

C. Douglas Dillon Oral History Interview – JFK#1, 07/30/1964
Administrative Information

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Biographical Note

Dillon, Secretary of the Treasury (1961-1965) discusses his role as a Republican in JFK's Administration and his personal relationship with JFK, among other issues.

Access

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BY DOUGLAS DILLON

TO THE

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- a) Transcripts of ten (10) personal interviews approved by me and prepared for deposit in the Library;
- b) Ten (10) tapes, containing the interviews, from which the transcripts were prepared;
- c) An unclassified subject index to the transcripts (attached herewith and labeled "Index I"); and
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Douglas Dillon

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Date:

Feb. 26, 1965

January 5, 2004

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

Dear Mr. Goodrich:

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

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

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

Sincerely,

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

Susan S. Dillon

C. Douglas Dillon – JFK #1

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Oral History Interview

with

C. DOUGLAS DILLON

July 30, 1964
Washington, D.C.

By Dixon Donnelley

For the John F. Kennedy Library

DONNELLEY: This is Dixon Donnelley speaking. This is the first in a series of interviews with Secretary of the Treasury, Douglas Dillon. The interview is being conducted in the Department of the Treasury in Washington, D.C., July 30, 1964. The time is now 3:40. This is tape no. 1.

DONNELLEY: Mr. Secretary, let's begin by asking you when and where you first met Jack Kennedy [John F. Kennedy].

DILLON: The first time I met Jack Kennedy was in June of 1956. It was at a Harvard College reunion. That year was the year, as you will recall, when Senator Kennedy was chosen to receive an honorary degree and he was at Harvard for that purpose. I was there that year because it was the 25th reunion of my class. I had been chosen by my class as the first marshal for the 25th reunion which meant that I was the chief marshal for the entire reunion. As such, I shared the platform a number of times with Jack Kennedy. We had both, although at different times, been members of the same eating club at Harvard and so after some of the ceremonies, we happened to run into each other at receptions in Cambridge at our old club. That was my first meeting with him.

DONNELLEY: Do you recall when you next saw him?

DILLON: I would think the next time I actually saw him was at some point after I was back here in Washington and was working in the State Department. Senator Kennedy at that time was a member of the Foreign Relations Committee of the Senate and of course I had lots to do with the Foreign Relations Committee. I saw him from time to time in that way. I do remember there was one occasion, in 1958 I think it probably was, when Senator Kennedy and Mrs. Kennedy [Jacqueline B. Kennedy Onassis] came for dinner at our house when we were giving a dinner for my daughter [Joan Douglas Dillon] who was back home visiting us from Paris. She had known Senator Kennedy for some time, as well as Mrs. Kennedy. We asked Jackie Kennedy if she knew any people, younger friends, that would be pleasant for our daughter, Joan, to know, and she provided us with a list and we built our dinner around that and had a very enjoyable evening at our house. Beyond that, the only times I saw the Senator was in the course of our work. I do remember specifically talking with him at some length once about

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a problem having to do with aid for India, and was highly impressed at that time by his understanding and detailed knowledge of the problems of India which required a good deal of study to really be up on.

DONNELLEY: In your appearances on the Hill did you find that Senator Kennedy was generally sympathetic to the needs of the State Department?

DILLON: Yes, I always found him so. Of course toward the end of this period he was busy campaigning so was not as active as he might have been, as he might otherwise have been, in affairs of the Foreign Relations Committee, but whenever he was there I found him sympathetic to the problems I had to present, both having to do with foreign relations policy and having to do with the problems of operating our foreign aid program.

DONNELLEY: An awful lot has been written about the way President Kennedy offered you the post of Treasury Secretary. I remember that during the height of the campaign Mr. Kennedy had read a couple of your speeches, particularly on foreign aid, and you may remember he expressed himself as saying that he would like to invite good men of both parties to join his administration if he was elected and he specifically mentioned you. Do you recall the first time you had any overtures from him on accepting the post you now occupy?

DILLON: No, that first time was somewhat after he was elected. I did not recall those remarks of his during the campaign, but if you say so, undoubtedly he made them. I did see him on one occasion during the campaign which is probably worth mentioning. This was in August of 1960 after he had been nominated and during the short session of the Congress. You will recall that,

early in July, President Eisenhower [Dwight D. Eisenhower] had decided it was necessary to revamp our foreign aid approach to Latin America, putting more emphasis on social progress in Latin America. There was a meeting of Finance Ministers of the Hemisphere scheduled at Bogota for the first few days of September. In preparations for this we made a suggestion that a fund of \$500 million be provided over a two-year period to set up a Fund for Social Progress, and we went to the Congress and asked for this legislation to be approved. It was approved in the House

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and was being considered by the Senate during this period between the Democratic and Republican conventions. Since this legislation was a matter of interest to Senator Kennedy, he being on the Foreign Relations Committee, and being the nominee for president, naturally it required at least his tacit agreement. So I went to see him and found him very busy. He wondered if passing this legislation at this time wouldn't foreclose what he might try to do if he should be elected or foreclose what Vice President Nixon [Richard M. Nixon] might want to do should he be elected. I explained to him the urgency and the need for having this law passed prior to the meeting in Bogota and how important it was for our whole relations with Latin America. I assured him that this was merely a start and that whoever was elected President would have full opportunity to mold the program to his own views after the election. Senator Kennedy was very understanding, and he felt, I am sure, that this was along the lines that he had been thinking himself. I had the impression that our action might have preempted a point that he would have liked to have made in the campaign himself. But in spite of that recognized that this was important, and he very graciously agreed to support this legislation so it was readily passed. That was the only time I saw him during the campaign or had any contact with him at all during the campaign.

DONNELLEY: Did you have the feeling that he had a special interest in the problems of Latin America at that time?

DILLON: Yes, very much so, and while he didn't say exactly what he had in mind he clearly was interested in having his hands free should he be elected President.

