C. Douglas Dillon Oral History Interview – JFK#3, 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 work with the Internal Revenue Service and the accomplishments of the John F. Kennedy Administration, among other issues.

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JFK 04

GIFT OF PERSONAL INTERVIEWS

BY DOUGLAS DILLON

TO THE

JOHN FITZGERALD KENNEDY MEMORIAL LIBRARY

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, I, Douglas Dillon, 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) Transcripts of ten (10) personal interviews approved by me and prepared for deposit in the Library;

b) Ten (10) tapes, containing the interviews, from which the transcripts were prepared;

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").

The gift of the foregoing listed materials is made subject to the following terms and conditions:

1. Title to the materials transferred hereunder shall pass to the United States of America as of the

date of the acceptance of this instrument and its terms and conditions by the Archivist of the United States.

2. It is my wish to make the materials donated to the United States of America by the terms of this instrument available for research in the Library. At the same time, it is my wish to guard against the possibility of their contents being used to embarrass, damage, injure, or harass anyone. Therefore, in pursuance of this objective, and in accordance with the provisions of Section 507 (f)(3) of the Federal Property and Administrative Services Act of 1949, as amended, neither these materials nor any duplicates, transcriptions, or notes made from these materials by any process whatever shall for a period of twenty-five (25) years or until five (5) years after my death, whichever occurs later, be made available for examination by anyone except me or persons who have received my express authorization in writing to examine them. This restriction shall not apply to employees of the Library engaged in performing normal archival work processes; PROVIDED THAT notwithstanding any other provision of this instrument, defense information contained in the materials donated to the United States of America by the terms of this instrument that has been security-classified pursuant to law or Executive Order shall be made available at any time only in accordance with procedures established by law or Executive Order governing availability of security-classified defense information.

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5. The materials donated to the United States of America pursuant to the foregoing shall be kept intact permanently in the Library.

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a) a period of twenty-five (25) years from the date of acceptance of this instrument by the Archivist of the United States, and

b. my lifetime plus a period of five (5) years thereafter,

I retain to myself all literary property rights in the materials donated to the United States of America by the terms of this instrument. After the expiration of the longer of said periods of years, the aforesaid literary property rights shall pass to the United States of America.

Signed Douglas Dillon
Douglas Dillon

Date: February 23, 1965

Accepted: Wayne C. Grover
Archivist of the United States

Date: Feb. 26, 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

C. Douglas Dillon – JFK #3

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Third 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 the second tape in an interview with Secretary of the Treasury, Douglas Dillon, at his house in Hobe Sound, Florida on November 10, 1964. This is Dixon Donnelley.

DONNELLEY: Mr. Secretary, why don't we go into some of the questions that are always asked many, many years later. As the Secretary of the Treasury, you are in a rather sensitive position. I emphasize that by recalling the so-called scandals in Internal Revenue in the 1940's. Did you ever receive any pressure or attempts to influence a decision from the White House?

DILLON: The answer to that is definitely no. This did come up because I talked with the President [John F. Kennedy] about it and told him how I intended to handle tax cases generally within the Department and with the White House. I reached an understanding with him very early in his administration. I decided within a very few days after taking over as Secretary of the Treasury that I and no official of the Treasury would have any part in any individual tax cases in Internal Revenue. So I wrote a memorandum saying that all such cases that came to the Treasury should be referred to the Internal Revenue Service without comment and that that was what I intended to do. I told Mr. Caplin [Mortimer M. Caplin], the Commissioner, that we expected him to handle such cases and only where there was a matter of general policy importance should he come to the Treasury, but never on individual tax cases.

I told the President what we had done. I told him that, as we were not having any interest in it, I assumed that he and the White House would not have any interest either. He fully agreed and never did we have anything that could be called pressure of any sort from President Kennedy regarding the operations of the Internal Revenue Service or individual tax cases. Actually it was quite the contrary. There were a number of times when he inquired how people could have the tax free privileges that they apparently did have. He was interested in some of these society charity balls. He had the impression that very little actually went to charity, and that everybody had a very good time with the government paying for it, so he asked us to look into that. We did, and I think the Internal Revenue Service tightened up their procedures on this quite a bit as a result. Once when he was in Newport he sent me a memorandum about a large yacht that was sitting in the harbor. It was apparently registered in Liberia, and he wanted to know who was paying the tax on that or whether there was any tax on that. We found out that it was being run as a business expenditure, although obviously it was being used for personal purposes. Of course this was taken care of by the passage of the Revenue Act of 1962 and its provisions regarding expense accounts. But to repeat my answer to your original question we never had any pressure or any suggestions on any tax case from President Kennedy.

