

HEARING BEFORE THE FEDERAL RESERVE BOARD OF MR. NATHAN MUSER, IN SUPPORT  
OF HIS APPLICATION FOR THE EXPORTATION OF \$1,250,000  
GOLD TO SPAIN.

Washington, D. C., March 2, 1918, Twelve o'clock noon.

PRESENT: Governor Harding (presiding), Mr. Warburg, Mr. Hamlin, Mr. Delano,  
Mr. Miller and Mr. Willis.

Mr. Harding: Mr. Secretary, have all the members of the Board been notified of the hearing?

Mr. Willis: Yes, sir, a written notice was sent to each member.

Mr. Harding: Gentlemen, Mr. Muser has requested that the Board reconsider an application made by him which reached the Board on the first of last December. I understand, Mr. Muser, that you want your letter dated November 28, 1917, to serve as a brief as the basis for this hearing?

Mr. Muser: Yes, sir.

Mr. Harding: What is your full name?

Mr. Muser: Nathan Muser.

Mr. Harding: Your business?

Mr. Muser: Importer of olive oil, President of Muser and Company, Washington.

Mr. Harding: What is your residence?

Mr. Muser: Washington, D. C.

Mr. Harding: Your place of business?

Mr. Muser: Baltimore.

Mr. Harding: You live in Washington and your place of business is Baltimore. What is the name of your firm?

Mr. Muser: Today it is Muser and Company, formerly the Pompeian Company of Baltimore. The present company are not successors to the former company, but just a change of the corporate name.

Mr. Harding: I understand. You are an American citizen?

- Mr. Musher: Yes, sir.
- Mr. Harding: Residence is Washington?
- Mr. Musher: Yes sir.
- Mr. Harding: How do you want to discuss at this time your supplemental application of December 22nd, in which you ask to have until the first of July, I believe, to make this shipment of gold in case you should find yourself unable to liquidate your indebtedness by purchasing exchange at approximately the normal rate?
- Mr. Musher: Of course I would like to get the quickest relief, but if that is not possible to get the application to permit the exportation of gold on July first unless exchange is available before. That would be very much of a relief if agreeable to the Board. I can say it is really a case of life and death to us because it means a \$300,000 loss if we should have to buy exchange at its present market price. That would mean almost death to us.
- Mr. Harding: How long has the Pompeian Company been in business?
- Mr. Musher: About nine or ten years.
- Mr. Harding: Always in Baltimore?
- Mr. Musher: Yes sir.
- Mr. Harding: About what proportion of the importing business in olive oil did your company do in the year 1917?
- Mr. Musher: We did quite a large proportion. Of course, our imports for the year 1917 amounted to approximately 800,000 gallons of olive oil.
- Mr. Harding: Eight hundred thousand gallons??
- Mr. Musher: Yes sir.
- Mr. Harding: What is the value of that amount of olive oil?
- Mr. Musher: Originally, on the other side about \$1,250,000. That is my first cost that I am trying to pay for now.
- Mr. Harding: That was your imports in 1917 representing purchases that you contracted for in 1916, is that so?
- Mr. Musher: It is not really contracted for in the full sense of the word. We contracted in 1916 to deliver to customers in 1917.

Mr. Harding: About what proportion of the import business does your company do, twenty, to twenty-five per cent?

Mr. Musher: We really do more than that, considering the use of olive oil amongst the American trade was about 3,000,000 gallons, and we supplied 800,000 for 1917. The total importations were 7,000,000; out of 7,000,000 gallons of olive oil the bigger part went to the Italian trade to which we do not cater a great deal. We only sell the second quality to the foreign trade. We only cater largely to the American trade, -- that is, selling our Pompeian first quality olive oil.

Mr. Harding: You are doing then about 27% of the business in importing olive oil?

Mr. Musher: To the American trade.

Mr. Harding: What firms and corporations are your principal competitors?

Mr. Musher: We really have not any such thing as large competitors, because there are so many other concerns engaged in the business but not specializing in olive oil as far as I know.

Mr. Harding: There is no other concern then, that does the business in olive oil that you do, for example?

Mr. Musher: No sir.

Mr. Harding: Heinz and Company are large importers of olive oil are they not?

Mr. Musher: Heinz and Company, as the name implies, manufacture 57 varieties, but they really handle about 80 or 90 different articles.

Mr. Harding: They do not do a jobbing business in olive oil?

Mr. Musher: No sir. We import and do a jobbing business. They import about 75,000 or 100,000 gallons of olive oil.

Mr. Harding: In your business you make contracts a year ahead; in 1914 you make contracts and make deliveries in 1915, and in 1916 in like manner. You do likewise to sell at a certain price. You bought in Spain based on these contracts, the only trouble was that when you came to pay for your goods in Spain you found that peseta exchange had advanced?

Mr. Musher: Yes sir, about 15%.

Mr. Harding: When was it first brought to your attention, -- this rise in Spanish exchange?

Mr. Musher: In December, 1916. -- In June and July, 1916, we made our contracts for olive oil for 1917.

Mr. Harding: Had you bought your olive oil in Spain at that time?

Mr. Musher: No sir, we had not because we buy our oil in the three producing months direct from the farmers.

Mr. Harding: You had your commitments out for the delivery of the oil and you felt obliged to buy your goods in Spain?

Mr. Musher: Yes sir.

Mr. Harding: When you first found that this exchange had gone against you, what did you do to protect yourself? How much was it against you?

Mr. Musher: About 15%. It started off and went right quick.

Mr. Harding: What did the other importers do at that time?

Mr. Musher: There are so very many importers who are not established on the other side and to them exchange was not as important to begin with, because it was of a smaller nature. There are any number of large concerns in New York that import from Norway, Sweden, Italy and France a variety of commodities so that they were not so interested to begin with in the Spanish exchange situation. The Armstrong Company and the Crown Cork and Seal Company were really as much interested in this as I was. I thought we were all working together to bring about a change in the pesetas. The Crown Cork and Seal Company was buying gold in New York and was buying gold sterling in New York and shipping it to Spain because they found they could get more for gold sterling than they could for American gold. At that time I came to the members of the Federal Reserve Board. I think I have had the courtesy of half a dozen interviews with the Governor, Mr. Warburg and Mr. Delano,---

Mr. Harding: Can you tell me, in case the Board should reconsider this application of yours, just how much of a precedent that would establish? How many other importers would say "we have got to make shipments too"?

Mr. Musher: I do not believe there is another one in my position, because they have not been able to obtain facilities from the Spanish banks to carry this thing on. The banking officials in Spain have been extremely nice to me and have gone out of their way to help. The other importers went ahead and either shipped gold or bought exchange.

Mr. Harding: What reason was given to you when you first went to buy exchange, for this advance?

