

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS

March 16, 1961

**To All Banks in the  
Eleventh Federal Reserve District:**

Enclosed are reproductions of the following Treasury documents pertaining to emergency operations of the Federal Reserve banks and the commercial banking system: "Emergency Banking Regulation No. 1," "Delegation to Board of Governors of Federal Reserve System of Emergency Authority," and "Statement of the Secretary of the Treasury to Accompany the Issuance of the Emergency Banking Regulation." After reading this material, please place it in your emergency binder.

Also enclosed is Annex 27 to *The National Plan for Civil Defense and Defense Mobilization*, entitled "Emergency Economic Stabilization." This annex indicates the type of monetary and credit policy problems that might be encountered in a postattack period, as well as some tentative solutions, and should be kept with your other emergency materials.

Yours very truly,

Watrous H. Irons  
President

Enclosures

# DEPARTMENT OF THE TREASURY

## EMERGENCY BANKING REGULATION NO. 1

### CHAPTER I

#### Authority

This Regulation is issued pursuant to the authority vested in me as Secretary of the Treasury, including the authority vested in me by section 5 (b) of the Trading with the Enemy Act of October 6, 1917, as amended (50 U.S.C. App. 5 (b)), and Executive Order No. 9193.

### CHAPTER II

#### Time of Taking Effect

This Regulation shall be effective immediately after an attack upon the United States.

### CHAPTER III

#### Definitions

(a) As used in this Regulation, the term "banking institution" shall include the following banking and financial institutions: every commercial bank, trust company, private bank, savings bank, mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, and United States Postal Savings depository office authorized under the laws of the United States or of any State to transact business in the United States or any place subject to its jurisdiction, or any receiver or conservator for any of the foregoing.

(b) As used in this Regulation, "operations and functions" shall include the paying out or earmarking of any coin or currency, or permitting the withdrawal or transfer thereof in any manner or by any device whatsoever; the receipt or paying out of deposits; the receipt of payments into share or savings accounts or the repurchase of or payments on withdrawals from share or savings accounts; the making of loans or discounts; transfers of credit; the performance of fiduciary, custodial or agency functions; the purchase or sale of securities, and the transaction of any banking or trust business whatsoever.

(c) As used in this Regulation, the term "Branch" shall include any duly authorized place of business separate and apart from the head office of a Federal Reserve Bank, Federal Home Loan Bank, or banking institution in which any of its operations and functions are carried out.

## CHAPTER IV

### **Continuance of Operations and Functions Temporary Curtailment of Operations and Functions Temporary Quarters, and Emergency Loans.**

Section 1. *Continuance of operations and Functions of Federal Reserve Banks, Federal Home Loan Banks, Banking Institutions, and Branches.* Except as provided in Section 2. of this Chapter, all Federal Reserve Banks, branches of Federal Reserve Banks, Federal Home Loan Banks, branches of Federal Home Loan Banks, and all banking institutions and all branches thereof, without regard to whether or not the head office or any other branch or branches are functioning, shall remain open and continue their operations and functions and permit the transaction of business during their regularly established hours.

Section 2. *Temporary Curtailment of Operations and Functions.* Any Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch may temporarily curtail, limit, suspend, or delegate any or all operations and functions if located in an area which is unsafe because of enemy or defensive action, or if essential personnel or physical facilities become unavailable. Operations and functions of any Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch which have been so curtailed or suspended shall, as soon as practicable, be resumed when the cause of such curtailment or suspension has been remedied, removed or dissipated.

Section 3. *Temporary Change of Quarters.* In the event that the main office or any branch of any Federal Reserve Bank, Federal Home Loan Bank, or banking institution becomes wholly or partially unusable, as a result of an attack upon the United States, the Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch so affected shall, if possible, establish temporarily necessary substitute quarters. The use of such substitute quarters shall be terminated as soon as practicable.

Section 4. *Loans to and Borrowings From Federal Reserve Banks, Federal Home Loan Banks, or Banking Institutions.* In order to provide the necessary liquidity to maintain operations and functions as required by Section 1. of this Chapter, any Federal Reserve Bank, Federal Home Loan Bank, or banking institution, or branch thereof, may make loans, discount assets, or borrow without regard to the restrictions of Federal or State law.

Section 5. *Notification of Supervisory Authorities.* Any banking institution or branch thereof which curtails or suspends its operations and functions or changes the location of its quarters pursuant to Section 2. or 3. of this Chapter, shall as promptly as possible notify all of the authorities responsible for its supervision, State and National, and if the banking institution is insured, such supervisory authorities shall notify the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, as the case may be, of all such actions by banking institutions or branches thereof reported to them.

Section 6. *Acting As Agent.* Any Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch may by agreement act as agent and perform temporarily any or all operations and functions of any other Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch.

## CHAPTER V

### Restrictions on Cash Withdrawals and Transfers of Credit.

Section 1. *Cash Withdrawals.* (a) Withdrawals in the form of cash, whether by the cashing of checks or drafts, the making of loans in cash, or any other form of cash disbursement are prohibited except for those purposes, and not in excess of those amounts, for which cash is customarily used.

(b) Banking institutions are further authorized to restrict and ration cash withdrawals to the extent necessary in the event a sufficient amount of cash should not be available.

(c) Banking institutions shall prohibit withdrawals of cash in any case where there is reason to believe that such withdrawal is sought for the purpose of hoarding.

