December inflation surge leaves US workers' wages even further behind

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Consumer prices in the US rocketed upward in December, reaching the highest inflation rate in 40 years, 7 percent compared to 12 months ago, according to a report released Wednesday by the Bureau of Labor Statistics. With average wages rising only 4.7 percent over the same period, workers suffered a cut in their living standard of 2.3 percent year on year.

December was the third month in a row that the inflation rate was about 6 percent, contradicting forecasts by the Biden administration and the Federal Reserve Board that the inflation spike that began in the spring would be only "transitory."

The Labor Department's "core inflation rate," which excludes volatile food and energy prices, rose 0.6 percent in December, following a rise of 0.5 percent in November. It was the sixth time out of the nine months since April, when the inflation spike began, that core inflation was above 0.5 percent.

The main contributors to the month-to-month increase were used cars and trucks, and rent and other housing costs, while gasoline prices dropped slightly compared to the previous month.

For the year-long inflation, the biggest contributors were gasoline, up 49.6 percent compared to December 2020; used cars and trucks, up 37.3 percent; hotel and motel rates, up 27.6 percent; and kitchen and living room furniture, up 17.3 percent

Food prices rose 6.3 percent compared to a year ago, slightly below the overall inflation rate. But meat products were up 12.5 percent, with even bigger increases in some sub-categories: beef up 18.6 percent, bacon up 18.6 percent, pork products up 15 percent. Chicken was up 10.4 percent, eggs up 11.1 percent. Bread was up 11 percent.

Just as worrying as the rise in food prices was the shortage of basic items at supermarkets: meat, poultry, fresh fruit and vegetables, even less perishable items like grains, bread and cereal. Here supply-chain issues, mainly related to the shortage of truck, warehouse and distribution workers, largely due to the COVID-19 pandemic, were the main factors.

Rising costs of inputs, including labor, have put small businesses in continuing crisis. A survey conducted by the National Federation of Independent Business found that 49 percent of small businesses planned to raise prices they charge consumers in the next three months.

In testimony before the Senate Banking Committee Tuesday, the day before the December inflation figures were released, Federal Reserve Board Chairman Jerome Powell said that a shortage of workers, not supplies like semiconductors, was the main problem facing American businesses. The shrinking labor force—mainly a byproduct of the COVID pandemic—"can be an issue going forward for inflation, probably more so than these supply-chain issues," he said.

He warned that the Fed was prepared to carry out multiple increases in interest rates to choke off inflation. "If inflation does become too persistent, if these high levels of inflation get entrenched in our economy, and in people's thinking, then inevitably that will lead to much tighter monetary policy from us, and it could lead to a recession, and that would be bad for workers," he said.

Neither Powell in his testimony nor the corporate media in its coverage of the inflation figures—it was the main item reported in the national news on Wednesday night—addressed the fundamental class issues behind the surge in prices of basic goods.

The driving force of inflation is not wages. As the BLS figures demonstrate, workers have seen their income significantly lowered as wages lag behind prices, a fact that went virtually unreported by the television networks.

It is the enormous money-printing operation by the Fed itself, which has pumped trillions into the financial markets since March 2020 in an effort to prevent a market collapse and secure the wealth and income of the super-rich, which is the main factor in the reemergence of inflation for the first time in four decades.

The rapid price increases have sparked a series of important struggles by the working class, such as the protracted strike at John Deere, where workers have demanded both substantial increases in pay and the reestablishment of cost-of-living escalator clauses abandoned by the unions decades ago. Such demands have provoked worried editorials in the *Wall Street Journal* and other business publications.

The *Journal*, of course, blames excessive federal social spending—including such now-expired palliatives as the extended child tax credit and the “stimulus” checks sent out under Biden’s “Recovery Act.” It says nothing at all about the far larger sums provided to its primary clientele, the stock exchange, the hedge funds, the financial aristocracy as a whole. It does not breathe a word about the obscene increase in the wealth of the multi-billionaire pandemic profiteers like Jeff Bezos and Elon Musk.

But when workers begin to raise demands for higher wages, the corporate media immediately rages against the dangers of a “wage-price spiral,” demanding that the Fed crack down on those who are simply seeking to defend their living standards against the depredations of the capitalist ruling elite.