

United States: This recession is an ambush

Workers need a national response

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Portland socialist Shamus Cooke [has warned](#) that the ruling class is conjuring up a recession to wipe out recent workers' gains. Here he writes that we need a national response that combines action from below with steps toward workers' political independence.

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The U.S. labor movement made important steps forward in 2022, with inspiring campaigns and a level of strike activity that continues to rise, along with the formation of new unions.

The numbers don't add up to a strike wave, but many big companies are grappling with high-profile union campaigns with important strikes continuing to be waged.

These developments have alarmed the establishment, but perhaps more alarming have been the actions of the non-organized working class. Low-wage workers continue to flex their muscles with a confidence that is connected to their high demand in the labor market. But instead of organizing new unions, many are simply [leaving for higher wages elsewhere](#), where an epidemic of "job switching" has challenged the dominance of employers over their workers.

The combined effect of organized and unorganized workers has put corporations on the defensive for the first time in forty years. These companies spent decades creating a capitalist hellscape for employees, but the chickens have come home to roost in the form of new unions, job switching, or dropping out of the workforce entirely.

The capitalists have declared a crisis

The U.S. establishment clearly understands it is facing a serious labor crisis, not only because of the above reasons but a deeper problem: [a massive labor shortage](#). The issue is multifaceted, though a key driver is demographic shifts, where the baby boom generation is retiring but is not being replaced by the birth rates of younger generations. An economic report on [workplace trends](#) predicts that between 2026 and 2036 the U.S. workforce will shrink by 3.2 percent.

Fewer workers overall means that each worker is worth more, and a labor market that favors workers is a national emergency for corporations, since higher wages mean lower profits—and profit

is the motor force of capitalism.

Across the country, “help wanted” signs have become permanent features even as the de facto minimum wage has soared beyond \$15 in many cities, while \$15 is increasingly becoming [codified into law](#) across the country.

Of course, if companies had less hellish work environments—or better benefits packages— they’d have no problems attracting workers, but this is precisely the problem, and corporations have a solution.

The plan isn’t to create a more worker-friendly U.S. capitalism. Quite the contrary. The plan is to do what the establishment has done for forty years, only this time with more brutality. It appears the big employers are ready to do whatever it takes to re-discipline the working class into submission, to accept an even lower standard of living with an even more soul-crushing work life.

Many tactics are being used to boost the labor force, all intended to drive down wages: slashing unemployment benefits, [clamoring for more immigrants](#), cutting of other safety net programs, etc., but the fundamental problem—wages—is being targeted directly by the highest levels of government with bipartisan support.

An increasing chorus of establishment voices is demanding that wages be driven down, which are now being blamed for inflation in general. This is despite the operation of several other major drivers of inflation, such as supply-chain disruptions (many of them related to the pandemic), as well as shortages of energy, food, and fertilizer (in part due to Russia’s war on Ukraine). Despite the fact that these problems are basic and obvious, the establishment seems to think that attacking wages is the solution. Bloomberg sheepishly commented that “There’s a perverse element to cheering for weaker wage growth, which is generally associated with a soft labor market and higher unemployment.”

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The former director of Obama’s National Economic Council, Larry Summers, has been hawkish in his very public campaigning for the Federal Reserve to drop the niceties and attack wages. In a recent [candid interview](#), Summers bragged that the Fed had finally adopted his viewpoint, saying: “My view continues to be you don’t get inflation down to 2 percent without getting wage inflation substantially down, and you don’t get wage inflation substantially down without meaningful slack [unemployment] in the labor market...”

Summers added that the Fed finally recognizes that developments in the labor market should be the “super-core measure of inflation.”

Federal Reserve Chair Jerome Powell has been obsessed with the labor market for nearly a year, with a focus on driving down wages via higher unemployment. His solution to the pro-worker, “overheated labor market” is to [trigger a recession](#), which he is doing by driving up interest rates.

In a [recent speech](#) to the establishment-hardened Brookings Institute, Powell focused exclusively on inflation's connection to the labor market, where he made clear that to attack inflation meant that wages must be lowered. Using his always-technocratic language, Powell was still clear about his intentions: "Because wages make up the largest cost in delivering these services, the labor market holds the key to understanding inflation in this [service sector] category." The service sector is the biggest sector of the U.S. economy.

The coming recession means class war

Jerome Powell has compared his actions [on several occasions](#) to former Fed Chairman Paul Volker, who famously triggered a major recession that Reagan used to attack unions. By using Volker as his inspiration, Powell is also implying that there is an important political component needed to accompany the Fed's actions to assist in lowering wages—union busting.

