JPMorgan CEO threatens rate hikes to break wages movement by US workers

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In the midst of an expanding wave of teachers' strikes in the US and mounting class battles in Europe, intensive discussions are underway within the American ruling class on measures to prevent the growth of a militant nationwide movement for higher wages and benefits. The corporate-financial elite is preparing the most ruthless measures—economic and political—to counter the emerging rebellion of US workers against the government, the corporations and the corporatist trade unions that do their bidding.

On Thursday, JPMorgan Chase CEO Jamie Dimon, who heads the largest US bank and is often called "the most powerful banker in the world," warned of rising wages and raised the possibility of a sharp rise in interest rates to put a brake on economic growth and drive up unemployment. The aim of such a policy would be to weaken the working class and break its resistance to austerity and wage cutting.

In his annual letter to shareholders, Dimon wrote: "I believe that many people underestimate the possibility of higher inflation and wages, which means they might be underestimating the chance that the Federal Reserve may have to raise rates faster than we think…

"If growth in America is accelerating, which it seems to be, and any remaining slack in the labor markets is disappearing—and wages start going up, as do commodity prices—then it is not an unreasonable possibility that inflation could go higher than people might expect.

"As a result, the Federal Reserve will also need to raise rates faster and higher than people might expect."

Significantly, Dimon cited the precedent of then-Fed Chairman Paul Volcker's shock increase in interest rates in August of 1979, which precipitated the deep recession of 1980-82. The Reagan administration exploited the wave of plant closures and layoffs that followed the near doubling of interest rates to launch an anti-working class offensive and social counterrevolution that has continued to this day, under Democratic no less than Republican presidents.

The appointment of Volcker by Democratic President Jimmy Carter followed the 111-day national coal miners' strike of 1977-78, in which the miners defied Carter's back-to-work Taft-Hartley injunction, shaking the authority of the entire state. Volcker's recessionary measures were followed by Reagan's firing and blacklisting of the PATCO air traffic controllers in 1981, which was the signal for a decade of union-busting, wage cutting and strikebreaking, made possible by the treachery of the union leadership.

Dimon wrote: "Remember that former Chairman of the Federal Reserve Paul Volcker increased the discount rate by 100 basis points on a Saturday night back in 1979 in response to a serious double-digit inflation problem. And when markets opened the next business day, the Fed funds rate went up by over 200 basis points."

In his letter, Dimon acknowledged that the course he was suggesting could lead to an implosion of stock prices, noting, "In this case, markets will get more volatile as all asset prices adjust to a new and maybe not-so-positive environment."

"There is a risk that volatile and declining markets can lead to market panic," he added.

He alluded to the ultra-low interest rate regime that has been maintained for more than three decades by the Fed, with near-zero rates put in place following the 2008 market crash, which has fueled the staggering rise in stock prices and accompanying enrichment of the corporate-financial elite. "While in the past," he said, "interest rates have been lower and for longer than people expected, they may go higher and faster than people expect."

The social basis for the stock market boom has been the suppression of the class struggle. This has been accomplished above all by the transformation of the trade unions into corporatist adjuncts of the government and big business. The central preoccupation of these anti-working class organizations has been to prevent strikes and isolate and betray them when they broke out, resulting in record low levels of strike activity, especially since the 2008 financial crisis.

What particularly alarms the ruling class in the current wave of strikes and protests by teachers in West Virginia, Oklahoma, Kentucky, Arizona and other states is the fact that they have been organized by rank-and-file teachers independently of and increasingly in defiance of the unions.

The *New York Times* recently quoted a teacher in the leadership of a rank-and-file group in Arizona as saying, “Our unions have been weakened so much that a lot of teachers don’t have faith in them.” The newspaper noted that the walkouts to date have occurred in states where the teachers unions are weak, the majority of teachers are not union members, and state laws bar unions from compelling workers to pay union dues. It has written worriedly of teachers using social media “to organize and act outside the usual parameters of traditional unionism.”

It and other capitalist media are commenting on the “tight” labor market and danger of the economy “overheating.” This week alone, the *Wall Street Journal* published two front-page articles on this theme, one with the headline “Iowa’s Labor Plight: Too Many Jobs,” and the other with a headline noting that “jobs outnumber workers” in Elkhart, Indiana, the center of recreational vehicle manufacturing in the US.

In essence, Dimon is telling the ruling class that regardless the consequences for stock prices and the fortunes and profits of significant sections of the corporate elite itself, the stability and continued rule of the capitalist class as a whole may require drastic measures to undermine workers’ militancy and step up the war on the working class.

Fear within the ruling elite of a wages movement was underscored Friday when US stock prices plunged following the release by the Labor Department of the March employment report. Alarm over the outbreak of a trade war between the US and China was compounded by the news that US wages had risen 2.7 percent year-over-year.

Two months ago, the Dow Jones Industrial Average plunged 665 points when the January jobs report showed a wage increase of 2.9 percent. But that was before the outbreak of the teachers’ strikes. This time, the very modest wage increase for March contributed to a drop in the Dow of 572 points.

As Dimon’s letter indicated, a rise in interest rates is only one component of an intensification of the offensive against the working class. The weakening of the working class by means of mass unemployment is to be accompanied by a frontal attack on what remains of basic social programs.

“The real problem with our deficit,” Dimon wrote, “is the uncontrolled growth of our entitlement programs… The extraordinary growth of Medicare, Medicaid and Social Security is jeopardizing our fiscal situation.”

Social Security could be “fixed,” the multimillionaire banker said, “by changing the qualification age and means testing, among other things.” He pointed out that when the program was initiated in 1935, the average life span after retirement was 13 years, while today it is 25. In other words, the destruction of health care for workers must be carried through to dramatically lower their life expectancy.

In his letter, Dimon did not spell out the political corollaries of his economic and social policies. However, in May of 2013, his bank issued a report on the euro area calling for the overturning of the bourgeois democratic constitutions established in Europe after World War II. The document, “The Euro Area Adjustment—About Half-Way There,” called for measures to protect the major international banks and stressed the need for “political reforms” of a dictatorial character to impose the necessary attacks on the working class.

The American financial oligarchy and the state are already beginning to implement similar measures to crack down on working-class opposition in the US, including the drive to censor the Internet and criminalize political dissent in the name of combating “fake news” and “Russian meddling.”