DONNELLEY: As a footnote to what you said, Mr. Dillon, I can testify, as a member of your staff, that all of us were under strict orders from you not to become involved in any individual cases and none of us did. Now, you received no pressure from the White House. Is this true of Capitol Hill?

DILLON: They would make inquiries quite frequently, and we would always send them to the Revenue Service. I think after they clearly understood that that was going to happen, they accepted the procedure and did their business with the Commissioner of Internal Revenue directly. I know that it was common practice for Congressmen to intervene with Internal Revenue Service to find out or ask what the facts were on individual tax cases for people in whom they had an interest. So this happened quite a lot. It was standard procedure but it never influenced the Revenue Service to reach a decision that was any different than they would have otherwise reached.

DONNELLEY: By a coincidence, President Kennedy's brother, Robert Kennedy [Robert F. Kennedy], happens to be here at your home today. During his period as Attorney General, did you cooperate with him in rather close fashion in law enforcement matters?

DILLON: Yes, because he had as one of his great objectives in the Justice Department the initiation of an attack on organized crime which, up until that time, had been allowed to operate rather freely throughout the United States. It was an interstate business, and it operated on a scale

that was apparently beyond the capacity of individual cities or states to handle. He had become aware of the importance of organized crime during his work for the McClellan Committee [United States Senate Select Committee on Improper Activities in Labor and Management] and he was determined to do something to try to eliminate it or reduce it to the maximum extent possible. So he organized in the Justice Department a war on organized crime and assigned to it very substantial resources from the FBI [Federal Bureau of Investigation], 20 or 30 times what had been assigned before he came into the Justice Department.

As one of the elements in this, he asked for special cooperation from the Internal Revenue Service. We weren't able to give him the cooperation he desired because we just didn't have the personnel. So President Kennedy agreed to ask for a supplemental appropriation which would give us extra funds in the Revenue Service to set up a division that would work closely with the FBI.

That division was set up, one or two hundred Revenue agents, I think probably nearer 200 and for the last three years they have worked very closely and full time with the FBI and with the Justice Department. I think that probably most of the convictions in this area have come through evidence that has been unearthed through the Revenue agents. This is the area where the leaders of organized crime are the most vulnerable because they don't dare report their full results on their income tax, or else attention would be brought to them. They also don't like to pay income tax so they usually filed fraudulent income tax returns which would greatly underestimate their true income. This made them vulnerable to a determined attack in this area.

DONNELLEY: The press reports that because of his wartime Navy background, President Kennedy appeared to take a special interest in the welfare of the Coast Guard. Is that true?

DILLON: Yes, it was true. He was very much interested in the Coast Guard, not only because of his Navy background but because of the boating background of his youth on Cape Cod and because of his interest in sailing. I found that there were some real problems with the Coast Guard. They had had no new equipment for years, ever since World War II. They had been given a number of ships that were surplus Navy ships at the end of the war. And by 1961 these were all about 20 years old. They had some pre-World War vessels. They only had a handful of boats that had been built in the fifties, all of them small. The mass of their cutters, of which they probably had a hundred, were almost all over age and some very badly over age—with a few just about to become over age. So it was necessary to have a major program to increase and improve the Coast Guard fleet. We had some studies made. It took a couple of years to complete these studies as to just what the proper size of the Coast Guard should be in cooperation with the Navy—what their job should be, and how many and what kind of vessels they needed to carry out their duties. These studies led me to recommend a major ship building program. President Kennedy agreed to this, and the program got under way, the first elements of it during his Administration. I think the Coast Guard will always be grateful

to President Kennedy for this.

