

Workers' incomes plummet during the Obama "recovery"

Barry Grey
11 October 2011

As the anti-Wall Street protests against social inequality and the tyranny of the financial oligarchy spread across the US, a new study released Monday documents the devastating decline in working class living standards over the past four years.

The study, authored by two former US Census Bureau officials, concludes that inflation-adjusted median household income plunged 9.8 percent from December 2007, the official start of the recession, to June of 2011. Moreover, household income fell more than twice as rapidly during the Obama "recovery," which began in June of 2009, than during the 18 months of official recession.

According to authors Gordon W. Green Jr. and John F. Coder, median real household income fell 3.2 percent during the official recession, a dramatic decline, but one far surpassed by the additional 6.7 percent drop between June 2009 and June of this year.

Calling the nearly 10 percent decline over a three-and-a-half year period "a significant reduction in the American standard of living," the report notes that while wage gains outpaced inflation during the recession itself, wages failed to keep pace with inflation during the so-called "recovery." (The report is available at www.sentierresearch.com and a graph here).

Green and Coder attribute the sharp fall in household income for the majority of Americans largely to continued mass unemployment. The *New York Times*, in a front-page article on their report Monday, notes the staggering increase in the average duration of joblessness.

When the recession was said to have begun in December 2007, the figure was 16.6 weeks. It had increased to 24.1 weeks by June of 2009, when the recession supposedly ended. Last month, according to the Labor Department employment report released on Friday, the average duration

of unemployment had reached 40.5 weeks, the longest in 63 years.

The *Times* cites a separate study by Henry S. Farber, a Princeton University economics professor, which found that workers who lost jobs during the recession and later found work again earned an average of 17.5 percent less in their new jobs than in the ones they had lost.

Over the same period, bankers and corporate CEOs have grown richer than ever, thanks to trillions of dollars in taxpayer bailouts, unlimited cheap loans from the Federal Reserve Board, and the refusal of the Obama administration to prosecute the Wall Street criminals responsible for the financial meltdown or implement any real banking reform.

The growing numbers of people participating in the anti-Wall Street protests and the millions more in the US and around the world who sympathize with them must recognize that the impoverishment of the majority and further enrichment of the top 1 percent are not simply the result of impersonal economic forces. They are the result of the calculated and deliberate policies of the American ruling class and the Obama administration, its loyal servant.

Ever since coming to office, Obama has devoted his administration's policies to protecting and increasing the wealth of the financial elite. He has refused to implement any programs to hire unemployed workers or provide significant relief to the victims of the depression—those who have lost their homes to foreclosure, those whose incomes have been devastated by unemployment, those students who face crushing debts and soaring tuition costs, etc.

He has refused to provide serious aid to cities and states bankrupted by the slump, thereby encouraging the wholesale destruction of public jobs and services, especially in education, and a brutal assault on workers' wages, pensions and health benefits. Now he is pushing for hundreds of

billions of dollars in cuts in federal social programs, including Medicare and Medicaid.

He has pursued a policy of keeping unemployment high in order to use it, with the assistance of the trade unions, to blackmail workers into accepting wage cuts. It is not an accident that workers' incomes have fallen more sharply since June 2009 than in the preceding months.

In that month, General Motors filed for bankruptcy as part of the restructuring of the US auto industry dictated by the Obama Auto Task Force. The terms, agreed to by the United Auto Workers, included an expansion of tier-two wages to include all newly hired workers, creating a super-exploited work force earning around \$14 a hour—half the traditional wage rate. The massive wage-cutting at GM and Chrysler was the signal for an assault on wages across every sector of the US economy.

All of the components of household income—wages, Social Security, welfare payments, pensions—have been gutted as a result of the policies of the Obama administration and both big business parties. They are exploiting the crisis to carry through a counterrevolution in the social conditions and living standards of the working class.

Corporations are already reaping the rewards in booming profits and are rubbing their hands in anticipation of even bigger windfalls to come. High unemployment, wage-cutting and speedup are at the center of the government's pledge to double US exports in five years. Obama's talk of reviving US manufacturing is based on turning the US into a cheap labor platform for exporting goods around the world.

On Friday, the *Wall Street Journal* featured two articles boasting of the initial successes in increasing US competitiveness by imposing near-poverty wages on American workers. "Buck Up, America, China is Getting Too Expensive" was the headline of the first, and "Otis Shifts Work Closer to Home" was the title of the second.

The first described the beginnings of a movement to "re-shore" manufacturing from China back to the US, based on low wages and greater labor "flexibility." It cited a recent report by the Boston Consulting Group entitled "Made in America, Again," which included among the forces pushing certain manufacturing sectors to return to the US "more flexibility from some US unions, resulting in fewer work rules and lower labor costs." The article on Otis Elevator Co. reported the firm's shifting of production from Mexico back to the US.

The Boston Consulting Group report cites as one example of this trend Ford's decision to bring 2,000 jobs back to the US "in the wake of a favorable agreement with the United Auto Workers that allows the company to hire new workers at \$14 an hour." The report goes on to say that "certain US states, such as South Carolina, Alabama and Tennessee, will turn out to be among the least expensive production sites in the industrialized world."

The Obama administration, the Democratic and Republican parties, the corporate-controlled media are all instruments of the American capitalist class and are irreconcilably hostile to the interests of working people and youth. There can be no viable fight against social inequality and the domination of Wall Street outside of a political struggle against these forces and the profit system which they defend.

The attempts by the trade unions and their pseudo-left allies such as the International Socialist Organization to exclude socialist politics from the anti-Wall Street protests must be rejected. This is nothing but an attempt to channel the movement behind its worst enemies—the Obama administration, the Democratic Party and the capitalist two-party system.

The current crisis reflects the failure of the capitalist system on a world scale. The defense of basic social and democratic rights requires the building of a mass socialist movement to break the grip of the financial oligarchy and place the banks and corporations under the democratic control of the working class.

Barry Grey



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact