

Inflation cutting real wages of US workers

Barry Grey
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The US Labor Department released its consumer price index (CPI) report for June on Thursday, showing that accelerated inflation has cut the real wages of most American workers over the past year.

This is despite a significant increase in strike activity in the US—and internationally—since the beginning of 2018, including the state-wide teachers' strikes in West Virginia, Oklahoma and Arizona, and growing signs that workers are eager to carry out a militant struggle to recoup wages and benefits lost through union-imposed contract concessions over the past 40 years.

The inflation report revealed that consumer prices were 2.9 percent higher than in June of 2017, wiping out the tepid 2.9 percent average increase in workers' wages over that period. The large majority of workers who fall into the category of production and non-supervisory employees suffered an actual cut in real wages. They lost 0.2 percent in June, following a similar decline in May.

The year-over year 2.9 percent rise in the CPI in June was the fastest pace in more than six years. The price surge was led by energy commodities. Gasoline prices rose a seasonally adjusted 0.5 percent in June from the previous month, bringing the 12-month rise to 24 percent. The average price for a gallon of gasoline rose to \$2.89 last month, the highest price since June of 2014.

Shelter and rent costs were 3.4 percent higher than a year earlier, and medical services were up 2.5 percent. Food prices rose 1.4 percent. Meals at restaurants and cafeterias rose 2.8 percent over the past year.

There is little or no precedent for workers' wages stagnating or declining under conditions of low official unemployment and an acceleration of economic growth. Unemployment, now officially at 4 percent and expected to drop further in the coming months, is at its lowest levels since the 1960s.

Corporate profits are setting new records. JPMorgan Chase and Citigroup both reported record quarterly profits on Tuesday. JPMorgan, the biggest Wall Street bank, posted a second quarter profit of \$8.32 billion, an increase of 18 percent over the same period last year. Citigroup,

the fourth largest US bank by assets, reported a second quarter net income increase of 16 percent, to \$4.49 billion.

Both banks profited massively from the Trump tax cut for corporations and the rich enacted in December, as have corporations more generally. Citigroup said its effective tax rate in the second quarter was 24 percent, down from 32 percent a year ago. The Treasury Department reported Thursday that government tax receipts fell 7 percent in June, mainly due to a 33 percent drop in gross corporate taxes.

The tax cut is fueling a rapid growth of the federal budget deficit, which will be used to justify an intensified assault on what remains of social programs, including basic entitlement programs such as Medicare and Social Security.

The decades-long suppression of wages, which accelerated after the 2008 financial crash and continues today, has provided the economic basis for the historic rise in corporate profits and stock prices, and the accompanying record growth of social inequality.

The *Wall Street Journal* on Friday quoted David Kelly, chief global strategist at JP Morgan Asset Management, who wrote in a note to clients this week: "Wage growth remains surprisingly weak. The remarkable ability of firms to lure more workers back into the labor force and get stronger productivity gains from them without raising wages is a clear positive for profits."

The attack on workers' real wages via inflation will only accelerate under the impact of Trump's trade war tariffs. Trump's first tariff this year targeted imported washing machines, and the CPI report revealed that the cost of laundry equipment has jumped 13 percent over last year.

The *Journal* cited Ian Shepherdson, chief economist at Pantheon Macroeconomics, as noting that Chinese products subject to the \$200 billion in newly proposed tariffs account for almost 6 percent of the core CPI, meaning the proposed 10 percent levy will lift the index by up to 0.6 percentage points.

Meanwhile, the Federal Reserve is citing the low official jobless rate and the rise in inflation to justify a more rapid increase in interest rates, in the name of preventing the economy from “overheating.” This is above all aimed at preventing the development of a wages movement of the working class by slowing economic growth and hiring.

How is the anomaly of wage stagnation amidst relatively low unemployment and accelerating economic growth to be explained? It is the outcome of a decades-long social counterrevolution, carried out by both parties of American big business. This ruling class war on workers entered a new stage following the financial crash of 2008. That breakdown of world capitalism, centered in the United States, was used by the ruling elite to carry out a radical restructuring of social and economic relations, to the detriment of the working class.

The Obama administration oversaw an expansion of the bank bailout and the pumping of trillions of dollars into the financial markets to enable the financial oligarchy to recoup its losses and increase its plundering of the social wealth. This included the slashing of wages, beginning with the across-the-board 50 percent wage cut for new-hires in Obama’s auto bailout of 2009, along with massive cuts in health care, education and pensions. Virtually all of the decent-paying jobs that were destroyed in the Great Recession were replaced by part-time, temporary and low-paying jobs.

The key factor in this process has been the suppression of the class struggle, and the chief instruments for strangling the resistance of workers are the trade unions. They have held strike activity over the past decade to the lowest level since the government began compiling statistics in 1947.

But there are increasing signs that the working class is seeking to break the grip of these corporatist syndicates in order to wage a serious struggle to recoup its losses. All of this year’s statewide teachers’ strikes were organized by rank-and-file educators who used social media to overcome the opposition of the teachers’ unions. However, the unions were able to gain control of the struggles in order to isolate them and shut them down without meeting any of the teachers’ demands.

The hostility of the unions to a struggle for wages, benefits and decent working conditions has been demonstrated once again with the announcement Tuesday by the Teamsters union that it has agreed to indefinitely extend the July 31 strike deadline at United Parcel Service. Last month, more than 93 percent of the 230,000

UPS workers voted to authorize a strike at the end of this month.

The best efforts of the unions and their allies in the Democratic Party will not in the end succeed in blocking the emergence of mass working class struggles. Workers are being radicalized and impelled into struggle not only by the attacks on their living standards, but also by the naked criminality of the Trump administration, its assault on immigrants and democratic rights, and the war-mongering of both Trump and his Democratic Party rivals.

The militant mood is indicated by the fact that workers are increasingly unwilling to settle for token sops and are instead calling for substantial wage increases. The Arizona teachers included in their strike demands a \$20,000 wage increase.

Both past and current experience has demonstrated that workers cannot recoup their losses, let alone make new gains, without rebelling against the trade union apparatuses. They need to establish their own, independent and democratic organizations of struggle. The Socialist Equality Party urges workers across the economy to form rank-and-file committees independent of the trade unions and the big business parties to coordinate and link struggles over wages, social services and democratic rights both nationally and internationally.

At the same time, the working class requires a new political strategy to prevent any gains in wages and benefits given by the corporations and the government with one hand, under mass pressure from below, from being taken back with the other in the form of inflation and cuts in social programs. The struggle against social inequality, poverty, authoritarianism and war requires the fight for a workers’ government to expropriate the corporate-financial oligarchy and replace the capitalist profit system with socialism.



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