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TO THE MEMBER BANKS OF THE NINTH FEDERAL RESERVE DISTRICT:

We are pleased to send you this Annual Report of the Federal Reserve Bank of Minneapolis for the year 1958. By custom, this summary of operations is directed to the member banks of the Ninth district. Yet, more broadly, it is addressed to the public and the entire financial community of the area in recognition of the responsibilities of this bank in participating in the formulation of System policy, the effects of which diffuse throughout all phases of the economy.

Our Annual Report this year presents some facts and figures on our operating experience during 1958. Certainly implicit in the continued expansion of work volumes, which this report documents, is an exciting challenge to prepare for the even greater demands of tomorrow on our banking system.

On behalf of the directors, officers and staff we extend our thanks to the financial community and the public of the Ninth district for their cooperation and counsel during the past year.

Leslie R. Perren
Chairman of the Board

Frederick L. Fleming
President
HIGHLIGHTS OF 1958 OPERATIONS

At the risk of drawing a "how-many-times-have-I-heard-this-before" look from our readers, we find it still in good accuracy to report to you that new heights of activity were reached in most departments of the bank during 1958. Most of you perhaps know that our principal departments (measured in terms of volume of business and number of employees) are those concerned with these three functions: (1) collecting government, personal and business checks forwarded to us by other banks, (2) supplying and redeeming currency and coin for commercial banks, and (3) issuing and redeeming public debt securities of the United States. Our Annual Report this year is so organized that operations in the three larger departments—Check Collections, Currency and Coin, and Fiscal Agency, as they're called—are summarized first.

Then, completing the "Operations" part of this report are capsule reviews of the year's activities in other staff and operating departments most often in contact with our member banks and the public. We thought such a choice would lay before you those operating facts of most interest and at the same time minimize your reading effort. Of course, we admit that even the best hand-culled collection of operating figures...
never made very exciting reading for anyone. Nevertheless, the figures do tell a story of the growing level of operations at your Federal Reserve Bank—and it’s a story we think useful to tell.

When you've read through “Operations,” you will have entered part two of this report (“Personnel and Management,” by name), where you will find a discussion of changes in Directors and the Official Staff at both our Minneapolis and Helena offices. Finally, a crisp review of our financial statements (appropriately titled, “Financial Statements”) wraps up our Annual Report for 1958.

As you can see by the foregoing bill of fare, our emphasis this year is on what’s happened at the Federal Reserve Bank of Minneapolis during 1958—no economic review or report on research; you’ll find that covered issue-by-issue in our Monthly Review. But before we get on to the departmental summaries, perhaps a few general comments might help place the operating data in perspective.

Nineteen fifty-eight was the first complete calendar year of occupancy of our eight new floors, and the additional space and facilities have made our operations easier and better. In several departments located in the old portion of the bank, remodeling still in process tended to be somewhat disruptive of routine, yet these departments continued to do a creditable job. It is expected that most of the remodeling will be finished within a year or so.

It is of interest to note that the bank operated with a smaller staff in 1958 than in 1957, in spite of a generally expanded work volume. While operating technique is gradually being improved, reduced employee turnover this year was an important factor contributing to greater efficiency.

A goodly share of the statistics we offer you in the ensuing sections are in the form of comparisons between 1957 and 1958. And these will display mostly ‘plusses’ with a sprinkling of ‘minusses.’ Of course, the changes shown here are but one short segment of the longer-term trends affecting our operations. Indeed these periodic statistical tallies are more than simply year-end accounting records—they also serve as an annual reminder that we’ve got to keep a part of our thinking directed toward the growing work load of the future.
For example, the task of sorting and listing checks at this bank involves the handling of more than a hundred million items a year—many of these more than once. While the system in use today, essentially manual, has and can be further improved in efficiency by more streamlined procedures and additional large-capacity accounting machines, the prospect of doubled check volume in another decade looms as an imposing one. For this reason we look to a whole new system: the use of high-speed electronic machinery that would automatically sort and list checks pre-coded with magnetic ink symbols. Electronic check operations on a national scale are under study both within and outside the Federal Reserve System. While it may be several years before electronics becomes a thoroughly effective approach here at our bank, some sort of pilot installation may be made here in a year or so.

Not all clerical production work lends itself quite so clearly to high-speed, automatic machine operations. For example, a machine that will effectively sort ‘worn out’ currency from ‘fit’ currency is probably far distant in the future.

So you see, there are plenty of challenges left to be faced. Perhaps the operating figures presented in this Annual Report take on a shade more of vitality when one begins to understand that they involve a workaday contest of many people against a great many individual production problems—with the frequent result of finding better ways of performance.

check collections

In terms of both volume and dollar amount, the work of the Check Collection Department in 1958 surpassed records of all previous years. The 113.7 million items totaling $33,672 million processed during the year reflected increases of 5 percent in volume and 6 percent in dollar amount over 1957. As an indication of how rapidly check volume is increasing, the 1958 number more than doubled the 55.8 million items processed just nine years ago in 1949.