- Mr. Musher: The reason given to me was because there were no balances available in Spain. Imports were larger than exports. That is the reason I was so instrumental in digging out what information I could at the time.
- Mr. Harding: It is very evident that our imports from Spain have always run along less than our exports. For instance, in 1917 our exports to Spain were \$2,000,000 and our imports from Spain were \$33,000,000. Don't you think that the relations of the United States with the allied governments had something to do with it?
- Mr. Musher: Of course, but I did not know it at the time.
- Mr. Harding: You posted yourself pretty well on this whole business in December, so that by the first of June and July you were pretty well posted on exchange?
- Mr. Musher: Yes sir. I was in hopes and was given to understand that something would be done to equalize and to get the thing straightened out. Our contracts were made on a basis of about ten per cent profit. We would have lost \$150,000. so it was really fighting for life that prompted me not to take advantage at that time of shipments of gold.
- Mr. Harding: Will you please explain what the trouble was about making shipments of gold?
- Mr. Musher: The cost of freight and insurance was so great and therefore the depreciation on the American dollar was 12% on the face of it.
- Mr. Harding: The discount on American gold after it got to Spain was about 3 per cent??
- Mr. Musher: Yes sir.
- Mr. Harding: That prevailed how long?
- Mr. Musher: Right straight through until --
- Mr. Harding: Has that been taken off now?
- Mr. Musher: Now I understand it is a little different, because the Spanish Government is inclined to take any kind of gold at almost its par value except that it always favors sterling.
- Mr. Harding: You have your own connections in Spain: you are well and favorably known there, are you not?
- Mr. Musher: Yes sir.
- Mr. Harding: Did you have the facilities for shipping this gold, paying insurance and transportation costs? Did anybody have a preference or any advantage over you in the matter of gold shipments?

Mr. Musher: Yes sir, in this way, because my import banking facilities were furnished to me by the Baltimore Trust Company of Baltimore which was acting as syndicate manager for five institutions, the District National Bank, the Commercial National Bank, the Continental Trust Company, the National Bank of Commerce of Baltimore and the Baltimore Trust Company, so that all my obligations abroad were made to the Baltimore Trust Company and they in return opened those credits through the Guaranty Trust Company, Irving National Bank, and National City Bank of New York, and if shipments of gold were to be made the Baltimore Trust Company had to make shipments of gold for our account which Mr. Ingle did not look with favor upon.

Mr. Harding: How much of a disadvantage were you placed at in making shipments?

Mr. Musher: I could not really make any shipments: I was so tied up---

Mr. Harding: How can you make one now?

Mr. Musher: Because the Baltimore Trust Company, and since, Mr. Ingle, who is well known to you, has taken his time to study and to realize that it would be safe to ship gold.

Mr. Harding: Then you were handicapped by doing business with a bank which was not conversant with the foreign exchange business?

Mr. Musher: Yes sir. The Baltimore Trust Company became so excited and so impatient they were afraid that pesetas would go up to 30¢ and would wipe out the Baltimore Trust Company that I had to go to the Equitable Trust Co. and the Philadelphia National Bank and put up my cash deposits with them so as to release the Baltimore Trust Company from any obligations whatever.

Mr. Harding: How long since you have been in a position to make gold shipments?

Mr. Musher: About a month or so ago.

Mr. Harding: Yet, don't you say here in this letter that had you supposed that an embargo would be placed on the exportation of gold, you would have immediately exported to Spain from this country a sufficient amount of gold to liquidate your peseta indebtedness, rather than have allowed the gold to accumulate here?

Mr. Musher: I had Mr. Ingle, on November 30th go to Richmond and make arrangements --

Mr. Harding: The embargo was before ---

Mr. Musher: Yes sir. It was only at that time that I could persuade Mr. Ingle ---

Mr. Harding: Suppose you had had notice about the embargo sometime in advance, could you have gotten ready?

Mr. Musher: I do not know. I had first of all to persuade Mr. Ingle to either make shipments for his own account or show him that by taking the money and transferring it to another institution in New York that institution ---

Mr. Harding: Then this statement ought to be qualified a little bit?

Mr. Musher: I would have had to have considerable notice really. I have been working under a very severe hardship in getting the Baltimore Trust Company to handle the matter.

Mr. Harding: In other words, by having local credits with banks which were not international bankers and did not understand the foreign exchange business?!

Mr. Musher: Yes sir, that is correct. I really did not realize, I am frank to say that I was under the impression that at any time if I wanted to make a gold shipment I would have no hardship in getting a permit.

Mr. Harding: No permits were necessary then.

Mr. Musher: No. Furthermore you will recall that in my interviews I have remarked that there was no need of any gold having gone to Spain, that I was always against shipments of gold because there was no reason for it. I think the gold embargo was an exceptionally good thing.

Mr. Harding: How had the market varied since? Are pesetas much higher?

Mr. Musher: Yes sir. Because, while we were restricting gold shipments, we were not at the same time restricting credit operations. In other words, we put an embargo on gold but did not put one on credit.

Mr. Harding: How much higher now than on the first of September?

Mr. Musher: About one cent.

Mr. Harding: You think a full one cent?

Mr. Musher: Yes sir.

Mr. Harding: What are they now, about 23?

Mr. Musher: More than that, about 24.40. At one time they were as low as 22.50.

Mr. Harding: When?

Mr. Musher: They went down for one day. I remember the Philadelphia National Bank was short of pesetas and they bought them on that day to cover themselves.

Mr. Harding: Did you cover yourself all this time?

Mr. Musher: I did not cover, I have just been carrying myself.

Mr. Harding: The Board understands how you handle the 1918 business, how did you protect yourself?

Mr. Musher: We did not make any contracts.

Mr. Harding: You are just selling on the market?

Mr. Musher: Not exactly. When the next oil arrives in the United States we will name a price only upon the quantity received and pro-rate the price among our customers. If the government and the State department will assist me in bringing over olive oil from Spain, I am not in position to bring over the oil that I need if I have to pay for it in todays rate of exchange. Because if it comes down back to normal it would mean that the people who buy from hand to mouth would be in a better position and I would stand a loss on \$2,000,000 importation of about \$500,000, should the dollar go back to its gold parity.

Mr. Harding: In other words, the exchange problem directly interferes with all your mercantile operations. Are you bringing in any olive oil from Spain now?

Mr. Musher: None whatever.

Mr. Harding: How long since?

Mr. Musher: Our last importation came in in May or June, 1916.

Mr. Harding: You mean 1917?

Mr. Musher: Yes sir, 1917.

Mr. Harding: None since?

Mr. Musher: Not a gallon.

Mr. Harding: How have you kept in business?

Mr. Musher: We always buy our supply of oil in the three producing months to carry us for the whole year. Our entire 1917 supply was bought before the 15th of April, and imported before June, 1917.



- Mr. Harding: This is about the time when you begin to buy again?
- Mr. Musher: We have already bought olive oil on the other side. Our warehouses on the other side are full of olive oil. We have from \$150,000 to \$175,000 worth of olive oil on hand now.
- Mr. Harding: You have arranged to pay over there?
- Mr. Musher: I am just arranging now how to pay.
- Mr. Harding: Has this application got anything to do with your current business?
- Mr. Musher: No sir.
- Mr. Harding: You can bring in the oil when you get ready, regardless of the war?
- Mr. Musher: Yes sir, if embargo will be removed.
- Mr. Harding: The action of the Board does not interfere with your bringing in new olive oil?
- Mr. Musher: No sir.
- Mr. Harding: What you want is relief for your transaction in 1916?
- Mr. Musher: Yes sir. I have a telegram here from the Guaranty Trust Company in which I think the Board will be interested. (Reads telegram as follows):

New York, March 1, 1918.

