

The Wonderful Watermelon Patch.

"Eminent beneficiaries of the system of concealing and dividing enormous railroad profits continually assert that the issuing of watered stock is none of the public's business. If that be true, then, as clearly shown in the experience of the people of Spokane, the prices you pay for the commodities you daily consume, for food, for clothing and shelter, are none of your business, and you have, in fact, no business except to furnish the tribute extorted by these watered stock issues and to hold your peace."

These are the closing sentences of an article in the June number of Hampton's Magazine, entitled: "The Story of the Wonderful Watermelon Patch," contributed by Charles Edward Russell.

It narrates certain disclosures made in the case instituted before the Interstate Commerce Commission by the citizens of Spokane, Wash., against the Northern Pacific Railroad Co. and its associated companies, for the purpose of securing relief from what the complainants contended was an unjust discrimination in rates. The railroads had for years made the rate from the east to Spokane equal to the rate from the Pacific coast to Spokane (345 miles further) plus the rate back from the Pacific coast to Spokane. Against this and as redress could not otherwise be obtained, Spokane revolted and appealed to the Interstate Commerce Commission.

The defendant railroads combined and supported their rates to Spokane on two chief grounds—the effect of water competition, and secondly they claimed that the value and capitalization of the railroads would not be able to earn a just and reasonable profit; such a profit as the courts had decided railroads were entitled to make. In order to show the reasonableness of the total revenues drawn by them from the public the railroads stated their capitalization at \$250,120,989.39, and produced an expert witness who put the value of their property at \$415,000,000. On this the annual income, after the necessary deductions for depreciation, left for profit no more than a pitiable 3.65-100 per cent.

For Spokane the leading counsel were Brooks Adams and Fred. Erick O. Downes of Boston. The latter is described as endowed with an extraordinary gift for financial analysis and research and upon him devolved the task of tracing the history of the defendant railroads and the stock operations of J. J. Hill and his associates who controlled them. It is the discoveries made by Mr. Downes in the course of this investigation which form the main portion of Mr. Russell's article—perhaps a little overcharged in some respects, but forming as a whole the most powerful and scathing exposure of the railroad situation in America that has yet been submitted for the enlightenment of the public.

"You have always believed the railroad business to be the carrying of freight and passengers," says Mr. Russell. "To the real purpose of a modern railroad FREIGHT AND PASSENGER TRAFFIC IS BUT A NECESSARY BLIND. The real business is to ISSUE, MANIPULATE AND POSSESS RAILROAD SECURITIES. Other persons have asserted this; Mr. Bowles proved it."

Mr. Hill and his associates started off in 1879 by acquiring the old St. Paul and Pacific Railroad and the receiver then in charge of that property. They got it without expending a cent of their own and issued upon it \$3,000,000 of new bonds, with which they paid the purchase price estimated at five or six millions. By this operation the syndicate secured a good money profit, 565 miles of completed railroad and 2,580,000 acres of fertile land.

"Mr. Russell goes on to say, 'next proceeded to issue the \$15,000,000 of stock which they divided among themselves, and \$3,000,000 of second mortgage bonds. We have therefore at the start of these operations \$31,000,000 of new capitalization, of which \$15,000,000 went straight to Mr. Hill and his associates without the payment of a cent therefor.'"

"Here then were the first watermelons from what was to be the most prolific garden of the kind in the world: Specimen number one, about \$3,000,000 profit on the bonds; number two, the railroad and the land grants; number three, \$15,000,000 of stock, all from an investment of nothing. And leaving still to be considered the unascertained profits on the second mortgage bonds. I doubt if imagination has conceived anything more romantic."

That, however, was only a beginning of the watermelon harvest. From 1882 onwards at short intervals other stock and bond issues were made after the most approved manner of "high finance." The Great Northern Railway Company was organized as a holding company, a transaction providing the opportunity for cutting another melon and thereafter the old processes went merrily on. Mr. Russell notes each crop in detail and also presents the net result of the operations in a table taken from Mr. Hill's report to the stockholders. The table gives each stock issue and shows the proportion going into the treasury of the railroads and what Mr. Hill and his associates got as extra profits. The respective totals are \$181,875,000 for the treasury and \$407,375,000 to the syndicate.

