C. Douglas Dillon and Robert V. Roosa Oral History Interview – JFK#1, 01/25/1965
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Dillon, Secretary of the Treasury (1961-1965) and Roosa, Undersecretary for Monetary Affairs, United States Department of the Treasury (1961 - 1964) discuss the International Monetary Fund's role in the international monetary system and the General Arrangements to Borrow, among other issues.

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JOINT GIFT OF JOINT PERSONAL INTERVIEW

BY DOUGLAS DILLON AND ROBERT VINCENT ROOSA

TO THE

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In accordance with the provisions of the Federal Property and Administrative Services Act of 1949 as amended (63 Stat. 377 as amended) and regulations issued thereunder, we, Douglas Dillon and Robert Vincent Roosa, hereby give, donate, and convey to the United States of America for eventual deposit in the proposed John Fitzgerald Kennedy Memorial Library (hereinafter referred to as the Library) for administration therein by the authorities thereof:

a) A transcript of a joint personal interview approved by us and prepared for deposit in the Library;

b) One (1) tape, containing the interview, from which the transcript of the joint personal interview was prepared; and,

c) An unclassified subject index to the transcript (attached herewith).

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Signed: Douglas Dillon
Douglas Dillon

Date: Feb. 23, 1965

Signed: Robert V. Roosa
Robert Vincent Roosa

Date: March 1, 1965

Accepted: Wayne C. Grover
Archivist of the United States

Date: March 5, 1965

January 5, 2004

Allan B. Goodrich
Chief Archivist
John F. Kennedy Library
Columbia Point
Boston, MA 02125

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,

Susan S. Dillon

Susan S. Dillon

C. Douglas Dillon and Robert V. Roosa – JFK #1

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Oral History Interview

with

C. DOUGLAS DILLON AND ROBERT V. ROOSA

January 25, 1965
Washington, D.C.

By Dixon Donnelley

For the John F. Kennedy Library

DONNELLEY: This is a joint interview with Secretary of the Treasury, Douglas Dillon, and Under Secretary of the Treasury, Robert Roosa, done in their office in Washington, January 25th.

ROOSA: As we review the record of the past four years one whole slice of it concerns the beginning or early phase of an organization known as G-10. That's the group of ten industrial countries that was brought together by the force of circumstance, the arrival of conditions of convertibility among the leading countries. And even though some were not yet fully convertible in early 1961, there was a kind of natural common interest and reasonable expectation that all would be convertible soon which brought them together and gave them problems that were in their own way rather different from those of most of the smaller or less developed countries in the world. In the origins of this Group of Ten I think there are a number of considerations and I think Mr. Dillon remembers more—how do you recall the way in which all this began?

DILLON: When we took office in early 1961 we were in a period of crisis in our balance of payments. One thing was perfectly obvious and that was that we had to create and carry out a new and different policy for the United States—a policy of close cooperation with all the other industrialized countries which had convertible currencies. We hadn't done that in the past. The problem had only become acute beginning in late '59 or '60 with the advent of convertibility. But it was very clear in

’61 that we had to change our policy. One of the very earliest things that we did was to state that we wanted to move in this direction. We started by having our agent of the Treasury in New York, the Federal Reserve Bank, start to attend the meetings of the central bankers in Basle.

Then as spring went along the OECD [Organization for Economic Co-operation and Development] convention was ratified. That occurred in the spring of 1961 and at that time we decided that there would be great use in having a small select group of countries—select in the sense that they had interests in the international payment system because they had hard currencies and because short-term funds flowed back and forth rapidly between them. We undertook negotiations within the framework of the OECD to see how this could be handled in a restricted body where one could talk freely and only have present those countries which were involved with real short-term capital flows. As a result of that an organization was set up called Working Party Three which was a restricted group. It was agreed that the Treasury, in the person of the Under Secretary for Monetary Affairs—you, Bob—would represent the United States in that group. And that group, I think, was the forerunner of more or less what has developed since, although its membership was slightly different than the later G-10 group. I think that is where we begin.

The next step is what happened in the summer of 1961 when we began to see that a large drawing by the United Kingdom on the Monetary Fund was likely. It became obvious to us that if we should ever have to draw substantially on the Monetary Fund there simply would not be

enough assets available in convertible currencies even to meet what would be a truly modest drawing by the United States—a gold tranche and a first credit tranche—a $2 or $3 billion drawing. So we thought something had to be done to expand that.