Musher and Co.,  
Real Estate Trust Building, Washington, D.C.

We are in receipt of the following cable from our London office Banco de Barcelona Sucursal Barcelona cable us Musher Company's Spanish representative states you will place their disposal here quarter million pounds being advance to Musher up to five million pesetas. Banco agree. Musher Washington cable us enquiring regarding this. Are you remitting us quarter million sterling cable.

GUARANTY TRUST COMPANY.

- Mr. Harding: Have you arranged for the 250,000 pounds sterling?
- Mr. Musher: I have not, but I can.
- Mr. Harding: Just what does that make the peseta cost you?
- Mr. Musher: This arrangement would mean that the Banco Barcelona is taking from us 250,000 pounds sterling and giving us 5,000,000 pesetas which is 50,000 pounds for every million pesetas.

- Mr. Harding: You get your pounds sterling at a discount?
- Mr. Musher: Yes sir. Furthermore, what they do is keep their sterling balance in London undisturbed so that at any time within a year we can repay the peseta and take back the sterling. The bank in Spain is only interested in pesetas as that is the currency of their land.
- Mr. Harding: The only chance you take is the exchange rate when that contract expires?
- Mr. Musher: Yes sir.
- Mr. Harding: I would like to get on our record now just exactly what this exchange is costing you.
- Mr. Musher: I am only putting down collateral sterling I can deliver.
- Mr. Harding: Just like an arrangement I heard of the other day where a large amount of pesetas would be available but it is impossible to fix a price.
- Mr. Musher: That is just exactly what is going on today in the exchange market between London and Spain. First of all London banks have established banks in Spain, and help their merchants through credits.
- Mr. Harding: Is Great Britain permitting any shipments of gold to Spain?
- Mr. Musher: Not as far as I know. The only thing they are doing is encouraging the Bank of France to make arrangements for them.
- Mr. Harding: In your application here you ask to have payment made to you in London of \$1,250,000 out of a fund which the Federal Reserve banks have over there, to be delivered to the branch of the Bank in Spain. Would that satisfy you?
- Mr. Musher: Absolutely, with permission to the Bank of Spain to export the gold.
- Mr. Harding: That permission would be necessary?
- Mr. Musher: Yes sir.
- Mr. Harding: How could the Federal Reserve Board give that permission? Is not the British Government interested in that? I thought you said that they were restricting shipments of gold?
- Mr. Musher: I am working under the assumption that the gold in London is the property of the Federal Reserve banks.

- Mr. Harding: The Federal Reserve Board does not have the right to tell the British government to ship this gold to Spain, any more than they would have the same right here.
- Mr. Musher: I can only suggest that I am quite sure that a Federal Reserve Board order for \$1,250,000 to be transferred from London to Spain to settle this obligation, would be honored by the British government.
- Mr. Harding: We are not so certain about that. Another thing, have you any information that would lead you to think that the British government is permitting the exportation of any gold to Spain?
- Mr. Musher: No sir.
- Mr. Harding: We have had other applications from importers who have asked for permission to ship gold. They stand their own charges and make their own shipments. Your application asks for \$1,250,000 to be delivered to you in London. Do you propose to pay any charges on the cost of that. On what theory do you base your application? I thought you seemed to be under some misapprehension that we had gold over there that we wanted to get back to this country. As a matter of fact, we want the gold just where it is and we think more of that gold than we do of gold here. Would you be willing to modify your application for permission to get gold here and to ship it over yourself?
- Mr. Musher: Yes sir: I would be willing to modify it, it would be a help.
- Mr. Harding: Now to sum up. I think we have brought out the fact that you make your contracts in advance - that is a custom of the trade - and that ordinarily you do not bother yourself about exchange and never had any trouble covering, and in 1916 you went ahead based on your previous business. Along in December 1916 you found exchange had jumped up suddenly 15%. You began to get interested in the exchange situation, made a study of it and studied it hard, so by May or June 1917 you were very well posted on the general foreign exchange situation. You did not ship gold for two or three reasons, the principal reason being that your credits on this side were with banks that were not doing an international banking business and had no particular knowledge of the foreign exchange situation, and it was only recently that they understood it. It was only in November that Mr. Ingle got to the point where he was willing to help you. His idea was that something would turn up and you could cover, some normal adjustment of exchange, perhaps. But as far as current business is concerned now you have changed it around so that you are not making any contracts ahead. You bought your olive oil in Spain, making your arrangements there to pay for it, and when it is brought to this country you will charge the trade (protecting yourself). If you get relief on this particular proposition which is past, you will take care of yourself in the future. Now what we want to know is this: Suppose the

Board did grant this application. We want to know how much of a precedent that would set for a lot of applications for shipments to Spain from other people all over the country. Perhaps they will say, "we are in the same fix", -- how much that will amount to-- we are ~~not~~ so much, now you have done this for Mr. Musher, etc. All these things have to be considered.

Mr. Musher: I do not believe there is or will be another case of this kind, because other concerns were not able to make these arrangements; even we had a hard time to make the arrangement to continue the credits.

Mr. Harding: The Board appreciates just what its powers are. There are a great many international questions concerned, - relations of the Board with the Treasury Department, State Department, War Trade Board, etc. I don't think we have the same idea of the powers of the Board in this matter as you have. We want to understand about the future. This pending application has nothing to do with current business?

Mr. Musher: No sir. I would not feel justified for a minute to come to ask the Board to permit me to export gold to pay for my present purchases.

Mr. Harding: The President, in his executive order puts this matter subject to the approval of the Secretary of the Treasury. The Board takes these matters in hand after application is made through the appropriate Federal Reserve bank and the order authorizes the Board if, in its opinion the exportation is compatible with the public interest, to grant same, otherwise it must refuse it. That does not give the Board much leeway. It is necessary that the Board must be convinced. We all understand and sympathize with you in your difficulties, but we must abide by the President's order in the matter. I am trying to help you on this matter and we are not here in any unfriendly spirit at all. Now we would like to have you talk to the Board and point out just why it is, in your opinion, compatible with the public interest that this application of yours for this relief should be granted -- point out to the Board why it would be compatible with the public interest.

Mr. Musher: I am not so well versed as to be able to define "compatible with the public interest". It is such a large and broad word and has such meaning back of it that I am not qualified to analyze that one word only from my own angle. Through our importations of olive oil and through our prices based upon the then normal rate of exchange when the prices were made, the American consumers throughout the country were able to get Pompeian olive oil at a much lower price than it was selling either in England or in France, or even in Italy itself, where it was produced.

Mr. Harding: They could buy olive oil cheaper from you than anyone else?

Mr. Musher: Yes sir.