Section 2. *Transfers of Credit.* (a) No depositor or share or savings account owner may transfer in any manner or by any device whatsoever any balance to his credit on the date on which this Regulation becomes effective, except for the payment of (i) expenses or reconstruction costs vital to the war effort, (ii) essential living costs, (iii) taxes, (iv) payrolls, or (v) obligations incurred before the date on which this Regulation becomes effective, to the end that the best interests of the war effort and the public will be served.

(b) Banking institutions shall prohibit the transfer of credit in any case where there is reason to believe that such transfer is sought for any unauthorized purpose.

(c) After this Regulation becomes effective, banking institutions shall retain until released by Federal authority the original or a photographic copy (face and reverse sides) of each check and other evidence of transfer of credit in the amount of \$1,000 or more.

Section 3. *Exceptions to Restrictions.* (a) Balances in deposit or share or savings accounts may be transferred from one banking institution to a deposit or share or savings account of the same owner in another banking institution.

(b) The restrictions of Section 2. of this Chapter shall not apply to any check or draft negotiated for value prior to the time this Regulation becomes effective.

(c) The limitations and restrictions of this Chapter shall not apply to the United States, any State or any political subdivision thereof, nor to their respective agencies and authorities.

(d) The limitations and restrictions of this Chapter shall not apply to transactions between Federal Reserve Banks, Federal Home Loan Banks, banking institutions, and branches thereof.

(e) The provisions of Section 2. of this Chapter do not alter the right of any banking institution to invoke restrictions on withdrawals of deposits or repurchases of or payments on withdrawals from share or savings accounts provided for under contract or agreement with depositors or share or savings account owners or by reason of law or the provisions of its charter or bylaws.

## CHAPTER VI

### Lending and Extending Credit

Section 1. *Making Loans and Extending Credit.* No banking institution may make any loan, extend any credit, or discount or purchase any obligation or evidence of debt, unless it is established and certified in writing by the borrower and a banking institution that the purpose is to pay (i) expenses or reconstruction costs vital to the war effort, (ii) essential living costs, (iii) taxes, or (iv) payrolls, to the end that the best interests of the war effort and the public will be served.

Section 2. *Exceptions to Restrictions.* (a) The restrictions contained in Section 1. of this Chapter do not prohibit the renewal, recasting, or extension of any loan or credit outstanding prior to the effective date of this Regulation, if in the judgment of the management of the banking institution such action is in the best interest of the war effort. The cancelled original evidence of debt shall be attached to the instrument renewing, recasting, or extending such obligations.

(b) Section 1. of this Chapter shall not apply to loans or extensions of credit to the United States, to any State or any political subdivision thereof, nor to their respective agencies and authorities, nor to loans or extensions of credit between banking institutions.

## CHAPTER VII

### Savings Provisions

Any action authorized or required to be taken by a Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch or its management pursuant to this Regulation may, in the absence of persons authorized by delegation or otherwise to take such action, be taken by any director, officer or employee of such Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch at the time conducting that part of the affairs of the Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch to which such action relates. Notwithstanding any other provision of law, no Federal Reserve Bank, Federal Home Loan Bank, banking institution, or branch or any director, officer, or employee thereof and no member or employee of any agency of the United States shall be subject to any liability on account of any action taken or omitted to be taken in good faith pursuant to this Regulation, provided that this sentence shall not be deemed to apply to any liability on account of any contractual obligation.

## CHAPTER VIII

### Revision or Termination

This Regulation may be revised or terminated when so ordered by the Secretary of the Treasury.

(Signed) Robert B. Anderson

Secretary of the Treasury

Dated: January 10, 1961

## DEPARTMENT OF THE TREASURY

### DELEGATION TO BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM OF EMERGENCY AUTHORITY

Pursuant to the authority vested in me as Secretary of the Treasury, including the authority vested in me by Executive Order 9193, I hereby delegate to the Board of Governors of the Federal Reserve System authority and power to take such action, consistent with regulations issued by the Secretary of the Treasury relating to the maintenance of the operations and functions of banking institutions, as may be necessary to maintain, regulate, limit, or suspend the operation and functioning of any banking institution.

As used in this Order the term "banking institution" includes every Federal Reserve bank, commercial bank, trust company, private bank, savings bank, and mutual savings bank authorized under the laws of the United States or of any State to transact business in the United States or any place subject to its jurisdiction, or any receiver or conservator for any of the foregoing.

The Board of Governors of the Federal Reserve System may make provision for the exercise by any person, agency, or instrumentality of any of the authority or power delegated by this Order.

This Order shall be effective immediately after an attack upon the United States.

(Signed) Robert B. Anderson  
Secretary of the Treasury

Dated: January 10, 1961



## DEPARTMENT OF THE TREASURY

### STATEMENT OF THE SECRETARY OF THE TREASURY TO ACCOMPANY THE ISSUANCE OF THE EMERGENCY BANKING REGULATION

In keeping with the objectives of The National Plan for Civil Defense and Defense Mobilization, I have issued an Emergency Banking Regulation that would become effective only in the event that there should be an attack upon the United States. Issuance of the Regulation at this time has no particular significance except that, after months of careful study, work on it has now been completed. It is being issued so that banking institutions may develop and complete their emergency preparedness programs as advocated by the National Plan.

Obviously the effective utilization of the financial capacity of the Nation in the conduct of any war that might befall us must be assured. The Regulation provides, insofar as possible, a reasonable degree of flexibility, as proper implementation would depend heavily upon the knowledge, initiative and judgment of the managements of our financial institutions and the understanding and cooperation of depositors and share or savings account owners. Basically the Regulation is for the purpose of assuring the maintenance of operations and functions of all banking institutions, including savings and loan associations and credit unions, and to facilitate restoration of such activities should they become temporarily disrupted because of such an emergency. This Regulation, should it ever become effective, would be subject to such amendment, modification or termination as might be consistent with the existing monetary needs and the developments in the national economy.

