



FEDERAL
RESERVE
BANK OF
MINNEAPOLIS



1952

ANNUAL



REPORT



FEATURING THE HELENA BRANCH



Foreword

IT IS OUR privilege to submit another Annual Report of the Federal Reserve Bank of Minneapolis to its stockholders.

Each report seems more challenging than its predecessors. Perhaps this is true because our economy is becoming bigger and more complex as the years go by, imposing on the Federal Reserve banks a greater volume of work and obligating the System all the more to do all it can to maintain economic stability.

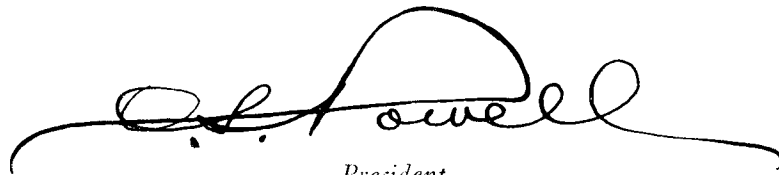
The statement of condition of the bank at the close of the year and its earnings and expenses for the year reveal the scope of its operations. These statements, however, need the supplementation given them in the *Operations Report*—which emphasizes the discounting function that last year assumed a greater importance than at any time during the past two decades.

Continuing the series of feature articles initiated six years ago, the report this year contains a story on the Helena Branch and its territory. This serves to emphasize “regionality” in the structure of the Federal Reserve System and gives a picture of an important part of the Ninth district.

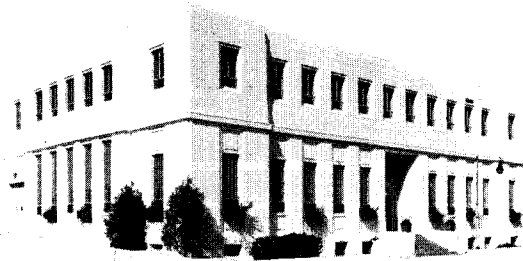
Thus the report is drafted with the objective to promote a better understanding of the services of the Federal Reserve Bank of Minneapolis.



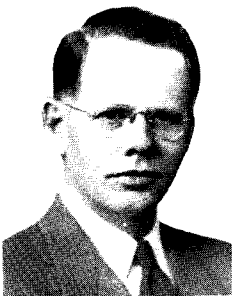
Chairman



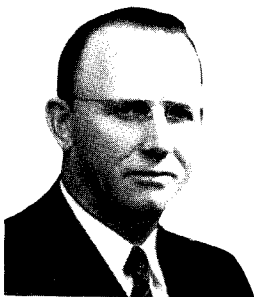
President



The Board of Directors
★ *of the*
Helena Branch



J. WILLARD JOHNSON



GEORGE N. LUND

THE FIVE MONTANANS who comprised the Branch board during 1952 are pictured on this page, along with the new members (at left) who began two-year terms January 1, 1953. Above, clockwise, the directors are E. D. MacHaffie, Helena; A. W. HEIDEL, vice president, Powder River County bank, Broadus; G. R. MILBURN, livestock rancher, Grass Range, chairman; THEODORE JACOBS, president, First National bank, Missoula; and JOHN E. CORETTE, president, Montana Power company, Butte, chairman for 1953. With retirement of directors MacHaffie and Jacobs, new faces on the board are J. WILLARD JOHNSON, financial vice president, Western Life Insurance company, Helena; and GEORGE N. LUND, vice president, First National bank, Reserve.

Situated in the 'Treasure State' of Montana

THE HELENA BRANCH

Serves a Vast, Rich Territory

CHANGE AND GROWTH MARK HISTORY OF F. R. B. OFFICE AND ITS DOMAIN

THE SETTING which Montana provides for the Helena Branch, far western office of the Federal Reserve Bank of Minneapolis, is as expansive as it is unique. Spacious and grandly scenic, rich in natural resources, and backgrounded in the tradition of the old west, the "Treasure State" is a place where one can still see how the nation grew, although change and growth continue to make the frontiers recede. The story of the Branch—its history and operations — necessarily seems prosaic alongside the romantic account its bailiwick provides.

Give imagination play and you can almost hear the war cries of the Sioux, rattle along in the stage that ran between Virginia City and Helena, watch the miners' pokes of gold dust and nuggets spill out onto the assayers' scales, join a posse pursuing bank bandits, or see the steamers bringing civilization up the Missouri river from St. Louis to the head of navigation at Fort Benton.

Montana has become, since these things grew remote, a ranking producer of wheat and prime beef, of copper, zinc, silver, lead, manganese, oil, and lumber, though primitive regions remain. In sections apart from valleys and plains marked with buildings, fences, and power lines, the visitor finds

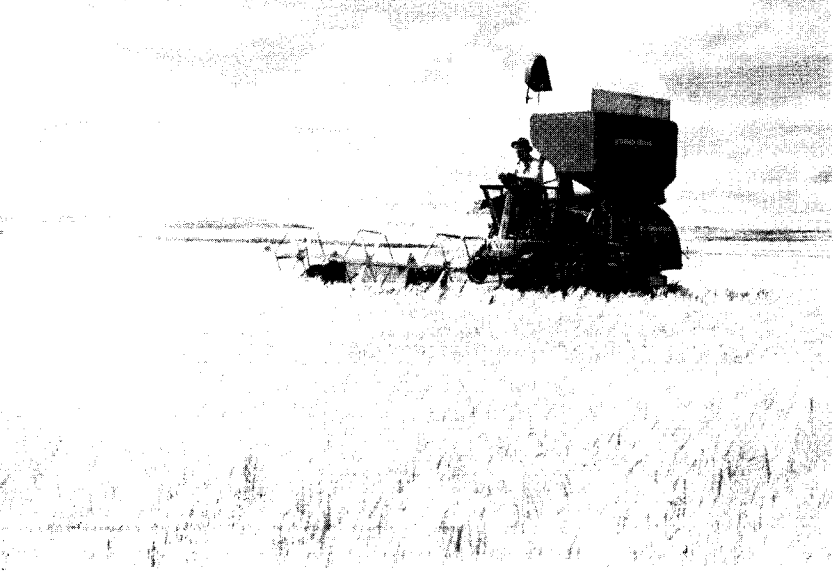
towering mountain peaks and virgin forests, buttes and canyons, Indian caves and the Badlands—"Hell Cooled Off," where as one wise-cracking air traveler put it, "in most places a jack rabbit would have to carry his lunch to get across it."

Visitors Enjoy State's Diversity

Montana is a fascinating variety of things as history and the contemporary scene mingle. To the history-minded it is Robbers' Roost, early-day rendezvous of road agents; the gold dredge just ceased operations—last of a long line of gold-



FLATHEAD VALLEY AND THE MISSION RANGE ►



HARVESTING WHEAT, STATE'S "GOLDEN" CROP

seekers in the Helena area; the abandoned sod-roof cabins of frustrated homesteaders; and the old west of the roaring Sixties as revived by the museum at Virginia City—gold mining camp at Alder gulch that produced \$100 million in gold.

It can be the site of Custer's Last Stand in the battle of the Little Big Horn; Charles Russell paintings in a Great Falls studio; the ghost town that was once a silver camp; the Chinese whose forebears were brought in to build the railroads; and the state capital of Helena, which once boasted more millionaires per capita than any other spot.

To the student of geology, again, Montana offers the Lewis and Clark cavern, with its weirdly formed and beautifully colored rock formations; the warm well water that heats a hotel at Boulder; Grasshopper glacier, where alternate layers of billions of the insects from another age lie frozen in ice in the mountains of southern Montana; Giant spring, largest fresh water spring in the world, flowing 388 million gallons of water every 24 hours; and Cavity range near Lewistown—telling with its crystal and ice caves, Hell's Forty Acres, catacombs, Travertine mountain, and extinct geyser cones the strange story of the ages.

To the businessman or economist, Montana is the copper camp of the "richest hill on earth" at Butte (city called "a mile high and a mile deep") which has yielded \$2 billion in minerals; \$100 million Fort Peck dam, largest earth-fill structure in the world; wheat farms averaging more than 1,600 acres; gushing oil wells—dating from

Elk Basin in 1915—and expanding refineries; the cattle auctions in a dozen localities; and mighty monarchs of the forest on their way to lumber mills.

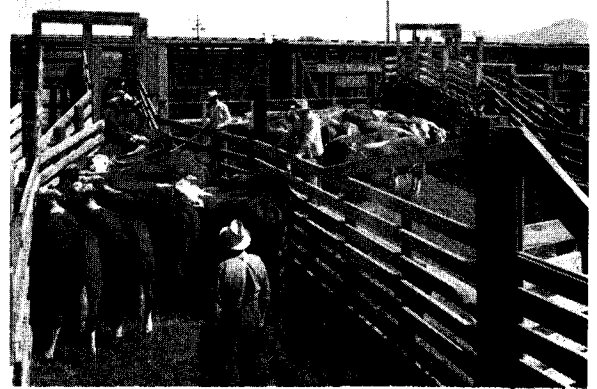
Montana also is the rich grain farmer who died leaving an estate of reputedly \$3 million; the Black Angus cattle on a 30,000-acre ranch in Fergus county; the dozen hydroelectric plants of Montana Power company—with one steam plant making a baker's dozen; and the \$75 million tourist industry which has a wealth of features to offer in Glacier park and other attractions.

Industrially and commercially it is also the ore refineries at Anaconda and Great Falls; the 70 dude ranches that offer resort comfort or roughing it in the wilderness; the famous wild-hay region of the Big Hole basin; the million bags of sugar processed annually by a big Billings plant; the shipments of Christmas trees that mean a cool million to "tree farmers;" and the bountiful water power, hardly a fifth harnessed.

