

1864 by Gardner Bros., certainly one of the best of the portraits. The Mark Twain (16x22, edition limited to 250 artist proofs) was drawn from life with the assistance of Gessford's photograph. Both portraits may be recommended for framing. Mr. Barmore publishes a number of such etchings, chiefly of men famous in the law.

The death is announced of Just Bequet, the French sculptor, a pupil of Rude. A number of Bequet's statues have prominent places in Paris.

Finance.

CHANGING STANDARDS OF RAILWAY MAINTENANCE.

Whatever may be the notion of State and Federal authorities as to the basis of "value" in railway securities, there is but one basis so far as the security markets are concerned, and that basis is income-producing capacity. The price of a security may be regarded as a resultant of three forces or factors—first, the rate of interest or dividend; second, the general rate of interest, and third, a more or less indefinite factor which, in the case of bonds, might be termed, as Carl Snyder in his book "American Railways as Investments" (Moody Corporation) terms it, the "factor of safety," and in the case of stocks the "equity." In other words, the price of a bond—the number of cents on the dollar of face value bid for it on the market—depends mainly on the rate of interest borne by it, the relation that this rate bears to the prevailing rate of interest, and the degree of security for its punctual payment. And the price of a stock depends mainly upon the dividend it pays, the relation of the dividend to the prevailing rates of interest, and the amount of potential dividend that the stock represents in the surplus earning capacity over the dividends paid.

Hence, the general scope of all processes of analysis designed to disclose the value of railway securities is principally confined to the question of earning capacity in relation to capitalization. For when a railway's true earning capacity is known the value of its securities is also known—the value, that is to say, regarded without reference to temporary speculative considerations. Mr. Snyder's book above referred to is the most recent publication on the subject of railway values; it is designed to put in the hands of the investor all the facts that he needs to determine more or less definitely the value of the stocks and bonds of American railways, and to furnish him with the fundamental rules for interpreting those facts. Barring a tendency towards perhaps unduly dogmatic statements and unduly definite conclusions—and no more than a tendency is to be imputed—

the book seems likely to fulfil the purpose of its author. It is clear as to principles and, so far as a cursory test of the facts may disclose, accurate in its figures.

The chief interest of the book from the point of view of the economic student is its evidence of the extent to which standards are changing in railway practice, and, consequently of the extent to which these changes must be considered if railway values are to be accurately measured. The process of measurement consists simply of testing the "net earnings" as officially reported for "concealed equities" or the reverse. A railway in the United States is compelled by the Interstate Commerce Law to keep its accounts and make its reports in a form prescribed by the Commission. This form divides operating expenses into five general classes, three of which include all expenses of operation other than "maintenance," the remaining two including "maintenance of way" and "maintenance of equipment." In railway accounts the only possible place where "equities" can be "concealed" is in "maintenance," and consequently the test of net earnings is a test of "maintenance" charges.

Until within four or five years—during which the cost of labor and material used in railway work has increased and the general type of equipment changed—certain rough standards of maintenance charges per mile of road, per locomotive, and per car were in use among analysts seeking to determine "concealed equities" or the reverse in railway accounts. It was reckoned in a general way that a single-track road in the West, for example, with a freight density of, say, 600,000 ton-miles per mile of road per annum, could be sufficiently maintained for \$900 or \$1,000 "maintenance of way" per mile per annum, a locomotive for \$1,000 to \$1,500 per annum, a passenger car for \$500 per annum, and a freight car for \$50 per annum. If the maintenance accounts contained more than these allowances there were "concealed equities"; if less, the net earnings were overstated.

Mr. Snyder points out very opportunely that it is no longer safe to use these standards. He has (p. 66) a suggestive note on "Concealed Earnings," which runs as follows:

The practice, therefore, of finding large concealed earnings through a comparison of maintenance charges, in 1906-7, with the scale of some six or seven years previous, is wholly misleading, and investors will exercise a healthy distrust of any such showings. It was the concurrent opinion of two operating officials, as expressed to the writer, that there were, save in rare instances, no concealed earnings in the maintenance accounts of 1906-7.

