

C. Douglas Dillon Oral History Interview – JFK#2, 11/10/1964
Administrative Information

Creator: C. Douglas Dillon
Interviewer: Dixon Donnelley
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Biographical Note

Dillon, Secretary of the Treasury (1961-1965) discusses his roles as chief financial adviser to JFK and the role of the Treasury Department in the JFK Administration, among other issues.

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BY DOUGLAS DILLON

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- c) An unclassified subject index to the transcripts (attached herewith and labeled "Index I"); and
- d) A subject index to certain classified materials in the transcripts, classified "SECRET" (attached herewith and labeled "Index II").

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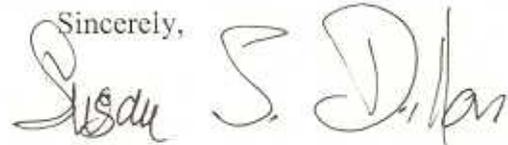
Dear Mr. Goodrich:

This is in reply to your recent letter regarding the interviews my husband, Douglas Dillon, did for the John F. Kennedy Library Oral History Project in 1965.

I have looked over the documents you enclosed with your letter, and I agree that there are no longer any reasons to restrict access to the transcripts. As authorized by his deed, I hereby annul the clause that closes Mr. Dillon's interviews for a period of five years following his death that was originally stipulated in the deed.

This letter authorizes the Kennedy Library to open his Oral History interview tapes and transcripts for general research use without restriction.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan S. Dillon". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Susan S. Dillon

C. Douglas Dillon – JFK #2

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Second Oral History Interview

with

C. DOUGLAS DILLON

November 10, 1964
Hobe Sound, Florida

By Dixon Donnelley

For the John F. Kennedy Library

DONNELLEY: This is an interview with Secretary of the Treasury, Douglas Dillon, done at his home in Hobe Sound, Florida, on November 10, 1964. One of the big questions about any administration, and certainly about the Kennedy Administration, was who actually helped to shape policy. Specifically, when you first took office, and even prior to your being sworn in, I think you did have an understanding with the President [John F. Kennedy] as to what your role would be.

DILLON: Yes, that was very true. The President told me, when my appointment was being announced at his house in Georgetown, that he expected that I would be his chief financial adviser. He said, of course, that he would have other economic advisers. But he asked my advice on the appointment of Walter Heller [Walter Wolfgang Heller] as Chairman of the Council of Economic Advisers which I think I mentioned earlier. I thought that was a fine idea. It was his idea that it would be useful to have an outstanding liberal economist, known throughout the economic fraternity as a liberal economist, as his Chairman of the Council of Economic Advisers. He wanted the Council to be active, to give him all sorts of ideas, but he made it very clear to me that if there ever was a difference of opinion, which didn't develop often, but a few times it did, he would always rely in the last instance on my judgment as Secretary of the Treasury. If he didn't agree with me over a period of time, this would mean that he didn't have confidence in his chief financial officer. In this event he would get a new

Secretary of the Treasury. That was our basic understanding as we started, and it continued all the way through his administration. Never once, on a basic matter, did he make a decision contrary to the advice he received from me and from the Treasury Department.

DONNELLEY: Let's pursue that a little farther, Mr. Secretary. Over the years of the Kennedy Administration and also during the early months of the Johnson Administration [Lyndon B. Johnson] the press, especially the specialists in economics in the press, speculated about a split between you and the Council of Economic Advisers.

DILLON: Certainly there was that speculation. But I don't think the split was very real. There were a few times when we had differences of timing and approach. There was a difference a couple of times on the handling of the tax bill, when the Council was in favor of a quick tax cut. Early in the summer of 1962 and again in the winter of 1963 when they were in favor of separating the reform part of the tax proposals, leaving them to one side and trying to move ahead rapidly with the tax cut, they differed with the Treasury. They were concerned that the economy might slip, and they wanted to get the impetus of the tax cut very quickly. Both of those times we differed with them and both times the President sided with us. But those were merely questions of timing, because we were as much in favor of a substantial tax cut as was the Council, and they were as much in favor of reform as we were, but their feeling as to timing was different.

