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Capitalism at work
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While the USA economy is doing well, actual Americans are not. Worker's wages in real terms are falling behind due to rising inflation. Wages for the most recent quarter were 2.3 percent lower, after inflation, than workers received a year before. The average pay for an hour's work has less purchasing power than it had four years ago.

If some are to be believed, the American economy is going from strength to strength. Bouncing back from economic recession, growth is strong. Yet if the economy is doing well, actual Americans are not. Worker's wages are may have been rising in nominal terms, but in real terms they are falling behind due to rising inflation. Wages for the most recent quarter were 2.3 percent lower, after inflation, than workers received a year before. The average pay for an hour's work has less purchasing power than it had four years ago — when the current business cycle began.

This comes as no real surprise, as weak wage growth has marked the US economy for decades (bar an increase at the end of the Clinton boom in the late 1990s, real wages have stagnated). However, the trend has worsened under the Bush Junta. In the last year alone, one million people have been added to the 36 million Americans living in poverty. The Labor Department has reported that while incomes had increased last year, the gains had gone mostly to the top — few with significant non-labour income such as stocks and bonds.

As noted, this is a long term phenomenon. According to figures from the Labor Department's Bureau of Labor Statistics, hourly wages for non-supervisory workers rose by a total of just 4.6 percent during the 24-year period from 1979 to 2003. Other figures give different results, but even the most favourable government surveys show real pay for an hour's work rising by less than 1 percent a year between 1979 and 2003. Many people are turning to debt to make ends meet, while others have taken more jobs or seen their partners job the workforce for the first time.

This is not to say that US workers are not productive enough. Productivity has grown steadily in the US but wages have not. According to capitalist economics, the wage is dependent on the contribution of labour to production. Rising productivity, in other words, should be matched by rising wages and, moreover, allows employees to raise wages without raising prices. In other words, it holds the key to rising living standards in society. Yet since the late 1970s, wage growth has lagged behind fast-rising US productivity.

The difference between productivity and wage increases is important as this is where fatter profits and higher stock prices made. Productivity, in bourgeois economic theory, sets the limit to wage increases. Sustained increases in wages in excess of productivity growth would result in a profit squeeze or, perhaps, inflation (as bosses try to recoup profits by rising prices). This is, of course, considered a bad thing. Yet there is no reason why wages cannot lag behind productivity growth, particularly if workers are weak and unorganised. This is precisely what has been happening in America. Needless to say, capitalist economists are not up in arms about this nor the little fact that it destroys the claim that a workers' wage equates to their contribution to production in a free market.

Not that capitalist economists do not have ideas on how to improve this terrible situation. They argue that things can get better only with more of the same kind of policies that have been implemented for the past 25 years. Why they should now suddenly improve living conditions is not explained. Also suggested is that workers gain an education as a means of paving the way for individuals to boost their earnings in higher-level work as the labour market is less weak for with more than high school education. Yet such an increase in supply for skilled work, while rational on an individual basis, is self-defeating collectively as it will drive down wages generally. Little wonder the defenders of capitalism suggest it.

One source of the blindness of capitalist economics to the real sources of the problem is that it focuses on individuals. Another is that it discounts the idea of economic power. Institutional and collective factors are generally ignored. By looking at the wider picture you see the real source of labour's problem. What is significant over the last quarter of a century is the weakening of worker' bargaining power. The decline of union membership in the private workforce is the most noticeable sign of this, as has a reduced level of collective struggle in general. Both have had a significant dampening effect on wages and rising inequality as unionised jobs and/ or militant workers boost wages generally as other industries have to compete for these workers and so have to provide better pay and conditions than they otherwise would like to. Without unions and militancy, there is no reason why bosses should increase wages — particularly when unemployment and insecurity levels are high.

Simply put, working conditions and pay can only be improved when workers organise themselves to improve them. Waiting for the market to deliver will, as the last 25 years have shown, be fruitless. Yet continually having to fight for a share in the wealth you create but do not own is hardly the best alternative to stagnating wages and working conditions. This is why anarchists argue that workers should organise not only to improvements under capitalism but also to end that system once and for all. Only that will ensure that workers control the wealth they produce and ensure it goes towards making their lives better rather than enriching the few.