

**Robert A. Wallace Oral History Interview –JFK #2, 1/4/1972**  
Administrative Information

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**Biographical Note**

Wallace, Robert A.; Special Assistant to the Secretary (1961), Assistant to the Secretary (1961-1963), Assistant Secretary of the Treasury (1963-1969). Wallace discusses John F. Kennedy's [JFK] campaigns from 1956 to 1961, as well as the Kennedy Administration through JFK's assassination. He discusses his role as an assistant secretary and his work regarding the Bureau of the Mint and the United States Secret Service, among other issues.

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Robert A. Wallace – JFK #2

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Oral History Interview

with

ROBERT A. WALLACE

January 4, 1972  
Chicago, Illinois

By Larry J. Hackman

For the John F. Kennedy Library

WALLACE: The way I got involved in the campaign was through my idea for the Kennedy clubs.

HACKMAN: Right.

WALLACE: When Kennedy was reelected to the Senate in 1958, I had assumed that he had a big national organization. Actually he really hadn't anybody on the national front. He had a big organization in Massachusetts to get reelected, but that was all. His only national person was Ted Sorensen [Theodore C. Sorensen], who went with him when he made those trips around the country. After the 1956 convention Sorensen would make notes on people they had talked to -- who were friendly -- and he developed this list of friendly people all over the country. I used that list to build on later -- the original list that Sorensen had developed.

It's hard to realize now that back in 1958 there was still a prevalent feeling that a Catholic could not be elected president. As a result of the '56 Convention [Democratic National Convention] it appeared that the big city organizations, the big city machines, liked Kennedy. Actually there were two reasons for this: one, they didn't like Kefauver [C. Estes Kefauver], who was pitted against him for the vice presidential nomination; and, two, Kennedy was popular as an Irish Catholic in the big cities. But these bosses themselves

didn't know how well Kennedy would do outside of the cities. My feeling was that you couldn't get anywhere arguing this point because there was no way to prove it one way or another. So I thought the best way to prove a Catholic could be elected would be to develop grassroots strength for Kennedy.

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I mentioned this to Sorensen once at lunch -- you may recall I was right across the hall from him and had recommended him to Kennedy. He said, "Why don't you do a memorandum on it because I think the Senator would be very interested." So I did a memorandum simply outlining the fact that he had strong strength in the big cities, he did not have any demonstrated strength outside the big cities, and a way to get this would be to start grassroots Kennedy clubs to develop it. Sorensen was very interested in the memorandum, he showed it to Jack Kennedy. I later talked with Bobby Kennedy [Robert F. Kennedy], who was with the investigating subcommittee [Senate Select Committee on Labor-Management Relations] at the time, and he was interested in it.

I went out to Kennedy's house in February, 1959. He looked at it some more and said, "This is fine," and that he wanted to do it. He asked if I would develop the clubs for him. And I said yes, I'd be glad to, but I thought it was too early to do something like that. Then he said that he needed somebody right away to get started organizing in the western and midwestern states and especially in the non-big city, non-organized states. So it was on that basis that I got started.

I attended the first summit which was around April 1 in Palm Beach. I discussed that, I think, in the other memorandum.

HACKMAN: Right.

WALLACE: Well, after, I think it was about March of 1960, having done the organization work in the various states and...

HACKMAN: Let me just butt in a second. Okay, now what I'm interested in is how far that idea was carried out, because you just briefly mentioned going out and setting up clubs in California, Oregon, Washington. How many other states was this done in, and why were separate states...

WALLACE: There were different ways of doing it. In some we would build on an existing organization for the clubs, and in others we'd have to go separate from the organization. For example, Florida. We wanted the clubs separate. In April, 1960, I talked with Grant Stockdale about setting up the clubs in Florida. And there were two areas in California which I probably mentioned: one in Los Angeles, one in San Francisco. We did not have clubs.... Well, the clubs were sort of integrated in, North Dakota. It was hard to say that a particular state organization was based on clubs or regular organizations. We did develop some kits for the clubs

which we sent out.

The club concept was really fused in with our regular organizations. My original development of organizations in the midwestern and western states in 1959 moved into the club stages in 1960. We, in effect, did the clubs, but we worked through our organizations. In most of the places the national committeemen and the pros were not for Kennedy in the beginning -- although they were interested in him -- so that they did not object to us forming organizations and even gave us recommendations as to who would be good people to represent Kennedy in the area. We tended to take people who represented the establishment of the party. As I said, in Nebraska it was a guy who was in the state senate, a farmer and a Danish Lutheran -- Hans Jensen.

HACKMAN: Yeah, right, I remember that.

WALLACE: A man named Oscar McConkie who was a Mormon and from a good family, in Utah -- that's the kind of people. So that really took the place of clubs by having that kind of an organization.

HACKMAN: Right. So you don't ever remember, or very frequently recall, in late '59, early '60, Kennedy or Sorensen or any of these other people saying, "What's happening on the clubs? Why isn't more being done?" They assumed, as you are assuming, that basically that work had been done?

WALLACE: No, I'm not so sure about that. I think Kennedy wanted the clubs moving. In March, 1960 he'd said that I should concentrate more on the clubs. And I developed this club kit and some mailings on that -- I probably have copies of those kits, I'd have to check. I've got my files sent over here, I can check that later if you want.

HACKMAN: When I saw those two boxes come in, I thought they were.

WALLACE: I think I've got some kits there that we prepared on operations of the clubs. But I must say that I never really considered the clubs a major thing after having gone into the organization. Kennedy was still interested in the clubs while he was campaigning, for example, in Oregon. I went out to Oregon and campaigned in Oregon; and, while I was there, he asked me how the clubs were coming along.

HACKMAN: This is what time?

WALLACE: This is in May of 1960, right before the Oregon primary. This may

have been a failure on my part to do what he was hoping I would do, although I was never quite sure.

I was continuing to press for the organization to win the nomination at the convention. It was actually also then in May that we began to organize for the convention itself. I was assigned to convention rules, to be able to deal with those and also substantive issues. We were dealing with substantive issues as they arose at the convention.

But again at the convention, organization became the key point; and, while I did talk with delegates and delegations about issues, I was still nevertheless working on organization, primarily in the western states of Utah and Arizona and Idaho.

HACKMAN: Yeah. No one else was spending much time on this club concept. That was basically yours?

WALLACE: No. That was basically mine.

HACKMAN: Do you remember any states where you went forward with the club idea where the thing really created so much antagonism on the part of organization people that it was just quietly...

WALLACE: No, it wasn't creating any antagonism. I think Southern California, Bob Chill [Robert Chill] was one of the guys involved in that. I think he's still out in that area. Jerome Downey, I think, was the other fellow's name. He was either an attorney, or with a brokerage firm. They were co-chairmen of the clubs in Los Angeles. But there again they worked into the organization side for the convention; I know they were involved in that. I would say that -- although the original concept of clubs was mine -- the Kennedy clubs prior to the convention did not develop as such; they really developed more in terms of organization within each state.

HACKMAN: Right. Okay, let me just skip ahead a bit. After the convention, in the campaign, did they use your base, build on any of the club ideas?

WALLACE: After the convention I went into research on economic issues and speechwriting. But I talked with the state coordinators for all the states that I had anything to do with. Also, I talked with -- I don't know who it was -- the citizens group that Whizzer White [Byron R. White] was putting on...

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HACKMAN: Byron White.

WALLACE: ... and gave him my materials. But I didn't work with them as such, so I don't know what they did with it. Whether they used the organizing kits or not, I don't know.

HACKMAN: Do you remember then anything else that you worked on before the convention, other than getting, then, ready for the rules and issues side of things? Is there anything else that sticks out, any trips just before the convention, or politics in any of the states you were working on?

WALLACE: One of my problems and, perhaps, the reason I didn't do a better job at the clubs is that I was so concerned with what was happening to organizations which had gotten underway and watching things in Wisconsin -- I mentioned this; I didn't like the way things were going there. So when it came to West Virginia, I just simply quit what I was doing and went into West Virginia and talked with Kenedy about what had to be done there and then campaigned myself around the state. I campaigned for a week in Oregon, but that was a part of a trip where I was organizing clubs. I had gone to Los Angeles and San Francisco, then I went on up to Portland and campaigned from there. This was in late May 1960. After that primary, I went back to Washington and then we started organizing for the convention. That's where I started doing research and so forth on the rules.

In June, I did travel North and South Dakota with Sargent Shriver, talking with our organization groups and checking on how they were getting along. Now these groups that I had originally organized, of course, were playing a role at the convention. For example, Arizona was pretty much tied up under the unit rule and we had a majority. We had North Dakota under the unit rule too, but Humphrey [Hubert H. Humphrey], who was friendly for a while, suddenly during the convention got friendly with Stevenson [Adlai E. Stevenson] and tried to take North Dakota away from us. So there were some desperation moves to prevent him from doing that I recall.

HACKMAN: I knew Shriver was deeply involved in that. I wondered what you can remember on the details. I had heard that there was only a half a vote holding the unit rule for Kennedy.

WALLACE: I think there were twelve votes, we had a majority, six and a half as I recall. It was very close.

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HACKMAN: Right. Do you remember anything specific on what was done to hold that?

WALLACE: Humphrey was trying to take one of our delegates away, which would, because of that unit rule, change twelve Kennedy votes to twelve Stevenson votes. This delegate.... He was a Humphrey man and the North Dakota Democratic state chairman, but he stuck with us. I mean he was for Humphrey. When Humphrey folded he went for Kennedy. He refused to change his vote from Kennedy to Stevenson. This is the one that we worked on to save. I worked on him and I guess Sargent

Shriver did too, and we held him. This was important in terms of being a middle wester state, although I think the Illinois vote was very key in stopping Stevenson...

HACKMAN: Possibilities.

WALLACE: The move toward Stevenson. We had no problem with Arizona, a unit rule state. Utah, we got a majority, but there was no unit rule. In Idaho we got a majority, there was no unit rule. The poor guys in Kansas fouled up. They didn't get to vote because they were caucusing when the vote came along and they missed out on that. We did tremendously well in Iowa.

HACKMAN: Right. Right. Do you remember what was the key in Iowa? Do you remember Ed McDermott [Edward A. McDermott] or whoever he was?

WALLACE: Oh, sure, I worked with Ed McDermott very closely and was in Iowa many times. I worked with McDermott in organizing there. I originally did the organizing work, building on what Sorensen had begun in North Dakota, South Dakota, Iowa, Kansas, Nebraska, to some degree Oklahoma, Arizona, New Mexico, Colorado, Utah, Idaho, Wyoming, not so much Montana, not so much Nevada, only through the clubs in California. But I did quite a bit of organizing in downstate Illinois, in Oregon, not much in Washington. Most of my organization time was spent in West Virginia.

HACKMAN: How well did Edward Kennedy do in those days, politicking in the western states?

WALLACE: Kennedy had just gotten married. He did a good job. He was young and he attracted people who were willing to listen to him. I think he did very well. People were impressed with him. He skied in Wisconsin and he flew airplanes in Arizona or Utah.

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HACKMAN: Right. But you don't remember a lot of problems with....

WALLACE: Not any great problems. I suppose people complain about anything. John Kennedy often got complaints; he got complaints about me, he got complaints about everybody. But this is sort of par for the course for people who like to do everything themselves.

HACKMAN: Throughout this whole period, '59 and '60 and leading up to the convention, do you remember the feeling in the Kennedy camp about Paul Butler, whether they felt that Paul Butler was definitely for....

WALLACE: Now, Paul Butler was definitely for them but could not, because of his position, take sides. And he was friendly, but on the other hand, he had to be careful.

HACKMAN: You don't remember anything standing out that he did that particularly upset other people, or things that other people didn't know about that seemed to....

WALLACE: I can't remember him doing anything which was terribly effective on our behalf beyond the fact that he talked to us. There might have been feeling on the part of some of the opponents that he was being more friendly than he should. I remember vaguely some complaints, but they really weren't very strong. I don't think they were important.

HACKMAN: Right. Anything then in preparation for the platform? You said you had "issues" at the convention. Well, what exactly does issues mean at a convention?

WALLACE: This just meant explaining Kennedy's stand on various issues as they came up, on labor and the national economy and taxes and farm parity. I don't remember what other issues were pressing at the time.

HACKMAN: Any problems on that? Was this mostly with individual delegates, or...

