

# Surging prices push US workers to the brink

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The purchasing power of American workers' wages suffered another sharp drop last month, as the official inflation rate reached 9.1 percent while pay rises remained suppressed far below that level.

According to the US Bureau of Labor Statistics, real wages fell 3.1 percent between June 2021 and June 2022. In the month of June alone, real average weekly earnings declined by 1 percent. More up-to-date figures from the *Wall Street Journal* put the decline in real wages at 4.4 percent.

The devastating impact of inflation on the working class is demonstrated by the collapse in purchasing power of the federal minimum wage. Frozen at \$7.25 an hour since 2009, it stands at its lowest value in 66 years. The 13-year freeze on the minimum wage, enforced by Democratic and Republican administrations alike, is the longest period without a raise since it was established in 1938 during the Roosevelt administration.

By comparison, the real value of the minimum wage in current dollars was \$12.12 in 1968.

The surge of inflation is part of a class policy aimed at making workers pay for the criminal and incompetent response of the ruling class to the pandemic, including the vast bailout of the banks and financial institutions to the tune of trillions of dollars. At the same time, while health care and vital public services are being starved for funds the government has lavished vast amounts on the war machine. Military spending under the Democratic Biden administration now stands at record levels.

The result has been that while workers are paying more, consumption is falling. For example, while gas prices have risen 60 percent, the total dollar amount spent on gas has only risen 50 percent, meaning workers are being forced to cut back on travel and commuting.

While the living standards of workers are being

devastated, the world's billionaires have seen a vast increase in their fortunes. The world's 10 richest billionaires more than doubled their fortunes, from \$700 billion to \$1.5 trillion. Meanwhile, another 160 million have been forced into poverty, a figure that is sure to increase.

The Biden administration has turned to the unions to help suppress the mounting wave of strikes launched by workers to fight back against the devastating assault on wages. Biden, who calls his administration the most "pro union" in history, sees the labor bureaucracy as a vital instrument for disorganizing and betraying the struggles of workers.

Despite the claims by the US federal Reserve of a "wage price spiral," pay increases are averaging far less than the rate of inflation. Through March, pay increases for union members increased by 3.5 percent year over year, less than half the official inflation rate. That compares to 4.9 percent for nonunion workers, demonstrating the role of the unions in slashing the living standards of workers.

During that timeframe, the unions betrayed a series of important strikes, including Volvo Trucks, John Deere, Kellogg's and Nabisco, to name just a few. Wage increases averaged in the 2-4 percent range.

The role of the unions was starkly exposed again by their support last week of the intervention of the Biden administration to block a strike by railroad workers by convening a Presidential Emergency Board. The workers, facing conditions some describe as "hell on earth," earlier voted by a 99.5 percent margin for strike authorization.

In recent days, the United Auto Workers has blocked struggles at Ventra, an auto parts maker in Ewart, Michigan, as well as imposing a sellout deal on low-wage contract workers at GM Subsystems.

Rampaging prices and shortages of fuel, food and other necessities have led to the outbreak of struggles

around the world. Mass protests and strikes by workers in Sri Lanka forced the resignation of President Gotabaya Rajapakse, who fled the country. In Britain, railroad workers conducted a series of national strikes last month. However, in each case the unions have sought to limit these struggles to protest actions aimed at merely dissipating the anger of workers.

The suppression of wages by the unions has gone hand in hand with the offloading of increased costs onto the shoulders of workers. A report in the *New York Times* details how over the past decade families have been “bled dry” by the rise in rent, health insurance premiums, drug costs, student loans, and child care. According to the *Times*, “Family premiums for employer-based health insurance jumped by 47 percent between 2011 and 2021, and deductibles and out-of-pocket costs shot up by almost 70 percent. The average price for brand-name drugs on Medicare Part D rose by 236 percent between 2009 and 2018. Between 1980 and 2018, the average cost of an undergraduate education rose by 169 percent.”

To further undermine the class struggle, the US Federal Reserve is sharply increasing interest rates to drive up unemployment. Another 0.75 to 1 percent increase in the key federal interest rate is expected when the Fed governors meet later this month, following a 0.75 percent rise in June.

While the inflationary crisis was triggered by years of bank bailouts and money printing aimed at enriching the financial oligarchy, the ruling class seeks to resolve the crisis it has produced by throwing millions of workers into unemployment as a means to force workers to accept even lower wages.

Higher interest rates will mean higher mortgage costs as well as higher interest payments on credit cards, student debt and car loans. As a result of the rate increases, the sharpest in more than 30 years, a recession is seen as very likely, with millions of workers facing the loss of jobs, their only lifeline.

To counter the policy of the financial oligarchy, the working class must mount a no less determined struggle to defend its social interests. The fundamental principle should be that the working class is not responsible for the present crisis and must not pay for it.

To wage their struggles, workers need organizations independent of the pro-corporate unions and capitalist

political parties. With the assistance of the *World Socialist Web Site* and the Socialist Equality Parties, workers have begun building rank-and-file committees to defend their jobs and living standards. A vast expansion of the International Workers Alliance of Rank-and-File Committees is required.

These committees, uniting ever broader sections of workers, union as well as nonunion, along with retirees, youth and other struggling sections of the population, should fight for substantial increase in real wages and the indexing of all wages and benefits to the rise in the cost of living as well as fully funded health care and pensions. Workers must demand an end to endless hours of overtime and unsafe conditions, including protection from COVID-19 and the right to halt production if conditions are unsafe.

To meet these demands requires seizing the ill-gotten wealth of the world’s billionaires and a fundamental reorientation of social priorities. The capitalist war machine must be dismantled and the funds used to meet pressing social needs such as education and health care, and the eradication of hunger, homelessness and the dire threat posed by climate change.

The banks and other major industries, the oil companies, health care conglomerates, airlines, utilities and basic industries must be placed under public ownership, democratically run by the working class for the interests of society as a whole, not private profit.

Above all, the fight for this program requires the building of an international socialist leadership in the working class, the International Committee of the Fourth International.



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