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The Blame Game: Scapegoating Workers for the Unemployment Crisis

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Lately it's become sport for the corporate class and media elite to scapegoat workers for high unemployment and the sluggish economic recovery. This past weekend, while the nation observed Labor Day in recognition of America's hardworking men and women, extreme corporate interests used the holiday as a news hook to attack workers' wages and unemployment benefits.

Kevin Hassett of *Bloomberg News* marked the holiday by opining that "the biggest problem with the labor market right now is that wages are too high" and called for a 20 percent cut in the minimum wage to spur job growth. Minimum wage earners working full time currently make about $15,000 a year, but Hassett wants to slash their pay by almost $3,000-- a hefty cut to a family's income, sold under the banner of economic recovery. Over the weekend, the editorial board of *The Pittsburgh Tribune Review* made the same argument, only more extreme. In an editorial entitled "Kill Wage Floors," they call for repealing the minimum wage altogether.

At the same time that corporate interests and their allies are taking aim at workers' wages, they are also arguing for cuts in unemployment benefits. Despite record rates of long-term unemployment, some politicians and pundits brazenly have characterized unemployed Americans as lazy and unmotivated, preferring to milk modest unemployment checks rather than further their careers.

Now, *The Wall Street Journal* is publishing unsubstantiated economic arguments in attempt to bolster these claims. In last week's *Journal*, Hoover Institute economist Robert Barro argued that "the dramatic expansion of unemployment-insurance eligibility to 99 weeks is almost certainly the culprit" for the sustained unemployment crisis. *Chicago Tribune* editor Steven Chapmen piled on, asserting "benefits just postpone the inevitable, depriving the economy of labor."

Barro and Chapman contend that benefits are keeping people unemployed, when the real problem is the lack of jobs. There are currently 5 job seekers for every job opening, and the economy is still missing more than 8 million jobs that vanished since 2007 and have yet to reappear. Even if the unemployed had never received a single benefit check, how could they go back to jobs that simply don't exist? The argument that workers themselves are responsible for record unemployment defies logic, but fits neatly in the extreme corporate ideological agenda of gutting worker protections at every turn.

While corporate interests are attacking workers ' wages and unemployment insurance for prolonging the unemployment crisis, large corporations are busy registering record profits. The S&P 500 profit margins are estimated to have reached an incredible 9 percent in the second quarter, topping margins recorded in the 1990s. According to Commerce Department figures, corporate profits have fully rebounded and are now higher than they were before the downturn hit.

Awash in profits, CEO’s are being rewarded handsomely. According to a new study by the Institute for Policy Studies, the average CEO paycheck in 2009 was twice as much as it was in the 1990s and four times as much as in the 1980s, adjusting for inflation. At the same time, although productivity has increased more than 6% since the recession began, workers’ wages have stagnated.

And the future looks bleak. Corporations are holding onto money, failing to reinvest in growing their workforces and increasing production. In June the Federal Reserve reported that the nation’s top 500 non-financial companies were holding more than $1.8 trillion in cash, which, by any measure, is more than they’ve had on hand in over half a century. Corporations are sitting on a pile of cash more than twice the size of the federal stimulus.

One of the reported reasons they are reluctant to reinvest is that demand has yet to recover. Consumer spending drives 70 percent of the economy, but with record numbers of Americans facing foreclosure, job loss and stagnant wages, demand has understandably not resurfaced.

The way out of this quagmire is to grease the wheels of the economy by putting money back into the hands of workers and the unemployed to boost their consumption, so they can encourage corporations to reinvest the billions they are holding into job creation. The very policies under attack—decent wages for working Americans and unemployment insurance for workers who cannot find work—can provide companies the strong markets they need to jumpstart economic growth. Together, business and workers can be partners in economic recovery.