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We also had some differences with them in the summer of 1962 on the question of handling international monetary affairs. They were intrigued at that time by the thought that in some manner we could persuade Europeans to grant us 5 to 10 year credits that would cover our entire deficit and guarantee our position in advance over a period of years. Thus we could, in effect, ignore the balance of payments.

That was not practical, and after we explained that to the President, he agreed that we shouldn't make any effort with the Europeans along those lines because it simply was impractical. Of course, it was a very attractive thought, since with its accomplishment, a lot of your problems would just vanish. But it was not a practical thought in the modern world. Other countries would simply not give the United States unlimited credit after we had already been running very heavy deficits for five or six years.

Aside from those few times I don't think there were—I think we had an extraordinarily close relationship with the Council. I think they contributed a lot because they had some new ideas. President Kennedy's Council, differing from former Councils, was very public relations minded. And they performed a very useful function in talking to the press frequently and, in their speeches, putting forward the ideas of what the Administration was trying to do. Sometimes they led a little ahead of what the Administration was trying to do in order to get people accustomed, for instance, to the idea of tax cuts, when we were running a deficit.

In the Treasury we naturally had to be more conservative in our approach to the press because we were the operating organ of the government—I was the chief financial officer. We could not so frequently meet with the press and give ideas of what our forward thinking was. That may have led to a feeling on the part of some of the press that there was a greater difference than there really was.

DONNELLEY: What about the statement that has often been made in print that the tax cut was Walter Heller's idea, and that he sold it to President Kennedy?

DILLON: Of course, there is no truth in that at all. This was something that was originally discussed by me with the President before my appointment. It was part of our original policy that was mentioned in the tax message of 1961. Our idea then was that the first tax bill would be passed in 1961, and that we would come along the next year with the overall tax cut. We didn't, at that time know the exact size of the tax cut that we would propose, but we did know that we wanted to reduce the top rates to the area of 65 or 70 percent and other rates accordingly. We didn't know how much we

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could make up in the way of reforms that would broaden the base. At that time we thought we could make up more than later proved possible.

I think that this feeling, the idea that Walter Heller was the one who had originally put this forth, stemmed from a somewhat different idea that he originally put forth in the summer of 1962. It was an idea for a sharp and big tax cut immediately to take care of the aftermath of the stock market crash. Therefore, his name got connected with this idea of a major tax cut. At that time we discussed the matter with the President and with Mr. Heller. The President then made a statement that he would ask for an across the board tax cut the following January, without specifying the size of it. This was our basic idea, although we had never before made quite as definite a commitment. We just talked about a bigger tax bill later. This time we said there would be an across the board cut both in personal and corporate income taxes, but that it would be requested in January, 1963, after we had had time to complete action on the 1962 tax bill.

We reached our conclusion on the amount of the tax cut by a process whereby we figured out how much it would cost to reduce tax rates to the top level of 65 percent and to a bottom level of 15 percent which was a comparable cut, and how much we could get back in base broadening reforms.

We found that with a 5 point cut in corporate taxes thrown in, this would cost us about 10 billion dollars a year. That figure was also one that apparently fitted in with the type of general economic work that was being done by the Council as to what would be needed in the way of stimulus to remove the drag of the overly high tax rate structure that had been created during World War II and in its inflationary aftermath to hold down consumption. And so we were all very much together on this. But I think that the reason that some of the economic writers in Washington first associated Walter Heller with this was because he

preached tax reduction so avidly as an immediate need in the summer of 1962. When it came along later, the press thought that this was a later result of his original idea in the summer of 1962. This wasn't the fact because the President had had the idea of cutting taxes for a long time.

DONNELLEY: Returning to the question of policy making and decision making, do you recall, in your relations with the CEA [Council of Economic Advisers], a time when the President, having listened to both sides, then made the final decision.

