

May 4, 1951.

PERSONAL

Dear Bill:

This is just a short note to tell you that I have often thought of you since we last had the opportunity of seeing each other and have often wished that we could have an opportunity to talk things over and to exchange views on so many things which I am sure are very much in your mind as they are in mine.

Immediately after Christmas I decided that if I was ever going to have a holiday I would have to take it then, as such an opportune moment would not present itself for a long time, so in a day Marion and I made up our minds to go to the Argentine, as this meant a long sea trip each way, and it would also give me the opportunity of looking into the affairs of the Cade, the most important electricity company in the Argentine and one of the three most important in Latin America. The most important so far as the scope of its operations is concerned is Brazilian Light and Traction, the second is the Cade and the third is Mexlight. I am on the Executive Committee of the Cade.

Before leaving for the Argentine I spent a few days in early January in Washington but missed you, as you were not in the city. On my return from the Argentine I spent three days in Washington and when I called your secretary the day of my arrival I had the misfortune to learn that you had just left with Gene Black for an absence of some days. I was sorry to miss you for any number of reasons, and also because I wanted to tell you about my impressions of the Argentine, where I had spent almost five weeks in Buenos Aires.

I will probably not be able to go north again until around the middle of June, when I have to go to Toronto for the Annual Meeting of Mexlight, etc., and I expect to spend a few days in Washington in the second half of June and hope to have better luck this time, as I would like to exchange views with you. I would like to tell you something about my trip to the Argentine but I cannot burden this letter with that because it would be a long story, but a very interesting and important one. I will confine myself to saying that I was a good deal discouraged by what I saw and learned in the Argentine. I saw a great deal of the Peróns in a purely friendly way and it would be difficult to find two people with really good intentions who make so many mistakes, and unfortunately mistakes which are of so serious a character.

The

The Honorable
William M. Martin,
Federal Reserve Bank,
Washington, D.C.

The feudal situation which had existed in the Argentine for so many years was bound to come to an end and Perón came in, and while tremendous mistakes have been made, I often wonder whether, taking into account all the factors, we cannot feel fortunate that things are no worse. The change from the old feudal practices was bound to come and at least it was not a violent one, and while mistakes have been made which are very damaging to the economy of the country, they have been made with good rather than bad intent.

During the last years the economy of the Argentine, which had been purely agricultural, has shifted somewhat to industry so that the cities have become more important than ever and in fact much too important. The tragedy is that industry has been developed without adequate provision being made for power and there is now a real power shortage in the Argentine which I see continuing under the best circumstances for several years. The Cade, which is by far the most important electricity company in the Argentine and which supplies almost all of the power in the Greater Buenos Aires area where most of the industry lies, has tried for three years to get the government to recognize the necessity of it being able to install new capacity, but while I think Perón understood the situation, his advisers certainly did not, with the result that the companies in the Argentine have not been able to place orders for the new equipment necessary, and now, of course, even if they had all the money in the world, under the best circumstances it would be two or three years before this equipment could be purchased and installed and functioning. I told Perón that I seldom saw a country stand so naked before the world as the Argentine in such difficult times, as they had a shortage of power and under the best circumstances could not remedy the situation for two or three years, and that so far as raw materials for their new industry were concerned I saw their problems in the times in which we live an exceedingly difficult one.

I told Perón that in Mexico we had solved this problem of electricity through the collaboration of government and private industry and the lending banks -- the Export-Import Bank and the World Bank. I said that in Brazil in the same way the problem had been taken care of for the next years, and that this was largely true also in Uruguay and Chile. The Argentine was the only country of importance, I told him, which had so seriously neglected, so far as government is concerned, this major factor of electric power which is the only power that can make the wheels turn in the Argentine for years, and that their attitude towards the private companies had created a really damaging situation, not only for industry and the public, but for the whole economy. I think Perón understands the situation and wants to do something about it, but I still do not know how much some of his collaborators, in fact any of them, really understand the problem. I never saw a well-meaning man so badly served by his associates and advisers as Perón.

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- 3 -

I did not intend to go into this Argentine matter at this length, but I hope that when I may see you in June I can give you some of my impressions of the Argentine and Brazil and, in a secondary measure, of Chile and Uruguay.

I am one of the many who saw you leave the Treasury with great regret, for we know what an extraordinarily constructive task you were carrying through, but I am happy that you have taken this important post in the Federal Reserve, and because I know not only the capacities, but also the understanding, knowledge and experience which you bring to this most important position. I sincerely congratulate you and I know that this is only one more step in your constructive and useful career. All good wishes to you.

Please do not bother to acknowledge this letter, as I know your occupations, and I hope to see you in June if you are in Washington at the time. Sometime when you and Mrs. Martin can take a holiday and want a real holiday in interesting surroundings, I hope that you will make us a visit here in our home in Mexico City and in our new home in Cuernavaca which is really a delightful retreat, which I have not been able to use very much except weekends, as Mexlight is still absorbing all of my time.

With cordial good wishes,

Faithfully yours,