Opinion: U.S. workers getting a raw deal

By Robert Reich

For most of the last century, the basic bargain at the heart of the American economy was that employers paid their workers enough to buy what American employers were selling.

That basic bargain created a virtuous cycle of higher living standards, more jobs and better wages.

Back in 1914, Henry Ford announced he was paying workers on his Model T assembly line $5 a day – three times what the typical factory employee earned at the time. The Wall Street Journal termed his action “an economic crime.” But Ford knew it was a cunning business move. The higher wage turned Ford’s autoworkers into customers who could afford to buy Model Ts. In two years, Ford’s profits more than doubled.

That was then. Now, Ford Motor Co. is paying its new hires half what it paid new employees a few years ago.

The basic bargain is over – not only at Ford but all over the American economy.

New data from the Commerce Department show employee pay is down to the smallest share of the economy since the government began collecting wage and salary data in 1929. Meanwhile, corporate profits now constitute the largest share of the economy since 1929. That, by the way, was the year of the Great Crash that ushered in the Great Depression.

In the years leading up to the Great Crash, most employers forgot Henry Ford’s example. The wages of most American workers remained stagnant. The gains of economic growth went mainly into corporate profits and into the pockets of the very rich. American families maintained their standard of living by going deeper into debt. In 1929, the debt bubble popped.

Sound familiar? It should. The same thing happened in the years leading up to the crash of 2008.

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