Holiday retail cheer? Humbug

I t’s December, and while sugar plums will soon be dancing in children’s heads, data on retail sales are bouncing around online. Here are a few economic thoughts for the season:

• **Sales will rise**, sort of. The National Retail Federation predicts that 2011 holiday spending will be up 2.8 percent versus 2010. That growth is less than last year’s 5.2 percent rise (which merely got sales back to the 2007 level after drops in 2008 and 2009). But the NRF forecast feels about right for an economy that grew only 1.2 percent during the first three quarters of this year (as compared to 3.4 percent for the same period in 2010) and is still facing great uncertainty.

Before you get comfortable with that 2.8 percent growth, however, keep in mind that retail-sales data aren’t adjusted for inflation. In October, inflation versus the previous year was 3.3 percent, which essentially zeroes out any real growth in holiday sales. Ho ho ho.

• **Black Friday**. The NRF also conducts a survey of spending during the “Black Friday weekend,” as it’s now called. Spending this year was a whopping 16 percent higher than last year, which some analysts are hailing as evidence of a strong holiday season. But hold on. Black Friday sales are an iffy predictor of total holiday sales. During the recession, spending on Black Friday grew steadily while total holiday spending fell. Last week’s bargain hunting may have been so energetic precisely because the economy’s still very weak.

• **Post-turkey shopping**. The big news last week was that many stores opened on Thanksgiving night instead of waiting until early the next morning. You can see their motivation. If everyone else was going to open on Friday morning, a given store could gain an advantage, in sales and publicity, by opening the night before. And if everyone else planned on opening the night before, fewer stores (in the same market segment) could afford not to follow suit.

However, none of this affected aggregate spending. Consumers didn’t spend more just because they still had turkey in their stomachs. No doubt some stores benefited from opening early, but the aggregate effect was nil.

In fact, it was less than nil. Because of added costs for being open longer, getting the jump on Black Friday was, in the aggregate, a money-losing proposition. This is a classic example of the famous Prisoner’s Dilemma game, in which strategic competition leads to an outcome that is worse overall.

• **Leveling the field**. A 1982 Supreme Court decision barred states from collecting sales tax from most online retailers, and since then the sales-tax playing field has gotten quite uneven. A 2009 University of Tennessee study predicted that the total loss of state tax revenue due to online sales this year will be $10.1 billion. It estimated a $510 million loss for North Carolina alone.

It’s hard to justify systemic tax evasion, and therefore it’s good news that Congress is finally considering federal legislation requiring online retailers to collect state sales tax. Perhaps it’ll be in place for next year’s Cyber Monday.

• **Occupy the Galleria**. Regardless of the numbers, holiday shopping is rooted deep in American culture. That’s why a recent Occupy Wall Street strategy to boycott stores and shopping malls struck me as a great way to lose friends and alienate people. Even though the protests are aimed at national chain stores rather than locally owned businesses, the Occupy folks are playing with fire. We’re a nation of consumers, and consumers are essential to our economy.

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