ROOSA: Then we took some soundings among the people who were attending Working Party Three, saw that there were wide differences of opinion, went back to talk to Per Jacobsson who was then Managing Director of the Fund, found him initially quite skeptical of any separate arrangement that would be built outside the Fund. The view that he and the Fund staff initially took was that if the Fund needed additional resources when a major additional drawing arose they could borrow under Article 7 from countries who were then in surplus; that this would be adequate.

We then countered this with the point that we thought the only likely situation where the U.S. would have to draw over the foreseeable future at that time was one in which there might be a sudden crisis arising from an unexpected kind of development—one which would require rather immediate action and where, in those circumstances, we ought to be able to show that there were massive resources available to meet something that seemed to be a threat to the functioning of a payments system that was centered on the dollar.

Following this theme on which we began to get better echoes from the Fund, we then had individual meetings just to compare notes and thoughts with the Central Bank governors and some of the finance ministers of a very loose, exploratory basis during the early summer and at the same time were opening up the possibilities for swap arrangements that would extend just between the United States and each of these other countries one by one on a limited basis, thinking that we could make these between the Treasury Stabilization Fund and the Central Bank abroad since the Federal Reserve was not at that stage yet ready to consider these kinds of technical operation.

In the course of discussing the technique of the swaps, I think the mere necessity of reviewing these operating details brought the kind of need we were thinking about more clearly into focus for some of the European central bankers and they saw it as a need that was quite legitimate and one in which they had a genuine interest too. And so by mid-summer, I can't recall the date, I think then you, Doug, saw a possibility of more immediate direct contact with your own counterparts in the other countries and, as I recall, there was a message or a cable which you sent to a number of these officials raising questions in general and pointing toward the possibility of serious discussions in Vienna.

DILLON: Yes, that's right. We did work out such a message which presented a proposal to strengthen the International Monetary Fund by having countries with strong currencies—particularly the continental European countries which had small quotas in the Fund—pledge substantial extra funds that would be available for lending to

the Fund. The Fund in turn would then have the necessary resources to meet any drawing by the United States.

The reaction we got to this suggestion was interesting and rather natural. It was based on the fact that the European countries recognized the need but nevertheless were not prepared to turn to the loaning of their funds over to the staff of the International Monetary Fund. They made it very clear that they wanted an arrangement where they would keep control either as a group, or individually of these funds. They would only lend them when they themselves decided that this was the proper thing to do.

We went to Vienna without any advance agreement. Per Jacobsson thought that anything that was done should be totally under the control of the Fund because it always had been. He thought anything else would reduce the prestige of the Fund.

When we went to Vienna we knew that the key element in all this would be the French Finance Minister, Mr. Baumgartner [Wilfrid Baumgartner]. He had been Governor of the Central Bank in France for a long time. He had a very strong position in Europe, and it was clear that, if he would agree to a workable program, we would be pretty well over the hill. So the first thing I did when I got to Vienna was to see Mr. Baumgartner the very day that we arrived. We then also saw a number of other governors and finance ministers but the key meeting was with Baumgartner.

In that meeting I told Baumgartner that we were prepared to meet his desire that this arrangement should be set up with a control that would be outside of the Fund. We also felt that it should operate within the Fund and that the money should be given to the Fund and be used by the Fund to meet drawings. But we agreed that before the Fund acted they would have to get agreement from the borrowing countries. That basically satisfied Mr.

Baumgartner and he said that he agreed with me that this was the thing that should be done and pledged to do everything he could to help.

So later that day we had a meeting of the heads of the delegations that might be interested in this, some eight or ten of them, and Per Jacobsson. We had certain slight difficulties because Per Jacobsson made his point that he still wanted the arrangements to be totally in the Fund. But we pointed out that this was a bit unreasonable. If very substantial funds were put up by a limited group of countries, it was only natural that they, as that limited group, should have certain rights. They shouldn't necessarily have to give the right to the seventy or eighty odd members that were then members of the Fund—there are now over a hundred members—to decide what was to be done with what, after all, was their money.