A Vacation Wonderland

To the vacationer, again, Montana is the 12 national and seven state forests (with two million acres of primitive area), embracing more than a fifth of the state; the awe-inspiring views of rugged peaks forming the Continental Divide; the jewel-like lakes with their tree-lined shores; the peace and solitude of cool woodland retreats; and sports with a backdrop of unsurpassed beauty—whether

INTO THE CORRAL . . . THEN MARKET BOUND



trail riding into the back country, a ski run at 10,000 feet, angling for gamey trout in a sparkling stream, or stalking deer, elk, moose, and bear.

Tourists find Montana is the inevitable silver dollar received in change; Blackfeet Indians in ceremonial dress; the sculptured rock of Montana canyon; the world's largest smoke stack, 585 feet high, of Anaconda smelter; the six units of the state university — at Missoula, Butte, Bozeman, Billings, Havre, and Dillon; the breathtaking beauty of Flathead lake with its 188 square miles; and, of course, Helena's main street, which was Last Chance gulch, a gold rush locality that yielded many millions in gold.

As varied as Montana's topography and assets is its citizenry. One finds copper miner, cowboy, lumberjack, cattleman, dry-land farmer, sheep-herder, dude rancher, oilman, Indian, sportsman, and many other distinct types. Behind them is the tradition of fur trader, Indian wars, trail herds, cattle baron, gold camps, copper king, road agent, rustler, and vigilante.

It's Two States, Virtually

Third largest state in the union with its 147,148 square miles, Montana remains a place of wide open spaces between towns where even Paul Bunyan could do setting up exercises without upsetting things. Within the territory live 591,024 people (1950 census), or an average of four persons per square mile. Only two states, neighboring Wy-



LATEST VIEW OF "THE RICHEST HILL ON EARTH"

oming and Nevada, have less population density.

However, since the end of World War II, when the state's population was at a low level due to loss of residents to the armed forces and war industry in other states, Montana's population has climbed 32.5 per cent—advancing from 446,000.

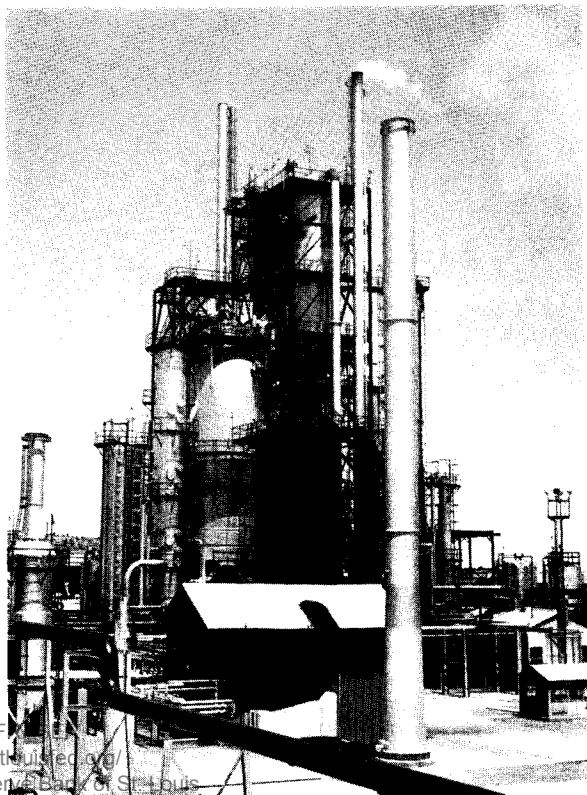
As it was expressed by E. A. Dye, editor of the *Helena Independent Record*, "Montana is virtually two states," for the Rockies, a chain from 100 to 200 miles wide, in effect divide it into two geographical and economic areas.

Western Montana, comprising roughly one-third of the state, is mountainous, heavily forested, with vast mineral resources and fertile valleys. Its industries are based upon its lumber, mineral, and agricultural resources. The tourist trade also figures importantly.

Butte, second-largest city (33,251—1950 census) and mining locality, is in this area, as is Missoula, fourth largest (22,485), an educational center. In the region's valleys there is extensive diversified farming, much of it irrigated. Large lumber mills are located at Bonner, Columbia Falls, Kalispell, and Libby.

To the east of the Continental Divide lies the greater portion of the state—part of the Great Plains region. Described as a huge plateau, its elevation drops gradually eastward toward the Dakotas. Here are the great wheat farms and extensive cattle and sheep operations. Here, too, are to be found large lignite and sub-bituminous coal beds, oil and natural gas fields.

OIL REFINING IS PART OF BILLINGS SCENE ▼



This region has the leading wholesale and retail trade centers of Great Falls (largest city, with 39,124 population) and Billings, third largest (31,834). The state's heaviest concentration of oil refining is at Billings. In the area, too, are Miles City, "capital of the cow country;" Bozeman, Galatin valley gateway to Yellowstone; Havre and Livingston, division points of Great Northern and Northern Pacific railways respectively.

Rail Link Completed in '83

Since the late A. M. Holter, leading Montana citizen in pioneer days, sawed the first piece of timber in the territory (population 18,000 in 1868)

● Here you see the Accounting department, which also contains Wire Transfers and Government Deposits. The view is from the north end toward the cages and the vault door. (Door shown is of the book vault.) Standing is Lee Powell, department head, at the desk of John Heath. Seated at far left is Joe Miller, only member of the original Branch staff.

● The attractive lobby appears virtually the same as when the building was opened in 1928, except for the new fluorescent light fixtures. Note pillbox at upper left from which vantage point the guard on duty can survey the entire ground floor area.

Montana has come a long way. Once it had been said to be physically impossible to build railroads through the mountains—and in the second place, skeptics and critics said, there was nothing to come for.

However, by September 3, 1883, the last spike was driven at Gold Creek, and the Treasure State—which was admitted to the union in 1889—went on to take the important place regionally and nationally that it enjoys today.

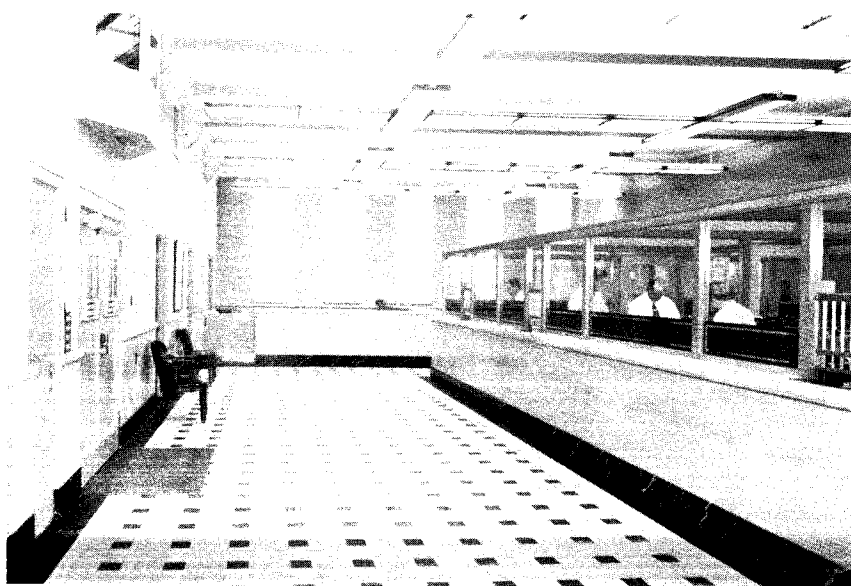
According to a pioneer citizen, the state has progressed more rapidly in farming and stock raising than in mining—and so its basic income continues to change. Even so, its important place in the Ninth district's productiveness is due in a



large measure, the record books show, to its valuable mineral deposits and its forests.

The emergence of farming has been evident in wheat growing. In 1915, wheat acreage was the largest the states in the Ninth district had experienced, but Montana was to see its production rise phenomenally from about 10 million bushels to 51 million by 1940 and 98 million bushels in 1951. Harder, heavier, and of finer milling quality than any other American wheat, this dry-land grain commands a premium market.

Montana's livestock industry was still on a small scale in the Sixties, but it was given a powerful impetus when great herds of cattle were driven



up the Texas trail during the Seventies and Eighties onto the plains, where they fattened on the thick, red buffalo grass. Sheep, a source of stability but become less important, came to the grazing lands in 1867 when a small flock of 300 head were driven in from Oregon. Sheep products have meant more than \$1 billion in income since. Montana's annual livestock revenue is now more than \$200 million.

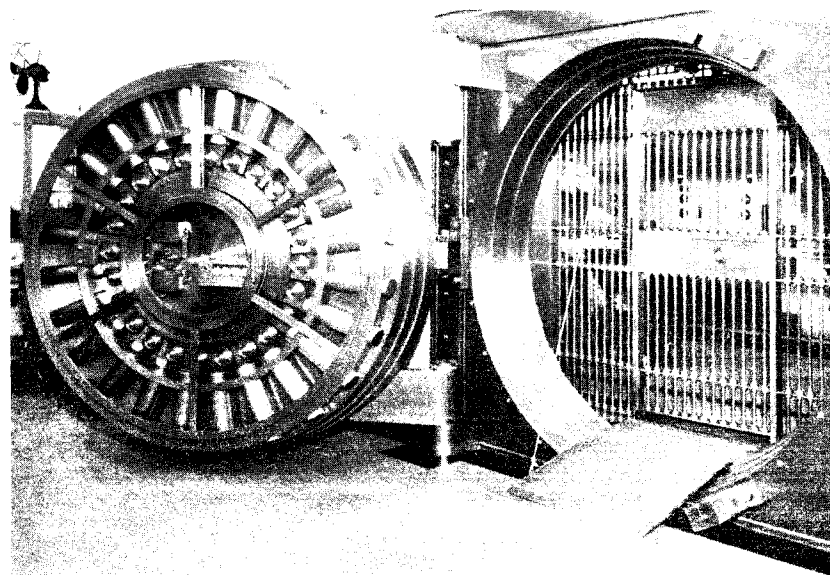
Worth noting is the change in marketing that has gradually taken place. With development of a dozen cattle auction points in the state, producers have become more independent of distant markets, where formerly they had to accept prices being quoted at those points, with no alternative.