The Federal Reserve doesn't lower wages automatically, but shifts the labor market to offer more favorable terrain for employers to conduct anti-worker operations. Just like Reagan used Volker's high interest rates to bludgeon unions—as part of Reagan's "fight against inflation"—a very similar situation has emerged today, with Biden doing his best Reagan impression.

The anti-union offensive has already begun, with 2022 showcasing a wave of union-busting unseen since the Reagan era. Many large corporations—most notably Amazon and Starbucks—brazenly [broke labor laws](#) with zero real consequences. Democrats and Republicans alike have looked the other way during this crime spree, which corporations have correctly interpreted to mean they have a blank check to bust unions.

The Left and the broader labor movement have been slow to react to the significance of this union busting, which promises to accelerate in conditions of recession. If labor doesn't become more aggressive soon, 2023 will be a historic year of conquest for corporations.

The [now-emerging recession](#) promises to have big impacts on the [important union contract negotiations](#) set to happen across the country, where workers' desires to catch up with inflation will collide with the corporations' obsession to keep their labor costs low during recessionary conditions.

These contracts will thus be hard fought. Many won't be winnable using non-militant methods, because larger political and economic forces have united in an open conspiracy against organized labor.

For example, the key moment of 2022 that foreshadowed the joint actions of employers and the government against workers—aside from political inaction during a union-busting wave—was the defeat of the rail workers' strike, which had tremendous implications for the threats facing unions in the recession.

The significance of the rail worker betrayal

The potential rail strike was a major political test for both the establishment and the labor movement. The outcome was a key victory for the establishment.

Labor's defeat was significant for many reasons, all amplified by the timing: the Fed pushing the economy into recession; employers experiencing a labor shortage; the actions of organized and unorganized workers facing an intensified employer assault—class relations were verging on the

precipice.

The end result is that corporations have momentum on their side when entering a recession while the labor movement grapples with a demoralizing defeat that has repercussions for other unions. Part of this demoralization is a lack of a solution going forward; there was no big rallying cry when labor “discovered” that the Democratic President and Democrats in Congress were union busters—and now there is no inspiring community campaign or political direction as the labor movement enters recession conditions, surrounded by bipartisan union busters.

The rail strike betrayal by key labor and Left leaders was also significant, as weakness invites aggression, which can only encourage Corporate America’s recession attack plan.

This may seem dramatic to some, but national union conflicts reverberate and are thus watched closely. Many minimized the PATCO union defeat initially—since Reagan had only attacked one union—but the Fed-created economic context ensured that PATCO was a starting pistol for corporate aggressiveness, who had been chomping at the bit.

Similarly, the defeat of the rail workers occurred in the context of the bipartisan support for the Fed’s goal of lowering wages and, like PATCO, a broader desire of Corporate America to readjust labor relations into a more profitable dynamic amid a labor shortage.

Today’s establishment is dramatically shifting its economic policies away from the long period of cheap money that began after the 2008 Great Recession. The Fed’s new direction means that the era of cheap money has ended, but the ruling class refuses to accept that the era of cheap labor is over. For forty years, U.S. corporations have profited from cheap labor, and they plan to fight like hell to keep it.

If the rail workers had won a national strike, it would have inspired millions of workers to do the same at a key moment. It seems the corporations understood the importance of this more than many labor leaders.

Union leaders crumpled during the rail fight

The rail strike betrayal by key labor and Left leaders was also significant, as weakness invites aggression, which can only encourage Corporate America’s recession attack plan.

The union leaders of the various railway unions obviously failed their members, since they signed onto a horrible tentative agreement—that the workers rejected—and later surrendered the battle without firing a shot. The broader labor movement also failed miserably.

For example, the head of the AFL-CIO, Liz Shuler, said nothing about the Democrat’s strikebreaking. Most other top union leaders were equally silent, perhaps hoping their cowardice might spare them the Democrats’ ax.

Hours after Biden signed the strikebreaking law, he entered an IBEW local [electrician's union] for a photo op. Instead of being spat on, he was given a standing ovation.

Teamster President Sean O'Brien has been equally awful (two rail unions are affiliated with the Teamsters). Known for his militant speeches, O'Brien's toughness in the rail strike seemed limited to militant lobbying. But after Congress voted to prevent the strike, O'Brien threw in the towel and pressured other rail workers to do the same. According to Joe Allen's [excellent article](#): "O'Brien and [Vice President] Zuckerman [welcomed](#) the presidential intervention and then [told](#) their two affiliated rail unions to accept the shitty deal. O'Brien personally attended the Teamsters BLEET [rail workers] convention and told the delegates to stop whining and talking to outsiders."

[Teamster President] O'Brien's wimpy role in the rail strike implies that UPS workers will need rank and file pressure to make any potential strike winnable.