President Kennedy also showed his interest in the Coast Guard in other ways. The Coast Guard cadets have a training ship, a big sailing ship, a square rigged sailing ship. They go on a cruise across the Atlantic in her once during their course at the Coast Guard Academy during the summer. This ship, the EAGLE, came to Washington after one of these voyages, and President Kennedy was good enough to come down to the Navy Yard and personally visit aboard the EAGLE for the purpose of showing his interest in the Coast Guard. He was very interested in looking the ship over. There also was a small Coast Guard sailing boat which was used at the Academy and which he often would use in the summers to go sailing on.

President Kennedy also agreed in the fall or summer of 1963 to make the address at the Commencement exercises at the Coast Guard Academy in June of 1964, which would have been the first time a President had ever visited the Coast Guard Academy. President Johnson was good enough to carry out that engagement in June of 1964. I think all of this indicates that rather special interest of President Kennedy in the Coast Guard, which was appreciated throughout the Coast Guard. For the first time they felt that the people at the top of the government knew they existed, knew they were doing a good job and were trying to help them. It was a tremendous boost for their morale and one very much deserved by one of our less known but very gallant armed services.

DONNELLEY: Returning to the President's style, and this is of great interest always to historians, would you describe the way in which he first dealt with all of you in the Cabinet at the beginning of the Administration, and then perhaps trace the way that relationship developed?

DILLON: I think that is a little difficult to do. When he came into office it was not very clear exactly how he would operate the Cabinet. He had an idea that he did not want too many formal meetings unless they could accomplish something. President Kennedy had some meetings with the Cabinet, but as time went on, Cabinet meetings became a little less frequent, and he began to deal more and more with individual Cabinet members directly in the fields of their own interest. That's the way my relationship with him developed, and I think the same was true generally of all the other Cabinet officers. I think it fair to say that the Cabinet, as a body, was not an institution of any great important during the Kennedy era. The individual members of the Cabinet were of course important as Department heads, and the President dealt directly with them. But the Cabinet, as a body, did not meeting regularly as it had done in the Truman [Harry S. Truman] and Eisenhower [Dwight D. Eisenhower] Administrations.

DONNELLEY: What I was really getting at was not the Cabinet as such, but the President dealing with groups of his key men. Was it a first name basis? Was he formal about it? How did his relationship advance?

DILLON: Well, I think in general with most of the Cabinet, certainly with me and the ones I remember, it was on a first name basis. The President was always quite informal and friendly. He was also businesslike because he was always under tremendous pressure and had to operate quickly and didn't have extra time to waste. He was very jealous of his time because he was conscious of the many demands there were and didn't want to sit around and listen to any unnecessary talk or long-winded expositions. When he did meet or have a problem to discuss, it was always very clear that he was the President, he was making the final decisions, he was running the affair, but he would sit down and be very friendly with the group and seem to be just one of the group himself. All the Cabinet members and the members of the White House Staff, who sat in one these meetings, were always addressed on a first name basis, although in answering him they always referred to him as "Mr. President."

DONNELLEY: Continuing on this personal observation. The President was occasionally given to very generous impulses. I don't mean necessarily in a direct personal relationship but officially. Can you recall for example the circumstances under which you returned to Washington from Punta del Este?

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DILLON: I came back from Punta del Este, where we had been trying to negotiate the Charter of the Alliance for Progress, which is the Charter of Punta del Este. We had had a difficult negotiation for two or three weeks and then it had all worked out quite well. When we were in the air, about four or five hours out of Washington on our way back, a message came, saying that the President was arranging to send his helicopter to meet us at Andrews Field. They were to bring us right in to the White House. The President wanted to welcome me there and hear my report at first hand. He did and was very generous in his remarks as to how well the meeting had been handled and how well it had turned out. This certainly was very generous as far as I was concerned, and I appreciated it very much.

DONNELLEY: As a matter of fact, on very short notice, didn't he throw together a reception for the whole delegation?

DILLON: That's right. After this meeting, which took place in the Rose Garden, he then had refreshments over in the White House for the entire delegation that had been down in Punta del Este.

DONNELLEY: Mr. Secretary, this is another question you have been asked before by an interviewer of the press and it might be worth recording here. Both you and the late President came from the same generally privileged backgrounds, and there is an impression on the part of a great many people that this influenced both of you in your approach toward life, especially toward public life. Can you recall any conversations you might have had with the President on this?

