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US consumer prices rise 6.8 percent, near 40-year high

US consumer prices continue to rise at rates not seen in four decades. The inflation rate—an index used to track the cost of living—rose by 0.8 percent during the month of November, according to data released Friday by the Department of Labor. The cost of goods and services has now risen 6.8 percent since last year—the highest annual rise since 1982.

The rise in costs follows last October's rise of 0.9 percent. As in prior months, costs have surged in nearly every area. Below is a breakdown of the price increases compared to November 2020.

- The cost of gasoline has increased 58.1 percent. The national average, according to AAA is $3.34 per gallon, up from $2.16 last year.
- The price of food items at the grocery store has risen 6.4 percent. The largest increases have been seen in the meat, poultry, fish, and eggs category, which, as a whole, rose 13 percent. Beef, in particular, is up 21 percent.
- The cost of fast food—which many working people rely on—has increased by 7.9 percent. Generally, eating away from home has increased by 5.8 percent.
- The cost of gas to heat the home has increased 25.1 percent. While this increase is high, it has increased more rapidly in other parts of the world. In Germany, for example, natural gas prices are up 500 percent year-over-year.
- The cost of buying a new car or truck has risen by 9.4 percent.

- The cost of buying a used car or truck has risen by 31.4 percent. Edmunds.com reports that the average cost of a used vehicle is now a record $29,011.
- Apparel costs have risen by 5 percent.
- Electricity costs have risen by 6.5 percent.
- The cost of 'shelter,' which includes rent, owners' equivalent in rent, and lodging away from home, rose 3.8 percent.

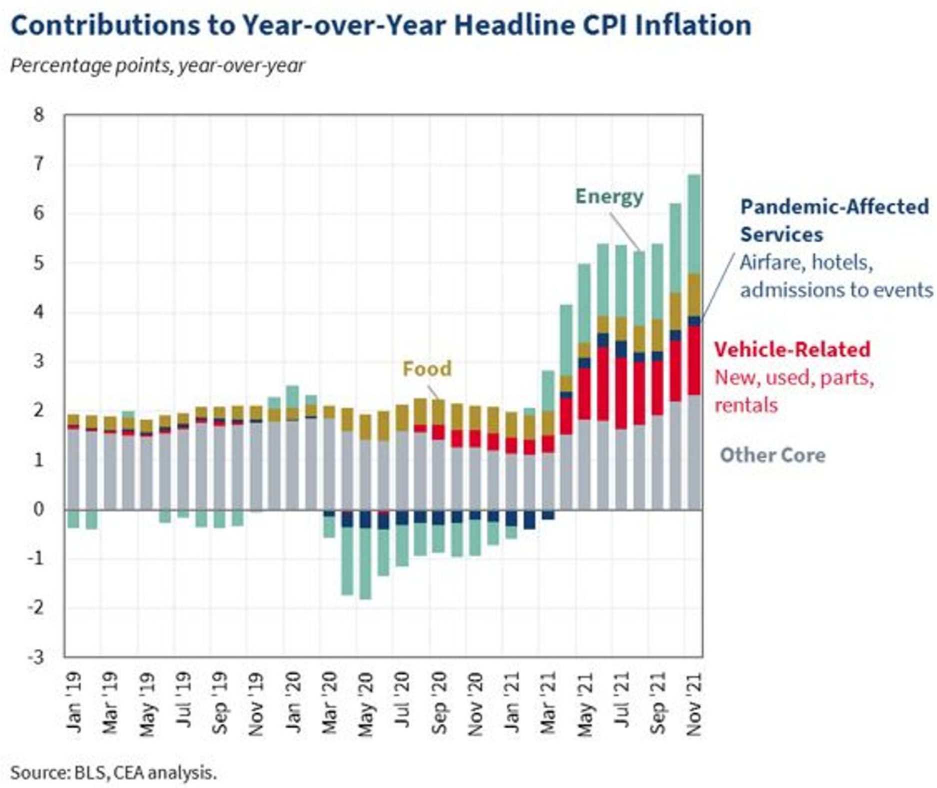


Figure 1: Contributions to inflation [White House Council of Economic Advisors, Twitter, @WhiteHouseCEA, December 10, 2021]

These price increases have made a substantial dent into the well-being of tens of millions of people. Any worker on a fixed income, one that does not increase each year, has effectively received a 7 percent cut to their income over the last 12 months.

Comparing wage increases to price increases shows that workers' incomes are not keeping up. Real average weekly earnings have now fallen 1.9 percent compared to a year ago, according to *Bloomberg*.

Jason Furman, a Harvard economist, estimated Friday that the average American family is now spending $4,000 more this year on costs. Writing on Twitter, Furman further noted that real wages are 2.9 percent below their historic trend of increase (see Figure 2).

