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AIR MAIL

Purely Personal

MEXICO

March 23, 1948.

A. E. Bradford, Esq.,  
United Press,  
Buenos Aires,  
Argentina.

Dear Brad:

I have had a very hectic time since I last saw you. I returned to Mexico City from Washington and New York on February 28 and, after a two weeks stay here, left again on March 14 and returned on March 21. I had about as busy a week as one can have and returned home pretty well fatigued and I am afraid that the old man is trying to do a little too much! Curiously enough, although I have always led what others call a busy life, I find myself even more occupied now with only one ~~more~~ than before when I had so many problems. In any event, I am well and am enjoying it but I must say that I know that I must take it a little more easily.

I am a good deal concerned about the world picture, as all of my friends at home are. I see such complete identity of pattern in what is happening these days and what happened in the years 1933-1937, when the first world war could have been stopped in its tracks, that I am distressed and disturbed beyond measure. I have tried to find some variation in the pattern and can find none and you know that comes from one who followed things as closely and from as good a vantage point as one one could have from '33 to '40. The one difference in the pattern is that so far as public opinion was concerned from '33 to '37 it was impossible to move public opinion in England, France and in the United States. This time there is no question about public opinion in the United States. Thoughtful persons in Washington have no illusions about what has to be done but if they have hesitations I do not find them among the people. The American people to an extraordinarily degree realize that the only thing to do which provides for safety is for us to declare a preventative war immediately. They know that every day of delay holds its dangers and increases the dangers and makes the task which we would eventually have to undertake more difficult and more disastrous. So far as public opinion is concerned at home, I think that I can tell you that our people would from the outset support a declaration of war to-morrow against Russia at least 80%.

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Indicative of the thinking <sup>of</sup> people, let me tell you about a taxi driver in Washington, who took me from the State Department to the Club last week. He said, "You look like a diplomat". I said that I had been for thirty-four years but that I was retired and was now in business. He said, "Is your name Messersmith" and I said "Yes". He said, "Then you certainly ought to know that there is only one thing for us to do in this Country and that is to declare war immediately on those S.O.B's before they have a chance to get strong like we let Germany get strong". I said that that was my opinion but that he must realize that Russia was a bit stronger than she had been when the last world war broke out and that I was not sure what she had in the way of really destructive arms. And now the significant thing he said: "They might have something like our atomic bomb but even if they have everything that we have in the way of formulae, they certainly have not had the chance to do anything in the way of the enormous plant construction that we know is needed for production. They may have something like the atomic bomb and it may be only 1/20 as destructive as our bomb. I do not know whether they have that now and I do not believe they have but if we give them another few months in a year they may have something 1/20 as good as our bomb and then we are finished, because a bomb 1/20 as good as what we have will do as much harm in the United States, because of our concentrated industries, etc., as one of our big bombs will do in Russia". He said a lot more and when he dropped me at the Club said, "For God's sake, try to do something about it, for you are one of those who know what it all means".

You will agree that it was an extraordinary statement from a taxi driver but it is characteristic of the thinking I found all over. What we are going to do, I do not know but I do know that delay is dangerous.

We are now comfortably settled in our home and it is really very attractive and I would like to think that we can live here for a good many years, comfortable and happy and enjoy some of the amenities of life that all decent people all over the world are longing for with so little prospect of having them. Perhaps by some miracle we will have the guts to do what has to be done and do it now. The Marshall Plan is necessary but it will not alone do the job, for as long as fear of Russia is there in Europe and in Asia and among us in the Americas there is no question of any one making those decisions which make for peaceful living and progress.

I am still working on our credit, which is with the World Bank and I think they have about reached the conclusion to make the credit but will take some more time to it. I think it will be done in the next three weeks and I would not be surprised if at the same time the Bank may not also make a credit to the Brazilian Light and Power Company and to the Fomento in Chile for power. It has been a long pull but they tell me in Washington that what I have done with respect to our credit has helped to crystallize thinking with regard to loan policy,



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I am fearful about Bogota because while I think we are going there with a constructive program, I am not sure about the attitudes of some of our friends of the South. You know how strongly I believe that it is the duty of the United States, as the stronger, to do those things which we can within our means to help the development of industry and agriculture in the other Americas. On the other hand I am deeply distressed to note increasingly that among some of our friends in the Americas there is this strong opinion that the pockets of our tax payers are an inexhaustible well into which they can dip their hands and that they have a "right" to do it. Increasingly, the tendency is towards government operation, when we all know that it is inadequate and expensive and does not work. We could not even make it work in the United States with the railways in the first world war and we have enough unhappy examples of a more serious character in other American countries, and I think Mexico has learned its lesson from the petroleum industry and the railways.