Gold Find Opened the Territory

Mining in Montana has been a fabulous industry since the discovery of gold on Gold creek near Garrison in 1852 by Francois Finlay, a breed trapper. The rich strikes which came principally at Alder gulch in the southern section and in Last Chance gulch opened the territory to wide settlement—and also opened it to an influx of desperadoes that for a time spelled lawlessness and terror.

Montana gravel beds and quartz lodes were to give up many fortunes in gold, but in the years after prospectors emigrated from diggings in Cali-



● The 27-ton vault door is seeing its second period of service in its second location, for with erection of the present building it was moved from the first site. The vault has an emergency door (not shown).

fornia and Idaho the state's real mineral wealth was discovered to lie in grosser metals.

The bold outcrops characteristic of the most distinctive veins of the Butte district attracted the miners' attention after the period of placer mining. The quest centered chiefly in the search for silver, and Butte became the greatest producer of that metal.

Norman B. Holter, son of the man who in 1867 founded Montana's oldest store — Holter Hardware in Helena—at 85 recalls his father telling of a visit with Marcus Daly, founder of Anaconda Copper Mining company. Asked how things were going, Daly replied that he was discouraged. Mining was turning to copper. It was the Anaconda Silver Mining company at that time, and it was understandable that the development should be considered calamitous.

Copper nearly lost its place to zinc in 1951, when the value of the former was \$27,784,000 and the latter \$27,623,000. However, preliminary Bureau of Mines estimates for 1952 show copper production valued at \$30,773,520—compared to \$27,005,220 for zinc. The state holds fourth place nationally.

Zinc Gives State Another 'First'

Zinc, however, should be spelled in capital letters for 1952, because this mineral gave Montana its second first in national minerals production alongside the vital steel-making ingredient, manganese—of which the state produced 91 per cent of domestic ores. The Treasure State reached the top with 81,834 short tons, with Idaho second at 70,911 short tons (preliminary Bureau estimates).



"The Helena branch was established for the purpose of providing better and quicker service to banks in Montana. During the years our objective has been continuously to improve that service. We sincerely hope that Montana bankers will always feel free to contribute suggestions toward realizing that objective more fully—as we also hope that they will always know themselves to be welcome at our office."

Leu Groth

VICE PRESIDENT ASSIGNED TO THE BRANCH

Montana also ranks high in silver, lead, and gold output. Silver, now produced almost entirely as a by-product of zinc and copper mining, in 1952 placed third. The state was fifth in lead.

Other than coal and petroleum, other minerals of importance are phosphate rock, vermiculite, and chromite. In the fall of 1951 a new electric furnace plant of Victor Chemical Works at Silver Bow began production of elemental phosphorous. This product, shipped in liquid form to processing plants in Illinois and California, is used in food-stuffs, detergents, and pharmaceuticals. Phosphorous also has military uses.

Vermiculite has been produced for many years northeast of Libby, where it is found in high-grade deposits. Vermiculite, when expanded by heating, is used as an insulating material, in manufacture of wallboard, etc.

Of all minerals, none is so widespread in Montana nor found in such tremendous quantities as coal. A U. S. geological survey estimate placed reserves at over 200 billion short tons. A new process announced for use of lignite and other low-grade non-coking coals in the generation of electric power and production of coal tar products is a development holding great promise for the state.

Oil Is in the Ascendancy

Even before oil discoveries in the Williston basin underscored petroleum's importance to Montana, it had been advancing to the point where it challenged copper and zinc for rank as leading mineral. The state has been producing oil for nearly four decades, with the Cut Bank field in northwestern Montana the chief source. Central Montana already had several fields, and the northern rims of two other important basins—the Big Horn and the Powder River—extend into the state.

When the tenth field in the Montana portion of the Williston basin was discovered in December, the state's importance as an oil producing area was further emphasized. Towns spotlighted by the new activity include Glendive, Richey, Sidney, Terry, Wibaux, Wolf Point, and Poplar, location of the largest field.

Montana's crude oil production in 1952, with December estimated from the pipe line run,



● Located at the south end of the lobby is the Personnel department and the desk of Harold A. Berglund, assistant cashier. Conferring with him is Steve Surman, 30-year employee. Also in this area, besides the Personnel department, can be found the switchboard, stenographic unit, and central files.

amounted to 9,539,678 barrels, according to the state conservation board. The 39 producible wells in the Montana portion of the basin yielded 689,998 barrels of crude in 1952.

As for lumbering, the nearly 21 million acres of forests represent one of the state's greatest assets. Virtually all of its timber volume is in softwoods, with white pine the most valuable. Total standing timber at the latest count available (1949) approximated 55 billion board feet, and only ponderosa pine, largest single source of lumber, is not being replaced as fast as cut.

The state leads, incidentally, in marketing of Christmas trees, supplying one-seventh. Newest industry in the way of wood products—which range from pulpwood logs and mine timbers to shingles and wallboard—has come with building of a match plant near Superior.

From this relatively brief review of Montana's attractions and wealth-producing factors, it can be seen that it is a state of contrasts as well as change and growth. Traverse its challenging terrain by anything from plane to horseback and

they become apparent even before its citizens draw a word picture of their state for you.

Holter Campaigns for Branch

Let's turn now—with the setting established—to the “life history” of the Helena Branch before listening to what Montanans have to say about their state's economy and its future.

As has been indicated, no state in the district was to experience such a change in the pattern of its economy as Montana. From 1910 to 1920 the “land of the shining mountains” had shifted from ranching to large-scale wheat farming. Then, with the railroad network completed, good crops, and the war as factors, a boom was the natural result. The impact on Montana was especially important.

Establishment of the Branch in 1921 grew out of this situation. Norman B. Holter, who had been a member of the first head office directorate, had learned that 18 new branches had been authorized by the Federal Reserve Board, including one in Salt Lake City but none in Montana.

In Minneapolis at the time, Holter immediately began a campaign to establish a branch at Helena, broaching the matter to his fellow directors. “The main argument was that if we were going to have any branches,” he recalled recently, “Helena was farther away from a Federal Reserve bank than any other important financial center in the country.”

At first it appeared his efforts would be rewarded with an "agency" only, but a formal presentation of Montana's needs was later made to the Minneapolis board by Sam Stephenson, the late president of the First National Bank of Great Falls, and T. A. Marlow, the late Helena capitalist. Charles J. Kelly, the late chairman of the Metals Bank and Trust company of Butte, also visited the Minneapolis office and discussed the proposal.

Associated banks of Helena had petitioned for the branch, and among the representations made were: that many government offices were centered in the capital city; that nine other districts had branch banks and only one or two districts were larger than or as large in area as the Ninth; and that Helena was virtually equidistant from principal cities in which the larger banks were located—namely Butte, Great Falls, Missoula, Billings, and Bozeman.

Several surveys determined that mail connections to Helena from other points would make for satisfactory service—and Helena (population 17,581) won a distinction in becoming the smallest city in the United States to be the site of a Federal Reserve bank or branch.

A building at the corner of Park and Edwards formerly occupied by an independent telephone company was obtained for \$15,000, and a contract was let for remodeling and installation of a modern vault. Remodeling, mostly of the second floor, came to \$162,474.14, of which \$66,580 went for vault and doors.

As a sidelight, it is recalled that the building had been erected over old tunnels and sluice boxes used in the days when Helena was best known for its Last Chance gulch placer diggings. It became necessary, consequently, to make some heavy concrete fills to insure against anyone gaining access to the vault from beneath, as well as to support its weight.

It Was Only Money!

Opening of the Branch on February 1, 1921, was accompanied by an incredible occurrence. This concerned the casual manner in which a dozen or more large mail sacks filled with two to three million dollars in new currency arrived at the bank from the Bureau of Printing and Engraving,



A post office driver, believing the sacks contained ordinary printed material, dumped them on the sidewalk outside the bank, then went in and notified one of the officers that a batch of supplies was outside.

It developed that the currency shipment had

▲ The views on these pages are of the Check Collection and Mail departments. Walter Nachtshiem, department head, is seen at his desk in the foreground in picture at right, taken looking toward the southeast corner. The IBM proof machines above and below are arranged in rows along the windows at the south and east sides. Note second machine in the picture below with its back open as the operator makes a correction. The rolls of tapes are for the 24 "pockets" for checks in the machine's "drum." ▼

lain overnight at Logan on a truck, on a railroad platform—completely unguarded!

The Branch opened with a staff of 36 employees and officers. One of this original group, Joe Miller of Government Deposits, is still on the job. In-



cientally, close to 150 years service is represented by him and four other long-time staffers. The four are Steve Surman, Banking department, who is in his thirty-first year; Mary Neal of Personnel, in her thirtieth; Lee Powell of Accounting, in his twenty-eighth; and John Heath of the Banking department, in his twenty-fifth.

Principal speaker at a luncheon on the occasion of the opening was Roy A. Young, then governor of the Minneapolis Reserve bank and later chairman of the Board of Governors, Washington, before becoming head of the Boston Fed—and who is now chairman of the Merchants National Bank of Boston. He promised cooperation of the parent bank and predicted “a successful career for the

more than half the banks in Montana, and as the WFC office was moved to Minneapolis, the annex was closed in 1925.