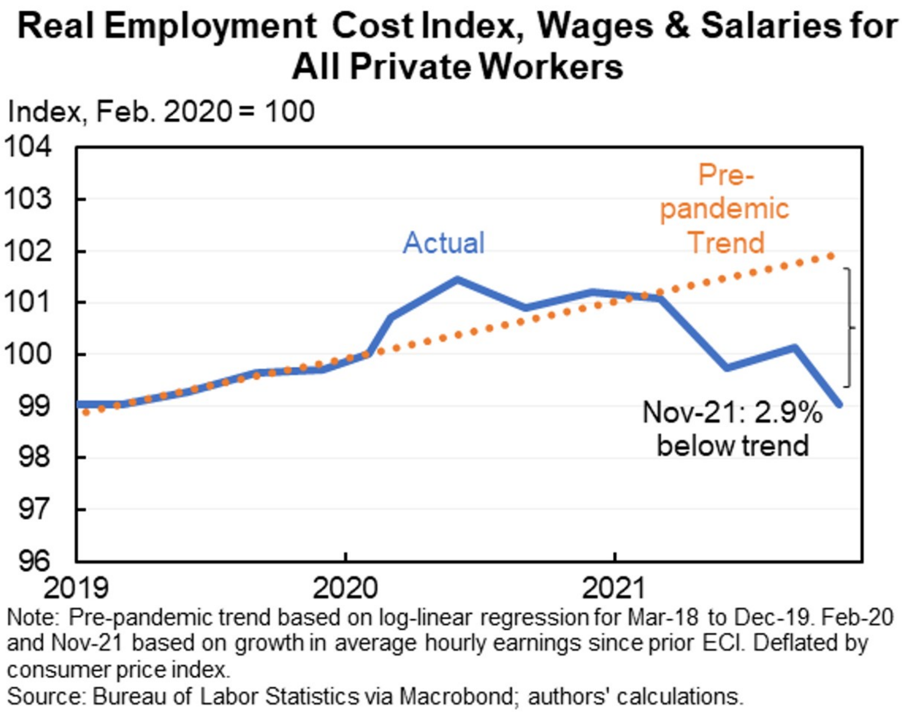
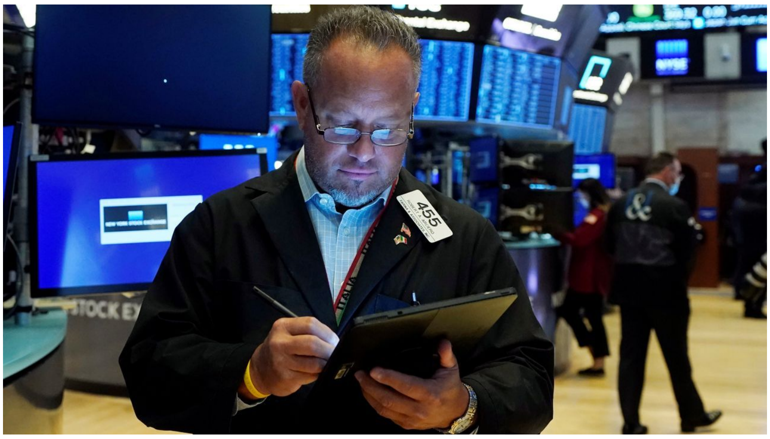


Figure 2: This figure from Professor Jason Furman effectively shows real wages in contrast to its historical trend [Twitter, @Jasonfurman, December 10, 2021]

Rising costs disproportionately impact the working class. The poorest fifth of households, for example, spend between 29 and 43 percent of their income on food, according to a 2016 report by the US Department of Agriculture. In contrast, the richest fifth spend only 7 to 9 percent of their income on food.

Moreover, those in the upper 10 percent of American society have their fortunes tied to the stock market. A record 89 percent of the stock market was controlled by the top 10 percent of the US in 2021. While inflation has risen, the stock market is rising faster—with the Dow Jones Index up 20 percent from last year, sending the fortunes of the rich soaring.



Trader Robert Arciero works on the floor of the New York Stock Exchange, Tuesday, Aug. 10, 2021. [Credit: AP Photo/Richard Drew, File]

The dramatic increase in the cost of living better puts in perspective the growing surge of working class struggle in the United States. Likewise, it demonstrates why a series of important labor contracts in American industry have been concessionary contracts that leave workers with less pay, despite nominally providing an increase.

- Kellogg workers recently voted down a contract which would see the highest paid tier of laborers only receive a 3 percent annual pay increase. When adjusted for inflation, Kellogg is effectively asking all workers to take a near 4 percent pay cut.
- Dana auto parts, in collaboration with the United Auto Workers, barely passed a contract in October which saw wages rises for new hires increase from $17 to $18 an hour over the contracts four-and-a-half-year cycle. This effective 1.5 percent annual increase translates, with inflation, to about a 5 percent pay cut for these already low paid workers.
- Sixty-thousand film and television workers organized under the International Alliance of Theatrical Stage Employees (IATSE) were forced to accept a 3 percent annual pay increase (the majority of workers voted it down, but the union claimed ratification based on its anti-democratic delegate system). This would amount to a near 4 percent annual decrease in pay.
- Some 32,000 nurses and health care workers at hospital giant Kaiser were set to strike last month but the two unions representing them, the United Nurses Association and Union of Healthcare Professionals called off the strike, claiming they had reached a favorable agreement. In fact, the tentative agreement included just a 3 percent wage increase the first two years and a 2 percent wage increase the

second two years of the contract—a significant pay cut against a 7 percent inflation rate.

While multiple factors, including supply chain disruption and worker rebellion against low wage jobs, play a role in price increases, a central cause remains the policies of the US Federal Reserve.

Since the 2008 global financial crisis, the US central bank has injected some $8 trillion dollars into financial markets. Other central banks have followed suit.

This policy was intensified in March 2020 as the pandemic threatened to collapse the house of cards holding up global finance. Since then, the Fed has pumped $120 billion into markets every month. This wave of easy money for the financial aristocracy has driven their wealth to new highs. But it has also driven prices up across the economy, effectively foisting the bill of saving Wall Street onto the working class through higher costs and low wages.

The working class is responding to this with strikes, withdrawing from low wage jobs, and a general leftward shift in outlook. As *Bloomberg* cautioned, "Rising inflation is eating away at what the average American is taking home. … how are workers reacting to this? With strikes across various industries."

The ruling class faces an impossible situation.

If it stops its policy of providing endless money to financial markets, the unresolved debt and economic difficulties of the economy could implode, tanking the stock market and destabilizing economic growth.

However, if it continues with its policy of endless money, as it is currently, it will drive the working class deeper into poverty, threatening an eruption of class struggle that will directly threaten their rule.

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