

U. S. CONTROL OVER RESERVE BANKS LIMITED

Common Theory of Federal 'Ownership' Is Erroneous.

By NEA Service
FT. WORTH, Texas, April 7.—A scramble of banks to get under the protecting wing of the federal reserve system directly affects every American.

Yet the system is widely misunderstood. And no wonder. It is called "federal," though Uncle Sam doesn't own its banks. It is called a "system," though each of the twelve reserve banks is an independent organization, united only by the influence and partial control of a federal board in Washington.

The idea of the federal reserve bank is simple. A federal reserve bank does for its member banks almost exactly what an ordinary bank does for its customers. John Smith, thrifty citizen, having saved up a little more cash than he needs at the moment, goes to his bank and deposits it.

It isn't much, but the surplus cash of thousands of Smiths, pooled together in bank deposits, give the bank great sums to lend out to responsible men who want the money to serve business needs.

Pools Surplus Cash
A federal reserve bank does the same thing for its members. It receives and pools the surplus cash funds of its member banks, collecting these into reservoirs of cash and credit.

Each member must keep there from 7 to 13 per cent of its deposits. These reservoirs then may be tapped by loans, by member banks when they have need, just as John Smith may withdraw deposits or get a loan from his bank.

All national banks had to become members, and any state banks above a certain capitalization could join if they met certain requirements. Such banks in each district formed their federal reserve bank, each bank subscribing to stock equal to from 3 to 6 per cent of their own capital stock. Thus the member banks own the reserve banks.

Pay Franchise Tax
But they do not entirely control them, nor do they get all the profits from them. They may receive 6 per cent on the federal reserve stock they hold. Profits above that are added to the reserve bank's surplus until that surplus equals its capital.

After that, a tenth of such profits are added to surplus and the remaining profit goes to Uncle Sam's treasury as a franchise tax. Uncle made \$2,000,000 that way last year.

Since the federal reserve banks own their federal reserve banks, they elect their directors; that is, they elect six out of the nine, and the other three being appointed by the federal reserve board in Washington.

That is where Uncle Sam and the "federal" part come in. The twelve widely separated banks are co-ordinated by an eight-member federal reserve board in Washington.

President Names Board
The secretary of the treasury is always chairman and the controller of the currency is a member. The president appoints the other six by and with the advice and consent of the senate.

It is this board and its influence on the reserve banks that makes "the federal reserve system." The board makes no loans itself; it has no money. Its principal control is because it must approve the "rediscount rates" established by the reserve banks.

"Rediscount" is not as mysterious as it sounds. Let's say John Smith is a grocer. He wants to buy 100 barrels of flour. He hasn't the money. But he is known to his bank as an honest merchant who pays his debts.

His bank is glad to lend him the money, taking his short-time note. But let's say the bank just at that time is having a lot of other requests for loans; so many that it hasn't itself the cash to grant them all. The bank, too, must borrow.

Being a federal reserve member, it takes Smith's note and others on which it has already loaned money. To its federal reserve bank, and pledges them for a loan. If the reserve bank, on examining the notes, decides they meet the requirements of the law, it makes the loan.

That is a "rediscount," and the rate the reserve bank charges for that loan is the "rediscount rate," uniform in each district, and approved in Washington.

Issue New Currency
But "rediscounting," or loaning to members, is not all that goes on in a federal reserve bank. You will find them issuing to member banks new currency when the business situation demands, as during the recent crisis, against reserves and legally-specified collateral.

You will find them retiring this currency, sorting out, destroying, or replacing it when it comes back to them from member banks, thus regulating the supply of currency.

You will find them acting for the government in selling and buying in its bond, coupon and other securities. The great World War loans were floated through the reserve banks.

Influence Interest Rates
You will find whole floors devoted to fast clearance of inter-city checks for members.

You will find them buying up government bonds, bankers' acceptances and bills in the open market, not for speculation, but deliberately to affect the supply of available credit.

'LAMBURGERS' IN STYLE
Unemployed Salesman Popularizes a New Sandwich in Texas.
By United Press
SAN ANTONIO, April 8.—Buddie King, once an unemployed salesman, is whipping the depression by popularizing "lamburgers," a toasted sandwich made of lamb instead of hamburger meat. Now his recipes are in demand throughout Texas and his thriving business has the support of the "Eat More Lamb Club."