"Four hundred and seven million dollars' worth of watermelons in twenty-seven years. That eclipses all records," remarks Mr. Russell. "But yet," he continues, "all this, overpowering as it seems, is but a prelude to the whole story. \$407,000,000 and all these dividend and interest charges are only a part of the profits made by the men that in 1879 secured for nothing the St. Paul and Pacific Railroad and those that purchased the various securities."

During these busy years the company in addition accumulated (chiefly from its earnings and what are known as "secret reserves") properties of various kinds, the greatest acquisition being a vast area of iron-ore land in the Mesabi County of Minnesota. It cost the shareholders nothing, having been paid out of earnings or acquired from land grants or in other inexpensive ways. Experts have reported the ore covered by the certificates issued to the stockholders at between 400,000,000 and 600,000,000 tons. Mr. Hill believes it to be more. If it is 600,000,000 tons the yield to the certificate holder will be considerably over one billion dollars.

Taking into account the value of the G. N. R. "as given by Mr. Hill's witnesses on the stand, the various securities owned, the present value of the Northern Pacific and Chicago, Burlington and Quincy holdings, the value of the ore lands based upon a reasonable calculation of product; the present total extent of this property (excluding the Colorado and Southern) is \$1,846,952,553. From this is to be subtracted the total actual investment, \$320,935,932. This leaves the total actual profits, \$1,526,016,621. Before this stupendous fact there is no syndicate \$1,526,016,621. This is what Mr. Downes revealed to Mr. Adams. In his briefs laid before the Interstate Commerce Commission Mr. Adams argued for these doctrines:

1. That a representative government exercises its functions as a trustee for the public and cannot divest itself of its trust.

2. It can and does employ a railroad company as an agent to build and administer a highway, but the agent cannot lawfully exercise sovereign power except as an agent.

3. Railroad rates are a form of taxes levied to maintain the highways and compensate those that operate them, but all taxes are an exercise of sovereign power which our government holds as a trustee for the public. Therefore railroad rates must always be subject to the decision and supervision of the government.

4. There can be no such thing as a private highway. All highways are public. The railroads do not own the highways they operate but rather administer them as agents of the government, which merely executes a public trust.

This possibly epoch making cause was considered for nineteen months by the Interstate Commerce Commission, when a decision was rendered, based chiefly upon the question of valuation, in favor of the people of Spokane and against the railroads. If, says Mr. Russell, the courts shall uphold the decision there must be a new and unprecedented basis of railroad rates in the United States.

Yet there are newspapers in Toronto who profess to see no harm to the public interest in the issue of watered stock, and maintain that over-capitalization does not increase the tribute levied by the public service corporations from the people.

Record for 1908

\$6,045,730 GAIN IN BUSINESS \$6,045,730
In Force in Canada

Fifty per cent. greater increase in Canadian business than any other company, Canadian, English or Foreign. The strongest possible evidence that policy-holders are well satisfied with their policies.

Premium rates with or without profits, are lower than other companies charge, while profits to policy-holders are much higher, because management expenses are the lowest and interest earnings the highest.

Ask our Agents for Annual Report and Record for 1908, and be on guard against the anonymous letter distributor and his friends, the blackmailing journalists, with whom we do not advertise.

Two experienced, active inspectors required. The right men, with good records, will be paid adequate salaries.

THE GREAT-WEST LIFE ASSURANCE COMPANY

CANADA PERMANENT BUILDING
18 TORONTO STREET 5671

CHILDREN WERE ORDERED TO BRING CONTRIBUTION

Teacher Confesses Fault to Chief Inspector—Trustees Away Empire Day

The public school trustees, with one exception, were "too busy on Empire Day to meet their guest Earl Grey at Queen's Park." This was elicited at the meeting of the management committee of the board of education yesterday afternoon.

