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## **The U.S. Economy, the Omicron Variant and Moving Forward**

Good evening, thanks for attending. Happy belated New Year. Let us make this year a better one than the last two.

We live in a critical juncture of a deadly pandemic that intensifies as the Omicron variant surges. I will focus on the U.S. economy with a focus on labor. Also, the causes and implications of the growth in prices, i.e., inflation, for different social classes. I will analyze the Omicron variant and what it means for future employment, inflation and the availability of goods and basic services. I will briefly examine, Biden's Build Back Better proposed legislation and conclude with suggestions on how we can organize for economic justice.

### **The U.S. Economy**

If we measured how the economy is doing by the two most common measures, the unemployment rate and GDP or GDP growth, the economy is doing well over the second half of 2020 and 2021.

Unemployment was 3.9% in December 2021, one of lowest over last 75 years with the unemployment rate steadily falling and much more rapidly than after the Great Recession of 2007-2009.

There has been steady growth in employment over the last year. There almost still almost 4 million fewer are working than before pandemic almost shut the economy down in early 2020.

Gross Domestic Product, (GDP) is a measure of the production of goods and services. It is closely related to national income. After falling the most rapidly it ever had in March and April 2020, GDP regained a good part back in the third quarter of 2020, and since has been growing after accounting for inflation at almost 5% per year, twice the historic trend. Real output has grown primarily in goods, while services only reached their prepandemic level in December 2021. By real growth of GDP, I mean after factoring out price increases.

Why have employment and GDP grown significantly? A major factor has been the large growth of government income supports. Households benefitted from the child credit of \$250 to \$300 a month, tenant support which helped landlords receive income and tenants from being evicted; increase in unemployment benefits of \$300 to \$600 a month and extension of eligibility, PPP (Paycheck Protection Program), grants for small businesses and three stimulus checks--totaling \$3200 for adults and \$2600 for youths.

There was major federal aid to State and local governments, and the Federal Reserve Bank lowered interest rates and increased substantially the money supply. These Keynesian policies pursued by the Trump and Biden administration equaled 5 trillion dollars between March 2020 and December 2021. These expansionary fiscal and monetary policies created economic support for households so they could maintain their standard of living, as demand for goods like cars, food, consumer durables like TV's and washing machines, for gym equipment and food consumed at home, grew as did savings. These government programs have largely come to an end.

Is the economy really thriving? Is your economic situation better than it was two years ago? In most polls, around 2/3 of U.S. residents say the economy is doing poorly and they expect it to get worse in 2022 although a majority say their financial situation is good, like just before the pandemic.

The economy is much more than GDP, or the unemployment rate!

It is people's lives, their access to goods including housing, the quality of one's work, and the quality and affordability of services like day care, health care, The economy also includes work and production in the home.

Even before the recent growth of the recent Omicron variant, the economy, our lives were in distress. Working conditions for most workers on the job have declined, stress has increased over the last two years. For retail store, restaurant and hotel workers, for those working in meat plants, in Amazon warehouses, for bus drivers, hospital and other care workers, the danger of catching the Coronavirus is real and infections have been common. With Omicron variant, the risk has grown. There is speedup as there are fewer fellow workers because they are sick with Covid or taking care of someone with Covid or because day care centers or schools are closed and they, usually women, stay home. In many situations, there are also not enough workers, jobs go unfilled, because employers refuse to improve wages and working conditions enough to attract employees. For example, I subscribe to *The Olympian* and the *NY Times* and I have gotten these papers less than ½ the time in recent months. When I complained, *The Olympian* said they couldn't find people to deliver the paper. I said they could if they raised wages and benefits.

Given the continuing dangers of getting infected with the Coronavirus at work, and added home care responsibilities, working from home may be the best of not good choices. But it decreases social interaction with fellow workers and makes it harder to informally plan on the job for collective action.

### **The Great Resignation**

Quits are at all time high since data was first collected in 2000, reaching 4.5 million in November 2021. Much of this is workers taking early retirement; 2/3 of those leaving the labor force are 55 and over. They are leaving the work force for fear of infection or dissatisfaction with their job and deciding to live off their pension and savings,

10 million plus jobs are currently not filled, greater than or equal to the number of unemployed, even if we use a more accurate and real definition of unemployment.

