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Thank you for that warm welcome.

I am honored to join the Valley Industry and Commerce Association for your annual Business Forecast Conference. For the past 23 years, this conference has brought together some of our country's most brilliant economists, academics, and industry leaders. We have gathered to discuss the outlook for the economy. And with all the challenges we face, it would be easy to conclude that the outlook is not bright.

Yet before making predictions about the future, we need to learn the lessons of the past. When Steve Jobs returned to Apple in the late 1990s, the company was on the verge of collapse. Its computers had lost their edge. Losses were mounting. And some experts suggested that it was time to "shut it down" for good.¹ But Steve Jobs had other ideas. He called them the iMac, the iPod, the iPhone, and the iPad. And when he passed away earlier this month, he had done more than transform his company – he had transformed the world.²

It is a reminder that the foundation for America's growth has always been ingenuity and enterprise. It is a testament to something that no economic forecast can fully capture – the dynamic spirit of American innovation. And it is an example of the spirit that I see in the members of the National Retail Federation and the 1.6 million retail businesses in the U.S. – businesses as diverse as L.A.'s own Fresh & Easy supermarkets, Forever 21, Tom's Shoes, and American Apparel. As the President and CEO of the NRF, my job is to bring their insights from America's Main Streets to Washington's Pennsylvania Avenue.

During this time of economic challenge, Washington needs more than ever to hear your ideas and vision for the future because we can't afford to keep doing what we have been doing. Unemployment remains above nine percent. Median income has dropped nearly 10 percent since the Great Recession began.³ And concerns have arisen about America's ability to compete in an increasingly global economy. No wonder that almost three in four Americans think our country is headed down the wrong path.⁴

¹ <http://www.businessweek.com/magazine/the-return-19972011-10062011.html>. The quotation is from Michael Dell.

² <http://online.wsj.com/article/SB10001424052702304447804576410753210811910.html>

³ <http://www.nytimes.com/2011/10/10/us/recession-officially-over-us-incomes-kept-falling.html?scp=3&sq=income&st=cse>

⁴ http://www.cbsnews.com/8301-503544_162-20107582-503544.html?tag=contentMain;contentBody

Today, I will discuss how we can put our economy back on the right path. I am glad that your theme this year is “The Big Economy that Should” because I think this is still a “Big Economy that Can.” So instead of just focusing on challenges facing our economy, let’s talk about the opportunities on the horizon by asking two important questions: First, what is our vision for the future of the economy, and second, how can we make it a reality?

The men and women of America’s retail industry are at the cutting edge of answering both of these questions. Now, “cutting edge” is probably not the first phrase that comes to mind when most people think about retail. But since joining the National Retail Federation last year, I have seen firsthand that retail truly is cutting edge. It is changing as fast as globalization and digitization change our lives. And as a result, there is a growing gap between how Americans perceive retail and what the industry actually does.

One myth is that retail is just old-fashioned Main Street merchants. The reality is very different. Retail is now as much bits and bytes as bricks and mortar. Amazon, Apple, Netflix and Overstock.com are all among the top 10 fastest growing retailers in the country. And seven of the top ten favorite retail websites are run by brick and mortar retailers – sites like WalMart.com, JCPenney.com, Kohls.com and Macys.com. As I mentioned a few minutes ago, no one embodied the new spirit of retail better than Steve Jobs. He once said, quote, “It’s not the consumers’ job to know what they want.”⁵ Jobs knew what consumers wanted before they knew themselves. He had his finger on the pulse of the marketplace. And that creativity represents the retail industry at its best.

Another myth I hear about the retail industry is that retail jobs are tickets to nowhere. Tell that to Terry Lundgren, who started off as a department store trainee and ended up as the CEO of Macy’s. Or tell that to Cathy Green, who started as a part-time service clerk and now serves as the President of Food Lion. In 2009, retail accounted for nearly 1.5 trillion dollars in wages – almost 17 percent of our nation’s total labor income. While many industries have strayed from the wisdom of Henry Ford, we still believe that our employees should be our best customers. That’s why we are committed to providing communities with jobs that pay more and products that cost less.