A letter was read from Phillips Thompson. It charged a teacher at Fern-avenue with ordering the children who had not contributed to their donations to bring their contributions the next day.

Inspector Hughes said that another lady teacher had come to him and admitted that she had committed the offence in question. She was warned not to repeat it, as contributions were to be purely voluntary.

The chairman of the board said that the trustees were themselves very delinquent on Empire Day, as he was the only one present at the Queen's Park decorations.

The trustees all said they were "very sorry." It was "important business," and not the bad weather which kept them away.

Writing Master Says. Miss Martin's motion that the position of specialists in music, penmanship, sewing, drawing, and manual training be abolished, was voted down. Trustee Leves said the motion had been on the order paper for months to oblige Miss Martin and altho she was absent he thought the proposal should be decided with.

Chairman Rawlinson said that unless the specialists demonstrated their usefulness more fully he would at some future time support Miss Martin's motion.

Trustee Leves also scored by securing the adoption of his motion that principals of the first-class certificate to be eligible for promotion to schools larger than eight rooms.

The same trustee failed in an effort to have the old record of standing of each individual teacher revived.

Inspector Hughes said that when it was in existence before its usefulness was destroyed by the trustees violating their privilege of consulting it by making public its contents.

Summer Holidays. The summer holidays were fixed to begin on Friday, June 25, schools to re-open on Thursday, Sept. 2.

The recommendation of the inspectors was adopted, that a circular letter be sent to the pupils in the senior fourth book classes in all the schools asking parents to report whether they prefer that their children should take a commercial course or a technical course in the public schools after they leave the senior fourth book classes.

Harbord Street Plans. The property committee held a special meeting yesterday to consider the Harbord-street Collegiate addition plans. The committee came to no decision. The plans will be up at the regular meeting of the committee today.

EATON'S DAILY STORE NEWS

Books For Home Study—and Their Prices

Written by experts whose years of practical experience make them authorities on the various subjects

"Carpentry," .75; "Gas Engines and Producers," .75; "Masonry Construction," .75; "Water Supply," .75; "Practical Lessons in Electricity," 1.00; "Steam Engines," .75; "Electric Railways," .75; "Stair Building and Steel Square," .75; "Mechanical Drawing," .75; "Power Stations and Transmission," .75; "Pattern Making," .75; "Surveying," 1.00; "Building Superintendence," 1.00; "Architectural Drawing and Lettering," 1.00; "Machine Design," 1.00; "Freehand and Perspective Drawing," .75; "Plumbing," 1.00; "Heating and Ventilation," 1.00; "Electric Wiring and Lighting," .75; "Sheet Metal Work," 2.25; "Railroad Engineering," 2.25; "Dynamo Electric Machinery," 1.00; "Bridge Engineering, Roof Trusses," 2.25; "Hydraulic Engineering," 2.25; and many others.

ASK FOR PRICE LIST. MAIN FLOOR—JAMES ST.

Expansive Auger Bits—No. 1 cuts from 5-8 in. to 1-1/2 in. price, .75. No. 2 cuts from 7-8 in. to 3 in. price, 1.00.

Handed Axes, full polished heads. Regular size, .75.

Bit Brace, with ratchet attachment, polished steel, 1.00.

THE T. EATON CO. LIMITED

Shop With a Transfer Card. CANADA GARD.

3.75 AND UPWARDS TORONTO

SIR R. PERKS REJECTS "LITTLE ENGLANDISM"

Asserts Sympathy With Imperialist Section of the English Liberal Party

"There is life in the old dog yet," was the substance of Sir Robert Perks' address to the Empire Club yesterday, in speaking of the attitude of "Modern Liberalism to the Empire."

