

# As inflation eases slightly, Biden and the Fed say recessionary interest rises will continue

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Despite a slight easing of inflation rates in November, the US Federal Reserve is expected to announce another sharp interest rate hike on Wednesday, as it seeks to undercut workers' wage demands by slowing the economy and driving up unemployment. An increase of 0.50–0.75 basis points is likely, bringing the benchmark rate to between 4.25 and 4.50 percent.

The Consumer Price Index rose 7.1 percent in November year over year, a bit less than the 7.3 percent that had been predicted and below October's level of 7.7 percent. So-called core inflation, the rate after stripping out food and gas price increases, stood at 6.0 percent, a smidgen lower than the 6.1 percent that had been expected.

While gas prices have come down over the last several months, as they normally do in the fall and winter in the northern hemisphere, both food and fuel, critical necessities, continue to be drivers of inflation. Food prices rose 0.5 percent month over month, with prices for fruits and vegetables, cereals, bakery products and dairy products all showing increases. The price of bread rose 2 percent from October, eggs rose 2.3 percent, and lettuce jumped 8.9 percent. On an annual basis, food prices were up 10.6 percent compared to 10.9 percent in October.

While gasoline and the cost of natural gas used to heat homes fell again, fuel oil continued its spike and is up a whopping 65.7 percent year over year.

Food and housing, the two most basic of basic necessities, continued to be the main drivers of inflation. Shelter accounts for 30 percent of the Consumer Price Index (CPI) and 40 percent of the "core inflation" figure.

Rents rose 0.8 percent percent in November, up from 0.6 percent in October, hitting 7.9 percent year over year. Unlike other components of the CPI, rent

historically tends to keep rising once it has started to increase. The increased cost of shelter is being exacerbated by higher interest rates, which increase home borrowing costs.

In response to the edging down of the CPI, President Joe Biden issued a statement hailing the news, declaring that "Inflation is coming down in America."

Biden claimed the figures showed that his economic plan was "working," adding that "we're just getting started." Biden's so-called economic plan to fight inflation is based on a war against the working class, centered on driving up unemployment in order to undercut and crush workers' demands for wage rises to compensate for the surging cost of living.

This reached a climax earlier this month when Biden, with the overwhelming support of both Republicans and Democrats in Congress, rushed through a deal blocking a strike by rail workers and imposing a management-friendly contract with below-inflation pay rises and a continuation of intolerable work schedules.

Biden's remarks echo the demands of Wall Street, which insists there be no let-up in the drive to make the working class pay the cost of inflation by holding down wage increases. Falsely pointing to wage increases as a major driving force of inflation, Michael Pond of Barclays PLC said, "The labor market is sort of the last stand, where strength there is leading to higher wage growth, and that could continue to pressure inflation."

In reality, average wage rises are running well below the official inflation rate, meaning a significant cut in workers' living standards. Not wages, but decades of virtually free credit to prop up corporate profits and stock prices, compounded by the disastrous response of ruling classes all over the world to the COVID-19 pandemic and the US/NATO proxy war against Russia in Ukraine, are the real causes of devastating price

increases.

The markets have been disappointed that despite repeated increases in interest rates, unemployment has remained relatively low by historical standards, with 263,000 jobs added in November.

The *Washington Post* cited one analyst, Krishna Guha of Evercore ISI, who wrote, “We should not expect Powell to flag any kind of pivot this week. The message will still be some more work to do raising rates in order to cool the labor market, wages and non-housing services; the cumulative data through [the beginning of next year] will decide how much.”

In remarks at the Brookings Institution in November, Powell called the tight labor market—that is, the relative availability of jobs—the driver of inflation. Relatively low unemployment gives workers greater leverage in demanding wage increases to offset rising prices, something Wall Street finds intolerable.

Therefore, Powell insisted, “It is likely that restoring price stability will require holding policy at a restrictive level for some time.” He added, “History cautions strongly against prematurely loosening policy. We will stay the course until the job is done.”

There are mounting signs that the recessionary interest rate policy is having an impact. This week, Stellantis announced the “idling,” starting in late February, of its Belvidere, Illinois assembly plant, impacting some 1,350 jobs. The move is seen as a prelude to the permanent closure of the facility, an economic mainstay in the area.

Tech layoffs are nearing the level of the 2008-2009 recession, according to press reports. Google, Meta and Twitter have all carried out major job cuts, bringing to 76,835 the number of layoffs in the month of November alone.

On Monday, Plurasight, based in Utah, laid off 20 percent of its global workforce, citing a “challenging economic environment.” Silicon Valley-based Cisco has begun implementing job cuts it announced last month. Another company announcing plans for cuts is investment bank Goldman Sachs.

A report by Citi Global Wealth Investments sees a “mild” recession next year, with unemployment increasing past 5 percent and 2 million job losses. “We believe that the Fed’s rate hikes and shrinking bond portfolio have been stringent enough to cause an economic contraction within 2023,” the report states.

“And if the Fed does not pause rate hikes until it sees the contraction, a deeper recession may ensue,” it cautions. Bank of America and Goldman Sachs are also predicting a recession next year.



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