

George W. Ball, Oral History Interview – JFK#4, 3/29/1968
Administrative Information

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Biographical Note

Ball, Undersecretary of State for Economic Affairs in 1961 and Undersecretary of State from 1961 to 1964, discusses international economic issues, including balance of payments, conflicts between the U.S. State and Treasury departments, and the steel crisis, among other issues.

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George W. Ball – JFK#4

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Fourth of Four Oral History Interviews

with

George W. Ball

March 29, 1968
New York City

By Larry J. Hackman

For the John F. Kennedy Library

HACKMAN: Mr. Ball, you had done some work on this question for the President [John F. Kennedy] in the transition period, working on this task force report.

BALL: Yes. Among the other task force reports--as a matter of fact, as I recall I proposed to him that we do--was one on the balance of payments and the monetary problem. So he asked me to organize a force of that kind and to act as its chairman. And on the task force that I got together were Bob Roosa [Robert V. Roosa], who subsequently became the Under Secretary for Monetary Affairs of the Treasury; Ed Bernstein,

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who had been in the Treasury and was one of the recognized experts; Bob Triffin [Robert Triffin]; there was Paul Nitze [Paul H. Nitze]; and, let's see, a young chap from Columbia named--oh, I'll think of it in a moment—who's still at Columbia. I can't remember. Anyway, we had a series of meetings and then produced a report which, in final form, I wrote myself, negotiated it out with my committee and gave it to the President. Oh, also on the committee was Paul Samuelson [Paul A. Samuelson].

HACKMAN: Right.

BALL: So it was a good group. Then when the Administration came into responsibility, one of the first things the President did was to constitute a Cabinet committee on the balance of payments, where I sat for the State Department, under the chairmanship of Secretary Dillon [C. Douglas Dillon], and which was represented otherwise by the Cabinet members Secretary McNamara [Robert S. McNamara]; Secretary Hodges [Luther H. Hodges]; and from time to time the

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Administrator of the AID Agency was a part of it; the people from the Council of Economic Advisors, Walter Heller [Walter Wolfgang Heller] at that time; and Bill Martin [William M. Martin Jr.] from the Federal Reserve. I continued on that committee for the next six years. The first question that we had was the question of drawing up a statement on the balance of payments, a program to deal with it, which involved a fair amount of dispute. As I recall, Ken Galbraith [John Kenneth Galbraith] was rather active on the White House staff, as I think Ted Sorensen [Theodore C. Sorenson] was too, at the first meeting. There was a good deal of question as to whether or not at that time we shouldn't ask for the removal of the gold cover. I must say that I opposed it. I think that was a great mistake. Galbraith was pressing to go ahead and remove it, and I think we should have done it. My reason for opposing it was that I felt that it would be a mistake for a new president,

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particularly a young president coming in, almost as his first official act, to take an action which would cause trouble in the Congress and which, at that time, I thought the banking community of the United States was not fully prepared for. Even so, if I had it to do again, I would have taken a different position. I think I was wrong.

HACKMAN: Was this a discussion on what to recommend to the President or did he get involved in the discussion?

BALL: He got involved in it. And I discovered.... Well, he met with the committee at different times, and I discovered how fiscally conservative he was. I didn't understand fully the compulsions that were on him until I watched it in operation over the months ahead. And the balance of payments became a very central part of his concern. And once or twice when I suggested a rather radical solution, his

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response was, "Well, how could I ever explain this to my father [Joseph P. Kennedy], George?"

HACKMAN: Had he done any thinking on this specific area himself up to this time? Was this in evidence?