The Regulation has been issued pursuant to the authority vested in me as Secretary of the Treasury, including the authority vested in me by Section 5 (b) of the Trading with the Enemy Act of October 6, 1917, as amended (50 U.S.C. App. 5 (b)), and Executive Order No. 9193. Bearing in mind that the Regulation would become effective only in the event of an attack upon the United States, and that the term "banking institutions" includes every commercial bank, trust company, private bank, savings bank, mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, and United States postal savings depository office authorized under the laws of the United States or of any State to transact business in the United States or any place subject to its jurisdiction, or any receiver or conservator for any of the foregoing, the Regulation is summarized as follows:

(over)

All Federal Reserve Banks, Federal Home Loan Banks, their respective branches, and all banking institutions and their branches would be required to remain open and continue their operations and functions, and permit the transaction of business during their regularly established hours. The only exceptions would be those unable to operate because they may have suffered personnel losses or physical damage, or may be located in areas declared to be unsafe because of defensive or enemy action. Such institutions would also be authorized to act as agent for each other in carrying out their operations and functions. Banking institutions and depositors and the owners of share or savings accounts would be required to observe provisions that would guard against the misuse of the Nation's monetary resources so that they might be preserved primarily for the payment of vital expenses, reconstruction and essential living costs, taxes, or payrolls. Provisions would also guard against the misuse of credit by directing all lending activities toward the above-named essential purposes.

To prevent misuse or hoarding of goods and material and in order to guard against inflation, Government planning also includes a number of other emergency measures. These would provide for the stabilization of rentals, prices, salaries and wages, and rationing. During an emergency of the type toward which our planning is directed, the cash and credit resources of our financial institutions must likewise be utilized to the end that the best interests of the Nation would be served.

(Signed) Robert B. Anderson

Secretary of the Treasury

Dated: January 10, 1961



**THE NATIONAL PLAN**  
**for**  
**Civil Defense and Defense Mobilization**

**Annex 27**

**EMERGENCY ECONOMIC**  
**STABILIZATION**

**This annex also includes the originally planned Annex 29,  
Emergency Distribution and Consumption Controls**



**Executive Office of the President**  
**OFFICE OF CIVIL AND DEFENSE MOBILIZATION**

## Preface

This annex supports and amplifies the National Plan for Civil Defense and Defense Mobilization, particularly Part VI, **Functions for Mobilization and Management of Resources and Production.**

In connection with a limited war mobilization, the annex is concerned chiefly with the emergency monetary, credit, and tax measures and the "direct" controls on prices, wages, salaries, and rents, required to combat inflationary pressures and to stabilize the economy.

In a general war (that is, with attack on the United States), the annex is directed to the emergency monetary and credit policies and actions required to *maintain and stabilize* the monetary and economic systems on a "going concern" basis, especially in undamaged areas. In such a situation, it is also concerned equally with "direct" controls on prices, wages, salaries, and rents, and with emergency rationing, all intended and triggered to function in undamaged areas immediately after attack.

Periods of international tension would be unlikely to require the actual use of most of the emergency measures outlined in this annex but would require accelerated preparedness for their possible imminent use.

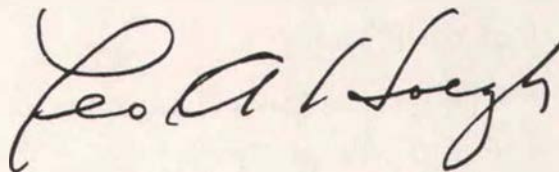
In the event of massive attack, the headquarters of the Federal Government could not administer most of the immediately required regulatory measures. This annex emphasizes, therefore, that the only workable alternative is for local, State, and Federal regional

authorities to have immediate postattack responsibility for the interim administration and coordination of many of the emergency measures involved. This responsibility would continue in varying degrees and for varying times, depending upon how rapidly the headquarters of the Federal Government could gradually consolidate interim local, State, and Federal regional actions into a cohesive national stabilization operation.

Accordingly, in addition to outlining national economic plans and policies for emergency use, the annex will contain operating appendixes setting forth emergency techniques and objectives for the guidance of local, State, and Federal regional authorities in carrying out their interim postattack operating responsibilities.

For the purposes of clarity, limited war and general war are treated as self-contained entities in this annex, inasmuch as the policies, objectives, and techniques involved must necessarily differ.

The annex is published in looseleaf form in order that pages may be added or replaced easily whenever revisions are made.

A handwritten signature in cursive script, appearing to read "Leo A. Sough".

Director

*Office of Civil and Defense Mobilization*

Issued November 1960

(NOTE: This annex also includes the originally planned Annex 29, Emergency Distribution and Consumption Controls.)

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## ANNEX 27

# EMERGENCY ECONOMIC STABILIZATION

### I. Definition

For the purpose of this annex, emergency economic stabilization includes the "indirect" controls (monetary, credit, and tax measures) required to support mobilization for limited war and to stabilize the economy during such a mobilization. It also includes the "indirect" or financial policies and controls necessary to maintain and stabilize the continued functioning of a "going concern" economy following massive attack on the United States. Finally, it includes the equally important "direct" controls necessary to stabilize prices, wages, salaries, and rents, and to ration essential consumer items.