"England is not a decadent or dying nation," he declared. "Gentlemen, go to England to-day. You will find that London has been practically rebuilt in the last generation. In the other cities you will find miles upon miles of well-kept streets whereon are the homes of thousands of healthy, happy workmen. Statisticians point to the comparatively small savings of our working people. They forget the investment that these same people have made in home, in co-operative and in friendly societies. They forget also that great joint stock banks now welcome business from these people that they would have paid no attention to 20 years ago."

"Sir, the homes of our people, the higher standard of living, the millions of children that are now educated, but that would have wandered the streets 30 years ago, are something that these hurried judges forget. They forget the increase in our home and foreign trade, and they forget that the income from the penny in the pound income tax has doubled in the last 30 years, and that means twice the assessable income to the people."

He admitted the existence of social evils, crowded slums, unemployed masses, increasing drunkenness and gambling on sporting events. He pointed out that British Liberalism is fairly represented to the dominions overseas. All the leading papers are Conservative or Unionist, and the news channels are biased against Liberalism.

The club declined to endorse his suggestion that Canada wanted free trade.

A Saturday to Monday Trip Within Reach of All. The low rates offered by the Grand Trunk Railway System for week-end trips should appeal strongly to those who wish an enjoyable outing at small cost. Return tickets are issued at single fare, with ten cents added, to a great many points in Ontario; good going Saturday or Sunday, valid returning Monday. Why not take the 10:15 a.m. Muskoka Express Saturday morning, spend Saturday afternoon and Sunday in the beautiful Muskoka district and arrive in Toronto 3:10 p.m. Monday? For tickets and further information call at city ticket office, northwest corner King and Yonge streets. Phone Main 4299.

Professor May Go to China. WASHINGTON, May 27.—The latest name under consideration as a possible successor to Mr. Rockhill as United States Minister to China is that of Prof. Jeremiah W. Jenks of Cornell University.

James A. Moffett will become vice-president of the Standard Oil Co.

Peremptory List for non-jury assize court for Friday, May 28, at city hall, at 10:30 a.m.

170. Farrelly v. Toronto Railway Co. 242. Richardson v. Mathews. 243. Dominion Express v. Maughan. 247. Moffatt v. Rundle. 250. Morrison v. Trust and Guarantee. 261. Circelli v. Umberto Primo. 252. Lyons v. Caswell.

Professor May Go to China. WASHINGTON, May 27.—The latest name under consideration as a possible successor to Mr. Rockhill as United States Minister to China is that of Prof. Jeremiah W. Jenks of Cornell University.

James A. Moffett will become vice-president of the Standard Oil Co.

Peremptory List for non-jury assize court for Friday, May 28, at city hall, at 10:30 a.m.

170. Farrelly v. Toronto Railway Co. 242. Richardson v. Mathews. 243. Dominion Express v. Maughan. 247. Moffatt v. Rundle. 250. Morrison v. Trust and Guarantee. 261. Circelli v. Umberto Primo. 252. Lyons v. Caswell.

BANK OF HAMILTON BUYS

Will Erect Building at Yonge and Marlboro Avenues.

The Bank of Hamilton has purchased two parcels of property on the west corner of Yonge-street and Marlboro-avenue, at present comprising W. J. McMurtry's grocery store and Pickett's barber shop. The site is across the street from the Northern Methodist Church, which was recently purchased by the Bank of Montreal.

WHOLESALE FIRM SELLS

F. & E. W. Kelk Secure Business of Sutcliffe, Edmonson Co.

The Sutcliffe, Edmonson Company, wholesale dealers in fancy goods, china, toys and musical goods, doing business at 76 York-street, have sold their entire stock to F. & E. W. Kelk. The price paid was a low rate on the dollar, the purchase being for cash.

The new firm has not yet decided whether they will continue and enlarge the present business or wind it up.

OLD GOLD CIGARETTES

Give me last quarter I could only get a half

APRIL'S PORTER LAGER

SELECTED FOR PURITY, BRILLIANCE AND UNIFORMITY