The FDIC and World War II

Fighting Several Battles: President Roosevelt held FDIC Chairman Leo T. Crowley in such high regard that FDR tapped him for a variety of influential federal jobs related to the war effort, including a cabinet position, *all while he was still running the FDIC.* On December 10, 1941, just three days after Pearl Harbor, Roosevelt appointed Crowley the Alien Property Custodian, a crucial job in charge of finding and seizing enemy-owned businesses, ships, patents and other property in the U.S. Soon after, when Roosevelt added more responsibilities for Crowley with a group called the Economic Defense Board, the President wrote: "I know how many duties I have already imposed on you; but in this emergency you simply have to take on one more."

From 1943 to 1945, Crowley also served as chief of the Office of Economic Warfare, later expanded and renamed the Foreign Economic Administration (FEA). This cabinet-level job was responsible for wartime export controls and the lend-lease program, which sent food, machinery and other supplies to nations considered vital to U.S. defenses. According to the FDIC history book *The First Fifty Years,* Crowley's simultaneous service as Alien Property Custodian and FEA leader meant that significant foreign economic dealings were being run out of his FDIC office, then in the National Press Building. It also was said that the added pressure of the property custodian and FEA jobs forced Crowley to focus on only the most urgent FDIC matters in those years.

Wartime Shortages: The FDIC was fortunate that in the four years from 1942 through 1945, the banking industry was in pretty good shape and bank failures (28 in total) were manageable, because we faced personnel shortages as employees left for military service or to work for other war-related agencies. Staff shrank by more than one-half, from 2,538 at year-end 1941 to 1,184 at the end of 1945.

The number of examiners — apparently all men in those days — declined as the war continued, and efforts to recruit new examiners proved difficult. By 1944, the FDIC for the first time was unable to adhere to its policy of annual examinations for all FDIC-supervised banks. Due in part to government hiring restrictions even after the war, it wasn't until 1951 that the FDIC again was able to conduct annual exams for all FDIC-supervised banks.

Also, communications and travel were very limited during World War II. Large offices shared a single telephone. There were no such things as faxes, photocopiers and e-mails. Air travel was restricted and gas was scarce, so many examiners were forced to get to and from assignments by bus or train.

Moving to Chicago: The FDIC in 1942 sent half of its 500 Washington employees to Chicago for the duration of World War II. The decision was made to comply with President Roosevelt's request that civilian agencies in Washington free up office space for the military bureaucracies that were forced to operate out of basketball courts, apartment buildings and other odd locations until the massive new Pentagon building could be completed.

Recruited for Extra Duty: Not only did the FDIC supervise and insure banks during World War II, the agency was also put in charge of regulating federal credit unions. The Farm Credit Administration had been supervising credit unions, but in 1942 President Roosevelt decided the FCA should concentrate on the production of food, clothing and other farm products for the war effort, so he transferred to the FDIC 135 Farm Credit employees and the supervision of approximately 4,000 federal credit unions.

Although this authority was supposed to be temporary, stopping six months after the end of the war, Congress made it "permanent" in 1945. The FDIC, though, didn't want to continue regulating credit unions. One reason was that attention was diverted from bank regulation and insurance. Also, credit unions had no federal insurance then and there supposedly were concerns that the public might mistakenly think the FDIC would back credit union deposits as well. It wasn't until 1948 that Congress turned credit union regulation over to what today is the U.S. Department of Health and Human Services, and in 1970, federal credit unions got their own independent regulator (the National Credit Union Administration) and their own federal insurance.

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