INTERVIEWEE: DOUGLAS DILLON

INTERVIEWER: PAIGE MULHOLLAN

M: Let's begin by identifying you sir. You are C. Douglas Dillon. The position you held in the Johnson Administration was as Secretary of the Treasury, a position which you actually undertook in 1961 and served throughout the Kennedy Administration as well. In the Eisenhower Administration you served as Ambassador to France for a number of years and then as Undersecretary of State for Economic Affairs and as Undersecretary of State in the late 1950's.

During the period of the 1950's, when Mr. Johnson rose to prominence as Majority Leader, did you have occasion to have close contact with him during your career in the State Department?

D: I would say reasonably close because I was in charge in the State Department of the foreign aid program, in overall charge of it, as Undersecretary of State and Undersecretary for Economic Affairs. I was sort of the ultimate responsibility in the State Department for its legislative progress of that bill every year, so I had to talk with people in the House and the Senate that were important. No one, of course, was more important in that particular capacity than Senator Johnson at that time. So I did see him quite often and would go to his office and talk with him--meet with him. He was always very helpful and very friendly because his basic attitude was one of support for President Eisenhower's foreign policy and he recognized that a foreign aid program was necessary and so he tried to be as helpful as he could.

Naturally he didn't want to take the lead in carrying our burdens for us, but he was very helpful in pointing out where difficulties might arise, what senators might cause problems, helping us to know where to put our efforts to get these bills passed.

I also dealt with him last as Undersecretary of State--which was twice in '59 and '60 on the State Department Appropriation Bill. He was the chairman of the subcommittee of the Senate's Appropriation Committee, that handled that particular bill. Those two years I handled that, as well as the Foreign Aid Bill. Also that was like any appropriation bill, he studied it very carefully. He knew that in much greater detail than the foreign aid bill which did not come before his particular subcommittee. So I worked with him on those, too.

M: His critics have often said that one of his great weaknesses was that before he became President, he didn't either know much about foreign affairs issues or care much about them, either. Would you think that was accurate from your exposure to him during that period of time?

D: He was so engrossed in the job of running the Senate and producing legislation. I never saw anyone work harder. Of course, at that time he had had some health problems, but he was recovering from them and was fine, was strong, but it was just impossible to get deeply into substance. He was not a member of the Senate Foreign Relations Committee and so his only contact would be through leadership and through appropriations. I think his method of operating was he pretty well worked with the chairmen of the various committees and if they

said something was right, that was usually good enough for him, if it didn't have some other political problem to get it accomplished.

So I think it's true. I wouldn't know if it's a weakness or not. But it was just a fact that he was in the foreign field, he made the basic decision which was an important one, to promote bipartisan foreign policy, and having made that, he seemed to put considerable confidence in President Eisenhower and his representatives in the State Department, such as myself. I never had any trouble with him there, but he was not interested in long discussions about the substance of why we wanted this or that bill. He would say, "Well, if the President wants it and you've discussed this thoroughly and it is all right in general with some of these like Fulbright," that he was interested in, then he would be helpful.

M: Do you know if he had a fairly close relationship with Secretary Dulles, for example? Or with Secretary Herter later, for that matter.

D: I think fairly. I think, probably, I had more to do with him almost than any of them because of the legislative problem. The major legislation for the State Department was usually in the economic area, either foreign aid or it would be something that had economic implications. The only time it wouldn't be economic would be some major treaty, which I wouldn't have dealt with. But I don't at the moment recall any at that time.

M: Doesn't seem to be a big year for treaties.

B: No, it wasn't at that time. So I think that practically all the legislation we were interested in was legislation for which I carried the primary

responsibility. Mr. Dulles put me into that job, and it carried on with Mr. Herter--made it very clear that I was where the buck stopped in the State Department as far as that sort of thing was concerned. They would help me by talking to the President, or if they had to for formality go up and testify once they'd do it, but they were not going to get involved in trying to pass the bills and doing all the work you have to do to carry through difficult legislation of the type that all this was.

M: After he became Vice President, as someone that he knew fairly well from associations before that time, did you continue any particular association with him on regular projects?