WALLACE: One thing which impressed me about "issues" was Sorensen. Kennedy, as far as many farmers were concerned, had a lousy voting record because he had voted for flexible parity. Sorensen once said that he didn't consider this very important because he thought that with an appropriately written speech he could

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take care of it. And I was surprised at the speech I think he gave in Iowa...

HACKMAN: Um huh, at the plowing contest or whatever.

WALLACE: You know everybody thought it was great, although I don't think that he said anything substantive in the speech. That was a lesson for me. Sorensen wrote one speech which was loaded with *Bartlett's Quotations* stuff, and it didn't say anything. I thought it wasn't a very good speech. Well, he was kind of insulted about that.

HACKMAN: Yeah, you mentioned that.

WALLACE: But, it went over. The people loved it. These kids ate it up. So I guess he was right.

HACKMAN: You remember Willard Cochrane at all in that period on agriculture?

WALLACE: Willard Cochrane came in after the convention. He was a Humphrey man from Minnesota.

HACKMAN: Later. Right.

WALLACE: I remember working with him during the campaign.

HACKMAN: You remember any particularly tough thing coming up on the issue side of the convention that you had difficulty, particular difficulty, answering that you had to go to the candidate or Sorensen to straighten anything out? Nothing like that?

WALLACE: I don't.... Issues weren't...

HACKMAN: Mostly reassuring people?

WALLACE: ... much of a problem really. Mostly it was since I knew so many people because of travels, that they were always looking for a familiar face in the Kennedy entourage. They would see me and then they could get reassurances that I knew who they were and that they would be recognized.

HACKMAN: What about at the convention itself, talking to people about the vice-presidency? Can you remember people asking you about that and what you were telling them at that point?

WALLACE: I was terribly disappointed when Johnson [Lyndon B. Johnson] was

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nominated. Of course at that time I considered him our enemy for the nomination in the first place. All the time I was in the Senate I considered him on the other side. But, of course, in retrospect I could see the great wisdom of it. I think it won the election. And so that, I think, demonstrated a good deal of shrewdness on the part of Kennedy compared with people like Harry Truman and Roosevelt [Franklin D. Roosevelt] and so on. He had ice water in his veins. People could knife him up one side and down the other, but if he could use them he did it without any feeling of rancor. He didn't give a damn about it. He was above carrying personal grudges. I don't think he ever carried any personal grudges that I've ever heard about.

HACKMAN: Yeah. Right.

WALLACE: Actually as far as I was concerned, Truman was right, the convention was rigged. We rigged it by damn hard work and organization. I organized Colorado and that worked out fine with Whizzer White and Joe Dolan [Joseph F. Dolan]. Teno Roncallo was our chairman in Wyoming. It was just hard work and organization.

HACKMAN: But do you remember having that feeling at the time the convention started, and do you remember.... The other people....

WALLACE: By the time the convention started we were very confident. Bobby Kennedy was, of course, in charge of the operation, and he ran very scared. He didn't trust anybody or anything.

HACKMAN: Right.

WALLACE: I remember once when he had a meeting and he said something about Idaho, and I said, "Six for Kennedy and three for Johnson," or something like that. And he said, "Well, now how do you know that?" I said, "Well, I talked with the people." But we were pretty confident, and we had plenty of money to run the communications and the things like that. I just didn't see how it could possibly be taken away from him. The main problem I was concerned with was whether you split the party too much in the process. Like all this big Stevenson move I didn't like because I'd rather have had a more unified party, especially with the candidate we had. So that with Humphrey and Stevenson doing what they did, I wasn't very pleased with it. of course, I guess they came around later.

Actually, that period after the convention was rather a bad period. Getting cranked up. Between the Democratic party and all of the people

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that we'd taken on board in the process of building an organization, well, I would say that July and August, latter July and August, were rather bad times.

HACKMAN: What were you spending your time on in those days?

WALLACE: I was mostly in research. I was chafing a little bit in research because I'd been organizing all over the country and it seemed like a waste when I'd see these new guys coming in and they would all come to me to ask how to deal with these various problems, which I would tell them. But I thought it would make a lot more sense if I were to be in the organization side rather than the issues side.

But being in the issues side, I got reoriented toward issues, and they needed that, especially on the economic stuff. Of course we had Samuelson [Paul A. Samuelson] and Galbraith [John Kenneth Galbraith], and we used the material developed when Douglas [Paul H. Douglas] was head of the Joint Economic Committee, and Otto Eckstein was the staff director. That's where we developed this sluggishness in the economy issue. This is where Kennedy's "get the country moving" came from. It was very effective. I might as well move into that period if...

HACKMAN: If maybe you can just describe first the research operation. Now, I know there were yourself, Feldman [Myer S. Feldman]...

WALLACE: Let me describe that.

HACKMAN: Yeah, okay.

WALLACE: Sorensen, of course, was the chief speechwriter and Feldman had worked with Sorensen on the staff of the Senate. I don't know if I already told you or not how Feldman originally got into the group.

HACKMAN: Right. You did.

WALLACE: Okay. Well, Feldman then became head of research...

HACKMAN: Right.

WALLACE: ... and worked with Sorensen on bringing together all of our stuff. I had the economic issues that fell in my area. A fellow named Bill Brubeck [William H. Brubeck] had State Department and foreign stuff, Gwartzman, what's his first name?

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HACKMAN: Milt.

WALLACE: Milt Gwartzman [Milton Gwartzman], forgotten what his area was, I think....

HACKMAN: I've forgotten too. It could be domestic social programs.

WALLACE: I think interior type stuff, as I recall.

HACKMAN: Yeah, I think you're right.

WALLACE: And Ben Stong was agriculture.

HACKMAN: Frank Sieverts?

WALLACE: Frank Sieverts. He was that young kid wasn't he?

HACKMAN: But I don't know what he was doing.

WALLACE: I think small business. Let's see. Oh, well, of course, Dick Goodwin [Richard N. Goodwin] was there for a while, but he mainly was drafting speeches. Then a separate part were the speechwriters themselves. Joe Kraft [Joseph Kraft] was one and, who's that fellow that went to Agriculture [Department of Agriculture], he's now at Brookings [Brookings Institution], I think?

HACKMAN: Oh sure, wrote the book. Sundquist [James L. Sundquist].

WALLACE: Yeah, Jim Sundquist. Now, that was rather interesting. I think I talked about that maybe a little bit too. These fellows would write speeches, and they were very unhappy because they were torn up by Sorensen. And Sorensen said they were terrible and that they were no good.

HACKMAN: This is through the campaign too. You talked about people in an earlier period.

WALLACE: Yeah, I remember the earlier, but this is late. This is the final campaign. Archibald Cox was head of that group, I think.

HACKMAN: Right, that group, Bill Attwood [William Attwood] and a bunch of people.

WALLACE: Yeah, the fact is Sorensen should have given these people a lot more credit because they had the good ideas, the good phrases, and he would pick the best part of their

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drafts. And he was good, Sorensen was good himself. There's no question but what he improved it I'm sure. But that didn't mean what they did wasn't good simply because he rewrote it. I suspect that Sorensen -- he was under tremendous pressure obviously -- just wished to God he had a speech that he didn't have to change. But, of course, he's the guy who knew how Kennedy talked and had his style and so forth. So it bothered him when he had to do it over. He just about worked himself to death, I guess.

HACKMAN: How did the Cox group fit in with your group in terms of what was fed to Sorensen on the road?

WALLACE: The Cox group wrote speeches where we did research. For example, we did all of the preparation for the debates -- anticipating questions and dealing with all of the information. But they used our memorandums and so forth for speeches. For example, we have a memorandum on balance of payments or the gold system and that became one of his speeches, I believe. Economic.

HACKMAN: Right.

WALLACE: There is an interesting thing about that. I followed the economic indicators quite a bit to determine the status of the economy and saw the 1960 recession coming, which, of course, would have great significance. But it was a very ticklish thing too because if Kennedy called attention to this then he would be accused of trying to cause a recession in order to win the election.

The concept I used to deal with this issue was to say nothing about recession but to have conferences in key areas on jobs. We had a job conference in Charleston, West Virginia and another in Pennsylvania. You hit the need for more jobs and you get national publicity. So anybody affected by the recession would know what you're talking about without upsetting a lot of people who didn't realize that the recession was occurring. This was in September.

Then, however, in about mid-October I had watched the number of areas with unemployment over 6 per cent. At the end of October, I learned that the national unemployment rate had reached 6.4 per cent, indicating that a recession had definitely begun. But this was an inside figure. Kennedy felt he was ahead and he was staying non-controversial and, I thought, coasting. I kept worrying that Nixon, whom I have always considered the shrewdest politician of this century, would have some kind of a trick at the last minute. I didn't know what it was going to be, but he would have something.

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So I felt Kennedy really needed to wind up on a strong aggressive tack. I thought he should charge that there was, indeed, a recession, now that it could be demonstrated that there was over 6 percent unemployment. But it was still an inside figure and the administration was holding this up because they obviously didn't want to release it. I wanted him to go ahead and say that we were in a recession. I didn't talk to him directly. I was trying to push this through Feldman because Kennedy was always on the road with Sorensen and I was in Washington. But apparently they didn't sell it to him and he didn't use this.

Well, then the Nixon coup was this Monday telethon, and you can't answer these things. We had a task force to answer anything he said and what good did it do? None at all. And he just damn near won the election. I mean it was so close that...

HACKMAN: Do you remember where the six percent figure came from? You said it was an inside figure.

WALLACE: Labor Department.

HACKMAN: But do you remember who?

WALLACE: No, I don't, I don't remember. I think I got it from someone in the Joint Economic Committee, but I don't remember who that was. But it was a solid figure, and if it had to be published, there was no way the administration could change it. If Kennedy had said we now have 6.4 percent unemployment so therefore we've reached the recession level for the whole country (everybody recognized 6 percent for individual cities), I think it would have been a good thing to do. Kennedy could have pledged to do something about it, get America moving again.

HACKMAN: Any idea where the resistance really came from? Was it Feldman or was it Sorensen? Or do you know whether it was the candidate?

WALLACE: I suspect it was Kennedy. I think he thought he was ahead and then this Faneuil Hall thing on the night before the election. It was intended to be historical -- non-controversial. Actually it was vapid and insipid. It almost lost the election.

HACKMAN: Do you remember discussing possibly making a statement about what the rate of unemployment would be under Kennedy, or what the rate of unemployment should be brought down to, what was possible?

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WALLACE: We had a lot of discussions of this in the early days of the administration. We never really zeroed in on it as I recall. I think we talked in terms of 4 percent as an interim goal. A lot of people said we should go to 3 percent, other people thought 4 percent. So we compromised by calling 4 percent an interim goal. But during the campaign I don't think he got into rates much. You see, jobless rates at that time were about 5 to 5.5 percent or something like that, which was high but still not at recession level. So that's why we were talking about jobs, more job opportunities.

HACKMAN: Were there many problems in getting sufficient material for the speech people to use, either Cox or Sorensen and Kennedy on the road?

WALLACE: We had a lot of people willing to help. I mean knowledgeable people that I had contact with. In the Library of Congress Legislative Reference [Service]. Asher Achinstein was one.

HACKMAN: What about someone like Samuelson and Galbraith? How would they feed whatever their ideas were in? [Interruption] I was asking about

Samuelson and Galbraith, maybe Seymour Harris, some of these other people. Would that come to you, or would that...

WALLACE: They had memorandums, and I think they had sessions with Kennedy themselves. They would talk with Kennedy and then would send a memorandum, this would go to Cox, then to the speechwriters. I would provide materials for the speechwriters also. In addition, however, I would review their speech drafts for their economic content to make certain they were okay.

One of the things which was funny about that process is that when one of the drafts came out in favor of tax incentives -- the investment credit -- I was not sold on it yet. And I said, "Who's approved this?" I was talking to Archie Cox -- because we reviewed the speeches to make sure that they were all right on the issues -- and he said, "Well, Galbraith and Samuelson both agree to it so it must be all right," which I didn't buy at the time. In fact, I think I knocked that out of that speech, although Kennedy did finally come around to proposing the investment tax credit in 1962.

HACKMAN: Do you remember many complaints coming back from Sorensen or Goodwin or from the candidate saying he didn't like what he was getting, either directly on economic issues or just from the research level?

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WALLACE: On research, I got nothing but good reports. I remember Feldman called us together at one point saying how praising Kennedy was of the beautiful work that was done, which he wanted to pass along to us. Of course, I stayed pretty much in the economic area, I didn't get involved in agriculture, interior.