### II. Limited War

#### A. Assumptions<sup>1</sup>

1. In a limited-war situation, a fundamental emergency economic problem would involve restraining or controlling the inflation which accelerated mobilization would be likely to set in motion. Even though immediate shortages of goods and services might not result, the psychological reaction to limited war would almost certainly produce inflationary consequences requiring forceful national action.

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<sup>1</sup>See Annex 1, Planning Basis.



2. Comprehensive indirect and direct controls, of the types and to the extent required by the situation, would be initiated promptly and administered by the Federal Government. These measures would involve little or no direct participation by local or State authorities and organizations, except in the case of rationing. Substantial local and State administrative support would be required if rationing should become necessary during a limited-war mobilization.

**B. General Responsibilities**

1. The Federal Government will be responsible for the initiation and administration of indirect controls (emergency monetary, credit, and tax measures); of direct controls on prices, wages, salaries, and rents; and for rationing operations or accelerated preparation for such operations.
2. Local, State, and OCDM regional authorities will familiarize themselves with Federal economic stabilization operations from the outset of any limited-war mobilization and will review and strengthen their preparedness to carry out emergency economic stabilization responsibilities in the event of attack, especially in undamaged areas.
3. Private citizens and organizations will be responsible for cooperating with all emergency economic measures required, and for supporting by every means the national policy of forestalling inflationary pressures set in motion by the mobilization.

**C. Functions**

1. Objectives
  - a. To initiate emergency monetary, credit, and tax measures (indirect controls) designed to



finance limited-war mobilization *and* to restrain inflation.

- b. To impose comprehensive direct controls, as necessary, on prices, wages, salaries, and rents, in order to combat the effects of inflation during the mobilization period.
- c. To institute or accelerate preparedness for rationing, as it may be necessary to complement indirect and direct controls and to ensure equitable distribution of available essential consumer items.

## 2. Actions Required

- a. The major Federal financial and economic agencies will immediately recommend to the President previously prepared emergency monetary and tax measures and, to the extent that it has not been enacted, will recommend necessary enabling legislation.<sup>2</sup> On the basis of such enabling authority, the appropriate Federal financial agencies will take the actions necessary, in keeping with existing plans, to impose and administer the indirect controls authorized.
- b. Simultaneously, if it has not been enacted, the Director, OCDM, will recommend to the President previously prepared enabling legislation to support the imposition of comprehensive direct controls on prices, wages, salaries, and rents.

By Executive order, the President will immediately create an emergency stabilization agency and its component direct-controls

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<sup>2</sup>See Annex 4, Authorities for Civil Defense and Defense Mobilization.

agencies, and the administrator of the emergency stabilization agency will initiate direct-controls operations through a general freeze of prices, wages, salaries, and rents. The Director, OCDM, will participate in the continuing development of basic direct-controls policy and in the coordination of that policy among the emergency stabilization agencies and between indirect- and direct-control operations.

Under the general supervision of the emergency stabilization agency, in keeping with existing plans, the appropriate operating directors of the direct-controls agencies will staff their agencies, create necessary field organizations, and administer the freeze order and consequent regulatory operations within their respective jurisdictions.

- c. The Director, OCDM, and the administrator of the emergency stabilization agency, under existing delegation from the President, will also take whatever action the economic situation may require in connection with rationing. This may be confined to accelerated preparedness for rationing, or it may involve the actual staffing of an emergency agency and field organization to provide a ready basis for selective or general rationing.

#### **D. Execution**

The most important aspects of emergency economic stabilization action during a limited-war mobilization will be executed as follows:

1. Federal

a. *Office of Civil and Defense Mobilization:*

- (1) Participates in the continuing development and coordination of emergency stabilization policies and actions to fit the existing situation.
- (2) In connection with direct controls on prices, wages, salaries, and rents, recommends to the President necessary enabling legislation if it has not been enacted.
- (3) Coordinates direct-controls policy with indirect-controls policy and with production and materials control policy. In the latter connection, also establishes arrangements under which Federal agencies having responsibilities for production and distribution of resources will provide to the direct-controls and rationing agencies information and advice needed with respect to the formulation and effects of direct controls and rationing regulations involving such resources.

b. *Department of the Treasury:*

- (1) Participates in the continuing development and coordination of emergency stabilization policy and action, and develops emergency monetary and tax policies and measures to fit the existing situation.
- (2) On the basis of the existing conditions, recommends to the President necessary enabling legislation in connection with

emergency tax operations and such monetary operations as fall within its jurisdiction.

- (3) Imposes and administers emergency tax measures and such monetary controls as are its responsibility.

c. *Federal Reserve Board and other Federal financial agencies:*

- (1) To the extent required, participate in the continuing development and coordination of emergency stabilization policy and action, and develop emergency monetary and credit policy to fit the existing situation.
- (2) To the extent required, recommend to the President necessary enabling legislation in connection with emergency monetary and credit operations.
- (3) Administer those aspects of emergency stabilization operations which fall within their jurisdictions (for example, the Federal Reserve Board and the Federal Home Loan Bank Board as to consumer credit control and the Housing and Home Finance Agency as to real estate credit measures).

d. *Emergency stabilization agencies:*

- (1) The parent stabilization agency will organize the component agencies and initiate direct-controls operations, including accelerated preparedness for rationing or the imposition of rationing as necessary. It will also participate in the continuing development of stabilization

policy, and will coordinate the policies and operations of its component direct-controls agencies.