Combined city and country check volume increased almost 8 percent in 1958 over 1957, indicating, at least in part, the intensive job com-
mercial banks are doing in selling checking accounts. Postal money order volume has been declining on a nationwide basis, partly because several years ago the cost per item to the purchaser increased. Government checks handled by this bank decreased 5.5 percent over the previous year as a result of a change in procedure. Checks formerly payable through designated Reserve banks are now drawn directly on the Treasurer of the United States.

The table below compares volume and amount of items handled the past two years at the Minneapolis office:

<table>
<thead>
<tr>
<th>Items</th>
<th>1957</th>
<th>1958</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total items handled, amount (000)</td>
<td>$31,756,269</td>
<td>$33,672,471</td>
<td>+ 6.0%</td>
</tr>
<tr>
<td>Total items handled, number (000)</td>
<td>108,305</td>
<td>113,684</td>
<td>+ 5.0%</td>
</tr>
<tr>
<td>City checks handled, number (000)</td>
<td>24,270</td>
<td>27,032</td>
<td>+11.4%</td>
</tr>
<tr>
<td>Country checks handled, number (000)</td>
<td>63,677</td>
<td>67,538</td>
<td>+ 6.1%</td>
</tr>
<tr>
<td>Government checks handled, number (000)</td>
<td>10,868</td>
<td>10,271</td>
<td>— 5.5%</td>
</tr>
<tr>
<td>Return items handled, number (000)</td>
<td>898</td>
<td>936</td>
<td>+ 4.2%</td>
</tr>
<tr>
<td>Postmasters' deposits handled, number</td>
<td>8,592</td>
<td>7,908</td>
<td>— 8.0%</td>
</tr>
</tbody>
</table>

The following table indicates comparisons of postmasters' deposits handled in 1958 with those handled in 1957:

<table>
<thead>
<tr>
<th>Deposits</th>
<th>1957</th>
<th>1958</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postmasters' deposits handled, amount (000)</td>
<td>$373,701</td>
<td>$358,858</td>
<td>— 4.0%</td>
</tr>
<tr>
<td>Postmasters' deposits handled, number</td>
<td>312,256</td>
<td>235,783</td>
<td>—24.5%</td>
</tr>
</tbody>
</table>

**Total number of checks handled, by years**

-Millions of Items-

**MINNEAPOLIS OFFICE:**

**HELENA BRANCH:**
Postmasters' deposits decreased because regulations of the Post Office Department, effective April 30, 1958, permitted postmasters to retain larger cash amounts and make less frequent remittances, as well as the fact that post offices in Upper Michigan were transferred to the Chicago Regional Accounting Office, June 1, 1958. Thus, the number of Postmasters from whom we receive deposits, declined from 3,477 to 3,291.

The Check Collection Department operates on a 24-hour basis processing checks continuously from 10:30 p.m. Sunday to 5:00 p.m. the following Saturday each week.

The Federal Reserve banks are presently considering proposals of office equipment manufacturers for the production of high speed electronic equipment to further the Reserve banks' program of mechanizing check handling operations. The proposed equipment will employ magnetic ink character recognition of a common machine language for automatic processing of checks.

It has been estimated that there are at present 52 million checking accounts in the United States and that 10 billion items were issued on these accounts last year. It has been also estimated that by 1970 approximately 22 billion checks will be issued annually. Pilot installations of electronic equipment for check handling at several Federal Reserve banks are expected to be made late in 1959 or early 1960.

**currency and coin**

During the year the Currency and Coin Department raised its standards relating to so-called 'fit' currency, that currency which has been used but is in good condition. As a result, the amount available to be paid out to member banks requesting fit currency was less than in 1957. Twin Cities banks, to meet the demands of their customers, commenced sorting out their own fit money rather than sending it to us. Consequently the number of pieces of currency received and counted by us during the year decreased by over 8 million, for a $32 million drop; even though the total amount of fit and new currency paid out increased by $18 million. Productivity in items handled per man hour within the department continued to increase in 1958.
During the year a once-a-week currency and coin pickup and delivery service by armored car was inaugurated to 44 banks in Minnesota and 5 banks in Wisconsin, involving three separate routes. These shipments by armored car permit substantial savings in clerical effort here at the Minneapolis office and additional significant benefits to the member banks served. As new routes are contemplated, member banks will be contacted individually.

