The American Federation of Labor is deeply interested in the work of the Economic Commission for Latin America, whose necessity we have advocated since the time its organization was being discussed in the Ad Hoc Committee Social Council of the United Nations.

We have examined with care the Preliminary Draft of the Economic Survey of Latin America, prepared by the Secretariat of ECJA, in particular, Part One, Chapter One, Section IV, dealing with "Factors Affecting Production". In connection with this section of the Survey we wish to make the following comments:

The Survey, having stated on Page 42 that "in some areas the low level of productivity is due to the unsatisfactory conditions of health and nourishment of the labour force" - an obvious reference, we say, to low wages - adds on Page 43 that "generally low wage rates contribute to the small size of the domestic market for manufactured goods". We are of the opinion that this statement, in spite of its obvious need for further elaboration, contains the key to the eventual success of the current efforts for "industrialization of Latin America", this key being the introduction of the "saving wage", which the American Federation of Labor has been advocating since the time of its appearance on the American economic scene, more than 65 years ago.

/ The "saving wage

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The "saving wage" is today a reality in all countries in an advanced stage of industrial development. It is based on the theory that in addition to the bare necessities obtainable through the "living wage", which is still the norm in practically every country in Latin America, the workers - who constitute the bulk of the consumers in every industrialized community, -- need to have enough money for the purchase of those products that are coming out of the new industries in increasing quantity. The "saving wage" makes possible a gradual increase in the purchasing power of the consumers, without which increases, in a climate of expanding economy, there would quickly be a saturation of the market. In such event, industries that are faced with a shrinking market (unless they produce for export - which is not and will not be the case of the new manufacturing plants in Latin America for many years to come), would need Government subsidies or high protective tariffs, which lead straight to increased costs of living. That such measures may be needed, in extraordinary circumstances and for temporary periods, we are willing to concede. But if industries are compelled to depend in order to survive on account of lack of markets entirely and permanently on Government subsidies or excessively high tariffs, they will inevitably become parasitic industries, which in the long run means that they will become detrimental to the welfare of the country. As the only insurance against that happening, we foresee the existence of an expanding market, which can only be brought about by a sustained and gradually increasing purchasing power on the part of the population, which in turn depends on the introduction - perhaps gradually - of the /"saving wage"
"saving wage" as opposed to the prevailing "living wage", the latter often being hardly sufficient to keep skin and bones together.

The American Federation of Labor realizes that it is rather difficult to legislate the "saving wage" into existence. It believes that it can be brought into existence by an intelligent, "scientific" cooperation between labor, management and Government, plus the support of an enlightened public opinion. We believe, however, that a clear endorsement of this principle in the Survey under discussion and in the report that will be presented by the appropriate Committee of this Conference will greatly help in building up in every country that specific social-economic climate which we consider essential to the success of any programme of industrialization or economic expansion.

The Survey deals extensively with another factor affecting production, namely financing. In this connection we feel that there is little room to improve the admirable all-inclusive analysis prepared by the authors of the survey. We wish merely to say that we consider of paramount importance the reference made by the Survey to the need for greater mobilization of national capital and savings for the purpose of financing new industries. Various authoritative sources support the contention of the Survey that local capital in Latin America is being invested in excessive amounts in real estate and other speculative enterprises, or in commercial ventures that promise quick, high profits, rather than in the long-range industrial investment which requires patient efforts, diligent care and often hard work, before any profit can be harvested. We should like to add also /that a high
that a high proportion of local capital is invested abroad in gilt-edged securities or is being lenti at safe rates of interest to banks or investment trusts in the United States, Canada and other countries which often return it to the countries of its origin in the form of "foreign" investments.

The American Federation of Labor had occasion to state, at the ILO Regional Conference held in April-May, 1949 in Montevideo, Uruguay, that in its belief the exclusive financing of any national industrialization programme with "foreign" money is a bad thing for the country involved. It leads inevitably to hard feelings and gives rise to political problems which, especially at this particular juncture of history, the democratic countries must strive to avoid or minimise.

