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WASHINGTON -- This was the moment when the U.S. government's elaborate preparations for the Millennium Bug finally paid off.

The culmination came at 7:30 a.m. on Monday, when Alan Greenspan convened Federal Reserve Board members in Washington, and the Fed's regional bank presidents joined by speaker phone. After observing two minutes of silence, the group took just 20 minutes to agree on slashing the Fed's benchmark fed funds interest rates by a half a percentage point to 3% -- the lowest level since 1959.

But the central bank's surprise move capped a week of hectic scrambling by the world's economic generals to make sure the terrorists who destroyed the World Trade Center didn't do the same to the world economy. And the blueprint for this battle was largely written in anticipation of the Y2K scare.

While their military and law-enforcement counterparts across the U.S. secured perimeters, grounded airplanes and searched suburban apartments, central bankers, financial ministers and the White House economic team moved just as swiftly to keep money moving globally, banks lending, cash machines full of bills. All of this culminated with the successful reopening of the U.S. stock market, which had been shut down ever since the mass terrorist attacks a week ago today.

Still it's too soon to say whether their efforts will succeed. Though there were no obvious glitches in trading on Monday, stock prices fell sharply, with the Dow Jones Industrial Average falling below 9000 for the first time in more than two years.

There were rough spots. When the attacks hit, key American players -- notably Fed Chairman Greenspan and Treasury Secretary Paul O'Neill -- were overseas and had to hurry back to the States. At one point, the Fed found itself temporarily unable to lend dollars to its European counterparts, sorely in need of U.S. dollars to aid their own banks, because agreements among central banks had been allowed to lapse. Another glitch: Officials discovered that some officials phone numbers had changed and the lists hadn't been updated.

But by and large, the plans worked.

With U.S. markets reopened and the fear of a financial-system meltdown largely past, attention now turns to rebuilding and to minimizing the depth of the inevitable recession. President George W. Bush -- starting to pivot a bit from his focus largely on the human and strategic aspects of the tragedy -- convened leaders of his economic team at the Oval Office in the White House Monday afternoon as the market closed at 4 p.m. to weigh alternatives for keeping the economy and crucial sectors afloat. His group of conservative advisors -- who came to Washington earlier this year intending to limit the federal government's role in the economy -- considered whether and how to bail out industries from airlines to insurance, and whether a big new tax cut would help prop up growth.

Earlier in the day, as Mr. Bush was leaving a meeting with Pentagon employees, he groped for words to reassure investors and executives, pledging to "send a clear signal to the risk takers and capital formaters [sic] of our country that the government's going to act."

As much as anybody, America's economic leadership was caught unaware and out of place by last week's surprise attack and had to scramble to get at the controls.

Mr. Greenspan was on a Washington-bound flight from Switzerland, where he had been attending an international meeting of central bankers. The pilot came on an announced to the passengers that American airspace had been closed and that the flight was returning to Zurich. With the phones into the U.S. jammed, the Fed chairman was unable to make contact with anybody back in Washington until the plane had landed. Three of the other four Fed governors were also out of Washington on Tuesday: One was in China for bilateral economic meetings, another giving a speech on Social Security in Arizona, another on vacation.

Back in Switzerland, Mr. Greenspan linked up with New York Fed President William McDonough -- the Federal Reserve system's main contact for financial markets -- who had also attended the European meetings, to hop aboard a military tanker plane, which traveled to Washington via London. Mr. Greenspan was back at his desk by 1 p.m. Mr. McDonough was able to get back to New York by hitching a ride on a U.S. air force plane carrying Joe Allbaugh, director of the U.S. Federal Emergency Management Association, and New York Democratic Sens. Hillary Rodham Clinton and Charles Schumer. Mr. McDonough's chief aide for monitoring markets, Dino Kos, was on a separate flight back from Switzerland and got diverted to Montreal. Mr. Kos found a bus that dropped him off at JFK at 2 a.m.

Mr. O'Neill was in Tokyo when he found out about the attacks, preparing for meetings with Prime Minister Junichiro Koizumi, and Japan's finance minister and central bank governor. He quickly cancelled the meetings, and was able to get onto a cavernous military cargo plane with special seats snapped in place. After refueling in the air, the plane landed at Andrews Air Force base near Washington around 5 p.m. Wednesday.