Following is a resume of work volume at the Minneapolis office:

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1958</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency received and counted, number</td>
<td>69,624,346</td>
<td>61,525,984</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Currency received and counted, amount (000)</td>
<td>$451,066</td>
<td>$418,707</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Currency items handled per man hour</td>
<td>2,729</td>
<td>2,858</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Coin counted, number</td>
<td>128,710,719</td>
<td>132,723,945</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Coin items handled per man hour</td>
<td>27,017</td>
<td>32,324</td>
<td>+19.6%</td>
</tr>
<tr>
<td>Coin wrapped, number</td>
<td>106,723,000</td>
<td>114,905,000</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Currency paid out, amount (000)</td>
<td>$379,149</td>
<td>$397,010</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Unfit notes retired from circulation, number</td>
<td>34,088,140</td>
<td>37,662,344</td>
<td>+10.5%</td>
</tr>
</tbody>
</table>

**fiscal agency**

Fiscal Agency transactions increased generally in 1958 with the exception of redemptions of United States Savings Bonds. The dollar amount of redemptions decreased by over $100 million from 1957—the
year that the large volume of F and G bonds sold during the seventh and eighth war loan drives in 1945 matured.

The following table shows total Fiscal Agency transactions in dollar amounts during 1958 and compares them to 1957 totals:

<table>
<thead>
<tr>
<th>Transaction Description</th>
<th>1957</th>
<th>1958</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government direct obligations issued (000)</td>
<td>$1,891,810</td>
<td>$2,157,339</td>
<td>+14.0%</td>
</tr>
<tr>
<td>Securities transferred by wire (000)</td>
<td>1,463,173</td>
<td>2,065,725</td>
<td>+41.2%</td>
</tr>
<tr>
<td>Exchanged for new issues, or redeemed (000)</td>
<td>1,714,180</td>
<td>2,010,352</td>
<td>+17.3%</td>
</tr>
<tr>
<td>U.S. Savings Bonds sales (000)</td>
<td>155,259</td>
<td>169,683</td>
<td>+ 9.3%</td>
</tr>
<tr>
<td>U.S. Savings Bonds redemptions (000)</td>
<td>390,197</td>
<td>284,602</td>
<td>—27.1%</td>
</tr>
<tr>
<td>Purchases and sales of Government Securities for banks (000)</td>
<td>125,649</td>
<td>142,120</td>
<td>+13.1%</td>
</tr>
<tr>
<td>Coupons paid from U.S. Government and other Agency obligations (000)</td>
<td>46,348</td>
<td>64,953</td>
<td>+40.1%</td>
</tr>
</tbody>
</table>

During the year the Treasury used several innovations in its financing program affecting the operations of the Fiscal Agency Department. In the June cash offering, a long-term bond was sold at a premium of $5 per $1,000 with a preferential allotment to investor type subscribers. In the November refunding of $12.2 billion of December maturities, the Treasury offered a Certificate of Indebtedness and a Note priced at 99.95 and 99%, respectively. On December 1, 1958, the Treasury department announced a change in its weekly financing program of Treasury bills. It was made known the Treasury would move gradually from a cycle of 13-week Treasury bills to a new cycle which would include both 13-week and 26-week bills with an outstanding aggregate of $26 billion instead of $23.4 billion.

Two significant changes were made during the year to expand the sale of Series E and Series H United States Savings Bonds. The privilege to purchase Series E or H savings bonds with the proceeds of Series F and G savings bonds maturing on or after September 1, 1958, was extended to individuals and personal trust estates without regard to the annual limitation. Effective December 1, 1958, the privilege of applying the proceeds of Series F and G savings bonds, at or after maturity, to the purchase of Series E or H bonds without regard to the annual limitation of $10,000 (maturity value) for each series was extended to all holders of outstanding F and G bonds, except commercial banks.
member bank reserves and discounts

When inflationary tendencies gave place in 1957 to a short-lived recession that reached its low point in mid-1958, national and Ninth district monetary policies were taken to stabilize the economy and promote long-term growth. As one of the instruments of economic policy, reserve requirements were lowered by the Board of Governors at various times during the year, thereby releasing reserve funds of commercial banks. On March 1, 1958, the reserve requirements of 'city banks' and 'country banks' were lowered by 1/2 of 1 percent and on April 1 by another 1/2 of 1 percent and on April 24 reserve requirements of 'city banks' were reduced a further 1/2 of 1 percent so that at year end reserve requirements of 'city banks' and 'country banks' were at 16 1/2 percent and 11 percent, respectively, of net demand deposits. During all of 1958 reserve requirements against time deposits remained at 5 percent. As a result of the lowered reserve requirements, the average required reserves of member banks in the Ninth district dropped slightly in 1958, even though deposits increased during the year.

Discount rate and reserve requirements, 1957-1958

![Diagram showing changes in interest rates and reserve requirements from 1957 to 1958.](http://fraser.stlouisfed.org/)
In late 1957, as the onset of the recession became apparent, the Federal Reserve Bank of Minneapolis initially lowered its discount rate from 3½ percent to 3 percent. Subsequently in 1958 the discount rate was established at successively lower rates as the recession was felt more in the Ninth district. In September, 1958, as evidence appeared that the economy was recovering, and for technical reasons as well, the discount rate was raised by ¼ percent and in the following month it was raised ½ percent to the year-end level of 2½ percent.