The low point of member bank reserve balances at the Branch of \$5,520,000 had occurred on December 31, 1932, as a result of reduced deposits of the fewer member banks attributable to a lower volume of loans and depressive withdrawals of currency.

Organized early in 1932 was the Reconstruction Finance Corporation. An agency was established under Branch management, but the RFC outgrew its space in about a year, moving to other quarters. Later it was transferred to Minneapolis. The agency was returned with opening of the new build-



Branch in every particular.” Other speakers were John Clay, president of the Clay-Robinson Livestock commission, Chicago; Helena’s Norman B. Holter and T. A. Marlow; and Montana’s governor, Joseph M. Dixon.

The first expansion in working space came with establishment, during the first year, of the War Finance corporation, an agency of which was opened in Helena and the Branch made custodian. Additional personnel and crowded conditions prompted acquisition of an annex in January 1922 to accommodate 25 employees. However, as the volume of work was reduced with closing of

ing in 1938, and the Branch was also custodian for the RFC’s many affiliated corporations as they came into being.

At the time the Branch opened, member bank reserve balances were \$4,775,024.60, whereas loans to member banks were \$7,664,737.86, transferred from head office. The peak was reached on August 31, 1921, when loans totaled \$13,601,252.44, approximately three times the amount of member bank reserve balances at that time.

During the period from 1921 to 1933, the number of banks dropped steadily, but the majority of failures occurred prior to 1927. With closing of



NORMAN B. HOLTER, one of Montana's leading citizens, is credited with starting the campaign that gave his state a branch office in the Federal Reserve System. At 85 he is still active in the management of Holter Hardware company, Helena. Looking back on the years he says, "It's a wonderful thing to see a state grow from nothing."

so many banks the Branch had a great deal of rediscounted paper to liquidate. In the beginning this function was handled by the Branch, but it was soon assumed by the head office.

Build? Earthquake Decides

By 1935 it became apparent that larger quarters were needed, but before a committee appointed to study the situation and determine whether to build could report, a series of severe earthquakes rocked Helena, badly damaging the building.

During the forenoon of October 31, 1935, one tremor collapsed a brick wall in the manager's office and caused other damage. The building suffered as severely as any in Helena. The need for a new building was automatically decided, but

for more than two years the Branch continued operations with the walls of its building cracked and propped up, inside and out.

Helena, a study determined, continued to be the logical location for the Branch because of its train service, and with the quakes subsided to a large extent a building was erected in 1938 on a new site just north of the post office at Park and Edwards.

The one-story structure, with approximately 14,000 square feet, cost \$75,000 to build. This did not include moving of the 28-ton vault door from the old building at a cost of \$2,500.

Speakers at the opening on June 17, 1938, included Chester C. Davis, former Montanan and then a member of the Board of Governors, Washington; J. N. Peyton, then president of the Minneapolis Reserve bank; and J. E. O'Connell, Helena bakery magnate, who was to serve 16 years on the head office directorate.

Second Story Added in 1946

American entry into the war in 1941 brought a further increase in business, chiefly because of fiscal agency work, and the decision was made to erect a second story. Costing \$46,000, this was completed in February 1946.

At a celebration on February 23 observing the silver anniversary of the Branch, the principal speaker was Dr. Walter C. Coffey, president emeritus of the University of Minnesota and former Minneapolis Fed board chairman. Also in attendance was Oliver S. Powell, FRB first vice president who became president in July 1952.

Facing east, the present building from its eminence near Mt. Helena affords a fine view of the valley and the distant mountain ranges in which the capital city has its setting. The building is said to be not only one of the finest in the System but also one of the best from the standpoint of utilization of space.

Officers of the Branch today are Clarence W. Groth, vice president, and Harold A. Berglund, assistant cashier. "Dutch," as he is known, on August 18, 1948, had been made assistant vice president assigned to the Branch, and he was advanced to vice president on May 5, 1950. He has

been with the bank since May 14, 1923, when he entered on a part-time basis. "Bergie" was designated assistant cashier assigned to the Branch on June 23, 1950. He has been with the bank since August 6, 1917.

The board of directors at year-end 1952 was comprised of G. R. Milburn, livestock rancher, Grass Range, chairman; John E. Corette, president, Montana Power company, Butte; A. W. Heidel, vice president, Powder River County bank, Broadus; Theodore Jacobs, president, First National bank, Missoula; and E. D. MacHaffie, Helena.

With directors Jacobs and MacHaffie completing their terms, they were succeeded January 1, 1953, by George N. Lund, vice president, First National bank, Reserve; and J. Willard Johnson, vice president, Western Life Insurance company of Helena.

Original directors of the Helena Branch were T. A. Marlow, president, National Bank of Montana, Helena, chairman; Charles J. Kelly, chairman, Metals Bank & Trust company, Butte; H. W. Rowley, president, Northern Hotel company, Billings; R. O. Kaufman, vice president, Union Bank and Trust company, Helena; and Lee M. Ford, president, Great Falls National bank, Great Falls.

Original officers of the Branch were O. A. Carlson, manager; R. E. Towle, cashier; and L. W. Long, assistant Federal Reserve agent and auditor.

Carlson resigned February 1, 1922, and was succeeded by Towle.

Towle, now state superintendent of Montana banks, joined the Fed's staff in 1914. He was appointed manager of the Branch in 1922, managing director in 1929, and vice president assigned to the Branch in 1948, the title he held at the time of his retirement on December 31, 1950.

Volume Figures Tell of Growth

Operations figures for 1921 (11 months) when compared with those for 1952 bespeak the growth that has taken place during the Branch's 32 years. Total resources, which had been \$11,931,580.02 when the books were closed on December 31, 1921, were \$78,801,061.15 at year-end 1952.

Total items handled by the Transit department in 1921 came to 2,472,310, aggregating \$291,233,000, while in 1952 total checks handled hit 12,507,353 (including 815,951 postal money orders) having an aggregate value of \$3,000,936,000.

Where 1921 saw 3,191 transfers of funds totaling \$56,792,385.96, in 1952 there were 10,032 transfers aggregating \$765,342,217.62.

(Coin shipped and paid out during 1952, not including uncurrent coin, totaled 17,835,226 pieces with a value of \$4,781,802. Currency shipped and paid out, not including cancelled notes or notes returned to other Federal Reserve banks totaled 4,299,817 pieces with a value of \$48,393,234.)

● When an earthquake rocked Helena in October 1936, the first home of the Branch was severely damaged. Operations continued here, however, for more than two years, during which time the walls were propped up inside and out. The building now serves as a bus station.



With the greatly increased volume figures one would also expect an increase in employees, but thanks to mechanization and the transfer of some operations to the head office, the total staff today is 55 compared to the 66 in 1921.

Loans to member banks have been an unpredictable item. During the 11 months of its first year the Branch had advanced funds to 149 of the 193 members either under bills payable or rediscounts, the aggregate amount having been more than \$57 million. This represented 16,822 individual notes totaling \$32,723,000 and 1,278 collateral loans aggregating \$25,162,000.

Figures for ensuing years fluctuated greatly. The total dropped to \$28 million in 1922, then to \$7.5 million by 1924. Following the bank holiday in 1932, funds advanced rose to \$18 million but then dropped rapidly. It was not until 1949 that advances reached earlier proportions—\$26,395,000, all for the purpose of replenishing depleted reserves when requirements were increased.

The year 1952 saw a substantial increase in advances as 91 collateral loans aggregating \$65,275,000 were made to member banks.

They Like Silver Dollars

The circumstance which finds Montana — where gold dust was once the medium of exchange—a “silver dollar state” today accounts for heavy shipments of standards common at the Branch. In 1952 the total was 3,602,990, with only 73,191 received—making a net average weekly shipment of approximately \$69,000.

So silver-dollar conscious are Montanans that if you hand them a paper dollar you may get change for a five. It happened three times to one visitor! The tradition, jealousy retained, is based on the state’s production of metals and the fact that Montana was developed largely by mining.

Branch coin figures reflected an interesting recreational change in 1950 when slot machines were declared illegal. Coins received jumped from the customary three or four million annually to 9,135,724—“slot machine money pure and simple.” The dollar amount was even more significant. Where for five years less than \$300,000 had been received from banks, in 1950 the dollar total was \$1,016,



● A lounge and recreation room for members of the staff has been provided in the basement. Knotty pine walls give the place an inviting appearance.

000. Obviously much of this had been in slots, and in tills for making change.

During the depression period, Branch staffers recall, money was flown out on more than one occasion to distressed member banks. Recalled, too, is how when the late President Roosevelt called in all the gold, the Branch had more than a million in coin, and from four to five million in gold-backed currency. The hoard made “quite a sight” spread out on a table while being counted.

Economy Has Been at a Peak

At the time a branch was petitioned for, Montana’s 131 national banks had total resources of \$109,166,000 and deposits of \$81,775,000 (December 31, 1918). There were 266 state banks, and deposits of all banks were \$186,896,000.

Deposits of the 38 national and 45 state members in Montana at the end of 1952 aggregated \$558 million. This figure represents approximately 86 per cent of deposits of all 109 banks (on the basis of year-end 1951 figures).

As its bank deposits indicate, the Treasure State has been enjoying a thriving economy. Witness these 1951 income figures: farm crops accounted for nearly \$235 million, livestock \$215 million, mining more than \$100 million, lumber about \$50 million, oil and gas more than \$30 million, and the tourist industry \$75 million. An estimated \$100

million was added to value of products by manufacturing.

Income payments to individuals, over \$1 billion in 1951, sounded another prosperity note. Per capita income payments averaged \$1,752, eleventh highest in the U. S.

