

Inflation rises to 13-year high in US

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The personal consumption expenditure (PCE) index, a primary measure of the cost of living in the United States, rose 3.6 percent in April, the highest rise in 13 years, according to a report released by the Commerce Department last week.

The increase in the index, which was larger than economists had expected, underscores a global problem of rising costs, especially for consumer staple goods and basic components of such products. The impact is disproportionately borne by working people.

The cost of living in the United States, as in most countries around the world, is on a steep upward curve. To give some examples:

- Meat prices rose by 1.5 percent just in April and have risen 4 percent this year, driven by price increases for animal feed grains like soybeans and corn.
- Lumber costs have risen by 300-400 percent over the last year, driven by disruptions and mismatches in the supply chain due to COVID-19.
- Used car prices jumped 10 percent in April and are up by 21 percent since a year ago. The average cost of a used car broke \$25,000 for the first time in the US.
- In the last year, fuel prices have increased by over 50 percent, going from a national average of about \$2.00 to \$3.00.
- Fruits and vegetables were up 3.3 percent in April compared to the same month in 2020. Food prices as a whole were up 2.4 percent.
- Electricity prices were 3.6 percent higher compared to the same period last year, jumping 1.2 percent in April from the previous month.
- Less-densely populated areas in the interior of the United States have seen surging home prices, as residents from larger, often coastal, cities move. Boise, Idaho, for example, has seen a 32 percent increase in home prices over the last year.

Another major US index, the consumer price index (CPI), increased even more than the PCE, rising by 4.2

percent in April. The CPI puts more weight on costs workers bear out of pocket, such as housing, utilities, consumer goods and insurance payments. The PCE is a more abstract measure of inflation in the economy, including the cost of services not necessarily directly impacting most consumers.

While a series of factors, many having to do with COVID-19, are driving this inflation, a few in particular stand out.

First, energy prices, especially for oil, have rebounded sharply since their dip during COVID-19. Just six months ago, the cost of West Texas Intermediate, the US benchmark for crude oil, was at \$35 a barrel. Now, it is past \$65 and nearing \$70.

Second, a global shortage in semi-conductor chips, used for nearly all electronic appliances, has driven up the cost of a range of goods. For example, Ford estimates that it will deliver only half of its usual number of vehicles through the end of June because the chip shortage prevents it from completing production of its vehicles.

Third, changing consumer demand as a result of COVID-19 has altered buying patterns. For example, there is a large surge in demand for household electronics, which has major companies reorienting their production output.

Fourth, other supply problems, often due to COVID-19, have disrupted global supply chains. On the West Coast of the US, for example, there are long lines of ships waiting to be unloaded at ports, such as the port of Los Angeles. Farm shortages last year, coupled with excess production now turning into its opposite, have led to a variety of delays.

The rise in the cost of living, however, is not a stand-alone burden. While prices are increasing, wages and employment levels remain depressed.

A report released this month on infants in the United States found that 40 percent of babies now live in

households near or below the poverty line. (The latter is set at a notoriously low income level, resulting in a vast underestimation of the real number of people living in poverty in the US.) Twenty-one percent of infants have no working parent.

Prior to the pandemic, 15 percent of US families reported being food insecure. That figure rose to 26.8 percent during 2020. Nearly half (45.4 percent) of low-income families were insecure in 2020, up from 29.2 percent.

Meanwhile, large sections of the unemployed in the US have had their benefits stopped or cut by state governments.

Earlier this month, the *Wall Street Journal* editorial board published a statement calling for the ending of all federal employment benefits, complaining that “wage increases will become embedded in expectations,” i.e., that American workers will expect to be paid more.

While jobs have been added over the last several months, the April jobs report was considered a massive disappointment, with only 266,000 jobs added, when economists had predicted the addition of a million new jobs. Altogether, there are about 8 million fewer people employed in the United States compared to a year ago. The labor participation rate remains at depressed levels not seen since the mid-1970s.

That jobs report was seized on by sections of the corporate media and the Republican Party to demand an early end to the federal unemployment supplements first enacted in 2020 as part of the CARES ACT, which handed trillions to the banks and corporations. The benefits were allowed to lapse for months after they expired at the end of July 2020, then restored at the end of the Trump administration, but cut from \$600 to \$300. The Biden administration extended the supplements at the reduced level.

Following the April jobs report, Biden quickly agreed to restore requirements that will prevent many laid off workers from receiving the supplement, which is set to expire across the US on September 6.



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