Many of those quitting are moving between jobs, so they will be working for another employer. Many are sick with Covid.

The majority of those leaving their jobs are women as are the majority of the 3.6 million workers who have not returned to work. A major reason is having to do unpaid care labor-- to take care of their kids, whose schools may be closed, or their elderly parents. There is a lack of daycare and of daycare workers--who are quitting in large numbers.

The greater number of job openings than people looking for work--gives workers more bargaining power--as people are quitting current jobs for better pay, safer jobs, for job training to change professions, to open small businesses, especially e-commerce. The numbers of small businesses have grown substantially in this COVID period.

Savings and checking account balances proportionately have grown most rapidly among the poorest 25% of population. So, it is easier to quit with some savings and not take the first job available. This increases one's bargaining power and ability to hold out for higher wages.

Wages are increasing in jobs where there are many openings, e.g., restaurant, health care workers. "The Great Resignation" is a form of resistance and causing higher wages for some workers but thus far is more individual than collective struggle.

### **Inflation and the Real Wage**

By inflation, we mean a general increase in prices. Prices rose 7% on the average in the U.S. in 2021, the highest since 1982. Gasoline prices rose 58%, meat 13%, food, overall, 6.5%; utilities and used cars by a third; housing prices by 20%; and rent, other goods and services less rapidly but rising.

One way of thinking about the impact of inflation is analyzing it in relation to wages. The change in one's real wage is the % change in wages - the % change in prices, so if wages rose by 4.7% and prices rose by 7%, the real wages declined by  $4.7 - 7 = -2.3\%$ . This decrease in the average wage of 2.3% is what happened in 2021. However, for lower income workers, wages have been growing more rapidly than the inflation rate so their real wage has been growing although incomes continue to be the most unequal in the U.S. of countries in the Global North. Firms are forced to raise wages when there is a large shortage of workers. The growth of savings from the stimulus package and extended unemployment benefits and child benefits has meant the ability of workers to refuse jobs unless wages increase. These government benefit programs have largely come to an end meaning that savings and the connected bargaining power of workers are likely to decline. Although wages grew more rapidly for lower rather than higher income workers which has not usually been the case in the U.S. for 40 years, income and wealth inequality still grew as the stock market rose by over 20% in 2021.

Why the growth in inflation, from an average of about 2% a year over the last 20 years to 7% in 2021? This is important in order to understand remedies.

Let us consider what has happened to the supply and demand of goods and services!

On the demand side, there has been a shift towards purchases of goods, e.g., purchase of durable goods, goods lasting more than 3 years, are up over 20% in 2021 while services are at prepandemic levels. Given that firms are profit maximizing, this increase in demand gives them the ability to sell more goods and still raise their prices. The various stimulus packages and other income support mean individuals and families, even with reduced employment can maintain or even increase their demand for goods and this is where inflation has been concentrated.

Supply for many goods has also been restricted contributing to inflationary pressures. Many of these goods, whose demand have risen, are imported and we are living in neoliberal global capitalism, which means just in time production, little inventory, and global supply chains. So, a lack of parts like computer chips cause shortages and rising prices for cars and other goods that use them as inputs. Our ports cannot accommodate this increase in supply of imports nor are their sufficient truckers to move all the goods when they are unloaded. The cost of shipping has risen substantially which contributes to higher prices. Unlike other recent inflationary periods in

the U.S., the current period is to a major extent caused by supply chain interruptions and shortages.

This increase in demand for goods and higher costs and bottlenecks have caused prices to rise, especially in a world where firms have the power to raise prices and profits.

Much of the mainstream media and the Federal Reserve Bank are calling for austerity, higher interest rates, no child credits, i.e., decreasing aggregate demand in order to reduce prices. Often unstated, this will cause higher unemployment and lower wages. It is the wrong solution although likely to be policy. It is wrong to say higher wages are main cause of the recent growth in prices as overall wages are growing less than prices. Corporations are marking up prices more than wages are increasing so they are using their monopoly power to raise prices in a period of short supply. Reducing monopoly power by applying anti-trust laws would reduce inflation.

