

ADDRESS OF CYRUS S. EATON BEFORE THE CLEVELAND BAR ASSOCIATION
OCTOBER 7, 1930.

When I came to Cleveland as a student some twenty-nine years ago, the city was in the midst of a heated debate on the question of home rule for Cleveland as a city. Coming from Canada where the tendency towards centralization in government and in finance was very strong, I was somewhat astonished to find the keen interest in home rule, and to learn how vigorous the people of this city were in their protest against too much encroachment on local government from the state capital; and as I have become acquainted with the constitution of this country and the development of its legal and political institutions, I have discovered now tenaciously the leaders of thought cling to the principle that we must maintain the political autonomy of cities and states. And I observe that when members of the bar get together in their associations and societies, they are frequently admonished by their great leaders to resist any encroachment on local independence in politics and in legal institutions.

At this point I want to raise a question with you that is of very great interest and concern to me, a companion question to this one which I heard debated in the tent meetings in Cleveland when I first came here.

That companion question is, Shall financial and industrial leadership in this country be as widely diffused as is political leadership? Or perhaps I can turn the question around, and put it this way: Is the political independence of the sovereign state a thing of great value, if at the same time that state is financially dependent upon some distant state? Is political autonomy anything more than an empty thing if a state has given up all influence and control over its great business enterprises?

I was born in the British Empire, where imperialism was taught; where centralization in politics and in finance and business was the popular creed, and I have watched with very deep interest what has happened in the financial and business world of that Empire. There is now being held in London, an imperial conference of leaders from all parts of the Empire. They are not spending much time on questions that have to do with politics, but they are asking themselves, How does it happen that that great Empire has so vast an undeveloped estate? Why is it that, save for the great progress of Canada, it is so far behind the progress of the United States in all matters that have to do with industry and business and finance?

I think one of the chief reasons is this, that London has been the dominating financial center not only of the "tight little island," but of the entire vast Empire. We must applaud the worldwide interest that London bankers and the London Stock Exchange take in the finance of the world. You can find quoted on the London Stock Exchange the securities of every part of the earth; but in their desire to centralize in London the money power, they have in my judgment tremendously retarded the up-building of the economic life of the Empire.

Is it not possible that the tendency toward centralization in business may carry with it consequences that will be just as harmful to this country as too much centralization in government?

Let me point out some of those tendencies to centralize in business. Take the chain store, for example, which makes itself felt more keenly in the small community. There the town merchant used to be a man of influence and power. He was a director of the local bank, a member of the school board, or a deacon in the church, and he counted tremendously in the social life in that community. His place, upon the advent of the chain store, is taken by a well-trained clerk, whose policies are dictated by a distant home office. The price of his goods, the displaying of his goods, his advertising, are all prepared for him by somebody far away. The people of the community may buy their goods cheaper, may get goods of better quality, but I wonder if in the long run the life of that community is benefited by the departure from it of the influence represented by the independent store.

Let us come nearer home. Two or three years ago, The Sherwin-Williams Company of this city considered the question of selling out. The natural thing seemed to be to get for the heirs of the founders of that company a good price for their stock by selling it to another big institution with headquarters a long distance away.

The descendents of the founders, however, said, and I think very wisely, "We should like to see this company, with its worldwide business, with its worldwide influence, remain as a Cleveland institution, and we would rather, if we must diversify our investments as we ought to, take a lesser price for our stock, if it will be owned by local people and the institution maintained here as a Cleveland concern."

If the proposed sale to outside interests had taken place, the stockholders would have received an excellent price for their stock, but there would have gone out of this community the banking of that great company, its legal business, its accounting business, its insurance business, and in addition to these direct losses we would have lost all of those other things that are associated with a great enterprise of that kind, civic pride, security and wealth.

When our Federal Reserve system was established, you will all recall what a tremendous debate took place as to whether there should be one bank or several regional banks, and I think the majority of us felt that the decision to create twelve banks, making twelve great centers of financial influence, was wise. We feared that too much centralization would result from only one bank, and I am sure that that policy has proven a very wise one.

It was our good fortune here in Cleveland to be selected as one of those centers, but I don't think many of us realize the opportunity that that brings to us to make Cleveland a financial center of real influence and power, inspiring the economic life of the vastly rich territory that is embraced in the Fourth Federal Reserve District. This District is the best balanced of the entire group. Here are combined richness of soil, a wealth of raw materials, either in the District or easily accessible by water transportation, a great diversity of industry and a vigorous people.

I am not opposed to business on a big scale, but I do maintain that the leadership and direction of our great industries ought to remain in the communities which created those industries, and that they ought not to follow a mere banking power to some distant and inaccessible point.

Our bankers move with considerable timidity in matters of large importance in finance. They sometimes feel that if a difficult job is to be done in banking involving some risk, that it should be done in New York or Chicago or some larger center. New York, is, of course, our leading financial center and as such has the support of the nation. It is not good, however, to have other financial centers utterly dependent upon any one center. We have the resources and the ability to do the great financial tasks here at home. There should be no yielding to a timidity which I believe to be fraught with very great danger to a country as vast as this is. The financial and banking interests of the Fourth District should be encouraged to do a world wide business and to expand to meet expanding demands upon them.

I have no doubt that the members of the bar are burdened with protecting our political and legal institutions from too much centralization, but I want to appeal to you to take an interest in the upbuilding of our financial and business institutions, with a view of maintaining in this Fourth District financial independence and the leadership and direction of our great enterprises, employing thousands of men and representing hundreds of millions of investments of our people. Maintaining this economic leadership will contribute to the enriching of the political, social and intellectual life of the District.

The Members of the Bar Association are highly influential in the creation of public opinion, through the public offices which you occupy, and through your contact with the press and various other organizations and institutions but more particularly through the business men who look to you for advice and for guidance. If you agree with me as to the soundness of the economic proposal that leadership in finance and in business must be as widely diffused as is political leadership in this country, you can, with your great influence in the community, go a long way in bringing about its accomplishment.