(Income from farm marketings in 1952—preliminary figures — show that drouth and lower prices have cut returns. Where in 1951 cash farm income was \$448 million, the all-time high, in 1952 it was \$385 million—10 months actual. Livestock represented \$200 million of this. The effect of these figures is to reduce the accepted 5 to 1 ratio between farming and mining income.)

Farming Is Basic Economy

While handbooks may background you on what makes Montana's economy tick, look at the state through the eyes of representative bankers, businessmen, editors, and others in its key cities, and the neat statistics are translated into a prosperous

present emerged from a pioneering past and promising a bright future.

Those with a finger on the economic pulse are agreed on what comprises Montana's basic economy. "While mining, oil, and aluminum plants are spectacular and dramatic things," said Alex Warden, publisher of the Great Falls Tribune, "we have to remember that basically agriculture and livestock raising are Montana's economy. The ratio is almost 5 to 1 to mineral. That makes it the basic economy."

Remarking that "this state gets along all right as long as it is profitable to market farm crops," the publisher of the state's largest daily added that no factor is watched as closely as the weather. "They say good weather is no good," he smiled. "It has to be wet and disagreeable to make a good production year in Montana."

Recognizing Montana's primary role as a producer of foodstuffs and raw materials, he looks at its future in this light: "We are a production state. Perhaps of all the states, we don't live off each other. We create new wealth."

Grass Is Wealth Factor

Another who recognizes that farming is the basic economy is Errol Galt, president of the First

Continued on Page 26

● The tabulating division is located in a sound-proofed space on the second floor. Here clearings and Treasury card and paper checks are processed.



Revival of Discounting Featured Bank's Services in 1952

- ✓ CHECK COLLECTION CONTINUED TO SET RECORDS
 - ✓ YEAR-END STATEMENT SHOWS F. R. B. NOTE CIRCULATION AT PEAK
 - ✓ O. S. POWELL BECAME BANK'S CHIEF EXECUTIVE
-

THE DISCOUNT window at the Federal Reserve Bank of Minneapolis was a busy place in 1952 as member banks were furnished more reserves through loans than in any other year in the past two decades.

Officials of this bank with long memories will tell you, however, that less paper was handled last year than in the years of the early Thirties. This is true because borrowing in the earlier years was based largely on customers paper, whereas today Federal Reserve advances are based on notes of banks secured by government obligations.

It is acknowledged, nevertheless, that important developments took place in discounting last year. The amount of reserves made available to member banks by borrowing from this bank amounted to nearly half again as much last year as in 1951—and was higher even than in any year since 1929. Specifically, average daily dollar volume was up 45 per cent from 1951.

These larger borrowings, which were also experienced by other Federal Reserve banks, are backgrounded by significant trends. In the decade of the Twenties, banks engaged actively in rediscounting customers' paper to provide reserves needed to support credit expansion. In the next decade, after 1933, rediscounting customers' notes and other methods of borrowing at the Reserve banks nearly vanished because bank loans had dropped to a lower level and excess reserves were

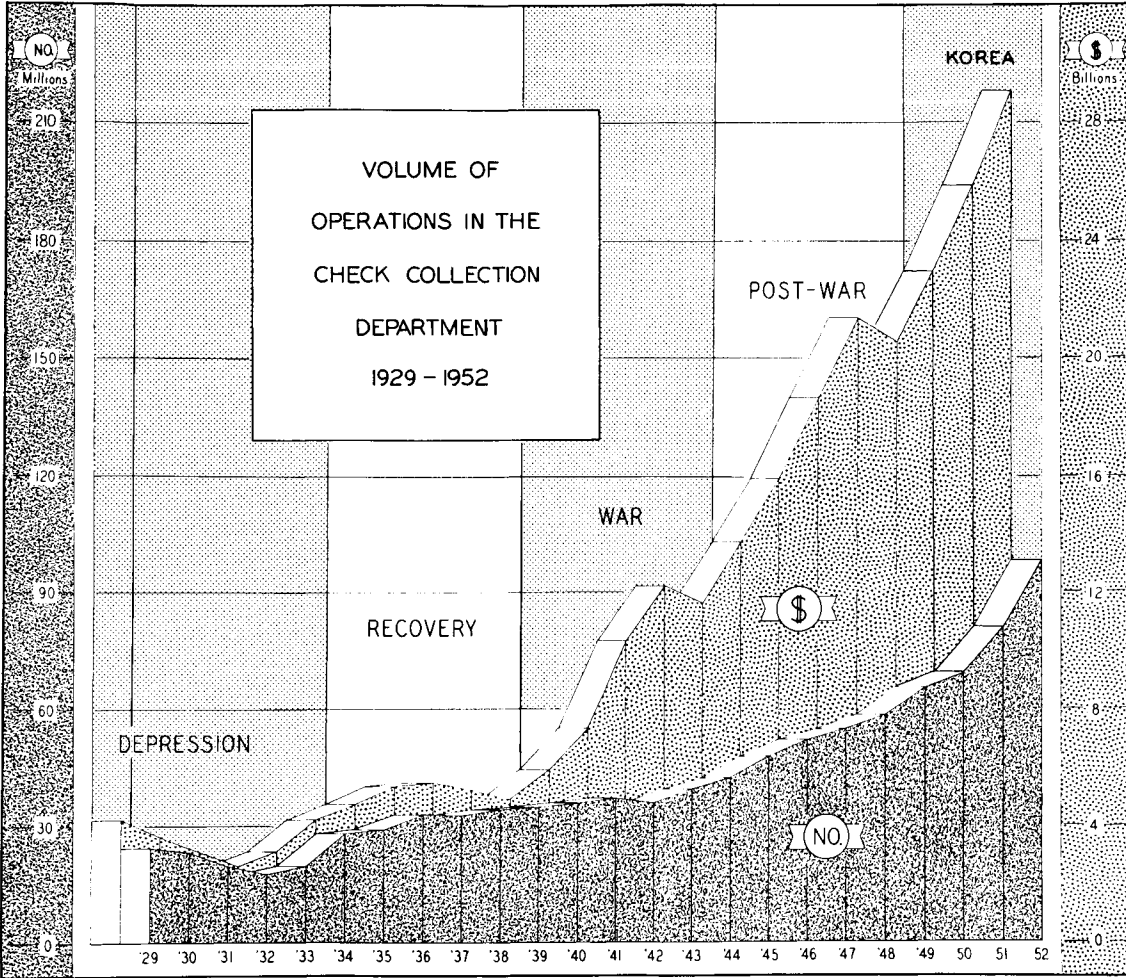
more than amply provided by net gold imports.

During the years of World War II, when additional reserve balances were needed to support a deposit expansion caused by bank purchases of government securities, such reserves were supplied by Federal Reserve open-market purchases. After the war, a great revival of demand for bank loans occurred, which caused shifts in the composition of bank assets. Government security holdings declined and loans climbed rapidly. The Federal Reserve System, through its support-purchases policy, had made possible for about five years large-scale selling of government securities by banks without the market sinking to less than par.

In the spring of 1951, a significant change in Federal Reserve policy was made whereby prices of government securities were allowed to fluctuate more freely in response to market forces. Prices fell below par in an orderly decline—whereupon member banks began a trek to the discount windows of the Reserve banks in order to obtain the reserves needed to support higher deposit liabilities created by a continuing loan expansion.

More Banks Accommodated in '52

It may seem strange to some that banks regard liabilities which result from borrowing as distasteful while they welcome and seek to maximize liabilities which arise from deposits. Nevertheless this is true and it is partly for this reason that



● Nearly 100 million items were handled by the Check Collection department in 1952 as the volume of operations continued an increase which has been in progress since 1942. The work load has increased in that time from 35,936,000 to 98,325,000 items. The upper curve shows dollar value of items processed as distinguished from the lower curve, which reflects work load. The steeper slope of the higher curve for much of the period reflects to a large extent the inflationary influence of rising prices.

banks ordinarily resort to borrowing only for short periods, usually in order to erase reserve deficiencies resulting from temporary influences such as adverse clearings.

It is traditional that banks shun borrowings more on statement dates than at other times. This ex-

plains why loans to member banks—the item “bills discounted” on this bank’s year-end statement—amounts to only \$500,000, or less than 4 per cent of the average amount outstanding for the year 1952.

In 1952, 51 different member banks negotiated 584 loans aggregating more than \$2 billion, whereas in 1951, 44 banks negotiated 420 loans aggregating almost \$1¼ billion.

Although these figures serve to illustrate the magnitude of the increased activity in the discount department, they are not as meaningful as are the figures which relate to the average daily volume of loans outstanding. Larger borrowings by member banks in 1952 boosted the average daily volume figure from \$10.8 million in 1951

to \$15.7 million last year, an increase of 45 per cent. The volume of borrowings last year by member banks located in other districts amounted to more than twice the 1951 amount.

The rate of interest charged by the Federal Reserve banks on loans to member banks was raised to 2 per cent in January of 1953. A rate of 1.75 per cent had been in effect since mid-1950.

Check Collection Department Records Higher Volume

The discount department was only one of several departments of the bank which experienced more activity in 1952. Breaking records has become a habit with our check collection department, which employs more people than any other department of the bank. The number of items handled by check collection has increased in every year since 1942. During 1952, 16.7 million more items than in 1951 were processed by this department—or 20 per cent more. The 100 million mark was approached as 98.3 million items were functioned.

The 16.7 million additional items handled was composed of additional postal money orders, government checks, and other checks amounting to 5.8 million, 2.6 million, and 8.3 million respectively.

More than twice as many postal money orders were processed in 1952 as in 1951. This is because

Federal Reserve banks did not begin to pay money orders until after the first six months of 1951 had passed.

With government expenditures rising it is not unusual to find the number and dollar value of government checks deposited with us in 1952 up substantially from 1951.