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As a result we came out to Vienna with the essence of the agreement which later became the General Agreements to Borrow. It required about three more months of hard negotiations to set up the procedures, the techniques, to satisfy everybody about them, but the basic agreement was made at Vienna. It really was made in the bilateral meeting with Mr. Baumgartner, and he thereafter took the lead in carrying out these negotiations. He was the chairman of the group, and the negotiation was finally completed in Paris under his aegis, I think, the following December.

ROOSA: Along the way another interesting aspect was the selection of the particular countries. We hadn't been quite sure what the group should be, had discussed it with others, knew there was a special problem of Switzerland since Switzerland was not a member of the Monetary Fund but, of course, a very active monetary influence in Europe.

We began then, when Switzerland was not actually present at the meetings in Vienna, to make contact with the Swiss National Bank and had hoped that by December when the final negotiations occurred in Paris that Switzerland would find a way to affiliate with this special lending agreement to the Fund even though Switzerland wasn't a Fund member. In fact, it took nearly two more years to work that out but it was from the beginning the intention to get Switzerland affiliated and this appealed to the Fund staff as well as the first step in getting Switzerland closer to the Fund itself.

Another country was Austria, our host there in the Vienna meetings. We did invite them to attend the meetings. We left it open as to whether they would wish to become active members of this group which was not yet christened—the Group of Ten. At that time their Finance Minister was quite suspicious and also very conscious of their present neutral role politically and indicated that they were unwilling to join a group of this kind at that time. We also thought in order to make membership meaningful that there ought to be a minimum dollar figure that countries were prepared to contribute and everyone did there in Vienna agree that the minimum should be a hundred million dollars. The Viennese Finance Minister of the time felt that was large and, I think, excused himself formally on the ground that that was too much for Austria to consider at that time.

Japan we were most anxious to include because we in the United States had had a feeling for some time that Japan, growing rapidly, must be brought into the European circle of developed advancing countries. There was a fair amount of questioning of that approach there—I think some concern that this might lead to Japanese participation on a full basis in OECD. Of course, that in fact did occur but I think our bringing Japan into the Group of Ten from the very beginning was instrumental in this much greater gain in the long run.

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DILLON: Oh, I'm sure you're right. The thing that was helpful there was, as you recall, that there could be no very real opposition to our argument that Japan would have to be part of this Group of Ten because they were a great trading nation and the arrangements were being made through the International Monetary Fund—a world-wide organization. There was opposition to bringing Japan into the OECD on the part of the Europeans but they looked at these as two separate things. But certainly once this was accomplished and we found that as we went along that we had to have regular meetings and that, expect for Japan, we were all the same people who were in the Working Party Three of the OECD—it made it appear more and more foolish to have Japan excluded from the OECD while being included in the Group of Ten. So I think the General Agreements to Borrow was a great stimulus to changing the views of the Europeans, to getting them to accept Japan as a full member in the OECD.

It was interesting that in the final drafting sessions in Paris we had some difficulties with our friends from the Netherlands who were arguing for a stricter sort of unilateral veto by each country. We felt it was important that there be some agreed method whereby a qualified majority could bind the group. That view finally prevailed in a compromise that was worked out by Mr. Baumgartner. I think it is interesting historically—looking back from today—that it was the help of the financial leadership of France which in 1961 was working closely with us, that enabled this advance to be made in the world monetary system. We seem to have some differences in international monetary policy today, but at that time we saw things very similarly and it was French help that carried the day.

ROOSA: Probably part of it was that the memory of their own recent extreme difficulty was very fresh and they had a vivid impression of the pressures that could arise when there was doubt in the world concerning the value of their currency and they could see how it might have been a problem for us.

There is one other part of that early history that we ought to mention. Because something was being done about the monetary system this excited the imagination and the pens of a good many outside critics and commentators, professors, and others, many of whom thought that the real answer lay in some more extreme change along the lines of what was then the popular Triffin Plan—or at least was popularly known as the Triffin Plan. The people who thought that in some way action could result in setting up powers within the Fund to create new international money also felt that this would assure the kind of liquidity that would prevent either the short run kind of crisis that we were then thinking about or any longer run deficiencies in financing the balance of payments. There was a great deal of moral indignation expressed because they thought the United States had been pressing for automatically available credit in large sums from the European countries newly recovered and newly convertible. Consequently,

a kind of myth developed which will never be killed that this was a great French triumph over the United States; that the French were insisting on control without automatic access to funds; that the United States came into the meeting insisting on the broader, freer approach and that the French had prevailed. In fact, as you have just outlined, the procedure was one in which we worked very closely together and the unfortunate façade that accompanied the work going on behind the scenes led the press to think there was some serious difference with the French.