Mr. Harding: You had practically control of the whole field; in other words, you were the best market for olive oil?

Mr. Musher: Yes sir.

Mr. Harding: They could buy much cheaper from you than anyone else in 1916?

Mr. Musher: Yes sir.

Mr. Harding: You have no agreement with any other importers of olive oil about prices?

Mr. Musher: No sir, none whatever. I have here letters from about 700 olive oil jobbers throughout the country. They are form letters but are written by each one separately.

Mr. Harding: Just one minute, I overlooked asking you why it is that you must get your olive oil from Spain? Would Italian olive oil do?

Mr. Musher: The Italian government long ago placed an embargo upon it. Here I have letters from Anniston, Alabama, Birmingham, Alabama, etc., etc.

Mr. Harding: Just one minute, in 1916 you made these contracts for delivery during 1917 at a guaranteed price?

Mr. Musher: Yes sir.

Mr. Harding: You took care of that, although you lost money?

Mr. Musher: Yes sir. We had a profit sharing guarantee to our customers which ran five cents a gallon. In January 1916 every customer received a refund check. We took care of our contracts regardless of what happened to us.

Mr. Harding: You were the cheapest market for oil?

Mr. Musher: Yes sir.

Mr. Harding: If you had figured on all these gymnastics of the exchange market you would have had to put your price up?

Mr. Musher: Yes sir.

Mr. Harding: If you had anticipated this you would have put your price up?

Mr. Musher: I would have had to.

- Mr. Harding: You say no one else imported as much oil as you?
- Mr. Musher: Only in a smaller way. We were the people who fixed the price.
- Mr. Harding: Did you not run a little risk in ignoring exchange conditions?
- Mr. Musher: That never entered my mind because I had my man over here and we spent a few nights talking the thing over very carefully and we were sure our prices covered our cost for the oil itself. We entirely ignored the exchange situation ---
- Mr. Harding: Let me ask you another question. Do you think the exportation from this country of \$1,250,000 of gold is compatible with the public interest or not?
- Mr. Musher: I say that \$1,250,000 of gold going to Spain to settle an honest obligation of commitments made before the law under which the embargo was declared is compatible with public interest.
- Mr. Harding: Leave that out. What effect would that have?
- Mr. Musher: It would have a good effect to show that the American government is standing by the commitments of its merchants.
- Mr. Harding: What do you think of the exportation of \$25,000,000 of gold to Spain? Is there any danger of that gold getting into Germany?
- Mr. Musher: Never, because the Bank of Spain has accounted for every dollar's worth of gold that has come into Spain since the outbreak of the war.
- Mr. Harding: Suppose you go ahead and discuss this question of "compatible with the public interest", -- the right of the Board to grant this permit under the embargo order of the President. I am bringing this out all very clearly so that in case the Board could not grant this application you would like to have this record if you should wish to go higher up. We have the order and we have to go by it.
- Mr. Musher: The public interest to my mind would be to do everything that would benefit the public. In this particular case it has already benefitted the public for they have received the olive oil at this price.
- Mr. Harding: What proportion of the public are jobbers of olive oil?
- Mr. Musher: We sold last year ten million tins of oil.
- Mr. Harding: I mean what proportion of the public are interested in olive oil?

Mr. Musher: I think everyone is interested. Take Washington as an example. Every grocery store sells large quantities of oil.

That gives you some idea of the public interest in olive oil.

Mr. Harding: It is not quite as common as wheat?

Mr. Musher: It is a food, and Dr. Franklin Martin of the Council of National Defense appointed Mr. Smith to get together all the data about the medicinal value of olive oil.

Mr. Harding: We are digressing. You admitted that the importation of olive oil could continue regardless of the exchange rate. It is not a question of being unable to continue the importation of olive oil. If your application is not granted what will happen?

Mr. Musher: Instead of the consumers, jobbers and retailers being harmed it has gotten down to a point where it will fall on us as they have gotten all their benefits. Our three hundred employes, we are the ones to be harmed.

Mr. Harding: Just how serious is it?

Mr. Musher: It is serious enough to tell you I do not know what I would do. A loss of \$300,000 with a corporation of \$500,000, \$400,000, of which is tied up in plant and equipment, is a very serious affair.

Mr. Harding: We grant that it is a very serious affair. From the standpoint of the public interest how can we reconcile ourselves in granting the application?

Mr. Musher: Public interests are served best by releasing \$1,250,000 of gold to save \$300,000. If I should not get the export permit from here or the transfer from London I might try to see what I can do with the Spanish banks to have this gold earmarked for them here or in London and to advance me a credit against it.

Mr. Harding: In order to save freight rates. Have you ever thought of buying Spanish bonds in London?

Mr. Musher: You can buy them only at the current rate of Spanish exchange.

Mr. Harding: It seems to me that if I had some Spanish bonds I would not care what the current rate of Spanish exchange was.

Mr. Musher: Oh yes, you would, Governor. Here is the easiest thing to do. Our Government is borrowing funds every day from our own people paying 4%. Instead of borrowing from our own people the government could easily borrow from Spanish private bankers, say 200,000,000 pesetas.

Mr. Harding: The trouble about that is that there is difficulty in

opening these credits. The burden is shifted from one pair of shoulders to another. That proposition is something that does not concern the Board. The foreign exchange situation has been put by executive order in the hands of the Secretary of the Treasury and the Board has nothing to do with it except to pass upon applications for gold exports. I would like to have you explain to us how we can reconcile the granting of this order. We all do realize that you are in a hard place in the matter.

Mr. Musher: I say that it is to the public interest to permit the gold exportation in this particular case, first because suppose I had exported that \$1,250,000 before the embargo went into effect, our government and our gold would have been in the same position as today. I had the right before September 7th to do it. It was only for the fact that I was tied up with the Baltimore bankers that I did not ship gold before.

Mr. Harding: I know that is part of the whole story. How is it that we can take an application coming in ninety days after the embargo goes into effect and grant it? We are talking sympathetically.

Mr. Musher: It is to the public interest to guard the interest of every individual and every corporation and to guard our interest today would be to grant the permit; also that the gold exported today would leave our country in the same position that it would have been in had I taken that gold out before the gold embargo went into effect.

Mr. Harding: It would not be right for the Board to show favoritism?

Mr. Musher: No sir, certainly not. There is nobody else who is in exactly the same position. I know there is no one else in that same position.

Mr. Harding: On the other hand, is there anybody that would be very badly affected by ----- I won't get into that, though.

Mr. Musher: I am only trying to liquidate a peseta obligation which would not have any effect on exchanges.

Mr. Harding: You said a while ago that Spanish banks carried balances in London. Could you get your Spanish correspondents to establish balances in New York?

Mr. Musher: They want deposits in London. From the cables I have had on this subject banks in Spain take sterling balances and do not want to take dollar balances.

Mr. Harding: Well, you can get sterling very easily. Would your Spanish exporter accept London exchange in payment?