HACKMAN: Yeah. How did you decide what to work on when? Was someone setting priorities, or were you tied in with the speech operation enough to know that they needed an economics speech at a certain time? Or can you recall just how things were?

WALLACE: We got requests for materials. We got requests for some material on education. I remember getting some material from National Education Association, getting some myself in terms of productivity, for example, how important education is to productivity. You find some estimates that people make that about a third of productivity is attributable to higher educational levels.

Then I had continuing kind of responsibility for the whole area so I would develop issues and check the speeches for this kind of thing. So I was watching economic indicators to see what the course of the economy was doing then develop this jobs program as a way to deal with the unemployment, the jobs conferences. I think they were in some different subjects. I think I've got some around, in those boxes.

HACKMAN: The idea for the jobs conferences was basically yours though?

WALLACE: Yeah.

HACKMAN: Yeah. Any problems with any parts of the campaign organization issuing statements that contradicted what the candidate was saying or what...

WALLACE: I don't think so.

HACKMAN: I was thinking of minorities or veterans for Kennedy or whoever it was for Kennedy.

WALLACE: Well, I worked some of that too. Sarge Shriver had, I think, Businessmen for Kennedy, and there was some veterans' group and some others, and we worked with them too. Mostly on a campaign you do the most pressing thing, which could be organizing a jobs conference or reviewing a speech or doing

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a memorandum on some subject to develop more information on it. Most of the briefing material consisted of questions and answers, so that when he was reviewing he would know some question concisely and deal with it.

HACKMAN: Can you remember questions coming to your operation from outside, not specifically in preparation for a speech but other kinds of things you had to write for magazines or those kinds of things?

WALLACE: I didn't do the speech or article writing. There were articles, some by-lined by Kennedy and others by-lined by others, which we checked.

HACKMAN: Yeah. Trying to think of something that you regarded as particularly difficult either from an earlier stand that he'd taken on an economic issue or just anything that really struck you as very tough in the campaign.

WALLACE: No, I think it was basically, that the economy was lagging behind the rest of the world and Kennedy used this quote from Khrushchev, "We will bury you."

HACKMAN: Right. Remember any contacts at all with the Johnson side of the campaign in that period? Did you work on clearing or preparing

anything for him? Jim Row [James Row]?

WALLACE: I think we may have read some of his speeches, for accuracy and help rather than clearance.

HACKMAN: No big problems.

WALLACE: I don't remember any problems.

HACKMAN: Okay. What do you remember about Albert Gore's role? Gore was listed as an economic adviser in the campaign, or the economic adviser at one point, or something like that.

WALLACE: I don't think I ever had anything to do with him.

HACKMAN: Okay.

WALLACE: I was close to Douglas. Of course, he was running for reelection, so I didn't have too much contact with him then.

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HACKMAN: Right. Do you remember getting at all involved in anything politically with Douglas in that period, whether Kennedy would do anything more on Douglas' behalf or vice versa?

WALLACE: Not really.

HACKMAN: Okay. Any particular meetings with Robert Kennedy that stand out during the campaign? How much did he focus on the issue side of things during the campaign?

WALLACE: Robert Kennedy didn't focus on issues at all to my knowledge, although he may have.

HACKMAN: Yeah.

WALLACE: I guess he did a lot of speaking himself, and organizing. The key people, of course, were Larry O'Brien [Lawrence F. O'Brien] and Ken O'Donnell [Kenneth P. O'Donnell]. Ken O'Donnell scheduling and all that, although.... Kenny, of course, traveled with Kennedy so that he developed a hell of a bunch of advance men, and on the long-range evidence I think they did a good job as far as I can tell.

HACKMAN: Yes. What do you remember about Robert Kennedy's relationship in that period -- now let's just take it all the way through '59-'60 -- with Sorensen, O'Donnell, O'Brien?

WALLACE: Well, there was kind of a split between the "Irish Mafia" and Sorensen.

HACKMAN: Were you including Robert Kennedy on that?

WALLACE: Yeah, I think that. ... It wasn't antagonism, it was kind of -- how do you say it? Well, I guess O'Donnell was Bob Kennedy's roommate; you know, they were close. And O'Brien had been involved with the Kennedy campaign since '46 or something like that. And in some respects Sorensen was almost a latecomer, although he was there, too by 1953. But they had a respect for Sorensen. I think mainly Sorensen was considered, like me, the kind they lumped into the intellectual category rather than the practical-operating category. And while they didn't have anybody else and Sorensen was doing most of this, why, they still didn't think of him permanently in these terms -- or me, either. Although, they used me and Sorensen. We were pretty valuable as non-Catholics, and they didn't have many in the early days. But I don't know. I think I was probably considered a Sorensen part of the operation and therefore was never too close to Bobby Kennedy or Kenny O'Donnell or

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Larry O'Brien.

I remember that Larry O'Brien was put in charge of the primary states at the October meeting in Hyannis Port. Of course, some of the states at the October meeting in Hyannis Port. Of course, some of the states I'd been working on like Nebraska were primary states. O'Brien reviewed Nebraska and felt that it was in shambles. Our state chairman had had a heart attack. However, our organization had good depth. The real effectiveness was in Helen Abdouch of Omaha. So we rode out with Bobby Kennedy and Larry and Kenny and me. We all went through Nebraska, had certain meetings. And when we left, why Bobby Kennedy said, "I think everything's fine in Nebraska," which was all right, and I think that it was. He found at least that I could do this organizational work whereas they'd just never think of me in these terms.

HACKMAN: Right.

WALLACE: Now, Jack Kennedy, as I said before, tended to think of people if they're good in one area they can be good in another. And I think he liked my organization work, although I guess I caused some problems too. I don't know what state or county or national chairman or who complained...

HACKMAN: You mentioned that. That is probably what you mentioned. Yeah. People have talked about Robert Kennedy in that period as being very

abrasive.

WALLACE: He was.

HACKMAN: Could you see his working with people that he upset a lot of people because he either didn't know how or wasn't patient enough to deal with them?

WALLACE: Yeah. He was very abrasive, there's no question about that. Was very tough. One of the stories -- I don't know if I've told it or not -- I think Scott Lucas and Jack Arvey [Jacob M. Arvey] brought a client in who was involved on the periphery of labor investigation and was a very important Democrat. And they were trying to make a case that this guy couldn't be very helpful or something. And Bobby just kicked him out of the office. Normally you would say, "Yeah, this is all fine. I'll do what I can," and then not do anything. But he didn't make any pretenses about it; he just kicked him out.

HACKMAN: Yeah.

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WALLACE: And I remember having very important people like a national chairman come and see me at headquarters at the Esso Building. Of course, it's always good to introduce them to Bobby, and they would be very impressed but he wouldn't give them the time of day. He'd say, "Yeah. Hello," and then leave without any attempt at all at the normal social motions which might have taken ten or fifteen seconds.

HACKMAN: Yeah, why do you think that was so? Did you ever have any feeling for whether it was just his personality, or whether...

WALLACE: I think it was just his personality. Bobby Kennedy, at least in the earlier days -- maybe got this from his investigating work, I suppose -- made no effort to be approachable that I could see. And yet I know Jack Kennedy relied on him very heavily for advice. He also, I think, came to rely on him to do whatever work had to be done.

HACKMAN: Yeah. People say that sometimes. Do you recall any examples of that, where you could see during the campaign where he would be given a tough sort of assignment like that?

WALLACE: Well, oftentimes if you have rival groups in the state, why, he'd meet with them and say, "Well, John Smith you're going to be the one," and

“I want you to work with him.” Whereas someone else, you know, would have been wavering that this guy isn’t going to like it. And they didn’t like it, but he was able to cut the knot and move.

HACKMAN: Yeah.

WALLACE: And this was a very valuable thing. In some of Sorensen’s earlier memorandums, he was talking about who should be the campaign manager, and we thought Bobby Kennedy should not be the campaign manager. But it turned out he was and he was very effective. From that standpoint, he did stuff that had to be done. And I think Bobby Kennedy in later years became more sociable, especially when he was running for president. But, boy, he was.... I just never had any feeling that he was.... He had a wry sense of humor and a sarcastic sort of sense of humor. Once when we were driving from Topeka, Kansas to Omaha, Nebraska, he asked Kennedy “Do you think it would help if I divorced Ethel [Ethel Skakel Kennedy] and married a Negro?” It was engaging sometimes, but he was tough.

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HACKMAN: One other thing on the political side before we go back to the research operation. Did you ever run into Francis X. Morrissey in the early days at all, the Boston guy?

WALLACE: No, I think I’ve heard the name, but I didn’t know him. I didn’t have much to do with the Boston group. I gradually met people that were Kennedy friends, Rip Horton [Ralph Horton, Jr.], Lem Billings [Kirk LeMoyne Billings], and people like that, but I didn’t know them.

HACKMAN: Yes. Can you remember, in the campaign you said there was some difficulty in taking in all these new people and meshing it into an organization. Anything that sticks out on that that just didn’t seem to be working during the campaign from where you stood?

WALLACE: One of the things they did in the fall campaign was to take outside people for state coordinators. The idea is all right, but the people he took were primarily old friends and people like Rip Horton, who’s a very nice guy but I never had any feeling that he knew very much about politics. My god, if I didn’t know much, he knew nothing, and at least I’d been there a while.

Now, guys like Teddy Kennedy and Sarge Shriver and Bobby Kennedy were coming in, but they were capable of learning very quickly and assessing the situation and being able to get a feel of it and deal with it. I don’t know. Some of the people they had for state coordinators -- who were some of them? Lem Billings, what the hell does he know? Rip Horton. You know, nice guys, but they just didn’t give you the feeling that they knew very

much. But they did the best they could. Teddy Kennedy had a lot of objections to him in California, as I recall, but I doubt if anybody could have handcuffed him.

HACKMAN: Okay. Back on the research operation. Can you remember what were regarded as Kennedy's major statements on economics during the campaign? I have a Philadelphia speech and a New York speech. I don't know if you remember those two then.

WALLACE: Let me see, tax policy, fiscal reforms, the national economy -- you know, GNP [gross national product] and so forth -- economic growth and stability, how you achieve economic growth without inflation, employment and unemployment, the job situation, depressed areas which is a speciality of his. I think his Labor Day speech in Detroit was important.

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HACKMAN: On the growth rate, do you remember consideration there of putting out any figure? The 5 percent figure was in the Democratic platform that year. Do you remember any debates about....

WALLACE: It was recognized that 5 percent was a pretty high rate at the time. I think that they'd had less than 3 during that period of the fifties. So a 4 percent rate would be very good at the time.

HACKMAN: Do you remember Samuelson or Harris or people like that, Galbraith, making a strong case not to say 5 percent?

WALLACE: No, Galbraith would have wanted 5 percent. Samuelson probably would have been more hesitant.

HACKMAN: Yeah.

WALLACE: We did TV spots.

HACKMAN: Any problems there with the ad agency or anything that you can remember?

WALLACE: We did the basic drafts for dealing with the economy or with other issues and then turned them over to them for marketing. We didn't attempt to market it. Poverty, we had just touched the beginnings of the poverty thing -- the thirty million people going to bed hungry. Gold, monetary policy.

HACKMAN: What about Martin [William McChesney Martin, Jr.] and the Fed [Federal Reserve Board]? Can you remember again discussions on

what you should say about William McChesney Martin?

WALLACE: No. Of course, we were mostly Keynesians and we didn't concern ourselves too much with monetary policy other than how it affected interest rates. Basically we were interested in fiscal policy and tax policy. In fact, one of our criticisms was too much reliance on monetary policy and not enough reliance on fiscal policy.

HACKMAN: What about what to say on a balanced budget? Can you remember discussion within your group on this?

WALLACE: Well, we discussed it and we decided that we had better stick with a balanced budget in a balanced economy concept, that if you balance a budget over the total cycle.... It wasn't a strong, a great concern.

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HACKMAN: Did you get at all involved in that special session of Congress after the convention? Can you remember doing anything on issues there?

WALLACE: I remember the special session of Congress...

HACKMAN: Minimum wage and a couple of other things.

WALLACE: ... but I didn't get too involved or anything on the issues of that. I was more concerned about the campaign itself.

HACKMAN: Issues other than economic that you got involved in, religion or agriculture or...