- (2) The component agencies will staff and organize their respective operations in keeping with existing plans, and will administer direct controls on prices, wages, salaries, and rents.

e. *Department of Labor and Housing and Home Finance Agency:*

Respectively, in keeping with existing plans, will assist the Director, OCDM, in creating and organizing emergency wage-salary and rent control agencies within the parent stabilization agency.

f. *Departments of Agriculture, the Interior, and Commerce (Business and Defense Services Administration):*

- (1) As to food, petroleum and solid fuels, and other essential consumer items respectively, participate in the general development of accelerated rationing preparedness; and, in the event of rationing, advise the emergency rationing agency of available supplies, requirements, and allocations for rationing purposes.
- (2) With respect to their production and distribution responsibilities, provide the stabilization agencies with information and advice in connection with the formulation and effect of direct control and rationing regulations.



g. *General Services Administration:*

In keeping with existing plans, provides physical facilities and supplies necessary for the creation and organization of the emergency stabilization agency and its component direct-controls agencies.

h. *Civil Service Commission:*

(1) In keeping with existing plans, assists the Director, OCDM, and the emergency stabilization agency and its component direct-controls agencies in securing qualified personnel, particularly from Federal Government sources; and assists in the development of appropriate personnel standards and regulations for use in the administration of emergency stabilization operations.

(2) Participates in the formulation of wage and salary stabilization policies as they affect Federal Government personnel, and establishes civilian wage and salary stabilization policies and standards for the Executive Branch of the Federal Government.

i. *Bureau of the Budget:*

In keeping with existing plans, arranges with the Director, OCDM, and the emergency stabilization agency for the availability and budgeting of appropriations required for stabilization operations.

j. *Department of State:*

The departments and agencies mentioned above will avail themselves of foreign policy guidance from the Department of



State in connection with those stabilization policies and measures which would directly affect relations with other countries.

## 2. State and Local

State governors and civil defense directors, and through them, community authorities, will familiarize themselves with emergency Federal stabilization policy and actions in order to improve or accelerate their preparedness to carry out interim stabilization responsibilities in the event of general war.

# III. General War

## A. Assumptions

1. Because of the interdependence and interrelationships of the Nation's monetary and credit system, massive attack would gravely jeopardize the continued operation of banks and other financial institutions, including those in undamaged areas. This would be true at a time when the maximum capacity and functioning of our surviving monetary and economic systems would be most needed, and when it would be least desirable to shut down or introduce substitute systems.<sup>3</sup>

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<sup>3</sup>For the purposes of this annex, "undamaged areas" are those communities, cities, counties, parts of States, or States where physical destruction and fallout would be nonexistent or where fallout would be tolerable or short-lived. In effect, therefore, they are all those *economic entities* where, with preparedness, regulated but familiar economic activity could be triggered to continue with minimum interruption. This rejects the alternative of shutting down our surviving economy or substituting new and unfamiliar systems, such as barter, the introduction of scrip, or "police" rule of a nonmoney economy. (This preparedness concept in no way interferes with the development of "civil defense-public welfare-nonmoney economy" preparedness applicable in damaged areas, nor does it inhibit adapting both kinds of preparedness to such "gray" or moderately damaged areas as may exist.)

In keeping with the preparedness and operating concepts which this assumption produces, the *immediate* and urgent postattack national objectives are to support the continued functioning of the surviving portions of our monetary system *and* to stabilize the surviving economic system.

Emergency financial and indirect controls, outlined later in this section, would be required to instill confidence in and assure the continued but regulated operation of our monetary and credit systems in undamaged areas, while avoiding the introduction of new or substitute systems. Simultaneously, emergency direct controls, particularly including rationing, would be required to stabilize the surviving economy in order to assure its maximum contribution to the national security.

This annex assumes that, whether from the present seat of the Federal Government or from relocation sites, it would be virtually impossible for the national headquarters of Federal agencies to administer initial and interim postattack stabilization operations.

2. The great bulk of the operating responsibility for these emergency actions in undamaged areas, during the critical first period following attack, would fall upon local and State authorities, OCDM Regional Offices, and the field staffs of Federal agencies which normally administer financial and credit programs or to which special responsibilities have been delegated (for example, the Department of the Treasury, the Federal Reserve Board, the Federal Home Loan

Bank Board, the Federal Deposit Insurance Corporation, the Housing and Home Finance Agency, the Department of Labor, and the Department of Agriculture).

Most of the coordinating responsibility in this initial period will rest with State authorities and with OCDM Regional Offices.

After the interim postattack period, as Federal agencies gradually become able to administer and coordinate nationally, the Federal Government (through OCDM, permanent agencies, and emergency stabilization agencies) will draw together local, State, and regional interim operations in the direction of a cohesive and stabilized national economy.

3. This annex does not envisage the possibility of organized economic activity, nor of a functioning money economy, during the initial post-attack period in the heavily damaged areas. The policies and measures outlined in the annex are intended primarily for immediate postattack use in undamaged areas, as the only alternative to shutting down our surviving monetary and economic systems when they are most needed. Nevertheless, the economic objectives included in this annex, primarily for immediate and interim postattack use in undamaged areas, should also guide authorities in other areas as the gradual restoration of restricted economic functioning becomes possible.

#### **B. General Responsibilities**

1. The Federal Government will be responsible for establishing the national policies and taking the

Federal actions required to support the mobilization of all economic forces and the maximum utilization of surviving human, material, and economic resources. It will be responsible for establishing the national policies and directing the actions required to maintain the functioning of the monetary, credit, and financial system; the continuance of banking operations; and the operations of the surviving economy as a "going concern," including provision for the sharing of war losses to the extent necessary to carry out these responsibilities.<sup>4</sup>

The Federal Government will be responsible for *authorizing* the general control of prices, wages, salaries, and rents and the imposition of rationing; and it will be responsible for creating emergency stabilization agencies to advise and assist, as rapidly as possible, in immediate local-State postattack operations in these fields and gradually to absorb these interim operations.

