Fortune's Warning to President Kennedy: Beware The Ides of April

Context by Jim Douglass

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This is a presentation of a reprint of the May 1962 *Fortune* magazine Editorial, "Steel: The Ides of April" with background context by Jim Douglass. Three segments are included below:

1. From: Hope Confronting The Unspeakable in the Assassination of JFK (2009)
2. From: *JFK and the Unspeakable* (2010), pp. 140-43.
3. "Steel: The Ides of April" *Fortune*, May 1962

See also: "JFK and Steel, Bush and Oil," by Rex Bradford, *Mary Ferrell Foundation*, 2 Sep 2008

From: Jim Douglass on The Hope in Confronting the Unspeakable in the Assassination of President John Fitzgerald Kennedy, Coalition on Political Assassinations Keynote Address, Dallas, 20 November 2009

In his reflections on *Seven Days in May*, John Kennedy had given himself three Bay of Pigs-type conflicts with his national security state before a possible coup. What about six?

1. The Bay of Pigs;
2. The Cuban Missile Crisis;
3. American University Address;
4. Nuclear Test Ban Treaty;
5. the beginning of the back-channel dialogue with Fidel Castro;
6. JFK's order to withdraw U.S. troops from Vietnam.

This, however, is a short list of the increasing conflicts between Kennedy and his national security state. A short list. [See a longer list of thirteen conflicts between JFK and his national security managers in the parent file of this. –editor]

We can add to the list a seventh Bay of Pigs: the steel crisis, in which he profoundly alienated the military industrial complex before the Cuban Missile Crisis even took place. The steel crisis was a showdown the president had with U.S. Steel and seven other steel companies over their price-fixing violations of an agreement he had negotiated between U.S. Steel and the United Steelworkers' Union.

In a head-on confrontation with the ruling elite of Big Steel, JFK ordered the Defense Department to switch huge military contracts away from the major steel companies to the smaller, more loyal contractors that had not defied him. After the big steel companies bitterly backed down from their price raises, JFK and his brother, Robert, were denounced as symbols of "ruthless power" by the Wall Street power brokers at the center of the military industrial complex.

By an editorial titled, "Steel: The Ides of April" (the month in which Kennedy faced down the steel executives), Henry Luce's *Fortune* magazine called to readers' minds the soothsayer's warning in Shakespeare of the assassination of Julius Caesar. *Fortune* was warning Kennedy that his actions had confirmed the worst fears of corporate America about his presidency, and would have dire consequences. As interpreted by the most powerful people in the nation, the steel crisis was a logical prelude to Dallas.

From: Jim Douglass,
JFK and The Unspeakable: Why He Died and Why It Matters
Orbis Books, (New York: Simon & Schuster 2010), pp. 140-143.

The depth of corporate hostility toward Kennedy after the steel crisis can be seen by an unsigned editorial in *Fortune*, media czar Henry Luce's magazine for the most fortunate. The editors of *Fortune* knew the decision to raise steel prices had been made by the executive committee of U.S. Steel's board of directors. It included top-level officers from other huge financial institutions, such as the Morgan Guaranty Trust Company, the First National City Bank of New York, the Prudential Insurance Company, the Ford Foundation, and AT&T.[32] When Roger Blough handed U.S. Steel's provocative press release to the president, he did so on behalf of not only U.S. Steel but also these other financial giants in the United States. The *Fortune* editorial therefore posed an intriguing question: Why did the financial interests behind U.S. Steel announce the price increase in such a way as to deliberately "provoke the President of the U.S. into a vitriolic and demagogic assault?"[33]

With the authority of an insider's knowledge that it denied having, *Fortune* answered its own question: "There is a theory—unsupported by any direct evidence—that Blough was acting as a 'business statesman' rather than as a businessman judging his market." According to "this theory," Kennedy's prior appeal to steel executives not to raise prices, leading to the contract settlement between the company and the union, had "poised over the industry a threat of 'jawbone control' of prices. For the sake of his company, the industry, and the nation, Blough sought a way to break through the bland 'harmony' that has recently prevailed between government and business."[34]