With demand for credit reduced during the recession, and with more reserve funds available because of the lowered reserve requirements, fewer member banks in 1958 came to the Federal Reserve Bank of Minneapolis to borrow funds to meet their reserve requirements. The daily average borrowings dropped from over $39 million in 1957 to just over $7 million in 1958. Even though 'country banks' borrowed less than half as much as in the previous year, the bulk of the reduction came from
the 'city banks' which borrowed a daily average of over $31 million in 1957 and just under $4 million in 1958. Data from the Wire Transfer Department would suggest that in addition to the borrowing from the Federal Reserve Bank, member banks borrowed Federal funds at approximately the same daily average rate as during the previous year. Those banks finding themselves in a 'long' position apparently availed themselves of Federal funds lending to a greater extent than in 1957.

The following table compares 1957 and 1958 required reserve figures and daily average borrowing totals of the Minneapolis Federal Reserve Bank:

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1958</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required reserves (000)</td>
<td>$416,414</td>
<td>$413,758</td>
<td>— .6%</td>
</tr>
<tr>
<td>Daily average borrowing from Federal Reserve Bank (000)</td>
<td>$39,063</td>
<td>$7,274</td>
<td>—81.4%</td>
</tr>
</tbody>
</table>

**bank examinations**

One of the stated purposes of the Federal Reserve Act is "to establish a more effective supervision of banking in the United States," and the functions of the Bank Examination Department are closely related to that purpose. During 1958, all of the 130 state bank members were examined. Grand Rapids State Bank, Grand Rapids, Minnesota, applied for membership, was examined and became a member. Also during the year, an investigation was made with respect to the application for membership of the newly chartered Commerce Bank & Trust Company, Helena, Montana, and that application was approved by the Board of Governors but the new bank had not commenced business at the year end. This brought the total number of district member banks up to 476 at year end compared with 474 a year earlier.

While the department field and office staff are engaged primarily in the examination of state member banks and trust departments and the preparation and analysis of reports of those examinations, the department also analyzes the reports of examination of district national banks and trust departments. In 1958 reports were received and analyzed relating to the 346 national banks in the district, including the new national bank chartered during the year. In connection with trust activities the
Department has collected information on district common trust funds since 1955 as part of a Federal Reserve System study on this method of collective investment. At the end of 1958 there were 10 common trust funds in operation in this district.

Various matters were handled by the Examination Department relating to holding companies of banks in the district, both under the Banking Act of June 16, 1933, as amended, and under the Bank Holding Company Act of 1956. Investigations were conducted by the department in connection with applications for voting permits under the 1933 statute. Annual reports, required of nonexempt holding company affiliates, were edited and reviewed, and memorandums of such reviews were sent to the Board of Governors. There are presently two exempted and four nonexempted holding company affiliates having their head offices in this district. Examinations of nonexempted holding company affiliates are made by the department, and examinations, to the extent considered advisable, are made of affiliates of state member banks.

The Bank Holding Company Act of 1956, which became effective in May 1956, repealed no statutes relating to holding company affiliates. The new act defines a bank holding company differently than a holding company affiliate is defined in the 1933 legislation, and the new act places with the Federal Reserve System the responsibility of administering the act. In general, the new act provides for registration of bank holding companies and for jurisdiction of the Board of Governors over formation of new bank holding companies, acquisition of new banking interests by existing holding companies, and divestment of nonbanking interests of bank holding companies. Federal Reserve Banks in each district were delegated the responsibilities of accepting applications for formations, acquisitions, hearings as provided for in the act, and making investigations for the Board of Governors on those matters. Annual reports are required of bank holding companies. Those reports are edited and reviewed, and memorandums of such reviews prepared and copies sent to the Board at Washington. There are presently five registered bank holding companies having head offices in this district. Those five organizations at the end of 1957 had 193 Ninth district bank subsidiaries with aggregate deposits of $3,182 million. In 1958 three
investigations were made with respect to applications of bank holding companies to acquire additional subsidiary banks and three hearings were held at this bank under the divestment provisions of the act.

public services

The Public Services program underwent a number of changes in 1958, including reactivation of the Short Course in Central Banking and omission of the usual annual bankers' conference in Minneapolis.

The Short Course series, begun in 1948 and discontinued temporarily during the bank's 1956-57 building program, consisted this year of 5 sessions attended by 90 member bankers. This brought the grand total for the last 11 years to 67 sessions and 1,041 registrants.