D: Well, we would talk occasionally on foreign policy matters. It wasn't really very much, because of two reasons. One was that President Kennedy, one of his first acts was to do away with the National Security Council, which provided the forum where he would meet with other people like that. The second one was that in running foreign policy, he, at least initially or maybe all the way through, relied a lot less on the Secretary of the Treasury than had been the case before. So I wasn't involved in foreign policy things at all until the Cuban Missile Crisis came along, when I was involved. But I rather think, and I think President Kennedy made that rather clear, that this was more because he wanted me there as an individual rather than in the capacity of being Secretary of the Treasury. So during that period, that two weeks or whatever it was, at those meetings I sat next to Vice President Johnson. That's where our seat was at the table and we saw many of the problems in a somewhat similar fashion. So I think we sort of renewed old

acquaintanceship, or friendship, or whatever you want to call it at that time. But that was, I would say, the only time that I would recall we worked together closely.

On domestic legislation and tax legislation which I had, I handled that again myself. It was more technical with those committees, and did not require help from the Vice President. So we didn't have much--we were all very busy--we didn't have much chance to just sit down and converse.

M: Was Mr. Johnson definitely in on all of the important meetings, as far as you know, on such a crisis as the Cuban Missile Crisis?

D: Oh, very definitely, very definitely. President Kennedy was very strong about that, very clear because he was always conscious of the fact that something could happen and in an important thing like that he wanted the Vice President fully informed all the way along. Now that doesn't necessarily mean that he was counting very heavily on the Vice President's advice, necessarily. But he sat there and he heard all the same things that President Kennedy heard from the same people and was fully conscious of everything that had happened, so in the middle of the Cuban Missile Crisis, if the assassination had occurred then, he would have been just as well prepared as the President himself.

M: Did Mr. Johnson frequently render his own advice in those sessions, or was he mostly just an observer or listener?

D: Well, I think the way it was, the President would go around and ask different people to talk, and he always asked the Vice President too. But I think--if I recall--the Vice President was rather careful not to

take too strong a position there because I don't think he felt that he was representing a department with all this flow of information. He wasn't really called on in the same way as the rest of us were, anymore than we would sort of ask the President to make up his mind before he'd heard everything. Because they were the people who were listening and getting information on the views that were coming from the people who had the detailed information flowing in. It was a little different function.

M: You said that you and he had similar thoughts along that time. Was that a particular point of view that was perhaps different from the one ultimately decided upon?

D: I think by the time it was ultimately decided the views of everybody shook down pretty well. So it wasn't the sort of a decision you're right or you're wrong, with the possible exception of some of the suggestions of Mr. Stevenson that were not taken. But I think he agreed with the final action, so I don't think there was any real decision that way. But during this thing, as it was going along, there were clearly differences of views put forth. I think my view was one of--initially at least--a somewhat firmer view even of that of some of the others there and I think the Vice President shared in that, that it was absolutely necessary to stand firm. We finally did, so it was all right.

M: It didn't come down to an either/or disagreement at any time like that. Then you served on through the transition period, which, of course, is a very critical one for understanding Mr. Johnson. Was there a break between the presidencies--was there for example a difference in view-

point between Mr. Kennedy and Mr. Johnson regarding your department that was noticeable once the change had been made?

D: Yes, there was some difference because Mr. Kennedy had a very special interest in our balance of payments and the loss of gold. He talked to economists about it, and he was quite interested in this area. It intrigued him, I think, as a mental exercise as well as feeling it was very important. He had this almost phobia about gold. I mean he equated the balance of payments, loss of gold, it was--he used to joke about it that he had a gold telephone that would ring on a dime--not true, but he was very interested.

Now Mr. Johnson had plenty of other things to do and he didn't have this sort of interest. He knew it was important. He supported our effort in helping international monetary cooperation--and later on I think he developed a real interest in it when he had more time. But that came, I guess, after I'd left.

He was interested, became interested after his reelection, I would say, although he did to some extent before in the balance of payments. I think that he thought that was an esoteric thing that we should take care of. It had been a relatively calm period after he came in first. Then it began to get a lot worse after his reelection and in that late fall when he was working on it. Then he realized that this could be very difficult and devoted time to it, and was very interested in it. We did put in these voluntary controls early in '65 which were developed by me and others in the government, and he was interested in that--very much so.