BALL: I think very little. There was no real evidence that he had much comprehension on the question. And actually, even then, his general approach to the problem--I think he learned a good deal over the months ahead, but certainly at the earlier time it was in a very narrow compass--it was a question of what do we do to adjust this or that element in the total international balance of accounts, rather than trying to get to anything more profound. Particularly, he didn't seem to me to understand much about the monetary system, as such, and how it operated. I was concerned about his position because a great part of it was to say, "Well, really, it's a matter for our allies to help us out because we've been carrying

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more than our share around the world," which was certainly a proposition which one couldn't dispute in abstract terms. But when it was applied by niggling at the Germans, for example, to get them to pick up one item after another of our obligations, I thought it was being misunderstood and was having a generally bad effect, which I think was in fact the case. I think he learned a good deal over time, though. I think he came to have a greater understanding of it. As time wore on, I was unhappy about what seemed to me to be the very orthodox position that the Treasury was taking, and it seemed to me, too, that they were thinking in terms always of trying to satisfy the speculators and central bankers and not necessarily getting down to the hard problem we faced. And I got into a rather caustic series of exchanges with Dillon and wrote one very long memorandum which came about because just before the meeting

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of the Bank and Fund--and I can't tell you what year this was, but I would suspect it was '62.

HACKMAN: The meeting was in Washington that year?

BALL: Yes, '62. We'd been carrying on a large argument, and a refutation to a long piece that I had written attacking Treasury policy was written by Bob Roosa. And at a time when the British were bringing forward what seemed to me some possibly constructive proposals....

HACKMAN: This is the Maulding [Reginald Maulding]...?

BALL: Yes, the Maulding thing. Why, Roosa published and circulated his piece without telling me. I thought that quite frankly that it wasn't cricket and I complained both to Roosa and Dillon that I didn't believe in this kind of thing, that we were carrying on a private argument in the government, and why they wanted to foreclose the American position before we had had a chance

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to reach any agreement on it, I couldn't see. So this caused a certain amount of dispute between Dillon and myself. And I notice in Art Schlesinger's [Arthur M. Schlesinger, Jr.] book there's a reference to the President's expressions of concern that Dillon and I were getting into a feud with one another, which was rather overstating it.

HACKMAN: This was Roosa's article, I believe in the Philadelphia Federal Reserve Bulletin, that he sent around to the delegates.

BALL: That's it, exactly. Now that article was a memorandum that he had written, trying to answer a memorandum that I had given the President. But I hadn't published mine, and I didn't expect him to publish his.

HACKMAN: I know some people took, when it came up, some people took this to the President. Were you involved in that at all, or do you know what his response to this was?

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BALL: I think I may have mentioned to the President that I was unhappy that the Treasury had published this thing before I felt we'd had a clear Administration policy on it, and that it did foreclose or restrict the freedom of maneuver in the American position. And it didn't seem to me that this was an orderly way to proceed. So the Treasury--I think Dillon and Roosa were both on the defensive about it.

HACKMAN: You said you had chosen Roosa to sit on this task force after the election. Were you surprised then at the orthodox views that he took to the Administration, or was this something you had anticipated?

BALL: I didn't get a sense during the.... I had never known Bob Roosa before, I just called him up on the recommendation of other people. I didn't get a sense during the task force discussions as to where Roosa came out because it seemed

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to me during the discussion that he was an extremely good technician, but most of his contribution was in technical terms. Later I think he did take an extremely conservative position from which, over time, I must say he was withdrawn because I think he learned and grew rather remarkably in his job. And for Roosa today I have the highest respect. But his monetary views of 1968 are not his monetary views of 1961 by any means.

HACKMAN: Did Secretary Dillon have strong views of his own in this area, or did he more or less...?

BALL: Secretary Dillon relied on Roosa. And the position that Dillon privately expressed to me was that Roosa hadn't been his nominee, had been the President's, and if the President wanted to put Roosa in to run the monetary policy, why, then he would support Roosa. But Secretary Dillon was an extraordinary practitioner of what came to be known as "Dillonblustering" which was a form of talking on and on and on

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about the minutia of the issue and totally obfuscating what the argument was all about. And it used to be most frustrating to get into an argument with him for that very reason.

HACKMAN: Did the President usually let him get away with this at meetings?