Mr. Musher: They would accept as payment anything that I would give them at today's rate of exchange. I am trying to get the gold



to save myself what I can in the way of exchange. If the Government should place me in a position where I could get the 6,000,000 pesetas at normal rates there would be no reason for the exportation of gold. Our imports ought to be the basis for our exports ---

Mr. Harding: I do not want to interrupt you, but before we get off of it, I want to know just what your point is about the public interest?

Mr. Musher: It is not only possible to help us, but it is helping the public interest to grant this permit in this particular case, because, by helping us it is helping the public generally. We are a part of the public.

Mr. Harding: You have already said that the importation of olive oil would continue whether the application is granted or not. It won't make the consumer in this country get olive oil any cheaper. The only matter is that it affects your company, three hundred stockholders out of one hundred million people in the United States. It is a question whether any special act or favor to one corporation would not hold the Board up to severe criticism as to favoritism.

Mr. Musher: To put us out of business today would hurt others.

Mr. Harding: This gold embargo does not apply only to Spain. Every country is affected. We are not shipping gold anywhere. That is the great trouble about this thing, -- just where we get off in making a special exception in your case.

Mr. Musher: This is a matter where the commitments were made before the gold embargo went into effect and long before the law was working. To put us out of business today would really hurt and hurt effectively, the jobbers and consumers throughout the entire country in their olive oil business. To put us out of commission would hurt the American public.

Mr. Harding: I understood you a moment ago to say that you could still bring in the oil. Now you say it is life and death. Do you mean that you would really have to go out of business?

Mr. Musher: It all depends on what attitude my bankers would take

Mr. Harding: Don't you think your bankers will take the attitude that they are in a way responsible for you getting in this position by not shipping your gold? Don't you think they would see you through?

Mr. Musher: I have no right to hold them for any responsibility in the matter.

Mr. Harding: Oh, I know, it is merely a moral responsibility.

- Mr. Musher: Now the Philadelphia National Bank has called upon me to liquidate 3,000,000 pesetas on March 7th. We are really facing disaster.
- Mr. Harding: Just suppose that the worst should happen. Would your business be continued or wound up?
- Mr. Musher: I do not know. That is going too far, I could only make suggestions. The business is in such a shape now that I might step out of it. If I step out of it the business will be abolished.
- Mr. Harding: If you had had the knowledge of the foreign exchange business that you now have a few years ago, you would be in a very much better shape?
- Mr. Musher: Decidedly, yes sir: But now, no matter how expert a man is there is no telling what will happen with this war going on. I think probably one man is about as well off as another. Not one banker in a thousand knows the real meaning of foreign exchange. In Europe it is altogether different.
- Mr. Harding: I don't see how anybody can guard himself against present conditions.
- Mr. Musher: Sure, normal conditions are altogether different.
- Mr. Harding: I do not know of anything else we want to ask you Mr. Musher, unless some other member of the Board wants to bring out a point. I have asked you if you had any competitors in the United States who import olive oil to sell and you stated that you were the largest importer and the others used it almost as incidentals. Are there any other importers who sell to jobbers?
- Mr. Musher: There are, on a small scale. There are any number.
- Mr. Harding: Now there was only one price. Was there any combination?
- Mr. Musher: None.
- Mr. Harding: Was yours the lowest?
- Mr. Musher: Yes, considering quality.
- Mr. Harding: Was there much variation in price, others considerably higher?
- Mr. Musher: There was not very much variation in price; some did sell considerably higher although hardly anyone sold any lower.
- Mr. Harding: You do not know whether or not they have been in the habit of selling higher, or whether they were afraid of the exchange situation?
- Mr. Musher: Not necessarily that. They were buying from merchants abroad in a small way. They did not make any contracts as far as I know, in 1916 for 1917 delivery.

Mr. Harding: Your company is the only company which has lost because of this exchange premium on imports?

Mr. Musher: I believe we are the only concern of its kind.

Mr. Harding: The others sold from hand to mouth and covered as they went along?

Mr. Musher: Yes sir, that is correct.

Mr. Harding: Do you know what the Crown Cork people did? We heard from them for a while and then they suddenly stopped.

Mr. Musher: They did not cover. They have a going business. They shipped gold as long as they could.

Mr. Harding: How much of a permit will they ask us for?

Mr. Musher: They have no grounds to ask for permits for past performances.

Mr. Harding: If we grant this application there will be no comeback on it?

Mr. Musher: No sir.

Mr. Harding: You did not ship gold because you were tied up with a lot of bankers who did not understand the situation?

Mr. Musher: We had credit arrangements over there.

Mr. Harding: You could at one time have covered it at less than half the loss now confronting you?

Mr. Musher: Yes sir. Only the market was so delicate that the minute I stepped out and bought a million pesetas the rate would go up on me. I could not have covered my exchange at the beginning of the year in this way. My oil started to come in and did not all come in until about the first of June 1917. I had to use it as collateral to borrow freely or sell it in order to have money to buy exchange. So in February and March after exchange went down I could not buy any exchange at this time because I did not have any money to buy it with nor any bank to buy it for me. I have to buy a whole year's supply of olive oil in three months. When I bring the oil here I put it in glass lined tanks - -

Mr. Harding: We have been over all that. You have studied the whole exchange situation. Have you gone back over a period of 30 years? Is there any seasonal fluctuation?

Mr. Musher: No sir. The normal fluctuation is so small no one ever paid any attention to it.

Mr. Harding: As far as sterling exchange is concerned there is a drop in it when large shipments of cotton are going east. What are the fluctuations in Spain?

Mr. Musher: It has never varied more beyond the gold shipping point.

Mr. Harding: You said a few minutes ago that you brought in 800,000 gallons of olive oil, the value of which in Spain was \$1,250,000. The total value of our imports of olive oil according to figures compiled by the Department of Commerce is \_\_\_\_\_ You say you are the largest exclusive jobber?

Mr. Musher: Yes, we are the largest importer of olive oil. The Guaranty Trust Company of New York in 1917, February, - Mr. May at that time was the manager - tried to get a credit from the Banca Hispanica for 2,000,000 pesetas to carry us over for a year and they replied "No, we will not extend you a credit".

Mr. Harding: What did Mr. May advise you to do when you first went to see him?

Mr. Musher: They never offered me any advice. I opened 90 day credits.

Mr. Harding: Did not you see Mr. May a year ago when this thing first got bad, to talk with him? Do you know him well enough to have him advise you?

Mr. Musher: I have known him for a few years.

Mr. Harding: I thought you knew him pretty well now.

Mr. Musher: I only know him through his connection with the Guaranty Trust Company.

Mr. Wartburg: That telegram that you have there - what interest do you get in London on the 250,000 pounds and what interest do they charge you?

Mr. Musher: This was made on an arrangement whereby the Bank in Spain sells 5,000,000 pesetas. They get 250,000 pounds sterling, and keep the sterling invested in London and are prepared to return to us when we return the pesetas to them. In other words, it is a buying and selling operation, which I am sure some other merchant would avail himself of.

Mr. Harding: In order to do that you bought exchange on London?

Mr. Musher: In effect it means that we give them 50,000 pound sterling and for it they give us a million pesetas.

Mr. Harding: Do you cover that right away?

