

Chrysler, GM set the pace

Obama administration spearheads wage cuts for American workers

Patrick Martin
5 May 2009

The wage cuts imposed on auto workers at Chrysler and General Motors at the insistence of the Obama administration demonstrate the class strategy that American big business as a whole is carrying out: to impose a reduction in the living standards of American workers on a scale unprecedented since the Great Depression.

The White House has given the green light for nationwide wage-cutting with its demands on Chrysler and GM workers, who have seen wages for new-hires slashed by 50 percent, along with the abolition of cost-of-living raises and cuts in vacation pay.

Several new reports show that big business is following the example set in Washington with enthusiasm.

According to an account published Sunday by the *Washington Post*, recent wage cuts have included a 10 percent reduction for contractors working for Microsoft, cuts for hotel workers in New York City, and reductions for state and local government workers in many areas and in much of the newspaper industry.

The Society for Human Resource Management said that its index of wages for new-hires showed a decline and wage rates for temporary workers are also falling. A survey of young workers by the online advocacy group Qvisory found that 19 percent of adults 29 or younger were out of work, 41 percent had been affected by wage cuts or cuts in work hours, and 40 percent had skipped meals recently to save money. Overall, 62 percent said their economic circumstances were “poor” or only “fair.”

Among the well-known companies that have announced major wage cuts are Advanced Micro

Devices, Honda, Hewlett-Packard, Best Buy and FedEx. A Watson Wyatt survey of 245 major corporations in February found that 7 percent had already cut salaries and another 4 percent expected to as the economic slump worsens.

The Federal Reserve Board, in the March edition of its “beige book,” which collates reports from regional Federal Reserve banks, noted “outright reductions in hourly compensation costs” for the first time in the current slump.

The spread of wage-cutting has already begun to impact consumer spending, which fell in March, the first monthly decline of the year. Incomes fell for the third consecutive month, by 0.3 percent in March, “reflecting wage cuts and layoffs as employers cut costs,” according to the Associated Press.

The employment cost index, a broad measure of combined wages and benefits published by the Bureau of Labor Statistics, showed a rise of only 0.3 percent in the first quarter of 2009. It was the smallest quarterly increase since the US Department of Labor began tracking such statistics in 1982. Given the more rapid rise in prices, this means that most working class families have suffered a decline in real wages.

The fall in workers’ real incomes and the growth of mass unemployment are driving a continuing increase in poverty, hunger and homelessness. US food stamp enrollment rose again in February, according to figures reported Monday by the US Department of Agriculture, to a staggering 32.55 million Americans. The number of people receiving food stamps has risen by one million since the financial crisis exploded last September, with more than ten percent of all working people compelled to seek food assistance from the

federal government.

According to the Food Research and Action Center, a non-profit group, another 16 million people are eligible for food stamps but are not receiving them, either because they are unaware of their right to benefits, have not applied or have been wrongfully denied.

The sharp fall in wages comes after an economic “upturn,” from 2002 through 2007, that was the worst for the incomes of working people since the Census Bureau began tracking the real purchasing power of wages in the 1940s. For the first time, the real earnings of middle-income families were lower at the end of the “recovery” than they were at the beginning.

More than one-quarter of all American workers, 26.4 percent, earned poverty-level wages in 2007, before the beginning of the current recession. That figure has skyrocketed since.

Economist Paul Krugman called attention to what he termed the “Falling Wage Syndrome” in his Monday column in the *New York Times*. He warned, “Falling wages are a symptom of a sick economy. And they’re a symptom that can make the economy even sicker.” He pointed to the danger that wage cuts would accentuate the problem of defaults on mortgages and consumer debt payments, as well as depressing consumer spending, the principal engine of the US economy.

A supporter of the Obama administration who occasionally criticizes it from a liberal standpoint, Krugman glossed over the fundamental class issues involved in the ongoing assault on wages.

He wrote: “Some of the wage cuts, like the givebacks by Chrysler workers, are the price of federal aid. Others, like the tentative agreement on a salary cut here at the *Times*, are the result of discussions between employers and their union employees. Still others reflect the brute fact of a weak labor market: workers don’t dare protest when their wages are cut, because they don’t think they can find other jobs.”

Krugman makes arbitrary distinctions in what is in fact a single process. Cutting wages is the class strategy of the American corporate elite, imposed through all the agencies of the ruling class, starting with the Obama administration.

Just as the Reagan administration’s smashing of the PATCO strike in 1981 gave the signal for the orgy of union-busting and strikebreaking that followed, so the Obama administration’s wage-cutting at Chrysler and

General Motors is giving the White House seal of approval to a similar policy by corporate America.

Significantly, one of Obama’s key economic advisers today is Paul Volcker, who served as chairman of the Federal Reserve Board from 1979 to 1987, playing a leading role in the corporate onslaught on the working class and hailing Reagan’s mass firing of the PATCO air traffic controllers.

It was President Obama himself who declared that in the new economy he seeks to create, Americans would “consume less and save more.” If one asks exactly *which* Americans will be consuming less, the figures cited above supply the answer: working class Americans, many of whom are already living on the edge of poverty and bankruptcy.

As for Krugman’s reference to “discussions between employers and their union employees,” this too is an evasion. Giant corporations like the New York Times Co. are demanding savage wage cuts—using, as at the Times-owned *Boston Globe*—the threat of outright closure and mass layoffs—while relying on the union apparatus to impose their dictates on the work force.

There is no end to the demands by big business that workers pay for the crisis of American and world capitalism. What is required is a movement from below that rejects the entire framework of the profit system and advances the independent social and class interests of working people, based on a socialist program.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact