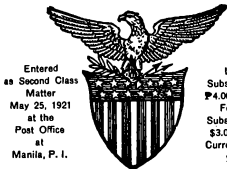
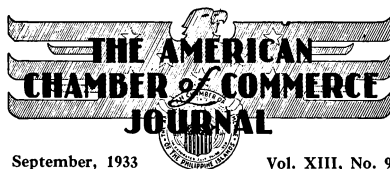


Entered
as Second Class
Matter
May 25, 1921
at the
Post Office
at
Manila, P. I.



Local
Subscription:
P4.00 per year
Foreign
Subscription:
\$3.00 U. S.
Currency, per
year



September, 1933

Vol. XIII, No. 9

Single Copies:
35 Centavos
—
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Manager



Gold Boom on Full Blast: Inflation Helps

*Month's span in gold stock values;
steps in incorporation proceedings;
a hand to Judge Haussermann.*

The table on this page gives the month's span in stock values of the gold companies whose stocks are quoted on the licensed local exchanges. The big day of the month was August 30, when President Roosevelt's order permitting free export of new gold came out. Judge John W. Haussermann, president of the twin leading producers, Benguet Consolidated and Balatoc, had won the fight he began in May with the U. S. treasury department almost single-handed and made for his shareholders, on their gold held in the United States awaiting sale, an extra profit of P1,800,000 or about P3,500,000 additional profit annually. Before the point was won, many gold producers in America had joined in Judge Haussermann's contention that gold should be allowed to be sold for the amount of depreciated dollars it would bring in the open market; otherwise, in inflating her currency, yet holding strict monopoly of gold and paying the mint par value of \$20.67 an ounce for it, America would be penalizing gold production and tempting mining companies to keep their output at the minimum.

Roosevelt's order will have the opposite effect, will stimulate gold mines to maximum production and encourage what is manifest here, investment and speculation in the gold mining industry. Below the table of gold stock quotations as of July 31 and August 31, Judge Haussermann's statement on this subject appears. August, 1933, will be an historical month in the annals of Philippine gold mining, it marks the unquestioned beginning of a gold boom here that no force can now keep from running its logical course.

This boom would float along nicely on the support of local capital alone, yet we predict that at last outside capital will also be attracted. On August 31, Benguet Consolidated stock touched P40 a share, 400 times par of 10 centavos; there are 2 million shares, but only a few, comparatively, ever traded on the market, because Haussermann and his associate, A. W. Beam, were in their personal control well over a million shares and are never interested in what people may be bidding for them. There are other large blocks, such as Leon J. Lambert's, that are also strictly held for investment. If, however, all shares were reckoned at the value reached on August 31, P80,000,000 would be the value of Benguet Consolidated. Throw half of this way, charge it to enthusiasm, you still have P40,000,000 for Benguet Consolidated and you are on solid foundation.

It is the *Journal's* sober opinion that if men will tie their faith to Judge Haussermann's ambition, he will make all of them well-to-do and many of them rich; not indeed from deals in stocks, buying and selling, but from dividends earned by the mines. For Judge Haussermann is convinced that potentially the Philippines are one of the world's great gold regions. He is willing to back this conviction with cash. He has proved what he can do, with Benguet Consolidated and Balatoc. He wants to monopolize nothing, but he doesn't want the gold industry of these islands to continue languishing for want of capital. If you fall in with this idea, and are inclined to mining, here is the formula: Prospect your claims, locate and block out your ore. This you can do with a small stock

issue, or moderate contributions of capital by men expecting to go into your company and have its stock. Pinding ore to warrant mining and the expense of a mill, you can go to Judge Haussermann and effect a financing and operating contract with him on behalf of Benguet Consolidated. If your proposition is a sound one, you will not knock at that door in vain. But you demur that such a contract with Balatoc gave Benguet Consolidated 60% of Balatoc's dividends, more than half. True, and it made Balatoc (*World's Work* of June last year says) the highest dividend paying gold mine in the world per ton of ore milled. It gave Balatoc that clear, harmonious and competent business administration that is the minority stockholder's salvation in every joint stock enterprise, in mining more than in most other things.

This comment is addressed to minority stockholders in mining ventures, actual and prospective. Let us take the founders, you might style them, of Balatoc, the men who courageously put their money in it when it was just a set of claims, and then just a prospect. If Benguet had not financed it then, these men would have had to turn to some other source for P1,500,000 (what Benguet Consolidated put into Balatoc before getting back a centavo), which would have made them minority stockholders. It would have been, as they wisely found, impossible for them to eat their cake and still have it, and the record is convincing that they might have gone farther and reached a worse market.