But there was a break in there, in the sense that he came in with a lot of other problems--his main problem being keeping the country going so there wouldn't be any feel of break. The rest of the world must feel that there was continuity. He stressed continuity, as you know. His chief interest with me was to help get the tax bill passed and there was a great difference there.

M: I was going--you're anticipating my next question.

D: This was the opposite way, because he was more active politically there than President Kennedy had been. President Kennedy was sort of willing to but he didn't like try to work himself with Congressmen and Senators very much on legislation. Now he would on occasion, but he didn't like to call them up and this was quite different after President Johnson came in. He helped on a number of occasions.

M: He intervened personally on the tax bill to a substantial degree?

D: Oh yes, sometimes he called up. During January we had some difficult problems in the Senate Finance Committee, he would call one or two Senators and tell them what the problems were. He'd call them and talk to them.

M: That was effective?

D: I think it was quite effective. I think it was very helpful. I think we would have had a tax bill in any event, but he certainly got it much quicker this way.

M: You don't need me, you anticipate all my questions! You're doing beautifully. You're almost going down my list here.

How much did the tax program get changed from Mr. Kennedy's concept to the way Mr. Johnson got it passed? Very much?

D: Well, not at all.

M: Not at all?

D: No, the same tax program. It had been--. You see, by the time Mr. Johnson came in, it had passed the House and it had all the hearings in the Senate. So it was pretty firm what we wanted to do, and Mr. Johnson didn't have any interest in upsetting or changing any of that. All he was interested in was getting the bill passed--getting it through the Senate reasonably intact, in good form. The problem was that Senator Byrd was holding out for some sort of gesture of saving money, of being careful in expenditure control, that he could tie with the bill. Mr. Mills had his gesture, because we passed something setting a limit on expenditures for the next year. But Senator Byrd wanted something for himself, concerning what the budget was going to actually be for the next year, so it indicated that he wouldn't let the bill go out of his committee unless the budget for the coming year was under a one hundred billion dollars.

Well, there was a great deal of interest in this at the time, a great deal of talk about it. The assassination occurred before any budget figures were at all firm and it gave an opportunity for President Johnson to appear to be even more conservative in cutting expenditures than maybe he really was. He made a great cut and a great gesture to Senator Byrd--that was helpful. There had been various figures floating around about the size of the budget. The budget he finally

brought in was 97.9 billion, just under 98 billion, lower than anyone had expected.

M: Did he push people pretty hard to break the one hundred billion figure?

D: Yes, but that would have been broken anyway.

M: Oh, it would have been?

D: That's the thing that I don't think is very well known, very clear. But I had an understanding with President Kennedy that the budget would be under one hundred billion dollars. But what I was looking for was ninety-nine and a half.

M: Just barely under.

D: Yes, or 99.6 which I thought would be enough to satisfy Byrd. As far as I knew, that was as far as we could go, because the Budget people themselves were a billion and a half or two billion above that, where they thought they'd like to go, the Bureau of the Budget. But we all knew there were ways of making budget figures appear somewhat smaller. Somehow we would have had a budget under one hundred billion dollars one way or another in any event.

M: This was all clear before?

D: That was made clear to me by President Kennedy, but it never was known, generally. President Kennedy had talked to me about it and he was aware of it. He said, "Well, if that was necessary he'd do it," to me. But he hadn't yet gotten into the thing with his Budget Director. He hadn't yet given him the instruction. The Council of Economic Advisers didn't know it--didn't believe in it anyway--. So one of the

very first things we did, I remember at a meeting with President Johnson, was to discuss the overall budget.

It was before he got into his new offices. He was over in the Vice President's office still and it was with Mr. Heller, Mr. Gordon and myself about the general shape of the budget. That's when I came down very firmly that it had to be under one hundred billion and whoever was the Budget Director at that time said it was very difficult. Walter Heller said it would be tragic for the country--all these great programs, it ought to be one hundred and three billion, or one hundred and five billion or something like that. President Johnson made it very clear when it was finished that it was going to be under a hundred because of the simple fact the chief thing was to pass the tax bill and you couldn't pass it otherwise.