In plainer language, the president was acting too much like a president, rather than just another officeholder beholden to the powers that be. U.S. Steel on behalf of still higher financial interests therefore taunted Kennedy so as to present him with a dilemma: he either had to accept the price hike and lose credibility, or react as he did with power to roll back the increase and thereby unite the business world against him. His unswerving activist response then served to confirm the worst fears of corporate America:

"That the threat of 'jawbone control' was no mere bugaboo was borne out by the tone of President Kennedy's reaction and the threats of general business harassment by government that followed the 'affront.'"[35]

Thus the steel crisis, in *Fortune*'s view, threatened to propel an activist, anti-business president toward a fate like that of Julius Caesar. As Shakespeare had it, Caesar was warned of his coming assassination by a sooth-sayer: "Beware the ides of March." *Fortune* gave Kennedy a deadly warning of its own by the title of its editorial: "Steel: The Ides of April."

Robert Kennedy's Justice Department continued its anti-trust investigation into the steel companies. U.S. Steel and seven other companies were eventually forced to pay maximum fines in

1965 for their price-fixing activities between 1955 and 1961.[36] The steel crisis defined John and Robert Kennedy as Wall Street enemies. The president was seen as a state dictator. As the *Wall Street Journal* put it in the week after Big Steel surrendered to the Kennedys, “The Government set the price. And it did this by the pressure of fear—by naked power, by threats, by agents of the state security police.”[37] *U.S. News and World Report* gave prominence in its April 30, 1962, issue to an anti-Kennedy article on “Planned Economy” that suggested the president was acting like a Soviet commissar.[38]

Attorney General Robert Kennedy became a symbol of “ruthless power” to the business titans he treated so brusquely, whose corporations he then found in violation of the law. Media controlled by the same interests adopted the characterization of RFK as ruthless until his murder six years later.

As John Kennedy became persona non grata to the economic elite of the United States, his popularity increased elsewhere. He said on May 8, 1962, to a warmly welcoming convention of the United Auto Workers:

“Last week, after speaking to the Chamber of Commerce and the presidents of the American Medical Association, I began to wonder how I got elected. And now I remember.

“I said last week to the Chamber that I thought I was the second choice for President of a majority of the Chamber; anyone else was first choice.”[39]

John Kennedy, the son of a rich man who had fought Wall Street in the Roosevelt administration, was beginning to sound like a class heretic himself. He told the U.A.W.: “Harry Truman once said there are 14 or 15 million Americans who have the resources to have representatives in Washington to protect their interests, and that the interests of the great mass of other people, the hundred and fifty or sixty million, is the responsibility of the President of the United States. And I propose to fulfill it.”[40]

After the steel crisis, President Kennedy felt so much hostility from the leaders of big business that he finally gave up trying to curry their support. He told advisers Sorensen, O’Donnell, and Schlesinger, “I understand better every day why Roosevelt, who started out such a mild fellow, ended up so ferociously anti-business. It is hard as hell to be friendly with people who keep trying to cut your legs off.”[41] If *Fortune*’s editors were right in seeing a deliberate provocation of Kennedy, the instigators had succeeded in alienating the business elite from the president, and vice versa.

JFK joked about what his corporate enemies would do to him, if they only had the chance. A year after the steel crisis, he learned before giving a speech in New York that elsewhere in the same hotel “the steel industry was presenting Dwight D. Eisenhower with its annual public service award.”

“I was their man of the year last year,” said the president to his audience. “They wanted to come down to the White House to give me their award, but the Secret Service wouldn’t let them do it.”[42]

For the dark humor to work, Kennedy and his audience had to assume a Secret Service committed to shielding the president. However, as Secret Service agent Abraham Bolden had learned before he left the White House detail, the S.S. agents around Kennedy were joking in a more sinister direction—that they would step out of the way if an assassin aimed a shot at the president.[43] In Dallas the Secret Service would step out of the way not just individually but collectively.

In his deepening alienation from the CIA, the Pentagon, and big business, John Kennedy was moving consciously beyond the point of no return. Kennedy knew well the complicity that existed among the Cold War's corporate elite, Pentagon planners, and the heads of "intelligence agencies." He was no stranger to the way systemic power worked in and behind his national security state. But he still kept acting for "the interests of the great mass of other people"—and as his brother Robert put it, to prevent "the specter of the death of the children of this country and around the world." That put him more and more deeply in conflict with those who controlled the system.