WALLACE: I did something on education. I think I've covered fairly well as much as I recall. In general, after a very hectic period from April of '59 to May of '60, to go back out from organizing and going into first the organization for the rules for the convention and then research in the campaign. I was not very pleased with this in a way, although I could see what happened. I knew they were putting Mike Feldman in charge of research -- I think Mike probably said to Sorensen or Jack Kennedy or somebody, "Can I get Bob Wallace to work with me?" because I had a pretty good reputation in this area. And they said, "Fine." And I thought, God damn it, I'd like to have the chance to have some say-so on that. I didn't think too much thought had been given to how to use me. I sort of felt that Feldman had usurped my services and what I wanted to do.

HACKMAN: Right. That seems to be the way they do things all the time. You had talked about being in charge of rules. So maybe we can skip back to

that. What do you recall? What did that involve?

WALLACE: Well, I talked with.... The Political Science Association had headquarters in Washington and I'd gotten under the rules and figured out who would need a two-thirds majority and how to move. I don't remember specifics. I did some papers on it and I don't know where they are. I don't know that anyone saves them. But this was a matter of be ready in case they were needed. I don't think we ever needed anything particularly. There weren't any real problems as far as the rules were concerned.

HACKMAN: There were a couple of matters in the rules committee at the convention. One was on favorite sons, I believe --

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it's been a long time since I looked at this -- on whether you could change your vote if the roll was being called. Do you remember getting involved at all in that, because it involved what Docking [George Docking] and Loveless [Herschel C. Loveless] might do, I think? Does that ring a bell at all?

WALLACE: Vaguely, but I can't remember.

HACKMAN: Okay. On the vice presidency at the convention, do you remember going around and trying to salve any feelings or really put down any revolts that were coming up off of that?

WALLACE: People assuaged my feelings rather than me assuaging other people's feelings. I remember talking with Hy Raskin [Hyman B. Raskin] about the Johnson selection, and he said, "Oh well, hell, Bobby's going to be the next one anyway." You know what I thought about it, as I mentioned before.

HACKMAN: Yeah. Okay, well, after the campaign then.

WALLACE: Well, then he was elected. Toward the closing end of the campaign I attended a budget briefings session by Maurice Stans who was the Budget [Bureau of the Budget] director and I think I did some memorandums on how to deal with the budget after the election, even before he was elected. One of the reasons I sort of rationalized working in issues was that if Kennedy were elected I'd probably be in the economic area anyway so probably it was just as well for me to be working in that area. [Interruption]

HACKMAN: You were talking about the memo, memorandum on the budget.

WALLACE: Yeah. So, as I said, after he was elected, he was at Hyannis. I went up

to Hyannis and saw Sorensen briefly -- I knew they were beginning to organize -- and I said that I'd like to be budget director. Sorensen said fine, he'd talk to Kennedy about it -- he was resting at the time. So then I went home and didn't do anything for a while. And nothing happened. Then I heard vaguely that Mike Feldman was being considered for that spot. I thought Mike would be on the White House staff; it was the logical place for him. It seemed silly to me, but I then got a feeling that Sorensen was, you know, trying to help Mike instead of me. So I thought, well, I better just see Kennedy myself. He was in that Georgetown house by then, so I called Mary Lincoln...

HACKMAN: Evelyn.

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WALLACE: ... Evelyn Lincoln and got an appointment to see Kennedy. I saw him; I told him that I thought I'd like to be budget director, that I thought I'd be more useful to him there than any place else. He said, "My God, I wish you had told me that because I've already made a commitment on that spot." And I thought, "Oh, Christ." And I said, "Well, is it Mike Feldman?" and he said no, no, it wasn't Mike Feldman. And he said, "Well, you figure out where you think you'd fit in best and let me know."

So I decided after that that my second choice would be in the Treasury Department. There were three assistant secretaries: one for tax policy, one for international, and there was one miscellaneous one. It was the miscellaneous one that I wanted, because they'd pretty well settled on Stanley Surrey, I think, for the one and John Leddy for the other either because Dillon [C. Douglas Dillon] wanted Leddy. However, I was without an income during this period and.... Who was that fellow? He was head administrative assistant.

HACKMAN: Reardon [Timothy J. Reardon, Jr.].

WALLACE: Reardon. He said, "My God, you're not on the payroll at all?" I said, "No." So they put me on this Inauguration Committee. Now, I tried to help the Inauguration Committee, but I was also working on making recommendations, referring people for the various spots, especially in the Treasury and some of the commissions. And I pushed for Fowler [Henry H. Fowler] for under secretary of the Treasury.

HACKMAN: Here's just a list of people you might want to talk about so long as you're going through. This is the '62-'63 [*United States Government Organization Manual*, I believe.

WALLACE: Yeah, this is '62. Well, he selected Dillon. There was some concern by Paul Douglas about Dillon because he was a Republican. He thought, you know, we won the election and we give them the most important spot there is. I later, I think, got Douglas to agree that Dillon was a good man, that he was a

liberal and he could be trusted in the area. Fowler, I had recommended him although I hadn't know him; it was just by his reputation that I recommended him. Roosa [Robert V. Roosa] was really Samuelson's recommendation, I didn't know him at the time. Daane [J. Dewey Dane] was already there under Eisenhower [Dwight D. Eisenhower] but stayed with Roosa. Volcker [Paul A. Volcker] didn't come in right away. Morris [Frank E. Morris] didn't come in right away. I've forgotten who was in originally for that assistant to the secretary for debt management. I'm just doing the political appointees.

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HACKMAN:           Yeah.

WALLACE:           General Counsel Belin [G. D'Andelot Belin], he was a nice guy. I don't know where he came from; I didn't know him. I didn't know Crane Hauser although he'd been recommended by Charlie Davis [Charles Davis] who was assistant chief counsel and then chief counsel for the [Bureau of] Internal Revenue under Truman. Davis is now an attorney in Chicago. Stanley Surrey, I think Samuelson recommended him.

I came in originally as special assistant to the Secretary because the fellow who was there as assistant secretary in the spot I wanted was a Republican. He stayed for a while. He had six different agencies under him. I've forgotten his name. But I expected to take his place ultimately and do what he was doing.

As special assistant to the Secretary, I represented Dillon on all economic policy planning. As such I formed the "troika" which was a three agency group which made GNP projections and recommended tax budget policies to the President.

I remember talking to Dillon saying that I wanted to take the remaining assistant secretary spot and he said, "Why do you want to do that? That's not policy, that's straight administrative. I don't care much about that." And I said, "Well, I thought I could do that and do the economic stuff too." He said, "Oh, well, in that case, that's fine -- if you wanted to do it in addition to what you're doing." That was fine with him. Well, I think about October of '61 Kennedy appointed Jim Reed [James A. Reed] to that spot. And I was terribly upset because Kennedy knew that I wanted it and I felt that he'd passed me over. Maybe it was time for me to leave. So I talked to Dillon and said I thought I would leave. Kennedy knew what I wanted. But he said, "Why, don't be hasty, because he had to take care of Jim Reed and you were already here." So then Dillon said, "Why don't I make you an assistant to the secretary and I'll give you a couple of agencies so you'll have the status of assistant secretary and then maybe we can get a reorganization to create an additional assistant secretary spot."

[BEGIN SIDE II, TAPE I]

HACKMAN:           Okay.

WALLACE:           Then if I had the Bureau of the Mint and Secret Service under me and was also representing the secretary on the various cabinet and

sub-cabinet spots, why this would make

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it logical for me to be an assistant secretary and we could have a reorganization. So I said on that basis, okay, I would do that. Well, they had some kind of a problem with another agency about reorganization, and apparently the President agreed that he wouldn't send any up before changes in legislation. Well, I acted as an assistant secretary but I didn't have the title during 1962. But in early 1963 I felt I had to do something about this, so I made an exchange of letters between Douglas [Paul Douglas] and Douglas Dillon. So then the legislation moved through the Senate Finance Committee and through the House Ways and Means Committee and the new spot was created. One of the funny things about that was that when the legislation came to be signed by Kennedy, Evelyn Lincoln told me that here he looked at it, "Oh, well, Bob made it didn't he? Isn't that great? Son of a gun, he finally got it done."

HACKMAN: Yeah.

WALLACE: I think he was very pleased that, you know, he'd got the extra assistant secretary spot. Well...

HACKMAN: You might just want to take the easy parts of that job first, just the Mint and the Secret Service and maybe there's nothing really that...

WALLACE: Well, maybe I better stay chronological on '61 before I got in.

HACKMAN: Okay, the first year, right, that's right, the budget then.

WALLACE: We moved right in and they had a balance of payments problem -- John Leddy was working on that -- and the gold.... You remember our October problems and the ill-fated Dillon-Anderson [Robert B. Anderson] trip to Germany in the latter days of the Eisenhower Administration. But of course we had a recession. Everybody recognized the recession, and they had had a task force that Samuelson had worked on.

HACKMAN: Right.

WALLACE: Well, I started meeting with the group which under the Eisenhower Administration was called the Tuesday Group. It consisted of the technicians of the Federal Reserve and the Treasury and the Council [of Economic Advisers] and the Budget, and Bob Turner [Robert C. Turner], who was assistant director of the Budget. He sat in, and, I think, Jim Tobin [James Tobin] was the first

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representative from the council on that. We worked out the round rules. Treasury was always looked at with great suspicion as being a very conservative force in the government, and I was probably more acceptable to them because of my past association with Douglas as not being a typical Treasury type.

HACKMAN: Any resistance to what you were doing from traditional types in Treasury?

WALLACE: No, they seemed to be satisfied. [Interruption] No, I got along very well with the staff, but I had some tough dealings at first with Tobin and Turner because what they wanted for economic policy planning -- which would come through this group -- was that the Budget would have charge of all spending projections, the Treasury would have charge of all revenue projections, and the Council would have charge of the GNP projections. Well, I wouldn't accept that because you can't make revenue projections, and the Council would have charge of the GNP projections. Well, I wouldn't accept that because you can't make revenue projections without GNP projections. What we finally decided to do was to have a troika. We called it a troika because it's three people moving together, neither side having a veto over the other on anything. In other words, we could talk about spending and the GNP projections, and they could talk about revenue projections.

HACKMAN: Right.

WALLACE: And in the earlier troika memorandums Heller [Walter W. Heller] was always trying to boost our revenue projections in order to justify higher expenditures because in the early days they wanted at least to present a balanced budget. Well, we wouldn't buy that because the Treasury has a history of fairly accurate revenue projections and we weren't going to loosen up. But what we did do finally was that first year they got into I think it was a \$570 billion GNP projection, which was really outlandish.

HACKMAN: Right.

WALLACE: And we got sort of hooked into that. But on the other hand, the reason I said to Dillon that we should accept this was that I thought it was good fiscal policy because it's almost like the concept of the full employment budget now. Even for the economy, if it were not to operate at a 570 level, we ought to gear expenditures as though it were, and then wind up having a countercyclical effect. I thought it was probably the appropriate fiscal policy to do it that way.

HACKMAN: That argument carried the day with Dillon and Fowler though in that instance, right?

WALLACE: Yeah. Well, Dillon wasn't too happy, but, you know, Dillon was the kind of guy in a White House conference, like the others, who was not recalcitrant in any sense. In some things he was pretty sticky -- the balance of payments problems -- but he was trying to be a member of the team.

HACKMAN: Right. Were you the person who was basically carrying this argument to Dillon and Fowler, or were there others who were either on the other side or who were backing you up on this within Treasury that you recall?

WALLACE: Well, Treasury generally had to be pulled along, and I resisted in terms of going too far on these things because I wanted to protect the integrity of the Treasury Department as well as the United States. On the other hand, I was able to pull Treasury too; while I was holding back from their pressures on me, I was pulling Treasury toward their position. So I was bringing the two together, which was part of my job in that particular situation. And Dillon was all right. Dillon I think was even more agile than Fowler at the time, but....

HACKMAN: How did they differ, other than on the substantive side, on economics? How did they differ in terms of style, in terms of operating style in the department, and being able to get along with career people, and your own relationship with them?

WALLACE: Well, I think the career people were no real problem. I had heard rumors when I was filling these positions that Treasury was very strong and we needed somebody to stand up to these Treasury people. But I think that what they probably primarily had reference to was to the international people there. They were tough as hell on balance of payments, and they're pretty tough on inflation, too. But most people I dealt with.... I dealt with Thomas Leahey who was the chief revenue estimator.