Mr. Musher: We could not give them sterling unless I had sterling balances.

Mr. Harding: Do you cover that exchange?

Mr. Musher: I have to pay with sterling.

Mr. Warburg: Anybody having money in the United States before the embargo went into effect could ship gold.

Mr. Musher: Yes sir.

Mr. Warburg: So if you had had your money you could have shipped the gold?

Mr. Musher: Our money was tied up.

Mr. Harding: Mr. Musher explained that he was not in a position to ship gold until the first of December. The whole thing is as to whether or not the shipment in question is compatible with the public interest.

(Mr. Warburg then made a few remarks as to fluctuations in exchange, winding up by saying that "anybody who would say that Spanish exchange is regulated like English exchange is mistaken.")

Mr. Musher: I never before speculated in exchange. First we bought a great deal before this war from Italy.

Mr. Harding: You did not always take the precaution to cover?

Mr. Musher: We never took a chance of any kind on covering. We always paid for our oil with sight exchange.

Mr. Harding: I understand you never took a chance you were not obliged to take?

Mr. Musher: Our business has been built up by supplying the American consumer with the best olive oil to be had for the least money.

Mr. Harding: Did you ever buy any olive oil in Italy?

Mr. Musher: Yes sir, we have a place in Italy.

Mr. Miller: Why didn't you cover when exchange was going against you in 1917?

Mr. Musher: I could not at that time because I would have had a loss of 15%.

Mr. Miller: You mean you could not have covered profitably? Why didn't you take a loss?

Mr. Musher: First because it looked as though the American dollar had to come back to its value.

Mr. Miller: Then you were waiting for the American dollar to come back to its face value?

Mr. Musher: There is always a speculation when you buy commodities.

Mr. Miller: On that proposition, others did not think it was their duty to delay. They went ahead and covered. Your difficulty at that point would appear to arise from the fact that your credit facilities were so good in Spain that you did not need to be impatient about covering?

- Mr. Musher: Not our credit facilities exactly. The banks in Spain extending us facilities did so because we were there; that other houses were not established there.
- Mr. Harding: I would like to ask you one more question here, and you need not answer if you do not want to. At any rate, it can be stricken from the record if you wish. I would like to know, say a year ago, just what the financial position of your company was. What was the capital stock?
- Mr. Musher: \$500,000 preferred stock represented by actual assets, and \$1,000,000 common stock represented by good will which actually cost one million dollars to establish in development work.
- Mr. Harding: How much surplus and profits?
- Mr. Musher: None. We used up every dollar.
- Mr. Harding: Do you remember what, approximately, was your position as to assets in the shape of accounts receivable, and cash in bank, resources, etc.
- Mr. Musher: We always carried a large plant equipment of about from \$350,000 to \$375,000.
- Mr. Harding: How much accounts receivable?
- Mr. Musher: The rest of it was altogether in accounts receivable, and oil on hand.
- Mr. Harding: How much?
- Mr. Musher: The difference between our assets and liabilities.
- Mr. Harding: You had, then working capital of about \$225,000 and were doing a business of about \$1,250,000?
- Mr. Musher: Our business for 1916 was \$1,900,000.
- Mr. Harding: You are doing a business of about 5 times your capital?
- Mr. Musher: We were selling goods to our customers on sight draft. We eliminate entirely accounts receivable and our losses have been less than 1/100 of one percent.
- Mr. Harding: What I want to bring out is you are doing a business annually of about 5 times your liquid capital?
- Mr. Musher: Yes sir. We also have a \$200,000 bonded indebtedness which of course gives us more working capital.

Mr. Hamlin: How many jobbers do you sell to?

Mr. Musher: We have about 2400 accounts.

Mr. Hamlin: Were your sales all unconditional? Was there no estimate as to payment of prices? Was there any stipulation that in the event of any exchange trouble they should pay you anything more?

Mr. Musher: No sir. They were absolutely fixed sales.

Mr. Hamlin: As a matter of fact, did not the jobbers put up their prices very materially in 1917?

Mr. Musher: (At request of Mr. Musher his answer to this question is contained in his letter to Mr. Delano attached hereto and made a part of the record as exhibit 1.

Now we have to take all of our prices off the tins and rearrange the whole thing.

Mr. Hamlin: Did not the retailers in food increase prices for olive oil? What time in 1917 was the price raised?

Mr. Musher: Retailers were not permitted to raise prices on Pompeian Olive Oil, the prices on the tins regulated that.

Mr. Harding: Are there any substitutes for Spanish olive oil?

Mr. Musher: That is the only oil today. Spain and Italy both produce the largest quantity.

Mr. Harding: Suppose olive oil could not be obtained at all and a man wanted something to put on his greens, what would he do?

Mr. Musher: There are no substitutes for it as far as edible oils are concerned.

Mr. Harding: What imitations?

Mr. Musher: Cotton seed oil, peanut oil, sunflower oil, etc. There are many imitations but no substitutes.

Mr. Hamlin: Did the consumers of the country, through the retailers get the benefit of lower prices in 1917?

Mr. Musher: I would be safe in saying that 95% of the consumers got the benefit of our old price, because we made that our business.

Mr. Hamlin: How about your competitors?



Mr. Musher: They handle different brands. Consumers paid them a much higher price in 1917 than in 1916. (See Exhibit 1)

Mr. Harding: Mr. Musher, is there anything else that you want to bring out?

Mr. Musher: No sir, thank you. I want to thank you for your courtesy and kindness in granting me this polite hearing.

Mr. Harding: We will let you know next week of our action in the matter if we can.

(The hearing then adjourned, at 1:30 P. M.)

At the request of Mr. Musher his letter addressed to Governor Harding on March 5, 1918 is attached hereto and made a part of this record as Exhibit 2.

Attached also and made a part of this record as Exhibits 3, 4 and 5 are, Mr. Musher's letter accompanying his original application dated November 28, 1917, his supplemental letter of December 22, 1917 and his letter of February 27, 1918.

## MUSHER AND COMPANY

EXHIBIT 1.

WASHINGTON.

March 5, 1918.

Hon. Frederic A. Delano,  
Federal Reserve Board,  
Washington, D. C.

My dear Mr. Delano:

Permit me to reply to yours of March 4th, which is going to be somewhat lengthy, but the shortest I can possibly make it.

1. The average wholesale price as given in the statistics for the years 1916-1917 are very hard to analyze. There are so many different qualities of olive oil that to take an average price would not be fair for the reason that there are larger quantities of cheaper oil sold, and in that way the average price would not be a fair representation of the cost of high quality goods.

There are just as many different qualities of olive oils as there are different qualities of grapes, apples, etc.

The figures as submitted by you, however, would be a fair average of the cost for ordinary grades of olive oil imported and sold for consumption amongst foreigners coming from Mediterranean countries where the price is more essential than the oil quality, for the reason that they are all accustomed to the use of low quality olive oil and because there are no jobbers' and retailers' profits to consider. Most of the olive oil is retailed by traders who act in the capacity of importers, jobbers and retailers.