What they did, or about that, Ipo has done since. Others have the plan in project. In other words, our gold mining now has a place at hand to turn to for capital when there is gold in sight to warrant investment of capital. Of course, Benguet Consolidated is not the only brand in the fire. It is the backlog. In this whole business of speculative risk and investment ventures in mining, the *Journal's* counsel is, back men rather than prospectuses. There are half a dozen men, at least, heads of as many gold mining or prospecting enterprises as Baguio, whose characters are guaranty of good faith in all that transpires in their companies. Speculating with them is a square win-or-lose proposition; and mining with them, if projects have reached that stage, is all the security a minority stockholder requires.

There has been discussion about what Benguet Consolidated shares are worth. Like other things, they are worth what people will pay for them; if dividends are P2 a year and a share will bring P40, that is a return of 5% on the capital at risk; but as late as last January people were only willing to pay P8 a share for this stock and they then had dividends of 25% of the capital at risk. Just why the public has cared to bid this stock up to around P40 a share is beyond us, your guess is as good as ours; but that it is a good solid stock is not beyond us. Net profits in the first half of this year were P2,399,239.91, in the gross receipts was P1,509,995.60 from interest and dividends, earnings out of Balatoc. Gross assets were P6,331,596; cash in banks, P623,783; and among liabilities general reserve, P3,500,000. The balance sheet manifested the typical Haussermann-Beam conservatism that

MINING STOCK QUOTATIONS

Stock—	July		August	
	31	31	31	31
Balatoc.....	P21.00	P25.00		
Benguet.....	25.00	37.50		
Itoyon.....	3.90	5.00		
Baguio Gold Mining.....	0.24	0.47		
Benguet Explora'n.....	0.17	0.25		
Gold Creek M. Co.....	3.90	4.50		
Antamok G. Fields.....	0.37	0.55		
Big Edge M. Co.....	.....	0.30		
Ipo Mining Co.....	.....	4.00		
Benguet Goldfields.....	.....	4.21		
Salaat Exp. Co.....	.....	15.00		
Paniqui Mines.....	.....	10.00		
Fortuna M. Co.....	.....	0.15		
Macanaoed M. Co.....	.....	.....
Sta. Maria Dev. Co.....	.....	.....
Mountain Goldfields.....	.....	.....
Bontoc Explo. Co.....	.....	.....
Pugo M. Co.....	.....	.....
Placer M. Co.....	.....	.....

HAUSSERMANN'S STATEMENT

"The presidential order authorizing an American free gold market in effect will enable producers of gold to get about 50% more for their gold than formerly. At present in the United States there is from 4 to 5 billion dollars' worth of gold. As valued today, that stock of gold is worth about 7 billion dollars. That means that the natural course of events has brought about 'inflation' to the extent of about 2 billion dollars. This is a natural and healthy inflation and makes it unnecessary for the President to bring about inflation by artificial means. This additional value of the gold in existence and to be produced will serve as the basis for additional currency and credit.

"All of this is bound to help bring about normal prosperity.

"The Philippine Islands will receive the benefits of this inflation the same as the world at large.

"The Benguet Consolidated and Balatoc mining companies have now in San Francisco and afloat a little more than 154,000 ounces of gold. This establishing of the free market automatically increases the value of that gold about P1,800,000."

periodically makes minority shareholders rub their hands with satisfaction—then try to get more stock.

Positive ore reserves blocked out on 4 sides at date of the semi-annual report were 245,000 tons valued at \$7,082,000, probable ore reserves exposed at least on 1 side were 285,700 tons valued at \$6,198,000; total, P13,280,000 of which about P5,000,000 or more may be expected to go to shareholders in dividends. Balatoc had ore reserves valued at P16,741,000, of which at least P7,000,000 ought to go into dividends as mining proceeds, and shareholders of Benguet Consolidated ought to get about P4,400,000. Ore development was, of course, going on actively and intelligently at both mines and the end of what the mines will finally yield was nowhere in sight. Nor was the Benguet Consolidated neglecting to acquire additional ore claims: the Fianza claims, for example, a bargain to delight the shareholder. Nor yet was the company abstaining from entertaining more operating propositions, both Midas and Big Wedge were in the offing here.

