

vided, the latter including maintenance of roadbed and equipment, transportation, etc. He then presents a tabulation of stock records and ratings and a detailed description of the capital stock and bond issues of each property, showing all the vital factors relating to income and operation reduced to a per-mile basis.

The "margin of safety," representing percentage of income over fixed charges, is brought out in bold face type, and the net income on net capital is similarly emphasized. Each issue of bonds and stock is given a rating based on the security and earnings back of that particular issue, as well as the ease with which it can be marketed.

It will be seen from the above that the investor who really wishes to know the value of the various stock and bond issues in which he deals or invests, will find in this volume the data necessary to the acquisition of such knowledge.

This being the case it seems unnecessary for us to bring even the essential principles of this question within the scope of this series; especially as it would be useless for us to attempt to abbreviate material which, to be of value, must be comprehensive.

It will be found upon investigation that each railroad property shows from its record a distinguishing character. The parentage of a property has very much to do with this character as well as with the "reputation" of its securities in the market.

For example, the Vanderbilts do not hold a controlling stock interest in the New York Central and allied lines. The family's investments are in the bonds. Nevertheless, the New York Central is benefited by the former stock ownership of the road by the Vanderbilt family, and it therefore still retains its prestige as a Vanderbilt road. In further proof that the individual at the head of a property is the chief factor in the formation of its "character," note the distinction between Mr. Hill's roads and those of Mr. Hawley; the Harriman properties compared with the Gould roads, etc.

The past policy of a management is an important factor in forecasting the fu-

ture course of a property and the consequent effect upon the market price of its securities.

There are two kinds of railroad management: (1) That which works in the interest of all the stockholders, and (2) that which aims to benefit the insiders first and the outside stockholders last. We have many instances of both kinds among American railroad and industrial corporations. As a type of the former there is no better example than James J. Hill's management of Great Northern, Northern Pacific, Burlington, and allied lines.

Take the instance of the Great Northern ore lands: These vast deposits of ore having been discovered along the line of the Great Northern, Mr. Hill's son was put in charge of an extensive scheme of exploration by the use of diamond drills. This enabled the engineers to locate and determine the size of the ore bodies, so that when the time came for making a deal, the "cores" formed almost as good evidence as would the ore itself had it all been above ground. The Great Northern Iron Ore Properties, as the concern is called, were in the course of time leased to the United States Steel Corporation on a royalty basis. Certificates representing an interest in these Ore Properties were distributed among the stockholders of the Great Northern Railway, the contract also providing that the Great Northern should further benefit by the transportation of this ore.

In how many American corporations would this method of procedure have been followed? Certainly not in the majority. On the contrary, a private corporation would have been formed by a few insiders. These individuals would have held all the stock and secured all the royalties until such time as the stock, which cost them \$10 per share, was selling at \$150; then the general public would have been offered an "opportunity" to purchase the stock in the open market.

Any man with common sense can see that if the record of a corporation proves a strictly honorable plan to have been followed in the past, it is likely to be also pursued in the future. In consequence of the above policy, Great North-