DILLON: Oh yes, a number of times. This happened in this tax matter about the idea of having a quick tax cut in the summer of 1962. It happened in the handling of our international monetary

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policy, later in the summer of 1962 also. That was in August or September. So there were a number of times like that, and each time when he made the decision, he simply decided that what he would do would be what we, in the Treasury, had recommended. I think that by the end of 1962, the Council became aware that this was the likely result of any controversy that might go to the President. So after that there never were any more real controversies. We generally were able to settle matters ourselves, and the Council and we found nothing to disagree about.

DONNELLEY: On the personal side of President Kennedy. Do you recall examples of the style with which he made a decision—the manner in which he approached it?

DILLON: Well, the thing that was really remarkable about President Kennedy was his desire and willingness to learn all about an important problem and then to hear all sides of it right from the beginning. Then he would make his decision, and make it right away after he had heard everything. If it was a very important decision, that obviously required more thought, he might not make it right away. He might put it off to sleep on and maybe to have a meeting again, a week later and talk about it some more. But the interesting thing was his avid desire to understand the different points of view involved in reaching a final decision on any complex matter, and his ability to understand and grasp the details of a whole lot of things that he obviously did not have much day to day contact with. Examples, in my own responsibilities of finance, were problems of fiscal stimulus, tax cuts, and problems of refinancing the debt.

There were a couple of times when we, in the Treasury, felt like selling longer term bonds than the Council wanted. This was in the early days when they were still more concerned about things like this. We would explain our reasons for doing this and the President would listen, would understand, and then make his decision.

A totally different subject was at the time of Cuba. He took part in many of these meetings during the Missile Crisis and said very little. But he would listen and ask different people to speak and draw out of what had been said the essence of what was needed for him to make his final decision. I certainly never disagreed with any of the decisions he made. I thought particularly in this Cuban Missile Crisis it was certainly a remarkable thing to see his calmness and to see the sensibleness of his decisions under pressure. One of the greatest of them was his refusal to be stampeded into taking an irrevocable decision too quickly. He turned out to be absolutely right, although I am convinced he was fully ready to be very firm and use any means at our disposal to assure that the missiles were eventually taken out of Cuba or destroyed.

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DONNELLEY: I think you once said that President Kennedy had a lightness of touch and a tactful way of announcing a decision when the principals involved in an argument, for example, might be present.

DILLON: Oh, he was very good. He would never say I agree with so-and-so and you're all wrong, and so we're going to do this. He would say, "I guess this is what we have to do." He would find some quip. I remember one of them which was after we had had three or four sessions on a proposal to find a way out of our balance of payments problems by selling long term securities to Europeans over a period of years. In this way we would cover our deficits and have this agreement ahead of time.

As I have said, this was very attractive. The case for it was supported at that time very vigorously by the State Department in the person of Mr. George Ball [George W. Ball], because they thought that otherwise we might interfere with what they were interested in. They might be required to reduce military forces in places they didn't want to, or to reduce their foreign aid program and things like this. Well, to a minor extent we did interfere with their projects, but I think their fears were over-exaggerated. However, they wanted to feel that they had a fully free hand for the years ahead. So they and the Council joined in this thing. They put a very appealing picture as to what the results would be if this could be done. We had to take the opposite side, saying that it not only could not be done, but that it would destroy what we were already doing quite successfully in financing our payments deficits with the Europeans. They would feel that we were not serious in trying to correct our own deficit which was the fundamental thing to do.

When the President finally got to the point where he had to make his decision, I remember his making it. The way he announced it was that, at the end of one of these meetings, the third or fourth, he said, "Well, gentlemen, I guess we always have to have some fellow around with the job of shooting down the balloons. That apparently is the Secretary of the Treasury's task so I guess that we will have to forget this wonderful idea. It is not really practical." He said it in a very joking manner, and very pleasantly. He made everybody who had been working hard to get a different decision feel perfectly happy at having been overruled.