We have no evidence as to who in the military-industrial complex may have given the order to assassinate President Kennedy. That the order was carried out by the Central Intelligence Agency is obvious. The CIA's fingerprints are all over the crime and the events leading up to it.

According to the Warren Report, Lee Harvey Oswald told the U.S. Embassy in Moscow on October 31, 1959, that his new allegiance was to the U.S.S.R. He said he had promised Soviet officials he "would make known to them all information concerning the Marine Corps and his specialty therein, radar operation, as he possessed."[44] However, the Warren Report did not mention that in the Marine Corps Oswald had been a radar operator specifically for the CIA's top-secret U-2 spy plane. By not admitting Oswald's U-2 or CIA connections, the Warren Commission avoided the implications of his offering to give "something of special interest" to the Soviets.[45] Oswald was either a blatant traitor or, as his further history reveals, a U.S. counter-intelligence agent being dangled before the Russians as a Marine expatriate.

32. Roy Hoopes, *The Steel Crisis* (NY: J. Day Co., 1963), p. 17. Also Donald Gibson, *Battling Wall Street: The Kennedy Presidency* (New York: Sheridan Square Press, 1994), p. 17. [extensive excerpts of *Battling Wall Street*]
33. "Steel: The Ides of April," *Fortune* (May 1962), p. 98.
34. Ibid.
35. Ibid.
36. Arthur M. Schlesinger, Jr., *A Thousand Days, John F. Kennedy In The White House* (Boston: Houghton Mifflin, 1965), p. 636 footnote.
37. *Wall Street Journal*, April 19, 1962, cited by Arthur M. Schlesinger, Jr., *Robert Kennedy and His Times* (New York: Ballentine Books, 1978), p. 437.
38. Michael Calder, *JFK vs CIA: Death to Traitors: The Assassination of President John F. Kennedy–An Analysis of the Social, Political, and Economic Factors Which Led to His Assassination by the Central Intelligence Agency* (Los Angeles: West LA Publishers, 1998), pp. 106-7.
39. *Public Papers of the Presidents: JFK*, 1962, p.364.
40. Ibid., pp. 364-65.
41. Schlesinger, *A Thousand Days*, p. 641.
42. Kenneth P. O'Donnell and David F. Powers, *"Johnny, We Hardly Knew Ye;" Memories of John Fitzgerald Kennedy* (Boston: Little, Brown, 1970), p. 407.
43. Abraham Bolden, interview by author, June 16, 2001.
44. *The Warren Commission Report* (New York: St. Martin's Press, 1992, from U.S. Government printing in 1964), p. 748.
45. Ibid., p. 393.

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EDITORIAL

Steel: The Ides of April

As FORTUNE was going to press with the last chapter of John Chamberlain's "History of American Business" (see page 145), along came one of the most fantastic episodes in that long and turbulent record, an episode that will reverberate for years to come through the political and economic life of the US. The unexpected announcement of a general steel price increase and the subsequent rescinding of it were explosions ripping through the bland surface of prosperity and disclosing elements of confusion and weakness—as well as some elements of strength—in the political economy of the U.S. A lot of damage was done, but it may be worth the cost if some of the right lessons are extracted from what happened during the Ides of April, 1962.

Among the points to be noted:

1. The fury of President Kennedy's reaction points up the danger of deep government involvement in labor negotiations.

2. U.S. Steel's action paid inadequate attention to present market conditions.

3. When certain companies, refusing to go along with the price increase, forced U.S. Steel and others to rescind, their action indicated that the framework of business decision had changed greatly—and for the better—since the inflationary years when nobody could go far wrong by taking the lead in increasing

prices.

The deepest lesson of the episode is that in our "mixed economy" there is much confusion about who is responsible for what.

