Prevailing wages: good?

It was during theGreat Depressionthat the government of the United States first decided to implement prevailing wage laws. In those times, the national unemployment rate was at about 14 percent and was expected to rise even further, while the total output, or GDP, decreasing (Vedder & Gallaway 1997, 77). This was a serious matter for the US government as the rising levels of unemployment presented it with many problems. The governmental officials were at a loss as to solving this problems and tried to adopt many policies by which to alleviate such worries. The Hoover administration decided to present its case for prevailing wage laws.

It was argued that if the higher wages (higher than the normal market rate) for the workers were mandated, the workers would have more income and thus be able to spend more in the economy. The argument was that this would allow the US economy to spend its way out of the GreatDepression. Many businessmen also decided to advocate this ‘ high wage doctrine’ and this was perhaps the one argument that formed the basis of many other legislations during both the Hoover and Roosevelt administrations (e. g. the National Industrial Recovery Act, National Labor Relations Act, etc.) (Vedder 1997). This was one argument.

Another side of the story that was in favor of the original Davis-Bacon legislation was that the union contractors wanted to be protected against competition from lower-wage non-union workers. “ Rep. Robert Bacon was prompted to introduce his bill in 1931 after witnessing one contractor’s use of black Alabama laborers to construct agovernment hospitalin Rep. Bacon’s Long Island district. A review of the legislative history of the Davis-Bacon Act makes it clear that the idea behind “ prevailing wages” was seen by some congressmen as a way to reduce out-of-state competition and discourage the use of non-white labor” (Vedder 1997).

But perhaps the strongest argument that is given in support of prevailing wages, one that prevails even today, is that such laws help in the reduction ofpoverty. Advocates of this theory persist that the workers that are affected by such laws continue to receive a healthy amount of income that is able to keep them above the poverty line. “ Finally, some pro-prevailing wage advocates have said that paying high wages insures quality work or, alternatively, that high wages lead to greater labor morale thereby promoting efficiency, and thus these laws cost little or nothing” (Vedder 1997).