DONNELLEY: Also wasn't there an occasion when you and Arthur Schlesinger [Arthur M. Schlesinger, Jr.], who was then his adviser, got into a discussion and didn't he decide in your favor and then make a quip? Do you recall that incident?

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DILLON: I don't recall that because I don't recall having any substantive difference with Arthur Schlesinger that had to be decided by the President. Arthur never had anything to do with Treasury matters.

DONNELLEY: The story goes that the President turned to you and said, "Well, I have my radical advisor, Doug Dillon, and over here I have my conservative friend, Arthur Schlesinger."

DILLON: I do remember something like that, but I don't think it occurred over any real basic argument between us. It may have been that he was there when we were talking about something, probably about Latin America because Arthur Schlesinger was for a while active in what was going on in South America.

DONNELLEY: Well, we have just touched on your relationship, speaking for the Treasury, with the CEA. I know that in another interview in this series you discuss your relationship with the State Department. Could you review briefly your relationships, meaning the Treasury, under President Kennedy with other agencies in the government?

DILLON: I think our relationships were good with the other agencies. They were normal. We had a useful relationship with Luther Hodges [Luther H. Hodges] and the Commerce Department which was working very hard to stimulate exports. This was very important for our balance of payments. We worked with the Defense Department in reducing expenditures overseas, and Bob McNamara [Robert S. McNamara] was very understanding about that. He understood fully the necessities of the balance of payments, and the reasons why we had to get our payments back into balance. He was very cooperative in finding ways to reduce the dollar costs of defense abroad. We got on well with the AID [Agency for International Development] agency, particularly after David Bell [David E. Bell] became the Director. He had been the Director of the Budget in the beginning. I don't know that we had much to do with any other governmental departments or agencies. I think that about covers the ones we were actively concerned with.

DONNELLEY: Haven't you occasionally had troubles with the Commerce Department, particularly in its method of reporting out balance

of payments?

DILLON: Yes, that is a long story. That was really a problem that not only concerned us, but was of general concern throughout the government. There was one section of the Commerce Department that had complete charge of that. It was run by a civil servant who was very capable and had given a long time to this. He was a real expert, but he had very decided views which he had acquired a number of years before and was unwilling to change. We thought his presentation was erroneous and that it put the balance of payments in a worse light than it should have been. His concept was originally developed right

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after World War II, at a time when the dollar was the only good currency. Any dollar deposits that American companies might make abroad were listed as liabilities, and any deposits that foreigners might make in this country, were lost listed as assets, because their currencies were not supposed to be useful. This, for us, didn't make much sense, but we weren't able to get anywhere because the top officials of the Commerce Department could not in any way influence this bureau.

They didn't want to go to the point of, which I wouldn't have advised anyway, of solving the matter by changing personnel. So what we did was to set up a committee of outside experts, headed by Professor Bernstein [Edward M. Bernstein], who had been with the IMF [International Monetary Fund] for a long time and is now a private consultant, along with the experts from banks in New York, from business and academic life and from the Federal Reserve Bank and Board. They spent a year and a half studying this, and they are about to come out with a report, now in late 1964, which will recommend some substantial changes along the lines that we have felt were advisable. I hope that the government will then, with this strong backing from an impartial, outside, expert board, adopt these recommendations. That will go a long way to solving the problem.

DONNELLEY: On the subject of the balance of payments, and I'm not going to repeat what Professor Harris [Seymour E. Harris] had discussed with you, you recall that in the President's famous message on the balance of payments a great many proposals were ticked off. Looking back at them now from this vantage point, do you see any which were exceptionally worthwhile, others which perhaps didn't contribute a great deal?