The dollar amount of checks passing through this bank last year, other than those drawn by the U. S. government, did not increase as much, percentage-wise, as the number of such checks did. This indicates that the average check was made out for a smaller amount last year than in 1951.

The growing use of personal checks, which are usually made out for smaller amounts than business checks, might explain this development. Also, declining prices, particularly in agriculture, might have played a part.

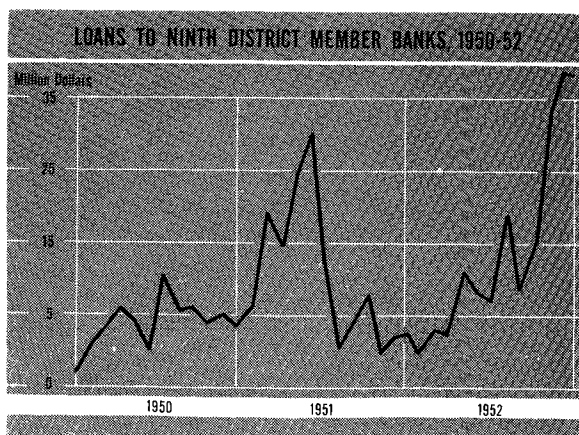
The constantly growing level of activity in our check collection department does not surprise those who have observed the growing level of deposits in Ninth district member banks. As the chart on the opposite page shows, these deposits grew faster last year than they did in either of the preceding two years.

People Wanted and Got More Money Last Year

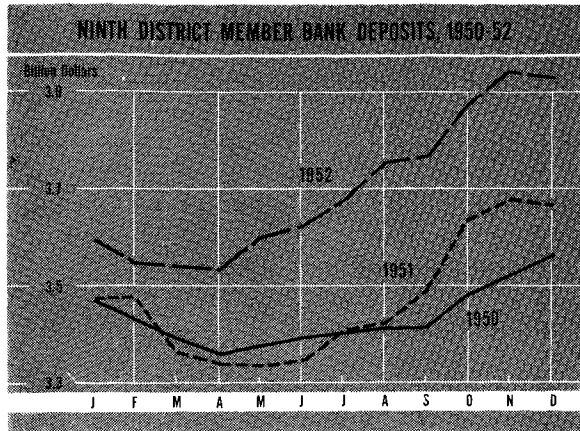
While customers of district member banks enlarged their deposit balances in 1952, they also requested and received more currency and coin. The satisfaction of this demand left its mark on our annual statement, which shows a larger amount of Federal Reserve notes outstanding than ever before in history. These notes make up the bulk of our circulating currency.

As the public's supply of folding money and coin grows, so does the activity in our currency and coin department. Last year the people in this department of the bank received, counted, packaged, shipped out, and retired more money than they had in the previous year.

Pieces of currency counted totaled 72,488,428, with a value of \$486,442,000, while coin counted totaled 109,274,295 pieces aggregating \$9,946,000. Wrapping increased 0.2 per cent as 63,951,230 coins were packaged.



● Loans to district member banks by the Federal Reserve Bank of Minneapolis in 1952 averaged 45 per cent higher than they had in the previous year.



● Deposits increased faster last year at Ninth district member banks than they did in either of the preceding two years. Much of the increase occurred at city banks, which are concentrated in Minnesota.

The records of the department suggest that residents of other Federal Reserve districts did more traveling in our district last year than they had previously. Notes issued by other Federal Reserve banks are returned to the bank of issue when received here. The dollar value of such returns increased by 18 per cent last year. Notes of this bank returned by other Federal Reserve banks to us amounted in 1952 to only 2.7 per cent more than in 1951.

Transporting currency in a wallet is one way to accomplish the transfer of funds. But a safer, more efficient way is to employ the wire transfer facilities of the Federal Reserve banks. The wire transfer department of this bank effected 2.1 per cent more transfers last year than in 1951—53,351, amounting to \$13,925,743,000.

Grain-Draft Activity Reflected Declines in Agriculture

Lower grain production as well as lower prices for grain was reflected by the lessened tempo of activity in the non-cash collections department.

Grain drafts account for almost 75 per cent of the non-cash items collected by this bank. Compared to 1951 the number of such drafts collected was down 4 per cent, while their dollar value was down 9 per cent. This development, as well as

others noted earlier, reflected the decline in grain production and prices last year.

The dollar value of non-cash collections other than grain drafts was up in 1952 by 6.4 per cent. These collections included such items as bond coupons, matured securities, notes, trade acceptances, et cetera.

Some of the bond coupons collected by our non-cash collections department are coupons which had formerly been attached to U. S. government securities held in our safekeeping department for the account of commercial bank owners located in the Ninth district. People in the safekeeping department detached and presented for collection more than 273,000 coupons in 1952.

At the end of 1952, securities worth \$1.484 billion were held in safekeeping for their owners, an amount 8 per cent higher than the previous year-end total.

Savings Bond Record Improved in 1952

Government securities are the chief stock in trade of our fiscal agency department. Most district bankers need no introduction to the operations of this department, which range from the administration of Uncle Sam's deposit balances at the commercial banks to the issue, redemption, and exchange of Treasury securities.

The dollar value of issues, redemptions, and exchanges of U. S. government direct obligations accomplished by fiscal agency in 1952 amounted to \$3.804 billion, or 13.9 per cent more than in 1951.

These figures include the face value of savings bonds issued and redeemed during the year. It is interesting to note that the dollar value of savings bonds issued was up by 7.2 per cent between 1951 and 1952, while the dollar value of redemptions declined by 16.2 per cent. Only 5.2 per cent fewer bonds were presented for redemption. These figures suggest that a lesser proportion of redemptions is composed of high denomination bonds.

The growing popularity of the payroll savings plan for bond purchases together with more favorable terms for savings bonds announced last year probably accounts for the improved record of savings bond sales and redemptions last year.

Service Is Bank's Product

An explanation of the quickened pace at the Minneapolis Federal Reserve bank last year cannot be phrased in terms of any single reason. Instead, an adequate explanation would need to incorporate reference to developments much too numerous for individual treatment here.

But it is fairly clear that as the wealth and population of the Ninth district grow, the demand for banking services will also grow. Some evidence that growth occurred last year can be found in the ledger books.

For example, the record of debits to deposit balances at a sample group of district banks indicates that customers of these banks made more payments last year than ever before. At the same time the record of deposit growth shows that more deposits were made, permitting balances larger than ever before in the face of larger payments.

District bankers made more credit available to their customers. Although loan expansion at member banks in the district proceeded at a considerably less rapid clip in 1952 than in 1951, there was no evidence that deserving borrowers were not being accommodated. (See chart on opposite page.)

On the contrary, statistics relating to member bank assets disclose that most of the funds made available to the banks by deposit growth were used to purchase securities rather than to make loans.

CHANGES IN CONSOLIDATED STATEMENT FOR DISTRICT MEMBER BANKS (Millions of Dollars)

1952			
Loans	+ 74	Deposits	+269
Investments	+184	Other Liab.	+ 4
Cash and Due	+ 26	Capital	+ 11
Total Assets	+284	Total Liab.	+284

In expanding service to their customers, member banks required more assistance from their Federal Reserve bank. Assistance, for example, was provided in the form of check collection facilities to accommodate the larger number of items withdrawn and deposited by district bank customers. It was also provided in the form of currency serv-

ices which insured that retail trade would not be inconvenienced by inadequate currency and coin. It was further provided in the form of investment services such as the purchase of securities by us for the account of district banks and the safekeeping of such securities.

The extension of credit to member banks and the wire transfer of funds at their request are other examples of how, by rendering services to the commercial banks, the Fed makes it possible for them to render more effective service to their customers.

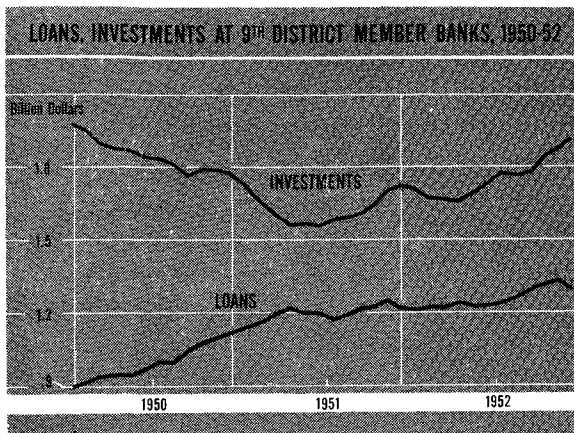
O. S. Powell Becomes President

From a personnel viewpoint the big change in 1952 was, of course, the return of Oliver S. Powell from Washington to assume the presidency of the bank upon the retirement on July 1 of John N. Peyton. Mr. Peyton had been president of the bank for 16 years and had been with the bank since 1933, having served as chairman of the board from 1933 to 1936.

Mr. Powell, who joined the bank in 1920, had been first vice president from 1936 to 1950, when he accepted an appointment to the Board of Governors of the Federal Reserve System in Washington, D. C. He resigned from the Board upon his election to the bank's top executive position.

Membership of the bank's directorate remained unchanged during the year. In November, Homer P. Clark, honorary chairman of the West Publishing Co., St. Paul, Minnesota, and Edgar F. Zelle, chairman of the First National Bank of Minneapolis, were reelected to the board for three-year terms beginning January 1, 1953. Shortly before year's end Roger B. Shepard of St. Paul was redesignated chairman of the board and Federal Reserve agent for 1953; Paul E. Miller, director of the University of Minnesota's agricultural extension division, St. Paul, was renamed as deputy chairman for 1953; and F. A. Flodin, president of the Lake Shore Engineering Co., Iron Mountain, Michigan, was reappointed to the board for a three-year term beginning January 1, 1953.