Garrison State rhetoric

In contrast to President Kennedy's recent be-kind-to-business mood, the depth and anger of his reaction were most significant. The President's language was immoderate and its content reverted to the worst aspects of the Kennedy campaign of 1960. After reciting the foreign perils faced by the U.S. in Berlin and Southeast Asia (including the recent deaths of four Americans in Vietnam), he said he found it "hard to accept a situation in which a tiny handful of steel executives whose pursuit of private power and profit exceeds their sense of public responsibility can show such utter contempt for the interests of 185 million Americans." This is the rhetoric of the Garrison State, not the discourse of the Free Society. In U.S. theory, a corporate manager is not acting in "irresponsible defiance" because he makes a price decision with which the President of the United States disagrees; the manager's responsibility is to exercise, within the law, his best judgment of market factors to the furtherance of the short-range and long-range position of his company. The President moved all too easily toward the assumption that the responsibilities of his own office, which are huge on any reading, can be expanded to include the final judgment of such a matter as the price of steel.

Senator Hubert Humphrey adopted this view when he called the steel price increase "an affront to the President." A given price increase may be an affront to economics or to business sense; but how does it get to be an affront to the President of the United States? The President and Secretary of Labor Goldberg properly exerted themselves during the steel negotiations to prevent a strike and to restrain union demands within the limits of the national average productivity increase. Some intervention of this sort is desirable, but as FORTUNE stressed again last month, it should be held within strict limits. The danger is now made painfully clear. After the Administration received major credit for the settlement of the steel negotiations, it became almost inevitable that a general steel price increase would be regarded as an "affront."

Do markets matter?

But if the price increase was not an "affront" and not an "irresponsible defiance," neither was it necessarily a piece of good sense.

U.S. Steel's statement explaining the increase started by recalling that the company's prices had not risen for four years, although production costs had risen. The statement gave only one reason why prices had not increased: the market—"competitive pressures from domestic producers and from imports of foreign-made steel as well as from other materials which are used as a substitute for steel." The statement did not go on to say that the market situation had improved; instead, it explained that "the severity of these competitive pressures has not diminished."

Then the statement swung abruptly into a discussion of why higher profits are desirable. The case for much better profit margins than U.S. Steel has recently enjoyed is an intrinsically good case. U.S. Steel's president, Leslie B. Worthington, among others, has recently argued that the growth of American industry has been hampered by low profit margins. (See "The New Anatomy of Business Profits," page 107.) In U.S. Steel's price-increase announcement the case for better profits was well presented, but the statement as a whole had a most unfortunate defect: it gave the impression that the soft market referred to at the beginning did not really matter, that all U.S. Steel had to do to increase its profits was to increase its prices. The impression plays directly into the hands of Senators Kefauver and Gore and of many others who believe that we have moved from a market economy to one of administered prices. The next step in the Kefauver line of reasoning, naturally, is to demand that the government take a larger hand in the "administration" (i.e., fixing) of prices. The weird oversimplification of U.S. Steel's statement suggests (1) that cost is the *only* important factor in determining price and (2) that price and wages are the *only* really important factors in determining profit. If both these propositions were true, then the market would be a myth and we might as well have government wage-cost-profit control.

The facts are different. Competition among American steel companies has been intense. Competition with foreign producers in some important product lines is real. Competition between steel and other products (e.g., aluminum and concrete) is serious. Steel's long-range ability to make more money depends as much on the volume of its sales as on the level of its prices. This truism was glossed over in U.S. Steel's price-increase discussion though it was an important factor in restraining union demands this year.

The probabilities are that even without an increase U.S. Steel's profits will rise sharply in 1962. The very low operating rate of 1961 produced a profit of only $3.05 a share; but financial analysts, assuming no general price increase, had expected 1962 profits of $5 to $5.50 a share for U.S. Steel. If the price increase had stayed in effect, the competitive disadvantage to the industry might not have been felt until subsequent years.

It might not have been felt at all. Labor costs of foreign steel producers are rising. U.S. Steel's Roger Blough said he thought the economy was improving. He may have expected rising demand to put an upward pressure on the prices of products competing with steel. In such circumstances, steel-industry profits could have increased markedly. But what "such circumstances" added up to was another round of inflation.

Last September, in his exchange of letters with President Kennedy, Blough had argued eloquently against the notion that steel was a "bellwether" of the great inflationary movement. Once an inflation gets rolling, who can say which segment of the economy leads it? What part of a moving wheel is pulling the rest?