This fact—and it is surely a fact—may be commended to the notice of all who study railway figures for light upon values of securities. It is obviously impossible as

yet to measure definitely the effect of changed costs and changed conditions upon these standards of maintenance, but it is probably safe to say that Mr. Snyder's estimate of a 50 per cent. increase is conservative. Some observers would be inclined to use an even higher basis than this. One analyst, of some experience, places equipment maintenance standards at present as high as \$2,500 per locomotive, \$1,000 per passenger car, and \$80 per freight car as the smallest allowance that is safe for keeping numbers and capacity of equipment intact and in good order.

BOOKS OF THE WEEK.

- Bacon, Paul V. A German Grammar for Beginners. Boston: Allyn & Bacon.
- Baedecker, Karl. Switzerland. Scribners. \$2.40 net.
- Baker, Ernest A. History in Fiction. 2 Vols. Dutton. \$1.50 net.
- Balzac, Honoré de. Le Colonel Chabert. Clarendon Press.
- Benham, W. Hamilton. Trade and Trade Centres. De Vinne Press.
- Benson, Edward White. God's Board. Dutton. \$1.25 net.
- Bottomé, Phyllis. The Imperfect Gift. Dutton. \$1.50 net.
- Burn, John Henry. Churchill's Treasury of Song. Dutton. \$1.50 net.
- Burrows, Ronald M. The Discoveries in Crete. Dutton. \$2 net.
- Carpenter, Frank O. Foods and Their Uses. Scribners.
- Castro, Don Guillem de. Las Mocedades del Cid. Lemcke & Buechner.
- Clarke, Sir George Sydenham. Fortification: Its Past Achievements, Recent Development and Future Progress. Dutton. \$4.50 net.
- Dante. La Vita Nova. Lemcke & Buechner.
- Dunning, William Archibald. Reconstruction, Political and Economic. Harpers. \$2 net.
- Early, E. H. By-Ways of Virginia History. Richmond: Everett-Wadley Company. \$1.50 net.
- Fyfe, H. G. Submarine Warfare. Dutton. \$3 net.
- Forman, Justus Miles. A Stumbling Block. Harpers. \$1.50 net.
- Frank, Henry. The Kingdom of Love. R. F. Fenno & Co. \$1.
- Gorse, F. A School Algebra. Putnams.
- Guthrie, E. G., Epler, P. H., Thorp, W. B. Personality of Christ. Boston: Pilgrim Press. 75 cents net.
- Hamilton, Samuel. Intermediate Arithmetic. American Book Co. 40 cents.
- Hamilton, Samuel. Primary Arithmetic. American Book Co. 35 cents.
- Hamilton, Samuel. School Arithmetic for Grammar Grades. American Book Co. 45 cents.
- Halsham, John. Lonewood Corner. Dutton. \$1.50 net.
- Herrick, Glen W. Laboratory Exercises in General Zoology. American Book Co. 80 cents.
- Lawrence, C. E. Pilgrimage. Dutton. \$1.50 net.
- Lindsay, A. R. B. Gloria Christi. An Outline Study of Missions and Social Progress. Macmillan. 50 cents net.
- Meyers, Kleines. Konversations-Lexikon. Vol. 1. Lemcke & Buechner.
- Neeff, Gotthold August. The Strife of Life. Ellenville, N. Y.: American Authors' Agency.
- O'Hara, John Myers. Poems of Sappho. Chicago. Oxford English Dictionary. (Vol. VI.) Henry Frowde. \$1.25.
- Payne, Henry Clay. A Life. W. W. Wight, Milwaukee; Burdick & Allen.
- Political Science Association Proceedings, 1906. Vol. III. Lancaster, Pa.: Wickersham Press.
- Prévost, L'Abbé. Manon Lescaut. Lemcke & Buechner.
- Russell, John W. A Sequel to Elementary Geometry. Clarendon Press.
- Sampson & Holland's Written and Oral Composition. American Book Co. 80 cents.
- Sewell, A. J. Dog's Medical Dictionary. Dutton. \$2 net.
- Shirley, John B. School and Festival Songs. American Book Co. 25 cents.
- Sonnenschein, Edward A. T. Macci Plavti Mostellaria. Henry Frowde.
- Stewart, George B. A Study of the Life of Jesus. Boston: Pilgrim Press. 40 cents net.
- Villon, François. Œuvres. Lemcke & Buechner.
- Watson, W. Petrie. The Future of Japan. Dutton. \$3.50 net.
- Weddigen, Dr. Otto. Krieg und Katastrophen. Lemcke & Buechner.

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