#### The Toronto World

A Morning Newspaper Published Every Day In the Year.

#### 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 page?"

ness 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 cause instituted before the interstate commerce commission of the U.S. 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 east to the Pacific coast (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 were such that if rates to the Spokane region were reduced the roads would not be able to earn a just and reasonable profit; such a profit as the courts had decided a railroad was 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 piti-

able 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

'You have always believed the railroad business to be the carrying

"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 from the receiver then in charge of that property. They got it without expending a cent of their own and issued upon it \$8,000,000 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 2,580,606 acres of fertile land. "Mr. Hill and his associates," Mr. Russell goes on to say, "next proceeded to issue the \$15,000,000 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 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, transaction providing the opportunity for c 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. Downes' report to Mr. Adams. 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 pro-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 erest 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 Mesaba County of Minnesota. It cost the shareiders nothing, having been paid out of earnings on 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 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 (achieved and in sight) of this syndicate \$1,526,016,621. Before this stupendous fact there is no appropriate comment. This is what Mr. Downes revealed to Mr. Adams."

In his briefs laid before the interstate commerce commission Mr. Adams argued for these doctrines:

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

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. 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 govern-ment holds as a trustee for the public. Therefore railroad rates must always be subject to the decision and supervision of the government.

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 needs 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.

in the telephone rates in a city like ment to each participant in the service. tres (as many as required) and custom- the long wire man because they get ers located about each centre, with the the same service, and the phone is not J. McMurtry's grocery store and Pick-

centre to centre. And so they would way commission will declare when it if they had not the effrontery to take comes to pass upon the issue, advantage of technicalities like the plea that Deer Park and West Toronto
were not in the municipality when the the future by the past, is likely to conthe future by the past, is likely to conprice paid was a low rate on the dolextension of franchise was granted the tinue. There is no sign of either a lar, the purchase being for cash.

same as a village unit.

Public services, whether water or gle day has worn a settled look. gas, electricity or telephones, street Many farmers in the eastern half of up.

THE FAT AND LEAN, THE LONG , car rides or letter delivery, go, and AND SHORT, IN PUBLIC AFFAIRS. ought to go, the fat with the lean, the Why should there be any difference long with the short, equality of treat-Toronto? It is only a question of cen-liThe short wire man should help to pay res located about each centre, with the necessary trunk lines—a matter of units and the addition of units; the foundation unit of a new centre is the scriber. And the phone company as a purchased by the Bank of Montreal. matter of fact makes its tolls on this One would think that once a system basis. When it attempts to take somewere under way the company would be thing more from the far-away man it only too willing to add phone to phone, is guilty of robbery. And so the rail-

BAD FOR THE FARMER.

# Record for 1908

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

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#### THE GREAT-WEST LIFE ASSURANCE COMPANY

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#### Ontario have a lot of seeding yet to do-have not even got the ground prepared. Blowing winds and sunshine may yet help them out, and grain crops sown as late as the first week of June have been known to mature. But the farmer so situated has the sympathy of all. And to repeat what we said the Peremptory list for divisional court

fessed that she had committed the offence in question. She was warned offence in question. She was warned not to repeat it, as contributions were not to repeat it, as contributions were to issue concurrent writ for service

the trustees were themselves very de-linquent on Empire Day, as he was White v. Victoria Shoe Co.—F. C. the only one present at the Queen's Snider, for defendants, moved to have The trustees all said they were "very suit. A. E. Knox, for the surety com-

them away. Writing Master Stays. Miss Martin's motion that the posi-Miss Martin's motion that the position of specialists in music, penmanship, sewing, drawing, and imanual training be abolished, was voted down.

Trustee Levee said the motion had gular. J. A. Macintosh, for plaintiff, been on the order paper for months contra. to oblige Miss Martin and altho she cause.

ing the adoption of his motion that principals must secure first-class certificates to be eligible for promotion of the control of the cont 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 de-plans. The plans will be up at the parties had agreed to these three mo-

#### BANK OF HAMILTON BUYS Will Erect Bullding at Youge and Marlboro Avenue.

The Bank of Hamilton has purchased two parcels of property on the north-west corner of Yonge-street and Mari-boro-avenue, at present comprising W.