In that first year we didn't have a single person responsible for Treasury GNP projections. I thought we needed somebody strong in this area, because I was not a technical economist. Jim Tobin, who was a very sophisticated and academically inclined guy, and Bob Turner, who was also a professor -- I wanted to be able to stand up to their arguments. Edward P. Snyder of our debt analysis staff was in the research group. But I'd recommended setting up an office of financial analysis which would do that kind of thing, but that wasn't set up until the following year, until 1962 when Paul Volcker came into that spot. Actually it was intended to be kind of an academic

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arm of the Treasury, but Volcker was an excellent writer. The payoff ability in most places is an ability to write and so he got drawn into the day-to-day speechwriting for the secretary.

HACKMAN: How much of an impact did Seymour Harris have in Treasury?

WALLACE: Well, Seymour was very helpful. He got these consultants together and I thought he had a hell of a good group of consultants. And they were pretty broad-gauged. Included among them were Paul Samuelson, Roy Blough, Geoffrey Moore, Gottfried Haberler, Daniel Suits, James Duesenberry, Otto Eckstein and many other excellent economists.

We had some pretty good sessions with these fellows. Most of them were very Keynesian, very liberal, very impatient with anybody worrying about such things as inflation. And, of course, they had good reason because unemployment got up to 7 percent in May of 1961, so that they had good reason to be pushy.

Our troika worked out pretty well, I think. The Council pushed very strongly toward ignoring inflationary consequences, and Treasury held back because of inflationary consequences. The way I put it was that I wanted to get a recovery going, but I wanted to build it out of oak logs and not pine boards. I didn't want something to flare up and then burn out; I wanted to slowly build this up.

Meanwhile we had Assistant Secretary Stanley Surrey who was interested in tax reform. On that issue of tax cut the first decision we made was this limited bill in 1962, which was developed in '61, which was the tax investment credit. But, on the other hand, certain reforms, including socking the savings and loans for a little more money and so on....

Let's see. You know you get different issues pushing you all the time. I don't remember. It's almost a day-to-day thing. But I think that the troika was a large part of my activity, but also I represented the Treasury on various interagency groups.

HACKMAN: Textiles was one of them?

WALLACE: Textiles was one of them. Well, that was an interesting thing because you know, that took a lot of time too. Kennedy made a campaign pledge to do something about textiles, and the textile industry completely supported him. I think he carried South Carolina, something like that. There again I played the synthesizer, the peacemaker -- whatever you want to call it -- between [Department of] Commerce and State Department. My God, you know, they

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were at each other's throats all the time. The State Department has an institutional bias in favor of foreign countries; they represent foreign countries. Commerce, on the other hand, takes a dim view of what the interests of different countries are; it's concerned about local industry. Commerce wanted quotas, mandatory quotas, and State wanted nothing. Out of that grew our Geneva conference in February of 1962 where we got the long term cotton textile agreement, which was a great step forward. The textile industry was very pleased with it, and it didn't wreck the other countries. It gave them a growth figure of 5 percent a year. And we

got the Common Market [European Economic Community] to open up their markets a little bit, but not very much to Japan.

HACKMAN: In trying to get those people together, let's say Commerce and State, who would you go to sort of to referee? Would you turn to Dillon to present the case at the White House, or would you ever deal with White House staff people, or strictly using your own influence?

WALLACE: By and large, the White House stayed out of it and it was a matter of hammering it out with our group. We had also [Department of] Agriculture and [Department of] Labor as part of the group. Of course, Willard Wirtz was the under secretary of Labor. The sub-cabinet textile group was comprised of the assistant secretary of Commerce, Hickman Price for Agriculture -- the assistant secretary, Dorothy Jacobson, is that right? Yes. Undersecretary Wirtz represented Labor, Deputy Assistant Secretary Mike Blumenthal represented State and I represented Treasury. But I was generally friendly with Hackman Price. I felt that the State Department went too far in not recognizing that something had to be done. But on the other hand, I wasn't ready to go for mandatory quotas either. So anyway that was a hell of a lot of work, but it turned out very well. We satisfied most of Congress.

Well, then after that we started worked on man-made fibers and wool but we didn't get anything on it. I remember going to a conference in London in December of 1962, but we got nowhere with it, at the time.

Of course, the State felt, you know, that they gave up so much on the long term agreement, although actually the other countries didn't object to it very much. We had running battles every time some country would exceed its quota, the voluntary quota. Commerce would want to jump all over them. It was very tough, but we were generally pretty generous with many of these countries.

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HACKMAN: Can you remember things coming up in the troika context that were taken to the White House for settlement that you...

WALLACE: Oh, yeah. Many.

HACKMAN: Well, particular things that you and Turner and Tobin certainly couldn't agree on, but then that Dillon and Heller...

WALLACE: WALLACE: Some of our earlier memorandums had footnotes of disagreement. Heller disagreed, he thought that our estimates of revenues were too low.

HACKMAN: Right.

WALLACE: And the biggest problem there, the biggest -- I don't know what you call it -- disagreement I guess, was in 1962. That was after it began -- I think it was May or June. We had had this drop in the stock market and the unemployment was still high, and Heller was pushing for a quickie tax cut. But in Treasury we had two positions: one was that we wanted tax reform as a part of the tax cut; and the other was we didn't want a quickie tax cut, we wanted something carefully conceived. And it was tough in a way because Heller said, in effect, that if we didn't cut taxes we were going to have a recession. Well, this put him in a very good position because if we'd had a recession we would have been terrible goats in Treasury. If we didn't have a recession, Heller was no goat simply because he'd miscalled it.

But we finally settled the issue on political grounds, that you couldn't get this through Congress. If we could settle something on the political ground we did it. You're never going to convince Heller that you shouldn't cut taxes. He was willing to accept the political reason for doing or not doing something rather than an economic reason, although there are economic reasons involved too. Then, let's see, what else happened in '61?

HACKMAN: I have you down for a White House meeting in April of '62. I don't know if you recall that. This is Heller and Dillon. It's a half hour meeting.

WALLACE: April of '62. Sounds like something....

HACKMAN: It is April of '62 and I couldn't...

WALLACE: Did the troika meet?

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HACKMAN: The Troika. It's Bell [David E. Bell], Fowler, Sorensen, Wallace, Dillon, Heller. So the troika's represented.

WALLACE: This is April of '62?

HACKMAN: April 5, '62, 5 o'clock in the afternoon.

WALLACE: We, of course, had numerous meetings up there.

HACKMAN: That was the only one that is listed for some reasons in the White House, the President's appointments. So this would be one that he would have been involved in. Were there many like that that he....

WALLACE: Well, Sorensen was involved in several. But mainly Sorensen would get involved toward budget-writing time and annual message time.

One thing, of course -- I guess it's not unknown -- is that issues are decided when you prepare a budget. This is the time the nutcracker comes. In April of '62, I can't remember, that may have been when effort for the tax cut began. We were holding back on that; but we went ahead with that one tax cut program. And we were working in '62 on the tax reform program. Now I can't remember.... I guess it was in late '62, because we had to present that program in January '63 in the budget. And there you had a situation where the technicians almost wrecked the entire program because they wanted to reduce the tax deductions on mortgage interest and charitable contributions. By limiting these deductions you get so much revenue which could then be used to offset revenue losses from tax cuts. Kennedy wanted a big tax cut, an average of 20 percent, and in order to offset the losses, they were trying to get various tax reforms. I knew when this thing was up that this could very well wreck the whole program because you'd get the entire home-building industry and also the churches against you.

I remember talking to Dillon about it. Dillon's feeling was, "Well, probably it won't pass Congress, but at least this is a way of showing on paper that you've got some revenues to cut the loss of the tax cut," which was what they were trying to do as soon as possible. My concern even then was that it might wreck the whole program. Well, it damn near did.

I came to Chicago early in 1963 and met with a group sponsored by the First National Bank -- they had all the establishment from Chicago -- and then the Continental Bank had another meeting for me. I was defending the tax program, and it was not very kindly received

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because the budget was out of balance. I remember saying that a tax would increase your total GNP and that would increase revenues -- that even though you cut taxes the resulting increase in GNP would make it possible not to have any revenue losses. Even with these very sophisticated people, they thought that was doubletalk.

HACKMAN:           Yeah.

WALLACE:           In fact I was on a TV program, [Irving Kupeinet] Kup's program here locally, and Charlotte Reid, who's a congresswoman, was on that program. She was like a patsy for me, you know. She'd say that this will lose revenues and you don't have a balanced budget. And I'd point out that this would increase production and that you wouldn't lose revenues. She ended up saying, "Well, you may be right. You know about these things. It just seems to me that the government shouldn't spend more than it takes in." And it's a tough thing. Well, the fact is that revenues came to within one-tenth of a billion dollars of what we estimated them. Right on the button. So we were right.

HACKMAN:           Any change from Bell to Gordon [Kermit Gordon] at Budget in Treasury's dealing with the Bureau of the Budget that you can recall had any impact?

WALLACE: Well, Gordon was an economist , and we were glad.... Of course, Bell was an economist, but he wasn't really a fiscal economist as Gordon was. So in some respects it was better to have Gordon there. I never felt that Bell was a very effective Budget director because he wasn't tough enough on the agencies. In fact, I sat in on some of those budget meetings when Bell was there on the question of expenditures. Dillon wanted me to do that, Dillon wanted to have a voice in expenditures and used me to do it. Of course, I'd written a book on federal expenditures so he figured I'd be the logical person. But I remember questioning staff pretty closely, and Dave Bell would defend them. I thought that was pretty strange. I did a lot of that in '61 in terms of the budget to be presented in January of '62.

Let's see, well I devoted a lot of time to the tax program in '63 and preparing stuff for Dillon for use before the committees and questions and answers. And we used to have briefing books around, you know. Dillon made a big impression on the Ways and Means and Finance Committees because he handled all this by himself without any help. He established kind of a precedent which was rough for Dave Kennedy [David M. Kennedy] to follow. Dave Kennedy would turn this over to the experts and, boy, that doesn't go with the Congress at all. Dillon

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and Fowler were both very good. They were able to handle these apparently complicated things before the committee. And they answered the questions; they didn't say, "Well, I'll get the answer and crawl out of it. They were able to deal with it right on the spot, which was very good.

Then we had a big group in 1963 which Fowler organized to get everybody in favor of a tax cut organized to work on members of Congress to get it through. I think it was in September of '63 that it passed the house, but only by twenty-five votes, and there was some kind of a concession on holding spending down that went with it.

Well, to back up a minute, at the end of '61, when I became assistant to the secretary with the two agencies, I had the Secret Service and the Mint. I went to visit the Mint in December -- it was the Philadelphia Mint -- and was shown around the Mint. But, of course, I was formerly an engineer for the Boeing Aircraft Company and had some feeling for industrial operations, and that seemed about the sorriest operation you ever saw. Gosh, they had something going out one window and coming in another. Right then and there I thought they ought to modernize it and get a new mint. But I talked with Doc Howard, Leland Howard. He was the head of the Mint, although he was given another position in order to make room for Eva Adams.

HACKMAN: Had you gotten involved in the politics of that appointment at all?

WALLACE: No, it was decided in the White House and with Dillon. But there was a lot of concern -- possibly generated by Doc Howard himself -- that Eva Adams, being a westerner, would subvert the gold and silver policies to the westerner's point of view. The way they settled it was by taking the policy out of the Mint

and putting it in a separate office under Doc Howard, who was to become the director of all gold and silver operations. Eva was sympathetic to the westerners on all of these issues, but she never tried to force her views as far as the policies were concerned.

But talking with Doc Howard, he pointed out that they had tried to build mints before, but they always got into political problems as to where to locate it. If you want to put a mint in Indiana -- centrally located -- why, then Philadelphia gets upset. And if you want to put it in Philadelphia, then the politicians there fussed over where to put it. They just never were able to get together.

Well, one of my contributions, I think, was to figure out how to build a new mint which would be unassailable politically. And

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what I did was to say, "Let's build a new mint on the site of the old, historic mint in an urban renewal area." So, Philadelphia's all gung-ho for their urban renewal and it's the site of the old mint so we couldn't get into an argument in Philadelphia.

However, Dillon had pointed out that it's not enough for us to say we need a new mint; we'd better get somebody else to make an outside study. And, of course, I knew what the study would show because we so obviously needed new facilities. Thus we had a study made by the Battelle Memorial Institute. So we used that study to justify building a new mint. And after that we got the authorization for it.

Later on, I think it was in 1966 or '67, the GAO [General Accounting Office] came back and said, "This is not the best place to locate a mint. Why did you locate a mint there instead of out in the suburban areas?" Lots of parking and all this. So I told them why. I never heard any more about it after that.