DILLON: That's a very good point because I do recall that now. It was a totally erroneous reporting of the situation which was largely, I think, due to reports that originated in the British financial press in the first instance.

ROOSA: Yes. Yes, indeed.

DILLON: Right from the beginning—that is by early August when we got the first indications of a feeling that the countries who put up the money wished to be the ones that would have the right to make the decisions—we had come to the conclusion that their approach was reasonable and were fully prepared as a government to work out such an arrangement. Indeed, we thought it was the right way to act because we could not see a situation arising where a limited group of countries put up billions of dollars and then had the use of their funds decided by a very large group of countries that hadn't put up any funds at all. So there wasn't any difference there. But you are quite right, it was this automaticity that was played up by certain parts of the British press. This was the feeling of some parts of the British press and it influenced even some of our own writers there. There were, as you say, some scholars and probably some even in our own government that would have liked to have seen a fully automatic procedure. But we in the Treasury had never felt that that was possible and, when our final governmental position was evolved in Washington before we went to Vienna, it was agreed that we would aim for an arrangement just like what was finally made. So this arrangement was evolved not in opposition to or as a result of any problems with the French, but rather in close cooperation with them.

ROOSA: I think the other problem that you have already mentioned and in which the Dutch played a role was also solved with, as you say, a great deal of French help and it is probably worth recording that in the hard negotiating that went into the detailed working of the arrangements we finally hit on a procedure that had two stages: one stage would be to define the conditions which would be set down by the Executive Directors of the Fund and would be their undertaking with the Group of Ten and their side of the General Arrangements to Borrow. The other would be a separate document which would be signed by Baumgartner as the chairman of the ministers group which would lay down the conditions which the Ten themselves would expect to accept over the

years ahead. And then, to make certain that this could be reviewed in the light of experience, it was provided that it would only run until October 1966. This date was set for a moment that would come soon after the annual meeting of the Monetary Fund. But it also provided that the decision to renew, or revise and renew, should be reached in October 1965. This suggestion, as a way of indicating further to people such as the Dutch that they were not binding themselves forever to give someone else a potential claim on their resources, or even binding themselves forever to a complex voting arrangement under which they might be outvoted in a time when their resources would be called, was in large measure the result of suggestions worked out between John Leddy [John M. Leddy], who was our chief active negotiator, and Jean Sadrin, who at that time was the chief French official on the permanent side and who was most imaginative and helpful in persuading the other European countries to accept this kind of settlement.

DILLON: That's right.

ROOSA: I think another point that we found at that stage and which will be a source of some question all the way along is what are the conditions in which a country can refuse to have its currency used once the voting procedure has been fulfilled.

The understanding there which is incorporated in the so-called "Baumgartner letter" is that a country may, of course, be passed over in being called upon if its own balance of payments position is under severe pressure, if its reserve position in any event is very low. The country itself has the right to declare that it's in this situation and on the other hand it is not at all necessary that a country who is at the time unable or needn't contribute to a GAB [General Agreement to Borrow] arrangement, it isn't at all necessary that the country stay out of the discussions or out of the voting. So that in this sense any country who is worried that it might be at one stage rich and another stage poor and would be drawn upon without its will in one stage and then perhaps drawn on when it was in distress at another stage, had a reasonable outline of possibilities that assured it always a voice but assured also that it wouldn't be drawn upon if it was weak.

DILLON: That's right. And there were also provisions so that if they made a loan and then their situation changed, and they needed help, that they could come back to the Monetary Fund and ask for help from the Fund and that they would then be given their money back. We did have those provisions in the agreement.

Well, I think that carries us pretty well through the GAB Agreement which was the basis of all the later agreements and later studies. Part of the original agreement was that the ministers of the ten countries who signed the General Agreement to Borrow would meet from time to time and would discuss these arrangements—the availability of funds and the other problems that might come up. So

a framework was set up which led to the future activation of what, in 1963, became known as the Group of Ten.