BALL: Yes, yes. The President was extremely patient. And Doug would drone on and on and on and on. By the time he had concluded, people had forgotten what he was addressing himself to. It was quite effective.

HACKMAN: We were talking earlier about this early discussion in which Galbraith was involved. Was anybody backing the position he was taking at that point?

BALL: I don't remember. But he didn't have much support. And, at that time I thought--in retrospect I think, on that particular issue, I thought Ken was right.

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HACKMAN: In the President's interest in this area, did he realize the seriousness of the problem or was it--I've heard some people say that he was simply fascinated with the problem as a problem to solve.

BALL: He was fascinated with the problem without ever getting deeply into it, it seemed to me. He was preoccupied with it, and always he would bring it, on the most extraordinary occasions, into discussions where often it seemed to me it had only a kind of tangential significance. But it did seem to be very much on his mind. And how much of it was just the feeling of accountability to his father's insistence on a fiscally responsible government, I never was quite clear. But that was an element. There was no doubt because he was quite frank in saying it.

HACKMAN: Did he frequently talk about business opinion,

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domestic business opinion, as a political factor?

BALL: He started out with the desire to have business very much on the side. And there was a kind of honeymoon period where they were, really up until the business about the steel prices.

HACKMAN: I had wondered about, I believe it's Hobart Rowen in a book he's written [*The Free Enterprisers*] mentioned that you were involved to some extent in the steel crisis, in making some phone calls or I don't know exactly....

BALL: I wasn't actually. No, I.... Oh, I may have made one or two, but I was not in any central position in the steel crisis. I happened to be at dinner that night, and Walter Heller was also there, and he came in the middle of the evening very upset--he was late for dinner--with the word that Steel had just increased its prices. And I talked to him, I think, about a few people that

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I knew in the industry that I would be prepared to call. Whether I actually ever did it or not I don't remember. I don't think I did, actually. Well, one.... Yes, I guess I did. I called George Stitzen who had been a former law partner of mine who was then head of National Steel. And I was prepared to talk to Clarence Randall [Clarence B. Randall] at Inland. But somebody else talked to Block [Joseph L. Block], so I don't think I had to.

HACKMAN: I think Rowen also mentioned that at one point you went to a meeting of the Business Advisory Council at Hot Springs. Can you recall that? How did this come about?

BALL: Yes. Oh, I was invited to come down and talk with them. It was very awkward because I was doing a "Meet the Press" show the next morning, and that was a Saturday night speech, and the plane couldn't get in--it was a private plane--as I recall, we couldn't get in to a nearby

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airport so I had to drive a long ways, got there after dinner had actually started, and then had to change into a dinner jacket fast. Roger Blough [Roger M. Blough], the chairman of U.S. Steel seemed to be under the illusion that I could do all that in about a half a minute without even giving me a drink, which I must say I resented at the time. I managed to get the drinks. Then I had to fly back late the same night. I gave them a speech, which I thought was rather an important speech, but it got no notice whatever. It was on our attitude toward

expropriation and so on. I thought I was breaking some new ground, but they had been playing hard and it was the end of the conference. I don't think they understood quite what I was talking about.

HACKMAN: Well, just staying on this, the speech on expropriation, did you mean by foreign governments of America.... Did you discuss

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this with the President?

BALL: No. The normal thing to do would be that I would write a speech and I would send it over to Mac Bundy [McGeorge Bundy], and Mac would glance through it, and if he thought that there was something that would cause concern on the President's part, he'd show it to the President. But Mac had a pretty good sense, a very good sense, of what the President's reactions were. And by and large, he'd just say okay.

HACKMAN: I just wonder if some of the actions that the Brazilian government took, whether this came up in your discussions with the President, or if you can ever remember any reaction at all.

BALL: I don't remember it particularly at that time.

HACKMAN: Going back to the debate on the balance of payments, problem, did the positions here emerge fairly quickly in the Administration; was it Dillon and Roosa against the field more or less, or who else...?