DILLON: Of course, some were meant to be more important than others. Looking at the minor ones, we had, for instance, a suggestion to allow our banks to pay any rate of interest that they desired on the deposits of foreign central banks, not to be held down by a ceiling. They are now doing that, but that's only a minor thing. It might save temporarily a hundred or two hundred million dollars. On the other hand, the basic thrust was to increase the competitiveness of American industry, to increase our ability to sell abroad through better export insurance and

through a more vigorous governmental effort, to help American business abroad, and to reduce overseas governmental expenditures. All of these things which were in the original message were highly important and they are still under way. I can't identify any one item that wasn't a useful thing to do, but some were more important than others.

DONNELLEY: To change the subject. This is something you were reluctant to discuss publicly, but perhaps for purposes of this interview you might want to. The question is how you and Mrs. Dillon [Phyllis Ellsworth Dillon] worked closely and very generously with President and Mrs. Kennedy [Jacqueline B. Kennedy Onassis] in their ideals of restoring the White House.

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DILLON: Well, of course, we had been very interested in similar projects in the State Department when I was there. My wife had helped choose the decoration of the entertainment suites in the new State Department building, which I think have turned out very well. We had contributed the chandeliers that are in those rooms, when funds which had been appropriated by Congress ran out. During our stay in Paris in the Embassy, we had been struck with the beauty of official buildings there. So, when Mrs. Kennedy became interested in making the White House more representative of what was best in American furniture and tradition, we were glad to help, and we did help. We made a contribution, telling her that she could use it in any way she saw fit. We did not do as we had done in the State Department, try to pick a particular area and do it over ourselves. Mrs. Kennedy was doing the whole White House herself and was very competent at it and very interested in it. So all we did was to give her a sum which she could use wherever she wanted. She did use it to buy a number of pieces of furniture which are presently in the Red Room. Presumably they will stay there for a long time, because I think she chose them very well.

We then carried on later when the idea of refurbishing Blair House came along so as to make it a more attractive place for a visiting chief of state to stay in. We entered into that also, and there we took one room which was in the main living room downstairs in the Lee House, right next to Blair House, which opens together into one. We redid that room entirely ourselves. This was done differently because this was started in late 1963, in the fall of 1963, and by the time it got under way Mrs. Kennedy was no longer there. Her personal interest was no longer present, and the different people who were working on it had to take the responsibility themselves. So Mrs. Dillon did one room at Blair House herself.

DONNELLEY: Mr. Secretary, this is something you have been asked by a TV commentator. Recalling the way the Kennedys brought a new style of entertaining to the White House, heavy emphasis on cultural activities, you were once asked whether you thought the President had a genuine personal interest in these activities, or whether this was something he did because he wanted to please Mrs. Kennedy.

DILLON: I think he had a very real personal interest. I think her interest was probably greater in furniture, in decoration, possibly even in paintings, but I think his was just as real, and maybe even stronger in literature, in poetry, in drama, in things of that sort.

DONNELLEY: Another personal question about the President. You have both been described as voracious readers, fast readers. Did you ever compare notes on that?

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DILLON: No. But he could read many times faster than I could. I never saw anything who could read as rapidly as he could. He could read a page almost at a glance. I felt that I could read fairly rapidly, but not much more than half as fast as he could. He was able to devour a tremendous amount of information that way. But in spite of his ability to do this, on all important matters he generally preferred to talk with those who were interested and get at first hand their views from their own knowledge, rather than getting them all distilled and worked over in advance and down on paper.

DONNELLEY: That would be a major element in style. Perhaps you might want to expand on that.

DILLON: Yes, I think it is. It was a difference between him and his predecessor who also, of course, in National Security Council meetings, listened to what people had to say. But generally, under President Eisenhower [Dwight D. Eisenhower], the discussion would all be centered around a paper and what had been put on paper ahead of time. President Kennedy, while he would read papers and would read voraciously in the news field, newspapers, magazines, things of that nature, when it came to making decisions, preferred to get his information orally from those who were responsible rather than reading long papers. Although, if he was away, or if he had to do it memorandum, he could.

DONNELLEY: I have heard that the President had an amazing interest in a lot of very surprising subjects.

