

At a special meeting of the Federal Reserve Board held in the office of the Board on Saturday, March 2, 1918, at 12 noon,

PRESENT:

Mr. Harding, presiding,	Mr. Miller,
Mr. Warburg,	Mr. Delano,
Mr. Hamlin,	Mr. Willis, Secretary.

Present also, Mr. Nathan Musher of Musher and Company.

Mr. Harding inquired whether all members of the Board had been duly notified of the meeting and upon being informed by the Secretary that they had been, announced that the meeting would be devoted to hearing the argument of Mr. Musher with reference to his application to be permitted to export \$1,250,000 gold to Spain.

Upon inquiry of Mr. Harding, Mr. Musher said that his full name was Nathan Musher; the title of his company, Musher and Company (formerly the Pompeian Oil Company); his business address, Baltimore; his residence, Washington; and his occupation that of an importer of olive oil. He desired to have his letter addressed to the Board under date of November 28, 1917

serve as a preliminary brief.

Describing his business, Mr. Musher said that he had been engaged in his present business 9 or 10 years. During the year of 1917 he imported about 800,000 gallons of oil which were worth in Spain about \$1,250,000 U. S. currency. This represented the results of contracts which had been made in 1916 when the peseta was worth 19.30 cents. The total importation of the country was about 3,000,000 gallons of oil for consumption. The gross importations were about 7,000,000 but the other 4,000,000 were re-exported, largely for the Italian trade. The Company had no large competitors. Heinz and Company of Pittsburgh were large consumers who imported oil and used it in producing their goods, but did not sell much direct to the consumer.

Mr. Musher said that his present trouble was due to a very great advance in the value of the peseta, which had thrown exchange out of adjustment. He had noted the difficulty first in December 1916. Other importers suffered in the same way but were not so much interested in exchange as he himself. The Crown Cork and Seal Company which owed money

in Spain had liquidated by buying sterling gold in New York and shipping it. His own concern was in a peculiar position because it had been carried by Spanish banking houses, hence was able to avoid shipping gold for a long time.

By July 1917, he had become alive to the dangers of the exchange situation, but even then he did not ship gold because had he done so he would have incurred a loss of from 15 to 20%. Moreover, the Baltimore Trust Company with which he was then doing business, was not favorable to any plan which would involve the risk implied in the shipment of gold. The Baltimore Trust Company was then acting as syndicate manager for five banks who were sharing in the task of carrying his company. Since then the arrangement with the Baltimore Trust Company had been terminated, arrangements having been made to have other banks take over the responsibility for the credits.

Reviewing the history of his operations Mr. Musher said his plan had been to guarantee the price of oil in advance to the jobbers and dealers, thus enabling them to make a fixed price to the customer.

For the year 1918 he had been obliged to give up this plan and to make contracts in blank at prices to be fixed later on the basis of current quotations. In the past he said he had never covered his operations by the purchase of pesetas because to have done so would have put the price up immediately, and although the balance of trade was against Spain and had been so for a long time, the abnormal banking conditions were such as to prevent his protecting himself by ordinary methods.

Mr. Musher said that what he had asked was that the Federal Reserve System should provide him with \$1,250,000 gold in London, the same to be taken from the Reserve System's stock of gold in that city, but of course if this grant were made, it must be accompanied by permission on the part of the authorities to ship the gold to Spain. He would, however, be satisfied if he could have permission to ship the gold direct from New York.

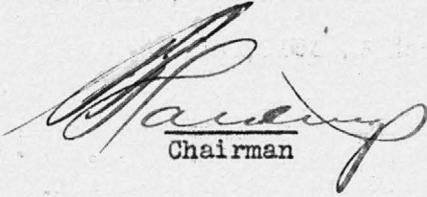
Governor Harding summarized the foreign exchange situation generally, and the history of the negotiations with Mr. Musher, and then inquired how Mr. Musher could establish the fact that the grant-

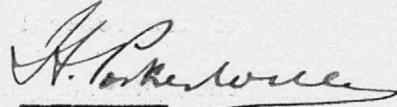
of his request would be compatible with the public interest. In answer Mr. Musher said that in years past the domestic buyer in the United States had got his oil cheaper than either the English or the French buyer so that he had actually been helped through the efforts of Musher and Company. The public, therefore, had already been benefited, since jobbers had been able to buy at low prices. As to the question whether any public interest was involved in the situation at the present moment in view of the fact that the transactions referred to were in the past, Mr. Musher said that if he were unable to ship, his employees and stockholders, who were part of the public, would suffer because his concern would lose \$300,000 and would be very likely to close its doors, since it has only \$500,000 of active capital. The banks which now hold obligations with the concern to the amount of 3,000,000 pesetas had notified him that he must pay that amount on March 7.

After questioning as to the assets and liabilities of Musher and Company and the situation which gave rise to their present problem, Governor Harding,

at 1:30 P. M., declared the meeting adjourned.

APPROVED:


Chairman


Secretary