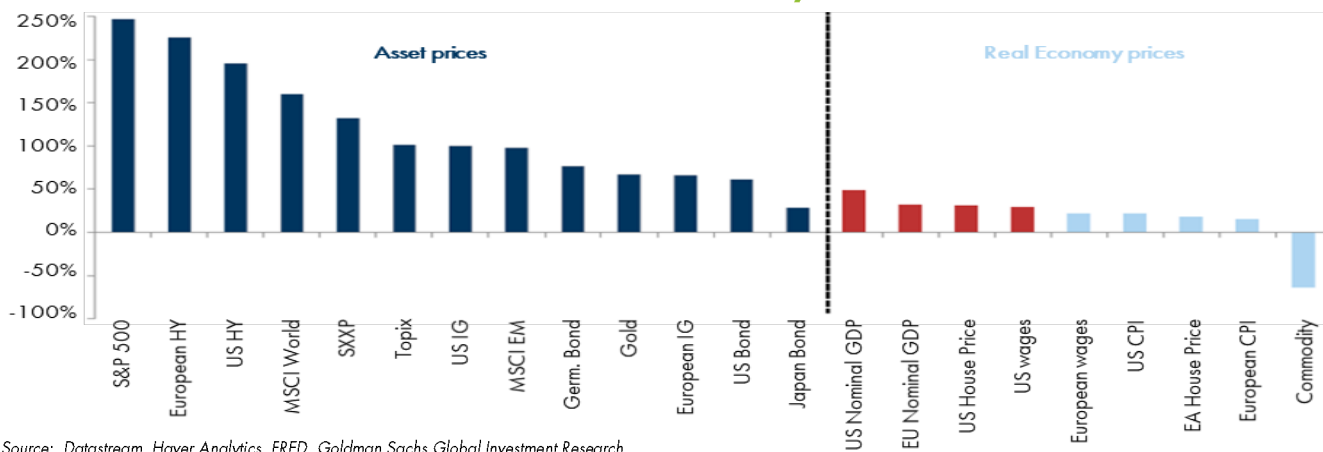
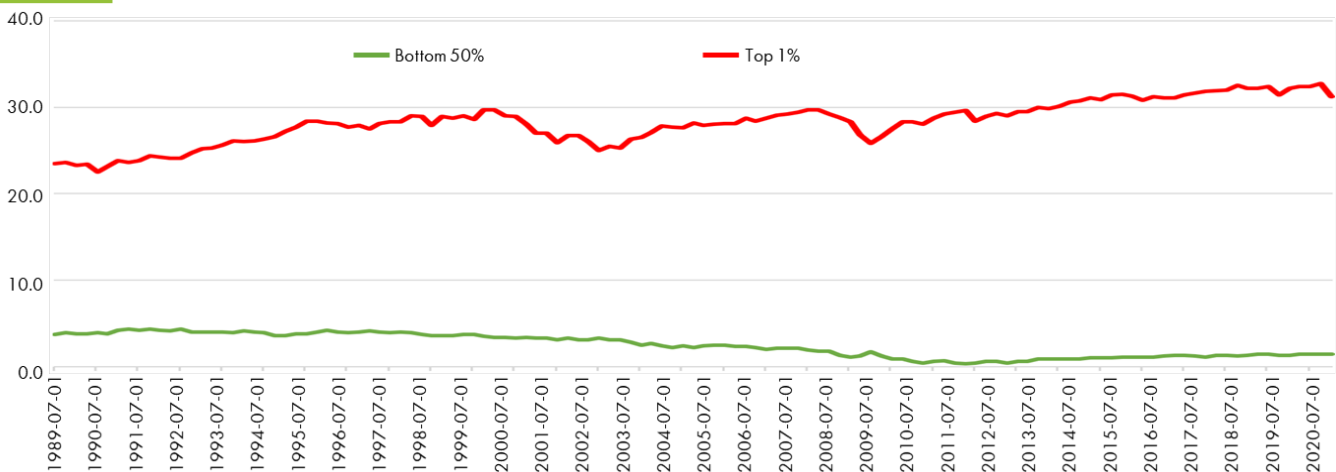


