

U.S. Real Wages Have Fallen for Another Year

by Paul Gallagher

The Cheney-Bush White House was pushing the Congress hard, just before its recess began on July 23, to pass new tax cuts; extensions of the Administration's earlier tax cuts for five more years, and a new increase in the Earned Income Credit tax rebate. The White House wanted more tax giveaways in general, despite being told by Senate Finance Committee Chairman Charles Grassley, a Republican, to wise up and admit that its economists were wrong—tax cuts don't produce jobs. And in the case of the Earned Income Tax Credit (EITC) paid primarily to lower-income working families with children, Cheney-Bush were acting with the leadership of Tom Delay (R-Tex.) and Dennis Hastert (R-Ill) to head off an attempt to raise the Federal minimum wage, stuck for years at \$5.25 an hour.

The reason was made clear by neo-conservatives in the press: An increase in the EITC is tailored to help out only the lowest-wage workers; but a Federal minimum wage increase would trigger state minimum wage hikes and create leverage for higher wages throughout the workforce. Just the opposite of the downward spiral of real wages of the American workforce, which has accelerated in recent months. Federal Reserve Chairman Alan Greenspan, for the same reason, told a surprised Senate Banking Committee panel in June that he

was "an economist who doesn't think there should be any minimum wage."

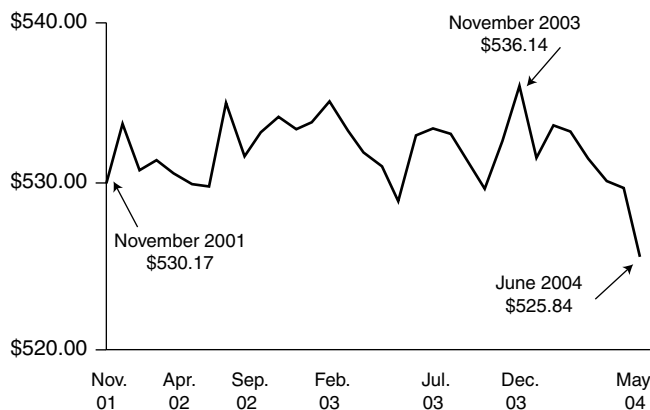
EIR has documented in numerous purchasing power surveys over decades, that the American head-of-household's real wage has been declining at approximately 2% per year over 30 years, and being made up for by multiple jobs to support each household, and by constantly cheaper imported consumer goods. An analysis of real wages over most of Cheney-Bush's time in office, published July 16 by the Economic Policy Institute (EPI), shows that that trend has continued (see **Figure 1**). The EPI's analysis covered the hourly and weekly wages of production workers in manufacturing, and non-managers in all service sectors; workers who "represent about 80% of the private-sector workforce." These workers' families are thus those whom Lyndon LaRouche, in his Presidential campaign, has cited as the "lower 80 percentiles of household-income brackets" whose living standards are declining, and appealed to as the "forgotten men and women" of both political parties, suffering constantly worsening debt and economic strain.

That decline LaRouche has pointed to, is shown in the decline of the mean "real" weekly wage of that lower 80% over that 30-month period, *even when measured against the absurd, official Commerce Department inflation rate of 2-3% each year*. And the drop is clearly accelerating.

These lower 80% account for well under half of all consumer spending, which is largely done by the upper 20% of income brackets, as the U.S. income gap keeps widening (see **Figure 2**.)

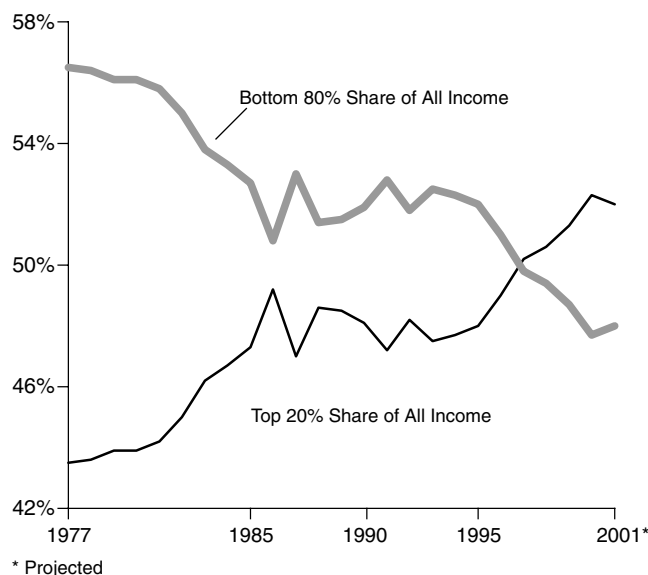
FIGURE 1
'Official' U.S. Mean Real Wage, November 2001-June 2004

(June 2004 Dollars)



Source: Economic Policy Institute.

FIGURE 2
Wealthiest 20% of Americans Have More Than Half of All After-Tax Income



Source: Bureau of Labor Statistics, EIR.