Although the usual spring conference for Ninth district bankers was omitted for the first time since 1953, such a meeting is again scheduled for 1959. Other meetings, including the tenth annual Workshop meeting for college teachers of money and banking and the fifteenth annual Examiners' Conference, were held as usual. The bank also put on a five-lecture course in central banking for the investment bankers of Minnesota. Average attendance for each session was approximately 140.

Such activities as bank tours, talks by bank representatives, distribution of publications and movies, special bank luncheons, and representation at important bankers' meetings were continued.

research

Emphasis on studies of district economic trends and regional resource analysis were major aspects of the work of the Research Department during 1958. A comprehensive study dealing with personal income trends in the Ninth district was initiated. Another important statistical study launched in 1958 deals with industrial consumption of electric energy. The successful completion of the latter project is expected to lead to the development of a monthly industrial production index for the district. Both the electric energy series and the personal income series will add important new periodic measurements for the continuing
task of analyzing district economic conditions.

A special survey treating the economic impact of the Missouri Basin Development Program on the economy of the Ninth district was completed and published in March 1958.

The Money and Banking Workshop, held on May 3, 1958, was attended by more than 150 persons. The purpose of these annual programs is to stimulate discussion on monetary and central banking topics among the teachers of money and banking from colleges and universities throughout the district.

other departments

In addition to the departments summarized above, there are many supporting activities necessary to a smooth and successful operation of a Federal Reserve Bank. The services of such departments as Personnel, Duplicating, Operations Planning, Protection, and Purchasing contributed to the effectiveness of staff and operating departments whose activities more directly affect the day-to-day work of member banks.

The Protection and Building Departments, for example, were expanded during the year in order to take care of the increased facilities of the additional eight floors of bank space. Security zones have been set up in certain areas of the bank allowing visitors and public tours more freedom to enter the unsecured zones. The Purchasing Department has embarked on a regular replacement program for worn and obsolete furniture and equipment; many purchases had been postponed until completion of the new building. A significant development affecting our bank's centralized personnel system, was the shift toward greater responsibility for officers, department heads and supervisors over personnel and operating procedures. Other aspects of the bank's personnel policies are discussed in the immediately following section of the report.
For the second successive year a change in the bank's directorate was caused by the death of one of its members. On June 20, Mr. F. Albee Flodin, President, Lake Shore, Inc., Iron Mountain, Michigan, who had
served as a Class C director since 1951, died. As his successor, the Board of Governors in August appointed Mr. John H. Warden, President, Upper Peninsula Power Company, Houghton, Michigan. In December he was reappointed for a three-year term beginning January 1, 1959.

At the annual election in November, Mr. John A. Moorhead, President, Northwestern National Bank of Minneapolis, and Mr. T. G. Harrison, Chairman of the Board, Super Valu Stores, Inc., were re-elected Class A and Class B directors, respectively.

In December the Board of Governors redesignated Mr. Leslie N. Perrin, Director, General Mills, Inc., as Chairman and Federal Reserve Agent for 1959. At the same time Dr. O. B. Jesness, Agricultural Economist, St. Paul, was redesignated as Deputy Chairman for the coming year. The Board of Governors also appointed Mr. John D. Stephenson, senior partner in the law firm of Jardine, Stephenson, Blewett & Weaver, Great Falls, Montana, as a director of the Helena Branch for a two-year term beginning January 1, 1959. He succeeds Dr. Carl A. McFarland, Missoula, Montana. Dr. McFarland served as Chairman of the Branch Board in 1957 and 1958.
Directors of the Federal Reserve Bank of Minneapolis¹

<table>
<thead>
<tr>
<th>Class A</th>
<th>President/Title</th>
<th>Institution/Location</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>John A. Moorhead</td>
<td>President</td>
<td>Northwestern National Bank of Minneapolis, Minneapolis, Minnesota</td>
<td>December 31, 1958</td>
</tr>
<tr>
<td>Harold N. Thomson</td>
<td>Vice-President</td>
<td>Farmers &amp; Merchants Bank, Presho, South Dakota</td>
<td>1959</td>
</tr>
<tr>
<td>Harold C. Refling</td>
<td>Cashier</td>
<td>First National Bank in Bottineau, Bottineau, North Dakota</td>
<td>1960</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class B</th>
<th>Chairman</th>
<th>Institution/Location</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>T. G. Harrison</td>
<td>Chairman of the Board</td>
<td>Super Valu Stores, Inc., Hopkins, Minnesota</td>
<td>1958</td>
</tr>
<tr>
<td>J. E. Corette</td>
<td>President and General Manager</td>
<td>Montana Power Company, Butte, Montana</td>
<td>1959</td>
</tr>
<tr>
<td>Ray C. Lange</td>
<td>President</td>
<td>Chippewa Canning Company, Inc., Chippewa Falls, Wisconsin</td>
<td>1960</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class C</th>
<th>President/Title</th>
<th>Institution/Location</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leslie N. Perrin²</td>
<td>Director</td>
<td>General Mills, Inc., Minneapolis, Minnesota</td>
<td>1959</td>
</tr>
<tr>
<td>O. B. Jesness³</td>
<td>Agricultural Economist</td>
<td>St. Paul, Minnesota</td>
<td>1960</td>
</tr>
</tbody>
</table>