Chart 10 Share of Total Net Worth Held by Top 1% and Bottom 50%, 1989-2020



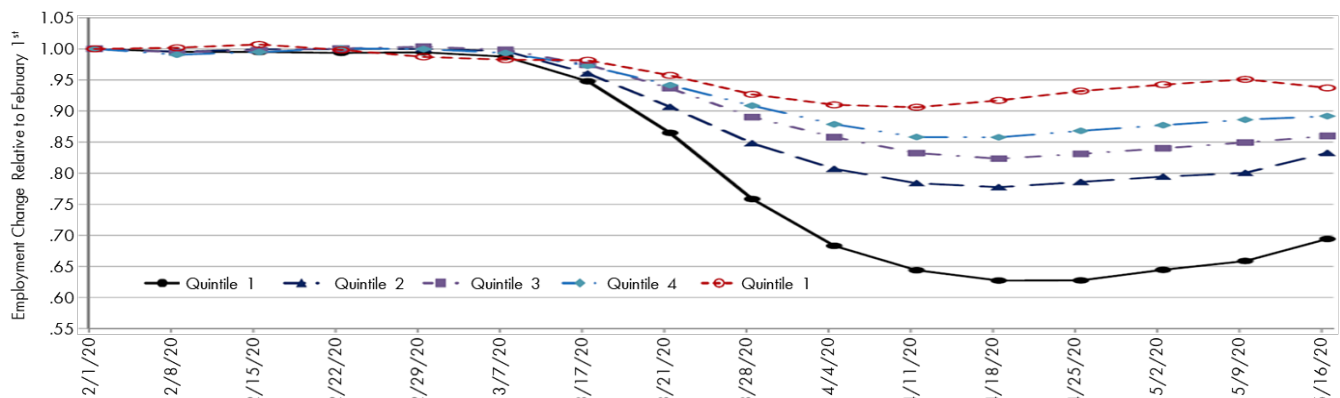
saw just a 10% decline in employment, recovering half of that a month later (Chart 11).

The widening gap in wealth is indicative of insufficient investment in building the skills of the majority of the population. We are underinvesting in our future in other areas as well. Simply maintaining the infrastructure of roads, waterways, ports, etc. will require nearly \$5 trillion over a decade, but we have earmarked just half of that,⁶ ensuring that our aged infrastructure will con-

tinue to erode, increasing maintenance expenses and hampering productivity and economic growth.

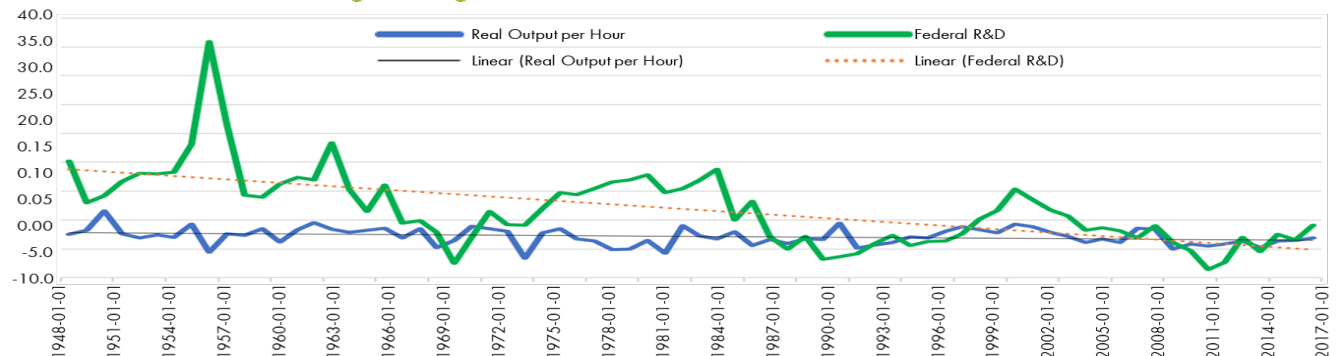
We are also allowing our technological lead to falter by cutting investment in basic research. Over the past 70 years, federal spending on research and development declined from an annual growth rate of 15% to zero today. Not coincidentally, productivity growth fell in half from 3% to 1 ½% over this time (Chart 12). Thirty years ago, the US was second only