DONNELLEY: Returning to your personal relationships with him—after the election you remember you made a trip to Europe and didn't the President-elect get in touch with you before you left for Paris?

DILLON: Yes, he did. The first time he got in touch with me, I would have to check that date, but I am sure we can find it, was sometime either in late November or early December, when one afternoon at the State Department I had a call from

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Pierre Salinger [Pierre E. G. Salinger] whom I knew only by name. When I answered the phone, he said that Senator Kennedy wanted to know if I was free that night because he would like to stop by my house to see me. I told Pierre that that seemed an inappropriate arrangement and that if there was any information that Senator Kennedy was interested in having, I would of course be glad to go and see him at his house or office or any place else. I had assumed that he wanted to be briefed on some matter or other. The answer came back right away from Pierre that that wasn't what the Senator had asked, that he definitely wanted to come and see me that evening if I was going to be free and at home. It happened that I was, and I said if that was the case I would be glad of course and honored to see the President-elect, and so that evening at about 9 o'clock, as I recall, the President-elect came to my house alone, and we talked for about half to three quarters of an hour. We talked in rather general terms but it was clear—he made it clear, that he was thinking about the Treasury Department and the possibility that he might want to ask me to continue—to take on that assignment. He was particularly worried about the balance of payments, which you will recall was in rather difficult shape at that time and especially about the very large outflows of gold. He was afraid that there was a lack of confidence in the U.S. and that nobody knew what the new policies would be. He said that I could render substantial assistance because I was known in Europe and was known to believe in the maintenance of the value of the dollar and in a sound dollar, which he very much believed in himself. He also mentioned the fact that he had seen some of my earlier speeches in which I had a couple of years before come out strongly in favor of a more rapid rate of growth in our own economy, more in line with the 5% target that had first been publicized in the Rockefeller Report, and which was in line with the emphasis which he had placed in his campaign on the need to achieve a faster growth rate. Nothing definite was said at this time either by him or by me but it was an initial contact and from that time on I realized that there was a possibility and I realized I would have to decide what I would do should he make that offer.

DONNELLEY: As I remember it, the President-elect did not arrive at your front door.

DILLON: No, he came in right at the front door.

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DONNELLEY: Oh, I see. As I remember it also the day before you left for Paris the *Washington Post* carried a story by Chalmers Roberts [Chalmers M. Roberts] that apparently was inspired from within the Kennedy camp indicating that you were going to be given a post, or offered the post rather, as Secretary of the Treasury. I remember at that time for obvious reasons nothing could be said about it.

DILLON: Well, I was going to say that while I didn't hear anything specifically after this meeting with Senator Kennedy, it had been left that he might get in touch with me again. He did call

me a day or two before I was leaving for Europe because I had told him at the earlier meeting that I did have this appointment to attend the NATO [North Atlantic Treaty Organization] meeting. He did call and speak to me briefly on the telephone merely to say that there were then no further developments but that he wanted to know where I could be reached in Europe should it be necessary and should he want to get in touch with me. So we left for Europe with nothing further understood than that.

DONNELLEY: When did you next hear from him?

DILLON: Well, first let's talk about what I had done in the meantime. I had been to see Vice President Nixon and had talked to him about this situation that might come up. He said that he had talked with the President-elect in Florida. They had met, as I recall, in Miami in November and Senator Kennedy had said he might be interested in appointing some Republicans to national security positions—important positions. Vice President Nixon said he did not believe that he would really be interested in asking me to go into the Treasury Department, but it might well be that he would like me, because of my experience in the foreign field, to be Ambassador to NATO or some such position. I told him I was not interested in that sort of position but that in view of our balance of payments situation and the obvious need for action in that area it would be something that one could not consider lightly if one was asked to go into the Treasury. At that time the Vice President agreed with me that if such an offer was forthcoming, it would have to be considered very seriously and that it would be difficult to say no to the President-elect even though he was from a different

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party. He did not, however, believe that this would happen. On my way to Europe I also discussed the matter at some length with Secretary of the Treasury Anderson [Robert B. Anderson]. We went over on the plane together, and he was very strongly of the opinion that if this offer should be forthcoming, I was duty bound to accept it because of our balance of payments, and the lack of confidence that was rather general abroad regarding U.S. international financial policy.

When I was in Europe—this meeting lasted for a week—I did not hear in any way from Senator Kennedy. We flew back after it was over and arrived rather late one evening after a 24 hour flight in a Constellation—a government Constellation. There were very heavy head winds and we were all fairly tired. When I got to my house I found a message that Senator Kennedy wanted me to call him. Since we were so tired and it was getting on pretty late, I postponed that until the following morning and did call him early the following morning. He asked if I could come around to the house to see him, and I told him that I could not right away because I had to report first to President Eisenhower. I then went and did report to President Eisenhower as to what had happened to Paris which had been the occasion of the signing of the Charter of the OECD [Organisation for Economic Co-operation and Development]. I also discussed at that time with President Eisenhower the possibility that I might be asked to take over this job by Senator Kennedy. I told him he had called me and had asked me to come and see him, and I didn't know definitely what it was about but there had

been some indirect intimation that I might be asked to take this particular assignment. President Eisenhower was obviously quite surprised, but he too said what he had always said—that if the President asks you to take on a particular job in the interest of the country it's a very difficult thing to say no because of party considerations or any other personal considerations. If it was something that was really necessary for the country, it was something that you were more or less duty bound to accept.

DONNELLEY: Mr. Secretary, at one time there was a lot of speculation published to the effect that Vice President Nixon and President Eisenhower were furious with you for agreeing to enter the Kennedy administration. What's the real story?