Then he went to work and he outdid himself and he really got it down about a billion to a billion and a half dollars--more of real cut than anybody else had thought possible. I'd say that much below what it would have been otherwise. I think it would have been ninety-nine and a half otherwise, but this was a much more--. Obviously if you could do this, it was a much better picture for getting the tax bill through and there was just no problem.

M: Did he master some of the physical details in that additional billion or did he just push for a cut?

D: I think a little bit of both because, you see, he had had experience that President Kennedy hadn't had, and also President Kennedy I don't think was particularly interested in budget details--different kinds of men.

President Johnson had a long experience on the Appropriations Committee, so he knew what appropriations were and how they went. He'd seen people come up and say I've got to have so much and seen them be cut and seen the bill go through and seen them live perfectly happy the next year. So he was much more knowledgeable on appropriations processes and appropriation bills than President Kennedy.

Now, I assumed that he worked fairly hard with his budget director. He saw him a lot. I did not take part in those things. In fact, I didn't have any more to do with the budget after that decision, knowing it was going to be this lower figure, until it came out. I was as surprised as anyone else when it came out as low as--under ninety-eight billion. That was a very well kept secret.

M: Yes it was. Were those real cuts, that extra billion or so, or were they shuffled figures?

D: Well, there was some shuffling of figures to get down to the ninety-nine and a half. Then there was some more to get lower, but I'd say about three quarters of a billion or a billion dollars were real cuts below what anyone thought the budget could have been cut, including the Budget Director.

M: And Mr. Johnson did have personal responsibility for that.

D: Yes, because what he did--he sent the budgets back to every department and said that they should review them and reduce them. That's what I'm talking about. This is not the sort of mechanics of saying something will be paid later, or count something different, which were all visible. But everyone knew what they were because if you read the

small print and understand the budget it was--you could see what was being done. It wasn't a secret. But they weren't actual reductions in payments for government goods and services. But this three quarters of a billion or a billion was. And this was done as a result of sending these back for a further go with a strong directive to cut them some more. So we all did.

M: Did the two presidents use their cabinet officers differently, or view their cabinet officers in a different way at all?

D: I really don't think there was too much difference because neither of them used the Security Council. Neither of them used the Cabinet as such except as sort of a forum for public releases or something. They didn't use them in the way that President Eisenhower used it, and the way in which I gather President Nixon is using them now.

M: Cabinet meetings were pretty much pro forma, that type thing?

D: Well, they very seldom took place and when they did take place they usually were just--. It was President Johnson telling us to save money or to do something like that. It was for some purpose of his own rather than to discuss with the Cabinet a problem and what the answer should be to it. That's why I said it was used as a public relations forum or to give a directive to cut expenditures or to save money in the balance of payments, or to do this or do that. It is a way of running your government to get everybody in and tell them what you want them to do. That's one thing. It was not run as an advisory body in the same way.

I think President Kennedy used it fairly much the same way, a

little less. President Johnson used it, at least initially, a little more, but that sort of petered out as time went on and he didn't use it so much because he'd gotten his directives and his way of running the government out to the Cabinet. He didn't use it any more than President Kennedy as an advisory body. They both believed in working with the individual departments on whatever it was they happened to be interested in. My department--I had a much closer relation with President Kennedy than President Johnson because he was more interested in this balance of payments and this foreign business and wanted to know about it all the time. And so I saw him on business a great deal more.

M: You did have equal freedom, though, to run your department under--

D: Oh, I had absolutely the same freedom. In fact, probably greater under President Johnson because he wasn't as interested in what was going on. President Kennedy never interfered with it but he liked this rather esoteric area of international monetary business. He liked to be kept very closely abreast of what was happening and also on the balance of payments, literally month-to-month and almost week-to-week. Whenever we got figures in he wanted to know, and if he didn't get them quick, he'd call up and say "where are this month's figures."

M: You mean President Kennedy was a telephone user too? Johnson's the one who has the reputation of being a telephone user.

D: Well there was much more use of the telephone by President Johnson. President Kennedy would call and ask a question and that was all. I had easier access and much greater personal access to President Kennedy. I saw him a great deal more than I saw President Johnson.