DILLON: No, I don't think we ever discussed this. His whole interest was in service. I don't think he particularly thought of himself as being privileged except from the point of view of being able to develop himself so that he could devote his life to public service.

DONNELLEY: Again on the personal side, the President was known on occasion to have a short temper and pretty sharp tongue, and also a rather expressive vocabulary. Did you ever see this in action?

DILLON: No, actually I felt that it was the other way around. I thought he had great control of himself. I never knew a man who was more forgiving, more understanding. People would often refer—I have heard this happen often—to someone who had attacked him or done something bad to him in one way or another. They would try to get him to run this person down and he never would, because he was always very tolerant, extremely tolerant. He always felt that there was good in every person.

While he would fight hard for what he believed in himself, he never bore a grudge or carried a resentment after the fight was over. He was only too willing to recognize as right and natural that the

other person thought the way he did, although it might have been directly contrary to the President's way of looking at things. This was a very noticeable characteristic, this great tolerance of his.

But one thing he did not have tolerance for was mediocrity, or things that might bore him. He didn't want his time wasted. He wanted to deal with people that he thought were capable and would deal promptly, come to prompt conclusions, and present him with cogent arguments on the problems of the day. So he was sometimes a bit impatient. He did not like people who were too slow in coming to the point or who talked around the subject too much, or who just liked to hear themselves talk. But that was quite different from anger or intolerance for divergence of views. He never had that, and this was really a remarkable characteristic of the President.

DONNELLEY: Some of his critics have said that he was very warm and outward going on the surface, but that he was actually personally quite cold and reserved.

DILLON: Well, there may have been a certain truth in that. He certainly was very friendly in crowds and with the people he met briefly and whom he saw at lunch, dinner or social events. However, he was very slow to open up to his own personal friendship to anyone new. He did not make new friends, close friends, rapidly or easily. He was reserved in that way but there are a lot of

people who are like that. It is a trait which I had observed very clearly when I was in France as Ambassador. It is a trait of the French people. But when they finally make a friend, it is a friend forever. I am sure the President was like that, very loyal to his boyhood friends and to those who came to be his friends afterwards. But it was not easy to become a new friend, as he was very jealous of his private life and opened it up only rather slowly. I don't think there was any question of coldness. It was just a matter of reserve regarding his private life.

DONNELLEY: Mr. Secretary, it has often been said that a President can really be no better than the people around him. Who would you say you saw the President depend and rely upon the most?

DILLON: Well, right around him, obviously the person he depended upon the most was the Attorney General. The Attorney General was in and out of the White House a great deal. He talked with the President all the time, and the President relied heavily on him in all sorts of matters, from high policy to personal matters. In addition to that, of course, there was Ted Sorensen [Theodore C. Sorensen], who was his general counsel, with whom he worked a great deal, and finally, there was the rest of his White House staff. He had his appointment secretary, Ken O'Donnell [Kenneth P. O'Donnell], who was with him all the time, but looked to him chiefly for political advice. He used to discuss political questions with him frequently, and I think he relied heavily on his views on this subject. I would say those were the main ones. Of course, Larry O'Brien [Lawrence F. O'Brien], who was his Congressional liaison, was also close with him, as was Pierre Salinger [Pierre E.G. Salinger], his Press Officer.

DONNELLEY: Who would you say were the people he felt closest to—I mean in an official sense on the Hill?

DILLON: I don't know. Of course he had some personal friends on the Hill. Senator Smathers [George A. Smathers] was a very close friend of his and had been, I think, in his wedding as an usher and had always been close to him. But beyond that I don't remember anyone who was particularly a personal friend. He got along very well with people on the Hill, but this wasn't his major forte. When he had been in the Senate, he had been interested for a good bit of the time in developing himself for higher office, and making preparations to run for the presidency. I don't think he had spent the amount of time cultivating other senators that would have been usual with a senator whose chief objective was a long career in the Senate. I think probably Senator Smathers was his closest personal friend there. But in working relationships, he had a much better relationship, a more effective one, with quite a few other Congressional leaders, Senator Humphrey [Hubert H. Humphrey] for one, who had campaigned against him for the nomination. They worked very closely together. Senator Humphrey was the Senate Whip. The President worked well with Senator Mansfield [Mike Mansfield] and he worked very well, of course, with the House leadership, including, in particular, Congressman Mills [Wilbur Mills], the Chairman of the Wars and Means

Committee.

