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November 13, 1949.

Dear Rudi:

I wish to tell you how much pleasure your letters have been giving me, and I am sure to your other friends who have had the privilege of getting them. I always knew you were extraordinarily energetic, but how you can be making this tiresome trip, seeing so many people, going to so many places, and then writing your impressions is indeed a marvel. Most of the places which you have been visiting are completely unknown to me except through books and friends. It is thoughtful of you to have made this effort in writing up your impressions and I am sure that your many friends appreciate it as much as I have. I am looking forward to seeing you soon after your return. I gather you are approaching the end of your trip, if you have not already returned. The last letters I got were from India.

Should you by any chance be passing through Belgium on your return I hope you will go and see Wilmers, of the Sofina, as I have written him about you and he will be very glad to see you. He is an Englishman and one of the ranking officers of Sofina.

My own days have been very full recently. I have been back here since October 9 and it looks as though I will be able to remain here until about the middle of January. The results of two years of arduous and continuous work are coming in rapidly these days. I am sure you know that I took over this work, not only because I thought it would be interesting and keep me occupied and supplement a rather exiguous pension after almost thirty-five years in the Foreign Service, but also because I felt so strongly that through the work for the company I could do something to help to establish the principle of private enterprise in the utility business of this country. Ever since I came here in 1942 I have had a very deep interest in the country and its people and their problems and a very real confidence in the future of the country. The Mexicans have learned a great deal from their experiences with Petroleos and the railways, but nationalistic ideas had got quite a deep hold on a lot of people and of course very few people outside of those in the government appreciate what a real disaster for the country the government operation of Petroleos and the railways has been. Even those in government have to defend the inadequate operation of these two government monopolies, doing so with their tongue in their cheek, feeling that they have to do it for political reasons. I was convinced that if something were not done to save the electricity industry from this same fate the industrial and general economic development of the country would be stopped, and this was a serious thing for this country and also for us, for one cannot get away from the fact that the economies of the two countries are very much tied up with each other, even though that of Mexico is the weaker.

You

You and I know that it is very nice to talk about principles, but the only way to establish a principle is through hard work and through concrete examples. As the electricity industry is in some ways the most important in the country, as practically all the wheels turn with it, I felt that if the electricity industry could be put on a firm basis and kept in private hands it would be a great service to the country and to its people. As Mexlight is the most important company in the field, producing and distributing as it does over 50 per cent of the power and soon much more than that, I was convinced that through putting Mexlight on its feet we could put the whole electricity industry on its feet and aid the whole economy of the country.

This involved patient and painstaking work and unremitting effort. It involved the acceptance by the government and by commercial and industrial and banking circles of definite ideas and this I think has now been done. Only a major catastrophe could now stop the publication of the definitive tariffs of Mexlight in early December -- the first to be given any electricity company in Mexico under the law of 1941, which is on the whole a good one and patterned after ours in the United States. While the rates which we are going to get are not those which in equity we should have, they do establish the principle that the power industry is entitled to a reasonable return on the investment. We have also had settled definitely the question of the adjustment clause in the tariffs of the companies for increases in wages, fuel costs, taxes, etc. over which management has no control. This is vital for the electricity industry in any country, for without this provision in law and practice it cannot live. The World Bank had very properly insisted on adequate rates and other things before committing itself to ~~fin~~ a long-term loan to the company. The reorganization of the company's capital structure, which they also made a condition, was a wise condition to the long-term loan. The bank has been helpful and constructive and during the past two years that we have been negotiating this credit with them I think the bank has learned a good deal concerning lending in Latin America. Mexlight has been a sort of guinea pig both for the Mexican Government and for the bank, and while it has been a difficult process I feel that it has all been worth while and I am sure so do many others here and in the United States. In a quiet way a good many people have been watching what we have been doing in connection with Mexlight and many thoughtful people have been giving us their help.

There is so much talk these days of private investment having to do the job in the Latin countries and elsewhere. No one believes in it more thoroughly than I, but I believe to prove this and to establish it one has to do it not so much through legislation and conversations, but through the working out of concrete problems in industry. There is also a lot of talk about the guarantee idea and

I believe in that idea if properly safeguarded. The guarantee measures, however, should be taken more largely and broadly by these countries themselves rather than through our government giving too broad guarantees to investment abroad. Investment abroad can never be made safe through the guarantees of the foreign lending country. They only can be made safe through the guarantees of the country in which the money has productive use. I am sure that you and I would not quarrel on any of these things because you have seen so much and thought so much and do not indulge in high-sounding talk but have the habit of getting down to cases.

We are now about to present our plan of reorganization to our security holders, who, as you know, live largely in England and on the Continent. This is really the last hurdle we have to get over, but I am hopeful that our security holders will realize what has been done to protect and make secure their investment. I think they will. The meetings will probably not be held until the end of January or early in February, and if it is at all possible I do not intend to go north before that time, as there is still a great deal of detail work to be done here and I have been moving about so much that I plan to take it a little more easily. When we do go north in January I hope that it will be for a six weeks stay and it would give both my wife and me a great deal of pleasure if we will have the opportunity of seeing you and Mrs. Hecht. I wish that I could be in New Orleans on your return to hear your impressions as you will give them fully and in confidence to your friends and associates there, but that will be out of the question, so that I look forward to seeing you not too long after your return.

I continue to follow developments in the Argentine and get news from time to time, some of which is encouraging and some of which is not. The government is passing through a difficult period and the real struggle with labor, which the government has too much pampered, is now on. If Perón does not know how to handle this and keep firm there is no stopping the inflationary spiral, and all the good things that he has tried to do and some of which he has been able to do will be engulfed in the collapse which would be almost certain in case he does not maintain a firm stand.

Concerning developments in the broader world picture I have my own thoughts, but I shall not enter into them now as this letter is already too long, but it will be interesting to hear your views after this long and important trip.

My wife joins in very good wishes to you and Mrs. Hecht and to your family.

Cordially and faithfully yours,