For my part, I confess that I also had some misperceptions about the retail industry when I first took this job. I knew that retail was important to the future of our economy, but I had no idea just how important. Retail supports one in four American jobs – some 42 million in total. So, clearly, retail means jobs. It contributes almost one fifth of our nation’s gross domestic product. And it adds billions to other industries – from manufacturing to financial services to real estate.

During this period of high unemployment and stock market turbulence, retail is even more important to our economy than ever. September’s strong spike in retail sales helped reduce fears of a double dip recession. The nearly six percent increase represented our industry’s 15th consecutive month of growth. And not only do retail sales continue to increase, retailers are reporting solid profits. At the same time, American families have increased their savings even as they have paid down their household debt.

⁵ <http://www.npr.org/blogs/itsallpolitics/2011/08/25/139940517/does-steve-jobs-visionary-style-offer-political-lessons>

This is clear evidence that when retailers deliver products that meet consumers' needs, and when they enable consumers to make informed, cost-effective buying decisions, consumers are empowered and strengthened. Because retailers are resourceful and deliver added value, consumers are able to continue spending while they also deleverage.

Now – if only we could get policymakers in Washington to follow the same responsible approach, we'd be a lot better off...

All of this is a reminder that American consumers continue to be a source of strength during this weak economy. And it has confirmed for me how much our country depends on retail.

In short, I now believe America's economic recovery begins with retail.

So what is our vision for the future of the American economy?

Four words: jobs, innovation, and consumer value. Let me explain. It is a vision for creating millions of new, better-paying jobs, so we can put millions of Americans back to work and grow our economy. It is a vision for spurring innovation, so we can speed the flow of business while improving the quality of service. And it is a vision for delivering value for consumers, so we can put the American dream within reach of every American family.

I know there are those who doubt whether that dream is still alive. With our country facing chronic high unemployment and rising debt, it has become fashionable to talk about America's inevitable decline. Some say that our best days are behind us ... that we can no longer compete in the global economy ... and that we should resign ourselves to a future of slow growth and mediocrity.

That's not the America I know. That's not the economy I want. And that's not the future I see.

To anyone who thinks our best days are behind us, I say: Go visit California's Silicon Valley or North Carolina's Research Triangle. Go see the new businesses that are popping up online each day. Go hear the big dreams in every small shop and store across the country. These visionaries don't think America's best days are behind us – and neither do I. Together, we can ensure that this country remains the best place in the world to start a new business, to create new jobs, to invent new technologies, and to raise a family.

So how can we make this vision for America's future a reality?

We need to begin by urging elected leaders to find common ground. Unfortunately there is a feeling across the country that Washington is out of ideas. We have tried fiscal stimulus. We have tried monetary stimulus. And as the national debt grows, our options seem to shrink.

Meanwhile, the divide on Capitol Hill has widened. Partisanship has turned to brinksmanship. And through all the political posturing, Washington looks increasingly out of touch with the problems of the real world. But despite all the divisions, there are areas where Republicans and

Democrats can come together to enhance America's competitiveness. Three opportunities come to mind –opening new markets to trade, reforming our tax code, and investing in infrastructure.

First, to enhance America's competitiveness, we need to foster global trade and investment. I recently returned from a trip to China, where I saw the possibilities firsthand. While China's economy has slowed slightly, it is still growing at an astounding rate of more than 9 percent a year.⁶ I saw how this vast emerging market of more than a billion people can become a growing market for American retailers. China is not alone. Around the world, emerging markets now account for over half of the world's gross domestic product.⁷

By opening these markets for trade and investment, we can create new opportunities at home. American businesses can reach the 95 percent of people who live outside our borders.⁸ American workers can find better jobs because trade supports higher pay.⁹ And American consumers can buy more for less money. In short, trade increases standards of living, economic growth, and consumer value.