Should Benguet Consolidated be exhausted,

the shareholder in that company would still have material dividends to look to immediately what he is already getting from Balatoc (this was P2,603,750 in 4 years, 1929-1932), then from Ipo, then perhaps from additional operating arrangements as they may be effected with the now very certain rapid development of gold mining in these islands. So the Benguet Consolidated shareholder has a value in his holdings far in excess of the values still remaining in the mine itself. He has an equity, a tangible, earning equity in an operating mining company in which no force or combination of forces can undermine the forthright control exercised by the painstaking and experienced management that has built the company up. If he wants to pay high and take a low dividend for such an investment, sheer sanity cannot answer that he could not go farther and fair worse. Comparison could be made with the leading companies, of all sorts, in the United States, if not in other countries, and it would show that in hardly any of them is the business control so secure as in this company; in hardly any of them, that is, has the minority shareholder the chance that he has in this company—

the chance of no upsets and of always getting a square deal.

In *El Debate's* anniversary issue, August 27, Judge Hausermann himself likened Benguet Consolidated in its mine financing and mine operating aspects to a sugar central, what the central does for the cane planter Benguet Consolidated stands in ready position to do for the mine prospector and developer—mill the ore and extract the gold.

This is evidence enough, though it is by no means all that is available, to demonstrate to all but the most skeptical that the Philippine gold mining industry has turned its most difficult corner. From now on, if it wants it, it is to have the capital it requires. So watch it grow, grow with it if you will. There are sensible ways of going about participating in it, and these sensible ways will hardly fail. Gold deposits of these islands are widespread and abundant, from northern Luzon to southern Mindanao—that is a pretty safe guess; and it is a good sight on what we have here to observe that farther south, in British New Guinea, gold production last year exceeded the value a million sterling. We are part of the crest of a Rand.

Pandacan: Sewerless, Parkless Factory District

On a day in August a visit was made to the factory of the Manila Rubber Company at the river bank in Pandacan, on calle Beata extending through the maze of bad gutterless streets skirting open fields, cluttered slums and swamps from calle Zamora, the turn to the left from calle Canonigo. Ben Houston runs the rubber factory, really an interesting place. Houston makes rubber sundries, about 300 findings including findings for the shoe and plumbing trades and many specialties demanded by sugar mills. Among these products are caps fitting over automobile pedals to obviate slips of the foot on the foot-pieces of these pedals.

The trade of the factory is all wholesale, and the machines were busy.

Many other factories are located in Pandacan, the leading factory district of the city; and besides the factories there are many warehouses, particularly along the river. The gas works are in this district. Naturally, taxes deriving from the district are considerable. Yet not a street, so far as 2 hours' observation disclosed, is in anything like first class condition. The health service reports there are no sewers in the district, none was manifest. The streets are narrow, so very narrow that cars can hardly pass on them. The streets are mere mud elevations into which some crushed stone has been worked to give a certain solidity. Gutters are pools of slime and mud, kitchen and latrine drainage from the houses runs into them; instances were observed where sewer pipes from houses debouched into these festering gutters.

Land unoccupied by buildings is utilized for fields, growing green hay and rice. Mosquito-breeding swamps, often closely paralleling the streets, abound. The river bank is not walled, hardly a public improvement of any sort, worthy the name, is noticed in the whole district; but around the factories everything possible has been done by private enterprise to ameliorate sanitary and living conditions—as the improved Standard Oil property with its white-and-blue workmen's cottages. On its part the city has done almost nothing; where their lot is not relieved by the solicitation of employers, the people live in filth and amid filthy surroundings.

The narrow and dangerous streets, encumbered with much truck and cart traffic, are after all the cleanest places outside the church and chapel plazas where the children can play.

There are of course no sidewalks.

The population of this district last year was reported by the health service as 6,241. The number of births was 371; deaths were 171, 55 of them of children. The mortality rate was 27.36 per 1,000; a very high rate, especially for Manila, and for good reason, as the 5 senses and the esthetic sense will unanimously witness to any observer.

Out of 371 children born, 55 must die in infancy. There is much good property in Pandacan and not a few substantially built homes, that suffer in value and comfort by the city's neglect of the district. No one could testify, from looking at Pandacan, that it is a political part of Manila. The child population must be close to 4,000. There are no car lines, there is no bridge over the river. There is not the semblance of a park, except an athletic field, high-fenced and padlocked. Governor General Frank Murphy has come out for improving districts in Manila such as Pandacan. He had every reason to do so.

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