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EATON, CYRUS S(TEPHEN) Dec. 27,
1883- Financier

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As one of the partners in the Cleveland (Ohio) investment banking firm of Otis and Company, Cyrus S. Eaton has been a prime mover in the efforts of Midwestern financiers to divert United States financial power from Wall Street. A holder of utilities, coal, steel, and ore interests, Eaton was among the country's outstanding financial operators until the depression, when he lost most of his assets. Gradually he reintegrated his holdings, and by 1947 was again known as sponsor of the Steep Rock Mines in Ontario, organizer of the compromise which formed the Cleveland Cliffs Corporation. Eaton was one of the principals in the SEC investigation of the breach of contract suit brought in 1948 by

Kaiser⁴²-Frazer⁴⁶ against Otis and Company, following the withdrawal of the latter from sponsoring a new K-F stock issue.

Cyrus Eaton's ancestry can be traced to a John Eaton who came from Wiltshire, England, to Salisbury, Massachusetts, about 1640. In 1760, David Eaton, of the fifth generation, left New England to settle in Nova Scotia, there to found the Canadian branch of a family which includes many well-known individuals in the United States and Canada. Cyrus Stephen Eaton was born in Pugwash, Cumberland County, Nova Scotia, on December 27, 1883, to Joseph Howe and Mary Adelle (MacPherson) Eaton. Originally planning to enter the Baptist ministry, young Eaton studied at Amherst Academy and Woodstock College. When he was seventeen, he visited his uncle, the Reverend Charles A. Eaton (subsequently, a United States Congressman and a United Nations delegate to the San Francisco Conference in 1945), in Cleveland, Ohio. The Reverend Eaton obtained a clerical job for his nephew on the estate of a parishioner, John D. Rockefeller. Eaton later returned to Canada to study and to receive a B.A. degree from McMaster University, Toronto (1905).

The following year Eaton was back in Ohio, where he started to work as an adjuster for the East Ohio Gas Company, "pacifying citizens who objected to having their lawns torn up for gas mains." Later, while he was buying up franchises in the Canadian Northwest for a utilities company, the panic of 1907 wiped out his employers' holdings. Young Eaton, taking up one of the canceled franchises, raised capital and built a power plant. This marked his entry into the utilities field. In 1912 he began extensive consolidation activities among electric and gas companies in the United States and Canada, eventually amalgamating them into the Continental Gas and Electric Company. He was admitted to partnership in Otis and Company, the Cleveland investment bank, in 1916.

The consolidation of the Lake Shore and Garfield banks with the Cleveland Trust Company in 1919 was accomplished by Eaton. A subsequent merger of four utilities firms (including the Continental Gas and Electric, of which Eaton was chairman of the board of directors) resulted in the formation of the United Light and Power Company in 1923, a corporation registered in Maryland, serving twelve Midwestern States, and attaining, by 1929, assets of more than \$557,000,000. The thirteen subsidiaries of United Light and Power, as well as various rubber and steel interests of Eaton's, came into the orbit of Continental Shares, Inc., in 1926, when Eaton organized the latter corporation for the issuance of shares. Continental Shares, under the leadership of Eaton as chairman of the board of directors, held assets of more than a hundred million dollars three years later.

Against the opposition of Eastern steel interests, Eaton gained a toe hold in the steel industry in 1925 when he invested \$18,000,000 in the financially weakened Trumbull Steel Company and was gradually able to expand



Wide World Photos

CYRUS S. EATON

his control. With this firm and other affiliates, such as United Alloy, Corrigan McKinney, and Youngstown Sheet and Tube, Eaton was instrumental in forming the Republic Steel Corporation (later the third largest steel company in the United States) having assets which amounted to \$331,000,000 in 1930, the year of its establishment. In the meantime, in 1929, he and W. G. Mather, another Cleveland financier, formed the Cliffs Iron Corporation, which had controlling interests in six iron and steel companies. The following year Eaton also acquired important interests in the Goodyear Tire and Rubber Company, as well as large interests in the Firestone and the United States rubber companies. Eaton's original interest, utilities, was not neglected at this time, as he entered into a series of negotiations with Samuel Insull which resulted in the sale of Eaton's shares in Insull's utilities to the latter, who was anxious to hold control of his organization.

An attempt by the Bethlehem Steel Company to merge with Youngstown Sheet and Tube was bitterly contested by Eaton and his associates, but the moral victory attained when the courts, in 1931, declared the merger illegal, cost Eaton his private fortune, then estimated at a figure between eighty and a hundred million dollars. The collateral pledged by Eaton to the Chase National Bank was auctioned off in 1933, with the result that Eaton was left (in *Time's* words) with "little except his Cleveland securities house, Otis and Co." Through Otis, Eaton began, in the next few years, to re-establish his financial equilibrium.