¹The list as it appears above is correct as of December 31, 1958. Changes during the year and new appointments for the coming year are described in the text.
²Chairman
³Deputy Chairman
Also in December the bank's own Board of Directors named two new Helena Branch directors. Mr. Harald E. Olsson, President, Ronan State Bank, Ronan, will replace Mr. George N. Lund, President, First National Bank, Reserve, and Mr. Roy G. Monroe, President, First State Bank, Malta, will replace Mr. J. Willard Johnson, Financial Vice President, Western Life Insurance Company, Helena.

Mr. Gordon Murray, President, First National Bank of Minneapolis, was re-elected by the Board of Directors as a member of the Federal Advisory Council for 1959.

**officers**

Changes in the official staff of the bank during the year were occasioned by the retirement in July of Mr. Sigurd Ueland, Vice President, Counsel, and Secretary, and in December of Mr. Harold Berglund, Assistant Vice President assigned to the Helena Branch.

Concurrent with the retirement of Mr. Ueland, Mr. H. G. McConnell, Vice President, assumed the additional title of Secretary and Mr. M. H. Strothman, Jr., Vice President, assumed the additional titles of Counsel and Assistant Secretary.

In anticipation of the retirement of Mr. Berglund, Mr. Robert W. Worcester, formerly an economist in the bank's Research Department, was elected Assistant Cashier and assigned to the Helena Branch September 1.

**employees**

Improvements in operations and increased efficiency of our employees took place during 1958. Employee turnover decreased sharply in 1958 as compared with previous years.

Our total staff at the Minneapolis office on December 31, 1958, was 595—219 men and 376 women—as compared with 620 at the end of 1957. During 1958 we employed 133 new people and during the same period 158 employees left the bank.

At the Helena Branch there were 57 employees on December 31,
Directors of the Federal Reserve Bank of Minneapolis, Helena Branch

Appointed by Federal Reserve Bank

Geo. N. Lund
Chairman of the Board and President
The First National Bank of Reserve
Reserve, Montana
Term Expires December 31 1958

J. Willard Johnson
Financial Vice-President and Treasurer
Western Life Insurance Company
Helena, Montana

O. M. Jorgenson
Chairman
Security Trust and Savings Bank
Billings, Montana

Appointed by Board of Governors

Carl McFarland
Missoula, Montana
1958

John M. Otten
Farmer and Rancher
Lewistown, Montana

Member of Federal Advisory Council

Gordon Murray
President
First National Bank of Minneapolis
Minneapolis, Minnesota

Industrial Advisory Committee

Sheldon V. Wood
Chairman
Minneapolis, Minnesota

John M. Bush
Ishpeming, Michigan

A. H. Daggett
St. Paul, Minnesota

A. B. Heian
Chippewa Falls, Wisconsin

Walter M. Ringer, Sr.
Minneapolis, Minnesota

The list as it appears above is correct as of December 31, 1958. Changes during the year and new appointments for the coming year are described in the text.
1958, consisting of 23 men and 34 women. During the year there were 10 accessions and 13 separations.

In June the Minneapolis office converted from semi-monthly to bi-weekly pay periods for the nonofficial staff. Under this plan employees are paid every other Friday. Acceptance has been very favorable. The possibility of conversion to more mechanized payroll procedures is presently under study.

**Total employment for selected years**

![Graph showing total employment for Minneapolis Office and Helena Branch from 1945 to 1957.](image)

In June a contract was signed with a local physician to be present in our Medical Department six hours a week, to conduct pre-employment and annual physical examinations. During 1958 the bank nurse and physician conducted a refresher course in first aid for some members of the staff.

We have continued to encourage employees to enroll in courses offered by the American Institute of Banking. At year end, 292 employees were members of the A.I.B. and during the year there were 135 enrollments in various classes.