Unless the other American countries are willing to provide the adequate and favourable climate in which private initiative, native and foreign, can prosper, then private capital in the United States, which is the only source of outside money, will not do anything, because it has a right to expect decent treatment and decent return. I do not see our American friends as a whole willing to create that climate and until they do private initiative in the United States, which is willing to do so much and to take all normal business risks, is not just going to move, and it could do in these other American countries the same marvels which it has accomplished in the United States.

So far as government lending is concerned, even if it is done by the richest and strongest country in the world, it can go only so far and so long and cannot be considered, as it has never been, a permanent means of promoting industry and development. The government lending can only be pump priming and it can only supplement private initiative and open the way for private initiative. Some of our American friends seem to think that government spending is the sole recourse and it is never ending. This is a great illusion and is unsound thinking which will retard sound development. It is private initiative that made the United States strong and able to do the things which it has done and is, fortunately, still able to do. It is private initiative among the peoples of the other American Republics which will eventually give them the higher standards of living they crave for and should have. There is no use emphasizing the fact that it is foreign private initiative to a very considerable extent which has provided most of the industry and public services in the other American countries, which laid the foundation of their industrial progress and beginnings of better living. Slowly, but surely, private initiative in the other American countries among its own citizens is gaining courage and confidence and is going ahead on its own or ~~assisting~~

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itself with foreign private initiative in the country. It is this sort of thing which will be the real basis of development in the American countries and any government or any group of people in a country which bases its plans on any other concept is bound to fail in its objectives.

There is a lot of thinking going on in the United States of a constructive character with regard to our American friends and there is a very real desire in industry and in government to do the sound things, which can really be effective, but cooperation of this kind is a two-way street and unless our American friends respond in an adequate measure with favourable climates for private initiative and showing by concrete acts that they will do this and are doing it, there is just nothing that can happen. We can keep on expressing our good intentions and have them, and they can keep on in certain nationalistic ideas or in certain expectancies, and nothing will happen. In other words, this is a matter in which there has to be action by both sides.

One thing I know and that is our people in the United States are prepared to go ahead but there are certain things which they can reasonably expect, for money, after all, comes out of the pocket of the individual and not out of Governments or Banks, and it is only if the individual is convinced that the private initiative to which we are dedicated will be maintained that he will be willing to give his dollars and it is what the individuals think in a country like ours that still determines the course of Government and of institutions public and private. That is the way it should be.

This is not a sermon but I know how interested you are in these things and as I have been giving them a great deal of thought, because of my deep interest in the American countries and because I have been in the United States so much since October and among people of all kinds who are thinking about things, I think the foregoing is a fair resumé or synthesis of what they are thinking.

Personally, I think it is a great mistake that a great country like the Argentine and a really sound President such as President Peron, should have sent to Havana, to so important a meeting, a man like Molinari, for whom I have personal affection but whom I have known for years, and whose economic thinking is completely unsound and unrealistic and, in fact, demagogic. We know to what end that kind of thinking leads. It may have certain temporary political advantages but it does not help in the end a sound government or its people. I know President Peron and how soundly he thinks about so many of these things and the Argentine can and should play a very important part in such meetings, but it cannot do it on the basis of assumption of arbitrary attitudes. Personally, I am convinced that Molinari does not represent the views of President Peron and the Argentine and it is with a good deal of regret that I noted in the papers this morning that Argentine will not sign the Articles agreed upon at Havana.



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I am not going to write you about the Marshall Plan and its applications because that would be a long story and therefore unduly prolong this letter but the Plan can have, and I am sure will have great advantages for the American countries, but it must be viewed by them in the right light and they must be willing to cooperate or they will not adequately benefit therefrom and the Plan itself will suffer, and to the advantage of Russia. I know what some of the ideas of the Argentine are with regard to prices but no country is big enough and strong enough to impose itself so far as prices are concerned and if it were should not do so. There are inequalities and inequities in the world and we are all trying to stamp them out but they cannot be stamped out in a day and so far as the United States is concerned, it has certainly shown by its conduct in the most concrete ways that it wishes to deal in an equitable and always in an understanding way but even it cannot undertake to do things which go contrary to economic principles, which we have learned cannot be tampered with. It is my hope that the Argentine will collaborate fully in the matter of the Marshall Plan for I know it will be to its advantage, and great as the potential riches of the country are, it cannot impose itself any more than we or any other country in the end can. I am so much interested in all that concerns the Argentine and her people and am so desirous that the administration of President Peron should bring real fruit to the Argentine economy and people that I am hopeful that what I know to be the real wise counsel and ideas of the President will prevail.