We ourselves sold about 150,000 gallons of our second quality ROMANZA BLEND olive oil to the Italian trade at an average price of \$1.60 per gallon. These goods were delivered through the year 1917 to fulfill contracts made by us in the summer of 1916.

Our POMPEIAN BRAND olive oil was sold in the summer of 1916 for delivery in 1917, at a net price to the jobber of \$2.15 per gallon, freight prepaid, to any city in the United States. All these deliveries were made, promptly, regardless of the market advance as shown by the labor statistics that the price of olive oil had risen from \$1.60 in January 1917, to \$3.26 in December 1917.

2. Eighty per cent of our total sales for the year 1917 were against contracts made in 1916 for 1917 delivery. We advanced our price somewhat for goods sold over and above contract, but even then we had a multiplicity of complications to contend with, the most important one being that our tins were all printed with prices thereon. Our half-pints were decorated with the words "Twenty-five Cents". Our pints were decorated with the words "Fifty Cents", our quarts with the words "One Dollar".

These prices were intended to be the maximum that the consumer would pay for these various sizes, and the jobbers' and retailers' profits had to come between our prices and the retailers' selling price, so that with a few months' supply of tins on hand, as we always carry, and another few months of decorated tin ready for manufacture into cans, it was impossible for us to make any real advance in our price. Then the very next reason for not advancing our price was that so many jobbers having contracted for a supply of olive oil to be delivered through the year 1917, it was useless to name an advanced price and have the jobbers pay the new price and try to sell the olive oil in competition with the jobbers who had contracts and were able to supply the trade at the old list prices; furthermore we considered it a duty not to disturb the trade by making any strong advances because the jobbers who had contracts with us would have advanced their prices to the retailer and the retailer would in turn have to advance his prices to the consumer above the price named on the tins.

In other words we were struggling with the situation as best we knew how to save the cabbage and feed the goat at the same time. Our prices to the jobber, the jobber's price to the retailer, and the retailer's price to the consumer has been standardized by us, together with the quality of our goods, so that it was impossible to have made any move that would have bettered our condition, and there was nothing left for us to do but endeavor to bring about a saving by bringing the dollar back to its gold par value, or by arranging with the foreign banks to carry us until the parity of the American dollar was reestablished.

The average cost for olive oil in the years 1916-1917 was only about 10% higher than the average cost for olive oil in the years 1915-16. I am referring only to the production months of 1915-16 and the production months of 1916-17, - that of course does not take into consideration the rise in exchange, and is only the basis of cost in Spanish pesetas.

Until our peseta obligations are entirely liquidated, our cost and balance sheet for the year 1917 is in suspense, and it is therefore that we so earnestly await the decision of the Federal Reserve Board in the gold export matter.

Very truly yours,

(Signed) MUSER and COMPANY.

N. MUSER

President.

NM/qc

EXHIBIT 1aC O P Y

March 4, 1918.

Mr. Nathan Musher,  
 President, Pompeian Oil Company,  
 Real Estate Trust Building,  
 Washington, D. C.

My dear Sir:

Here are some statistics which we have recently gathered together. What have you got to say in relation to the figures quoted? Also what proportion of oil sold by you in the year 1917 was contract price, and what proportion were you free to name a higher price? Can you give us the price of oil in Spain during the years 1916 and 1917?

Very truly yours,

(Signed) F. A. DELANO.

SPANISH OLIVE OIL.AVERAGE WHOLESALE PRICE.

	<u>1916</u>	<u>1917</u>	<u>1918</u>
Jan.	\$1.55	\$1.60	\$3.30
Feb.	1.55	1.64	
Mar.	1.55	1.86	
Apr.	1.55	1.98	
May.	1.55	2.13	
June	1.55	2.25	
July	1.55	2.38	
Aug.	1.55	2.68	
Sept.	1.55	2.68	
Oct.	1.55	2.92	
Nov.	1.56	3.05	
Dec.	<u>1.60</u>	<u>3.26</u>	
	\$18.66	\$28.43	

AVERAGE RETAIL PRICE.

		<u>O'Donnell's Drug Store.</u>	<u>Increase.</u>
1916	- \$2.76	Gallon	
1917	- 3.16	"	14.4%
Now	- 3.92	"	42% over 1916
		<u>Cornwell's Grocery Store.</u>	<u>Increase.</u>
1915	- \$3.00	Gallon	
1916	- 3.50	"	1916
1917	- 4.50	"	28%
Now	- 5.00	"	66%

(Bureau of Labor Statistics)

Average increase 1917 over 1916 - 53%

Average increase 1918 over 1916 - 112%

March 4, 1918.

MUSHER and COMPANY  
Real Estate Trust Bldg.  
Washington, D. C.

Exhibit 2.

March 5th, 1918.

Honorable  
W. P. G. Harding, Governor,  
Federal Reserve Board,  
Washington, D. C.

Dear Sir:

May I not be permitted to attach hereto, a letter from Mr. William Ingle, President of the Baltimore Trust Company, which I would like to have as part of the record in the hearing granted me.

I also want to state that in reply to the question put to me by Honorable Paul M. Warburg as to whether or not I would have brought to the United States Treasury the difference in exchange if the exchange would have been in our favor, I did not offer the proper explanation, which should have been as follows:

First, that every dollar earned by an American should be looked upon as another dollar added to the wealth of the United States, and second, that every dollar earned by an American pays an income tax direct into the United States Treasury.

May I not also ask that our letter of March 5th, addressed to Honorable Frederic A. Delano, of the Federal Reserve Board, also be made part of the record in our hearing.

In conclusion may I also state that England has adopted the policy of carefully safeguarding invested capital and in some cases the Government has actually paid losses to private firms or corporations where such losses were sustained by unforeseen war conditions. Quoting Honorable Basil P. Blackett, Financial Advisor to the British Embassy, from his memorandum submitted to the Federal Reserve Bank of New York, "The Voluntary Capital Issues Committee of England rules are that permission to issue securities is always granted where if to refuse permission would involve the complete loss of capital already expended, or at any rate would involve a very heavy loss of previously expended capital."

Respectfully submitted,

MUSHER and COMPANY.

President.

THE BALTIMORE TRUST COMPANY

BALTIMORE, MD.

Exhibit 2a

March 1, 1918.

Mr. Nathan Musher, President,  
Musher & Co., Inc.-formerly  
The Pompeian Company,  
Baltimore, Md.

My dear Sir:

This is to advise whom it may concern that in the months beginning with and following February, 1917, through the instrumentality of this Company, there was opened for account of the Pompeian Company to be available in Spain for the purchase and exportation to this country of olive oil, credits aggregating a total of something over 6,000,000 Spanish pesetas. Conditions under which the credits were opened required that before honoring drafts drawn against them, ocean documents evidencing shipments of the oil should accompany drafts respectively drawn in the premises. Such drafts in due course, were drawn, presented and honored by the Pompeian Company.

I very much hope that your efforts to obtain such satisfactory settlement of your exchange account as would seem to be due one who in such a large way has imported a valuable foodstuff into this country, will meet with the success which they merit.