Chart 11 Change in Employment by Initial Wage Quintile, 1 Feb–16 May 2020



Source: Cajner, Tomaz, Leland D. Crane, Ryan A. Decker, John Grigsby, Adrian Hamins-Puertolas, Erik Hurst, Christopher Kurz, and Ahu Yildirmaz, *The U.S. Labor Market during the Beginning of the Pandemic Recession*, NBER Working Paper No. 27159, May 2020, Revised June 2020.⁵

Chart 12 Real Output per Hour & Federal Investment in R&D Annual Percentage Change, 1948-2019



Source: US Bureau of Economic Analysis and US Bureau of Labor Statistics

⁵ The authors are members of the Federal Reserve, the University of Chicago and ADP; they use ADP payroll data in this research.

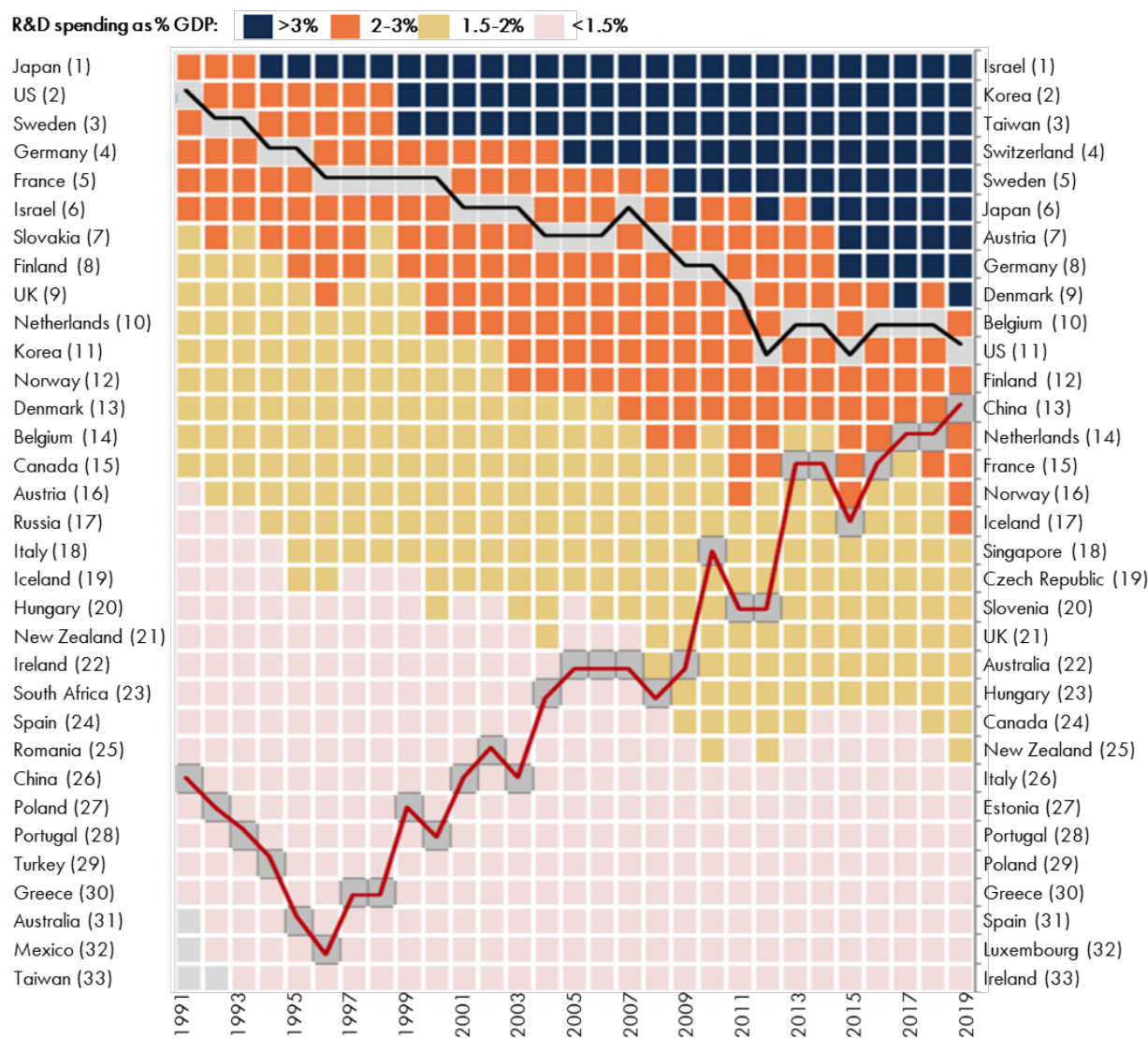
⁶ American Society of Civil Engineers, <https://www.infrastructurereportcard.org/the-impact/economic-impact/>.