During 1962 I don't think a great deal of movement took place. I made a speech in Rome to the American Bankers Association pointing out that the volume of funds available for long term lending in New York was limited and suggesting that European financial markets be expanded so that they could do their own financing of their own growth. I pointed out that, if this was not done and if the demands on New York got bigger and bigger, some action would have to be taken to limit access to New York because the funds were simply not available there in unlimited quantities. While that was generally accepted as a proper policy and people started thinking about it Europe, nothing very much was done and a year later this problem became acute. There was a tremendous outflow of funds from the United States in the form of lending through new issues of securities. We had to propose, and later enact, a tax on such lending—the Interest Equalization Tax.

Otherwise, all the ministers of the Group of Ten really did in 1962 was to reconfirm the immediate availability of funds under the General Agreements to Borrow. I think we did set up some mechanism in our own government for better handling of these problems so that we could be sure to have a unified governmental position. That was set up with you, Bob, as the Treasury Representative. I think we called it the Long Range International Payments Committee—a very long name—complex—but it was designed to get the views of the Federal Reserve Board and the New York Federal Reserve Bank, of the Council of Economic Advisers, and of the State Department and other interested agencies so that we could worked out these rather complex problems ahead of time. As I remember, there were times when you had to spend almost as much time educating and convincing some of the other people in our government here as you had to spend in negotiating with foreigners. But it turned out to be a useful organization. Maybe you would say a word about it.

ROOSA: Yes. I think what caused that to change from a very loose, informal gathering which we had originated here in the Treasury early in 1962 and to become a quasi-official entity within President Kennedy's [John F. Kennedy] Administration was a development that occurred at the time of the Bank and Fund meetings here in Washington in September.

At that time, with a new Chancellor of the Exchequer [Reginald Maudling], the British arrived anxious to offer what they called a new initiative. They had a proposal which became known as the Maudling Plan which they chose to produce in broad outline as a kind of surprise at the time of the meeting. As designed, and of course they always stressed that the design could be changed, but at any rate, as designed and as initially presented, it could be interpreted as an attempt to provide both for sterling and for the dollar a way out of their responsibilities as reserve currencies by permitting holders of these to deposit them in the Fund.

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The U.S. had, ever since we began the administration in ’61, been debating within the administration on the wisdom of that sort of an idea. I think we in the Treasury had always felt that giving other countries the option of depositing dollars with the Fund, or in other ways, whenever they began to get a little worried about them was only providing an automatic arrangement for creating a run on the dollar at moments of psychological strain. We, therefore, for this and other reasons, were opposed to arrangements that would depend upon and really consist entirely of deposits in our currency with the Fund at the initiative of some other country. We don’t mind another country depositing its own currency with the Fund, but we didn’t want them depositing ours and setting up a claim on the Fund as somehow or other a preferred asset. Because of our strong views on this and because we felt that the monetary system was not yet ready for a full-blown debate effecting all of its fundamentals, we, having been surprised with this development, had to take the unfriendly and often misunderstood position of opposing publicly almost from the state the initiative that Chancellor Maudling had advanced.

There was a good deal of misunderstanding about this in the United States, certainly within our own government, and, particularly, from people who were hoping to find some way of getting a more dramatic change in the direction of automatically available credits into the international monetary system. So that when we took this strong position with respect to the Chancellor—initially I did this in a background press conference, then it was made official in your press conference at the end of the IMF [International Monetary Fund] meeting when the press asked you directly about this—we then realized that it was most important to have a continuing body which could report its results through you to the President where necessary, and we formed in this more continuing way a Secretariat here in the Treasury and full files and records of all meetings of the so-called LRIPC [Long Range International Payments Committee]. It continues to function right down to the present.

DILLON: Well, I think that’s a very interesting account of its origin. I hadn’t recalled, myself, that close connection. That is interesting.