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DILLON: Well, I described my conversations with both of them. I think that both of them were very much surprised by the fact that Senator Kennedy did such an unusual thing as to ask a member of the Republican Party who had been active in the party, who had actively supported his opponent during the campaign with contributions, although not with speeches, because in the State Department we were barred from partisan political activity. Nobody in the State Department took part in any way in the campaign but I had contributed substantially to Vice President Nixon's campaign so when this actually happened, even though I had spoken to them both, and they both had indicated that if this happened it would be difficult for me to say no, they were I think quite surprised. I think both of them had felt that I was imagining something and that this wouldn't probably actually occur. I myself had never particularly thought it would occur until it did because it was such an unusual situation and while, as I have described, I had met and had worked from time to time with Senator Kennedy, I certainly did not know him intimately or well, and he did not know me intimately or well. So I think they were both really very surprised. I never talked with them at any length after President Kennedy announced—President-elect Kennedy—announced that I would accept this offer and would serve as Secretary of the Treasury in his Cabinet. I really wouldn't know how to comment beyond that. I can't conceive that President Eisenhower really had any particular feeling other than surprise because when I did resign from the Department of State he wrote me a most friendly and laudatory letter thanking me for my service in the Department, and I certainly didn't get any impression at that time that he thought I was doing anything wrong.

DONNELLEY: There's been speculation that the stories of Eisenhower's displeasure with you were put out by Jim Hagerty [James C. Hagerty] and General Persons [Wilton B. Persons]. Do you know anything about this?

DILLON: No, I wouldn't know anything about where they came from. I did read some of them in the papers.

DONNELLEY: Before we continue you indicated in a conversation previously that you had had an overture prior to President-elect Kennedy's approach to you from some of his friends or perhaps supporters.

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DILLON: Yes. I wouldn't call it an overture. I didn't know what it was but very shortly after the election, in fact I think it was only a couple of days after the election, I had a call from Philip Graham [Philip L. Graham], the publisher of the *Washington Post*, and he asked if he could come and see me in my office, and he came around. We had been good friends and had always known each other for many years, both socially and in a business way, and when he came he asked me if I would not consider the possibility of accepting an offer by President Kennedy to serve in his Cabinet as Secretary of the Treasury should such an offer be made. This naturally came as a great shock to me and I could not believe that it was anything serious. Phil Graham did not indicate that he was in any way speaking for Senator Kennedy. He was speaking for himself but said that he was a close friend of the President-elect's and had been advising him on a number of things. He said that this was his own personal idea and that it would be a fine solution to our difficult balance of payments problem and would settle the confidence of the world that we would be carrying on with a sound and sane fiscal policy. He also felt from what he knew of my beliefs, and what he knew of Senator Kennedy's, that there was no basic difference in our views regarding the importance of fiscal responsibility and sound financing of the government and therefore he thought this would be a good idea. I told him that I was most surprised, that I had no idea of doing any such thing. He then urged me to think about it some more, and I said I was going off on a vacation to Florida which I did almost immediately, probably within the next day or two. I spent a week or ten days down there during which he called me once or twice. Finally, after considering it for some time, I told him that if something like that was in the wind it could not say no out of hand. I never at any time knew in my conversations with Phil Graham whether he had talked with Senator Kennedy or whether this was all just his own idea and was something that he was trying to promote on his own. That I don't know to this day. But this was the first time that this thought was brought to my attention. I have now checked and I find that the day I was called by Pierre Salinger, and the day on which Senator Kennedy came to see me was the second of December, that was some weeks after this first visit from Phil Graham.

DONNELLEY: Wasn't Graham a Republican?

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DILLON: Not that I know of. I know he had supported President Kennedy during that campaign. His wife [Katharine Meyer Graham] was a strong Democrat. Since Phil Graham came from Florida, I always assumed that he was a Democrat also, but his paper was independent. His paper was not a Democratic paper and I had always assumed that he was more or less of

an independent but in that campaign I knew that his wife had been very strongly for Senator Kennedy. I myself hadn't realized how close he apparently had been to the Senator. But when he came to see me he told me that and things developed from there.

DONNELLEY: As I remember it after his conversation with you, meaning Graham's, didn't the *Washington Post* run an editorial urging that you be invited into the Administration? I believe that yours was one of two or three names mentioned.

DILLON: I don't recall. That may well have been the case. There was a certain amount of speculation in the press. There was nothing immediately after my talk with Phil Graham. He did not treat those conversations, he made that very clear, that those conversations would not be the subject of any news stories. I think that anything that may have come out must have come from other sources.

DONNELLEY: By the way, while I think of it, several people have written the fact that you were in an extremely fortunate position because you stood to be invited into the Cabinet of either administration. Supposedly, if Mr. Nixon had won he would have offered you the post of Secretary of State. Was anything ever said to you about this?

DILLON: No, I never discussed this with him. This was perfectly natural because I wouldn't think any presidential candidate would make a commitment prior to the election and after the election there obviously was no reason to discuss such a thing. But I had supported the Vice President strongly in his campaign since I had always been a Republican. I felt that he had a good understanding of the problems facing the country and I felt that he would have made a good president. I still think he would have made a good president. I think he was highly qualified for that position but whether he would have asked me to take a position or not, I don't know.

DONNELLEY: In subsequent meetings with Mr. Eisenhower and Mr. Nixon has the subject of your serving in this administration ever come up?

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DILLON: Well, there haven't been any subsequent meetings of any length. Of course I have seen them from time to time, but the meetings have been brief and generally on occasions when many other people have been present and we haven't had any opportunity to sit down and talk quietly about things, so we never have discussed this sort of thing. I never have, either with President Eisenhower or with his former Vice President Nixon, ever since the day I accepted the position.

DONNELLEY: Returning to your dealings with President-elect Kennedy, what was the next contact you had with him?

