Inflation slashes living standards and pushes millions of workers in the US to the brink

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The rising cost of living will force the average American household to spend $5,200 more a year just to buy the same goods and services as last year, according to a report released Thursday by Bloomberg Economics. This comes to an average of $433 a month robbed from the pockets of workers and their families, under conditions where 60 percent of the US population cannot afford an unexpected expense of $500.

This staggering fact demonstrates the human cost of the rise in the rate of inflation, which hit a 40-year record of 7.9 percent in December. The rate of increase in the Consumer Price Index slipped slightly to 7.5 percent in January and 6.4 percent in February, but it is still well above the forecast of both the Federal Reserve and the Biden administration.

The core inflation rate, not counting food and energy prices, which fluctuate more from month to month, stood at 6 percent in January and 5.4 percent in February, according to figures released by the federal Department of Commerce Thursday. This means that regardless of efforts by the Biden administration to manipulate temporarily the price of gasoline at the pump, the reduction in the living standards of the working class will continue.

Bloomberg Economics—part of the publishing empire of billionaire Michael Bloomberg—pointed out the benefits for capitalist employers of the inflation "tax" on workers. "Accelerated depletion of savings will increase the urgency for those staying on the sidelines to join the labor force, and the resulting increase in labor supply will likely dampen wage growth," the authors of the report said.

The American capitalist class as a whole is preoccupied with the problem of a "labor shortage," which means the refusal of workers to take jobs at the starvation-level wages being offered, particularly to entry-level workers. Retail, restaurant, nursing home and other low-wage employers continually report being unable to hire enough workers.

The *New York Times* cited this issue in a worried article on its business pages Thursday, headlined, "Rising Wages Could Complicate America's Inflation Cool-Down." It cited the hopes of economists that the ending of pandemic-related restrictions—itself entirely unjustified from a public health standpoint—would help shift consumer spending from goods to services, "betting the transition would take pressure off supply chains and help inflation to moderate."

The article continues: "Rapid wage growth could make that story more complicated. Demand for services is rising just as many employers are struggling to find workers, which could force them to continue raising wages. While positive for workers, that could keep overall inflation brisk as companies try to cover their labor costs, speeding up price increases for services even as they begin to moderate for goods."

The language here is remarkable. The *Times* admits that wage growth is "positive for workers"—who happen to comprise the vast majority of the American population. But it is more worried about the downside, i.e., the interests of the employers, especially big corporations and their wealthy shareholders.

The article continues in this vein, citing the concerns of economists that wages might be permanently reset at a higher level, although this is only the abysmal pay offered by Amazon and other giant exploiters of labor. It reports the observation of one employer of low-wage labor, noting that "executives had expected the labor crunch to ease when enhanced unemployment benefits from the federal government ended in September. But while there was some increase in willing workers, there was no sudden flood."

In other words, despite the best efforts of the Biden administration to force millions of workers back to jobs despite low wages and the dangers of the COVID-19 pandemic, including through the slashing of federal support for the unemployed, workers are still resisting.

That resistance is expressed most powerfully in the mounting wave of strike action that developed in 2021 and continues in the first months of this year. A major feature of this class movement has been a series of rebellions by workers against the pro-corporate trade unions, which have been relied upon by the Biden administration to suppress the class struggle and help the corporations impose brutal conditions of low-wage exploitation on workers.

This is the context in which President Biden announced an executive order Thursday to release a substantial amount of oil from the US Strategic Petroleum Reserve. About 1 million barrels a day will be put on the market for the next six months, for a total of 180 million barrels, nearly one-third of the total reserve. The announcement led to a drop in oil prices, but the effect will only be temporary, since 1 million barrels is less than 5 percent of US daily consumption.

The president claimed that the purpose of his action was to cut the price of gas at the pump for American consumers, and media coverage generally focused on the transparent political motivation of the timing and duration of the move. It is seven months until the US midterm congressional elections, where Biden's Democratic Party is trailing in the polls, with inflation and the runaway cost of living cited by those polled as the top issue.

Within the constraints of the American two-party system, which offers voters only the choice between two right-wing capitalist parties, the Republican Party is expected to make gains. It is a measure of the bankruptcy of the Democratic Party that it could well lose control of Congress to the Republicans, despite the popular hostility to the previous administration of Donald Trump and the revulsion against his attempted coup of January 6, 2021.

Biden used the announcement of the oil release to beat the drums for his war policy directed against Russia, calling the rise in the cost of gasoline "Putin's price hike." He claimed that inflation had two causes, the pandemic and the Russian president. He said nothing about the main driving force of rising prices, the trillions of dollars pumped into the financial system by the Federal Reserve and the US Treasury to bail out Wall Street and corporate America, beginning in March 2020 and continuing to this day.

Instead, he engaged in a bit of anti-corporate demagogy, criticizing oil companies which "sit on record profits" but refuse to increase production "for the good of your country." This was combined with the reiteration of his loyalty to the profit system: "I'm a capitalist. I have no problem with corporations turning a good profit."

In a briefing to the media, a "senior administration official" said that US oil companies had pledged to bring a million more barrels a day on line by the fall. He described the release of oil from the government reserve as "a wartime bridge to additional US production."

The effort to link the crisis at the pump with the war in Ukraine has an unmistakable and ominous meaning. Biden is seeking to use Russia as a scapegoat for the attack on working class living standards being waged by the capitalist class in the United States. This has already led to suggestions that American workers should be willing to make sacrifices for the war in Ukraine, sacrifices that will be imposed by the Democratic Party and the trade union apparatus in the name of "national unity."

The truth is that American workers have no interest in the war in Ukraine, launched by Putin as a reactionary response to the encirclement of Russia by a longstanding US-NATO campaign aimed at the break-up of that country and its transformation into a semi-colonial appendage of the imperialist powers. Workers must wage the class struggle against the ruling class with redoubled intensity, and reject all demands for sacrifice in the interests of the war machine of American imperialism.