I do recall the announcement of the Maudling Plan. This was something that was probably close to the heart of the then Prime Minister, Prime Minister MacMillan [Harold M. MacMillan]. When Mr. Maudling came into the Exchequer at the end of July he said within the first two or three days of taking office—before he had had an opportunity of really studying anything in depth—that the British were going to take a substantial new initiative at the meeting of the International Monetary Fund. So then there was a lot of study and hurry in Great Britain to come up with an idea. They came up with the Maudling Plan. As you said, we felt that it wouldn’t work, and I had, in a public press conference, to point out why it wouldn’t work. That was naturally somewhat disturbing, upsetting to our British friends. But we had

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told them before the meeting that, if they made a specific recommendation of this nature, this is what we would have to do. We advised them to be even more general and just to talk about studying the monetary system. Well, they didn't accept our advice so we had to say what we thought.

But then we agreed with them that we would sit down and very carefully and very confidentially study this plan bilaterally, the two governments, nobody else asked in. We had to be very careful about this so that it would not become known to any other governments. We did carry this out with a representative from the Treasury and a representative from our Federal Reserve, Mr. Dewey Daane [J. Dewey Daane], who was at that time your Deputy here in the Treasury, Bob, and Mr. Ralph Young [Ralph A. Young] from the staff of the Federal Reserve Board. They met with two British counterparts and worked in great detail over the next six months. The interesting thing was that by the time they got finished with their study there was complete agreement between our representatives and their British counterparts that the Maudling Plan was unworkable as such. This was then presented to Mr. Maudling and even he had to agree that this was the case. So thereafter the British rather quietly and gradually and over a period of time gradually backed away from the Maudling Plan.

But they did not back away from their feeling that there should be some major effort to find improvements in the monetary system of the world. As we carried out these studies with the British, we came to feel more and more that such studies were worthwhile and that improvements would some day have to be made.

So, as we moved into 1963, we had a feeling that the time was beginning to be ripe to get some studies under way on a broader basis, not just with ourselves and the United Kingdom, but bringing in the other countries of Europe who would have to be important in this area to join with us in a study of the whole international monetary system. So we aimed at trying to get an agreement on undertaking such studies at the 1963 meeting of the Group of Ten ministers which was to take place in Washington at the time of the September International Monetary Fund meeting. Well, naturally, we couldn't get such an agreement without a lot of preparatory work. I think a good deal of that was carried on by you in the summer of 1963 with the French and with other countries. It might be interesting just to give a little of that background which led up to the creation of this Group of Ten which occurred after the September '63 meeting of the ministers here in Washington when we charged our deputies, and of course you were the United States Deputy and also the Chairman of the Deputies Group, to study these various problems.

ROOSA: The Maudling Plan itself was the starting point because I think just as we felt so concerned, and then worked quietly with the British, a number of the other countries felt concerned that they were going to have to turn away from a proposal that had been made with so much fanfare by a leading official of a friendly government. So we learned—and I had frequent occasion to test this in the other

meetings that we were holding with the WP-3 [Working Party Three] and the EPC [Economic Policy Committee] during the early spring of '63—we learned that there was a general concern over how to unravel this without having to have a kind of general vote of censure on Maudling for making his proposal.

What we then, on the United States side, first tried to explore was whether there would be value in working on a very limited basis with only two other countries—that is, in addition to the U.K., the French and the Germans. The explorations of that possibility occurred in May, some of it earlier, and we early saw that it was going to be very difficult. The Six felt that if there was going to be any active study in which two of them were involved they ought to have at least the Italians in and make it three on their side. We favored the Italians, too, but felt that if that were going to occur then the other side of the world should be represented and that at any rate some thought should be given to having the Japanese in.

When this point was raised the British and French both said they thought if there were going to be any more then certainly the Dutch should be included. The outcome was that having gone over this ground a couple of times—in which I had met individually and alone with each—that we then got the four of us together for a meeting in June in Paris, the representatives of these four countries, and agreed that the only reasonable approach would be to bring in all the Group of Ten—an existing group for which there would have to be no defense made as to why its membership was chosen. I agreed, for the group, to contact each to try to prepare the way for what could be done. We held a dinner, to which I invited one representative from each of the countries of the Group of Ten, in Paris in connection with our final WP-3 meeting—it must have been in July—and at that time we agreed to try to work out a kind of general charge which our ministers could give to a group of deputies in order to get them started on this worked.