DILLON: Well, it was that morning after I came back from Paris after I had been to see President Eisenhower. I told Senator Kennedy that I would be glad to come and see him after that. After seeing President Eisenhower, I returned home and called the Senator's house, and he said he would send a Secret Service car to pick me up and bring me over to his house in Georgetown. That he did, and I would say sometime between 11 and 11:30 a.m., I arrived at his house. The car came in through a back entrance—to avoid the crowd that was in front of the house on the street all the time during that period. Shortly after I arrived I remember being ushered into a small dining room downstairs and waiting maybe for 20 minutes or so or half an hour. With me also waiting was Congressman Cannon [Clarence Cannon] of Missouri, the Chairman of the House Appropriations Committee. After waiting a bit I was asked to go upstairs in this small Georgetown house and said good morning to the President-elect, and he came very rapidly to the point and said he had made up his mind and wished to ask me if I would do this job.

DONNELLEY: No preliminaries?

DILLON: No preliminaries. He expressed his great interest in the fact that there was a very serious balance of payments problem and his view that no one could handle this in any better fashion than I could. I told him that, having thought about it, I would be glad to undertake this assignment. I said that I assumed in doing this that I would have a relatively free hand in choosing those who would work with me in the Department.

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Naturally, they would have to be acceptable to him, but, in the first instance, those who would be my close associates would be my own choice. The President-elect readily agreed to that and that was the basis on which we proceeded. I then told him that I felt I ought to discuss certain of my business connections with any one of his advisers who was interested in that sort of thing to see if they felt that there was any conflict of interest or anything of that nature in any of my business connections. He asked me to talk to Clark Clifford [Clark M. Clifford] and pointed to the phone which was right in the room and said pick it up and get Clark Clifford, which I did. I talked with Mr. Clifford on the telephone for maybe 15 or 20 minutes after which he said he thought everything was fine. He saw no problems. I reported that to the President-elect and he said well maybe we ought to go downstairs and go out on the stoop and make the announcement. This was all much more rapid than I had expected, but there was no reason for not going ahead.

DONNELLEY: How long had you been with him by this time?

DILLON: Oh, I'd say maybe three quarters of an hour on account of this telephone conversation.

There was one other interesting event. He, the President-elect, told me that he had been thinking of strengthening the Council of Economic Advisers. He said that he thought he would like to appoint as the Chairman of the Council and economist who would be known as a relatively liberal economist in view of the fact that he was appointing me, a Republican and an investment banker with a Wall Street background, as Secretary of the Treasury. He said he had in mind Walter Heller [Walter Wolfgang Heller] of Minnesota. He asked me what I thought of this idea. I told him I thought it was a sound and reasonable idea provided, that in the area of my own responsibilities of managing the financial affairs of the government, it was always clearly understood between us that my recommendations would be direct to him and that he would look to me as his chief financial adviser although he would naturally get personal economic advice of every kind from his Council of Economic Advisers. The President-elect told me that of course that would be his understanding. We always operated on that basis throughout his presidency.

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DONNELLEY: Had you heard of Walter Heller at that time?

DILLON: No, I had not because being in the State Department I was not really familiar with academic economists. I had been doing other work and had not had time to devote myself to economic problems, domestic economic problems, and so I would say I knew the names of very few economists.

DONNELLEY: What happened next?

DILLON: During the course of our conversation his brother, Robert Kennedy [Robert F. Kennedy], came in and I was told that he had just agreed to accept the position of Attorney General. I had never met Robert Kennedy until that moment. We were introduced and talked briefly, and during the course of that conversation the President-elect told his brother that I had agreed to do the Treasury job. Robert Kennedy then mentioned that this was an unusual situation, and the one thing they would like to be assured of was that, if contrary to both our views, we came to an important difference of opinion on policy grounds they would hope that if I felt that I could not continue because of such a difference that I would leave without making a public fuss about whatever the difference might be. I gave them that assurance and said that I certainly felt that if, as I did not expect, but if there should be a difference of views that was important that developed in the reasonably near future and this experiment did not work out, that it would certainly be my intent to quietly pack up my bags and leave rather than to try and make a great political scene about such a departure. Thereafter, we went down and went out on the stoop with the President-elect, and he announced that he had asked me to take on the job of Secretary of the Treasury in his administration. I said that I had accepted and there was the usual picture taking and hand shaking and then we went back into the

house.

DONNELLEY: Didn't you write out a little statement with him before this happened?

DILLON: I think probably there was a brief statement to give to the press which was probably what he had said or what I said at that time. I don't recall exactly what it was.

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DONNELLEY: The fact that he announced your appointment at the same time that he announced his brother's seemed to have some political reasons behind it. Had you ever discussed this at a later time with him?

DILLON: No, I didn't. I wasn't aware there were any political reasons behind it. It didn't occur to me, and I don't quite understand what they would have been.

DONNELLEY: Oh because of the criticism of his appointing his brother to the Cabinet. This would be balancing.

DILLON: Two appointments on the same day. That may be. Maybe that was the reason—just because of having another appointment on the same day. That could have been, but that was never discussed either then or afterwards.

DONNELLEY: Did anything else take place at this announcement meeting?

DILLON: No, I think this was about all. I then said that I planned to go almost immediately, or very shortly, south for a vacation in Hobe Sound over Christmas. The Senator said he was going to spend the Christmas period at his father's [Joseph P. Kennedy, Sr.] house in Palm Beach. He said that he would probably be in touch with me down there about various policy matters that he might want to begin to discuss. I think it may have been at this meeting or in a telephone conversation shortly afterwards that he gave me the name of Bob Roosa [Robert V. Roosa] as a possibility for the job which he later accepted. This was a name I had never known of until that time. His name had apparently been suggested to President Kennedy by some of his economist advisers.