In connection with this particular problem, the American Federation of Labor recognizes that the excessive flow of profits abroad has an adverse repercussion on Latin American economy. We have the more conceded the right of Governments to regulate this flow of profits. But we strongly urge and here we particularly address ourselves to the spokesmen of organized labor in the Latin American countries - resistance to the temptation to curb the flight of profits abroad by the adoption of a policy of excessive taxation to provide revenues for administrative, and therefore unproductive, purposes.

We would rather urge organized labor, organized capital and Governments in Latin America to agree on the necessity of curbing the flow of profits abroad by insisting on the adoption through Government intervention or voluntary action on the part of foreign capitalists themselves - of /measures which
measures which will guarantee the reinvestment of the greater part of these profits in productive enterprises or in the improvement of those already existing. As a possible substitute we advocate the investment of a good part of these profits in educational or welfare activities designed to improve the health, education and skill of the workers employed, or their distribution in the form of bonuses or wage increases, thus directly contributing to the gradual increase of the purchasing power of the people.

In conclusion, we believe that a statement to this effect in the final text of the Survey or in the form of a separate declaration by the Commission itself will greatly aid in preparing the proper social-political atmosphere required for the eventual adoption of such a policy in the interested countries of Latin America.

In connection with the section of the Survey dealing with Foreign Trade, the American Federation of Labor believes that in order to establish a proper balance between the prices of raw materials which Latin America exports and the prices of manufactured products which Latin America imports, it may be necessary to adopt, at least temporarily as an emergency requirement, some compensatory measures that will reduce, in the field of Inter-American trade, any such disparity.

We understand that the American States are now at work on the text of an "Addition" Protocol to the Bogota Economic Agreement and that one of the articles of the Draft envisages "consultation with each other and with other countries regarding appropriate means of solving such problems" (disparity of prices), adding that "as a result of such consultation it may be agreed to take appropriate measures to solve those
problems". We suggest, therefore, that the Commission take advantage of this session to express its point of view on this subject to which the American States themselves attach so much importance.

We have read with satisfaction the "Progress Report of the Expert of the International Labor Office on enquiries conducted into vocational and technical training requirements and facilities in Latin America" and the text of the "Resolution concerning the social aspects of the Economic Development of the American Continent" adopted by the Fourth Conference of American States Member of the International Labor Organization. These two documents indicate that the ILO, a specialized agency of the United Nations, organized on the basis of tri-partite representation which includes Government, employers and workers, is well under way with its survey of technical training requirements and facilities and has already mapped out a comprehensive programme of action covering the field of manpower in its various aspects, including training, vocational selection, immigration, etc. We suggest, therefore, that the Commission adopt a resolution concurring with the measures already taken by the ILO and pledging its cooperation in carrying them out.

As a final point in this statement, the American Federation of Labor wishes to register its disappointment with the fact that the Survey under discussion ignores trade unionism and its relationship with management as a "factor affecting production".

The American Federation of Labor has long realized that it can offer a contribution to the process of industrial development in Latin America by helping Latin American trade unionists to establish
unionists to establish modern, up-to-date, efficient methods of industrial relation. For this reason the American Federation of Labor has joined hands with the democratic labor movement of fifteen other American countries in forming the Inter-American Confederation of Workers (C.I.A.) whose chief concern is the promotion of a constructive type of non-political trade-unionism, mainly concerned with the welfare of its members, the industry that employs them and their own country.

We believe that in Latin America, as in the United States or any other country, the relationship between capital and labor constitutes one of the principal issues of the day, upon which, particularly in Latin America, the success of any plan of economic expansion and industrial progress largely depends. We believe also that one of the conditions for this success is the establishment of good relations between workers and employers, which can only mean genuine acceptance of the principle of collective bargaining, a recognized right in practically every American state. But we further believe that labor unions democratic, truly independent labor unions, free of any kind of outside interference or control are the universally recognized necessary instrument for the exercise of collective bargaining and for bringing about good relations between workers and employers.

The American Federation of Labor suggests, therefore, that appropriate references to the role of constructive trade unionism in promoting industrial peace and the exercise of genuine collective bargaining be inserted in the final draft of the section of the Survey dealing with "Factors Affecting Productivity". It also recommends the adoption of a resolution urging the ratification of the Convention on Freedom of Association adopted by the ILO Conference held in June-July, 1948 at San Francisco.