An Uncertain Remedy

Nixon Wage Action, Viewed as Mild, Does Fulfill Pledge to Do Something

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WASHINGTON, Feb. 23—After brandishing almost to the last his formidable power to control wages and prices, President Nixon today took the gentlest course of action open to him—short of doing nothing—to stop the spiraling wages and costs in the nation's construction industry. Mr. Nixon said he was suspending provisions of the Davis-Bacon Act "reluctantly" because of the "skyrocketing" wages and prices in the construction industry. But how suspension would interrupt the flight of the skyrocket, or indeed whether it would do so at all in any significant way, is still an unknown.

News Analysis

The provisions require Government contractors to pay prevailing wages on Federal and federally assisted construction projects. The only other time they were suspend was for 25 days during the first term of Franklin D. Roosevelt's Presidency—too long ago and for too short a period to serve as a clue to that will happen under current conditions.

Will Anger Unions

The President's action will anger the construction unions without satisfying the contractors. The unions believe that suspension makes them bear the brunt of efforts to stabilize their industry. The contractors hoped that the Administration would take stronger action to curb the demands of labor.

The President did fulfill his pledge to take some action against inflation in the construction industry. And the action he chose is undoubtedly less politically explosive than a wage-price freeze, which would have brought the wrath of all organized labor upon him and worried large segments of management as well.

By avoiding a freeze he remained consistent with his opposition last year to standby authority to impose wage and price controls, authority that Congress nevertheless gave him. He kept faith as well with traditional Republican ideology, which disapproves of this kind of Government interference in the economy.

However, the Administration, while reiterating its opposition to wage and price controls, pointedly kept them in its arsenal of options today. John B. Connally Jr., the Secretary of the Treasury, said the Administration would "accept" a bill extending the standby authority for two years.

Short and Long Run

The suspension of the Davis-Bacon provisions is unlikely to have an immediate sharp effect on games in the construction industry. Unlike a freeze, which could be imposed at once, the effects of freezing collective bargaining from Government influence must filter through the industry gradually, contract settlement by contract settlement.

Over the long run, the President's action could well have a moderating effect on construction wages. The very fact that the Government contractors were required to pay prevailing wages—which in effect meant the highest union settlement in any given area—was an inflationary pressure on the industry. And since nearly a third of all construction in the United States has been affected by Davis-Bacon, this pressure was considerable.

Contractors that run open shops will be able to bid less than union rates—perhaps considerably less—for construction labor. And since unemployment is high in the construction industry, they may well be able to attract workers at the lower rates.

Moreover, the highest union settlements will no longer be made the floor for subsequent wage negotiations, as they have tended to be.

Finally, the threat of prolonged suspension of the Davis-Bacon provisions may persuade the unions to do what they have refused to do thus far: reach a voluntary agreement with the contractors to re-

But whether the President's action will have an anti-inflationary impact, either in the construction industry alone or for the economy as a whole, is open to question.

The unions say suspension does not come to grips with inflation in the industry because it is directed unfairly at wages alone and does not restrain the price of land or materials, which have been rising rapidly, or set a ceiling on interest rates.

In terms of dealing with general inflationary problems, the suspension has a limitation that would have applied to a wage-price freeze in the industry—it directly affects only the one industry. And, like a freeze, it does not serve as a warning to other industries that they may suffer a similar fate.

Although legislation somewhat similar to Davis-Bacon can be applied to services and material procurement by the Federal Government, there is no such statute applicable to steel or other major industries.

Apparently the President found a freeze too dangerous politically and perhaps too distasteful personally. Instead, he opted for the safer but less certain remedy of suspending Federal support for construction industry wages.

United Press International

COMMENTS ON WAGES: James D. Hodgson, Secretary of Labor, discusses the President's action on wages in construction industry at news session.