I then got in touch with both Mr. Roosa and Mr. Coombs [Charles Anthony Coombs], who was the Foreign Vice President of the Federal Reserve Bank in New York. I also wanted to learn something about our balance of payments problems as they were seen at first hand by the Federal Reserve Bank. So they both came down to see me in Hobe Sound. At that time I was tremendously impressed with Mr. Roosa, and it was shortly after, when I had checked

with some of my friends in New York who dealt with the Federal Reserve and who also had the highest opinion of him, that I asked him if he would take the job, which he did. Of course Mr. Roosa has made a tremendous contribution during the last four years.

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Taking the rest of the people in the Treasury team, the Under Secretary, Mr. Fowler [Henry H. Fowler], was a personal selection of my own. I had known him slightly. I had known some of his friends very well. I was looking for a man as Under Secretary who was a lawyer, which I was not, and who was close to the Democratic Party because I knew there would have to be some relationship on a political basis and also that it would be very advisable to have someone who knew or was close to many of the Democratic leaders on the Hill, particularly in the areas of finance where I did not know them. I only knew those who dealt with the foreign relations problems, and Joe Fowler seemed to be ideal from that point of view. I talked with him and he was interested. I then suggested him to the President-elect, who did not know him personally, although he did know of him. He was glad to accept my recommendation. Mr. Fowler had been an active Democrat although I do not think he had been in any way associated with the Kennedy primary campaign. I don't think he had done any personal work on behalf of Senator Kennedy but had just helped the ticket as a good Democrat. He also turned out to be a great success and was very helpful.

The number 4 man in the Treasury, who at that time was Robert Knight, had been working in the Pentagon under the Eisenhower Administration as a Deputy Assistant Secretary of Defense. He was a first-class lawyer whom I had gotten to know because he was Deputy Assistant Secretary of Defense for International Affairs. I had been greatly impressed by him and felt that if he would become General Counsel of the Treasury, it would greatly strengthen our team. I did not know his politics. I don't think he had any, although, if anything, I assumed he was a Republican. President Kennedy accepted that recommendation too, and he became my General Counsel. For Assistance Secretary in the international field I asked a career man at the State Department who had been my Special Assistant for three years, John Leddy [John M. Leddy], if he would do that job and he also was fully acceptable to the President-elect.

There were two suggestions that came from the President-elect. One was Mr. Caplin [Mortimer M. Caplin] as a possibility in the Internal

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Revenue Service although later the President-elect also suggested another person to me as a possibility for the job. I talked with both of them, was greatly taken by Mr. Caplin, and suggested him to the President. He was naturally very glad to accept that thought. The other important person in the Treasury team at that time was the Assistant Secretary for Tax Policy. There had never been an Assistant Secretary in that field. The President-elect gave me a number of names in this area and indicated that he was particularly attracted to Stanley Surrey [Stanley S. Surrey] who had worked on the Task Force on taxes for him. I read his suggestions, talked with him, checked up on him, and found that he was generally viewed as being on the liberal side, but also that he was generally recognized as probably the most

knowledgeable man about the tax law in the United States. He had worked with the Treasury before and so I was glad to take him on. He has also proved to be an excellent addition. There was one Assistant Secretary in the Treasury, Gil Flues, who was in charge of the Coast Guard and things like that during the last years of the Eisenhower Administration, who continued on for about a year since he wished to continue, was living here in Washington, was willing to and there didn't seem any particular need for a change.

I think this is very interesting, these arrangements for presidential appointments, in showing the way President Kennedy, once he had made his choice, carried it through to the full in allowing me to choose my own team.

There is one other thing which I think should be said which came right at the beginning either in—it must have come even before I went to the house at Georgetown. In fact, as I recall, it came during the first night the President-elect came to see me, December 2. He then said that he felt it would be most useful to divorce both the Treasury and the Defense Department completely from politics as the State Department had long been divorced. During the 1960 campaign, the Secretary of Defense, my good friend Tom Gates [Thomas S. Gates, Jr.], had been asked to make a number of political speeches which he had done. President Kennedy said he thought that was inadvisable, and that he would not want his Secretary of Defense to make political speeches. He said he felt in view of the growing international problems of the Treasury Department and the balance of payments, it would be better if that was classified in the same national security area and certainly if he asked me to take the post, it would be on the understanding that it would be on a non-political basis. I would not be expected

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to make political speeches, go to political rallies, or undertake any political activity whatsoever. That was fully lived up to and shortly after his inauguration one of the first things he did—in one of his early Cabinet meetings—was to specifically, formally and before the whole Cabinet request the Secretaries of State, Defense and Treasury not to take part in political activity ourselves or in our Departments. That injunction was followed scrupulously by him, his staff and by me.

DONNELLEY: Do you think the reason he gave was the real one or was this a graceful way of letting you and Mr. McNamara [Robert S. McNamara] off the hot spot?

DILLON: I think it was probably somewhat of a combination, but I think that he felt truly that questions of defense should, to the extent possible, not be part of the political scene. He believed in the continuation of the bipartisan foreign policy that had governed our country ever since the days of Senator Vandenberg [Arthur Hendrick Vandenberg]. He believed that there was a real crisis in the balance of payments. It's had to over-emphasize his deep concern with our gold loss and our stock of gold. I think that has been mentioned from time to time in the press, how every time there was a loss of gold, he'd call up and want to know why. I kept him regularly informed at monthly intervals, if not more often, as to status of our gold stock

and he was always very interested in this. And I think because of this he felt this had become a part of our foreign policy. It was basic to our foreign relations—to the strength of the dollar abroad. So he felt it better for the Secretary of the Treasury not to engage in partisan political activity.

DONNELLEY: Mr. Secretary, I have heard you make a point in the past that we completely overlooked at the moment that's worth returning to. As I remember, after your first meeting with the President-elect, and before he actually offered you a position in the Cabinet, you arranged for your staff to get together all of his statements and speeches and writings expressing his economic philosophy.