Yours very truly,

President.

WI-ETH

Baltimore, Maryland.

Exhibit 3.

November 28th, 1917.

To the Honorable, the Members of  
The Federal Reserve Board,  
Washington, D. C.

Gentlemen:

We, THE POMPEIAN COMPANY, respectfully represent that for many years we have been extensively engaged in the importation of olive oil, and its sale to the American jobber and retailer; and through the jobber and retailer to the American consumer.

In the ordinary course of business it was necessary to anticipate our customers' requirements several months in advance; and it has been our custom for the past eight years to solicit contracts during the summer for delivery of olive oil during the following calendar year. This plan was adopted because, in order to obtain olive oil of the highest quality at a fair price, it is necessary that it be purchased and exported from the primary markets of production within the three harvesting months.

In pursuance of this necessary business custom, in the summer of 1916 we accepted contracts from hundreds of American jobbers for the delivery of several hundred thousand gallons of olive oil during the calendar year 1917. The contract price of the olive oil to the jobbers was based upon the then existing basis of exchange--19.3 cents for each Spanish peseta.

These contracts enabled the jobbers to sell to retailers, and the retailers re-sell to ultimate consumers, at the price based upon the normal rate of exchange.

The olive oil, to be delivered under these contracts, was purchased

in Spain during the latter part of 1916, and arrived in the United States in the early part of 1917.

Through unforeseen conditions, the American dollar commenced to depreciate to the extent of fifteen to twenty per cent (the peseta having risen to about 22 cents), and in order to protect ourselves against an enormous loss in exchange, aggregating about \$150,000.00, it was necessary to arrange through bankers letters of credit to defer payment for the olive oil imported until such time as we had reason to believe that the American dollar would again command its full value. These obligations in Spain, to cover the importations of olive oil, aggregate six million (6,000,000) pesetas.

As is well known to the Board, sometime in September, 1917, the American Government placed an absolute embargo on the exportation of gold from this country, and owing to this embargo the rate of exchange since then has further depreciated the value of the American dollar until today it is at a discount in Spain of about thirty per cent--the peseta having risen to about twenty three and one-half cents.

Had we supposed that an embargo would be placed on the exportation of gold, we would have immediately exported to Spain from the United States a sufficient amount of gold to liquidate our peseta indebtedness, rather than have allowed the gold to accumulate here.

Since the contracts for the delivery of this oil to the American jobbers, and the purchase of this olive oil in Spain with which to make deliveries under such contracts, were made prior to the date of the gold embargo; we petition your Honorable Board to protect us from an exchange loss approximating \$200,000.00 by issuing a permit to transfer from the gold ear-marked in London for the Federal Reserve Bank, Richmond, Virginia, the sum of \$1,250,000.00 to the Bank of Spain (London branch), with permission to the Bank of Spain to export the gold to its main bank in Madrid, Spain.



Exhibit 3.

-3-

We will deposit with the Federal Reserve Bank, Richmond, Virginia, through the Baltimore Trust Company, the sum of \$1,250,000.00 to cover the above named transfer.

Your Honorable Board will see from the above statements that the American jobber, retailer and consumer <sup>actually</sup> received the benefit of the low price for this olive oil, based upon normal exchange rates that existed in the summer of 1916; and that we have faithfully lived up to the letter of our contracts by delivering every gallon of olive oil at the price made in the summer of 1916.

In view of the fact that the American public--the consumers of the several thousand gallons of olive oil--benefited from the contracts made in the summer of 1916--before the violent abnormal exchange depreciation of the American dollar--we believe your Honorable Board will, as a simple act of justice, permit the transfer of \$1,250,000.00 in gold to liquidate a legitimate obligation, made at a time before the gold embargo became effective.

Respectfully submitted,

THE POMPEIAN COMPANY

By N, Musher

President.

X-779

CONTINENTAL TRUST COMPANY

WASHINGTON, D. C.

Exhibit 3a.

30th November, 1917.

IN RE PERMIT TRANSFER OF GOLD LONDON TO SPAIN

Hon. Federal Reserve Board,

Washington, D. C.

Gentlemen:-

We have carefully read the petition of Pompeian Company, of date 28th November, asking permit of you for transfer of \$1,250,000.00 of gold from London to Spain, to liquidate obligations amounting to 6,000,000 pesetas, in payment of olive oil imported during the early months of present year.

The Pompeian Company are valued clients of ours and we know the statements contained in their request of 28th instant to be correct, and we earnestly ask that their petition be granted.

With great respect, we beg to remain,

Very truly yours,

(Signed) C. W. WARDEN

Vice President.

X-779

THE COMMERCIAL NATIONAL BANK

WASHINGTON, D. C.

Exhibit 3b.

November 30th, 1917.

To the Honorable, the Members of  
The Federal Reserve Board,  
Washington, D. C.

Gentlemen:-

The Pompeian Company have shown us their letter of November 28th, addressed to you, relative to export permit for gold to cover six million pesetas obligation in payment for olive oil imported by them.

We have read the letter over carefully and are thoroughly conversant with the situation, and beg to request that your Honorable Board will give this the very best consideration. It is our hope that you will see the justice of their position and allow the permit.

The matter is so thoroughly covered in the letter of the Pompeian Company that we think it needless to add more. We beg to assure you that the Company needs this assistance and, in our opinion, is entitled to it.

Very truly yours,

(Signed) T. K. SANDS

Vice-President.

THE POMPEIAN COMPANY

BALTIMORE, U. S. A.

Exhibit 4.

December 22d, 1917.

To the Honorable

The Members of the Federal Reserve Board,

Washington, D. C .

Gentlemen:

Referring to our recent application for the immediate exportation to Spain of \$1,250,000.00 of gold to cover our obligation of 6,000,000 pesetas (due for the purchase of olive oil imported to the United States in the early part of 1917); we desire to amend the application as follows:

Instead of granting permission for the immediate exportation of the gold, as above indicated, we respectfully petition your Honorable Board to agree to the exportation on July 1st, 1918, if, in the meantime, we are unable to obtain foreign exchange to liquidate our indebtedness at approximately the normal rate.

Your ruling, at an early date, on this supplemental petition, will be greatly appreciated.

Respectfully submitted:

THE POMPEIAN COMPANY,

By N. Musher,

President.

MUSHER and COMPANY

WASHINGTON, D. C.

Exhibit 5.

February 27th, 1918.

Honorable W. P. G. Harding, Governor,  
The Federal Reserve Board,  
Washington, D. C.

Dear Sir:

I have your letter of February 26th,  
and thank you for the statement that your  
Honorable Board will grant me the opportunity  
at a hearing, to make an oral argument regarding  
the application of The Pompeian Company for the  
Exportation of \$1,250,000 in gold to Spain.

The letter of November 28th, 1917, addressed  
by The Pompeian Company to your Honorable Board,  
sets out the facts upon which the application is  
based.

It is for the purpose of explaining those  
facts that I respectfully ask for a hearing, at  
a time convenient to the members of your Board.

Yours very truly,

N. Musher,

President.