HACKMAN:           What about the coin shortage in '62?

WALLACE:           Well, the coin shortage began in late '62, as I recall. There were some shortages and stepped-up production, but we got past the Christmas season so it wasn't too bad. But then in late '63 it developed again. We had a shortage of coins and... I'm trying to get my dates straight. We ran pretty tight, like spending money which we knew we'd run out of in order to get the coins. And there was concern that the Appropriations Committees wouldn't like that, and I said, "Well, I can't help that. We've got an emergency situation which we have to meet."

Kennedy was assassinated on November 22, 1963, but the coin shortage was getting bad and I made the decision that the mint employees wouldn't get time off and that Monday following which had been declared a day of mourning. It caused a hell of a lot of grief later on. But I felt that Mint employees at that time were the police or the firemen or other employees who had to work on such days. They were already working Saturdays and Sundays, I calculated we'd lose something like nine million coins if we lost that day of production. So they worked that day.

Later they had a session of Congress going and I was trying to get authority for this new mint. Then something happened; we didn't get the appropriation. As a political

scientist., of course -- that's what my degree is in -- I always felt that the executive should make the proposals for what they think is needed and then Congress decides it as a policy matter. I learned that's not enough. The

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executive must act as a lobbying group to fight for what it believes in and use every effort, every device they can think of to get through what they requested. Because Congress is a big body and they deal with things which have to be dealt with. And if you don't ring the firebell, they won't do anything.

Well, to go on with the coin shortage, we got past the '63 season barely. But I could see that the situation could be worse because by this time we had the silver problem. The price of silver had gotten up to \$1.29 an ounce by then. As a result, people were beginning to hoard coins because at \$1.38, dimes, quarters and half dollars become worth as much as silver as they are at face value.

So I called a meeting of the Mint people and they pointed out that they were working seven days a week and there was nothing else they could do. But that's another contribution I guess I made. I said, "There are things you can do. Number one, you can start having part of the process done outside the Mint, like making strip" (the flat metal from which coins are made), freeing up the melting facilities and rolling facilities for space for new coin presses. It still would take a year to get the new equipment. So I sent a fellow named Elton Greenlee scouring the country and the Defense Department for surplus equipment. We got fifteen presses, I think, from someplace in Kansas which was an Army surplus storage place. We even took one coin press out of a museum in Las Vegas and put it back in operation. We did every possible thing that we could. And we were able, by doing that, to double the production of coins.

But because of the hoarding problem and silver shortage even that wasn't enough and, in '64, we had to start working on a new coinage material. Well, this was a big issue. Of course, Eva Adams was firmly for the westerners who wanted to keep silver in coins and Doc Howard wanted to take all the silver out of coins, and that was the impasse.

The Batelle Institute had done some work on this area and they showed me a sandwich coin with copper in the middle and cupro nickel on the outside. This would give coins the same electrical properties as silver which was necessary to make them compatible with coin vending machines. The problem was that no one could make this sandwich material in the volume we needed. So, I worked with Texas Instruments, who had some facilities, about how quickly they could build their capacity for this and also du Pont [E.I. du Pont de Nemours & Co.], who had a method of painting explosives on the sheets and setting the whole area off to fuse the metals together.

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Doc Howard didn't want to help the vending machine companies, who wanted compatible coins. So for a while you had the vending machine companies and westerners

together for silver because they wanted the electric properties, the westerners wanted the silver. But we didn't have that much silver.

My ace in the hole, which I held back till the last minute, was to leave silver on one coin -- which would be a half-dollar which wouldn't be circulating very much -- and taking it out of the others.

The Mint was against this sandwich material business because they couldn't make it themselves. But I didn't see any other alternative. I wasn't concerned about protecting the vending machine companies. All I was concerned about was that it would take three years for the vending machine companies to convert their rejectors to accept an incompatible material. I knew it would be controversial enough to take silver out of coins without adding it to the inconvenience of not being able to make them work in vending machines. I was impressed with the fact that in 1964 somebody put a coin in a coin machine on thirty-five billion separate occasions. These guys who didn't want to coddle the vending machine industry looked too closely at the industry instead of the convenience of the millions of consumers who used these machines. I wasn't concerned about the industry; I was concerned about the person putting that coin in the machine and it working. Well, we decided to use a sandwich material but we still had two alternatives: (1) a core of low silver content with higher silver contact material for the faces. This would cause the overall silver content to be cut from 90 percent to 40 percent; and (2) the solid copper core with cupronickel faces which would eliminate silver altogether. What I recommended was to use the non-silver sandwich material for dimes and quarters, but use the 40 percent silver material for half dollars.

About that time, early 1965, Dillon quit and Fowler came aboard as secretary and Joe Barr [Joseph W. Barr] then came on as under secretary. I'd had some interest in becoming under secretary myself, but I realized, of course, this would be someone close to Johnson and I wasn't particularly close to Johnson. But we had pretty well worked out our recommendations as far as I was concerned. And when Barr came in, he looked at them and I had to start all over again to convince him as I had already convinced Fowler. But Fowler did something which was very helpful. Before I was in charge of the Mint, we had Doc Howard and the under secretary, Roosa, who was generally in charge of silver policy. But Fowler made me the chairman of the Treasury group to work on it, which gave me the leverage that I needed to get this through. And Fowler appreciated, I think, the compromise that I worked out, which was to use the silver in the coin which wasn't

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used very much -- the half dollar -- and go ahead with the cupro nickel dimes and quarters.

Well, in '65 we got the legislation -- this was a great honeymoon period in Congress for the President when almost anything that he asked for, he got. We got that thing through in about a month, which was almost unheard of. We'd set it up in such a way it was difficult for the westerners to oppose because we were keeping silver in one coin, and on the other hand it was difficult for the New Englanders or the silver users to oppose because we weren't using very much silver. We still had a production problem though. Texas Instruments was going full blast. Du Pont was terribly expensive stuff, but we decided that expense was not a

problem because when you look at the tremendous amount of seigniorage<sup>1</sup> you get on those coins anyway, the cost of the coins was really insignificant.

Well, on November 1, 1965, right before the big Christmas rush was to start, we had in Federal Reserve inventories only fifteen million quarters for the entire United States. But we had been able to produce two hundred million of the cupro nickel quarters. I figured the new quarter was the first new coin we should produce. There were plenty of nickels. We needed really quarters, no nickels. People were just taking the silver coins right out of circulation as fast as we made them. So we put those two hundred million quarters in and that carried us through the Christmas season. And then after that, well, we were in pretty good shape.

HACKMAN:           What about the Secret Service? Can you remember knotty problems?

WALLACE:           I had to deal with that. Let's see, I took over the Secret Service in December of '61 and that organization was almost prostrated. They had decimated it so badly that the first thing we did after Jim Rowley [James J. Rowley] was to come in as head of it was to rebuild it. It was tough in Congress to get funds for this. We finally got authority to protect the Vice President. And we were going to use this as a vehicle to get a lot of people on. And then we couldn't get the damned Lyndon Johnson to support us on it. He was terribly concerned about having Secret Service men follow him around, I guess.

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HACKMAN:           Do you know of specific incidents that that had arisen out of? Had he been embarrassed before or had he been criticized, as you recall?

WALLACE:           No, I think it was just somebody kidding him about Secret Service men and he didn't like that.

HACKMAN:           Was it that he was really personally opposed, or that he was unwilling to take a public stand as being in favor of it? Do you recall?

WALLACE:           Well, for one thing he didn't like the Secret Service much. I don't know what the origins of that were. He liked the FBI [Federal Bureau of Investigation]. He is close to J. Edgar Hoover. As far as he was concerned at one time, you know, he would abolish the Secret Service and have the FBI protect the President. He never was very friendly with the Secret Service. But, even so, I think we were able to get an increase in the number of agents of about one-third -- an increase of about a hundred agents. Still it wasn't very many.

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<sup>1</sup> Seigniorage is the difference between the face value of the coins and the cost of making them. With the silver removed the cost was minimal. The government made billions of dollars in seigniorage on the new coins.

We discussed protecting the President many times, and the fact that you cannot protect against a sharpshooter, a sniper. We never said that publicly -- in fact they didn't even write books then about it because of nuts, and so forth. We had this fifty thousand list of people who were sending nutty letters or something, and usually if the President was going someplace, they'd go through the list and try and keep their eye on people like that; plus the usual marking out the routes and doing what you could. But take that Texas School Book Depository thing. The guy who shot the President was even employed there. I mean if you'd have checked that thing and asked, "Is everybody around here employed here?" it would not have done any good since Oswald [Lee Harvey Oswald] was employed there. He was not an outsider. There was a problem, of course, that the FBI had known about the existence of Oswald but didn't say anything about it to the Secret Service, and this is bureaucratic and normal, I guess. Well, then, of course, I hadn't had much background in law enforcement per se, but I was very interested in it and wanted to support the group as much as possible, so I helped to build it up.

The attitude I took toward the two agencies I had, the Mint and the Secret Service, was that as their policy supervisor I was not going to run the agencies, but I was going to see that the agencies ran and help them get what they needed from Congress to do the job they thought was necessary. Sometimes I had to -- like this coin shortage -- just simply decree they were going to do these things. The Mint was very jealous of its prerogative to make coins, so they didn't want to go outside the Mint. So they had to be forced to do

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that. They were afraid they would lose that forever, and being a bureaucratic empire they didn't want to lose that.

HACKMAN: Right.

WALLACE: I took up pistol shooting, which put me together with the White House police and the Secret Service an awful lot. I shot on the Treasury pistol team with them. Got to be a better shot than the Secret Service agents as a matter of fact. But, one of the reasons I did that was to get a closer contact with law enforcement people, and we got along fine. One of my other jobs, which I haven't mentioned yet, was to be the equal employment policy officer.

HACKMAN: Right.

WALLACE: I'll have to get into that after a while because that's a very interesting side of it. So, I had to push them into hiring blacks. I would address the graduating classes of the schools and so forth and this was what I was doing on November 22, 1963. I was addressing a Secret Service group, and it was while we were at this luncheon meeting that Rowley got word the President had been shot. So he left and I left and reported to Fowler -- because Dillon was on his way over to Japan at that time.

HACKMAN: Did you receive many complaints of any sort from the White House during the administration about the work of the Secret Service, let's say other than hiring policies that was a problem but just on quality of work? Or were they always complaining?

WALLACE: The Secret Service? Kennedy got along very well with the Secret Service. Of course, Rowley was his selection.

HACKMAN: Yes. Right.

WALLACE: And I... And Rowley always worked closely with me and we gave Kennedy some kind of a medal once when we went down and gave it to him. Kennedy took the same view generally as the Secret Service which is that you cannot protect against a sniper. He would tend to be impatient with them. I remember, before, the Texas assassination there was an incident in Florida where he made people get off the rear end of his car. He didn't want them there. He didn't want to seem to be overprotected. And, let's see, as I recall, when Kennedy was shot there was nobody on the rear end of his car, but there was...

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HACKMAN: On the second car.

WALLACE: ... on the second car. Well, then Clint Hill [Clinton J. Hill] jumped off and ran over to the other car. Well, of course after that we went through an awful lot of reports. I think it was after the film and the other film which Secret Service members had prepared, I remember going over to the Justice Department. Nick Katzenbach [Nicholas deB. Katzenbach] was there, and I said, "I understand you've gotten a report from the FBI, according to the *New York Times*." And he said, "That's wrong, I haven't gotten any report." Just then somebody walked in and put it on his desk.

HACKMAN: After the *New York Times* said it. Did you ever talk at all with Robert Kenendy after John Kennedy's assassination about the Secret Service role there, anything else?

WALLACE: No. I talked once with Sorensen, who was kind of bitter. I think he even made a comment, "Your guys didn't do so well, did they, " or something like that. But there were problems, you know, coming out about these guys drinking coffee right before. I think one of the guys was supposed to have had some beer. Well, it turned out that the guy that had had beer was Clint Hill who had done better than anybody else in the whole outfit. Clint Hill, of course, and Rufus Youngblood were the heroes if anybody could have been heroes in a situation like that.

HACKMAN: Did you do much work on the Hill yourself, on getting appropriations for Secret Service, or for the Mint? Do you remember any specific people that you had to bring around there?