DILLON: That's correct because when I first got an idea that this might happen I wanted to check very carefully as to what he had said, and I did read these things. I was particularly impressed with a speech which he made in Philadelphia right near the end of the campaign, the latter part of October, which was

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supposed to be a definitive statement of his economic and financial policy. I read that statement very carefully. It was very well and carefully drafted and I could find nothing in it as a matter of policy that I differed with. Naturally it was a political speech, and I didn't necessarily agree with certain political parts of it, but the outline of the policy to be followed was exactly along the lines of what I felt was the correct policy. It was interesting later when I was discussing this matter with Secretary Anderson and mentioned this speech that he said he had read it very carefully and had found nothing in it that he could fault. He thought that if that policy was actually carried out, it would be fine. I think that was certainly a general feeling. If there was any feeling on the part of Vice President Nixon and President Eisenhower in this regard it was that rather than take exception to the policies which Senator Kennedy had outlined they doubted whether they would really be carried forward after the inauguration. Certainly I had an advantage there because I had no doubt of the deep sincerity of the President-elect's view regarding balance of payments problems and his views of the need for sound finance domestically to maintain the integrity and the value of the dollar. He felt that price stability was highly important. I knew that these were things that were very close to his heart and he certainly would do his best to carry them out, at the same time trying to take what steps he could to increase the growth rate in the country by improving the atmosphere for economic growth.

I also recall that I mentioned in that first meeting in my house my interest—my deep interest in tax reform, particularly in depreciation reform, to stimulate investment by business but also on the need for a more far reaching reform which would result in substantially lower tax rates across the board. At that time the President-elect agreed with me that this would have high priority in his administration, so there was general agreement right from the beginning on the basic policies that were later followed.

DONNELLEY: After your Saturday meeting in Georgetown with the President-elect, what was your next contact with him?

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DILLON: Well, as I said, I don't know that that was Saturday, but maybe it was, but I then very shortly went to Florida. I don't remember the exact time of my next contact, but I saw him, I would say 3 or 4 times in Florida. I remember going down and having lunch with him once when Congressman Rooney [John J. Rooney] was there. He was talking to Mr. Rooney about a thing that was very close to his heart, which was larger expense allowances for certain diplomatic posts abroad so that it would be possible to appoint people of talent who did not have the personal wherewithal to carry the expense of supporting an embassy. Naturally I was glad to support him in that conversation with Congressman Rooney. We also met a couple of times during that period and played golf on a couple of occasions either in Palm Beach or various courses half way between Hobe Sound and Palm Beach. I think most of my talks with him at that time were in regard to personalities because that was when I was trying to develop my team. I was suggesting these various names and reporting to him on progress.

DONNELLEY: Mr. Secretary, returning to our discussion of your meeting in Georgetown at his home with President-elect Kennedy the day of the announcement of your appointment as Secretary of the Treasury, didn't you have another anecdote which you recalled recently?

DILLON: Yes, there was one additional matter of interest. After I had agreed to serve as Secretary of the Treasury and the President had received word from Mr. Clifford that all the legal matters were in order, he suggested that we go down to make the announcement on the front steps of his house. Just at this moment his brother, Robert Kennedy, came in. I think this was the first time that I had met him. We were introduced, and I was told that he had accepted the position as Attorney General and that this would be announced later in the day. While we were talking Bob Kennedy said, "There's just one thing that gives me some concern in regard to your acceptance of the Treasury position. That is, should at any time in the future a difference—a serious difference—develop regarding policy and should you feel that it was something that you could not agree with, we would hope that you would leave quietly without trying to make a big public blast. We would not like to have a recurrence of the type of incident that marked the beginning of the Eisenhower Administration when his Secretary of Labor, Durkin [Martin P. Durkin], left in distinctly unfriendly circumstances."

I replied that I had no reason to expect any such difference from the discussions that I had had with the President-elect. But if such a difference should arise, my intention would be to just to say circumstances had changed, and I felt that I had to go back to private life. I would not try to embarrass the President in carrying out the policies which he wanted to carry out. So with that said we went on down to the street and my appointment was announced.

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Several years later I recalled this incident to the Attorney General after I had gotten to know him quite well. I recalled that on our first encounter he had asked me this question. He smiled and laughed and said, "Did you realize at the time that this was a put up show? It was arranged that I was to ask you that question so we would be sure to have that understanding." I said no, that I hadn't thought it was significant at the time. He then commented that it was funny looking at the incident with hindsight that he and the President had thought such a conversation necessary. He said it had been arranged that he would ask this question but only in the very casual way in which it was actually done.

DONNELLEY: Well, do you think this question was asked of all prospective Cabinet members or of you because you had been with the Republican Administration?

DILLON: Oh, I think it was just asked of me because I had been in the Republican Administration and was coming into a Democratic Administration. I think it was asked because President Kennedy and his brother were both close students of history, particularly political history, and they recalled vividly the experience of President Eisenhower when he put an outstanding labor leader, head of one of the large unions, in his original Cabinet as Secretary of Labor. This thing had not worked well and had ended with a big explosion—a public explosion. I think they did not wish any repetition of that experience. I don't think they thought anything like this was likely to happen, but both the President and Attorney General were always very cautious and careful in everything they did. I think they simply wanted to be sure that all bases were covered.

DONNELLEY: Mr. Secretary, after your return from Palm Beach you wound up your affairs in the State Department rather quickly and then as I remember it you resigned and took a small office here in the Treasury Department. Do you recall that period?