O'Brien issued no rallying cry for the rail workers and had nothing negative to say about the Democrats' strikebreaking, choosing instead to focus his fire on the Republicans (though Democrats last year controlled Congress and the presidency). O'Brien has since spoken positively of the Biden administration. Apparently there are no hard feelings.

The actions of the Teamster leadership should be a warning to the Teamster workers at UPS, who are bargaining a national contract this year, which many predict may erupt into a strike similar to the famous [1997 UPS strike](#). O'Brien's wimpy role in the rail strike implies that UPS workers will need rank and file pressure to make any potential strike winnable.

Ultimately, the betrayal of the rail workers proved that key union leaders are completely incapable of dealing with quickly-moving events. The recession is a trap set for the labor movement, and union leaders have signaled that they're ready to blindly march their members into it.

Repairing labor's Achilles heel

Union leaders flunked their rail test because of weak spines and bad politics: The close ties between the top layer of the union bureaucracy and the Democrats led to the betrayal of the rail workers, which has caused broader demoralization in the labor movement.

In an [article](#) about the rail workers, *Cosmonaut* wrote:

Rather than utilizing solidarity and strike, the natural weapon of the working class, rail union leadership had instead put their faith in the President and the Democratic Party to deliver a good contract. This faith was bolstered by the broader leadership of the trade union movement who chose not to mobilize mass action in solidarity with railroad workers, but instead to push illusions in the sick leave measure passing.

“Having any faith in Biden was beyond naive, but such political stupidity shows no signs of stopping, especially since labor leaders have apparently learned nothing from the fiasco, ensuring that similar tragedies will unfold in the near future.”

A similar political crisis is happening to the Democratic Socialists of America (DSA), whose core political strategy is based on working within the union-busting Democratic Party. DSA's already-faltering political vision has been shattered by the rail worker incident, since even DSA-member elected politicians lined up to break the strike.

Budget deficits on the city and state level will again result in attacks on healthcare, pensions, and wages.

DSA is consequently facing aimlessness at a time real strategy is demanded. The organization simply cannot go on like this without internal fracturing, which has seemingly already begun. If the upcoming DSA convention cannot make an enormous course correction, remaining Leftists will strongly consider heading toward the exit.

The strikebreaking showed that the Democratic Party is united in its anti-unionism after years of shifting allegiances away from labor in favor of the wealthy. This anti-labor unity quickly trickles down to Democratic governors and mayors, who are preparing their own anti-union attacks as part of their recession plans: Budget deficits on the city and state level will again result in attacks on healthcare, pensions, and wages.

Public sector unions remain the labor movement's strongest section, but many have been internally weakened by the Supreme Court's decision in *Janus v. AFSCME*, which shrank the budget of many unions. The coming recession will be a key stress test for these unions, some of which will likely buckle under the pressure while others will be strengthened by militantly defending themselves.

The above political dynamic has once again inspired calls on the Left for an independent labor-based workers' party. This obvious solution has created a counter-chorus from the liberal-left [who are determined](#) to stifle this solution.

The first step in creating a workers' party is for the Left to unite around demanding that it be created, and to continuously agitate and organize around this demand, rather than agreeing “in theory” about a workers' party while “in practice” staying welded to the Democrats.

The establishment has a plan for this recession; the labor movement needs a plan, too.

To test the labor party waters, an initial conference of progressive unions and activists could be organized to discuss the political need and strategy towards realizing a labor party. If such a conference is well attended and enthusiastic, the participants would be encouraged to take the next steps.

Steps toward building a workers' party need to be taken in conjunction with creating an action plan against inflation and recession, where unions and community groups come together to mobilize in favor of a program capable of defending and expanding working class power in a time of crisis. A good example of such a campaign is "[Enough is Enough](#)" in Britain, which calls for real wage increases and for taxing the rich to provide adequate food, energy, and housing. Such a campaign could have broad appeal, and those who also advocate forming an independent workers' party could gain some hearing within it. If an action campaign can win some successes through workers' own efforts, it could boost their confidence to join a Left call for political independence from the Democrats.

In order to survive the emerging phase of recession and anti-unionism, labor leaders must discuss what's at stake with their members. As it stands now the recession will be a shock to millions of workers even though the Fed has been planning it for well over a year.

The establishment has a plan for this recession; the labor movement needs a plan, too. If the broader working class is punished by the recession without a loud and visible labor movement campaigning for pro-worker, socialist solutions, we will inevitably get anti-worker, capitalist solutions to an economic crisis that is only just beginning.

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P.S.

• Tempest. JANUARY 29, 2023:
<https://www.tempestmag.org/2023/01/this-recession-is-an-ambush/>