# Rise in US corporate profits fueled by fall in real wages

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Despite the slump in Europe and Latin America and relatively low growth in the US and China, several US-based multinational corporations are announcing better-than-expected profits for the third quarter, particularly from their US operations. While a portion of the earnings came from a modest uptick in sales, the profits were chiefly attributable to continued cost-cutting, falling real wages and the ever-higher productivity being sweated out of workers.

Major manufacturers with third quarter profits beating Wall Street expectations included: General Electric (up 11 percent to $3.5 billion), Boeing (up 13 percent to $2.4 billion), General Motors (up 50 percent to $1.47 billion), Caterpillar (up six percent to $1.02 billion), 3M (a six percent rise to $1.3 billion) and steelmaker Nucor (up 66 percent to $245 million).

Several US airlines also posted large third-quarter profits. United Airlines saw its most profitable quarter in history, earning $1.1 billion, or more than double the same period last year. The new American Airlines, which was formed through the December merger of US Airways and AMR Corp., reported a profit of $1.2 billion, compared with a year-earlier profit of $771 million. Southwest Airlines and JetBlue Airways also posted record profits for the quarter.

Falling oil prices contributed to higher profits in the airline industry and helped boost the sales of highly profitable pickup trucks and SUVs made by GM and other automakers. However, major manufacturers such as Caterpillar, GE and US Steel have depended on the oil and gas boom for a large portion of their profits, and any decline in energy costs threatens their bottom line.

Analysts are pointing to the anemic growth in the US as the supposed shining light in the world economy. In fact, the corporations have exploited the vast reserve army of unemployed workers to fill many of their positions with part-time and contract laborers earning lower wages and few if any benefits while lacking any semblance of job security.

In this corporate America has enjoyed the full backing of the Obama administration and both big business parties, which have slashed food stamps and long-term unemployment benefits. The White House, which orchestrated the slashing of wages in the auto industry restructuring of 2009, has made the lowering of living standards for US workers the centerpiece of its so-called revival of American manufacturing.

For their part, US trade unions such as the United Auto Workers have functioned as junior partners in the impoverishment and exploitation of the working class, suppressing any opposition to the attack on living standards.

Real hourly wages declined for almost every segment of the US workforce in the first half of 2014, according to a recent report by the Economic Policy Institute. This includes workers with no high school degree (-0.6 percent), with just a high school degree (-1.1 percent), with some college (-1.0 percent), with a college degree (-1.6 percent), and with an advanced degree, too (-2.7 percent).

This follows a consistent pattern since the crash of 2008. From the first half of 2007 to the first half of this year real wages declined 4.9 percent for workers with a high school degree and 2.5 percent for workers with a college degree.

Little if any of the profits being generated by major manufacturers will be reinvested in new plants and the hiring of additional workers, let alone used to improve wages and benefits. On the contrary, US corporations, which are sitting on an estimated cash hoard of $1.5 trillion, are using a large portion of their earnings to carry out stock buybacks in order to enrich their shareholders.

In a conference call Wednesday, Boeing CEO Jim McNerney boasted that the company's 19 percent increase in core earnings per share "has allowed us to continue returning cash to our shareholders through our strong dividend and share repurchase program." This has directly benefited McNerney, who pocketed $23.2 million last year, mostly from gains in restricted shares and stock options.

After threatening to pull production of its new 777x planes from the Seattle area and ship it to a low-wage state, Boeing executives, with the backing of the International Association of Machinists (IAM), forced through an eight-year concessions contract in January 2014. The sellout deal, which was first rejected by the 25,000 workers it covered, slashed retirement benefits, reduced health care benefits in accordance with Obamacare, and limited wage increases to one percent every other year. It also barred workers from striking until 2024.

McNerney—who would "earn" a quarter of a million a month under a future retirement package worth more than $40 million—has overseen the destruction of company-paid defined benefit pensions for Boeing workers.

Announcing Caterpillar's third quarter profits, CEO Doug Oberhelman (total 2013 compensation of $14,989,569) said, "The fact that we continue to raise our profit per share outlook on relatively flat sales is a testament to our diverse portfolio of businesses, disciplined cost control and operational execution." Shares of the giant earthmoving equipment manufacturer jumped nearly five percent after the announcement and are up 13 percent over the past 12 months.

Since taking the helm at Caterpillar in 2010, Oberhelman's "disciplined cost control" has involved a relentless campaign to slash jobs and drive down workers' wages and benefits. "I tell my people," the executive said in an interview with *Businessweek* last year, "we can never make enough profits."

In 2012, Caterpillar locked out 450 workers at its locomotive factory in London, Ontario after they refused to take a 50 percent pay cut. It then shut the plant and shipped production to Muncie, Indiana, where workers earn $12.50 an hour, or half the wages of their Canadian counter-parts. The same year, relying on the betrayal of the IAM and United Auto Workers union, the company imposed deep concessions on workers after a 15-week strike in Joliet, Illinois, followed by similar givebacks on workers at the CAT plant in South Milwaukee, Wisconsin.

By slashing wages and shifting production to low-wage countries, Caterpillar boosted its profits from $12,000 per employee in 2007 to a staggering $45,000 per employee by 2012. Meanwhile, the average compensation for top executives doubled from $5.2 million in 2008 to $10.4 million in 2012.

With the slump continuing in Europe and Latin America, and demand for new equipment falling in China, a new global scramble for market share and profits is on the horizon, which will lead to even deeper attacks on the working class. This is already working its way throughout the global auto industry.

While losing money in Europe and spending about $700 million on repairing the defective vehicles it has recalled, GM chiefly relied on its North America operations last quarter, which generated an operating profit of $2.5 billion.

The company is slashing thousands of jobs in Europe and has recently announced plans to offer buyouts to 400 workers at its St. Petersburg, Russia plant. Reductions are also planned for South America. In the US, however, the Detroit automakers are announcing new hiring, including 850 workers that will be added at Ford's Dearborn, Michigan pickup truck assembly plant.

As part of the restructuring of the auto industry by the Obama administration, the United Auto Workers agreed to the halving of wages for the next generation of factory workers. In recent months, the UAW has boasted that wage cutting in the US has lured GM and other companies to relocate their operations from low-wage countries, like Mexico and China, to the United States, the new haven for cheap labor.