DILLON: Yes, I think I came back probably right after New Year's and resigned almost immediately. I think my resignation was effective and accepted on the 4th or 5th of January. Then there was about a two week period prior to the inauguration when I was in effect briefing myself for the new assignment. We had a small room in the Treasury just down the hall from Secretary Anderson's office. He made all the facilities of the Treasury available to me and was very kind in answering all the questions that I had. At that time also I was very much engaged in trying to line up people to join with me. I might mention two other people, one of which of course was yourself, who early on decided to come from the State Department, and serve as the Press Officer, the Assistant to the Secretary for Public Relations of the Treasury. The other was a young man who came down to see me in Hobe Sound at his own suggestion, who was a former Congressman from Indiana, from Indianapolis, who had been defeated in the election. He was

a one-term Congressman by the name of Joe Barr [Joseph W. Barr]. He came down there merely to say that he was very much interested in financial matters and would like to help in any capacity. He had an M.A. at Harvard in economics. During his two years on the Banking and Currency Committee, he had served on that Committee during his two years in the House, he had studied the Federal Reserve System, and the operations of the Treasury. I knew at that time, at least it was my intention, and I knew that President Kennedy agreed, that we would make a substantial effort to alter the tax laws and to reduce taxes. I realized this would be a very complex and difficult job and would involve a very active congressional legislative program. Prior to that time there had been no congressional liaison office in the Treasury. The Secretary, personally, and the various bureau heads handled whatever legislation there might be. There hadn't been much in the preceding few years. So I asked Joe Barr if he would take this job. He seemed eminently fitted for it by his prior service in the Congress. He accepted and once again President Kennedy was glad to accept my suggestion that he do this job. Again he performed a very fine service and was later selected by President Kennedy as Chairman of the Federal Deposit Insurance Corporation. This nomination was made finally by President Johnson [Lyndon B. Johnson], although it had been announced earlier by President Kennedy.

DONNELLEY: Prior to the inauguration did the President call upon you for any advice or assistance?

DILLON: No, not that I recall in any way. We had had these discussions about gold outflow and the balance of payments in his very first, both in his inaugural address and then in a general speech to the Congress, which he made immediately thereafter, regarding the need to support and his determination to support the value of the dollar. He did this and then determined that one of his very first messages—in fact it was his first special message—would be on the balance of payments. So very shortly, almost immediately after the inauguration, we began to work on that and it went forward to the Congress on the 6th of February, which was just about two weeks after the inauguration.

And it was the first special president message. We were very active almost immediately on a policy basis where I worked very closely with the President and with his White House staff, particularly Mr. Sorensen [Theodore C. Sorensen], who worked on presidential messages. That started almost immediately, but I don't think there was much of that prior to the actual inauguration although the schedule was laid out as to what we would do.

DONNELLEY: Before we got into a lot of the substantive matters, I think a lot of personal questions might be asked. For example, and these are personal, did you find it difficult to make the transition from one administration to the other? Did you find any resentment on the part of your

previous colleagues and some snipping at a strange dog on the part of your new colleagues?

DILLON: I really found it easier than I had expected because most of my former colleagues, that I had known well and worked with and who had some knowledge of the problems that we faced, all felt that my decision was the right one and supported me in it. So I had no problem that I was aware of with any of them. I do think that some of the members of the Eisenhower Cabinet, who were not so aware of these things and with whom I had never been particularly close, did feel that it was extraordinary to see a Republican in a Democratic administration. But those were people with whom I had no contact so I was not aware of any real problem. I know that Republicans in general in the East where I came from, New York, New Jersey, many of them were probably surprised. But again those in the field of the banks, the financial organizations that were aware of the balance of payments problem—all of them thought that this was a useful service and were glad I had made the decision I did.

I never had any problem, of course, with President Kennedy because we had very early reached an understanding that our general thoughts in this area were very close to each other. I think maybe some of the more liberal advisers that he had might have wondered about my appointment a little bit. I know of some that had questioned it with him when he considered it, but I never found any great problem in that regard. One of them, Senator Gore [Albert Gore, Sr.], publicly stated that he had urged the President not to appoint me because I was too conservative, but I didn't find any real difficulty, certainly not with close associates of the President. I very early established a close working relationship and a friendly working relationship and found no problems at all.

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DONNELLEY: I can add a little footnote there. Arthur Schlesinger [Arthur M. Schlesinger, Jr.] once told me that he had opposed your appointment very strongly with the President but Arthur's comment was, "Well, that was a year ago and my God was I wrong. Now I am one of his big fans."

DILLON: That may be. I was never aware of that of course because the work I was particularly interested in didn't cross the field that Arthur was interested in in those early days. By the time I got to know him apparently he had changed his views. He became a very good friend.

DONNELLEY: One thing that I think is of interest to anyone engaged in this project is the matter in which your relationship with the President grew and became more intense. Can you take a little time just to record how this happened? I'm speaking personally as well as specifically.

DILLON: Well I think this happened gradually and over a period of time. President Kennedy while very outgoing to the multitudes, was a rather reserved person as far as close personal friendship was

concerned. He was very interested in and fond of his own family and of course everyone knows he was very close to his various brothers and sisters and he did have a number of old friends which he also felt very close to. As I have said before I was not intimate with him, did not know him well. Our relations developed on a business basis. However, we had some social contact—this one dinner which I mentioned earlier in 1958 where he and his wife had come to our house with some of their friends to entertain my daughter who was visiting from Paris. So we had known each other. We continued to see each other and, as we worked together, it developed that we continued to see things very much alike. I would think that gradually over a period of time the President probably got greater confidence in the things I would suggest, so therefore we became closer in that way. He always gave me great freedom in running the Treasury Department and never interfered in any of the operations, the debt management or any of that sort of operation. He generally accepted our tax recommendations as they came from the Treasury. He was always interested in, continually inquiring about the state of the balance of payments developments. People gave him new ideas as to what

