



Remarks of J. L. Robertson
Member of the Board of Governors
of the
Federal Reserve System
at
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of the
American Bankers Association
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"Preparedness Program for Banking"

I am very grateful for the invitation to discuss defense planning with you, because the invitation is clear proof that you share with me the conviction that this is serious business.

For more than a decade we have been talking about a preparedness program to assure the continuity of our money, credit, and banking system in the event of a nuclear attack.

Only a couple of months ago the President again stressed the crucial nature of civil defense planning. He told the Senate that:

"our total defense is incomplete and meaningless without reliable and responsible home defense. Survival cannot be guaranteed", he said, "merely with a capacity for reprisal. Equally important is our ability to recover. This means staying power and endurance beyond that ever before required of this nation or any nation."

Last month Mr. Khrushchev visited our country. His overtures of peaceful co-existence, together with complete and rapid disarmament, may have led some people to believe that civil preparedness is no longer necessary. I do not share this opinion - and I doubt that it is shared by any responsible public official. In the world situation that exists today, the spark from any one of hundreds of sources could set off a global explosion. And in passing, it is well to remember that the most effective attack would be launched at a time when the proposed victim is least prepared for it.

I believe that one of the best ways to deter or altogether prevent an attack is to be prepared to surpass it and to survive it, if it should come, and to let the world know that we are so prepared.

A little over a year and one-half ago, the committees on Bank Preparedness and Emergency Operations distributed to every bank in the country five booklets containing general

guidance for preattack preparedness. Since those booklets were distributed, bank examiners of Federal supervisory agencies, and of some states, have been observing what the commercial banks are doing in the way of preparedness.

The latest tabulations, based on an examination of a little over 12,000 banks, show that only 641 banks have taken any action. Generally speaking, the large banks in the obvious target areas have been more active than the smaller banks in the less vulnerable areas. In four rather highly industrialized states, a third or more of the banks have at least started a preparedness program and some of them are well along. But the rate of progress is not good enough in view of the risks involved and the importance of each and every bank - regardless of size and regardless of location - to the nation's monetary and credit system. In five states not one single bank has taken any action.

I would like to know, and I am sure that Mr. McCloy and Mr. Cooper, and the other members of the two emergency banking committees, would like to know just why more than 90 per cent of our banks have done nothing. Perhaps you know the answers.

Do people doubt the need for preparedness? Do they feel that a preparedness program costs too much? Do they feel they should postpone preattack preparedness measures until they receive more complete guidance with respect to over-all plans for postattack banking operations - check clearances, currency distribution, and the rest?

With respect to the need, I am not sure I can add anything to what has already been said by the President of the United States. I have seen nothing in the way of deeds by the leaders of the Soviet orbit that would justify any relaxation on our part. No one can be exposed to information about nuclear devices without being awed by their almost inconceivable powers of devastation. Everyone who has followed the delicate state of international affairs during recent years and who has any appreciation of what nuclear warfare could mean must devoutly hope that our planet never

undergoes that ordeal; for, should it develop in all its might, the world we know will be terribly changed - socially, economically, and even physically.

In this situation we can do one of two things:

We can accept the awful threat as beyond human control and go our individual ways, living as people do on the slopes of an active volcano, hoping that, if disaster comes, it will not be in our time, or at least not hit our particular spot; or

We can plan forehandedly so that, if our country should ever come under attack, we will be best prepared for survival and for rehabilitation.

It is undoubtedly difficult for someone living in the innermost section of the land - for example, in my home town of Broken Bow, Nebraska - to get excited about defense planning. He thinks he knows that he and his will not get hit - come what may. But what he is apt to forget is the interdependence of all parts of the nation. One does not have to take a very deep look into the economics of the situation to see how every community in the country is interlocked with all others - the extent to which it is dependent on others for transportation and communications; for steel and lumber; and - even more important in connection with immediate survival - for food, clothing, heat, and power.

Furthermore, some people may be forgetting that in the event of an attack there may be hordes of panicky, fear-stricken refugees surging toward the place they deem to be the safest (which might be Broken Bow). These people will have to eat, and the will to survive may override all the ordinary rules of civilization. In other words, many people may literally be living off the land, with no regard for the rights of others. All this and more - in the absence of adequate and realistic planning.

We know that if nuclear war is launched against the United States, retaliation in kind will follow immediately;

that our planes and missiles will be able to create at least equal devastation in the enemy's land; and that victory will go to the nation which first gets to its knees and then to its feet and starts on the road to reconstruction. Hence, the need for planning and preparedness.

The scope of preparedness planning is huge - ranging from food and shelter to law and order, from fall-out to finance. The banking field is only one segment of the job. In some other fields a great deal of work has been done. I wish you could see - and perhaps some of you have - the kind of preattack planning that has been done by some industrial corporations. They think it is important.

The objective in all areas is so to plan and prepare that a social and economic life as we know it, based on individual freedom and a market economy, may be maintained after a massive attack. The alternative might result in a kind of society, economy, and government, the like of which we have never seen and hope never to see. We are planning not merely for survival, but for a way of life - in addition, it may be that we are planning for life itself. So much for need.

As for the cost of planning in the banking field - the matter of cost is always an important consideration, but I can think of no program that, per dollar of expenditure, would contribute more to the preservation of our way of life than preattack preparedness measures for commercial banks.

When we run down the list of the measures included in the emergency banking committees' first five booklets, it becomes apparent that, with the exception of providing duplicate records at safe locations, little, if any, additional cost is involved - merely effort. Furthermore, the cost of an adequate record program looms much larger in the imagination than in reality. Fortunately, this can now be proven by the cost and pilot studies prepared by some of your State Associations.

Perhaps we can anticipate more preparedness activity among commercial banks when they receive guidance on over-all

postattack banking plans. We have some evidence that this is true. In one Federal Reserve District, out of 2,248 banks examined, only 92 had launched a preparedness program. Yet, in that same District, when letters with instructions on postattack check and cash operations went out to all banks in the District, over 500 replies were received promptly, and replies are still coming in. This represents a 400 per cent increase in banker response. But in the same breath I must say that in too many of the replies, the bankers are asking, "What more should we be doing to make certain that we can carry out our banking operations postattack?" Apparently, the five booklets on preattack preparedness measures found their way to the reference library or into someone's desk. The problem now is to get them out of the drawer and into use.

I hold high hopes that a definitive and authoritative over-all plan for banking after attack will be presented soon. That may help in getting action. But in the meantime, there is no valid reason for delay. The situation calls for action - and now!

Forgive me for seeming to boast when I say that today the Federal Reserve System is being lauded in government circles for having done an outstanding job of preattack planning and preparedness. It is my hope that within the next six months the commercial banking system will hold a comparable position in the private sphere. But I am enough of a realist to know that the realization of that hope is in large measure dependent upon your effective leadership. You are the men who know the need for action, you know what has to be done, and you know the people who must do it.

As one public official who believes profoundly that this program is vital to our country's safety, I am grateful to you for what has already been done. Much more remains to be done. And I fervently hope that we will all continue to work - individually and together - to achieve a coordinated and effective emergency readiness program for American banking.