President Johnson was always available on the telephone which was not the case with President Kennedy. I had an arrangement with President Kennedy whenever there was something I thought he wanted to know, that I had instantaneous personal access to him at any time by calling his secretary--not Kenny O'Donnell but his secretary Evelyn Lincoln--who would tell me what his schedule was. When the next fellow would go out. My office being so close, I could come over and wait in her room and then when someone went out, before the next appointment came in, she'd go in and say I was there and had something to see him about, so he'd hold off the next fellow. And we got to know each other well enough so he knew that I'd never stay more than two minutes or three minutes--or whatever it was, a very small time--because it was something he wanted to know about or wanted an answer on. So I did that quite frequently.

But President Johnson ran his engagements on a more formal basis and, also, he was always further behind and having more difficulty. When you did get in with him, he liked to talk longer. It was harder for him to be as brief as President Kennedy. When he did get someone in, he did like to talk.

M: Sometimes not always about the thing you had come to see him about.

D: Oh yes, about anything. He liked to visit with you and go on. It was just his nature. So it was much more difficult for him to operate in this sort of basis. Where with President Kennedy, would come in, sit down and talk for three or four minutes on something and "bye," I'm gone.

M: What about Mr. Johnson's staff? Do you think they were harmful in

keeping people away from him sometimes?

D: They did whatever he wanted. If it was a major matter, I could always see him by going to Jack Valenti and work something out. But it was much harder because he'd be late, and you'd wait there an hour or so when he was supposedly free and he wouldn't be. You knew it wouldn't be immediate. He didn't have a system like President Kennedy. I think there were a few other people--of course the Attorney General. The two of us may have been about the only ones this way. I think he was equally available to the Secretary of State and to Secretary McNamara, but they being farther away it would naturally, from their point of view, be better to make definite scheduled attempts to come. Whereas for me, I'd just be in the middle of whatever I was doing and something came up I'd pick up the telephone and get over there. Literally three minutes from my office, or two minutes, or some sort.

M: What about Mr. Johnson's staff that dealt with economic problems. I'm thinking about Francis Bator, say, or Ed Fried--you weren't there when Fried was there--but were they people that could work well with the Department without seeming to be presuming on the White House as authority, or was there difficulty in that regard?

D: Not with me--never any--I don't know, I think everyone realized that Treasury was the chief advisor to the President in these matters and that--. Sure they'd have their own ideas, but they never--they were always very clear that what the Secretary of the Treasury said, that was that. I never had any trouble with Bator at all. I think maybe some of the people lower down might have, but it never got up to my

level at all. No, I had no problems there.

President Johnson did have a feeling, I think--at least I have that feeling in my relationship with him--that he was prepared to let me run the Treasury and thought I ran it reasonably well. I had a very free hand under President Kennedy and, in fact, that was continued. I don't know whether it continued to the same extent afterwards with Secretary Fowler. I rather doubt if it was quite the same, but that you can find out. But it was very much so all the time I was there and it never changed. That just is the way it had operated and the only way I felt I could operate. We hadn't fallen on our faces and done anything very awful. Also, President Johnson had enough other things to do. He was interested in his reelection and very busy with that, and after the election I was in the process of leaving anyway, so--no problems ever came up.

M: You occupied a rather unique position in a way. You were a Kennedy man, but he knew you were also of a previous period so you were not the same kind of a Kennedy man as some of the others. Do you have any insights on his relationship with the real Kennedy people when he first came to office, particularly with Robert Kennedy, but others as well. Was there always a problem in this area that lingered into Mr. Johnson's first year or so of the Presidency?

D: Oh, I think so. It was an inevitable problem given the situation. Their shock at the loss and the quick change of situation, someone who as Vice President they hadn't paid much attention to--Vice Presidents

usually don't get paid much attention to--suddenly turning out to be President. And someone who had not been on a personally close basis with either them or the President--business yes, but not on a personal basis, suddenly running things, having his own ideas, bringing in his own people. Naturally you're bound to have trouble, and it's bound to be difficult for him because anyone like President Johnson would want to run everything the way he wanted to. But at the same time he wanted to preserve continuity. He didn't want a picture of all these people leaving, so he probably had to put up with a certain amount of difficulties that he might not have under other circumstances. I mean these fellows would tell him, this is the way we used to do it--

