

# Russia Becomes Gold Conscious

There's a new spirit in Russia today, or maybe fever would be a better name for it. Russia has become gold conscious and is making a strenuous effort to establish a gold reserve by speeding up production in her rich goldfields in Siberia and in the Ural mountains, according to an article which appeared recently in the *North China Daily News*.

Unlike most other European nations, Russia has discovered that it is not necessary for her to go beyond the limits of her own domain to acquire that gold which now seems so necessary for her economic and political security. She is bending every effort to develop her own gold-bearing territory, and is offering every inducement, and special privileges unheard of in the Communistic nation before, to her stalwart sons who will brave the wilds of Siberia and retrieve the precious metal for her.

A few years ago, Comrade Serebrovsky, Director of the Gold Trust of the U. S. S. R., boasted that he would soon overtake the output of gold of the Rand. He was not taken seriously. Later, when he published figures showing that he had already attained half that amount, it seemed incredible. But, as time went on, and he maintained that figure, and even increased it, an uneasy feeling started to creep into the world gold market.

The statistics published by him for the year 1935 gave an output of 5,650,000 fine ounces, representing today a value of approximately \$360,000,000 for the one year. The thing seemed impossible. The whole output of the famous Lena goldfields for three-quarters of a century did not amount to more than double that.

Russia has no intention of resting on her laurels, even with this remarkable increase. Comrade Serebrovsky has boasted that by the end of 1936 he will have pushed up the output to over 10,000,000 ounces. That is, he will really rival the Rand. Figures are not yet available to prove whether he has been able to carry out his ambitious intention.

An explanation of this enormous output from Russia's mines to vindicate a boast is asked by Mr. Malcolm Burr in London's *Daily Telegraph*—and is adequately given.

Russia has used the same general methods to speed up gold production as she used to speed up industrial production; that is, by encouraging miners and prospectors, with privileges not otherwise obtainable, and enticing men of all sorts to join in the hunt for gold.

Russian methods of gold-mining are far behind the times. Even so recent as ten years ago, engineers on the Lena were intensely interested at the prospect of seeing dredges at work. It is obvious then that the quest for gold, even in this miners' paradise, is no easy undertaking and a certain amount of personal gain would have to be allowed, against the principles of communism, to induce men to suffer the privations and hardships of the Siberian goldfields.

Today, Russia considers these men "soldiers on the gold front" and has granted them free railway travel, relief from taxation, exemption from various services, especially from forced labor in other departments or in labor camps, and above all, better food and more of it. They go gladly, not only experienced miners, but all the floating proletariat, for the sake of the reward and a certain amount of personal freedom.

Although the mineral wealth of the Urals has been famous for centuries, and the Bolsheviks have been prospecting very energetically in the less explored ranges of their empire, the answer to Russia's new gold activity is not to be found there. Promising reefs have obviously been found in the Altai, the Tian Shan, the Pamirs, and the Caucasus, but that these could be developed within a few years to seriously rival an old-established field is not possible. The answer to the riddle is in that vast forest that sprawls right across northern Asia, the gloomy taiga, some 3,000 miles across from the west to the Pacific coast in the east, and a thousand miles northward to the edge of the Arctic tundra.

Right in the middle of this almost boundless forest there is a river called the Angara, whose icy crystal waters swirl down to Lake Baikal in a stream so turbulent that it defies even the Siberian frost until the end of January. That river flows over one of the oldest parts of the surface of the earth. Here time and the elements have combined with the mad rush of the fast-flowing river to break up the rocks, disintegrate them, wash down the debris, and concentrate the flakes of gold in the sand and gravel of the river beds. Some of these are on the surface today; some are buried beneath 100 feet or more of gravel and rubble, ground down by the glaciers. These are the deep leads.

For this reason the Taiga is gold-bearing almost throughout its extent. As in the Lena goldfields, it is extremely rich in some places.

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This condition seems to be more prevalent among those more recently organized companies, some of which have sold a considerable quantity of stock to the investing public without regard to the possibilities of developing a real producing mine. It would seem that there has been an unusually large sum of money raised by such companies. Under ordinary conditions the majority of this money would no doubt be expended, partly on the development of a property having little or no value and the balance in the payment of excessive office and general overhead expenses.

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I believe it is very fortunate for the mining industry of the Philippine Islands that there has recently been placed in effect a new securities act, which if properly administered will tend to curtail the expenditure of considerable of the money already raised and in the future will go a long way towards eliminating the promotion of so-called wild-cat mining companies, and in straightening out a more or less chaotic condition which has apparently existed here for sometime.

I have been very favorably impressed with the very apparent wish of the new commissioner to administer the act in a way which will provide protection for the investing public and at the same time not hinder those companies which are attempting legitimately to develop a mining property. I believe the commissioner is acting wisely in giving publicity to the applications for permits for the sale of stock to the public by various newly organized corporations.

The new securities act of the Philippine Islands has apparently been patterned after the federal securities act of the United States. There are some slight differences, but, in general, the acts are very similar. Prior to the enforcement of the various "states securities acts" throughout the United States and finally the Federal Securities Act, much so-called wild-catting was done in the various new mining camps of the Western United States. In each "boom" camp many companies were organized on properties of no possible mining value, and stock sold to the investing and speculating public. In many cases the stock of these wild-cat companies sold on the various exchanges at high prices and the promoters and manipulators reaped quite a harvest. The final enactment and subsequent enforcement of the federal securities act has stopped many of these activities.

The administration of any securities act governing the financing of mining properties through the sale of stock to the public is a very difficult problem. The question of valuation of an undeveloped mining property is a hard one to solve. This has been the experience of the Corporation Department of California for a number of years and the officials of the new

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The Angara is a three weeks' journey north of the Lena Goldfield, which is itself a good two weeks journey northward from the Trans-Siberian railway. This will give you a general idea of the extent of the Taiga—it's a big place.

While other nations have looked upon the fundamental principle of all human activity as economic, and even the precious metal, gold itself, can be worked and won only if it can be made to pay, the fundamental principle of the Soviets is political. If gold be required for political reasons, as it always is, the question of cost and profit is not taken into consideration. In the U. S. S. R. the payability of a deposit, whether low or high-grade is not taken into consideration. All gold possible must be collected, regardless of cost—in money, in suffering, even in human life, and brought to Moscow.

The gold seekers of Siberia are a stalwart race, who wrestle with Nature in her grimmest moods, to wrench a little of her buried treasure with primitive methods and inadequate resources.

But this mad scramble on Russia's part to build up a gold hoard from gold retrieved by such methods, cannot go on forever. The amount of gold to be recovered thus is limited. Large areas are already exhausted—some worked out and abandoned ten years ago. And diligent prospecting has offered no hope that gold mining in the true sense—that is, by drifting or underground mining—would last much longer in the Vitim district. Although large quantities of gold have been and still are being recovered from the streams and other workings, these are not expected to last much longer. The hope of the future seems to lay in dredges.

The fact still remains however, that Russia is at present making a mighty bid for a gold hoard, and whether this will have any serious effect on the world's gold situation, or affect the local gold mining industry remains to be seen.