WALLACE: Well, I remember Tom Steed was chairman of our appropriations subcommittee. I grew up in Oklahoma (he was from Oklahoma) so he was pretty friendly. But, of course, he had the Republicans on the committee to satisfy. I think he was generally friendly to the Secret Service. He was not unfriendly to the Mint, and I think it was that relationship which helped me get the increases that we got.

Well, after the assassination they set up the Warren Commission. There was a fellow in Treasury by the name of Carswell [Robert Carswell] who was Dillon's assistant at the time. He was a lawyer, and he sort of took over that investigation from the Treasury end, I think. He sort of thought of himself as Dillon's attorney and he wanted to protect Dillon in the situation. I think he may have been the one that got something in that report to the effect that law enforcement was not my field. And one of the recommendations was that I be replaced by

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someone with law enforcement background. They put Acheson [David C. Acheson] in charge of the Secret Service when we reorganized the Treasury's law enforcement activities there. Acheson didn't have any law enforcement background either. One of the silly things about that was that he, as assistant to the secretary, was put over the Secret Service and they wanted him to know more about protection than Rowley and the Secret Service itself. It seemed to me that all a department policy official can do really is to help them do the best possible job. And what they finally did was have massive injections of new agents and new appropriations for electronic devices and so forth. This was the kind of thing I had already been working for. Nevertheless, I probably was fortunate in not being held up to be pilloried for Kennedy's death when the Secret Service came under me.

HACKMAN: Yeah. Is there anything else on Secret Service or anything on the family side? I know some people on the Hill took shots at the White House because the President's family was protected occasionally while water skiing or something like this. Was that in '61 before you came in? I've forgotten.

WALLACE: No, there was some of that.

HACKMAN: Any feedback from the White House on that at all?

WALLACE: No, I think, you know, we dealt with it as best we could. It was a political kind of a sniping. It was that kind of sniping that really hurt

the Secret Service in trying to get appropriations. But it wasn't a major problem.

HACKMAN: Okay. You talked previously about your role as employment officer.

WALLACE: I must have been the only one in Treasury who gave a damn about minority rights and so I was the logical guy to be put in charge. Well, Kennedy put very high priority on this. One reason, he didn't want to get involved in a filibuster against civil rights legislation.

HACKMAN: Oh.

WALLACE: He didn't want a filibuster; he wanted to get his basic legislative program through and then go on to civil rights for '62.

HACKMAN: Right.

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WALLACE: So his big effort was on what we can be done on civil rights just within the administration. I think he criticized Eisenhower for not doing this.

This effort started right off with a bang with the inaugural parade when Kennedy saw that the Coast Guard didn't have a single black cadet. One of my first jobs was to work with the Coast Guard to do something about this and it involved an awful lot of time to move them.

I hadn't had any experience dealing with what would be, you'd call a middle level bureaucracy. Partly they were very jealous of protecting the standards of the civil service; on the other hand they used this civil service "rule of three" (select a new employee from a list of three qualified applicants) to help their own friends, congressional favorites and so forth. One of the things I wanted to do was to use that same "rule of three" to promote blacks. If you can do it for a politician or for a friend of the bureaucrats then you can also do it for a black.

It was tough to find anybody who could pass those damned Coast Guard entrance exams. But I think we did get one guy who passed the exams for the fall entering class. Later I got them to accept a black teacher of mathematics and chemistry, I think. So, we broke the color line. In the first year I devoted my main efforts on this part of my job to break the color line in most of the agencies. It was terribly difficult. God, that Bureau of Engraving and Printing was just awful. The director, Henry Holtzclaw, was of the old school, and, boy, he didn't give a God damn for anybody. I had to go to the mat with him. But he finally came around to some degree. I remember we got the first black electrician. But one of the men in there, electrical worker -- was it an electrical worker? I think it was Electrical Workers [Union]. There was a guy who was qualified but he wasn't in the union, and they wouldn't let you hire anyone unless they were in the union. The national union was trying to help me in this situation, but, of course, they had the local to contend with and that local turned this

guy's membership down on the grounds that he was a Negro. Well, Holtzclaw was mad as hell then. He was ready to bust the union.

HACKMAN: Yeah.

WALLACE: We finally got it through. But it was just like dragging a cat across a carpet by the tail, just dragging, kicking, clawing, and screaming.

HACKMAN: Yeah.

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WALLACE: Of course there were lots of black in the menial jobs, messengers and janitors and so forth. So my first effort was to get blacks into the professional and white collar pipeline which I defined as GS-5 and above. When I came to Treasury there were a hundred thousand on the payroll, including the Coast Guard, only about 1 percent of the employees in GS-5 and above were black. Also there was not a single black in the office of the secretary of Treasury.

HACKMAN: Yeah.

WALLACE: We employed Sam Westerfield [Samuel Z. Westerfield, Jr.] in the office of the secretary -- the first black that had ever been there. We got some others in later. I got a black secretary for myself and some others in that office. Now, I haven't been in Treasury, but probably half the secretaries are black. They've done pretty well there in the past ten years.

HACKMAN: Yeah.

WALLACE: But I also sat on this sub-cabinet committee on civil rights. I remember the Birmingham problems. Bobby Kennedy had gone down on that, and I think he got the local department stores to agree to hire Negroes. Well, as it turned out, they hired only one and he said, "You must do better than that." And they said, "That's better than the federal government's done in hiring blacks." And they were right.

Oh, Bobby was really upset, and the President was upset by this. So, in three or four hours we had some blacks in those offices which shows it can be done. The personnel people -- who originally had been specifically skirted on this whole issue because of their past record of helping people keep blacks out -- were pretty tough at first. But gradually they came around to where they were helpful.

I got the executive secretary to Paul Douglas, a girl named Mary Nolan to head up the program itself. I figured I'd probably have to do most of the work. But she had always been the kind of person who was suspicious of everybody, and this had its advantages and disadvantages. She was often suspicious and there were logical reasons why something can be done. I was constantly on the spot between her and the others. But it was all right. We

forced the issue several places. She wound up being fairly cooperative to the group other than that, and then the Nixon administration dropped her when they came.

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Eva Adams, of course, had a sort of southern orientation on this whole question. Her idea, you know, of being liberal was to be nice to her cook, and so that was awfully tough.

HACKMAN: Did you feel much constant pressure on that from Robert Kennedy or from Lyndon Johnson, who were both involved in this whole area of civil rights?

WALLACE: Well, yeah, there was a lot of pressure from Robert Kennedy and Lyndon Johnson, too; but I used them as leverages. They were all pretty pleased with the job that I was doing and there were instances where I took people over to the White House to talk, you know, and get things done. So I used them for leverage with my own people.

Well, we did pretty well. I've forgotten the figures, but we really started moving up. I think the number of blacks in the better jobs rose from around a thousand to about five hundred thousand -- that's GS-5 and above -- and we moved people up from the higher echelons too. Always you wanted to do better, but at least it was something.

Well, then in 1965 or '66 we got this contract compliance where government contractors were required to use fair employment practices. There was always a question about whether banks were included in that and whether a deposit was a contract. I finally got it declared a contract so that they were covered. Then we had the banks to work with. This was after the Vietnam war and the economy was moving pretty strong. The banks were generally interested. They were not specifically opposed to having blacks. It was just "where do you get them and where do you find qualified blacks?" So I had sessions over the country in different cities to help them in their efforts to recruit blacks, mainly to go to black colleges and black schools as well as the white schools. I was criticized early in the game for forcing the hiring of blacks, on the grounds that they weren't really qualified. But what I pointed out was that we were able to achieve the advancement of blacks by broadening the recruitment to include areas where they hadn't recruited before. Dillon was very pleased with the job that I'd done. I guess Kennedy was too.

Actually, quite a bit had occurred and I think the President's and Bobby Kennedy's devotion to this cause, in doing something in this area, really had an impact -- certainly in the government, and, I think, in the rest of the economy as well. By the time August of 1963 arrived and we had the big March on Washington -- and there was some fear about that; I had a feeling it had the character of almost a celebration on the advancements that had been made. And that was

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two and a half years since Kennedy had come in. But, as I reflect, I think that that early period, '61 to '63, was sort of a turning point in the progress blacks had been making, and I think Kennedy should be given a lot of credit for starting it and Lyndon Johnson for pushing it on, later.

HACKMAN: You know, the only other things I had on Treasury, I don't know whether there are any people there just in the *Organization Manual* list that you would want to comment on, that there were particular problems with, or you had problems in getting along with, or what changes were contemplated that did take place, or didn't take place.

WALLACE: They were just the normal kinds of problems, either bureaucratic type problems, or sometimes you'd have, you know, the whole coinage thing was a delicate thing to deal with. Most of my job during the eight years I was in the administration was to get things accomplished which the President wanted accomplished with as little friction as possible in pulling together the different things, i.e. equal employment, the troika, textiles. And I guess this was probably one of my most valuable contributions, doing this kind of thing for the administration. I worked in Congress quite a bit, although, pretty selective basis. Joe Barr was in charge of Congressional relations in the beginning and then Joe Bowman [Joseph M. Bowman, Jr.]...

HACKMAN: Right.

WALLACE: ... came in afterwards.

HACKMAN: Could you see anything about the relationship between Barr and O'Brien at the White House and how well they thought Barr was doing and how they got along with Barr?

WALLACE: I think they thought highly of Barr, and this was one of the reasons that Barr got this under secretary spot. He'd worked very close with the White House staff in Congress. He'd got some support from Congress for the spot. I don't think Fowler cared very much. It was between me and Joe Barr unfortunately. I know I was interested in the spot but a friend of mine told me that I wasn't going to get it, that Lyndon Johnson was going to decide who it was and I knew that I wasn't going to get it although I've done a pretty good job. I knew Walter Jenkins very well, and worked very closely with Jenkins.

HACKMAN: How would you compare the way the White House staffs, your relationship with the White House staff, under Kennedy and

then under Johnson? Was there a change in the way the White House staff deals with Treasury and with you?

WALLACE: There was a change in personnel, but not so much a change in technique. Sorensen was generally in charge of domestic policies when I was there and usually performed that function. It was Bill Moyers earlier with Johnson and then Joe Califano [Joseph A. Califano]. But I worked also with Mike Feldman on a lot of stuff and with Lee White on different aspects of it.

HACKMAN: How would you .... Can you generalize at all about Sorensen on economic issues during the administration, things that the troika was dealing with that went to the White House from Treasury or from elsewhere?

WALLACE: Sorensen and Kennedy were, I think, philosophically closer to my point of view than they were to Heller, although they admired Heller and used him quite a bit. My concern, as I said, was to research towards full employment built on a very solid basis. Our tax cuts in '62, the big one in '64 and then the excise tax cut in early '65 were very effective. By July 28, 1965, when the Vietnam escalation began, we had brought the unemployment rate down to 4.5 percent without any real increase in inflation rate. I think the inflation rate went from 1.2 to 1.5 percent, it was still low, under 2 percent. I might as well talk about this. [Interruption]

[BEGIN SIDE I TAPE II]

WALLACE: Through the efforts of the Kennedy administration on economic policies the country did quite well. I would credit this to the troika which took the rough edges off of what the council was trying to do, and, on the other hand, pulled the Treasury faster than what Treasury might have been prone to do by itself.

HACKMAN: Right.

WALLACE: We got that tax cut in 1964, which was the key part of the Kennedy program. And didn't lose any revenues. We got higher production and, as I say, by mid-1965 we got unemployment down to 4.5 percent with less than a 1.5 percent inflation rate. Then the Vietnam escalation came along in mid-1965 and instead of pushing to try and get to full employment we tried to head off the inflation. Even with Vietnam the council continued to be concerned about unemployment and not concerned enough about inflation. This was really ridiculous. But they seemed to have this institutional bias of pushing economic expansion no matter what the

situation was. I wanted a soundly based economy and I thought we had done well in achieving that up to mid-1965.

HACKMAN: Did you see enough of Lyndon Johnson to know why he would be more receptive maybe to the case that the council was making than John Kennedy was?

WALLACE: No, the failure to ask for a tax increase to finance Vietnam in 1966 was a political thing with Johnson. First, we were misled by the military, although that may not have been purposeful. What do you do when you have to make a budget when you have a Vietnam on our hands? What they finally decided -- and it all sounded so logical -- was to estimate that in eighteen months you'll be out. Whether we win or lose, we won't stay over eighteen months. We knew in March, however, that the expenditure estimate was way the hell off.