Our Executive Development Committee has continued in its objectives to develop and train employees to perform more effectively in their
Officers of the Federal Reserve Bank of Minneapolis

Frederick L. Deming  
President

Albert W. Mills  
First Vice-President

Banking Department

Carl E. Bergquist  
Assistant Cashier

Frederick J. Cramer  
Assistant Vice-President

John J. Gillette  
Assistant Cashier

Clarence W. Groth  
Vice-President and Cashier

Arthur W. Johnson  
Vice-President

Milford E. Lysen  
Operating Research Officer

Orthen W. Ohnstad  
Assistant Vice-President

Christian Ries  
Assistant Vice-President

Marcus O. Sather  
Assistant Cashier

Clement Van Nice  
Assistant Vice-President

Audit Department

Arthur J. McNulty  
General Auditor

Bank Examination Department

Harold G. McConnell  
Vice-President and Secretary

Roger K. Grobel  
Chief Examiner

Fiscal Agency—Government Securities

Melvin B. Holmgren  
Vice-President

William C. Bronner  
Assistant Cashier

Legal Department

Maurice H. Strothman, Jr.  
Vice-President, Counsel, and Assistant Secretary

Research Department

Franklin L. Parsons  
Director of Research

Oscar F. Litterer  
Business Economist

Helena Branch

Kyle K. Fossum  
Vice-President assigned to Helena Branch

John L. Heath  
Assistant Cashier assigned to Helena Branch

Robert W. Worcester  
Assistant Cashier assigned to Helena Branch

1The list as it appears above is correct as of December 31, 1958. Changes during the year and new appointments for the coming year are described in the text.
present positions, and to develop a capable group of potential officers, department heads, supervisors and specialized personnel. One of the major activities of the committee was to appraise the potential of all employees in the higher job grades and design a program for their further development. Selected individuals were released from their regular duties and given training in Federal Reserve Bank operations through scheduled observation assignments.
Federal Reserve Bank of Minneapolis
Statement of Condition

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 1957</th>
<th>December 31, 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Certificates</td>
<td>$390,875,779</td>
<td>$458,383,283</td>
</tr>
<tr>
<td>Redemption Fund for F.R. Notes</td>
<td>22,171,353</td>
<td>22,453,213</td>
</tr>
<tr>
<td><strong>Total Gold Certificate Reserves</strong></td>
<td><strong>$413,047,132</strong></td>
<td><strong>$480,846,496</strong></td>
</tr>
<tr>
<td>Other Cash</td>
<td>$8,359,527</td>
<td>$8,663,803</td>
</tr>
<tr>
<td>Bills Discounted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Loans on Gold</td>
<td>120,000</td>
<td>429,600</td>
</tr>
<tr>
<td>Industrial Advances</td>
<td>23,774</td>
<td>8,774</td>
</tr>
<tr>
<td>U.S. Government Securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>60,462,000</td>
<td>52,251,000</td>
</tr>
<tr>
<td>Notes</td>
<td></td>
<td>60,325,000</td>
</tr>
<tr>
<td>Certificates of Indebtedness</td>
<td>430,167,000</td>
<td>392,334,000</td>
</tr>
<tr>
<td>Bills</td>
<td>21,226,000</td>
<td>47,343,000</td>
</tr>
<tr>
<td><strong>Total U.S. Government Securities</strong></td>
<td><strong>$511,855,000</strong></td>
<td><strong>$552,253,000</strong></td>
</tr>
<tr>
<td><strong>Total Loans and Securities</strong></td>
<td><strong>$511,998,774</strong></td>
<td><strong>$552,691,374</strong></td>
</tr>
<tr>
<td>Due from Foreign Banks</td>
<td>348</td>
<td>348</td>
</tr>
<tr>
<td>F.R. Notes of Other F.R. Banks</td>
<td>23,008,000</td>
<td>17,588,500</td>
</tr>
<tr>
<td>Uncollected Items</td>
<td>136,191,064</td>
<td>145,320,465</td>
</tr>
<tr>
<td>Other Assets</td>
<td>10,085,159</td>
<td>8,268,865</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,102,690,004</strong></td>
<td><strong>$1,213,379,851</strong></td>
</tr>
</tbody>
</table>

| Liabilities | | |
| Federal Reserve Notes in Actual Circulation | $494,826,280 | $598,279,065 |
| Deposits: | | |
| Member Bank—Reserve Accounts | $433,490,539 | $419,894,846 |
| U.S. Treasurer—General Account | 18,515,030 | 24,459,296 |
| Foreign | 8,184,000 | 5,640,000 |
| Other Deposits | 1,335,941 | 960,568 |
| **Total Deposits** | **$461,525,510** | **$450,954,710** |
| Deferred Availability Items | $113,263,142 | $129,776,907 |
| Other Liabilities | 628,521 | 933,453 |
| **Total Liabilities** | **$1,070,243,453** | **$1,179,944,135** |

| Capital Accounts | | |
| Capital Paid In | $7,425,950 | $8,387,400 |
| Other Capital Accounts | 25,020,601 | 25,048,316 |
| **Total Liabilities and Capital Accounts** | **$1,102,690,004** | **$1,213,379,851** |
Changes in the condition of the Federal Reserve Bank of Minneapolis between the end of 1957 and the end of 1958 reflect, among other things, the implementation of a monetary policy designed to cope with the 1958 recession in economic activity. Thus, the increase of government securities held by the bank in 1958 was occasioned by Federal Reserve System open market operations. Open market operations are, of course, one of the most powerful tools of monetary policy.