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BALL: No, I think Dillon and Roosa had pretty general support. I think I was the only bastard, as I recall. I was a dissenter. And I had some support from Walter Heller. Actually, as it came down, Jim Tobin [James Tobin] at that time, a fellow who's now at Yale, was one the Council, and Jim and Walter and I consorted together an awful lot. I think we saw generally fairly eye to eye, so that it was really the Council and the Department against the field.

HACKMAN: Carl Kaysen I think did some work on this on the staff.

BALL: Carl was not there yet. When Carl came down he was a great help. Carl was an old friend of mine. And he was certainly on my side of this fight.

HACKMAN: What about McChesney Martin from the Federal Reserve Board?

BALL: Well, you know, I used to needle the life

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out of poor old Martin. He would make so much of this big fetish of confidence that I used to complain that this was the thing the central bankers had created in order to exercise power irresponsibly.

HACKMAN: Some people that were involved in these discussions just became very disgusted with Martin and his shallowness.

BALL: Yes. Martin, I thought he was a very unimaginative fellow.

HACKMAN: How did the President usually treat him or get along with him?

BALL: I think he treated him very well. I think he was generally pretty.... You know, after all, he was the head of the Federal Reserve Board, and he wanted to be in a position of being on good terms with him. He didn't want a resumption of the old situation where the board and the government were fighting. And Dillon certainly, Dillon was always an accommodator.

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HACKMAN: Was there ever any problem for you keeping your viewpoint in this question before the President, or....

BALL: No. I kept it before the President, all right, to the point where I think the President thought I was quite a nuisance.

HACKMAN: Because I had heard that Dillon had in some instances tried to cut State and the Council out.

BALL: Oh, he did. This was, of course, an old Treasury practice. Sure, I mean we were always being confronted with *ex parte* things. But no, we made enough noise so that I always had my days in court.

HACKMAN: He had as his Assistant Secretary for International Affairs, John Leddy [John M. Leddy]. How was the relationship between him and the State Department side?

BALL: Oh, fine. And John was perfect. But John wasn't very sympathetic with what the Treasury was doing; John was sympathetic generally with what we were doing. But

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John was cut out of active participation over there. That's why I took John out of the Treasury and brought him back to the State Department.

HACKMAN: You had mentioned Secretary of Commerce Hodges. In the list of people who attended a lot of the White House discussions on balance of payments, I think his name comes up very frequently. Was he...?

BALL: Well, he didn't know anything at all about it. I think maybe Eddie Gudeman [Edward Gudeman] came in those days.

HACKMAN: A couple of them I believe.

BALL: Eddie's a partner of mine here.

HACKMAN: There was support from some of the people who may have been arguing along the lines that you were that the thing to do was to raise negotiations on this whole problem out of the hands of the central bankers and the Secretary of the Treasury.

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BALL: This was the thrust of a lot of what I was saying: that this was a matter which involved very large considerations among governments and ought to be settled on a political basis: and that if it were left simply to the central bankers, then these other broad considerations in which the government was interested never entered the equation. And I proposed various ways in which we might achieve this, including some agreements with foreign governments of the extent to which they would hold dollar balances with an indication on our part of our willingness to see that they didn't lose by it, which simply meant a maintenance of value clause in our relations with them. But the Treasury was violently opposed to this I think for rather classical bureaucratic reasons, that they didn't want to take this out of the stream of

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finance minister to finance minister and central banker to central banker.

HACKMAN: I had heard that at one point a strong objection that you raised, that Dillon's views were only expressing those of the central bankers, led to a mission I believe John Leddy and someone from State took to Europe.

BALL: That's right.

HACKMAN: How did this develop?

BALL: Well, that was the result of an attack that I had made on the thing. But this was a very watered down version of what my memorandum called for. And it didn't accomplish much because it was pitched at such a low level. My feeling was that it ought to be pitched at a very high level.

HACKMAN: Who else was supporting you in this, anyone?

BALL: Walter Heller by and large. He was the only one.

