March inflation report shows corporate America’s continuing wage-cutting campaign

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14 April 2023

The US Bureau of Labor Statistics (BLS) has released its Consumer Price Index (CPI) inflation report for March on Wednesday, which showed that over the last 12 months consumer prices increased by 5 percent, the lowest since 2021 but still above the average hourly wage increase of 4.2 percent. Over the same period core prices rose to 5.6 percent, up from 5.5 in February.

The CPI, while trending downward from a peak of 9 percent in June 2022, does not provide a full picture of the continued pressure on workers’ real wages. “What this print showed, and what we expect to continue in the next few months, is a pause in the deceleration of goods prices. All components of core goods in CPI excluding used vehicles were higher on the month,” Gargi Chaudhuri, BlackRock’s Head of iShares Investment Strategy, wrote on Wednesday.

At the same time, banks are recording bumper profits even as the Federal Reserve continues to raise interest rates in its efforts to trigger a recession and head off workers’ demands for higher wages.

The *New York Times,* in the article titled “Biggest U.S. Banks Report Bumper Profits Amid Industry Turmoil,” reported that “JPMorgan Chase, Citigroup and Wells Fargo on Friday unveiled banner earnings for the first three months of the year, making billions more than they and analysts had projected.”

The US’s largest bank, JPMorgan, reported $12.6 billion in the first quarter, a 52 percent increase over the previous year, while the country’s third largest bank, Citigroup, reported $4.6 billion, a 7 percent increase. The sixth largest bank, PNC Financial Services, posted a $1.7 billion profit at a more than 18 percent increase. This is all built on the essentially unlimited bailouts promised by the government in response to the second and third largest bank collapses in US history last month, which constitute more massive transfers of wealth to the financial oligarchy.

Housing costs have been a key driver of inflation, with the shelter index increasing 8.2 percent over the last year, accounting for 60 percent of core inflation amid surging rent, with rent rising 0.5 percent in March following larger previous month increases. The shelter index reflects the cost of housing gathered from two surveys, one on what share of the household budget goes towards different categories of goods (including housing) and a survey on prices of rental housing units. This is even as demand has leveled out for housing. Some of this is driven by construction costs, which spiked to their highest in 50 years in 2022, as well as crude profiteering by landlords.

Asking rents for signatories of new leases climbed 0.3 percent in March, the largest increase since August, which matches the average rise in payrolls for the same month. Yearly asking rents rose 3.9 percent over the same period. Rental vacancies have also decreased, with more space being leased than left vacant this quarter unlike the past three quarters. The higher rents combined with lower rental-vacancies serve to drive workers out of their homes. Over half a million are homeless as of 2022.

The energy index inflation has decreased to 6.4 percent, while the food index has increased 8.5 percent over last year, 1.8 and 4.3 percent above wage increases. Essentially, this means millions will suffer real wage cuts as employers refuse to raise wages in order to extract more profits from workers while nominally increasing wages. This inflation is tied to the Biden administration’s proxy war in Ukraine against Russia as well as the “forever COVID” policy of the capitalists around the world.

But this smoke-and-mirrors tactic only works for so long as many workers increasingly struggle to pay for basic necessities. Some 11,000 university workers across the US are now on strike for wage increases, job security, better healthcare and working conditions, as are chemical workers in Hopewell, Virginia. Millions of workers in France are fighting the pension cuts of the "president of the rich" Emmanuel Macron, who is carrying out the cuts in part to pay for the weapons French imperialism is funneling into Ukraine as part of the US-led proxy war. Mass strikes and demonstrations have taken place in recent weeks in Germany, Greece, Israel, India, South Africa and numerous other countries.

The Fed has projected that the United States will be plunged into a "mild" recession later this year. This comes as no surprise as the very same Fed is attempting to create a recession by increasing interest rates in a less acute form of the infamous "shock therapy" carried out by former Chair of the Federal Reserve Paul Volcker in the 1980s, in order to beat back wage demands of workers in the interest of finance capital. The Fed is cynically using the latest CPI inflation report to justify its reactionary policy.

Mary Daly, president of the San Francisco Fed, who oversees the Silicon Valley Bank after its acquisition by the San Francisco Fed in the aftermath of its collapse, said that while inflation is going down it is "still elevated" and not "consistent with price stability." Daly called for the raising of interest rates further in order to drive up unemployment, saying, "There are a number of signs that the labor market is starting to cool, but it remains extremely tight and is likely to come back into balance only gradually."

No doubt the need to pay for the basically unlimited bailout just given to the wealthy finance capitalists at Silicon Valley Bank factored heavily into Daly's advocating for axing workers' jobs.

Philadelphia Fed President Patrick Harker, at the Wharton Initiative on Financial Policy & Regulation, said, "To combat inflation, the Fed is working to slow the economy modestly and bring it more in line with supply."

Harker stated his aim was to "get [unemployment] rates above 5 and then sit there for a while." Officials have already raised the target range for unemployment to a range of 4.75 percent to 5 percent, forecasting a rate of 5.1 percent by the end of the year, implying another interest rate hike to achieve this.

Several Federal Reserve policymakers considered pausing the interest rate following the recent bank failures in the US, as well as that of the second largest Swiss bank Credit Suisse.

Ronald Temple, chief market strategist at Lazard, the sixteenth largest investment bank, which primarily serves other banks and corporations, applauded the attack on jobs, writing following the Fed release, "Today's CPI takes some heat off the Fed, for now. Moderating price pressures combined with signs of cooling in the labor market will offer a temporary reprieve to markets."

Temple called for a continuation of the Fed's effort to raise unemployment saying the "Fed has more work to do before it can declare victory over inflation."

One could point out the hypocrisy of taking from those who produce all the wealth and giving to an extremely tiny parasitic layer of finance capitalists who produce nothing. Or the fact that workers' wages have nothing to do with inflation. Furthermore, even if that ridiculous claim were true, how are workers to pay for goods without jobs?