to Japan in R&D spending as a percentage of GDP; today the US has fallen to 11th place, behind Belgium, while China has risen from 26th to 13th (Chart 13).

Failing to invest, whether in basic research, infrastruc-

ture, climate mitigation or our people, has far-reaching consequences. These consequences are manifested when bridges collapse, wildfires rage and cities flood, or millions rise up to protest the iniquities around them.

Chart 13 R&D Spending as Percentage of GDP, by Country, 1991-2019



Eunice developed quite the following at the Midtown Bar & Grill in Atlantic City over the course of a few summers playing for the casino and beach crowds. Her Methodist minister mother could not countenance her playing for gamblers and other sinners, so to shield her mother from that shame Eunice chose a stage name. Her Puerto Rican boyfriend at the time called her “niña,” and she was enamored with the sultry French actress, Simone Signoret.⁷ Thus did Eunice Waymon become Nina Simone.

Nina (Eunice) soon came to the attention of Syd Nathan, owner of King Records.⁸ On her one album for him,⁹ her version of Gershwin’s *I Loves You, Porgy* reached #2 on the R&B charts. She was hard to classify, blending jazz and blues, pop and classical, but she became enormously popular in the New York jazz scene. Outside of music, she was drawn to a group of intellectuals, including playwright Lorraine Hansberry, poet Langston Hughes, and writer James Baldwin, all who helped raise her consciousness about the burgeoning civil rights movement.

On one level, the year 1963 was halcyon. America was transcendent in the world in every respect: the U.S. economy dominated the globe, and American culture pervaded, and was the envy of, every country.¹⁰ The comedies *Tom Jones*¹¹ and *Son of Flubber*¹² led the box-office that year, while the Beach Boys had a hit with *Surfin’ USA*, as did Bobby Vinton with *Blue*



Sam Falk/New York Times

⁷ Who was to win an Academy Award for Best Actress in 1959 for *Room at the Top*.

⁸ Where James Brown was the star artist.

⁹ *Little Girl Blue* on the Bethlehem label, the jazz imprint at King Records.

¹⁰ Every open country, at least; the Communist bloc was somewhat shielded from American influence.

¹¹ Winner of Best Picture at the Oscars that year.

¹² Sequel to the 1961 hit, *The Absent-Minded Professor*.