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HACKMAN: Was the President sympathetic to this feeling?

BALL: Yes, I think he was very sympathetic at that time. And I think that his real problem was, "How can I overrule my Secretary of the Treasury on a matter which is so peculiarly within the Treasury's area of responsibility?" And I think this was his great concern.

HACKMAN: Did you feel that Treasury, during this period, tried to interject itself into affairs that should have logically been the province of the State Department?

BALL: Well, I don't think anything like the extent that the Treasury felt that the State Department was interjecting itself into affairs that should logically have been part of the Treasury. I think there was a certain amount of that in part related to the fact that Dillon, having served his

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apprenticeship in the State Department, liked to think in those terms. And to some extent, I suspect that during the early period that he used the balance of payments as a lever to get the Treasury involved in all kinds of political affairs, international political affairs.

HACKMAN: Did this create any specific problems that you can recall?

BALL: I don't recall specific incidents. But I know that as a general proposition I was quite concerned with it at the time because it appeared that every problem had its balance of payments aspect, and it was a question of whether the tail was going to wag the dog or not.

HACKMAN: You had talked briefly about when the Maudling Plan was being considered in '62, I believe, and Treasury's efforts here. What were the repercussions of Treasury's

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efforts to knock this down?

BALL: Oh, I think there was a great sense of surprise when the Bank and Fund meeting assembled to suddenly find that every member had a statement by the United States government which, in effect, locked the American position into very tight compass. So that the Maudling thing fell like a lead balloon. It never had a chance after that.

HACKMAN: Was this an area that Secretary Rusk [Dean Rusk] took any great interest in?

BALL: No, not at all. Not at all. He had no interest in economic matters. He always used to say that he regarded economics as a dismal science. And he left it all to me.

HACKMAN: This was something that you didn't frequently discuss even with him, then?

BALL: I kept him generally informed. And once in a

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while I would say, "Look, I'm getting into a big fight with Doug, and I want you to know about it." But he always backed me up.

HACKMAN: One of the ideas that you were promoting in this area in this period, I believe, was the idea of buying long term securities from European countries. Can you recall at all how this was discussed and what reception you got on this?

BALL: Well, you know, actually, it's one of the things that was done later, but they were violently opposed to it at that time because it wasn't the way central banks dealt with one another. Central banks never dealt with another except on short term commitment basis. And in order to induce governments to buy long term securities, it meant that we had to sit down and have political discussions at the political level. Well, of course, this is

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what ultimately came to pass, and we ultimately did it with Germany. But if we'd done it at that time, we'd have been a hell of a lot better off.

HACKMAN: Was this shot down immediately when you brought it up?

BALL: Oh, sure. Well, the Treasury was just automatically opposed to it because they recognized what it involved, which was moving away from a treasury to treasury negotiation, which they were very much opposed to.

HACKMAN: One of the things that the President announced in his '63 balance of payments message was a tax on foreign securities. Can you remember what your reaction to that was, or do you remember this at all?

BALL: Tax on...?

HACKMAN: On foreign securities, sale.

BALL: Oh, the interest equalization tax.

HACKMAN: Well, the reason I ask is because I had heard

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that the State Department had no objections. Treasury people have said this and I had wondered if...?

BALL: No. I didn't have any objections because I thought that if we could stop portfolio investment, it would tend to take the heat off having to do some other things which seemed to me much worse. I was called over one Saturday or Sunday by Doug Dillon and Roosa and presented with a draft of the interest equalization tax and the President's message. I worked over it some with them. We talked about the problems of Canada and Japan, primarily. But I told them to go ahead. Then we did have the problems with the Canadians coming down and simply raising hell, and we had to work out an exemption with the Canadians and so on. Of course, history has subsequently repeated itself in the last few months.

HACKMAN: Can you remember anything else about the

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writing of that '63 speech, which I guess was his last major address on the balance of payments?

BALL: What was it pertain...?