WIFE 'SQUEALS,' SAVES MATE

Husband Rescued From Penalty Meted to Rum Ring

Stories stranger than fiction repose in the archives, and the memories of Uncle Sam's Coast Guardsmen. Here is one—revealed in the second of six articles on "Running in the Rum Runners."

By MORRIS GILBERT, NEA Service Writer

WASHINGTON, April 8.—"Plant" and double-cross, fake "steer" and ambush—so runs the tangled tale of liquor enforcement.

In enforcement headquarters here they tell the story of Captain Jim Turner of the sixty-foot auxiliary ketch Marie Louise.

A girl stood at a desk in the New Orleans customs house—the prettiest who ever had entered that somber building. Her eyes were brown, and enormous, and there were tears in them, perhaps of fright.

"I want to tell you about Captain Turner... he's running liquor."

"So?" Inspector Davis leaned forward. "What Captain Turner is that?"

She seemed to hesitate. Finally she said: "Jim Turner. He's the captain of the Marie Louise. He came in today from British Honduras with a thousand cases of Scotch."

"How do you know so much about it?"

"I should know," she retorted. "He's my husband."

SOMETHING of that sort of thing happens, and it's no duty of the law to inquire too deeply into the reason for it. Usually it's money. Informers are entitled to 25 per cent of the value of seizures made through their information.

Such money didn't seem to be the reason in this case. The girl appeared surprised to learn about that. Even then, it didn't particularly interest her.

Davis was puzzled. If her story was correct, it was enough to act on. Also, the Mississippi delta below New Orleans being a place where many sinister things can happen—maybe it was a "plant."

The inspector suspected something of the sort. He and his men had been targets for rum-running bullets more than once. Never, indeed, at the invitation of such a pretty girl.

Anyhow, he took her name—which was Marie Louise Turner—and told her to come back with more facts. Just where the liquor was cached, for instance.

"OUTSIDE," standing in the doorway of the customs house, Marie Louise paused, irresolute. More information, the inspector wanted. She wrinkled her pretty brows.

Then, suddenly, she screamed. A big man in sea-faring clothes closed a steely fist around her arm. "Jim!" she gasped.

"What you been doing in there?" he demanded. She didn't answer for a minute. "Funny I just happened to come along, ain't it?" he said. There was menace in his voice.

But just to show that you never can tell—when liquor traffic is concerned—fifteen minutes later Marie Louise and Captain Jim Turner stood side by side in front of Customs Inspector Davis' desk. Jim was speaking—

"You see, Inspector, I was walking down the street when I happened to see a man in a suit and hat. He was coming out of here, and I says, 'What you been doing?' And she answers me—'Jim, I just informed on you!'"

The inspector nodded to the official who had tiptoed quietly up behind Jim. Just as well make sure.

The "frisk" revealed nothing. Jim had no gun on him.

"SHE told me," Jim was speaking again in his slow southern drawl—"that she had to make good. She said you told her to, Inspector. So I says to her—'Well, Marie Louise, I'm goin' to help you. If the inspector wants you should make good, I'll do all I can to help!'"

