SOME THOUGHTS ON THE ROLE WHICH FOREIGN INVESTMENT HAS PLAYED IN MEXICO AND ON THE CONTINUED NEED FOR SUCH INVESTMENT

An investor has the right to a return on his investment, just the same as a worker has the right to expect a reasonable return for his labor, or a manufacturer of cotton cloth has the right to expect a price for his cloth which covers the cost of the raw materials, manufacturing costs and taxes and leaving him a margin of profit. In the electricity industry, strangely enough, this concept has never been accepted by the public. While in the manufacturing industries, a certain delay in delivery is necessary, the electric utilities have to be ready to meet at any moment the maximum demand of all their customers. The installations of the electric companies must therefore be large enough to take care of this maximum demand. It takes, therefore, more money to build an electric enterprise than it costs to build most manufacturing plants; hence the turnover of the invested capital of the electric utilities requires about 5 years, while the turnover of the investment capital in the manufacturing industries is only one year or even less. It is for this reason that any not compensated increase in the operating expenses of an electric company, or any decrease in its gross earnings has such an adverse effect on its financial position. Notwithstanding this situation, the electric utilities cannot get a reasonable return on their investment to provide the incentive for additional investment and production which is necessary in so vital an industry.