

The class war over wages

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In an article titled “Workers Welcome Wage Gains, But Companies Feel Squeeze,” the voice of corporate America, the *Wall Street Journal*, warns that workers’ demands for increased wages are threatening to bring the stock market bonanza to an end.

The article acknowledges that the striving of workers to reverse years of stagnating and declining wages is in conflict with the profit drive of corporate America. It thereby implicitly admits that the working class and the capitalist class are engaged in a zero-sum class war.

“Rising wages are beginning to eat into the profits of some US companies,” the article begins. “Businesses from dollar stores to hotel operators to fast food chains have warned in recent months that higher labor costs have been a drag on their profits—a potential headwind for the nine-year stock market rally as it struggles for momentum ahead of the second-quarter earnings season.”

Workers know that the average wage growth of 2.5 percent over the last 16 months is not enough to keep up with the rising cost of living. But as far as the *Wall Street Journal* is concerned, this slight increase is a “threat.”

The article cites a Goldman Sachs report noting that a one percent increase in labor costs decreases corporate earnings by 0.8 percent. In other words, the boom in corporate profits has depended on the suppression of wages and the intensified exploitation of the working class.

The article follows the release of the minutes from the June meeting of the US Federal Reserve, showing that the central concern of the country’s central bankers is the danger of a surge in inflation, by which they mean, above all, wages. The *Journal* reported Wednesday that a majority of the regional Fed bank chiefs are now in favor of raising interest rates at a faster clip. The purpose of this shift in policy is to slow down economic growth and the rate of hiring in order to undercut signs of a wages push by the American working class.

In the decade following the financial crisis of 2007-2008, the capitalist class has delivered powerful blows to the social position of the working class. As a

result, the working class in the US, the world’s “richest country,” faces levels of economic hardship not seen since the 1930s.

While corporate profits climb to new heights, the reality of life for tens of millions of workers is defined by increases in the indices of social misery: growing opioid abuse, increasing maternal death rates, exhausting and dangerous workplace conditions, declining life expectancy, crumbling infrastructure and mountains of student loan debt.

This is an international phenomenon. The Organisation for Economic Cooperation and Development (OECD) recently published its 2018 Global Employment Outlook Report, which noted: “At the end of 2017, nominal wage growth in the OECD area was only half of what it was just before the Great Recession for comparable levels of unemployment.” As a result, “poverty has grown among the working-age population.”

Not only have wages failed to keep up with rising corporate earnings, they have also fallen behind increases in productivity. The OECD report notes, “If real median wages had perfectly tracked productivity growth over 1995-2014, they would have been 13 percent higher at the end of the period.”

The ruling classes of the US and Europe took advantage of the financial crisis and resulting mass unemployment to suppress wages, boost corporate profits and intensify exploitation. This has continued in the most recent period despite nominally lower unemployment rates.

From 1995 to 2013, aggregate labor’s share of gross domestic product across the OECD fell 3.5 percentage points—a figure that represents a wealth transfer equal to roughly \$1.89 trillion per year by the end of this period.

In the United States, the labor share of nonfarm national income fell from 66.4 percent in 2000 to 58.9 percent in 2018—a transfer of wealth that will equal \$1.4 trillion in 2018 alone.

These massive shifts are not the product of “accidental” economic processes, but of deliberate policies enacted by the ruling classes of the major financial powers in the US

and Europe. Beginning in 2008, the US Federal Reserve began pumping hundreds of billions of dollars into the vaults of the banks and corporations, keeping interest rates at or near zero and inflating the stock market.

The Obama administration, after working with the Bush administration to oversee the bank bailout, implemented a strategy to slash workers' wages and benefits. In the 2009 auto bailout, the Obama White House, with the full support of the United Auto Workers union, imposed a blanket 50 percent wage cut on all new-hires.

With the passage of Obamacare in 2010, the Democrats provided incentives for companies to raise workers' out-of-pocket health care costs and cut benefits, or eliminate employer-provided health care altogether. The 2013-2014 Detroit bankruptcy was a milestone in the assault on public employee pensions and health benefits.

The jobs that were added after the market crash were overwhelmingly part-time and low paying. As the San Francisco Federal Reserve acknowledged last week, "high rates of involuntary part-time work are here to stay." Inequality has reached unprecedented levels: the wealth of America's three richest people now equals the net worth of the poorest half of the US population.

What made this social counterrevolution possible was the suppression of the class struggle, in which the trade unions played the decisive role. The level of US strike activity over the previous decade was the lowest since the government began keeping records in 1947.

The surge in strike activity this year, led by the teachers' walkouts in West Virginia, Oklahoma and Arizona, and above all the fact that the walkouts were launched on the initiative of rank-and-file teachers, not the unions, have filled the ruling class with dread, prompting it to take economic measures to undermine workers' militancy.

The social counterrevolution is worldwide. Across Europe, governments are racing to implement policies aimed at eliminating whatever is left of their social safety nets: the cuts to the National Health Service and public housing in Great Britain, the passage of punitive labor laws and the attacks on rail workers in France, new austerity measures in Germany, and the EU-dictated austerity regimes in Spain, Italy and Greece.

Workers all over the world, increasingly connected by international communications and supply lines, are advancing demands for substantial wage increases. In the US, teachers in Arizona asked for \$20,000 wage increases. In Germany, metalworkers demanded a 6 percent wage increase for 3.9 million workers. In France,

rail workers remain on strike against attacks on wages and benefits. Norwegian oil workers went on strike Tuesday demanding an 8 percent wage hike.

In Brazil and China, truck drivers have struck for a large wage increase, while in Argentina truckers have demanded 30 percent raises. In South Africa, thousands of public utility workers voted Friday to reject an offer from their employer, Eskom, of a 7 percent wage increase. Garment workers in Bangladesh are engaging in protests demanding payment of the minimum wage.

The *Wall Street Journal's* concern is that any wages push will bring down the stock market like a house of cards. But with each strike and protest, the fundamental question posed to the working class is: Who controls how the world's wealth is allocated?

The Socialist Equality Party calls for the expropriation of the major corporations and banks and their transformation into public utilities.

The immense economic and technological capacities presently used to exploit workers and increase the wealth of the financial oligarchy must be transformed into tools for the reorganization of the world economy to meet human need. The trillions of dollars taken from wages and benefits and funneled into the stock market must be redirected into public works program to provide housing, health care, education, proper nutrition, clean water and access to culture for billions of people worldwide.

This requires the revolutionary overthrow of capitalism and the establishment of socialism.



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