Obama's low-wage "recovery"

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President Obama's State of the Union address this week coincided with the release of several year-end profit reports. Profits for the firms listed on the S&P 500 stock market index jumped 11 percent in 2013, in large part because of declining wages and the increased exploitation of American workers.

In his national address Tuesday night, Obama acknowledged that "corporate profits and stock prices have rarely been higher, and those at the top have never done better. But average wages have barely budged. Inequality has deepened." The "cold, hard fact," he added, "is that even in the midst of recovery, too many Americans are working more than ever just to get by—let alone get ahead."

As is his wont, the president posed as an innocent bystander, suggesting that some sections of the population had unfortunately missed out on "four years of economic growth." In fact, the explosion of social inequality the president paid lip service to is the product of quite deliberate policies spearheaded by his administration.

Obama's principal task on coming to office was to initiate the largest transfer of wealth—from the working class to the corporate and financial elite—in US history. This began with the bailout of the financial system. It continued through the 2009 restructuring of GM and Chrysler, premised on the halving of wages for new hires and a shift in the burden of health care expenses from employers to workers.

Billions have been slashed from social programs, including the cut-off of long-term unemployment benefits and cuts in food stamps, and the administration has backed the bankruptcy of Detroit, which is seen as a national model for forcing through pension cuts and other measures.

The surge in corporate profits is one consequence of these policies. According to Bloomberg, US corporations' after-tax profits have grown by more than 170 percent under Obama, more than any president since World War II. They have reached their highest level relative to the size of the economy since the government began keeping records in 1947. Profits are more than twice as high as their peak during the Reagan administration, which, beginning with the smashing of the PATCO air traffic controllers strike in 1981, initiated a class war against workers.

Since Reagan, the American ruling class has waged an unrelenting campaign, utilizing the services of the trade unions, which abandoned any defense of the working class. Deindustrialization and financialization has been accompanied by the destruction of millions of jobs and the decimation of entire industries. To the extent that any jobs are created, it is on the basis of poverty level wages.

Labor's share of the Gross Domestic Product has now fallen to 57 percent, the lowest portion of the country's output since 1950. Since the recession officially ended in January 2009, wages for auto workers have fallen by 10 percent in real terms, and for manufacturing as a whole they have fallen by 2.4 percent.

Although the global economic crisis resulted in losses or slower profits in Europe, China and the so-called emerging markets, multinational manufacturing firms reaped huge profits in the US. Aircraft manufacturer Boeing saw its profits rise 18 percent to $4.6 billion last year, while Ford saw profits rise 26 percent to $7.2 billion. Caterpillar beat analyst expectations with a 44 percent jump in fourth quarter profits, due primarily to "aggressive cost-cutting," i.e., mass layoffs and wage cuts, which its CEO promised would accelerate in 2014.

US corporations are holding on to a record $1.5 trillion in cash reserves, according to Moody's credit rating agency. Rather than investing in new plants or hiring, let alone raising wages and benefits,

corporations are chiefly spending this stockpile of cash on dividend payouts to their investors and stock buybacks to drive up share values, like Caterpillar's $10 billion program.

Talk of a manufacturing "renaissance" is largely a fraud. Only 568,000 manufacturing positions have been added since January 2010, a small fraction of the nearly six million lost between 2000 and 2009, according to a *New York Times* column published last week by Obama's former "car czar," Steven Rattner.

Employers that have moved production to the US have been lured through wage reductions and massive tax cuts, like the $280,000 a job credit given to Volkswagen for its Chattanooga, Tennessee plant. Pointing to the German auto company, Rattner noted that it "moved production from a high-wage country (Germany) to a low-wage country (the United States)."

As Obama boasted in his address, "for the first time in over a decade, business leaders around the world have declared that China is no longer the world's number one place to invest; America is." The president added that, "over half of big manufacturers say they're thinking of in-sourcing jobs from abroad."

As a model of success, the president pointed to Detroit Manufacturing Systems, a business that hires welfare recipients and the long-term unemployed to produce components for Ford. A *Washington Post* article noted that the workers, who are members of the United Auto Workers union, are hired "at far lower wages than many had been earning in their previous jobs."

The Obama administration and the ruling class have counted on the UAW, the International Association of Machinists (IAM) and other trade unions, whose executives and their financial advisors see "in-sourcing" as a growth strategy. Manufacturers making some of the largest profits have relied on the treachery of the unions to impose wage-cutting contracts and suppress struggles when they did erupt.

This included the UAW's collaboration in the restructuring of the auto industry, which reduced wages of new hires to the equivalent, in real terms, of what was earned by workers in 1914, when Henry Ford first established the $5 day. The UAW was rewarded with corporate shares and millions more in dues money from newly hired workers, who, on top of suffering the indignation of poverty wages, are soon to be hit with a 25 percent dues increase.

Most recently at Boeing, the IAM rammed through a contract extension originally defeated by rank-and-file workers that allowed the jet manufacturer to end company paid pensions, won in 1947, and ban strikes for the next decade.

The experience of the Obama administration, which has overseen the greatest explosion of social inequality in US history, while accelerating the attack on democratic rights and war-mongering policies of his Republican predecessor, has provoked widespread disgust and anger. The president's election-year rhetoric about "equality" and his proposals for token "reforms" is largely falling on deaf ears.

The historic reversal in living standards for the working class in the United States and around the world is producing enormous levels of social anger, which the capitalist parties, the trade unions and their apologists will not be able to contain. It is only a matter of time for these tensions to erupt into massive struggles. When they do, however, they must be guided by a new leadership and political program, based on the international unity of the working class, its political independence from the corporate-backed parties and the fight to replace the capitalist profit system with socialism, that is genuine social equality.