#### WHOLESALE FIRM SELLS E. W. Kelk Secure Business of

The Sutcliffe, Edmison Company, wholesale dealers in fancy goods, china, toys and musical goods, doing busi-ness at 76 York-street, have sold their warm or a dry spell at hand. No sin- whether they will continue and enlarge the present business or wind it

#### IN THE LAW COURTS

ANNOUNCEMENTS. Judges chambers will be held for Friday, 28th inst., at 11 a.m.

other day, tile draining of the land, fall preparation of the ground, and big and fast working implements are the only 2. Solbeck v. Ontario and Quebec things that let a farmer get thru such Navigation Company.

3. Mess v. Hodgson.

4. Bucke v. New Liskeard. 5. Strong v. Van Allan and cross

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 cause.

Stewart v. Walker—S. Denison for Language of the management cause.

Inspector Hughes said that another lady teacher had come to him and confersed that she had committed the offence in question. She was a defendant, moved on consent for an order dismissing action as against defendant, with costs. Order made.

Gordon Maria de Co., for the cost of the

purely voluntary.

chairman of the board said that on defendants, who reside in Alberta.

bond for security delivered out for sorry"; it was "important business," pany, contra. The company submitting and not the bad weather which kept to pay the amount of costs as taxed, \$10, in a week, motion to be dismissed, and in default order to go.

contra. Motion dismissed. Costs in the

should be dealt with.

Chairman Rawlinson said that unless the specialists demonstrated their usefulness more fully he would at some usefulness more fully he would at some wound up under the Dominion Windfuture time support Miss Martin's wound up under the Dominion Windmotion.

Trustee Levee also scored by securto 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. Kerr v. White-G. F. McFarland, for to issue a writ of summons for service out of the jurisdiction. Order made.

#### Single Court.

Before Mulock C. J. City of Toronto v. Hees-H. Howitt, for plaintiff, asked to dismiss the ac-tion and motion without costs, as the defendants have now complied with city requirements and have a permit to erect a brick building. No one contra. Injunction continued till trial. If consent of defendants obtained motion may be made and action dismissed in

Re Ontario Bank-G. F. McFarland. W. J. McFarland a shareholder and alleged contributory, stated that

# OLD GOLD

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tions being enlarged until June 9 next. G. B. Strathy, for liquidator. The three motions all enlarged until June 9. Hammell v. Cox and Farmers' Bank—G. H. Sedgewick, for plaintiff, moved for leave to set down motion for injunction, and to have motion enlarged for one week. W. H. Hunter, for defendant. Leave given to set down and motion enlarged for one week. Carrick v. City of Port Arthur—J. F. Lash, for plaintiff, on motion to continue injunction. Grayson Smith, for defendant. Stands two weeks pending defendant, Stands two weeks pending negotiations for settlement, Injunction

committee of the board of education yesterday afternoon. Stewart v. Walker—S. Denison, for plaintiff, moved on consent for judg—ment for \$200 and costs fixed at \$75. Order ment for \$200 and costs fi fendants as lien for repairs, rent and advertising, the defendants are to deliver launch to plaintiffs. Other necessary terms to be agreed upon.

Le Hain a Weight With the imperialist section of the Liberal party along with Premier Asquith, Lord Grey and other publicists.

"England is not a decaden; or dying

Le Hain v. Welch—W. R. Wadsworth, for plaintiff, on motion to continue injunction. G. H. Sedgewick, for the Chambers-Ferland Mining Company and W. B. Russell; J. E. Day, for defendant, Welch. Stands till June of the continue injunction of the chambers of pany and W. B. Russell; J. E. Day, for defendant, Weich. Stands till June 2 next peremptorily. Defendants to have the right to examine plaintiff to-day on his affidavit filed, and plaintiff the right to cross-examine defendants to morrow. W. B. Russell to be joined as a party defendant, and injunction against him in seme terms as a scalar to the same against him in seme terms as a scalar to the control of the country of th against him in same terms as against Chambers-Ferland Mining Company,to

way breaking terms of a certain agreement. R. McKay for defendant, A. A. Barthelmes, contra, T. H. Barton for the other defendants. Held: the facts being in dispute the trial is to be expedited. Statement of claim to be delivered on 28th inst. Statement of defence by June 1. Production by both parties in five days (by June 6) thereafter. Undertaking by both parties to doubled in the last 30 years, and that after. Undertaking by both parties to produce their clients for examination to the people." by June 8 if the other party requires it. Five days' notice of trial to be given

He admitted the existence of social and the existence of social and the control of trial to be given as the crowded slums. Injunction till trial as asked, with regard to A. A. Barthelmes alone, balance of motion enlarged for trial.