Joseph F. Ringland, president of the Northwestern National Bank of Minneapolis, was reappointed a member of the Federal Advisory Council for 1953.



● Although loans continued to increase in 1952, they increased less rapidly than in 1951. District member banks last year enlarged their investment holdings, on balance, for the first time since 1949.

There were two new appointments and a re-appointment to the Helena Branch board. The new directors are George N. Lund, vice president of the First National Bank of Reserve, Montana, and J. Willard Johnson, financial vice president, Western Life Insurance Co., Helena, Montana, both of whom will serve two-year terms beginning January 1, 1953. John E. Corette, president and general manager of the Montana Power Co. of Butte, Montana, was reappointed for a two-year term beginning January 1 and was named chairman of the Branch board for 1953.

Three Changes in Official Staff

In addition to Mr. Peyton's retirement there were three other changes in the official staff during the year. May 1 saw the retirement of William E. Peterson, assistant cashier. In November, O. W. Ohnstad, auditor, was elected assistant vice president and Kyle K. Fossum, assistant cashier, was made auditor.

Several other changes, reflected in the official staff roster as it appears elsewhere in this report, actually did not take place until after the end of the year. These included the appointment of John J. Gillette and Melvin B. Holmgren as assistant cashiers; the advancement of assistant cashiers Arthur W. Johnson and Christian Ries to assistant vice presidents; and the addition of "vice presi-

dent" to the title of J. Marvin Peterson, director of research.

The number of persons on the bank's staff dropped slightly from a total of 714 at the head office and branch on December 31, 1951, to a total of 695 at year-end 1952. Some of the decrease undoubtedly can be accounted for by the reduction in staff which resulted from the dropping of consumer credit and real estate credit controls during the year. The number of employees is still somewhat above the postwar low as of December 31, which was set in 1949 when there were only 633 persons on the combined staffs.

In the field of personnel administration the year witnessed the blanketing in of all employees under the Federal Reserve System's new group life insurance program and the turning over of direction of the bank's cafeteria to an outside management.

Two state banks were accepted for membership in the Federal Reserve System during the year and one state member withdrew, making a total of 476 member banks in the district as of December 31, 1952. The two new member banks are:

PEOPLES STATE BANK, THREE LAKES, WISCONSIN
 RAPID CITY TRUST COMPANY,
 RAPID CITY, SOUTH DAKOTA

Assembly Is Introduced

Most notable change in the bank's educational program was discontinuance of the annual Federal Reserve Conference and the Federal Reserve Forum and their replacement with a new meeting called the Member Bank Directors and Officers Assembly. This meeting was held November 24 and 25. Unlike the Conference, which was designed for top bank executives only, and the Forum, which was set up for potential executives, the Assembly program was designed with bank directors in mind—and it developed that about one-third of the nearly 600 persons who attended were directors of member banks.

The Montana Forum, inaugurated in 1951, was repeated in 1952 at the Helena branch. At the head office our Workshop for college instructors of money and banking was repeated, another Conference of Bank Examiners was held, and nine more sessions of our Short Course in Central

Concluded on Page 28

Earnings and Expenses

	1952	1951
Earnings from:		
Discounted Bills	\$ 286,795	\$ 190,320
United States Government Securities	14,003,295	12,258,370
Industrial Advances	5,515	7,784
All Other	5,233	8,425
TOTAL CURRENT EARNINGS	\$14,300,838	\$12,464,899
Expenses:		
Net Operating Expenses	\$ 2,981,666	\$ 2,850,014
Assessment for Expenses of Board of Governors	105,000	103,700
Federal Reserve Currency:		
Original Cost	181,589	163,454
Cost of Redemption	23,301	20,877
TOTAL CURRENT EXPENSES	\$ 3,291,556	\$ 3,138,045
Current Earnings	\$11,009,282	\$ 9,326,854
Additions to Current Net Earnings:		
Profit on Sales of U. S. Government Securities	62,431	0
All Other	79	71
TOTAL	\$ 62,510	\$ 71
Deductions from Current Net Earnings:		
Loss on Sales of U. S. Government Securities		\$ 51,867
Reserve for Registered Mail Losses	\$ 14,267	14,131
All Other	43,909	1,270
TOTAL	\$ 58,176	\$ 67,268
Net Addition to or Deduction from Current Net Earnings	\$ 4,334	\$ 67,197
Net Earnings	\$11,013,616	\$ 9,259,657
Dividends Paid	327,906	314,934
Paid to U. S. Treasury (Interest on Federal Reserve Notes)	9,617,021	8,050,167
Transferred to Surplus (Section 7)	1,068,689	894,556
Surplus Account (Section 7)		
Balance at Close of Previous Year	\$14,062,608	\$13,168,052
Transferred from Profits of Year	1,068,689	894,556
BALANCE AT CLOSE OF YEAR	\$15,131,297	\$14,062,608

Statement of Condition

	<i>Dec. 31, 1952</i>	<i>Dec. 31, 1951</i>
ASSETS		
Gold Certificates	\$ 327,605,820	\$ 325,261,086
Redemption Fund for F. R. Notes	25,549,400	25,018,166
TOTAL GOLD CERTIFICATE RESERVE	\$ 353,155,220	\$ 350,279,252
Other Cash	\$ 5,878,973	\$ 7,055,811
Bills Discounted	500,000	0
Foreign Loans on Gold	767,000	0
Industrial Advances	134,883	133,731
U. S. Government Securities:		
Bonds	143,939,000	169,655,000
Notes	438,430,000	160,891,000
Certificates of Indebtedness	159,018,000	403,955,000
Bills	23,013,000	14,852,000
TOTAL U. S. GOVERNMENT SECURITIES	\$ 764,400,000	\$ 749,353,000
TOTAL LOANS AND SECURITIES	\$ 765,801,883	\$ 749,486,731
Due from Foreign Banks	590	705
F. R. Notes of Other F. R. Banks	10,297,600	7,727,500
Uncollected Items	103,136,047	96,788,956
Bank Premises	1,051,410	1,082,816
Other Assets	4,978,416	4,035,864
TOTAL ASSETS	\$1,244,300,139	\$1,216,457,635
LIABILITIES		
Federal Reserve Notes in Actual Circulation	\$ 650,889,010	\$ 632,028,690
Deposits:		
Member Bank—Reserve Accounts	437,866,559	464,389,342
U. S. Treasurer—General Account	26,411,954	8,308,750
Foreign	13,611,000	13,012,500
Other Deposits	4,190,428	4,434,515
TOTAL DEPOSITS	\$ 482,079,941	\$ 490,145,107
Deferred Availability Items	84,762,388	69,117,707
Other Liabilities	454,631	491,368
TOTAL LIABILITIES	\$1,218,185,970	\$1,191,782,872
CAPITAL ACCOUNTS		
Capital Paid In	\$ 5,719,300	\$ 5,362,650
Surplus (Section 7)	15,131,297	14,062,608
Surplus (Section 13b)	1,072,621	1,072,621
Other Capital Accounts	4,190,951	4,176,884
TOTAL LIABILITIES, CAPITAL ACCOUNTS	\$1,244,300,139	\$1,216,457,635

Federal Reserve Bank of Minneapolis

DIRECTORS

Chairman of the Board and Federal Reserve Agent

ROGER B. SHEPARD
St. Paul, Minnesota

Deputy Chairman

PAUL E. MILLER

Director, University of Minnesota Agricultural Extension Division
St. Paul, Minnesota

C. W. BURGESS

Vice President and Cashier
Security National Bank
Edgeley, North Dakota

HOMER P. CLARK

Honorary Chairman, West Publishing Co.
St. Paul, Minnesota

WILLIAM A. DENECKE

Livestock Rancher, Bozeman, Montana

F. A. FLODIN

President, Lake Shore Engineering Co.
Iron Mountain, Michigan

RAY C. LANGE

President, Chippewa Canning Co.
Chippewa Falls, Wisconsin

HAROLD N. THOMSON

Vice President, Farmers and Merchants Bank
Presho, South Dakota

EDGAR F. ZELLE

Chairman, First National Bank, Minneapolis, Minnesota

OFFICERS

OLIVER S. POWELL, *President*

ALBERT W. MILLS, *First Vice President*

Banking Department

HAROLD C. CORE, *Vice President in Charge
of Personnel*

JOHN J. GILLETTE, *Assistant Cashier*

MELVIN B. HOLMGREN, *Assistant Cashier*

ARTHUR W. JOHNSON, *Assistant Vice President*

ARTHUR R. LARSON, *Assistant Vice President*

MILFORD E. LYSEN, *Operating Research Officer*

ORTHEN W. OHNSTAD, *Assistant Vice President*

OTIS R. PRESTON, *Vice President*

CHRISTIAN RIES, *Assistant Vice President*

GEORGE M. ROCKWELL, *Assistant Cashier*

MARCUS O. SATHER, *Assistant Cashier*

MAURICE H. STROTHMAN, JR., *Vice President*

CLEMENT VAN NICE, *Assistant Vice President*

Audit Department

KYLE K. FOSSUM, *Auditor*

Bank Examination Department

HAROLD G. MCCONNELL, *Vice President*

Fiscal Agency Department

EARL B. LARSON, *Vice President*

Legal Counsel

SIGURD UELAND, *Vice President, Counsel,
and Secretary*

Research Department

J. MARVIN PETERSON, *Vice President and
Director of Research*

FRANKLIN L. PARSONS, *Associate Director of
Research*

Helena Branch

DIRECTORS

Chairman

JOHN E. CORETTE
President, Montana Power Co.
Butte, Montana

A. W. HEIDEL
Vice President, Powder River County Bank
Broadus, Montana

GEORGE N. LUND
Vice President, First National Bank
Reserve, Montana

J. WILLARD JOHNSON
Financial Vice President, Western Life
Insurance Co.
Helena, Montana

G. R. MILBURN
Livestock Rancher
Grass Range, Montana

OFFICERS

CLARENCE W. GROTH, *Vice President*

HAROLD A. BERGLUND, *Assistant Cashier*

Member of Federal Advisory Council

JOSEPH F. RINGLAND
President, Northwestern National Bank
Minneapolis, Minnesota

Industrial Advisory Committee

Chairman

SHELDON V. WOOD
President, Minneapolis Electric Steel Castings Co.
Minneapolis, Minnesota

JOHN M. BUSH
The Cleveland-Cliffs Iron Co.
Negaunee, Michigan

ALBERT L. MILLER
President, Miller Broom Co.
La Crosse, Wisconsin

A. H. DAGGETT
President, Gould-National Batteries, Inc.
St. Paul, Minnesota

WALTER M. RINGER
Chairman, Foley Manufacturing Co.
Minneapolis, Minnesota



PICTURESQUE ST. MARY LAKE IN GLACIER PARK

THE HELENA BRANCH

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National Bank of Great Falls. "Wet and disagreeable" weather to him means there will be good grass. "When you are talking about natural resources," he declared, "grass is the best one we have. It is the base for an industry that brings more new wealth into our state each year than any other single enterprise." Adding that grass is "the main support of our livestock industry," he observed, "We'll always be a big cattle producing state."