DILLON: Well, yes. He was interested in all sorts of things—naval history, for instance, the Coast Guard, which is one of the institutions under the Treasury. He loved the ocean, loved the water, loved sailing. Of course, he was also very interested in athletics of all kinds. He was a natural athlete himself, although after his injury to his back he wasn't able to take part as he had in his college days. There was that side of him plus his deep interest in history and government, American history, plus his interest in literature, poetry, things like that. Certainly he was a deeply cultivated man. I am mentioning these things, leaving aside what was apparently probably his chief interest, which was politics and government.

DONNELLEY: On the subject of the Coast Guard didn't a rather illuminating incident happen during the Inauguration Parade?

DILLON: Well, that was a very interesting incident. It happened there, but we didn't hear about it until later. During the Inaugural Parade all the military branches paraded detachments. There were detachments from the Coast Guard, from West Point, from the Army, from Annapolis, from the Navy, from the Marines and from the Coast Guard

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Academy. After the Inauguration, I think it was the next day, or maybe the day after, we had our first Cabinet Meeting. As we were in the Cabinet Meeting, where I sat on the President's left, he leaned over and said to me, "I noticed in the Inaugural Parade the other day that there were no Negroes in the Coast Guard Academy detachment that went by. Will you look into this and see what the situation is?"

Well, I looked into it and found that there were no negroes at the Coast Guard Academy; that there had been two in the history of the Academy—one, a very fine boy, had become physically disabled, and hadn't been able to graduate. Only one had ever graduated. When I reported that back, the President said he wished a real effort made to search out fine qualified candidates so that the Coast Guard Academy would be a truly integrated institution as any government institution should be.

Well, it was quite an effort. The qualified young Negroes didn't know that they could get into the Coast Guard. They hadn't heard about it and not many of them wanted to apply. But we put on a great effort, went around to different colleges and different areas where they had better high schools, where they would have qualified people. We were able the next year to come up with a dozen or fifteen candidates that took the examinations. I think there were two who passed them and were admitted, which was pretty good because there are some 4,500 candidates for the Coast Guard each year and they can only take in about 200. So it is a very difficult academy to get into. The competition is intense. In looking for the proper officer candidates we were able to find some Negroes and persuade them to take the entrance examinations. This certainly showed the great attention of the President to detail. He was, of course, interested in civil rights. But right after he had been inaugurated, when he was reviewing his Inaugural Parade, that he could have noticed a detail such as this is something that almost escapes me and is certainly very remarkable.

DONNELLEY: As a matter of fact, didn't the President assign the Treasury Department a leading role in his drive to extend civil rights?

DILLON: I don't think so. He asked all the departments to move in hiring qualified Negroes and in giving them opportunities to advance. We in the Treasury took this very seriously and moved quite rapidly. I think we were in the forefront, at least in the first couple of years, before some of the other departments got their organizations going. For that reason one might say that we

had an important position in this effort, but it wasn't one that was consciously assigned to us as against other departments. It worked in Internal Revenue, the Customs Bureau, the Coast Guard. Internal

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Revenue was very interesting because, of course, they had offices all over the country. They greatly increased the numbers of qualified, competent Negroes in their offices, particularly in the South where in the past they had had many segregated offices.

DONNELLEY: I know that you made a special effort to recruit qualified Negroes for higher grade positions in Treasury and yet you ran into some difficulties. I wonder if, for historical purposes, it might not be worthwhile discussing those difficulties.

DILLON: The difficulties are pretty obvious. They stemmed from the fact that not many Negroes had educational opportunities similar to those available to their white brothers. This was particularly true in the field of economics and finance which is the field the Treasury is interested in. When we began to look at this there were not many Negro economists in the United States that one could pick from. We were able to find one or two. Now we have a campaign on to try and train others and to encourage them to come in. But in the policy area of the Treasury Department which has to do with economic policy and financial policy, this was simply an area in which those Negroes that were able to get a good education had never particularly specialized or been interested. They were more likely to be lawyers, ministers and possibly even scientists, but they hadn't gone into the field of finances to any great extent.