Angeles

Velvet and The Chiffons with *He's So Fine*.¹³ It was a great year to be an American.

Well, maybe not for all Americans. With a sound-track of those pop songs playing in your mind, recall, too, that in April 1963, Reverend Martin Luther King, Jr. was thrown into a Birmingham jail on trumped-up charges.^{14,15} In June, Medgar Evers, a prominent, charismatic leader of the civil rights movement, was shot in the back on the front steps of his home in Jackson, Mississippi by Byron De La Beckwith of the Ku Klux Klan.¹⁶ Then, on September 15 of that year, four young girls¹⁷ attending Sunday school were blown up by 15 sticks of dynamite planted at the 16th Street Baptist Church in Birmingham by four members of the Ku Klux Klan.¹⁸ Amidst prosperity and peace, idealism and innocence, America was being (literally) blown apart by racial hatred.

By the end of 1963, Nina Simone felt a rising anger welling up inside her, and in the course of just an hour, exploded with a song that shocked audiences, was banned from most radio stations, and became an anthem for the civil rights movement. This was no hopeful ballad, like *We Shall Overcome*, derived from a 19th century folk song,¹⁹ or an ambiguous lamentation like *Blowin' in the Wind*.²⁰

Mississippi Goddam starts with, "Alabama's gotten me so upset, Tennessee made me lose my rest, and everybody knows about Mississippi goddam," referring to specific recent brutalities. After expressing her anger, she then falls into a call-and-response with her band members, who sing "Do it slow," while she cries, "That's just the trouble," and "Do things gradually, but bring more tragedy."

She then turns accusatory: "You lied to me all these years, You told me to wash and clean my ears, And talk real fine just like a lady, And you'd stop calling

me Sister Sadie,²¹ But this country is full of lies, You're all gonna die and die like flies, I don't trust you any more."

Audiences were shocked, none more so than the liberals and moderates who advocated dialogue and patience; Nina Simone was having none of that. She wanted her rights, *all* her rights, and wanted them now, immediately. The song that begins in anger ends in disgust: "You don't have to live next to me, Just give me my equality." Reconciliation is not on the table here; *Mississippi Goddam* reflects the anger, impatience and demands of an oppressed people, delivered with the raw intensity of a talented artist.

We must listen to the poets, to the artists: they are the ones who reveal truths. In *Poetics*,²² Aristotle, proba-

¹³ What great songs!

¹⁴ Walter Reuther, president of the United Auto Workers, posted bond, but not before Dr. King penned his important letter citing St. Augustine that "an unjust law is no law at all."

¹⁵ By amazing coincidence, that same day, April 12, was Simone's one and only performance at Carnegie Hall.

¹⁶ An all-white jury found him not guilty, and De La Beckwith lived a free man until he was re-tried, and convicted, of the murder in 1994. He died in prison in 2001.

¹⁷ Addie Mae Collins, Carol Denise McNair, Carole Robertson and Cynthia Wesley, ages 12 and 14.

¹⁸ Thomas Blanton Jr., Herman Frank Cash, Robert Chambliss, and Bobby Frank Cherry. After an investigation, J. Edgar Hoover ordered the case dropped. Chambliss was re-tried and convicted in 1977, Blanton and Cherry were re-tried and convicted in 2001, Cash died in 1994 and was never re-tried. Cherry died in 2004, and Blanton died two weeks ago (26 June 2020).

¹⁹ Originating as a work song among slaves, a Methodist minister, Charles Albert Tindley, published a version in 1901 called *I'll Overcome Someday*. Pete Seeger recorded it in 1947.

²⁰ Written in 1962 and released in 1963 by Bob Dylan.

²¹ The wife of a runaway slave in *The Adventures of Huckleberry Finn*, the name became a slur for black women.