Now that led up to the meeting and what went on in Washington in September '63, and part of that involved a real concern in the Fund that there shouldn't be a study of the monetary system without the Fund being involved. I think you probably remember some of the aspects that that led into.

DILLON: Yes. There was that feeling. We had a meeting of the ministers to which we invited the Managing Director of the Fund. Interestingly enough it was held at a very exotic little club here in Washington called the Alibi Club where we all sat around an oval table in a rather small room and ate off the bare wood with all the walls covered with amusing cartoons. It's really a club devoted to cooking, Bill Martin [William McChesney Martin, Jr.] was a member of this club and he made the arrangements—it seemed to be about the right size and for privacy we had the whole premises. So we had the meeting there and we came to the conclusion that we would carry on these studies. It was also agreed that this

wouldn't inhibit the Monetary Fund from carrying on its own studies; that the Monetary Fund would also be invited to take part in our studies and have a representative who would meet with our deputies as would representatives of the Bank of International Settlements and also Working Party Three of the OECD. It was decided that we would go ahead with a year of intensive study of the international monetary system, both as to what might be needed immediately and what might be needed in a longer range.

This involved numerous meetings of the deputies which, no doubt, you have probably described in your own oral history so there is probably no sense in going over that again here. We did have a meeting of the ministers again in December in Paris. This had become a habit because we could meet at the same time as the NATO [North Atlantic Treaty Organization] meeting when many of the same ministers were in Paris. At that time we approved the organization of the work that the deputies had prepared, and they really got down to work after that. This led up to another ministerial meeting in June in Paris to go over their first draft report which was pretty well accepted. I must say you didn't leave the ministers too much to argue about at that time. You found the state of the international monetary system healthy for the moment. You did agree that there should be an increase in the quotas of the International Monetary Fund. One problem was that we had to work out some way of mitigating the effect of such an increase on the gold stock of the United States so that we wouldn't, in effect, have to put up all the gold by putting up not only our own share but also by having everybody else buying their shares from us. It was agreed that this should be done in principle although it has proved very difficult in practice to work out the details of how it will be accomplished. At this late date, at the end of January, it is not yet fully accomplished but we seem at last to be on the verge of an acceptable agreement.

The other thing that the Deputies decided was I think very wise—that some of the more complex matters of changing the monetary system would have to be studied further. So everybody agreed on that. It was in the final ministers' report which was published after the July meeting—it was published early in August—and it recommended creation of a separate committee, at the working level, a lower level than the Deputies, to study these things and report in the spring of 1965. That sort of study is now under way. What may come from it, I don't know. But I think that undoubtedly there will be some long term changes, and it is very good that we have this mechanism to study this.

I think one thing that is worth mentioning is that at the Tokyo meetings of the IMF in September we had sort of a confrontation that was a little more than we had expected between ourselves and the French. In a speech that was made there by the French Finance Minister, they indicated their desire to set up some sort of a system

which would be totally exclusive of the Monetary Fund. We felt that any system, again as in the case of General Agreements to Borrow, should not be totally exclusive and we made that clear. There wasn't any further confrontation because, although we didn't agree with some of the earlier French proposals, they didn't spell them out in any detail. We didn't go beyond saying that our own view of the matter was that whatever came out that was going to change the functioning of the monetary system of the world should be discussed and handled within the general framework of the International Monetary Fund.

ROOSA: There are just a couple of things that occurred to me as you were talking that might be useful in any record here because of their special linking to President Kennedy.

He was so interested in the evolution of the international monetary system that from the beginning he took a kind of special interest, I would say almost a pride, in being associated with the leadership in the establishing of the Group of Ten. So after it was established, and at the time of their first reassembling in Washington in 1962—at the Fund meeting in 1962—he invited all of the ministers and governors who were here from the Group of Ten countries to a luncheon at the White House.

DILLON: Yes, I recall that. It was very nice and they all came. He indicated his interest in international monetary cooperation. He always had a very real interest in this, and he, of course, was interested in the balance of payments and was vitally interested in gold flows and always gave his support to anything that could improve the overall situation. He followed these negotiations very carefully.