Inflation isn't all negative. It does harm those on fixed income although this can be mitigated when payments are adjusted upwards each year at the inflation rate, e.g., social security benefits. For those who are debtors, the majority, with student loan debt, those with large credit card debt, auto loan debt and mortgages, inflation reduces the real burden of their debt. For example, if one owes \$1000 and prices double, let us say over a ten-year period, \$1000 after ten years is equivalent to what \$500 was, 10 years ago. So, the burden of your debt is reduced by one half. Simultaneously, creditors--financial institutions, wealthy corporations like Apple, Amazon have a huge amount of cash reserves and their real value falls with inflation. They are creditors. So, inflation has a distributional effect that benefits debtors and harms creditors. Which side are you on? Part of the anti-inflation bias historically of the Federal Reserve Bank and the mass media have been their identification with and connection to financial capital.

So, what is the solution in the short run? Price control of goods whose prices are rising rapidly should be imposed by the Federal Government. They should continue until supply shortages and supply chain disruptions end. I would also add, rent control to stop the rise of rents. Price control is preferable to increasing unemployment which Jerome Powell, the head of the Federal Reserve Bank, in testimony to Congress on January 11, 2022, indirectly confirmed will be Federal Reserve Bank policy, when he testified that raising interest rates and reducing credit is likely in the coming months.

### **The Omicron Variant and Growing Shortages**

The surge in the coronavirus is serious and worrisome. There are seven times more cases in mid-January 2022 than in November 2021 in the U.S. and 10 times more in Thurston County. Reported case are approaching a million a day in the U.S. and more than double that if we include non-reported cases. In the U.S., hospitalizations have more than doubled since November 2021 and are at an all-time high. Deaths have increased to 2000 a day and likely to increase in the next few weeks as deaths occur after the rise in cases and hospitalizations.

Besides this growth of direct sickness, the serious mental health impact in the prisons, among young people, among older people and in the population is truly alarming. There will be reduced income for many as employment declines as more workers are sick or stay home to take care of others. Our private health care system is in crisis. Prices are likely to continue to rise because of the increased shortage of goods and workers, e.g., truckers to move goods; and growing supply chain interruptions. If the Omicron variant spreads in China which is likely, the resulting lockdowns there will cause even more supply shortages of goods here.

The economic situation in the U.S. in the United States in the immediate future, although hardly discussed in the mainstream media, is truly alarming. We should demand another economic stimulus package, tenant support and other income support programs, immediately, if the number of coronavirus cases continue at elevated levels. Let us put this on the national agenda!

#### Build Back Better and Government Economic Policy.

There are many positive reforms in the Build Back Better policy proposal, especially Bernie Sanders original 6.0 trillion-dollar proposal and even in Biden's proposal of 3.5 trillion dollars over ten years. They included the \$300 a month child credit which just ended, affordable day care with day care workers getting paid like elementary school teachers, free preschool beginning at age three, free community college, expansion of Medicare to include hearing, vision and eyesight and lowering the price of prescription drugs, expanded Medicaid, a path to citizenship for millions of undocumented immigrants, and significant although insufficient programs towards reducing fossil fuels and increasing the use of solar and wind energy. These programs are to be financed by higher taxes on the incomes and wealth of the 1%, by raising corporate taxes, and from savings on federal government payments for prescription drugs. It is more than I expected from Biden although his foreign policy and immigration policy have been horrible. Because of the opposition of all the Republicans and at least two Democrats in the Senate, passage is very unlikely. Even Sanders would have had trouble in getting his version or the Biden version passed although the various parts of this bill have large majority support in polls.

If various parts of the Build Back Better proposal can be made into separate bills and passed with 51 votes in the Senate that is probably the best that can be accomplished now until there are stronger social movements on the ground demanding these reforms and a less conservative Congress, especially the Senate. Getting the two voting rights bills passed are also important in their own right and for these reforms to happen.

#### Conclusion and What is to be Done

I have mainly analyzed the U.S. economy; what has been happening over the last two years and the danger of a substantial current and future decline in the availability of goods and the declining quality and availability of essential services like health care and daycare and nursing homes. I also explained why raising interest rates is not a good solution to inflation. It will cause more poverty and unemployment.

