

The Davis-Bacon Act. By ARMAND J. THIEBLOT, JR.
Philadelphia: University of Pennsylvania, 1975. Pp. xiv+239. \$6.95.

The major purpose of the Davis-Bacon Act, when it was enacted in 1931, was to maintain local wage standards by requiring contractors and subcontractors on federally financed construction projects to pay employees wage rates established by private industry in the locality. The act requires minimum wage payments to laborers and mechanics employed directly on the construction site of not less than the wages “. . . determined by the Secretary of Labor to be prevailing for the corresponding classes of laborers and mechanics employed on construction of a character similar to the contract work. . . .” Since 1937, over 63 statutes have been passed in fields such as education, health, transportation, and housing that include Davis-Bacon type prevailing-wage clauses for federally *assisted* as well as financed construction projects. These cover projects which, wholly or in part, are financed, either directly or through loans, or are merely insured by the federal government. Furthermore, 39 states have passed “little Davis-Bacon” statutes covering state construction expenditures.

Armand J. Thieblot's monograph is not the first study of the administration and impact of the Davis-Bacon Act; however, it certainly is the most comprehensive. Successive chapters of the book consider the history of the act, definitions and interpretations of key words in the legislation, its current administrative organization and enforcement, experience under it (including improper wage determinations), and its costs and inflationary impact. A set of case studies are then presented to document the existence of improper and excessive wage determinations. Finally, the book concludes with a discussion of the original rationale of the Davis-Bacon Act and its current-day relevance, a survey of contractors reporting their views of the act, and a set of conclusions and recommendations.

This book is written from the perspective of an accountant rather from that of an economist. As such, the major costs of the act, which it emphasizes and extensively documents, are those of administration and improper wage determinations. However, from an economist's perspective, an equal if not more important cost may occur through the act's impact on market structure in the construction industry. One can plausibly argue that the incentive for contractors to resist the unions' high wage demands will be strongly dependent on their ability to pass on to the users high wage costs of construction, and consequently at least partially on the elasticity of demand for their final product. To the extent that decisions to undertake projects covered by these acts, and the locational decisions associated with them, have been historically made prior to excessive consideration of their wage costs, the prevailing wage clauses of the

Davis-Bacon Act and its offsprings have caused the demand for publicly financed and assisted construction to be price inelastic. By effectively reducing the wage elasticity of demand for unionized construction workers, these acts have, as I have documented elsewhere, increased union power to raise wages in the industry. Unfortunately, arguments such as the above are presented only briefly in the monograph (pp. 84–85). Potential readers of this monograph who are more analytically oriented would thus probably find John Gould's short monograph *Davis-Bacon Act: The Economics of Prevailing Wage Laws* much more satisfactory.

It should be emphasized that this is a comprehensive and extensively documented study. It is often tedious reading to pour through the mass of details Thieblot presents. Nevertheless, he clearly makes his major point that the administration and structure of the act has led wage rates to be substantially higher than they would be otherwise. Moreover, some of the details he presents provide fascinating evidence of the extreme misallocation of resources which occur within the federal bureaucracy. For example, currently the Department of Labor must "determine" more than a million wage rates a year without an automatically updated data base or the use of computers.

All in all, this is a first-rate study. Most people who have examined the act, save construction-labor unions, would probably come to the same conclusion as Thieblot—that the act should be repealed or drastically amended. Indeed, the Davis-Bacon Act serves as an example that as time passes many types of social legislation and government regulation which previously served useful and important functions now may have primarily adverse consequences. Thus, we should be constantly monitoring and evaluating existing programs and legislation to determine which should be modified or abolished.

I should note in concluding, one disturbing feature of the study. Financial support for the study came from the U.S. Chamber of Commerce which is on record in favor of repeal of the act. Although a disclaimer is made in the foreword that this in no way influenced the procedures or conclusions of the study, the disclaimer would have proven more convincing if the author drew on union sources as well as contractor sources for his discussion of participants' views of the act. In particular, as well as conducting a mail survey of contractors (chap. 9), local union leaders could have been queried as to their views of the current importance of the act.

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