By prearrangement, the Federal Government will also be responsible for requesting State governors to exercise their emergency authority in connection with the initial and interim postattack administration of price and rent control and rationing. (In keeping with existing plans, the Wage and Hour offices of the Department of Labor will initiate interim postattack

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<sup>4</sup>This aspect of loss-sharing should not be confused with the policy expressed in par. IV.A.1.e of Annex 35, Emergency Administration of Essential Facilities, in which it is proposed to "insure" the producers of designated goods and services against "financial loss" with respect to the production of such goods and services.



wage and salary control and will provide machinery for dealing with such labor disputes as may arise.)

2. At the request of the Director, OCDM, State governments will be responsible for supporting the prearranged actions of the Federal agencies (including their field staffs), having responsibility for monetary, credit, and financial controls, to assure the continued functioning of the monetary, credit, and banking system in undamaged areas.

Also at the request of the Director, OCDM, State governments will be responsible for the interim postattack administration of price and rent control and rationing and for assisting or supporting Department of Labor Wage and Hour offices in the interim administration of wage and salary controls.

Local governments, acting under State authority and coordination, will have the same interim direct controls responsibilities.

3. Private citizens and organizations, particularly including financial institutions, will be responsible for cooperating with and assisting local, State, and Federal regional authorities in carrying out the immediate postattack objectives of national economic policy.

### **C. Functions**

#### **1. Objectives**

- a. To assure the continued functioning of a money and credit economy in undamaged areas, so as to assure its maximum contribution to economic activity, reconstruction, and the national security.

- b. To stabilize the surviving economy by preventing inflation and a flight from the national monetary and credit system, by supporting the continuity of the system, and by avoiding drastic substitutes for it, such as barter or scrip.
- c. To undertake *immediate* rationing of essential items in undamaged areas, in keeping with prearranged plans, in order to *conserve* and share available supplies and to support and complement other financial, indirect, and direct controls.
- d. To rely upon prearranged State and local interim administration of direct controls on prices and rents, and of rationing, in undamaged areas, in keeping with national economic policies, objectives, and standards prescribed by the Federal Government pre-attack; and to rely upon the Wage and Hour offices of the Department of Labor to impose and administer wage and salary controls in undamaged areas.
- e. To pursue the preceding objectives in damaged areas, and those adjoining, as soon as conditions permit.
- f. To consolidate interim local, State, and regional actions and responses in undamaged areas into a coordinated national stabilization program as soon as conditions permit. This will be undertaken gradually by OCDM, permanent Federal agencies, and emergency stabilization agencies.



## 2. Actions Required

- a. A pre-positioned Executive proclamation will be directed to the country by all available communications media, stating or reiterating the national economic objectives and policies to be pursued and stressing the need for national support of the emergency actions to be taken.
- b. By pre-positioned Executive order, the Secretary of the Treasury will assume full responsibility for policy matters pertaining to financial institutions and the monetary, credit, and financial system. The Secretary will be vested with full power and authority to permit or require such actions, in keeping with existing plans, as may be necessary to assure the continued functioning of the system in undamaged areas. By pre-positioned order, the Secretary will also redelegate to other financial agencies such power and authority as they will require in order to carry out their prearranged postattack responsibilities.

At the outset of the postattack period, these actions will be administered, on the basis of pre-positioned orders and regulations, by the field staffs of the financial agencies, with such support or assistance by local, State, and OCDM regional authorities as the financial agencies may request.

- c. Necessary orders, regulations, and administrative machinery will be pre-positioned to support the following postattack monetary and credit policies and actions:

- (1) The continuance of banking operations, including provision for liquidity<sup>5</sup> and credit, will be maintained in undamaged and other areas insofar as possible. The Federal Government will offer assurance that those dealing with financial institutions may do so without risk of the insolvency of such institutions by reason of war losses.
- (2) The Federal Government will assure the equitable sharing of war losses throughout the economy to the extent possible, not to guarantee individuals against losses, but to ensure the maintenance of a "going concern" economy.
- (3) Bank deposits and currency will be made available in proportion to the needs of postattack economic activity (to avoid inflation), with due regard to local conditions in severely damaged, moderately or lightly damaged, and undamaged areas, and subject to controls prescribed by national authority.
- (4) New bank credit will be made available for essential purposes such as the support of military, emergency relief, and salvage operations and of national reconstruction.<sup>6</sup>

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<sup>5</sup>As used here, liquidity means making provision for converting enough assets into available cash or credit to meet operating needs, even though some or many of those assets may be destroyed or inaccessible.

<sup>6</sup>This would include the essential facilities and the essential production and distribution contemplated in Annex 35, Emergency Administration of Essential Facilities.

- (5) The Federal Government will guarantee private financing for essential purposes to the extent that it is not otherwise available on reasonable terms.
- (6) On the basis of existing plans, provision will be made for the clearance of checks, including those drawn on destroyed banks, subject to such limitations and controls as may be necessary to assure the maintenance of the monetary and credit system.
- (7) Supplies of currency will be pre-positioned and decentralized to the extent possible in order to provide for local needs and, in keeping with existing plans, will be made available in accordance with the needs of postattack economic activity.
- (8) There will be no general moratorium on the payment of preattack debts, but limited moratoria may be authorized for hardship cases.
- (9) The issuance and use of scrip as a substitute for currency will be avoided except as it may be necessary due to the unavailability of currency.
- (10) Actions will be taken in connection with foreign financial transactions as are deemed necessary to protect the value of the dollar in international markets, preserve foreign exchange resources, and prevent transactions adverse to the conduct of the war and the financial interests of the United States.