Although there was significant growth in employment and a small increase in incomes in the two years before the pandemic and a substantial recovery since the depression like economy of late winter and spring of 2020, the economy is unstable and not working for the majority. The racial income and wealth gap have continued to grow since the 2008 financial meltdown as have overall income and wealth inequality. There continues to be denial and lack of meaningful action to end the climate crisis which is here. I recommend strongly, the movie, "*Don't Look Up*", if you haven't seen it yet. Moreover, we are in another financial and speculative bubble as housing and stock prices are substantially overvalued compared to their historic relation to rents and profits. The rising prices of cryptocurrencies are also part of a speculative bubble. The probable decline of these bubbles is likely to ricochet into the real economy causing a downturn in output, income, employment and growth in hunger and poverty.

The growth of worker strikes, of labor organizing at places like Amazon, Uber, Starbucks, John Deere, and Columbia University is hopeful as are people quitting jobs and demanding better pay and safer and better working conditions and benefits. On the other hand, organized labor is only about 10% of the work force and much lower in the private sector. There is increased public

support for unions but what is needed more than ever is social movement unionism, where unions are social movements, allied with other movements for immigrant justice, environmental justice, criminal justice, racial justice, reproductive justice and against U.S. imperialism. We need a new labor movement or a transformation of the current one where the power and initiative comes largely from its members, a labor movement committed to organizing the unorganized and militant, democratic, for more and independent of the Democratic Party, and that organizes for more worker control.

We are in a period where most social movements are quite weak although the Occupy Movement, the Sanders campaigns, the Black Lives Matter Movement and the systemic contradictions revealed by the growing climate crisis and the pandemic foster a growing anti-capitalist consciousness. The current period creates the possibilities for winning non-reformist reforms and for growing support for socialist transformation. At the same time, the dangerous forces of white supremacy and misogyny and authoritarianism are growing in strength.

By non-reformist reforms, I mean winning reforms that improve people's lives, while demonstrating the limits of capitalist reform and building consciousness, solidarity, and capacity for further struggle.

For example, as non-reformist reforms,

1. The need for universal and quality health care for all, locally, nationally and globally has never been clearer, that health care should not be a commodity. Let us make explicit, health is a basic human right and healthcare should not be for profit as we organize for single payer healthcare. This would have saved millions of lives, e.g., if there was universal access to vaccines to stop the spread of Covid, and if hospitals had the capacity to deal with a rise in cases. In Washington State, we should organize for single payer universal health care that includes immigrants and prisoners on a Washington State level first. It is more possible in the current period on a State rather than national level.

2. There shouldn't have to be a choice between working to survive or endangering ourselves and others by going to work. This horrible choice can help frame the alternative, a UBI, a universal basic income where one can survive adequately without having to work.

3. Who are essential workers is demonstrated daily. They are not corporate executives and financiers. They are disproportionately immigrants, women, low paid, Black and Latinx. We should support increase in wages, for respect, for safer working conditions and for worker rights to organize, e.g., in meat packing plants, health care, Amazon warehouses, day care, nursing homes and elder care, teachers, etc. Many are immigrant workers so demands for immigrant rights and immigrant justice should be part of the demands for the rights and good treatment of essential workers.

4. The climate and environmental crises are here, nationally and even more so globally. Let us connect their causes to global neoliberal capitalism, and solutions to a vibrant environmental justice movement.

5. The need for quality and affordable day care and housing for all. This cannot be achieved through the capitalist market. Let us demand their decommodification.

In conclusion, we have the opportunity to build and participate in these social movements, in minor and major ways, while educating ourselves and not isolating ourselves alone or in small cliques. Concluding there is no hope, being cynical or nihilist is not radical or helpful. Let us

work to connect these social movements and organizations with a vision and a practice that another world is possible and necessary, a participatory socialist society where there is the real possibility of overcoming poverty, alienation, all forms of oppression and exploitation, for a sustainable world where humans and all living creatures can thrive.

Thank You.  
Peter