Fortunately, economic and financial policy makers had a war plan in place for just such a shock to the system, and there enough essential players to implement the emergency response plan, even with so many top officials incommunicado at crucial moments. The main vehicle for handling major financial jolts is the President's Working Group on Financial Markets, a committee first assembled in the wake of the 1987 stock market crash. It had honed its crisis- management blueprint during the global financial turmoil in 1997 and 1998, and in preparations for the Y2K changeover at the end of 1999. The group consists of the Fed, the Treasury, the Securities and Exchange Commission, and the Commodities Futures Trading Commission, with some White House officials weighing in.

"They knew a lot more about the interconnections of the payment systems and the bank computers than they did before Y2K," says Alice Rivlin, a former Fed vice chairman.

Indeed, to respond this week, central bankers around the world pulled out an emergency contact list that had been prepared in anticipate of a possible Y2K crisis. Within hours of the plane crashes, the leaders or deputies of the key working group agencies were on the phone with their own organizations and with each other, making a checklist of potential problems to examine and batting about ideas on how to respond. They've been meeting, by phone, at least twice a day every day for the past week. Two main participants include have been separate halves of one of Washington's main financial power couples: Fed Vice Chairman Roger Ferguson and Annette Nazareth, head of market regulations for the SEC.

Mr. Ferguson, the one member of the Fed's board of governors in town Tuesday, was one of the first officials in Washington to launch the emergency response. He was, in many ways, well-suited for the crisis, especially for finding and snuffing out problems in the banking system. Before joining the Fed in 1997, he was a financial-institutions consultant at McKinsey & Co. After becoming the central bank's first African-American vice chairman in 1999, he chaired a committee of the world's central banks preparing for Y2K. Few people knew as well as Mr. Ferguson exactly what questions to ask and whom to contact to assess the state of the global financial system.

With unconfirmed reports of car bombs going off in nearby downtown Washington and many federal offices preparing to evacuate, Mr. Ferguson convened as many of the regional bank presidents as he could on the conference, and once it was over, issued a critical statement: "The Federal Reserve System is open and operating. The discount window is available to meet liquidity needs."

The wording was similar to a statement Mr. Greenspan had issued in the wake of the 1987 market crash just a few weeks after he had taken the helm at the Fed. The discount window is a rarely used backstop for banks needing quick money. The previous week, the total lent through that mechanism was a mere $200 million. Within a day of the Fed announcement, it had hit a staggering $45.6 billion.

Meantime, the New York Fed, under the watchful eye of Sandra Krieger, a PhD economist responsible for money market operations, was busy making sure banks and investment dealers unable to raise essential funds in the barely functioning money markets had all the financing they needed. Though some of its 25 primary dealers had seen their trading operations stranded by the disaster, enough were operating that the Fed that morning got by Wednesday afternoon the New York Fed had received demands for $46.25 billion in one-day funds; it lent $38.25 billion, more than double the previous record for any single injection of funds, set back in the 1980s. To ease the way, it made it easier for dealers to post securities other than Treasurys as collateral. After that day, it met all demands for funds; by Friday, the injection had reached an astounding $81.25 billion, exceeding what it had done over Y2K.

Meanwhile, the New York Fed had to deal with the chaos surrounding its own offices on Maiden Lane just a few blocks from the destroyed World Trade Center. Beginning Wednesday, some of its staff began moving to a back office site in East Rutherford, New Jersey, which also has a backup trading desk. That afternoon, the U.S. National Guard ordered out most of the remaining staff when concerns rose that another nearby building might collapse. The concerns proved unfounded, but by Thursday the Fed was conducting its open market operations from East Rutherford. Not all its staff evacuated: Throughout the crisis, a protection force has kept watch over the huge hoard of gold the New York Fed stores deep beneath its headquarters on behalf of foreign central banks.

Throughout the week, Fed officials popped up everywhere doing their part to get the markets going again. At a meeting Thursday afternoon on how to reopen the markets, Mr. McDonough reminded the bankers and executives in attendance that they were expected to keep credit flowing to brokerage firms who were good credits but cash constrained by the disaster. They had heard the same message during the 1998 debt markets crisis and over Y2K. The Fed also quietly notified banks that it would be "very understanding" of their lending to securities dealer affiliates, a practice normally limited by Depression-era laws.