DONNELLEY: Well, returning to you, Mr. Secretary, this is a subject that has been touched on here and there in this series of interviews, but never really completely, perhaps because of your modesty. I think it's true that President Kennedy relied upon you for a great deal more than he would have upon the normal Secretary of the Treasury. I am thinking of his calling upon you for advice in the foreign field. Would you extend on that?

DILLON: Well, he did not call upon me at all for advice in the foreign field in any routine way. I did have, of course, the handling of the Alliance for Progress in the beginning because that was a carry-over from what I had done in the State Department. And I worked with the President in the Cuban Missile Crisis, and that was important. And after that, whenever a really major problem came up he would from time to time call me, or ask that I come to a meeting of the Security Council. I grew to feel that he liked to know my thoughts whenever he had a major issue to decide.

DONNELLEY: Of course, the President was well aware that you had served under President Eisenhower, and he seemed to have a very special feeling toward former President Eisenhower. Can you comment on that?

DILLON: Yes, he had a feeling of great respect for President Eisenhower and good will for him. I think it was—anyone who had known President Eisenhower couldn't help but have a respect for him and good will towards him because he was a man of such immense good will himself—so utterly honest, straightforward, decent in every way. I think President Kennedy deeply respected this, and thought President Eisenhower had striven very hard to do what he considered was best for the country. He respected him as a great soldier, and as a former President of the United States. President Kennedy had a very high regard for the office of president. He respected President Eisenhower because he had been President of the United States.

DONNELLEY: Mr. Secretary, sometimes you can listen to a more interesting answer if a sudden question is proposed to you than a prepared answer. What would you say would be the most important accomplishments of President Kennedy during his period in the White House?

DILLON: Well, I think, beyond doubt, the most important accomplishment was the progress he made toward improving the chances for a peaceful world. Here he had two great successes. They were, first, his strength and the way he handled—the skill with which he

handled the Cuban Missile Crisis, which convinced the Soviet Union once and for all that it could not bluff the United States with its military strength. So from there on the Soviets decided to take another track. They tried to have the competition an economic one between us and they joined with us in an attempt to stop the spread of nuclear weapons. The cause of peace was then further promoted by the President's willingness to see this change the Soviet attitude very rapidly and to carry through in 1963 the successful negotiation and conclusion of a nuclear test ban treaty with the Soviet Union. This was highly important. It gave the peoples of the world the idea that there was someone in the United States who was able and willing to use our power but to use it carefully for peaceful means, and who was also willing to negotiate with the Soviet Union when negotiation was possible. I think this was his major contribution, and one which will continue. In the general area of economic policy, President Kennedy also made a major contribution with the tax reduction bill of 1963, which was completed in 1964. As suggested by the President it involved roughly a 10 billon dollar tax reduction at a time when we had a budget deficit. This was totally contrary to what had been the accepted lore of economics or finance. The idea had been that such action would lead to great inflation. Of course, it didn't. It didn't because we were not using our resources to full capacity. We had unemployment. We had unused resources. So this was proper economic policy, and it was the type of policy that had been followed successfully by many European countries. But it was totally new in this country, and it required a major effort and

a willingness to advance the horizons of thinking for a president to suggest a program like this. He did suggest it. It has now been enacted and has worked very well. Now both political parties say they favor further tax reductions, more or less irrespective of budgetary considerations. I think that tax reduction may have become almost too popular right now because of the success of this particular cut. But I think this certainly was a major change in economic thinking and will be remembered as the watershed when the fiscal policy of the U.S. Government finally caught up with modern economics as they have been successfully practiced for the last 20 or 30 years in other parts of the world.

DONNELLEY: This concludes the second of two tapes of an interview with Secretary of the Treasury Douglas Dillon at his home in Hobe Sound, Florida, November 10, 1964.

[END OF INTERVIEW]

C. Douglas Dillon Oral History Transcript – JFK #3
Name List