DONNELLEY: Since we are speaking for posterity I know that at one point there was quite a strong urge within the Treasury to use the argument that Negroes needed better opportunities, as one of the arguments in favor of the tax bill. Yet that argument was never used very widely. Do you recall why?

DILLON: Well, I think that it was such a small part of the overall problem. Certainly the basic reason for the tax bill was to make our economy move better. And when our economy moved better those who were least favored, which would be the Negroes, would naturally be helped. But their problems, as we were working on the tax bill, were so much more immediate and great. They were the problems which were eventually met by the Civil Rights Bill of 1964 which was put before the Congress in the summer of 1963. We couldn't very well say that the tax cut was going to handle all these problems. I think the fact that there was a major civil rights bill before the Congress at that time which had to do with more immediate problems was probably the reason there wasn't any great stress on the fact that Negroes would get very substantial indirect benefits from the tax cut, through a better functioning economy.

DONNELLEY: Mr. Dillon, I would like to turn now to another area of great interest to the President and I know to you too and that was the question of his relations with the press. By way of starting off you will recall, of course, that the Treasury Department, just prior to a press conference by the President, in company with other major agencies, went through quite an exercise, preparing anticipated questions and providing possible answers. On occasion, you would personally become involved with the President prior to a press conference. Do you recall examples?

DILLON: Well, I think practically all the examples had something to do with balance of payments, gold flows, international monetary problems, things of that nature. They may have had something to do from time to time with tax problems. What would happen would be that on occasion the President would call up and say he was having a press conference that day. He would ask what he should say about this, that or the other thing which would be something he was particularly interested in, something that may have been omitted in the briefing materials that had been supplied him. Or he might call up and say, "What if I say this? What would be the effect?" He was always very careful on things that might have international repercussions. He knew that, in the balance of payments field, international opinion was very important, and so he could often check that sort of thing personally on the telephone with me.

DONNELLEY: As a matter of fact, I seem to recall that whenever there was a presidential press conference live on TV you made it a great point to put aside your other work in order to watch it.

DILLON: I always did that because I felt they were always important. Important things were said, and I tried to see it live rather than read it in the paper the next morning. I felt I had to read it right through to know what he had said because it was important to my position in the government to know it. Also it was wonderful entertainment to look a President Kennedy's press conferences because they were handled so brilliantly. They were really tours de forces as everyone knows.

DONNELLEY: On the whole, would you say that he had been treated fairly by the press?

DILLON: Yes, I think the press—my impression was that he was fairly treated by the press. I think that he was treated fairly by everyone with the big exception of the business community. They badly misjudged him and felt that he was anti-business, when really, no president has done as much for business as President Kennedy going back a generation or more.

DONNELLEY: Isn't it true that the President had a fairly low boiling point when it came to certain sections of the press, particularly those reporting on your area of activity?

DILLON: Well, he was very interested in the press, and he would read avidly and would find an article, or editorial that he didn't agree with and immediately call up and bring it to your attention and say, "What about this?" Or maybe it would be something that concerned him, criticizing something we were doing in my department or in my general area, and he would call up to find out what was wrong. I thought that was fine and we were always glad to answer. One of the things he would like to have done frequently—he would suggest why didn't someone arrange to write a letter to the editor. I sometimes felt that he carried that a little too far, because I found that when that was done, it often just stimulated a further hardening of position on the particular paper involved. So I wasn't very much in favor of writing these letters to the editor complaining about earlier editorials. This, however, did show his interest and enthusiasm about what he was doing, his impatience, the difficulty in getting people to understand the real truths of economics as compared to some of these things that he called in a speech he made at Yale "myths." These were the sort of beliefs which were instilled and believed in without too much real thought.

