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THE WHITE HOUSE

WASHINGTON

October 3, 1975

MEMORANDUM FOR:

DICK CHENEY

FROM:

JIM CONNOR *JEC*

The attached was returned in the President's outbox with the following notation:

"Information - pass on to Alan et al"

cc: Don Rumsfeld

Attachment:

Comments for Presentation to The Business Council
Hot Springs, Virginia - October 10, 1975.

THE WHITE HOUSE
WASHINGTON

Dick Cheney

info - person
to Alan et al.

Comments for Presentation to The Business Council
Hot Springs, Virginia - October 10, 1975

Arthur Wood has asked me to speak to you about the outlook for general merchandise retailing, defined to include department stores, mail order chains, and apparel and accessory stores, with annual sales aggregating about \$100 billion, and representing approximately 10% of all United States consumer expenditures.

In August 1974, an unanticipated and abrupt interruption of the previously strong upward trend of retailing underscored the incipient recession of the economy. Real sales declined steadily during the ensuing three quarters, then this spring leveled off and began rising modestly. Sales of general merchandise are now estimated to be running 6% ahead of last year with the department store segment leading the way at 8%. Net profits are likewise rising, aided by near completion of inventory liquidation and some improvement in productivity.

Operating results of general merchandise retailers through the important Christmas selling season and into the first quarter of next year should continue improving progressively. In my opinion, annual sales gains will average between eight and ten percent and the better managed companies will improve their earnings dramatically over last year's disappointing levels.

I should now like to enumerate the reasons for my optimism about general merchandising which, you will note, relate to rising disposable incomes, improved consumer financial positions, and some restoration of confidence.

- 1) The nation's employment should continue to rise steadily despite persistent high rates of unemployment.
- 2) Wages are already well above last year's levels and will undoubtedly advance further.
- 3) The hours worked each week per employee will probably expand classically

4) Personal liquidity is high, having been augmented during the past year by a declining trend of consumer borrowing and higher personal savings which peaked out above 10% of incomes following last spring's tax rebates.

5) Despite President Ford's understandable budget concerns and Arthur Burns' laudable objective of holding a firm rein on the money supply, it is unrealistic not to expect a generally expansionary fiscal climate during the forthcoming election year, manifested by enlarged Federal appropriations and some form of continuing tax relief.

6) The drag on retail sales caused by anxiety over continued double digit inflation has abated despite recent unsettling upward blips of prices.

7) Retail stocks are generally in sound condition both quantitatively and qualitatively, and merchants are poised for vigorous sales promotion this Christmas and beyond.

It is highly important that retail sales do in fact turn out to be strong through the forthcoming Christmas selling season, as automobiles and construction are clearly not leading us out of this recession as they have all other recent ones. Indeed, if my forecast of general merchandise sales over the next six months proves accurate, improvement in manufacturing will surely follow and ultimately stimulate plant and equipment expansion. Such a rolling recovery, though fragile initially, might in the long run prove more sustainable than the V-shaped type to which we have become more accustomed since World War II.

At the appropriate time I shall be pleased to respond to any questions.

Thank you.

Edward W. Carter