ROOSA: Then the following year in '63, and very soon before his death, when the ministers and governors were back here for the 1963 meeting, he arranged instead to have a little cocktail hour informal reception for them in the White House at which time he moved from group to group but systematical saw to it that he had at least ten or fifteen minutes of discussion in which each of them would have been involved. I think he left on them—I'm sure he did—an indelible, lasting impression of the depth of his interest and the range of his competence and understanding of these things. They certainly up to the last of my official contact with them were still commenting on this.

DILLON: Well, that's very true. Of course, as you recall, we also, in finalizing the American position in the summer of 1962 as to what we might do in the future, had a number of meetings in which he took part. He was really quite interested. He devoted many hours to this problem. For a Chief Executive with all his responsibilities he had a remarkable knowledge and understanding of what the problems were that we were trying to handle and of what was generally feasible in a technical way and what was not generally feasible.

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ROOSA: Yes.

DILLON: He was most helpful in giving us here in the Treasury the backing that we needed to insure that any proposals we made would be fully backed by the President, and that the proposals the United States made would be sound because he always took into account and gave very heavy—indeed overriding—weight to the recommendations he got from the Treasury as to what was practical and what wasn't.

ROOSA: Yes, and this carried through in the kinds of meetings that I attended at the Under Secretary and related levels in Paris and the Working Party Three even prior to the Group of Ten. There is so much occasion there for what we call corridor conversation and for individual efforts to try balloons in the air or try out new ideas, that the position of a country like the United States at the center of the system is very sensitive and vulnerable. If the view became current in Europe that we were widely divided and that there were sharply conflicting schools of thought that one might win out over the other at some stage and that something that they might generally regard as harmful for the monetary system, or at least suspicious, was gaining great favor, the risks would have been great. The fact that the President was so clear in demonstrating where the main lines of policy should go avoided that sort of risk. We saw just evidences of it in the first two or three months we were in office—quite understandably. There hadn't been an opportunity to coalesce on given lines of policy. But once that coalescing had occurred this provided a kind of genuine conformity. It didn't indicate any suppression of views within the government. We could debate and argue at length and had the opportunity of doing it in the President's own presence. But outside, in dealing with the other countries, we had one line and we stayed with it.

DILLON: It was always a reasonable line.

ROOSA: Indeed it was.

DILLON: It was one that was well looked on by others and that is something that we really do owe to President Kennedy. I think this was another area where we had a great influence although it's an influence that probably during his lifetime was not fully realized. But it is one that should be recorded here.

ROOSA: There is another—again on this more personal side.
In May of '63, before the arrangements had been made for conducting these extensive studies and when we were still exploring the ideas for getting a systematic study going, Per Jacobsson died. He was the Managing Director of the Monetary Fund, had been a great spirit in reviving it over recent years, and it was then, during the early summer, that the decision was reached, informally among a number in consultation,

that his successor should be the then Deputy Governor of the Bank of France, Pierre Paul Schweitzer. And again it is evidence of the way that President Kennedy saw the importance of this that he made the initial contacts that he helped to cement good working relations and understandings with the new Managing Director. Schweitzer, of course, was invited to the 1963 discussions in the White House. He saw the President. I believe you first took him to meet the President shortly after he came to Washington in September. You had an interesting discussion then and in this way Mr. Schweitzer also from the very beginning got an impression of clear conviction so far as the United States position was concerned and by good fortune it coincided so closely with his own conviction that it gave him reassurance and the strength that he has needed to make a really major contribution through the Fund toward the study of longer range improvement of the monetary system.

DILLON: Yes, that certainly was another indication. President Kennedy had been close to Per Jacobsson whom I took to see him on two or three different occasions. He always put great faith in Per's beliefs and his opinions, and was always very interested in them. He carried that through by supporting and expression his own views to Pierre Paul Schweitzer when he became Managing Director.

ROOSA: From here, of course, we then went on with this work of the deputies which was described in other recording and then left for ourselves not only the task of studying the monetary system in the committee hat you mentioned, but also we asked the Working Party Three to make a thorough study of the physical side of balance of payments adjustment and its relation to the overall monetary system and needs for liquidity in the world. We have both of these studies still going forward and I suspect they will be interacting on each other and continuing for a good many months, if not years, to come.

DILLON: I think that's right.

[END OF INTERVIEW]

C. Douglas Dillon and Robert V. Roosa Oral History Transcript – JFK #1
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