HACKMAN: Well, one of the things was that the group of ten was going to start a study in the fall to reevaluate the whole liquidity situation. By this time had Dillon and Roosa come down around to back this, or were

they going along reluctantly with it?

BALL: I don't think they were backing it. I think they were rather reluctant about it. I used to accuse them of being opposed to any kind of increases in liquidity or any devices for the increase in liquidity simply because the argument over liquidity to some extent was an argument over the locus of power, that if you had a situation of tight liquidity, then the speculators and the central bankers were in a position of great power; if you had

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relatively adequate liquidity, then the power reverted to governments.

HACKMAN: How open was the President at this point, say in late '63, to the possibility of moving in new directions, something on the order maybe of the Triffin Plan that had been proposed?

BALL: I think he was fascinated with it, and I think that with a different Treasury he might very well have gone down that line. But he was, any President is, to some extent, the prisoner of a particular department in a particular area of subject matter.

HACKMAN: What had brought about his own changed ideas in this area? Primarily Dillon and Roosa's inaccurate predictions of or the arguments...?

BALL: Yes, and Heller and myself, and the fact that they didn't and the Treasury didn't seem to be solving the problem. No, I bombarded him with memoranda, and I think he read them. In fact, I

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know he read them. And then we had long arguments about them which we'd always end up by Bob Roosa saying, "I don't think I'm really nearly as bad a fellow as you say I am."
[Laughter]

HACKMAN: You had talked earlier about the President's problem in getting to the center of this whole problem. What types of things would he get involved in? I can't understand how all these things long meetings could have gone on. There seemed to be so many of them.

BALL: Yes. Well, a great part of it was a kind of preoccupation with minutiae. You know, haggling about some little item in the balance of payments and what we could do to push the Germans or do something to somebody that would correct this. Then we'd get into things, little arguments over travel taxes and things like that. I would make eloquent speeches about all he was going to do was

create

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a situation in which the jet set could travel and the school teachers had to stay home, and that socially this was the most undesirable form of restriction because among other things I felt that our ability to maintain an international foreign policy, I mean an outward looking international foreign policy, depended to a considerable extent on the fact that the American people were roaming the world and finding out that it wasn't simply--they weren't as self centered as they once had been.

HACKMAN: Did a lot of people feel he was spending way too much time on this? I've heard a couple of people who....

BALL: Well, I think he did spend way too much time. As I say, it got to be a kind of King Charles' head. It just intruded into every kind of an argument.

HACKMAN: I have this list, which I would like you to

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glance at, of a few meetings with people. I thought you might have played a role in setting up some of these meetings, and I wanted you to....

BALL: Well, certainly the lunch with Jean Monnet. I'm sure I set it up, and with Hallstein [Walter Hallstein].

HACKMAN: How did he get along with these people?

BALL: He liked Monnet, and Monnet had quite a charm for him. Hallstein I think he was generally impressed with. Mansholt [Sicco L. Mansholt] just was trying to give him some understanding of the agriculture problems of the Common Market. I've forgotten how that one came out. I think I was there.

HACKMAN: Yes. You were at all of those meetings.

BALL: And Rey [Jean Rey] and Marjolin [Robert Marjolin]--there again it was quite a pleasant conversation which I don't think proved very much. And Kristensen [Thorkil Kristensen] was simply a pretty formal call because he's a pretty colorless fellow.

HACKMAN: I just wondered if these were mainly

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substantive discussions where he really...?

BALL: With Monnet I think he got into some substance, and to some extent with Hallstein. He originally started out being very interested in the Common Market.

HACKMAN: You had mentioned earlier that Secretary Rusk more or less let you take the lead in this area. Did any reservations that he might have had prevent you from making a stronger case?

BALL: No, no. I had a complete free hand and did exactly what I felt I wanted.

HACKMAN: That's all I have on the balance of payments if you're going to have to go.

BALL: Well, I'm afraid I'd better. Sorry for holding you up so long.

[END OF INTERVIEW #4]

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