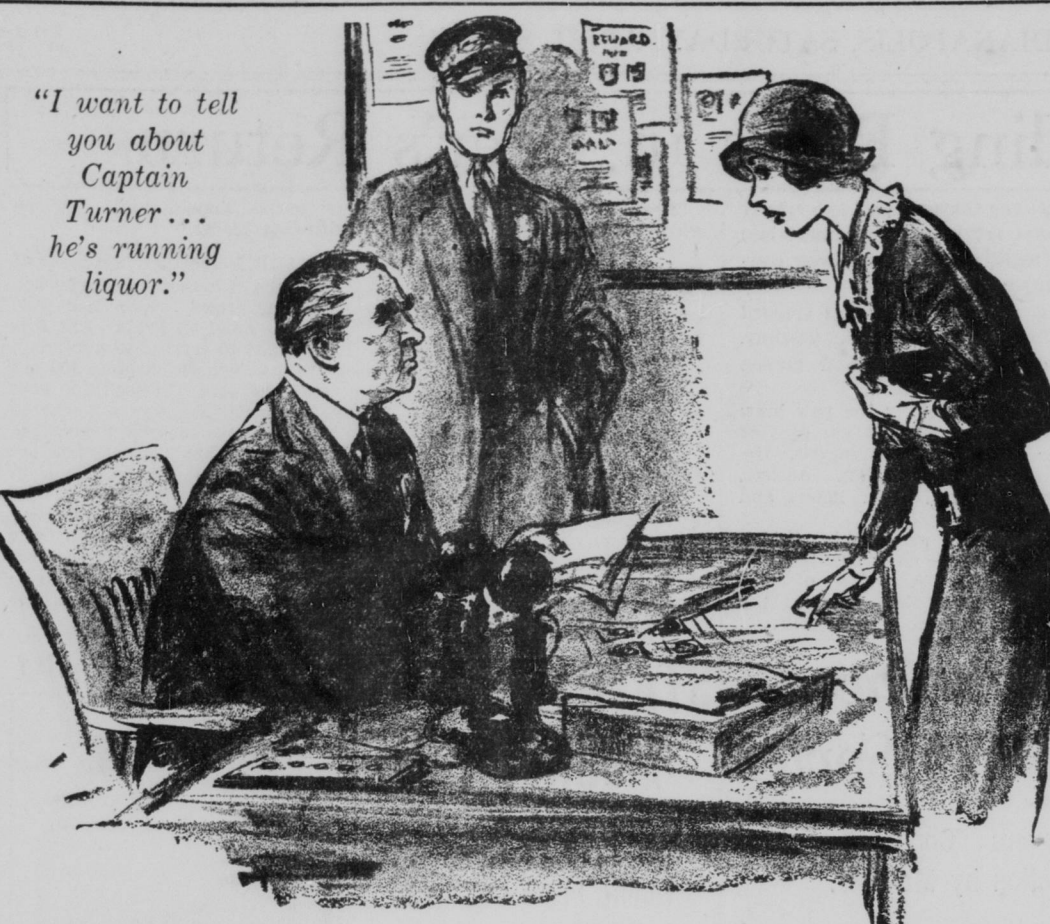
It didn't seem to make sense. Even the height of southern chivalry doesn't require a man to help his wife "make good" in betraying him to the law for smuggling. But like so many puzzles, the answer was simple—once you know it.

"You see, Inspector," Jim explained, "things were pretty bad for me this winter. I couldn't seem to get any cargoes for the Marie Louise. Couldn't seem to keep going.

So when they promised me a thousand bucks for bringing up a load from Belize, I jumped at it. And now they've run out on me. I can't collect the money, Marie and I had a fight about it before I started—she told me I was a fool to get mixed up with liquor and she warned me no good would come of it. Well—" the young skipper nodded sagely—"she's right, I guess."

SUCCESS in police work depends greatly in knowing whom you can trust—and when. Maybe it's instinctive. Anyhow, Inspector Davis instantly made up his mind to trust Turner.

The man looked honest enough. He had sailed his little boat in ballast down to Belize—six days—and back again loaded—eight days more. He had paid out money for his crew, for provisions, for fuel. The sum of \$1,000 was mighty little for the voyage, particularly as he brought back a thousand cases. And now he had been double-crossed, and was burning up.



At this point, Marie Louise steps out of the story. She had fought her fight for the honesty of her man and won. The danger to her home, to her husband's life, was ended off.

That night Inspector Davis—that isn't his name, of course—loaned Turner a pistol, for self-defense, and a car—Davis' own car.

Turner was to lead them fifty miles by road down the Mississippi to Pointe de la Hache, a blight of sand among the bayous. Once there, he was to drive on, leaving the customs men in the other car to find the stuff whereverabouts he described.

Turner's protection. His life wouldn't be worth much if the liquor syndicate for which he sailed found out he had been squealing.

The plan worked. They found the cache behind the revetment of the levee at the point Turner described.

Davis and one of his men also found other souvenirs—bullet fired point-blank by the boot-legger guarding the liquor.

The wounds weren't serious. But, serious or not, it's all in the life of a customs unit enforcing the law against contraband.

NEXT—The adventures of two federal officers "planted" aboard a rum boat off Florida.

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SOVIET 'TREATS' RUSSIAN FOLK AT AERODROME

Favorite Peasant Food Is Showered on Crowds by Bombers.

MOSCOW, April 7.—Like the manna which descended for the children of Israel in the desert, borsh and kasha dropped recently "from the skies" into the gaping mouths of hundreds of peasants visiting the capital as delegates to an agrarian conference.

Doubtless, the miracle will be recounted to incredulous folks back home, in distant villages throughout the land, now that the meeting is over and the 1,500 collective farm shock-brigadiers have left.