M: In the good old days--

D: Well, its a natural, human thing. A very difficult situation, I think it was a very exceptional person, such as Larry O'Brien, that was able to make the complete transition there in the staff, and just keep on. I never expected any of them would, and I was surprised that even he did, but he was able to. But I think the turnover came relatively easily there. Of course, Robert Kennedy's position was a very special one. You couldn't obviously--a fellow like himself would have that position with a brother--couldn't have anything like the same position with President Johnson, so it was perfectly clear right from the beginning that he wouldn't want to stay as Attorney General. It was just a question of when and how he would leave. He was very patriotic, certainly didn't want to make it appear that there was a rupture or that he was leaving. I don't know what their personal relationships were--

M: The press reported some outbursts by Mr. Johnson against Robert Kennedy in the early days--

D: I never heard of them. They might have taken place because, of course, that would be where the feeling would be the strongest because he had dealt with him as not just as a member of President Kennedy's staff but also on an individual basis, and he had been campaign manager and all that sort of thing. So I wouldn't be surprised at that at all. So I think the thing in the long run was handled about as well as you could expect.

M: When you began your process of leaving, there were also numerous reports about how hard Mr. Johnson was trying to make you stay on. How did he go about it? --The famous treatment?

D: No, I'd originally planned to leave at the end of four years anyway. I had that commitment, so I told President Johnson that when he first assumed office in December. Well, since he was more interested in the fact that everybody was staying and they weren't going to leave, that fact went in one ear and out the other. So the next time I think I told him was in August. I told him I was going to support him financially in the campaign. I did not take a part in the campaign because President Kennedy and President Johnson both ruled that the State Department, Defense Department and Treasury Department heads should not be active politically. So that was all right, but that had nothing to do with contributions. I told him that I felt strongly and that I wanted to support him but I did not want him to misinterpret that and think that it had anything to do with the desire to stay in the government,

but at the end of the year I'd have to leave; well again, he heard about the support and didn't listen much to my future plans.

M: He heard what he wanted to hear.

D: So then I--after the election, immediately after, a few days after, I wrote him a letter and told him that my time had come and that I wanted to leave. Then he asked me immediately to come down to the Ranch where he was and I think I was in Florida on a brief vacation. It was a good vacation time after the election, everybody was dispersed. So they sent one of these Jetstars over and picked me up with my wife. We flew over to the Ranch.

M: You'd been to the Ranch before?

D: Oh yes, on business. We were there I think it was the day before the Mexican President was coming in for a visit. But Luther Hodges was there also on a similar errand. I told the President my reasons, which were personal. I'd had eight years in Washington at top-level jobs and I just thought I was tired out and had enough, and had to leave under any circumstances. He accepted that, but the difficulty came in getting the time frame agreed on. He said, "Wouldn't you stay for another year?"

I said, "No, sir, that's too long."

Then he said, "Well, seven-eight months, into the next summer after we get most of the budget things done."

I said, "No, that's too long." We never did agree on an exact time and it was a question of who might be a successor. He asked for a few ideas. I didn't have any very good ones. That was that.

Then, in December everybody sends in letters of resignation. They're formal. It's a new President. Well, mine was a little more clear cut than the others. At that time, I said that I felt I would have to leave by the first of April, and still nothing happened. This was December, and he didn't answer my letter. There was no reason why he should have, because he had a whole bunch of them at that time, and I think he knew this. So it just sort of went along. Luther Hodges did leave right away, and I kept thinking he didn't want too many people to leave at the same time. He did start to work to try and get this fellow Cook to be my successor.

M: Donald Cook?

D: Donald Cook, to be my successor. There's sort of a mystery there that went on during February. One time both the President and Donald Cook thought it was all set, and he was supposed to take over about the first of March. He came and spent a couple of hours--I'd say this was about the first week in February--in my office, and talked to him about the details of taking over the Treasury. Who did what and what you needed and so on. The idea was that this would take place in about three weeks. Well, something unknown occurred in between there and a couple of weeks later it was announced that he wasn't going to be the new Secretary. It had only been rumored the other day, but a definite announcement his wife was sick or something and he didn't want to do it. Well, I never knew what the real story was there. Something happened anyway.

M: I think we have an appointment with Mr. Cook next week. I'll do my best to find out!

