February marks 23rd straight month of real wages decline for US workers

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Annualized inflation for February was 6 percent in the United States, according to figures released Tuesday by the Bureau of Labor Statistics. This was a slight decline from January's level of 6.4 percent, but inflation is still at the highest levels since the early 1980s.

For workers, sustained high rates of inflation have already produced a social disaster. This has been caused by a combination of trillions of dollars pumped into the financial markets at the start of the pandemic and the economic dysfunction caused by the refusal of the US and other world governments to take public health measures to contain the spread of COVID. It has been worsened by the massive outlays for the US-NATO proxy war against Russia and military buildup against China.

February was the 23rd consecutive month in which average wage growth was lower than inflation, a trend that began in April of 2021. Real average hourly earnings declined by 0.1 percent last month compared to January, and 1.3 percent over the previous 12 months.

The past two years have also seen a significant growth of strikes, as workers are being thrust into struggle by intolerable conditions. At the same time, these struggles are developing into ever more open conflicts with the pro-corporate trade union bureaucracy.

The weekend before the latest figures were released, the United Auto Workers rammed through a contract containing a measly 19 percent pay increase over six years at heavy equipment manufacturer Caterpillar. With inflation at 6 percent, workers could experience a cut in real pay of up to 20 percent by 2029.

More major struggles are on the horizon this year, with more than 1.6 million workers in the US whose contracts expire in 2023. This includes more than 350,000 workers at UPS, the largest unionized workforce in the country, as well as 150,000 autoworkers at the "Big Three" automakers—Ford, General Motors and Stellantis (formerly Fiat Chrysler).

The official narrative from the Federal Reserve, Washington and Wall Street decrying "inflation" in reality is a screen for efforts to rein in wage growth, as inadequate as it has been. Labor shortages over the past two years have produced an upward pressure on nominal hourly wages, which have increased between 5 and 6 percent a year. But the prices of housing, food, gas, heating and other basic necessities are rising faster than workers' income.

For the past year, the Federal Reserve has continuously increased its benchmark interest rate from near-zero to 4.58 percent. This policy, which is a sharp break with nearly 40 years of easy money policies that fueled massive rises in the stock market, is aimed at curbing wage growth and strikes by ramping up unemployment, using it as a weapon to undermine workers' resistance.

Current Fed Chairman Jerome Powell, with the full backing of the Biden administration, is implementing, albeit at a more gradual pace, a policy based on the "Volcker Shock" of the 1980s, named after former Chairman Paul Volcker, an appointee of Democratic President Jimmy Carter. Then as now, sharp rises in inflation fueled the largest strikes in the US in years, including a powerful national strike by coal miners, who successfully defied an anti-strike injunction issued by the Carter administration.

Declaring "the standard of living of the average worker has to decline," Volcker jacked up interest rates to 20 percent, sparking the worst economic downturn since the Great Depression. Over 6.8 million jobs were wiped out between 1978 and 1982, with the complicity of the AFL-CIO unions. Volcker praised President Reagan for firing more than 11,000 striking air traffic controllers in 1981, saying the government union-busting was the most important single action "the administration took in helping the anti-inflation fight."

Today, the Fed is seeking to limit wage growth to 3.5

percent. In December, by comparison, wage increases were 5.1 percent year-on-year. The Fed is aiming to increase unemployment to 4.4 percent this year, according to *Fortune* magazine. This amounts to the destruction of another 1.4 million jobs, further devastating the livelihoods of struggling workers and their families.

This is one of the main drivers behind the jobs bloodbath so far this year, including at Microsoft (10,000 jobs), Amazon (18,000) and Google (12,000). On Tuesday, Meta, the company that owns Facebook, announced it would cut another 10,000 jobs after carrying out 11,000 job cuts late last year. According to the website layoffs.fyi, based on publicly available data, over 138,000 job losses have been announced in the tech sector alone this year. While overall job losses are concentrated in tech, it is only a matter of time before they spread to large numbers of industrial workers and other sections of the working class.

The viability of the easy money policies that began in the aftermath of the Volcker Shock was heavily dependent on the artificial suppression of strikes and other forms of class struggle, which fell to their lowest levels on record. A critical role in this was played by the trade union bureaucracy, which integrated itself fully with management and the capitalist state over this period.

Today, alongside rate hikes, the union bureaucracy is the other main pillar of the campaign to prevent wage increases and strikes. Powell's 3.5 percent wages target has, in fact, already been mostly met among unionized workers, where sellout contracts such as the one at Caterpillar have produced wage increases even below that of non-union workers. In December, the last month for which figures are available, wages rose only 3.9 percent for unionized workers, compared to 5.3 percent for non-union workers. In manufacturing, this gap was even wider, with a 3.4 percent increase for unionized workers versus a 5.4 percent raise for non-union workers.

This is the real meaning of President Biden's claim to be the most "pro-labor president" in American history: the use of the union bureaucracy to discipline the working class.

Behind the bureaucrats lies more open measures of repression. When the railroad union officials were unable, in the face of rank-and-file opposition, to enforce a substandard contract for 120,000 railroaders through a vote of the rank and file, Biden responded by turning to Congress, which passed a bipartisan law to ban a strike and impose the Biden-brokered contract workers had rejected.

The growth of the class struggle is developing into a more and more open conflict between workers and the entire state-corporate-union system of labor control. On the railroads, at Caterpillar and other key workplaces, workers are organizing rank-and-file committees, independent of the union officialdom, to fight for workers' control.

This conflict will be made even more explosive by the extremely unstable economic situation. In summarizing the feeling of financial experts, the *New York Times* observed that the extreme fragility of the financial system exposed by the collapse of tech bank SVB, which the Federal Reserve in the past would have countered through massive infusions of cash through low interest rates and asset purchases, combined with persistently high inflation, "clouds the outlook for interest rates" for when the Federal Reserve meets later this month.

In reality, this "cloudy" forecast expresses the impossible contradiction embedded in the entire monetary policy being pursued. This, in turn, is not simply a wrong policy, but the outcome of the growth of the contradictions in the capitalist system itself.

On the one hand, the Federal Reserve and other central banks are hiking interest rates to drive up unemployment to beat back the working class. But this also risks a financial collapse on an even bigger scale than in 2008 and 2009, given that the financial system has become totally dependent on the free money policies that are now being ended. One of the most significant elements of the collapse of SVB is that it was triggered by its heavy investment in treasury bonds, previously seen as one of the most stable assets in the world.

The capitalist system is wracked by deep crisis. Its continued operation requires the ever deeper impoverishment of the working class. At the same time, US imperialism is resorting to war against Russia and China in the hopes that it will be able to redirect internal social tensions outward and blast its way out of its problems by subjugating new territories.

The alternative is the socialist restructuring of society by the working class, with the economy run in the interests of public need, and not private profit.