More Commerce Dept. Magic: 3.6 % Sales Drop Turned into a 1.6 % Rise

Retail sales continued their sharp decline in February, falling 3.6 per cent from their January level and almost 9 per cent below their September 1975 level, according to statistics release by the Commerce Department March 11. The reason for the drop is apparent to every working class family trying to make ends meet on a steadily shrinking real income — workers simply don't have the money to buy.

But using the Commerce Department's "seasonally adjusted" figures instead of actual sales, the nation's press is presently claiming that sales actually **rose** by 1.6 per cent in February. This pure fraud is intended to justify more blarney about the non-existent "upswing" in the U.S. economy.

In reality, after adjusting for inflation, total retail sales in February were only slightly higher than February 1975, the most dismal month for retailers in the past 30 years. This slight improvement was totally due to a rise in auto sales, based on an unsustainable expansion of consumer installment credit. Non-durable retail sales actually declined from last year's February level.

The weakness of nondurable sales indicates that the current contraction of industrial production must shortly accelerate into full-scale collapse. The last increase in nondurable goods production, from March to October 1975, simply wound up on retailers' shelves. Retailers were unable to unload most of these goods during last winter's traditional Christmas season sales period. Witnessing the further rapid falloff of sales this January and February, cautious retailers have been unwilling to increase their inventories. The resultant cutback of orders from retailers has resulted in a 22 per cent annual rate of decline in nondurable production since October, with a corresponding drop off in shipments and inventories.

Recently, retailers have resorted to incredible credit and marketing gimmicks in an attempt to move the merchandise they already have on hand and prevent themselves from following the path of W.T. Grant, the recently bankrupted retail giant. Indicative of the situation is the fact that while the Federal Reserve Board reported that "retail store credit and merchandise-secured or 'personal' cash loans by financial institutions was extremely active" in January, exceeding anything since summer of 1974, the Commerce Department reported that even on a seasonally adjusted basis retail sales plummeted in the same month.

With continued erosion of workers' income, even these gimmicks will not be able to prevent the present sales decline from accelerating, at which point nondurable production will begin falling at 30 to 40 per cent annual rates. That this point is fast approaching is indicated by the rising inventory-to-sales ratio of manufacturing firms since October. Soon, these firms will decide to stop piling up seemingly "unsaleable" products by drastically cutting back production. This is what occurred in the Fall of 1974, leading to the first ratchet collapse of production.

The decline of retail sales and the resultant underutilization of industrial capacity has **already** led to a total collapse of the single most important sector of the world economy, the production of industrial equipment in the U.S. January production of equipment was almost 8 per cent below production in December 1974, the period of the sharpest decline of production in recent U.S. history.