- d. To support and complement these financial, monetary, and credit controls, the Federal Government (through the Director, OCDM) will immediately issue a pre-positioned general "freeze" of prices, wages, salaries, and rents, to be applicable particularly in undamaged areas during the immediate and interim postattack period.
- e. The Director, OCDM, will also issue a pre-positioned order requiring the immediate conservation and rationing of essential consumer items. It will be national policy to control immediately, under State and local government direction, all retail and pre-retail inventories through pre-positioned orders and, *for a period of at least 5 days, to prohibit all sales* of food, petroleum, and other essential consumer items, except for the most essential purposes and except for perishables in danger of spoilage.
- f. By prearrangement, the Director, OCDM, will request governors, and through them, community authorities, to initiate and administer these interim direct controls as to prices, rents, and rationing.<sup>7</sup> The Secretary of Labor, through the Wage and Hour offices of the Department of Labor, will initiate and administer interim wage and salary controls and necessary labor disputes machinery.

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<sup>7</sup>For the guidance of local, State, and OCDM regional authorities, the direct-controls objectives, standards, and techniques to be pursued are contained in appendixes to this annex.

- g. Simultaneously, by Executive order, there will be created an emergency Federal stabilization agency and component direct-controls agencies, including a rationing agency. To the extent possible, the nucleus staffs of these agencies will advise and assist Federal regional authorities and State authorities as the latter initiate, administer, and coordinate interim direct-controls operations. These emergency Federal stabilization agencies will be expanded as rapidly as conditions permit in order to gradually absorb the local-State administration of interim direct controls.
- h. In connection with emergency rationing, local-State authorities will assess their respective supply and replenishment situations and take the prearranged administrative steps required to impose and administer a prescribed system of rationing *at the expiration of the period of prohibition of sales*. Initial rationing techniques will be based upon the policy that *tight conservation* receives first priority, to be followed by *austere* rationing until the supply situation is clarified, notwithstanding the fact that some areas may appear to have supplies surplus to their own needs.

The emergency rationing techniques to be followed will also be based upon pre-positioned ration "evidence" (cards, coupons, certificates, etc.), supplied by the Federal Government. Registration of consumers and preparation and distribution of ration



evidence will be undertaken by local-State authorities during the period of prohibition of sales.

Also during this period and thereafter, field representatives of the Department of Agriculture (food), the Department of the Interior (petroleum and solid fuels), and the Department of Commerce (other essential consumer items) will supervise and coordinate the allocation and replenishment of inventories required for effective emergency rationing.<sup>8</sup>

Representatives of these agencies will collaborate to the extent possible in the local-State assessment of the supply and replenishment situation, and will provide local-State authorities with necessary information and guidance as emergency rationing is initiated.

- i. The Director, OCDM, will take such other actions as may be necessary to confirm, establish, or revise national emergency economic policies in terms which will support interim local-State administration of direct controls until the Federal Government can effectively coordinate and administer these interim actions nationally.

To the extent possible, necessary interim actions will be taken and coordinated by

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<sup>8</sup>With respect to food and other consumer items, the Departments of Agriculture and Commerce will control *pre-retail inventories* with retail inventories under the control of local-State authorities. As to petroleum and solid fuels, representatives of the Department of the Interior will control "primary" inventories and local-State authorities will control "secondary" inventories. The terms "primary" and "secondary" are defined in Annex 33, National Energy and Minerals Plan.



State authorities and by OCDM regions with the objective of supporting a cohesive *national* response to the emergency as quickly as possible, even though the national economy may be fragmented and the only workable responses are temporarily local and State in nature.

**D. Execution**

1. Federal

a. *Office of Civil and Defense Mobilization:*

- (1) Participates in the continuing development and coordination of postattack economic stabilization policy.
- (2) Acting for the President, initiates prepositioned direct controls on prices, wages, salaries, and rents, and rationing. By prearrangement, requests State governors to exercise their emergency authority in administering these controls temporarily.
- (3) On the basis of existing plans, organizes an emergency stabilization agency and component direct-controls agencies, to be expanded as rapidly as possible. Thereafter, supervises and coordinates the development of Federal capability to gradually absorb interim local-State operations.
- (4) Coordinates direct-controls policy with postattack financial, monetary, and credit policy and provides for coordination with production and resources control policy.

b. *Department of the Treasury:*

- (1) On the basis of existing arrangement, the Secretary of the Treasury prescribes postattack monetary, credit, and banking policies and initiates pre-positioned emergency actions.
- (2) By prearrangement, delegates appropriate authority to other financial agencies (the Federal Reserve Board and the Federal Home Loan Bank Board, for example) to permit them to carry out their postattack banking and monetary responsibilities.
- (3) Participates in the continuing development and coordination of postattack monetary, credit, and economic policy and actions.

c. *Federal Reserve Board and Federal Home Loan Bank Board:*

- (1) Participate in the continuing development of postattack monetary, credit, and economic policy and actions.
- (2) In keeping with existing plans, administer all aspects of postattack banking, monetary, and credit operations falling within their jurisdictions (the Federal Reserve System, the Federal Home Loan Bank System, and the Savings and Loan System).

d. *Council of Economic Advisers:*

Participates in the continuing development of postattack financial, monetary, credit,

and economic policy and advises the President in connection with national economic rehabilitation.

e. *Other agencies or organizations having financial or economic responsibilities:*

(The following are representative but not inclusive: Housing and Home Finance Agency, Social Security Administration, Veterans Administration, Federal Deposit Insurance Corporation, Small Business Administration, Civil Service Commission, Bureau of Federal Credit Unions.)