²² C.335 BCE.

bly in retort to Plato, who dismissed poetry as merely imitative, argued that poetry's higher truth derives from the fundamental essence of human nature. More than 2,000 years later, Pablo Picasso amended Aristotle to say that "Art is not truth. Art is a lie that makes us realize truth."²³

Langston Hughes, one of America's greatest poets, wrote a masterful book-length poem in 1951 that spoke to the injustices faced by the African-American community.²⁴ In it was a short couplet that became one of the famous in literature. He asked:

What happens to a dream deferred?

Does it dry up
like a raisin in the sun?²⁵

Or fester like a sore—
And then run?

Does it stink like rotten meat?
Or crust and sugar over—
like a syrupy sweet?

Maybe it just sags
like a heavy load.

Or does it explode?

In a few short lines, Langston Hughes identifies the essence of subjugation and oppression, of iniquities and injustices. It is the dream deferred that lies at the core of individual, and our collective, tragedy. For some, that dream withered, for others it festered, and for some, like Nina Simone, it exploded.

Ideas that move societies come from the margins, from the Nina Simones, not from the Beach Boys. Success is possible only when our collective minds have first changed.

John Adams noted that "the [American] revolution was in the minds of the people...[and was] accomplished before hostilities commenced." A war was necessary to secure our freedom, but the war would have been futile had not we not first believed in its righteousness.



²³ "Picasso Speaks" in *The Arts*, vol. 3, ed. Marius de Zayas, New York, May 1923. The full quote is: "We all know that Art is not truth. Art is a lie that makes us realize truth, at least the truth that is given us to understand. The artist must know the manner whereby to convince others of the truthfulness of his lies. If he only shows in his work that he has searched, and re-searched, for the way to put over lies, he would never accomplish anything."

²⁴ *Montage of a Dream Deferred*, 1951.

²⁵ The title of the 1959 Broadway play by Lorraine Hansberry about a black family in Chicago struggling with money found and lost. Both the play and the 1961 film version starred Sidney Poitier and Ruby Dee.

We can (and should) bring down statues and rename streets, advance policies and programs that convey our good intentions. But all will be symbolic, doomed to fail, without honest conviction and commitment to redress injustices, now and in the future.

James Baldwin, with remarkable specificity and applicability to our time wrote, "It demands great spiritual resilience not to hate the hater whose foot is on your neck,

and an even greater miracle of perception and charity not to teach your child to hate."

Mississippi Goddam could easily be *Minnesota Goddam* or *Missouri Goddam* or *Georgia* or *Kentucky* or, really, *Anywhere Goddam*. Nina Simone's condemnation demands our response. But our first priority is to open our hearts, and to acknowledge that the too many dreams deferred are an intolerable affront to all our dreams.



Michael A. Rosen
Principal & Chief Investment Officer

July 2020

Please follow the Angeles Insights by Michael Rosen at <https://www.angelesinvestments.com/insights/home>

CONNECT WITH US



LinkedIn



Twitter



Facebook

Founded in 2001, Angeles Investment Advisors LLC is a global investment management firm serving select institutions and high net worth families and individuals.

This report is not an offer to sell or solicitation to buy any security. This is intended for the general information of the clients of Angeles Investment Advisors. It does not consider the investment objectives, financial situation or needs of individual investors. Before acting on any advice or recommendation in this material, a client must consider its suitability and seek professional advice, if necessary. The material contained herein is based on information we believe to be reliable, but we do not represent that it is accurate, and it should not be relied on as such. Opinions expressed are our current opinions as of the date written only, and may change without notification. We, along with any affiliates, officers, directors or employees, may, from time to time, have positions, long or short, in, and buy and sell, any securities or derivatives mentioned herein. No part of this material may be copied or duplicated in any form by any means and may not be redistributed without the consent of Angeles Investment Advisors, LLC.

If you would like to receive a copy of our Form ADV Part 2A free of charge, please email Steve Smetana, Chief Compliance Officer, at ssmetana@angelesinvestments.com, or call 310.393.6300.