D: He'll probably tell you his wife was sick! I don't know what it really was. He was a very close friend of the President. The President had a great admiration for him and wanted to see him in that job, I know, but then it didn't work. So then we were left high and dry again, and--

M: The deadline is approaching.

D: The deadline's approaching and I began to see that I'd be there forever on this basis. So then in March I wrote a final letter--what proved to be a final letter to the President--telling him that I was well pleased with the progress of the new Undersecretary for Monetary Affairs, Fred Demning, who'd been in office by then about six weeks, and said that I could certify to the President that he'd be able to carry on effectively as Acting Secretary after I left on the first of April.

That brought action.

M: Oh, that finally got an answer.

D: I finally got an answer. The President talked to me a couple of times about who might be a successor and then he asked me what I thought about Joe Fowler. I told him I had never suggested him and never thought of him because he had real financial problems of his own. He'd had to leave a year earlier. He left a year before because of that and that it hadn't occurred to me that he'd be in a position to come back to government, but that if he was and could be persuaded I couldn't think of anyone who would be better, because he knew the ropes. He was extremely loyal, and I thought he could get on well with the President.

Well, that's fine. I guess it was a day later I came up to the meeting of the bankers--what they call their International Monetary Conference, the same thing they've been having in Copenhagen this last week. They have it every other year in Princeton and this was in Princeton. So I came up there, and landed and got there from the airport they told me there was a telephone message to call the President. So I called him and he said, "Hi, Doug. I want you to talk to the new Secretary of the Treasury." Here was Joe Fowler sitting in his office. So that was that. That did it, and they announced it, I guess, that day or the next day and the turnover took place on the first of April.

M: Your reasons were personal and not policy in any way--no policy?

D: No, it was mainly I was just exhausted!

M: I can see in eight years--

D: You could see this thing begin to wear on even younger people and stronger people such as McNamara, when they reached six-seven-eight years. There's a big difference between that and four years. Although I'd only had four for the Kennedy-Johnson era, the preceding four, although it hadn't been at the Cabinet level technically, was at the Cabinet level as far as responsibility was concerned, because you had this foreign aid business that I was handling. So it was just as wearing.

M: Mr. Johnson's known for consulting people out of government frequently. Did he continue to consult you on Treasury business? For example, the mandatory balance of payments thing in 1968, did he call you about things like that after you left?

D: No, never.

M: You are listed as one of the so-called "Wise Men" on foreign policy.

D: The only thing there he did--he never called me, I don't think, on that. He did have me as part of that group--I don't know what they called it--that advised him that two or three times on Viet Nam.

M: Right, were you--let's see, the first time was it in July of '65 when the troop buildup was decided on?

D: No, not that time. This is a new group that just got together in--whenever it was. Maybe he had a similar group then and didn't have me as part of it, but--

M: Late in '67--, the review?

D: Yes.

M: You were in both of those reviews?

D: Yes, late '67 and then in early '68, those two, that group that as far as I knew was a new group gotten together at that time under a sort of shepherding of Clark Clifford, who was the Intelligence head (President's Com. on Intelligence) in '67. When we went back a second time he was Secretary of Defense, but the first time he was there sort of masterminding and organizing this in a different capacity.

M: How do those two meetings compare, the briefings and so on.

D: Well, they were diametrically different. That's what led to the different sort of advice that was given. The briefings were in September or whenever it was that fall, I think it was September.

M: I think it was early November--

D: Yes, October or November--were very optimistic. Of course, that was before the TET Offensive. Based on that optimism, I think our group pretty well unanimously felt that the best course was just to continue as was. The military briefing, all the briefings, seemed to indicate that there'd be a good chance of success and this thing would taper off and we'd come out with the South Vietnamese government preserved and in charge in South Viet Nam.

M: Did Mr. Johnson take a personal part in that meeting--the one in late '67?

D: Oh yes. They both followed the same format. We were briefed at the State Department, I think it was, both times by--

M: Habib?