By prearrangement, administer those aspects of postattack monetary, credit, or economic operations falling within their jurisdictions and adapt their operations and functions to postattack economic policy and operating conditions.

f. *Emergency stabilization agencies:*

(1) As rapidly as possible, in keeping with existing plans, expand the Federal stabilization agency and component direct controls agencies and regulatory operations; gradually absorb interim local-State direct-controls operations.

(2) To the extent possible, provide advice, guidance, direction, and policy to State authorities and, through the Director, OCDM, to OCDM regions during the interim period prior to coordinated Federal direct-controls administration.

g. *Department of Labor:*

(1) By existing delegation from the Director, OCDM, initiates and administers,

through its Wage and Hour offices, prepositioned interim wage and salary control in undamaged areas. Provides interim administration of such labor disputes operations as may be necessary.

- (2) Coordinates its interim administration of wage and salary controls with interim local-State administration of other direct controls.
- (3) In keeping with existing plans, advises and assists in organization of an emergency stabilization agency to control wages and salaries, and assists that agency as it gradually absorbs interim wage and salary control operations.

h. *Departments of Agriculture, the Interior, and Commerce (Business and Defense Services Administration):*

Will control preretail inventories ("primary" inventories as to petroleum products) of food, petroleum products and solid fuels, and other essential items, and will provide local-State rationing authorities with necessary information as to available supplies, requirements, allocations to varying uses, and replenishment.

i. *General Services Administration:*

As quickly as possible, will provide prearranged physical facilities and supplies necessary for the creation and organization of the emergency stabilization agency and its component direct-controls agencies.

j. *Civil Service Commission:*

By prearrangement, will assist OCDM and the emergency stabilization agencies in securing and relocating qualified personnel from other Federal sources, and will develop necessary administrative and personnel standards for use in such transfers and in the continuing administration of the stabilization agencies.

k. *Bureau of the Budget:*

By prearrangement, will provide for the availability to OCDM and the emergency stabilization agencies of the emergency funds required to organize the Federal stabilization functions, and will provide an emergency financial plan to account for the necessary expenditures.

l. *OCDM Regional Offices:*

- (1) Will provide guidance and assistance to local-State authorities and to representatives of Federal departments and agencies in the respective regions in the initiation of postattack stabilization operations.
- (2) Will provide necessary coordination of postattack stabilization operations within and among the OCDM regions.
- (3) To the extent possible, will inform, advise, and consult with OCDM headquarters and the emergency stabilization agency headquarters during the initial postattack period.
- (4) Where local-State emergency functioning is temporarily impossible, will initiate



and direct interim stabilization operations through a regional emergency stabilization organization.

- (5) In connection with financial, monetary, and credit operations, will assist in arranging the necessary support and assistance of local-State authorities *to the extent requested or required by Federal financial agencies and their field staffs.*

## 2. State and Local

- a. Through the State governors, at the pre-arranged request of the Director, OCDM, will initiate and administer for an interim period price and rent control and emergency rationing operations, and, by prearrangement, will activate necessary interim organizations for these purposes.
- b. To the extent required, will assist Department of Labor Wage and Hour offices in the initiation and interim administration of post-attack wage and salary controls.
- c. *At the request of OCDM Regional Offices or Federal financial agencies,* will provide local-State support and assistance in connection with postattack financial, monetary, and credit operations.
- d. State governments will coordinate interim postattack stabilization operations within their own jurisdictions and will assist OCDM Regional Offices in coordinating interim State operations within the respective OCDM regions.

## **IV. International Tension**

### **A. Assumption**

Periods of increased international tension would not be likely to require the actual use of many of the emergency measures outlined in this annex, but would require accelerated preparedness for their use in the event of mobilization.

### **B. General Responsibilities**

1. In periods of increasing international tension, the Federal Government and State and local governments will be responsible for accelerating preparedness to take the emergency stabilization actions which the nature and threat of more imminent mobilization might require. The Federal Government will be responsible for taking emergency stabilization action which might be required during periods of increasing international tension.
2. Local and State governments will be particularly responsible for reviewing and strengthening, or accelerating, their preparedness to carry out emergency stabilization responsibilities in the event of a general war mobilization.

### **C. Functions**

1. Objectives
  - a. To review, strengthen, and accelerate preparedness to take the emergency stabilization actions required in the event of mobilization, whether for limited war or general war.
  - b. To take such emergency stabilization actions as a continuing period of increasing international tension might require.

## 2. Actions Required

- a. The Director, OCDM, on behalf of the Federal Government, and State governors, on behalf of State and local authorities, will initiate or take such accelerated stabilization *preparedness* actions as are indicated by the nature of the increasing tension.
- b. The Director, OCDM, on behalf of the Federal Government, will initiate and coordinate such emergency stabilization actions as increasing international tension might require.

## D. Execution

1. The Director, OCDM, will initiate and coordinate accelerated stabilization preparedness or such emergency stabilization action as periods of increasing international tension might require.
2. Federal financial and economic agencies will initiate or participate in the development of appropriate monetary, credit, and economic policies, or in accelerated preparedness for the use of the policies and objectives outlined in this annex.
3. State and local governments will review, strengthen, or accelerate their preparedness to carry out emergency stabilization responsibilities in the event of general war.