The scene was not a desert, but the military aerodrome where the delegates were being shown Soviet achievements in the way of air preparedness.

High army officials were on hand to explain everything and the delegates, simple farmers all and many of them seeing an airplane for the first time, were tremendously impressed.

Attached to Parachute

A batch of air bombers was sent up while the peasant visitors looked up in delight and half in fear perhaps, thinking of the bombs which these planes might scatter. Suddenly their fears seemed justified. Some strange objects were being dropped by the bombers.

The objects were only parachutes, with weights attached. The "chutes" opened up gracefully and floated downward. Soon they touched the ground, some near, some far. "Air-loads" rushed out and rescued those which strayed too far.

The peasants crowded around the parachutes. Each of them, they found, had brought to earth a great black pot tightly sealed. When the pots were opened they disclosed borsh and kasha, two of the dishes closest to a peasant's heart.

Stalin Is Witness

The food thus dropped from the sky was eaten by the guests with great glee amidst cheers and speeches.

This was by no means the only stunt to impress the visiting collectivized farmers.

The best that the capital has to offer was mobilized for the delegates. The press gave all its space to them. Portraits of peasants by the dozen were published.

Above all, the leaders of the nation lost no opportunity to make themselves visible, audible and affable. Stalin himself attended many sessions, and yielding to demands from the audience, made a speech at the closing session.

Practically every Bolshevik leader with his salt addressed the peasants.

PRIZE ORATOR

Miss Barbara Lambdin of Ben Davis high school won the Marion county oratorical contest, recently held at Decatur Central high school.

Five high schools participated. Warren Central, Southport, Bethel, Decatur and Ben Davis. Miss Lambdin is a senior and was trained for the contest by Mrs. Elsie Ball, head of the Ben Davis English department.

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Today's Almanac:

April 8th
1665-Drury Lane Theater in London opened. First English playbill printed.
1826-Duel between John Randolph and Henry Clay.
1893-Mary Pickford born.
1895-U.S. Supreme Court declares income tax unconstitutional. Ha ha ha ha!

TOURIST SEASON ON LAKES WILL OPEN EARLIER

Boats, Resorts, Alter Plans When School Closing Dates Change.

By Times Special
CHICAGO, April 7.—The summer tourist season on the Great Lakes will open about three weeks earlier than usual this year, according to E. H. McCracken, passenger traffic manager of the Detroit & Cleveland Navigation Company.

For years past Michigan summer resorts and navigation companies have been in the habit of opening the season about the time the public schools closed in June, but this year many schools in Michigan, Ohio and New York are scheduled to close from a week to a month earlier than in previous years.

Cracken said, thus upsetting plans of the transportation lines and leaving vessel managers to guess whether it would be better to open the season several weeks earlier than usual or stick to the old established opening date which is about June 28.

The cruise steamer "Eastern States and Western States" are scheduled to start the season on the Buffalo, Detroit, Mackinac Island and Chicago tourist route on June 28, but to bridge the gap between the closing of the Detroit schools, May 26, the D. & C. will run one or more special trips between Buffalo, Cleveland, Detroit and Chicago.

The first special, five-day cruise to Chicago is scheduled to leave Buffalo or Cleveland June 2d, and Detroit June 3d. This cruise will permit a stay of two days in Chicago to enjoy the festivities incident to the opening of the Century of Progress exposition.

Regular overnight service between Detroit and Cleveland will be resumed for the season about April 12, and boats will be placed on the Detroit and Buffalo run about May 10.

NEW DRUG IS CURE FOR PREMATURE AGING
Tests on Women Show Treatment Restores Normal Functions.

By Science Service
ST. LOUIS, April 7.—Slightly reminiscent of the Steinhach rejuvenation operatin and the fiction of Gertrude Atherton's much-discussed novel, Black Oxen, is a treatment for premature aging in women which two St. Louis physicians are now studying. The treatment makes use of one of the very modern medical agents, a hormone called theelin.

Symptoms of premature old age in five women, following surgical removal of certain organs which had become diseased, were relieved by treatment with theelin. Drs. August A. Werner and W. D. Collier reported to the American Medical Association. In most respects the patients had the feelings and bodily functions of normal women.

These women began to bear out the theories regarding the function and possible clinical use of theelin held by the original discoverers and investigators of this potent hormone.

MARY MEYERS NAMED MAY DAY CHAIRMAN
Tuberculosis Association Secretary Chosen to Direct Observance.