DONNELLEY: One thing might be worth clarifying. You may remember that the President, soon after the tax bill had been proposed, made an appearance in Washing before the American Bankers Association in which he was asked a question. And his reply to that question was interpreted very widely as meaning he was willing to throw away the reform elements in the tax bill. Do you recall that episode?

DILLON: Well, this came at an unfortunate time, just at the time when we were having a discussion with the Council about their idea that business was being threatened with deterioration in the spring of 1963 and would not pick up rapidly enough. They were interested at that time in separating the tax cut from tax reforms. Naturally, as soon as they put this idea forth it was welcomed avidly by many special interests—all of them welcomed it for totally different reasons. They thought this would be a way of killing the base broadening reforms that were being thought of. So there was a good deal of public acceptance of this thought. I think the President was somewhat intrigued with it, and, in answer to a question, I don't recall the exact question, his answer was exaggerated as a decision that the tax cut should be separated out from tax reform in the interest of rapid action on tax reduction so as to avoid a possible recession. Of course, there wasn't any recession and there was no prospect of one. But this did lead to certain misunderstandings and difficulties so the

President arranged for me and others to correct this mistaken impression. This was the end of the matter because he never had made any such decision. He was just sort of philosophizing at the end of a question and answer period, and he philosophized a little too far. This was all there was to it.

DONNELLEY: This might be worth following up. Even today there are a lot of die-hards in the liberal camp who claim that the Administration, first under President Kennedy and then under President Johnson, never really did fight for tax reforms.

DILLON: Oh well, that's simply not true at all. There are, as you say, a number of die-hards who felt that if you didn't get everything you asked for it was better to get nothing at all. We were more practical than that. We wanted the maximum of base broadening reform, and we got a very substantial amount of it. Some of our suggestions we were not able to get across. Some of them we decided were not the best solutions. For instance, this was the case with the five percent floor that was eventually discarded. But the fact of the matter is that in the two bills in '62 and '64 we obtained in revenue-raising reforms a total of about \$1,700,000,000 in new revenue a year, about equally divided between the two bills with about \$850 million additional in each bill. This was more than three times the total of revenue-raising reforms that had been enacted in the preceding twenty years, and probably more than in the whole preceding history of the income tax since its inception in 1913. So I think it was a very real result and a very good result.

It didn't meet the desires of some who felt that we could go a lot further—that's what I said earlier; we weren't sure how far we could go. But there was a feeling among certain people who were not too familiar with taxes and even among some who had worked with taxes, but who were primarily interested in tax theory, that the tax base could be broadened much more radically and rates dropped much further without any overall loss in revenue. There are some people who still think that, but it is not politically realistic in our country to expect that we will be able to do very much more in the way of fundamental and important tax reform for some time to come than we have already accomplished.

DONNELLEY: Just as a matter of history interest, did you ever discuss with President Kennedy further tax cuts or revisions beyond those contained in the two tax bills that he introduced?

DILLON: No, because we were, at the time of his assassination, still fully engaged in obtaining the passage of the bill that had been introduced that spring. We weren't worrying about what comes next.

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DONNELLEY: Did he ever express an interest to you in what to do about excise taxes?

DILLON: No, that didn't become an issue until the spring of 1964 when it was brought up while the bill was on the floor of the Senate. There were motions to add excise tax cuts to the bill. It became a public issue at that time.

DONNELLEY: On the subject of the press, I know that you and the President shared some friends among special writers, publishers, and so forth. In your experience with the President socially, did you find that these people were included in the gathering?

DILLON: Yes, but I found that those times he never talked with them on governmental matters. I don't think they got any advantage in their stories from that sort of contact. He liked them as friends. He would talk to them as friends, would go to their houses. There were a number of them he felt that way with, that he felt rather close to. I can think of four or five in Washington and it was a very pleasant relationship but not a relationship that they were able to get news value out of.

DONNELLEY: This concludes the first tape in an interview with Secretary of the Treasury, Douglas Dillon, at his home in Hobe Sound on November 10, 1964.

[END OF INTERVIEW]

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