Soaring gas, food prices hit US families

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US consumer prices rose 0.5 percent in March, spearheaded by soaring costs for gasoline and food, which accounted for almost three-quarters of the increase, according to a report released Friday by the Labor Department.

Sharply rising prices for basic necessities are by far eclipsing minimal wage increases—and for a growing number of workers, increasing the pain from wage cuts—and intensifying the social crisis in America more than two-and-a-half years after the Wall Street crash and government bailout of the banks.

Annual consumer price changes in the three months to March included:

• A 74.8 percent increase in the cost of motor fuel

• A rise of 13.5 percent in prices for meat, poultry, fish and eggs

• A jump of 23.3 percent in the price of fruits and vegetables

• An increase of 21.4 percent for public transportation

• A rise of 5.1 percent in the cost of tuition, other school fees and childcare.

Consumer prices have climbed 2.7 percent over the past 12 months, the biggest increase since December 2009. This has more than offset wage increases and a one-year reduction in the employee payroll tax. The average hourly wage of US workers adjusted for inflation fell by 0.6 percent in March, according to a separate report from the Labor Department. Real hourly wages have fallen by 1.0 percent over the past year.

Gasoline prices continue to gallop toward a national average of $4 a gallon. As of Friday, the national average for a gallon of regular gas was $3.82, nearly $1 higher than a year ago. Prices had leapt 20 cents just over the past two weeks. The average price at the pump in five states is already above $4.

USA Today on Friday quoted Darin Newsom, senior analyst at the energy tracking company Telvent DTN, as saying, "We could easily tack on another 30 to 40 cents a gallon."

On Thursday, the Labor Department released its report on producer prices for March, showing a seasonally adjusted jump of 0.7 percent from February in the prices companies pay for raw materials and goods at farms and factory gates. Again, the main factor was rising energy prices.

The annualized rate of increase for the past three months is 4.2 percent. The report for March marked the third consecutive monthly increase in producer prices. In the 12 months to March, producer prices overall rose 5.8 percent, the largest gain in a year.

The acceleration of inflation in the US is part of a global trend. Prices in the 17-nation euro zone have also climbed 2.7 percent over the past 12 months, while China this week reported a 5.4 percent jump in consumer prices in March to a nearly three-year high.

The turmoil in North Africa and the Middle East, above all the cutoff of Libyan oil as a result of the US-NATO war, is a factor in the ongoing rise in crude oil prices. However, a more important factor in rising commodity prices is the cheap dollar policy of the Obama administration and the Federal Reserve Board.

The Fed's purchase of $600 billion in Treasury securities, known as quantitative easing II, along with near-zero interest rates, amounts to electronically printing dollars to provide ultra-cheap credit to US banks and corporations. The central aim of this policy—which deliberately drives down the exchange rate of the dollar on global currency markets—is to bolster US corporate profits and the US stock market and cheapen the price of US exports to international markets.

On Thursday, the dollar fell to its lowest level in 16 months against a basket of currencies. "The core problem" behind surging oil, food and general commodity prices, Andrew Wilkinson, a senior market analyst at Interactive Brokers, told the *Wall Street Journal*, "is dollar weakness."

The US policy of devaluing the dollar also fuels price speculation in oil, foodstuffs, precious metals and other commodities. Goldman Sachs in March estimated that speculators were boosting world crude prices as much as $27 a barrel.

This inflationary and globally confrontational policy takes its biggest toll on the living standards of workers in the US and around the world, who are forced to pay higher prices for basic necessities. The impact is compounded by ruthless cuts in education, health care and other social services, as well as layoffs and wage freezes and cuts being carried out by the Obama administration and state and local governments across the US.

Claims that the Fed's cheap-dollar policy is producing a recovery in the basic economy—as opposed to stock prices and corporate profits—are belied by mounting signs that already anemic economic growth in the US and some European countries is faltering. The International Monetary Fund in its most recent economic forecast projected a slower growth rate for the US and Britain—meaning there is no prospect for a serious reduction in near-Depression levels of unemployment.

A global poll of economists by Reuters projected the US economy growing 2.5 percent in the first quarter of this year, a sharp cut from the 3.5 percent seen a month ago. For 2011 as a whole, growth is forecast at 2.9 percent, down from the previous projection of 3.1 percent.

On Thursday, the Labor Department reported that initial claims for unemployment benefits in the US rose to their highest level in two months. Jobless claims increased 27,000 to 412,000 in the week ended April 9. Analysts had predicted a 5,000-claim drop, to about 380,000 claims. The four-week moving average of claims rose 5,500, to 385,750.

The character of the so-called "recovery" is indicated by a poll released Friday by American Express Publishing and the Harrison Group, entitled "Survey of Affluence and Wealth in America." A sampling of families with incomes of more than $100,000—representing the wealthiest 10 percent in the US (who account for 50 percent of consumer spending)—showed that spending on luxury goods is set to rise 8 percent this year.

Wealthy Americans are expected to spend an extra $26.6 billion on luxuries, excluding cars and travel, bringing the total for the year to $359 billion.