Miss Mary A. Meyers, executive secretary of the Marion County Tuberculosis Association, has been named general chairman of the local observance of May day and National Child Health week.

Dr. Herman G. Morgan, secretary of the board of health, in announcing the appointment, said the observance would extend from May 1 to May 8.

For six consecutive years, Miss Meyers has acted as general chairman, and has directed the child hygiene division of the Indiana state board of health, in charge of state-wide observance of the May program.

PUT MUSIC ON MENU
Connecticut State College Students Demand Orchestra for Dinner.

By United Press
STORRS, Conn., April 8.—Soft music is going to be a part of the dinner hour at Connecticut State college in the future. Miss Ethel M. Carr, dietitian who manages the college dinner hall, said so many students had requested music with their meals that the college orchestra had been engaged to play.

C. A. Breese called an airway vacuum cleaner for \$5 from a Times for sale at costing only 27 cents.

Barter Service Makes Deal With Hospital: It's Newest Stunt.
By United Press
FORT WORTH, Texas, April 8.—Sale of blood to hospital patients is the newest service offered by the local barter exchange.

Physicians called the exchange when it became apparent a patient in City-County hospital would need a blood transfusion. Henry Baker, unemployed, was assigned to the job.

Jobless: Sells Blood
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DROP FORECAST IN CONSUMPTION OF COAL, OIL

Geologist Says Increasing Efficiency Will Be Saving Factor.

By Science Service
PRINCETON, N. J., April 8.—Greater efficiency in using coal and oil may prevent increases in the annual consumption of these fuels in the United States during the next twenty years, Professor W. T. Thom Jr., Princeton geologist, warns in commenting on a recent estimate of fuel consumption for the future, which postulated an approximate doubling of fuel consumption in the United States by 1950.

Pointing to the relatively small increases in the amount of fuel used to produce power and useful energy during the boom period culminating in 1929, Professor Thom stated that it seems entirely possible that, even if our national energy requirements increase, we may, nevertheless, be able to supply a growing demand for energy, without a corresponding increase in amount of fuel used, and possibly without any increase.

Depends on Prosperity
Commenting on recent estimates of fuel consumption made by Professor J. Spencer Hutchinson of the Massachusetts Institute of Technology, and August C. Breitenstein, Ashland, Pa., engineer, Professor Thom calls attention to the fact that really to be able to predict future fuel consumption one must first be able to predict both the degree of prosperity which our domestic industry will enjoy, and the long the present business depression will last.

As he explains, a period of acute depression fosters the introduction of radical departures in fuel saving economy as a means of fuel economy continued in use thenceforth, possibly causing a progressive reduction in the amount of fuel used, even while power output may be increasing.

Tariff Also Factor.
In commenting on the use of population statistics as a basis for estimating our future national energy, Professor Thom further explains in a communication to the American Institute of Mining Engineers, that one may go astray by considering the population of the United States.

With the free outflow of manufactured exports, our consuming population is to all intents and purposes greater than our national population, whereas, if prohibitive tariffs are in force against American goods seeking to enter other countries, then this foreign addition to our domestic energy-consuming population is unavailable, and fuel consumption is correspondingly lessened.

AIR SPEED COMES TRUE
150 Mile an Hour Cruising Average Finally Is Reality.

By United Press
CHICAGO, April 8.—The 150 miles an hour cruising speed for multi-motored passenger transports, long the dream of the industry, becomes a reality in 1933, as this year marks the greatest increase in speed in the history of air transportation.

From 1920 to 1927 average cruising speed of commercial airplanes was less than 100 miles an hour. From 1928 to 1932 the cruising speed of transport aircraft in general averaged from 115 to 120 miles an hour, although there were a few faster planes in service. This speed shows a notable increase in speed, shows an analysis just compiled by United Air Lines, which has placed in service the first of its fleet that cruise above 150 miles an hour.

Grand Forks county, North Dakota, figures that by spending \$13,000 for poison grasshopper bait last year the county saved \$400,000 worth of crops.

Spends 65c to Get \$3.50
Weekly Income From Room

Mrs. C. Bell, 1115 Central avenue, had a three-room apartment, a bath and a kitchen. She placed an ad in The Times last Wednesday. By Saturday evening the room was rented. The cost of the four-day ad was only 65c.

Times Want Ad Headquarters
214 W. Maryland St.

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