I have been very busy in the matter of our credit which we need for a program of our Company and I think that a favourable decision will be reached very shortly by the World Bank. The delays have had nothing to do with the credit itself or with our Company for both the Export-Import Bank and the World Bank consider our Company an excellent and well managed one and our credit is about the most important thing that can be done by either Bank at this time. The delay has been due to the jurisdictional questions which arose between the World Bank and the Export-Import Bank over the question as to which should do long term and short credits. I shall be glad when the matter is resolved for it will enable us to go ahead with this program, which is so important for the Mexican economy.

We are almost completely settled in our new home and it will be very comfortable, and I look forward to seeing you and your wife here sometime. I have not yet had any word from you since you went to the Argentine and know you must have been very occupied, but if you can send me a brief word as to when you may be returning, I will appreciate it very much, as I hope I may be seeing you on one of my trips North or here.

I hope that you will give our very best wishes to the Currans. We were both very much attached to them for they are fine people and I regret that I did not see Mr. Curran when he was North.

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I am sure he is doing a good job in the Argentine and I hope they are both happy and well. Give them our affectionate regards.

Although I am confining myself to the Mexlight problems, and I can assure you that with a Fifty Million Dollar program of necessary works before us I have my hands full, I am giving a certain amount of attention to the problems of Cade and Barcelona. So far as Cade is concerned, it is an excellent and well managed Company but like every other Company producing electricity, it is under heavy stress for increased capacity, but I am sure that we will find the ways and means to provide the power needed in the Federal District and in the areas served by Cade. The recent wage increases in Cade are a tremendous strain on the Company but I am sure that the Government will collaborate in the matter of rates and so far as the financing is concerned, I am very much interested that some of the new financing should be done in the Argentine, as I consider this from so many points of view desirable. This will involve the collaboration of the Argentine authorities but I am sure that that will be forthcoming for they know how important the services of the Company are in the economy of the most important area of the country.

So far as Barcelona is concerned, you know the story of the iniquitous treatment which the Spanish Courts have given to the Company by placing it in bankruptcy when it had ample money in the banks in Spain to pay all the interest on its bonds. The fact that March could have got Four Million Pounds Sterling in exchange to buy bonds of the Barcelona Company merely to further his schemes to get control of the Company for himself and his friends, and when at the same time, in spite of the continued requests, the Company has not been able to get any exchange since 1938 to pay its interest, is so scandalous that it has done the Spanish Government tremendous harm. The fact that the action was taken by a little Judge in the town of Reuss, near Barcelona, does not change the situation for it was an act of a Spanish Court and so far the Government has done nothing about it and it was done improperly under Spanish law and without any basis in fact. The Spanish Government cannot explain away this action. The Spanish Government has been saying in Washington and in Madrid that it favours private enterprise and invites it to Spain, where it has all protection, and I am glad to say that increasingly in informed circles in the United States this arbitrary action with respect to the Barcelona Company has made a tremendous impression and our Government has informally told the Spanish Government in no uncertain terms that it is such action as that against the Barcelona Company which we have in mind when we say that ~~our house in~~ Spain cannot be on a normal basis until there is proper protection of political and civil rights and property. This in effect means that there can be no possibility of Spain benefiting even most indirectly from the ERP unless it changes its procedures with respect to political and civil rights and property. Our people in the United States would not permit any benefits of the ERP going to Spain as long as such acts as that committed against the Barcelona Company are countenanced by the

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Spanish Government for that Government is fully familiar with the arbitrary acts that have been taken.

I understand, although I am not informed up to the moment here, that the Canadian Government is sending a strong protest to the Spanish Government, through the British Government, on the ground that there has been a complete denial of justice to the Barcelona Company. I also understand that the British Government is strongly supporting this protest and that the Belgian Government is making strong representations on its account and that the Swiss Government is planning to do the same in the near future.

I am confident that so far as this act of so outrageous and scandalous character against the Barcelona Company is concerned, that they will not succeed and that the Company will be restored to its rightful owners, etc., and I am confident that the Spanish Government will have to see that this is done, for this single act against the Barcelona Company has world wide repercussions for it has shown in the clearest way how arbitrary these acts against property countenanced by the Government really are. I, myself, have nothing but the friendliest feelings for the Spanish people and it is none of my business who is the head of the Spanish Government but I think in these days every decent person must be interested in the acts of Government when such acts violate political and civil rights of a fundamental character and tend to destroy the security of private property.

I have written you a letter far, far too long but you know how much I enjoy exchanging views with you and how much I value our friendship and I hope that I have not imposed too much on your patience with this long letter.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.

GSM/KMB