Divisional Court. Before the Chancellor, Magee, J., Latchford, J. Cowie v. Cowie-G. Wilkie, for defendant, on appeal by him from judgment of Clute, J., of Feb. 24, 1909. J. W. Mc-Cullough, for plaintiff, contra. Argument resumed from yesterday and conluded. Judgment reserved.

Castle v. Kouri-F. Aylesworth, for

to sign trial judgment for the amount formation call at city ticket endorsed on the writ. Defendants appeal on the ground that the county court judge had no right to impose conditions, but should either granted or refused the application. Argued and judgment reserved. Winger v. Streetsville-J. Bicknell,

K.C., and F. R. Mackelcan, for defendants, appealed from the judgment of Britton, J., of March 6, 1909. W. Proudfoot, K.C., and W. A. Skeans, for plainfoot, K.C., and W. A. Skeans, for plaintiff, contra, and cross appeal. The action was on a contract between plaintiff and defendants for completing concrete work of a dam and power house at Streetsville for the defendants. The work was to be done according to plans and specifications prepared by Streetsand specifications prepared by Streets-ville engineer, John S. Flelding, and under his supervision. The engineer dismissed the contractor and took the dismissed the contractor and took the work out of his hands on the ground inter alia that the contract was not completed in time. The trial judge found that it had not been completed in time because defendants' engineer had not furnished the specifications, etc., in time, and gave judgment for the plaintiff for \$1440.12 and costs. From this judgment defendants appealed on the ground inter alia of the allowance being excessive, and the plaintiff on the ground that it is insufficient. Not con-

Asserts Sympathy With Imperialist Section of the English Liberal Party

people have made in home, in co-oper-church determined to keep he ative and in friendly societies. They spite of her husband's entres

the penny in the pound income tax has doubled in the last 30 years, and that

for June 15. The 21 days for case to evils, crowded slums, unemployed emain on general list to be shortened, masses, increasing drunkenness and gambling on sporting events.

He pointed out that British Liberal

ism is never fairly represented to the dominions oversea. 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

cluded. Judgment reserved.

Castle v. Kouri-F. Aylesworth, for defendant, appealed from an order-inchambers made by the county judge of Carleton on April 15, 1909. W. N. Tilley, for plaintiff, contra. The order appealed from was made on an application by the plaintiff for judgment on certain promissory notes which defendants alleged were accommendates. dants alleged were accommodation turning Monday. Why not take the notes, and directed that if defendants 10.15 a.m. Muskoka Express Saturday paid \$270 into court on or before the morning, spend Saturday afternoor first day of May they be at liberty to and Sunday in the beautiful Muskoka defend this action, and if such payment district an darrive in Toronto 3.10 p.m not made, plaintiff was to be at liberty Monday? For tickets and further in-Monday? For tickets and further innorthwest corner King and Yonge

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"Gentile" Has a Lively Experience Trying to Recover His Famil LETHBRIDGE, Alta., May and severely handled two men a woman at Magrath, a Mormon sement about 22 miles southeast of The matter arose from the marris year or more ago of a Mormon gir a "Gentile" as the Mormons call

be continued.

Barthelmes v. Barthelmes—G. H. Kilmer, K.C., for plaintiff, moved for an injunction to prevent defendants in any way breaking terms of a certain agreement. R. McKay for defendant, A. A. its mother and that the three "tiles" leave the place on the first t The three were taken, hande the depot by the sheriff who me while had sworn in deputy "sherif They had been in the waiting to some time when the mob appeared." "We will hang you," called cut so of the mob. "Get a rope." The n rushed the three "Gentiles" knocl them down, kicked and beat then "soaked" them with eggs and three

Harrison thru a window. The top one of his fingers was severed. Non-Jury Assises To-Day. Peremptory list for non-jury assize ourt for Friday, May 28, at city hall, at 10.30 a.m. 170. Farrell v. Toronto Rallway Co.

245. Dominion Express v. Maughan. 247. Moffatt v. Rundle. 250. Morrison v. Trust and Guarantee. 251. Circelli v. Umbarto Primo. 252. Lyons v. Caswell.

Professor May Go to Chins.
WASHINGTON, May 27.—The lates name under consideration as a pos-United States Minister to China Cornell University.

James A. Moffett will become vice resident of the Standard Oll Co.



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