By 1942 Eaton was able to purchase the Steep Rock Iron Mines, Ltd., in Ontario, the proven ore of which lay under a deep lake, for \$20,000. With iron needed for war purposes, Eaton successfully negotiated a \$5,000,000 loan through the RFC, while the Canadian

EATON, CYRUS S.—Continued

Government contributed an equivalent amount for docks, roads, and a railway spur line. Steep Rock ore was marketed by the Cliffs Corporation, with the Premium Iron Company, Ltd. (organized by Eaton) acting as middleman and agreeing to purchase all Steep Rock ore for a ten-year period. Under Eaton's direction, a compromise was worked out early in 1947, when the representative of Robert R. Young's Pittston Company on the board of directors of Cliffs Corporation challenged the management of the latter corporation. The Eaton solution resulted in the Otis banking firm buying Pittston's 34,500 shares in the Cliffs Corporation, while the lawsuits challenging the valuation on Cleveland-Cliffs common stock were dropped. The Cliffs Corporation, holding about \$25,000,000 worth of steel stocks, and the Cleveland-Cliffs Iron Company, with its shipping, ore, and coal interests, were merged to form Cleveland Cliffs Corporation, an operating and holding company organized with assets of about \$90,000,000. Eaton was also associated with Young in an attempt to buy the Pullman Company's sleeping-car interests in 1945, but their bid was rejected.

Shortly afterward, Otis and Company sponsored most of the \$17,000,000's worth of common stock for the Kaiser-Frazer Automobile Company, and, in 1946, underwrote more than a million shares of the Portsmouth Steel Corporation, set up by Eaton to supply Kaiser-Frazer with part of the steel requirements for their automobile production. Eaton, however, withdrew Otis and Company from further financing of a subsequent Kaiser-Frazer stock issue in February 1948, several hours after a suit had been instituted against the automobile company by one of its stockholders, James F. Masterson. The brief characterized the stock offering as likely to impair the equity of the existent common stock, to remit overly high profits to the underwriters (Otis), and to "dilute" the corporation's capital by the process of stabilizing the market. (The latter statement was in reference to K-F's purchase of more than \$10,000,000's worth of the issue on the day before it was placed on the open market.) When a breach of contract suit was entered against Otis and Company by Kaiser-Frazer, the SEC began an investigation of the entire negotiation, in the course of which Eaton charged that the proceeds of the issue were to be used to pay off a bank loan (to A. P. Giannini's⁴⁷ Bank of America) rather than for stepped-up production, as represented by the manufacturers. He also criticized the SEC's role in permitting the issue to go through. Charges and countercharges by the various companies involved brought in other firms concerned with the deal, as well as the role of the SEC. Kaiser's assertion that the Masterson suit had been arranged by Eaton was denied by the Cleveland financier. By June the matter had been drawn to the attention of the Senate Banking Committee, which voiced its intention of investigating the conduct of the SEC. "When a chief participant in a transaction [namely

the SEC] is pushed into the position of chief investigator of that transaction," said Eaton in reference to the SEC official conducting the inquiry, "it is time for Congress to act."

Eaton, who describes himself as a "humanist," numbers among his friends Professor John Dewey of Columbia University and Dr. A. E. Haydon of the University of Chicago (Haydon dedicated his book, *Biography of the Gods*, to Cyrus Eaton). The financier has written several pamphlets and magazine articles which explore political and economic issues in the United States. These include "The Third-Term Tradition," in 1940 (although a Republican, Eaton supported the Roosevelt Administration); "Investment Banking Competition or Decadence?" (1944); "A New Plan to Reopen the United States Capital Market" (1945). Eaton has been sharply critical of many of the practices of American capitalism. He has fought for open and competitive bidding in utility and railroad financing; he renewed his attack against New York City investment groups, charging that they were preventing Cleveland firms from financing that city's utilities. In the April 1947 issue of the *University of Chicago Law Review*, Eaton wrote: "The casualness with which we capitalists seem willing, nay, even eager, to invite the collapse of our economic system in almost every industrial dispute for the sole purpose of thwarting labor, is utterly incomprehensible . . . capitalism cannot survive without the support of labor." During the coal strike in the winter of 1946 Eaton was active as a behind-the-scenes conciliator. According to news dispatches, he conferred privately with John L. Lewis⁴⁸ and with the mine operators in an effort to effect arbitration.

The directorates held by Eaton in the past were on the boards of Republic Steel, Inland Steel, Youngstown Sheet and Tube, the Cleveland Trust Company, and the National Acme Company; in 1948 he is chairman of the board of directors of the Steep Rock Iron Mines, Ltd., and a director of the Chesapeake and Ohio Railway Company, the Cliffs Corporation, Sherwin-Williams Company, the National Refining Company, and the Arlington Mills.

Among Eaton's other posts are trusteeships for Denison University, Chicago University, the Case School of Applied Science, Fenn College, the Cleveland Museum of Natural History, and the Cleveland YMCA. Fond of fine saddle horses and yachting, Eaton belongs to the Chagrin Valley and Summit Hunt clubs, the Royal Nova Scotia Yacht Squadron, the Glenelg Fishing (Nova Scotia), the Chester and the Liverpool Yacht clubs. He is also a member of the Union and Mayfield clubs of Cleveland, and the Metropolitan of New York. Eaton was married to Margaret House in 1907 and is the father of seven children: Margaret Grace, Mary Adelle (Mrs. Fay A. Le Fevre), Elizabeth Ann (Mrs. Lyman H. Butterfield), Anna Bishop, Cyrus Stephen, Augusta Farlee (Mrs. David Hume), and MacPherson. According to P. J. Phelan-Rand of the *New York Sun*, the strictly reared Eaton "to this day doesn't smoke, drink, swear, or wear jewelry."

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