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might be done and he would from time to time press me regarding these. He always relied on Treasury judgment in the final instance and that judgment worked out pretty well. As things developed there was one time that I think probably had a good deal to do with our developing relationship. That was the events in the spring or summer of 1962 when you recall there was a great decline in the stock market. Everyone was quite disturbed during the month of June 1962, both in Washington and in New York, and there were lots of statements that some action should be taken, a quick tax cut or something of that nature. At that time I was probably alone among his advisers in indicating that I did not feel the situation was as serious as public psychology made it. The feeling which I expressed at various meetings with him was that if we allowed time to run the underlying strength of the economy would take hold and this decline, the stock market crash would turn out to have been more or less a psychological exhibition. It turned out over the months that my analysis was right, and I think that gave the President very considerable confidence. Also we had a number of discussions about interest rates and how we were handling that problem. As I said he always agreed to suggestions I made but initially some of his advisers in the Council of Economic Advisers were concerned because what we were doing was different than academic theory had taught them. I found that they were not really familiar with the actual operations of the market place and it turned out that we were right, that their fears were groundless and that the things we did did not produce any bad results and in fact were good for the economy. We were able, for instance, to raise short-term interest rates without affecting longer term rates. We also were able to work very closely with the Federal Reserve which was highly important. I think the President appreciated that. I think he began, after all this, to have a greater and greater confidence in the way the Treasury was being run. I think that led to a certain personal closeness. We also over that period in time used to occasionally be invited to parties at the White House and we would see him from time to time socially. However, that was not the basis of our friendship which I think was more grounded in our meetings when we were considering problems together. I never had any problem in getting to see him. He was always available. All I had to do was call Evelyn Lincoln [Evelyn N. Lincoln], his

secretary, and she would tell me when I could come over. He would see me at very short notice, fitting me in with whatever his schedule might be. I did not waste his time; I never stayed

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very long but got the answers I needed and gave him the information I felt he needed. So we had a very free and easy working relationship where I felt that I could always count on him to support any position that I really felt strongly about. There was never a time when in the final analysis he disagreed with a single proposition that I maintained or something I thought should be done—never once. What I recommended also seemed to work from his point of view so I think that made for a close relationship. I think that's how our friendship developed. It was a very unusual friendship between a President and a Cabinet officer. I think we were closer than any Cabinet officer was to President Eisenhower during his time in the White House. It is very hard to be close to a President, who naturally becomes something of an institution when he moves into the White House. He is under such pressure, has to see so many people, make so many decisions that there isn't time for friendship to develop in an ordinary fashion. Nevertheless, this did develop and it was a very deep feeling. When he was lost, it was a great personal shock to me. I felt that I had lost not only a great leader but also a very close personal friend.

DONNELLEY: I know that as time went by you and Mrs. Dillon [Phyllis Ellsworth Dillon] were included in very small intimate affairs, including trips down the river. You also entertained the President although I know you tried to discourage publicity about it. You recall approximately how many times you entertained at your home for him?

DILLON: It wasn't very often but of course he didn't go out really very often. I think maybe it was two or three times that he came to dinner at our house alone, or just with his wife. Maybe one or two others. We went a few times, again not often, on the same basis to the White House to have dinner with him upstairs. We went a few times on boat trips on the river but I wouldn't say that these were very frequent occasions at all. On the other hand, I guess there weren't many of his Cabinet officials who had this sort of relationship because he generally kept his social life and his working life apart. They were two separate compartments. He did not, except very exceptionally, work when he was out to dinner or on what he considered a social relaxing moment. When we had these social meetings, he never talked about business. It was always about other things.

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DONNELLEY: For example?

DILLON: Well, we talked about government and politics but it wouldn't be Treasury politics. It would be what was generally happening. Prospects, maybe some international matters or personalities. I don't recall any particular item, but I just do recall that he definitely did not talk business on these occasions.

DONNELLEY: Did you find President Kennedy to be a light person on those occasions?

DILLON: Yes, he was sometimes tense because he was often under considerable pressure. Yet he could relax better when he could drive the thoughts completely out of his mind. So often on these occasions he would be more apt to talk with some of the ladies that were present about any sort of matters—decoration, painting, anything that was totally foreign to his duties. It was those times when he was talking in this way that he was most relaxed. Same thing happened in the very early days when I played golf with him a few times. He was then totally relaxed because he was only interested in hitting a golf ball, and he could get the other things out of his mind. But when he was talking to men and began to get on political or governmental subjects, he would naturally, since he was quite intense, be interested in these things and couldn't be as completely relaxed.

DONNELLEY: I think your friendship for the President and Mrs. Kennedy also extended to include the rest of the members of the family—his brothers and his parents.

DILLON: We never really knew his parents really. They were, I wouldn't say, more than acquaintances, but our friendship did certainly extend to the Attorney General and to Ethel Kennedy [Ethel Skakel Kennedy] who we got to know very well and got to like very much. They remain very close friends of ours. I have great respect for the Attorney General but also look on him as a real friend and look on his wife the same way. My wife does also. Actually, in a social way during those years of President Kennedy's presidency, we probably saw considerably more of the Attorney General and his wife on a social basis than we did the President.

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DONNELLEY: Since the President's death, I think you've seen quite a bit of Mrs. Kennedy and I think as a matter of fact, wasn't it Mrs. Dillon who selected her house here in Georgetown?

DILLON: Well, I don't think my wife selected it. We happened to be visiting her when it was under consideration and it was one of the houses that was just across the street from where she was staying at the Harriman house. We walked across and looked at it together, and we felt that for a house in Georgetown, it would be very suitable and very nice. We did know her also, of

course, but the relationship there was not as close as with the President because I had this constant working relationship and saw the President quite frequently in that way. I didn't have the same opportunity or occasion to meet as often with Jackie Kennedy. So, while we were friends and we knew her, I wouldn't say it was quite the same intimacy in relationship as I had with the President.

We also came to know and like the President's other sisters, Eunice [Eunice Kennedy Shriver], Jean [Jean Kennedy Smith] and Pat [Patricia Kennedy Lawford] although we saw them less frequently than the Robert Kennedy's. We found them all to be a very likeable and talented family.

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