In defense of Davis-Bacon

GAO may claim it inflationary, but on close examination the opposite proves to be the case.

As Congress opens hearings on a number of bills to repeal or amend the Davis-Bacon prevailing wage law, various arguments and studies will be bandied about, providing a lot of heat, but not much light, on the merits of the question.

The main arguments being waged by conservatives, buttressed by General Accounting Office reports and Heritage Foundation recommendations, are that the Davis-Bacon law leads to low productivity and inflationary wages in the construction industry.

The highly touted GAO report admits that it is based on an unscientific survey. The report's ideological supporter, the Heritage Foundation, has provided the underpinning for the Stockman-Volcker wing of the Reagan administration. The Heritage orientation has undercut support for Reagan both from vital constituencies like labor, and for policies of economic growth.

Several scientific reports, including one done by the MIT School of Engineering, proves that the GAO report is fraudulent and that if prevailing wages are lowered or eliminated, productivity will collapse. Contractors paying lower wages would have to employ more labor to do the job.

Wages in construction as a percentage of overall costs have fallen rapidly over the past few years. While a dramatic increase in costs of materials, equipment, interest rates, land, mortgages, and financing has occurred during the 1974-79 period, real wages in construction have fallen by 12 percent.

The Davis-Bacon Act was originally enacted in the 1920s under a Republican administration and Congress as a means to undercut the chaos existing in the construction industry. At that time, vicious underbidding, low wages, shoddy construction, and hit-and-run contractors were dominant.

Today, states which have eliminated "little" Davis-Bacon laws are faced with the same chaos in construction as in the 1920s. Over 50 municipalities are suing nonunion, outside contractors for shoddy construction and violations of contracts. In these locales, deaths and increasing injuries which cause lower productivity are commonplace.

The destabilizing effects on the construction industry that Congressman Bacon, a Republican banker from New York, was trying to combat in his introduction of Davis-Bacon are cited today by the National Electrical Contractors Association in defense of the law. In a lengthy statement, they said, "The law acts to stabilize the industry and provide government and the American taxpayer with value for each construction dollar spent. It is not inherently inflationary. Indeed, a strong case can be made that it actually brings down construction costs, while maintaining quality in the actual work. . . .

"What happens if Davis-Bacon is removed? If a contractor bids a job extremely low, based on undercutting prevailing wages in one or more trades, he is simply not going to get skilled employees to man the job. And with unskilled personnel . . . the result is going to be an incredible dropoff in productivity, [or] a slowdown in construction. . . .

"Lower productivity or job delay mean increased costs to the owner. . . . Davis-Bacon, by requiring the payment of the prevailing wages, assures that quality workers will be on the job, that productivity will not be drastically reduced, and that the construction schedule and building quality will not suffer."

The Reagan administration's commitment to cut through government regulations that undermine productivity and growth in American industry is to be applauded. However, recent deregulation cases should warn the President that moves in this direction should be carefully considered. Leaders in the airline and trucking industries are pointing the finger at dereg for creating bankruptcy and chaos and for *reducing productivity*.

Obviously, any regulations that hold up the construction of a nuclear facility for 15 years are ridiculous and should be set aside, as should other environmentalist roadblocks to economic growth.

The most important metric that must be used in determining the viability of a regulation is the effect it has on the overall rate of productivity of the economy. In this light, the case for Davis-Bacon overwhelmingly and absolutely corresponds to the economic goals of the White House.