D: ...by the top Pentagon people, the top Generals, and the people from CIA and people from State. And then had dinner--I guess it was with Secretary Rusk--and this briefing continued after dinner and oh say, till ten o'clock. Then we were called to meet in the morning and discuss among ourselves briefly, and go over and meet with the President. When we met with the President he took us to the Cabinet Room and went around the table, "What do you think? What do you think? What do you think?" So he got everybody's views. So both followed roughly--maybe a little difference in hours--but they both followed that same formula. Of course, the second meeting was following Tet, which was a big surprise to everybody. Obviously it was going to be different. The thrust that I and I think the majority of those listening got out of this was quite different from last fall. That there was no military way of winning the war there short of five or six years of the same. This was the military

opinion of the military briefer. We all felt that that was something that you couldn't contemplate. So something had to be done to break the log-jam and to get things started. We were in favor of some form of a bombing halt. I think this was rather a surprise to the President--this group had been quite different before. I think that may have had some influence in his decision. Certainly in his decision of the bombing halt, it was a big influence.

M: Was there a clear--to you as an observer in these meetings, a clear policy division within the government say between Secretary Clifford and Secretary Rusk?

D: No, there was none there. Secretary Clifford--his history has now moved rather rapidly and we're now aware of the fact that in March of that time, he was pushing this, which is a quite different policy from the State Department. There was a big difference, but he was very careful. He was at those meetings, but he never gave any indication what his view was. I certainly had no reason to believe--I don't think anybody else did--that there was any change from what it was when he spoke more freely in the fall, when it was inaccord with the majority--the right thing to do was keep on the way we were going. So he was very careful not to let his thinking influence this group. All we heard were the briefings. The President got quite angry at according to one thing I said. I told him my opinion was the result of what I gathered from the implications of the military briefing. I've forgotten the name of the General (MG. Wm. Dupuy) who gave it to us, but he was a division commander who was just back from Viet Nam, rotated back. He was

a Major General. Someone else who felt a little differently said, "Well, they hadn't quite gotten that impression out of it."

Everybody else around the table said, "we got the same impression as Doug Dillon."

The President said, "Well, hell, I want to get that briefing right away! What was said to these people!" I never heard what came out of that but--

M: The briefing officers were different between the two meetings?

D: Oh yes, I think at the first one there weren't any military from Viet Nam. It was done I think by General Wheeler himself as Chairman of the Joint Chiefs. The second time it was not. He was there as sort of participating, listening, but the military briefing was put in by a man who's name I don't remember, but who had been an active combat officer out there--General in charge of one of the fighting divisions, or maybe a group or area. (MG. Wm. Dupuy, former CG, 1st Infantry Division.)

M: Was that also true of the State and the CIA people. They were different between the two times?

D: I would think the CIA people--I wouldn't know, but I think they probably were the same. The State Department, I think, didn't take too much part in this briefing. It was probably Bill Bundy both times--

M: The consensus of the group who were meeting was fairly clear on both occasions?

D: Yes.

M: There wasn't even division either time?

D: Oh no, I think it was almost unanimous the first time. The second time, I'd say there was a division, but it was two--at the most three--that were still strong and all the rest--all the rest were eight or nine--thought there had to be a change, so it was overshelming.

M: You were a member of the eight or nine the second time.

D: Yes, it was just inconceivable to me that, with public opinion the way it clearly was in the United States, that you could continue--if this military briefing was correct--that you could continue on this sort of course for what they said would be four or five years before producing anything. People just wouldn't stand for it. Something had to be done.

M: Would it have been important if that group had known that Mr. Johnson might not run again? Would that have had anything to do with the advice that was ultimately given?

D: I don't think so.

M: It was not important that you didn't know that?

D: No, I think we were just looking at the situation from the point of view of the United States Government--what we thought was the best thing, giving him that advice. That's what he had asked for.

M: His general reaction to that advice--you mentioned the occasion--

D: He didn't give any real reaction to the advice. I rather gather that he was surprised by it. But he was fairly silent except for this reaction to the military briefing that led to all of this, he said, "I want to hear it."

M: That concludes the things that I know that you've been engaged in. Are there other areas that you think would be important to record that I haven't known to go into, where you had contact with Mr. Johnson or a

particular knowledge about--?

D: No, I think these were the main areas that I've had anything to do with. I think you've touched on them all. You've obviously somehow been very well prepared.

M: Well, thank you. And I certainly thank you for your patience and your time this morning.

D: It's a pleasure. It's a useful job.

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By C. Douglas Dillon

to the

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