The irony is that trade is often most politically unpopular when it is most economically important. So I was pleased that after years of delay, President Obama and Members of Congress finally came together to approve America's free trade agreements with Korea, Colombia, and Panama. These deals will increase American exports by about 13 billion dollars a year.¹⁰ They will make our economy more competitive. And we should not have waited so long to reap the rewards.

We cannot afford to repeat these delays as we negotiate new trade deals, including the Trans-Pacific Partnership regional free trade agreement [with Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam].

The Administration has set a goal of achieving a 21st-Century trade agreement in the Trans-Pacific Partnership negotiations. But to do that, the TPP must include more simple and flexible rules on textiles and apparel.

For years, the textile and apparel sector has been shielded from international competition, hiding behind quotas, high tariffs and other protectionist measures. As a result, most of our current Free Trade Agreements feature outdated, restrictive textile and apparel rules that have failed to promote new trade and investment with our free trade partners. In fact, apparel accounts for the vast majority of all U.S. duties collected against imports from the TPP countries.

We need simpler and more flexible rules that reflect the realities of today's global economy. Today, the textile and apparel sector runs through global supply chains. Almost all apparel sold

⁶<http://www.google.com/hostednews/ap/article/ALeqM5hFNBOYPehMGMPPlq2CrntZYKREOA?docId=aa1e41ef84084201b86a1761d98b78a2>

⁷ As measured at purchasing power parity: <http://www.economist.com/node/18895150>

⁸ <http://www.tradesupportsjobs.com/benefits-international-trade>

⁹ <http://www.ustr.gov/about-us/benefits-trade>

¹⁰ http://www.washingtonpost.com/blogs/2chambers/post/house-approves-south-korea-panama-colombia-trade-deals/2011/10/12/gIQA7AP2fL_blog.html

in the U.S. is sewn somewhere else from yarns and fabrics from around the world. Meanwhile, the sector's higher-paying, higher-skilled blue and white-collar jobs are located here in the U.S. – jobs in R&D, design, marketing, and retailing.

By ending trade-restrictive rules, the U.S. can help achieve a better overall agreement for American businesses and for retail, manufacturing and agricultural workers. New rules will promote exports of U.S. products by encouraging new trade and investment and will support high value-added American jobs.

But above all, it is critical that the U.S. move quickly in striking new trade agreements. Other countries are not waiting for America to act. They are moving forward with new agreements of their own. And unless we keep pace, companies in this room will be at a competitive disadvantage in key markets around the world. So as leaders of the business community, we need to make our voices heard. We need to educate our fellow citizens about the dangers of protectionism. And we need to send a clear message: More trade means more jobs.

Second, to strengthen America's competitiveness, we also need to reform our archaic tax code – and “archaic” is the polite way of describing it.

If we want to have the world's number one economy, we cannot afford to continue imposing the world's second highest corporate tax rate.¹¹ Corporate tax rates especially hurt Main Street businesses. Retailers actually pay the highest effective tax rate of any industry. And because businesses must share these costs with their customers, hardworking American families get stuck with the bill.

The good news is that there is a growing consensus in Washington for reducing corporate taxes. On both sides of the aisle, leaders understand that lower corporate taxes will lead to lower prices for consumers. They will encourage businesses to invest in the United States. And most importantly, they will bring home the jobs that our economy so desperately needs.

As we cut the corporate tax rate, we must also make the tax code fairer. We need to close loopholes that distort consumer preferences and that reward some companies at the expense of others. Take the sales tax – an issue that has received quite a bit of attention here in the state of California. When you buy a product from your local retailer, most states require that retailer to collect sales tax. But when you buy the same product online, there is often no tax collected. This makes no sense – and it costs states real dollars and cents. In 2012, states could lose up to 24 billion dollars in uncollected taxes from Internet and catalog sellers.

We need to create a level playing for all businesses – whether they are on Main Street or online. The law that Governor Brown signed last month requiring out-of-state sellers to collect sales taxes on purchases made by Californians was a critical step in the right direction. Now we need to make Main Street Fairness the law of the land across our entire country, so we can protect jobs and support local retailers. In Washington, the House and Senate have both introduced bills to ensure Main Street Fairness – and the National Retail Federation is pushing hard to see that this legislation is passed.

