

(without the extra Burlington dividend equal to 5.4%) and 4.4%, with result in 1922 the reduction from 7% to 5% in dividend rate, though earnings in 1923 and 1924 were 7.2% and in 1925 had recovered to 8.6%.

Moderate additions have brought funded debt to \$333,395,000 (including \$115,000,000 non-callable 7s due 1936 representing 49% Burlington ownership) while stock is \$248,935,000 (preferred in name only since right to issue common was surrendered in 1898) or 43% of capitalization. With that proportion of stock a few dollars per share over the dividend means a generous addition to surplus and in fact 11.7% (1912-13) was largest net in twenty years. When a dollar was a dollar in the years 1898 to 1915 \$188,480,000 Great Northern stock was subscribed at 100 by stockholders. The Government valuation indicates \$185 share asset valuation, plus \$80 if adjusted to present-day dollar purchasing power, the \$60,000,000 excess market over book value of Burlington holdings offsetting entirely the unproductive \$45,800,000 Spokane, Portland & Seattle Ry. half interest.

The 8,200-mile Great Northern system lies 25% in Minnesota, 23% in North Dakota, 22% in Montana, and 14% in Washington. A dependence on wheat and ore promises to be gradually overcome by farming diversification and industrial development in these States. Products of mines (mostly ore) and of agriculture (mostly grain) represented in 1926 60% and 15% respectively of tonnage but 22% and 27% of revenues (in 1925, 58% and 17% versus 22% and 28%; in 1924, 56% and 21% versus 21% and 33%) so the importance of ore to earnings should not be over-rated. Bulky freight allows low operating ratio, and reduction from 79% in 1921 successively to 77%, 72%, 68%, 66%, and 64% in 1926 aims toward the "test period" 57%, which would add 3% to earnings on the stock.

Providing the unification with Northern Pacific Ry. as proposed on equal terms is consummated, Great Northern will share its somewhat better current earnings in exchange for an equity in the valuable lands owned by its twin railroad, while both will divide an estimated \$10,000,000 annual savings, equal to 2% on the stock, from simplified operation of a 27,000-mile system.

In the fall from eminence, Great Northern Ry. stock last sold at 100 in 1919, but the approach to parity again is with the trend clearly reversed, and the price range of 107½ to 189¾ in ten years to 1916 comes to mind naturally. An attractive return even from the present dividend is available with good investment background.