Another tool of monetary policy, reserve requirements, must be considered to properly interpret the change in member bank reserves disclosed by this bank's comparative statement. Reserve balances fell somewhat despite substantial growth in district member bank deposits. This was possible because percentage reserve requirements against member bank deposits were reduced during the year, again, to implement the 'easier' monetary policy.

Bills discounted—loans to member banks—are shown to be zero at the end of both 1957 and 1958. The year-end figures, however, fail to disclose that district member banks borrowed almost six times as much —on the average—in 1957 than in 1958.

Although Federal Reserve Notes make up a major part of the nation's currency circulation, the addition to this bank's notes in circulation during 1958 resulted more from a change in operating procedures during the year than from changes in the public demand for currency.
### Federal Reserve Bank of Minneapolis

#### Earnings and Expenses

**Earnings from:**
- **1957**:  
  - Discounted Bills: $1,216,307  
  - U.S. Government Securities: $15,971,951  
  - Industrial Advances: 1,618  
  - All Other: 26,653  
  - **Total Current Earnings**: $17,216,529

- **1958**:  
  - Discounted Bills: $158,536  
  - U.S. Government Securities: $15,530,096  
  - Industrial Advances: 813  
  - All Other: 10,714  
  - **Total Current Earnings**: $15,700,159

**Expenses:**
- **Operating Expenses**: $4,561,573  
  - Assessment for Expenses of Board of Governors: 182,500  
  - Federal Reserve Currency:  
    - Original Cost: 49,591  
    - Cost of Redemption: 10,107  
  - **Net Expenses**: $4,803,771

- **1958**:  
  - Operating Expenses: $4,743,966  
  - Assessment for Expenses of Board of Governors: 142,400  
  - Federal Reserve Currency:  
    - Original Cost: 79,121  
    - Cost of Redemption: 13,740  
  - **Net Expenses**: $4,979,227

**Current Net Earnings**:  
- **1957**: $12,412,758  
- **1958**: $10,720,932

**Additions to Current Net Earnings:**
- Profit on Sales of U.S. Govt. Securities (net): $4,302  
- All Other: 56,498  
- **Total Additions**: $60,800

**Deductions from Current Net Earnings:**
- Reserve for Contingencies: $11,108  
- All Other: 260,627  
- **Total Deductions**: $271,735

**Net Deductions from Current Net Earnings**:  
- **1957**: $210,935  
- **1958**: $13,046

**Net Earnings before payment to U.S. Treasury**:  
- **1957**: $12,201,823  
- **1958**: $10,712,236

**Paid to U.S. Treasury (Interest on F.R. Notes)**:  
- **1957**: $10,587,139  
- **1958**: $9,212,205

**Dividends Paid**:  
- **1957**: $438,339  
- **1958**: $476,455

**Transferred to Surplus (Section 7)**:  
- **1957**: $1,176,345  
- **1958**: $1,023,576

**Surplus Account (Section 7):**
- **Balance at Close of Previous Year**: $18,520,204  
- **Transferred from Profits of Year**: $1,176,345  
- **Balance at Close of Year**: $19,696,549

*Includes $64,874 transferred from Section 13(b) Surplus.
earnings and expenses

A reduction of income at the Federal Reserve Bank of Minneapolis in 1958, amounting to just under 9 percent, was occasioned chiefly by lower interest rates and a diminished level of member bank borrowing. With continued growth in the physical volume of work performed, operating expenses were up only slightly for the year. As a result of these divergent movements in earnings and expense, net earnings available for the payment of dividends to member bank stockholders, for the payment of interest on Federal Reserve Notes to the U.S. Treasury, and for transfer to surplus, were lower than in 1957 by $1.5 million or approximately 12 percent.

Although interest earned on member bank borrowing has constituted but a small part of the bank’s total earnings in recent years, two-thirds of the $1.5 million decline of 1958 income can be traced to this source. Less interest was received on loans to member banks in 1958 because the average daily volume of such loans was $7.2 million in contrast to $39 million in 1957 and because the discount rate averaged much less in 1958 than in 1957 owing to several reductions beginning in November of 1957. Interest received on government securities was also reduced in 1958, even though holdings increased, because of sharply lower yields on new issues during the year.

The larger dividend payments indicated for 1958 reflect payment of the statutory 6 percent annual dividend on a larger amount of stock than was outstanding in 1957. The increase of stock outstanding reflects growth in the capital and surplus of member banks since their holdings of Reserve Bank stock are related to the size of their capital accounts.

The bank’s reserve ratio rose somewhat during the year as the sum of note and deposit liabilities grew proportionately less rapidly than gold certificate reserves. The improvement of gold reserves resulted in part from the changed operating procedures for the issuance of this bank’s notes.