¹¹ <http://www.nytimes.com/2011/05/03/business/economy/03rates.html>

Finally, to enhance our nation's competitiveness, we need to invest in new infrastructure. Here in Los Angeles, you understand the connection between infrastructure and commerce better than just about any region in the nation. As you know, much of our nation's supply chain begins and ends here in this region. More than forty percent of our nation's imports pass through the Ports of Los Angeles and Long Beach. Once these goods reach port, they travel your roads and rail lines to distribution centers and warehouses out in the Inland Empire. From there, trucks and trains carry them to retailers across the country.

This supply chain is critical to our entire economy. When the process is disrupted or delayed, the damage extends far beyond the retail industry. It hurts all sectors of our economy that depend on retail – including 13 million jobs in industries ranging from design and manufacturing to transportation and freight.

Unfortunately these industries are all at risk because the links along the supply chain have begun to weaken. The problem is especially acute in Southern California, where your ports face new competitive challenges from the East Coast, the Gulf, and Canada. These pressures have only increased as your infrastructure system has aged. Your railways desperately need approval to modernize their near-dock facilities. And with cars and trucks clogging the region's roads, many of you spend more than 60 hours a year stuck in traffic.¹² To keep your place in the supply chain, Southern California needs to act – and act soon.

So does our entire country. Across America, our roads and bridges are showing their age. Unless we revamp our transportation grid, some analysts predict that our country could lose more than 300 billion dollars in growth over the next five years.¹³

It is clearly time to upgrade America's infrastructure. The world's largest economy needs world-class roads, ports, and airports. We need to develop a federal freight policy and make other critical investments that have been deferred for far too long. In the short run, these investments will give our country a much-needed boost. In the long run, they will serve as the foundation for enduring economic growth.

At the same time, we also should understand that we are living during a time when tight budgets call for tough choices. So we need to find new innovative ways of financing infrastructure. In Washington, we can see Los Angeles leading the way through the "30/10 Initiative" which is now known as "America Fast Forward." Not only has this initiative turned traditional infrastructure financing on its head, it has done so with the support of both the U.S. Chamber of Commerce and the National AFL-CIO. And it is a reminder for leaders across our country: Our national deficit is no excuse for ignoring our infrastructure deficit.

By working together to bolster our infrastructure, trade, and tax code, we will begin to make America more competitive. But our work cannot end there. We also need to take a number of other steps:

¹² <http://news.blogs.cnn.com/2011/01/20/which-cities-have-the-worst-traffic/>

¹³ <http://www.uschamber.com/infrastructure>

We need to modernize our visa system, so we can make it easier for international travelers to visit the United States and spend their money.

We need to encourage innovation while protecting privacy through self-regulation.

And we need to come together to confront the looming health care crisis. It's time to put our differences aside ... implement the parts of the health care reform law that make sense ... and repeal the mandates that don't.

About one year from today Americans will head to the voting booth to express their views on all these issues. As the election draws closer, we are determined to bring new meaning to the phrase "retail politics." An industry that has such a large impact on our economy needs to have a much louder voice in our political debate. The same is true for you.

As entrepreneurs, you understand what it takes to start a company. As employers, you understand how to spur job creation. And as L.A.'s business leaders, you know better than anyone what it takes to compete in the 21st century. So let's make our voices heard. Let's explain the challenges to the candidates. And let's get our country back on the path to growth.

I am optimistic about our future because I never stop being inspired by our past. The same resilience and tenacity that drove Steve Jobs to turn around Apple can drive us to turn around our economy. Together, we can renew the promise of the American dream. We can prove that our best days are still ahead. And we can turn "The Big Economy that Should" into "The Big Economy that Can."

Thank you again to everyone at VICA for inviting me today, and thank you for your commitment to moving these issues forward.

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