Great Falls, he reminds you, is in the center of one of the finest wheat growing areas in the state, with its largest industries the two flour mills of Montana Flour Mills and General Mills companies. Anaconda's electrolytic smelter and its wire mill are also important payrollwise. As a cattle auction point, Great Falls is the third largest.

Drouth Is the Bugaboo

Montanans are "always more concerned about drouth than economic conditions," according to Fred Heinecke, president of the First National Bank of Helena. "We have more cattle now—2,200,000 head January 1, 1952—than we can take care of in a hard winter or a dry summer," he explained. The trend is for increasing numbers, too, since "low prices prevailing are retarding normal marketings."

As for sheep—1,676,000 in number January 1, 1952, where they once were 6 million—he doesn't see how the industry can survive. "Costs of sheep ranching are entirely out of line." Realizing the day of the commercial operation is done, he grants that "returns can be pretty good for the family type of operation, but where ranchers depend on hired help they are in trouble." With sheep-herders not being replenished, the labor problem is known to be critical. Also, the First National's chief reminds, "sheep ranching is a business that requires a lot of close attention—24 hours a day."

You pocket another vote for stock raising, however, after talking with Ed Phillips, secretary of Montana Livestock Growers association. "A large part of the state is fitted for nothing else but meat production," is his appraisal. "I defy any man," he said, "to show where Montana ever amounted to anything when livestock wasn't being produced."

As for the future, he says, "I don't think livestock will ever be replaced as Montana's dependable industry."

Copper Production to Increase

At Butte, where the economic outlook is heavily weighted by mining, things are given a roseate hue by the "Greater Butte Project," which means high copper output for many years to come. To E. P. Frizelle, vice president of Metals Bank and Trust company, the revolutionary "block caving" method "is the greatest development that has taken place in Butte in years."

The industry has been having its ups and downs because of labor shortage, he explained. Also, since market and price figure importantly, low cost production the \$27 million project gives means happier days ahead.

Anaconda Copper Mining company—net worth \$732 million, 1951 profits \$100 million, \$50 million after taxes—looks to the Greater Butte Project to make more than 130 million tons of ore available from low-grade deposits previously uneconomical to mine. This is expected to augment normal Butte production by approximately 90 million pounds of copper annually and prolong the district's operations "by decades."

For example, 15,000 tons of low-grade ore a day will flow from the Kelley shaft at Butte for many

years. In the process of block caving, the hills surrounding Butte will be gradually dropped by undermining until they become holes perhaps 2,000 feet deep.

Frizelle observed that a policy of the company, said to own a fourth of the world's copper, is to develop one ton of ore for every one extracted, and that reserves are greater than ever before.

Anaconda is also going into aluminum with its backing of a new plant to be started in the spring near Columbia Falls. Estimated to cost \$40 million, it will use alumina derived from Dutch Guiana bauxite. Commercial shapes will be manufactured in the form of ingots, wire bars, etc.

While the folks at Butte are mainly mineral-conscious, they can be cattle-minded, too. Ranking second as an auction market, Butte recently saw 7,600 head change hands at one sale. Montana cattle, prime grass-fed, go to So. St. Paul, Sioux City, Omaha, and California points for finishing.

Missoula Region Is Diversified

At Missoula, "the hub of five main and prosperous valleys" in western Montana, "there is an unusual diversity of industry and agriculture—with no one enterprise large enough to control the economy," according to Theodore Jacobs, president of its First National bank.

He lists agriculture, livestock, and lumbering as "the mainstays well backed up by a large tourist business and numerous small manufacturing plants." Premium apples and cherries, sugar beets, and potatoes come in for mention, while manufacturing includes butter, cheese, and dairy products—as well as sash and doors, canned fruits and vegetables, and dental instruments. The lumber produced is from pine, fir, larch, and spruce.

Missoula occupies a leading position educationally. Jacobs describes the state university as having "a profound effect on the cultural life of the section" besides furnishing "trained young people, particularly to business and secondary education."

Billings Takes on Boom Aspects

At Billings, processor of beet sugar, oil, meat, and dairy products, Williston basin oil is stimulat-



CATHEDRAL ROCKS IN THE GALLATIN CANYON

ing a new prosperity. Reports are that the city has become headquarters for more than a hundred oil companies, producing, drilling, or exploring. Chief factors in Billings' growth, however, are "geographic location and climate," according to O. M. Jorgenson, president of Security Trust and Savings bank.

Claiming 50,000 population for Billings, he credits it with a distribution and trade radius of several hundred miles. "We're the hub of the Midland Empire," was his chamber-of-commerce description. The city is served by three railroads, ranks as an important trucking terminal, and is a station on Northwest, Western, and Frontier airlines.

Jorgenson also pointed to its industry—three refineries, which get all their crude from Wyoming fields as yet; Great Western Sugar company, one of the largest beet sugar plants in the world; and Carter Oil company, which manufactures greases, fine oil, and insecticides. Billings also is the largest livestock market—both commission and auction.

As for the dry-land farming, you are told that "it has contributed much to the economy through winter wheat and alfalfa, although there is an excellent irrigated area in the Yellowstone valley. We have never known a crop failure."

Noting finally that deposits have been running close to \$70 million in the four banks, Jorgenson predicted, "With plenty of room to grow, plenty of water, and plenty of power, it won't be long

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before Billings will be 75,000 or more—maybe in five years.”

'Looks Like Nothing but Good'

If Montana has come a long way since the days when its pioneer merchants traded rifles with the Indians for the equivalent height of buffalo hides laid flat, all indications are that beyond the horizon lies even richer realization of the state's potential.

“Population and industry are starting to grow together,” submits A. T. Hibbard, president of Union Bank & Trust company of Helena, who thinks, too, that “a national policy for decentralization is going to be a factor in industrialization development here.” The state's cheap power, you hear, is proving of value in encouraging new industry.

“The great thing that is going to change the

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PICTURE CREDITS: P. 3—Flathead Valley, Northern Pacific railroad; P. 4—Wheat field—Great Northern railroad; cattle on range, Northern Pacific; cattle loading, Great Northern; P. 5—Billings refinery, Northwest Airlines; “Richest Hill on Earth,” Anaconda Copper Mining Co.; P. 26—St. Mary Lake, Great Northern; P. 27—Cathedral Rocks, Northwest Airlines; Helena Branch photos, Les Jurud Commercial Photo shop, Helena.

economy,” the capital city banker declared, “is the Williston basin. It is so vast that it will affect the whole state.”

Another authority who is bullish on Montana is John E. Corette, capable president of Montana Power company, Butte. “It is widely recognized,” he said, “that there are very extensive natural resources that will be developed in the future.” Referring to a constant search going on for minerals, he said, “Experience has proved in the past and it is anticipated in the future that this search will develop additional mining and milling operations to those now in existence.”

He also believes that “constant improvement and development in the state's agricultural and livestock industries and a constant development of irrigation assure a bright future in those fields.”

No one, of course, can accurately predict what the Branch's domain will be like even ten years from now, but to borrow the words of Editor Dye, “It looks like nothing but good for Montana—nothing sensational, but a very good future.”

Having shared more than three decades of the silver dollar state's gold-flecked past, the Helena Branch looks forward to sharing that future—and hopes that it will be a truly golden one.

OPERATIONS REPORT

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Banking were conducted. Several members of our staff spent a week or more in member banks as a part of our “farming out” program.

The bank continued its program of having representatives call on all banks in the district and attend various bank meetings, clinics, and schools. Promotion of the bank movie, of the picture book, and of bank tours was also furthered.

'Headache' Checks Being Reduced

A new project begun in 1952, which it is believed may have far-reaching effects for the whole banking system, is a campaign to reduce the number of so-called “headache” checks—that is, checks which because of their poor design or arrangement cause sorting, listing, and other errors in handling.

Representatives of our bank made approximately 400 calls on firms to ask them to redesign their checks to meet minimum standards of arrangement and clarity; charts and slides to help in presentation of the problem were prepared; and speakers from the bank explained the program to a number of banking and business groups. We have been gratified with the cooperation received from both business and banking so far.

With the new year the Federal Reserve bank of Minneapolis renews its resolution to be of maximum service to banking, business, agriculture, and the general public of the Ninth Federal Reserve district. It is to be sincerely hoped that the nation will in 1953 make substantial progress toward the goals of stability and peace, and that this bank may be able to make at least some small contribution toward the achievement of those goals.