So, the troika people wanted a tax increase, at least Treasury and Budget did. And Johnson, too, recognized that a tax increase was needed by he had talked with those people on the Hill and they said, "It's an election year," 1966, "and you couldn't get twenty votes for a tax increase." Moreover McNamara [Robert S. McNamara] did not want us to recommend a tax increase because he knew it would involve an all-out debate on Vietnam which he did not want. So the second mistake was in Johnson not asking for a tax increase or recommending a tax increase in 1966.

Well, they had the credit crunch in 1966, in August, and this set the economy back, not with a recession, but it certainly slowed down the economy in early 1967. When we were preparing our budget in late 1966 for the fiscal year 1967-68 we projected ahead how well the economy would perform. We predicted that the economy would be slack in early 1967 but would pick up steam in late 1967. That is why we recommended that the proposed tax increase not take effect until after mid-year. In this respect, our forecast was completely accurate. We had that mini-recession in early 1967 but that was over by mid-year.

When we came up to the Hill with this tax increase recommendation, Congress didn't pass it. They delayed for still another year. So it was '68 before we finally go the tax increase through and, well, by then there was no way you could balance the economy; you can never redo these things.

I've often thought, that you've got real problems in all democratic countries because of a bias against starting a restrictive

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fiscal policy during an expansionary period. You just can't get Congress to go along with it. You have to have a crisis. Well, we rang the firebell and everything else, saying, "We've got a terrible situation without a tax increase." The only thing that made any difference was when they had that twenty-five billion dollar deficit staring them in the face. They were more concerned about a twenty-five billion dollar deficit than all of the imbalances and we were still suffering for this.

HACKMAN: One other question. Did you talk at all to Dillon about his decision to leave, or what was the common talk around the Treasury Department? Do you remember as to why he left when he did?

WALLACE: Dillon was a Kennedy appointee and most people feel that a president should have his own people. All of us presidential appointees put in our resignations, of course, when Johnson became president. However, he asked everybody to stay, which Dillon did for a while. But Dillon was a man whose style was completely different from Johnson's. His style was more like Kennedy's. He never knew Kennedy before he was made secretary. Kennedy took him on reputation and recommendation, but they liked each other immediately and had a social affinity I guess you'd call it. They appreciated each other's sense of humor and would give and take. That's why Dillon made a good secretary. He was a member of the troika. He was strong, but he knew when the time was there to make a compromise.

Johnson was very different in temperament and style. He was certainly good for the country in the early days, '64. He got nearly everything he wanted through Congress and the economy was going fine. He had the tax which was appropriate for the period. Nixon was very wise not to run against him in '64. But Johnson used very earthy language and Dillon was simply not the kind of fellow who goes for earthy language. Dillon was summoned once to talk with Johnson while Johnson was sitting on the toilet. To some people that's perfectly fine. It wouldn't bother me because I know these things take place. But Dillon isn't like that. I don't know if that had too much to do with his leaving or not.

There's something about Johnson, he's the kind of person who chews somebody out. Well, John Kennedy would never do that. He might disagree, saying, "We can't do that," or not want to do it, but he wouldn't say, "God damn it, you've been doing this, that, and the other thing. Now, why the fuck can't you get this thing straightened out?"

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And once something involved my area of responsibility and Dillon came back from the White House and called me in immediately -- I can't remember what the issue was. Dillon said, "You didn't do such and such and I just got chewed out by the President about it." And I said, "But I did do it," so he said, "You did?" And I said, "Yes, I did." And he said, "Well, thank God for that." This is the kind of style that Johnson had.... I guess Dillon was not happy about it. On the other hand with Kennedy you didn't always know where you stood with him. I mean if he didn't like something you did -- I found this in the campaign -- he would never criticize you for it. But you could be hurt without even knowing about it. So chewing people out is not necessarily bad, per se. At least you know where you stand.

HACKMAN: Yeah. Anything on the Kennedy-Douglas relationship during the administration? Did you ever remember talking to Douglas and getting his impressions of what he really thought about the way Kennedy was performing?

WALLACE: Kennedy always had great admiration for Douglas, as I said on the other tape, and he did all the time he was in the presidency. Douglas came to like Kennedy as President because his policies were good and much of those were Douglas's policies. Douglas was pushing truth-in-lending legislation and he had a lot of opposition. I tried to get things in annual messages to help on that consumer credit legislation. And it would always be vitiated somehow or other -- too many people wanting to not stir up things on the Hill.

When Fowler came in he put me in charge of the Treasury side of truth-in-lending. Once this was done, then I could say that Treasury favors this. Then our technicians got on it and worked out how it could be done. Legislation was finally enacted, under Proxmire [William W. Proxmire] after Douglas was gone. But, Fowler in many respects gave me more authority than Dillion did. For example, in putting under me the whole coinage program including silver policies, I think that he recognized my ability to pull all the diverse groups together and create a workable program. One group in the Treasury, for example, couldn't seem to think of anything except, "No silver in coins." It would never have occurred to them to eliminate silver in dimes and quarters but leave some silver in the half-dollar. It was this solution that enabled us to get through the necessary legislation.

Fowler put me in charge of the truth-in-lending legislation so that Treasury could really move in that direction. Fowler gave me,

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both the Exceptional Service and the Alexander Hamilton Awards on what we'd done there.

Dillon probably accepted me originally as a Kennedy man with whom he was willing to work but he came to respect me especially on economic issues and on equal employment policies. He didn't want to upset things enough on the silver question. Roosa outranked me so he said, in effect, let him do it. But Fowler specifically gave the silver issue to me.

Dillon was a great secretary of the Treasury. I got along with him. I don't know of any major mistakes he made. He represented the institutional interests of the Treasury. He was generally respected in the financial community.

All the agencies tend to represent a specific clientele. The Agriculture Department represents the farmers, the Labor Department represents labor, the Commerce Department represents business, and the State Department represents the foreign countries, Treasury tends to represent the financial community. You cannot put in a department head who is not acceptable to the department's clientele. They tried, you know, when Henry Wallace was made secretary of the Treasury. It didn't work. You can't do that. So in that sense people like Fowler and Dillon were really terrific in their job because they were helping a president carry out a liberally-oriented program and selling it to the conservatives. Fowler could sell to southern conservatives and Dillon could see to liberal Republicans and they both did an excellent job. They were both tough as far as not letting others set policies which we opposed. It would have been a mistake to follow the policies of Walter Heller and other academic economists all the way through because they were too theoretical. Working with the operations of the national economy, with all of the business interests, labor interests,

financial interests and the congressional side, we used their theories as a guide, but we never worshipped them.

In the troika one of the first things we did in the Kennedy administration was to develop this full employment budget concept and the GNP gap. With this device, we could calculate what the economy could produce if it were at full employment, and then try to promote policies to close the gap between the nation's actual and potential production. This was the policy. We always tried to project ahead and reach full employment by the end of the fiscal year for which we were budgeting eighteen months in advance. Thus we had a specific economic goal to aim toward. Fowler was under secretary under Dillon and he was generally in charge of congressional relations.

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Although Joe Barr was specifically assigned to congressional liaison Barr never was much of a policy man but spent a lot of time on the Hill and did nice things for congressmen. I guess he was pretty well-liked.

As far as I knew, Fowler was also well-liked. But Fowler also knew organization. I told him after that tax victory in the House in '63 that I thought it was about as well-organized as the 1960 convention. He used to treat everyone in Congress as though he were a convention delegate and figure out the best way to influence him to vote for our programs. The best way was to get the prestige people in his district to contact him. Fowler also had some financial and economic background, by being a member of the Commission on Money and Credit which was part of the Committee for Economic Development.

Incidentally, at one point -- I think it was in 1962 -- we tried to implement one of the CMC recommendations which was to give the President authority to vary income tax rates five points one way or the other. This would give the President a weapon to combat either unemployment or inflation. Well, Kennedy himself wasn't too enthralled with that idea because Congress wouldn't like to give him credit for cutting taxes and he didn't want the onus of raising them, it would all be his responsibility. We tried to develop a triggering formula, I think: if unemployment rises to such and such a rate for three months, or to somewhat lower, but still high rate for six months, the taxes would automatically be cut by a certain rate. We finally figured out however that Congress wasn't going to give up their prerogatives on setting tax rates. I later decided that this was on individual income taxes. In reciprocal trade legislation, for example, they gave authority to the President to vary taxes on tariffs which are a kind of tax. They might even give the President authority to vary an excise tax, but not an individual income tax. Anyway, we didn't get very far with that program. Let's see, what other issues were in there. We had equal employment, textiles, troika, the Mint, coin shortages, new coin material, Secret Service.

HACKMAN: Those were the things, and we have a lot on microfilm. Well, we have Dillon's papers. But in going through the microfilm -- we have a lot of microfilm from the Treasury and a lot of microfilm from Dillon's office and then a lot from Fowler -- the things you've named were the things that I could

figure out that you were involved in. And you may know some other interagency committees or something like that.

WALLACE: In '62, the President set up three interagency committees. One was on corporate pensions, and I remember getting

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into that. Surrey was very strong for legislation to require vesting of pension rights, portability of pension rights, which was a good thing. The only trouble was that we had both labor and business against it. Business didn't want the added expense and they wanted a tie on their employees. Labor didn't want to release members. So it was a tough thing. I think that President Nixon has something going like that now in terms of trying to get some vesting done ten years later almost. Some of it may be ultimately overcome. We spent an awful lot of time with balance of payments problems...

HACKMAN: Sure. We've got quite a bit on that in Dillon's own interviews.

WALLACE: ... gold, silver. You've probably got the meat. You probably have an interview with Roosa on the silver story.

HACKMAN: Roosa, right, and George Ball and a number of people on the other side.

WALLACE: Well, to reflect on the overall, Kennedy was an innovative president. He wanted to do things. He was willing to try new ideas. He never really understood economics too well, but in the troika meetings he could settle the questions. Sometimes Sorensen would settle others. Kennedy was not very strong himself, but the combination of Jack Kennedy and Bob Kennedy made for some strength; they knew how to use the toughness that was required.

He never did develop much real influence in Congress. Congress tends to be southern-oriented and rural-oriented or conservative-oriented, and even the liberals are largely big-city-machine-dominated people, so that you couldn't say Kennedy ever reached any kind of popularity with Congress. This was a weak point. He wanted to do this, he put Larry O'Brien in charge of his congressional liaison and Larry did a good job I think, as good as you can do. Lyndon Johnson, of course, kept O'Brien in that position. Although in the case of getting the tax cut through the House in 1963, that was almost purely Joe Fowler who did that. I think Larry stayed out of it.

I think that the Irish mafia and the Sorensen side tolerated each other, tended to operate as a team. They never really tangled with each other. Kenny O'Donnell achieved a very influential role with John Kennedy. Larry O'Brien was not very influential on politics but he was a good field general.

HACKMAN: Did you ever see, or detect, O'Donnell's influence coming on the

substantive side of things?

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WALLACE: I don't think he was much issue-oriented, or even personnel-oriented. He wanted to try to do what he thought the President wanted in terms of getting people in to see him. I think he had influence in certain areas simply because he himself had done a lot. And this makes a difference.

Kennedy was the kind of man who would ask anybody about anything. I do that myself; even if a person doesn't have much background, I'm still interested in what he thinks just because it's a lay or an involved opinion.

Kennedy would have been reelected if he hadn't been assassinated. I think we would have gotten the tax cut through. I know it was tougher for Kennedy than for Johnson. I think it helped Lyndon Johnson a great deal that Harry Byrd liked him. Byrd was a real power in congressional circles and let the tax cut go through.

I've often speculated to myself about Kennedy, what he would have done in Vietnam. I tend to think that his experience at the Bay of Pigs would have led him not to worship at the feet of the military to the degree that Lyndon Johnson did. Johnson, not being a military expert, tended to go along when the military would say something. Of course, both Kennedy and Johnson were highly political. You can't do anything unless you're President. But I suppose the Republicans and others would have accused Johnson of selling out to the Communists if he had not stepped up action in Vietnam. There's been a tremendous change in the country as the country has gotten tired of Vietnam. But I did think that Kennedy would have been tougher with the military, although I can't say for sure. Certainly Kennedy in the showdown with Khrushchev over Cuba was able to risk war if necessary. And in his inaugural address, he was rather hawkish. I don't know. Kennedy was no dove, so it's difficult to know for sure just how he would have handled Vietnam.

HACKMAN: Is that a good place to stop?

WALLACE: Yes.

HACKMAN: Yes.

[END OF INTERVIEW]

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