

At a hearing before the Federal Reserve Board held in the office of the Governor on Wednesday, October 3, at 10 a.m.,

PRESENT:

Governor Harding, presiding, Mr. Hamlin,

Mr. Warburg,

Mr. Williams,

Mr. Miller,

Mr. Willis, Secretary.

Mr. Delano,

Present also, Mr. Albert Strauss, representing the Treasury Department.

Present also a delegation representing the mining and smelting interests, as follows:

Mr. W. S. Morse, representing American Smelter & Refining Co.
120 Broadway, N.Y. City

Mr. Wm. Loeb, Jr.,
120 Broadway, N.Y. City " " "

Mr. D. J. Haff,
Commerce Building, Kansas City " Lucky Tiger Gold Mining Co.; Cananea Consolidated Copper Co.; Moctezuma Copper Co.; Phelps Dodge & Co.

Mr. C. W. Van Law
55 Congress St., Boston " U.S. Smelting and Refining Co.

Mr. Chas. H. Bates,
Westory Bldg., Washington " Nacozari R.R. Co.; Moctezuma Copper Co.; Phelps Dodge & Co.

Mr. E. B. Schley	representing	Potosi Mining Co., 734 5th Ave., N.Y.
Mr. Arthur J. McQuatters, 60 State Street, Boston.	"	Alvarado Mining & Milling Co.
Mr. Donald C. Brown, 82 Beaver St., N.Y. City	"	Cia Metalurgica Mex- icana Tezentlan Cop- per Co.

Mr. Van Law spoke on behalf of the delegation and outlined the currency situation in Mexico, particularly as affected by a recent decree of the Mexican Government. He said that no paper was in circulation and that none was acceptable to the people. About a year ago the Government had suggested to foreign business men that they import into the country such coin as was needed to carry on their business. Very recently a new decree had been issued by the Mexican Government, preventing the exportation of gold bars, and forbidding the shipment of silver in various forms except under assurance that one-quarter of its value in gold would be later returned to Mexico.

The situation in Mexico was serious, because during the past year or more many industries previously closed had reopened and needed to use American money in order to continue business. It was impossible to coin silver at the present time because of the high price of silver as

compared with coinage value in Mexico, so that gold was the only available medium. A shut-down of the industries would be the result of the termination of gold exports.

Various members of the Board asked for an estimate of the probable amount of gold needed each month in order to finance all American industries in Mexico, but were informed that it was impossible to make such an estimate with any accuracy. Some thought that for the mining industry alone a sum of \$500,000 a month might answer the purpose.

In answer to the question whether the decree of the Mexican Government was intended as a means of retaliation for our gold export limitation, the opinion was expressed by the mining interests that this was not the case. Mr. Strauss, however, stated that he had advice to the effect that it was so intended.

In further discussion the point was brought out that the demand of the Mexican Government is not necessarily for American gold but simply for the return of gold in some form to an amount equal to one-quarter of the silver export. Unless arrangements are made to meet this demand the mining and smelting interests cannot ship either gold or silver out of the country and must suspend business.

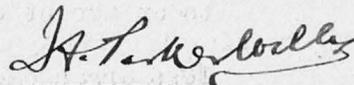
After general discussion of the subject, Mr. D. J. Haff addressed the meeting, calling attention to the fact that the United States now gets petroleum, zinc, copper and gold from Mexico, as well as other necessary articles and that by causing a shut-down in the industries affected it will cut off further supplies of these items from Mexican sources. He stated it as his opinion that it was out of the question to use paper currency, and said that the crisis was one calling for quick action designed to relieve the situation.

Similar statements were made by Mr. Charles H. Bates.

General discussion ensued, and at the request of members of the Board it was agreed by the interests represented to prepare and present some specific figures with reference to their monthly requirements.

Thereupon at 11.15 a.m. the meeting adjourned, to reassemble at 4 p.m. this day.

APPROVED:


Secretary.

Chairman.