Except for New York, the Fed's 12 regional banks were unaffected by the attack, though they did have to meet a short-lived surge in demand for currency from their member banks. But on Wednesday both the Richmond and Atlanta Feds learned they may have been the target of other terrorist attacks. Concern was especially acute in Richmond, where the Federal Reserve Bank building is among the city's most prominent and was designed by the same architects who designed the World Trade Center. Though the banks were told the source of the information was doubtful -- and has since been discounted -- they nonetheless beefed up security. The Fed president in Richmond, Al Broaddus, drafted a letter to his employees Saturday expressing confidence in the building's security and promising to take any actions necessary for their safety, then met with them Monday morning to answer their questions.

Even before Monday's emergency rate cut, it was obvious to Fed officials that the economic recovery they'd all hoped would soon be under way was going to be compromised; just how much, nobody knew. American consumer confidence, already under pressure, was bound to slide further. Business investment, the primary source of the economy's weakness, could suffer further as companies factored an added risk premium in their plans. The gravity of the situation was obvious enough that even before Monday's move, five of the Fed's regional banks had voted, either at scheduled meetings or by teleconference, to request a half point rate cut.

Almost as important as the Fed's actions at home were its efforts to limit the damage of the crisis abroad. The European Central Bank, in particular, had a dilemma: how to help European banks that couldn't finance their sizable dollar positions in New York? Banks in the U.S. were unwilling or unable to lend them dollars, partly because of difficulties in arranging the required collateral. And if foreign central banks wanted to get the dollars in the open market, they risked destabilizing exchange rates.

Two alternatives were considered. The first was for the Fed to swap dollars for euros and pounds so that the ECB and other European central banks could then lend to commercial banks in Europe. But formal swap agreements between U.S. and European central banks had lapsed and there were some immediately legal problems in reinstating them amid everything else that was going on Wednesday.

So the Bank for International Settlements in Basle, the central banks' central bank, worked on an alternative: Because it is a gilt-edged credit, the BIS was able to arrange unsecured loans of dollars from U.S. commercial banks that it was prepared to lend to European central banks. This didn't prove necessary. Early last Wednesday the Fed announced it had reached a swap arrangements of up to $50 billion with the ECB. On Friday, it announced a $30 billion swap agreement with the Bank of England and expanded an existing swap line with the Bank of Canada to $10 billion from $2 billion.

In a statement, the BIS said, "We had contacts with the major central banks, and put in place contingency arrangements to supply foreign exchange liquidity if need. In the event, other means were available to supply the liquidity required."

Meanwhile, central bankers and finance ministers also acted on the political front. The night of the attacks, Canadian Finance Minister Paul Martin spoke by phone with Secretary O'Neill in Tokyo. The Canadians then drafted a statement for the Group of Seven most industrialized nations, then sent it to the Italians. The Italians took it to the European ministers, who were meeting in Brussels on Wednesday.

There was some debate within the G7 about the wording, particularly the phrase "We will monitor economic developments and financial markets closely and stand ready to take further action as necessary." Some of the central bankers, especially the Fed, wondered exactly what further action the group was willing to pursue, particularly on the fiscal front.

In the end, though, the language stayed in the G7 statement. "We are committed to ensuring that this tragedy will not be compounded by disruption to the global economy," it said. "Our central banks have indicated that they will provide liquidity to ensure that financial markets operate in an orderly fashion."

The global coordination continued through the weekend. And on Monday, in the most synchronized monetary policy move since the crash of 1987, the ECB, the Bank of Canada and Swiss National Bank joined the Fed in slashing interest rates all outside their scheduled meetings. Central banks in Canada, Switzerland and Sweden also eased policy. The Bank of Japan intervened in the currency markets to weaken the yen, a move that can help stimulate the economy. The Bank of England was conspicuous by its absence: It held steady after its governor said last week that a coordinated move across the globe was unlikely.

The scope and speed of the moves reflect the feeling among central bankers that the damage goes well beyond property and lives. Many economists now the American economy will fall into recession, pulling down other economies.

In Europe, the ECB's move is certain to alter the bank's reputation for inflexibility and late acting. As recently as Wednesday, ECB president Wim Duisenberg had said interest rates were fine where they were and that a policy response would smack of panic. Feelings began to change over the next few days. At a regular meeting Thursday, some ECB council members acknowledged a cut in Europe might be necessary. By Monday's hastily arranged afternoon conference call, this had become the majority view, but it still took lengthy debate before the ECB decided to cut its key rate to 3.75% from 4.25%.

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