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Statement of
Wm. McC. Martin, Jr., Chairman,
Board of Governors of the Federal Reserve System,
before
Subcommittee No. 3
of the
House Committee on Armed Services
on H. R. 3516

June 5, 1963

I appear today in response to your invitation to present the views of the Board of Governors of the Federal Reserve System on H. R. 3516, covering incorporation of fallout shelters in Federal structures, construction of emergency operating offices, and financial assistance to nonprofit institutions for fallout shelters.

In the light of our experience in developing our own emergency plans and encouraging commercial banks to take appropriate preparedness measures, the Board of Governors believes that enactment of H. R. 3516 would be in the national interest.

The Board has been concerned with defense planning for the banking system since enactment of the National Security Act of 1947. Its activities have been undertaken pursuant to assignments from the National Security Resources Board, the Office of Defense Mobilization, the Office of Civil and Defense Mobilization, the Secretary of the Treasury, and, more recently, from the President as described in Executive Order 11094 dated February 26, 1963.

Under these assignments the Board is responsible for achieving an adequate state of preparedness to assure the continuity of the money, credit, and banking system in the event of an attack on the United States. Such preparedness requires that some provision be made for the protection

of personnel relied upon to carry out postattack operations. For a number of years, those responsible for the defense of the country have advised us that fallout shelters provide one of the most effective, practical, and economical means for significantly increasing the chances of survival.

It will be recalled that the National Shelter Policy was announced in 1958 by President Eisenhower and reaffirmed in 1961 by President Kennedy. That Policy called for the incorporation of fallout shelters in all new Federal buildings and in all existing Federal buildings, where feasible at reasonable cost.

Because of the Board's special responsibilities in the field of national security, it applied the National Shelter Policy, not only to the Board's building, but also to all Federal Reserve Bank facilities. Fallout shelters have been included in all new buildings of the System commenced since 1958, and shelter areas meeting Government standards have been completed or planned in all existing buildings.

An important part of the Board's preparedness responsibilities consists of encouraging commercial banks to achieve an adequate state of preparedness. General guidance covering a preparedness program for commercial banks, including guidance on personnel protection measures and fallout shelters, was distributed to all banks in 1956. Since then, bank examiners in the regular course of bank examinations make inquiry as to the preparedness actions taken. Based on such information, it presently appears that banks holding approximately 70 per cent of total deposits have preparedness programs in various stages of development. However, the number of these banks is relatively small--they are mostly large banks in

major metropolitan areas--and only two-thirds of such banks have established shelter facilities.

It should be emphasized that the commercial bank preparedness program is purely voluntary. In the past, effective action on the part of banks has been most apparent during periods of grave international tension; for examples, following the erection of the Berlin wall in 1961, and following the disclosure of missiles in Cuba in 1962. Even during periods of international tension, it has been understandably difficult to persuade commercial banks to provide fallout shelters in their facilities at their own expense in the absence of an appropriate example by the Federal Government as a whole.

In the Board's view, enactment of H. R. 3516 would provide (1) an important first step in Government-wide implementation of the National Shelter Policy, (2) increased assurance for the continuity of essential wartime functions by all Government agencies, and (3) an appropriate preparedness example by the Federal Government to industry and to the general public.