

The US minimum wage “debate”

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On Tuesday, the Congressional Budget Office (CBO) released a report estimating the effects of raising the federal minimum wage from \$7.25 to \$10.10 per hour, as proposed by the Obama administration. The report intensified the debate within the political and media establishment over a possible increase in the minimum wage.

The report concluded that the minimum wage hike would increase pay for 16.5 million Americans, but eliminate 500,000 jobs. According to the CBO report, the increase would lift 900,000 people, or 0.2 percent of the population, out of poverty. This is a tiny fraction of the 46.5 million people—or 15 percent of the population—now living below the federal poverty line.

The Democratic proposal would leave the minimum wage at a lower level, in real terms, than it was in 1968, nearly 50 years ago. At \$10.10 an hour, a worker laboring 34 hours a week—the average in America—would earn an annual pre-tax income of \$17,856. This is significantly lower than the government’s absurdly low poverty threshold for a family of three.

If the minimum wage had kept up with increases in worker productivity in the US, it would have reached \$21.72 an hour in 2012, according to a study by the Center for Economic and Policy Research.

Broadly speaking, those sections of the ruling class aligned with the Republican Party are opposed to an increase in the minimum wage. Those aligned with the Democrats, which are closer to the trade union bureaucracy and somewhat more sensitive to popular opposition to social inequality and the danger of social upheavals, are backing a minimal increase.

The very fact that a minor increase in the minimum wage from a level that ensures near-destitution provokes such controversy within the political establishment, under conditions of the deepest economic crisis since the Great Depression, only

underscores the bankruptcy of the entire political system and its contempt for the great majority of the population.

The so-called debate consists of haggling over estimates of lost jobs as a result of increased pay and arguing whether or not minimally raising the minimum wage will actually benefit corporate profits. The Republicans more or less openly argue that the solution to unemployment is for workers to be paid starvation wages. But neither the Democrats nor the so-called liberal press take the position that workers have a right to a living wage, which must take precedence over the amassing of corporate profit and accumulation of personal wealth by the super-rich.

The underlying premise of both sides in the “debate” is that no measure is possible that significantly impinges on corporate profits or the wealth of the American corporate-financial elite. The prerogatives of the financial aristocracy take absolute priority over the access of millions of people to adequate nutrition, livable housing, a decent education and a secure retirement.

That the Democrats present their paltry proposal as a major social reform and significant step to reduce social inequality is an expression of the longstanding abandonment by the Democrats of any program of social reform. The minimum wage proposal is a diversion and public relations maneuver, designed to distract attention from the brutal austerity measures the Obama administration is carrying out.

Obama’s empty talk of reducing economic inequality and increasing opportunity takes place as opinion polls show his popular support sharply falling. Tens of millions who voted for him on the basis of his slogan of “change” and the belief that an African American president would be more sympathetic to the plight of working and poor people have bitterly concluded that they were taken for a ride.

The sudden emphasis by the White House and the Democratic Party on raising the minimum wage is a transparent political ploy to mobilize the trade union bureaucracy and its liberal and pseudo-left allies behind the Democrats in the 2014 midterm elections. AFL-CIO President Richard Trumka told a press conference at the federation's annual winter meeting on Wednesday: "Raising wages for all workers is the issue of our time and, hopefully, will be the issue of this election."

For decades, an increase in the federal minimum wage was a semi-automatic, barely contested aspect of US politics. The federal minimum wage, established under the New Deal in 1938, has been increased more than a dozen times. In 2007, Congress passed a law to raise the minimum wage from \$5.15 to \$7.25 in three annual increments.

At the time, the move received overwhelming bipartisan support, with only three Republican senators voting against the measure. But now, the question of a routine increase in the minimum wage is raised to the level of a progressive crusade.

During the last period of economic crisis comparable to the present one, American capitalism under Franklin D. Roosevelt enacted genuine social reforms that reduced poverty and somewhat narrowed the gap between rich and poor. The New Deal instituted Social Security, enacted a minimum wage, banned child labor, raised taxes on the rich, gave legal sanction to the unions and legislated the eight-hour day.

These were not charitable gifts from the ruling class, but concessions won through mass social struggles, including a wave of semi-insurrectionary strikes and plant occupations that led to the birth of the mass industrial trade unions. None of these measures challenged the basic class interests of the American ruling elite, whom Roosevelt was seeking to save from the threat of social revolution, but they did facilitate a substantial rise in living standards for millions of workers.

There are no social reforms on offer today. The Democrats' proposal for a trivial increase in the minimum wage comes as social inequality is hitting unprecedented levels. The net worth of America's billionaires reached \$1.2 trillion last year, more than double what it was in 2009. Meanwhile, median household income in the US plummeted by 8.3 percent

between 2007 and 2012.

Corporate profits have shot up more than 170 percent under Obama, a greater increase than under any other president. Corporate profits today as a share of the gross domestic product are the highest since records began in 1947, while the share of GDP going to wages has fallen to record lows. Since 2009, wages in the auto industry, which the Obama administration singled out for restructuring, have declined an average of ten percent, generating record profits for the Big Three auto makers.

The impoverishment of masses of workers at one pole of society has produced untold riches at the other. CEO pay is up sharply at major US corporations. Google announced it will award Executive Chairman Eric Schmidt \$100 million in stock, on top of a \$6 million cash bonus, for 2013, bringing his personal fortune to some \$8 billion. The Google CEO pocketed \$190 every minute and made in one hour what a typical minimum-wage worker makes in a year!

The social resources exist to guarantee all people the right to a decent income, housing, health care, and education. But society's wealth is monopolized by a tiny financial oligarchy, which controls every lever of political power.

There is no answer to poverty wages and unemployment outside of a direct struggle to break the stranglehold of this plutocracy. The only way to secure the right to a decent standard of living is to build a mass movement of the working class on the basis of a socialist program aimed at reorganizing society to meet social needs, instead of the profit interests of the corporate-financial elite.



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