

Record inflation in US leads to double digit increases in basic consumer goods

Jacob Crosse
13 July 2021

On Tuesday the Bureau of Labor Statistics (BLS), released the latest consumer price index (CPI) data from June, which showed that prices for basic consumer goods and services continue to rise at historic rates. The BLS reported that the CPI rose 0.9 percent from May, nearly double what Wall Street analysts had predicted, leading to a year-over-year CPI increase of 5.4 percent, the highest in 13 years.

The core inflation growth statistic, which just measures the increase in consumer goods, minus energy and food, showed a 4.5 percent year-over-year increase, which is the highest since 1991.

Driving the soaring increase in the CPI is the rising cost for energy commodities such as fuel oil and gasoline, which the BLS recorded rising 44.2 percent in the last year. Used car prices are also showing an unprecedented rise in prices, jumping 10.5 percent in June, which follows a 7.3 percent increase in May and 10 percent in April. New car prices also rose 2 percent in June, the biggest increase since May 1981.

The meteoric rise in car prices is being driven by two main factors: a global semiconductor shortage, components used in nearly every modern electronic device and a so-called labor shortage. Major car companies, such as General Motors, have lamented the fact that workers are unwilling to work in COVID-19-infested factories for the \$16.67 an hour offered to new hires under its agreement with the United Auto Workers (UAW) union.

The labor contracts signed by the unions have long included raises at or below the rate of inflation and lump sum payments instead of increases in hourly wages. The contract proposed by the UAW at Volvo Trucks would provide an average annual raise of only 2 percent over six years for the top-paid workers at the factory. With the annual rate of inflation at over 5

percent, this would result in a nearly 20 percent cut in real wages over the life of the contract.

Rising prices have been one of the major factors in the growth of the class struggle, including the five-week strike by Volvo workers who have rejected three UAW-backed contracts and are demanding substantial raises and a cost-of-living escalator, a demand abandoned by the UAW long ago.

As the corporatist trade unions and companies conspire to depress wages and increase profits, workers are finding it difficult just to afford basic food items, leading to an increase in food insecurity across the US. Some 20 million adults are without enough to eat as of mid-June, according to data collected by the Center on Budget and Policy Priorities, while the latest US Census Bureau survey found that 42 million US adults reported not being able to afford the types of food they want to eat last month.

The BLS found that the price of beef rose by 4.5 percent in June, while eggs, pork and ham all rose by 3.1 percent. Milk prices also increased by 0.5 percent, potatoes increased by 1.5 percent. The price of fruits and vegetables have increased by 6 percent since February 2020, while cakes, cookies and bread have all jumped over 4 percent in the same time period.

To give a sense of the rapid increase in prices within the last two years, below is a list of staple items with the average June 2019 price listed first, followed by June 2021.

* Gasoline has increased by 32 cents from \$2.83 a gallon to \$3.15, an 11.3 percent jump. Earlier this month, AAA said prices would rise another 10-20 cents by the end of August, meaning it will cost \$53.28 to fill up a standard sedan and \$86.58 for a pickup truck.

* A pound of boneless, skinless chicken breast rose by 27 cents from \$3.08 to \$3.35, a 9.0 percent increase.

* Average rent has increased by 5.1 percent, from \$1,712 to \$1,799.

* A pound of ground beef cost \$0.67 more than it did two years ago, from \$4.20 to \$4.87

* The average household electric bill has increased by 4.2 percent, or roughly \$5.00 from \$121 to \$126

While the national average for rent has increased by 5.1 percent in the last two years, just this year alone, apartments.com found that rent prices are up 7.5 percent this year, three times higher than the normal average rate of increase.

Over a dozen cities have seen a 10 percent jump in rents over the past year according to Zillow, a real estate website. From February 2020 to May 2021 rent prices in Stockton, California have increased by \$268. In Boise, Idaho the average increase is \$236 a month, followed by Ventura, California (\$229) Phoenix, Arizona (\$195), Fresno, California (\$193), Sacramento (\$184) and Stamford, Connecticut (\$180).

As rent, food, energy and consumer goods increase in prices, real average weekly earnings for workers have completely stagnated, leaving many with hard choices as to what bills to pay, or who gets to eat.

In an interview with the *Washington Post*, Pamela Porter, 68, of Fort Worth, Texas spoke on the difficulty of making ends meet on a fixed income. “I’ve noticed food prices going up. And gasoline. Oh my. That shot through the roof,” said Porter, who just received a notice that her rent is rising by \$40 a month, to \$780. The increase in rent, said Porter, “could definitely impact my ability to buy groceries and buy my medicine. I’m not going to even mention car repairs. Life shouldn’t be this hard.”

Despite the financial squeeze being placed on millions of workers and their families, the Biden administration has no intentions of re-upping the Centers for Disease Control eviction moratorium, which is scheduled to end in less than three weeks.

Similarly, Biden and the Democrats, beholden to the same financial oligarchy as the Republicans, have indicated there will be no extension on federal unemployment benefits, including the \$300-a-week booster, which is set to expire September 6.

While some companies have been forced to offer one-time bonuses to new-hires to fill some 9 million available jobs in the US, BLS data shows that real earnings for workers in the US have flatlined for over a

decade, with average weekly earnings down 2.2 percent from May 2020 to May 2021. The only reason the figure is not higher is because the BLS found that there has been a 0.6 percent increase in the average work week.

Overall, the Labor Department found that average hourly earnings increased by 0.3 percent from May, bringing the total to 3.6 percent over the year, nearly 2 percent less than inflation. The modest wage gains some employers have given are not permanent, with many companies already rescinding pandemic-related bonus and shift premiums.

Speaking to CNBC, David Weliver, founder of the personal finance site Money Under 30, explained that it is very unlikely that wages will be able to keep pace with inflation. “There’s going to be a lag,” Weliver said. “The prices at the gas pump or grocery store may change very quickly but you might not get that raise for a year.”

The miniscule increase in wages has led to complaints from the financial oligarchy and its media mouthpieces of a “dreaded spiral” in which increased wages will drive inflation and vice versa. The ruling class fears that a “wages push” by the working class could lead to a collapse of the inflated stock market, which depends on the continued suppression of workers’ wages.

The struggles by workers at Volvo, Frito-Lay, Warrior Met Coal, ATI, ExxonMobil, St. Vincent Hospital in Worcester, Massachusetts and other locations are an initial sign of the explosive battles by the working class that are on the horizon, in the US and internationally, against the social inequality produced by capitalism and the corporatist trade unions and big business parties that enforce it.



To contact the WSW and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)