But the situation in the Ides of April, 1962, was different. The general price level had been almost stable for four years. U.S. Steel, after the first major labor contract without a general wage increase in more than a decade, increased prices across the board in the most dramatic manner possible. Let us suppose that rising demand in other industries had indeed led to rising prices. Let us suppose—and surely this is a probability—that the Steelworkers and other unions had taken the steel price increase as a signal to press for further wage increases. Who would have got the blame—whether or not it deserved it? Who but steel?

To break "jawbone control"?

If this was the prospect, how can the way U.S. Steel handled its announcement be explained? Why was the decision cast in the only possible manner that would draw four-column headlines in the *New York Times* and provoke the President of the U.S. into a vitriolic and demagogic assault?

There is a theory—unsupported by any direct evidence—that Blough was acting as a "business statesman" rather than as a businessman judging his market. According to this theory, Kennedy's letter of last September 6 poised over the industry a threat of "jawbone control" of prices. For the sake of his company, the industry, and the nation, Blough sought a way to break through the bland "harmony" that has recently prevailed between government and business.

This theory could account for the otherwise inexplicable timing and manner of U.S. Steel's announcement. If Blough wanted to create the greatest possible uproar and provoke maximum presidential reaction, his procedure was beautifully calculated.

That the threat of "jawbone control" was no mere bugaboo was borne out by the tone of President Kennedy's reaction and the threats of general business harassment by government that followed the "affront."

There was a better way

Whether his motive was strictly business or partly "statesmanship," there was a better way to do it. Why did U.S. Steel decide to make its price increase on an across-the-board basis? In the past, such increases been justified by the inflation then rolling. A given company's prices, it was said in those days, were merely being adjusted to the moving dollar. But in the stable price conditions of 1962 this justification for an across-the-board increase did not hold water.

Steel is many markets. Today some are soft and some are firm. Some face outside competition and some don"t. Why didn't U.S. Steel wait a couple of months—then market conditions might have clearly justified increases in certain product lines. Such an action would have been a far better answer to "jawbone control." It would have emphasized the fact—and it is a fact—that a company"s profits depend upon a market it cannot control, and not merely upon the company's decision to set its prices. A product-by-product price rise would not have exposed the industry to the "administered price" charges of Kefauver & Co. It would not have invited upon the industry's head blame for reviving the threat of inflation.

Who's in charge of what?

When Inland and Armco refused to go along with U.S. Steel's increase (and Bethlehem rescinded its increase) it became apparent that Blough had miscalculated market factors as well as public-relations factors. Ten years ago, five, years ago, the industry would have followed the leader on the theory that even if an increase was premature, inflation would soon catch up with it. Today, with unused capacity not only in steel but many other lines, and with four years of relative price stability in the background, price-rise decisions that were formerly automatic become much more difficult to make on strictly business grounds.

When the increase was rescinded under competitive pressure from the other companies, credit went to Kennedy. This may give rise to the mistaken notion that the President's job is to fight inflation by denouncing price increases. In fact his responsibility for maintaining a stable price level in an entirely different area.

Inflation cannot happen by cost push alone. The decisive factor is the government's own monetary and fiscal policy. Unless Kennedy stops pressing the et toward more and more unnecessary non-defense expenditures he will create a situation where direct price controls and resumed inflation may be the only alternatives.

The explosions of the Ides of April go all the way back to the decades of undue government support of unions, coupled with inflationary policies in the government's own house. Blough's effort to escape the squeeze was natural, but its main result was to give President Kennedy an opportunity to avoid the politically difficult decisions of sound fiscal policy while denouncing business for price increases. It is to be hoped that the President in the months ahead will have the courage to resist this temptation.

The trouble with the "mixed economy" favored by some of the President's associates, is that everybody's responsibility gets mixed with everybody else's. U.S. Steel is telling us what's best for "the strength and security of the nation" and the President is telling us what's the right price for a ton of steel. Now that the excitement is over, this would be a good time for President Kennedy and the leaders of U.S. business to take a hard look at the need to unscramble the irrationally mixed economy.

https://ratical.org/ratville/JFK/Unspeakable/IdesOfApril.html