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Cyrus Eaton — What's He Up To?

Abridged from a series of articles written by
JOHN BIRD
and printed in The Toronto Daily Star,
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Why Billionaire Is Pally With Russia

WHAT is Cyrus Eaton up to? The Canadian-born industrial magnate is widely regarded as America's most puzzling tycoon-at-large. He is conducting vast development operations and a peace-with-the-Soviet-bloc crusade which look contradictory to the man-in-the-street. They run counter to popular notions of American capitalism. And Cyrus Stephen Eaton himself is one of America's greatest capitalists, controlling around two billion dollars of wealth, of which roughly half a billion is in Canada.

(Among his interests, for example, are Republic Steel, third largest U.S. producer, Chesapeake and Ohio Railway, plus a vast scattered utility empire. In Canada, he controls Steep Rock Iron).

To try to find an answer to the Eaton riddle and to judge whether it is really a riddle at all, I flew to Cleveland and interviewed him last week. Here are some components of the "mystery:"

Eaton went to Russia and had a most friendly visit with Khrushchev. He personally welcomed Mikoyan in Cleveland and was described by this Soviet leader as Russia's most popular capitalist. He wants to end the cold war and develop peaceful trading with the Soviets. He is campaigning to have Red China recognized and wants to trade there, too. He has fought an open war with John Foster Dulles.

At the same time, Eaton is preparing to develop Ungava iron ore in Canada's far north in co-operation with German steel merchants, of whom the most important are Krupps of Essen. That's the firm which provided the major German armaments for two world wars.

I saw Cyrus Eaton in the magnificent head offices of the Ches-

apeake and Ohio Railway, of which he is chairman, on the 36th floor of Cleveland's Terminal building looking far out over Lake Erie.

Acres of dark panelling upon the walls, specially brought from England, used to provide a gloomy magnificence. Since Eaton took over these have been artificially bleached. Today this tycoon's palace is as bright and sunswept as an eagle's eyrie. Perched high in the sky Cyrus Eaton can survey the belching smoke-stacks of his Republic Steel or his Cleveland Cliff oreboats on the Cuyahoga River.

At 75, Eaton is vigorous, alert, tough. Tall, trim, with startlingly white hair and an aquiline nose, he has been called "the capitalist who looks like a Roman cardinal." Not just any cardinal, I think: Only a scholarly one such as John Henry Newman.

With little beating about the bush we got quickly to the point of concern and puzzlement to Canadians: Ungava ore. Eaton's Canadian and American companies involved in this include Steep Rock Iron and Cleveland Cliff. Most of the money put up will be American, but roughly one-third interest will be held by five German firms including not only Krupp's but also the Krupp-controlled Bochumer Verein. Head of Krupp's today is Alfried Krupp von Bohlen.

War Germany's Folly

I asked Eaton whether there was not a contradiction between his crusade for peace and dealing with Krupp, the head and front of German armaments in both world wars.

Eaton's reply: "Let me tell you what Mr. Krupp himself has said to me. He recognized World Wars I and II as having been the greatest folly for the German nation.

They had won three wars (against Denmark, Austria and France) and had become vain-glorious. They were misled. Everyone recognizes that war can never again become the instrument of public policy. The last thing he (Krupp) wants is war."

Here Eaton caustically remarked that the Americans went into the last war to put an end to German military might. Yet, "here we are, rearming the Germans," he complained. He feels it is tragic folly to try to turn Germany—or Britain—into an armed spearhead against Russia. "Mr. Krupp and other German industrialists are against the rearming of Germany. It is only politicians who want it and they have dreams of grandeur."

World War III, if it comes, is likely to be less a matter of steel than of nuclear fission and electronics. But in any case, Eaton does not regard helping Krupp to get iron as encouraging the armament race which he deplures.

The Americans are rearming Germany which he would like to stop and says Krupp would, too. He wants to drop the cold war, which is behind the arms race. Krupp's present production is geared to peaceful uses and he wants to keep it that way.

Actually, the \$200,000,000 Ungava iron ores development is now waiting upon the revival of demand for steel. During last year's recession, Eaton pointed out, American steel production fell to almost 50 per cent. of capacity because world demand was slack. I asked if the Ungava deal was firm with the Germans. He replied: "It is firm with them insofar as it is firm with us. We cannot go ahead unless there is demand for the product." So he is proceeding with cau-

tion until the proposition looks economically sound. "A failure would hurt Canada," he said emphatically.

Some observers suspect a Russian angle in this Ungava set-up, too. Krupps are reported to be selling some steel to Russia. Might not Ungava iron find its way to Russia in the form of German steel

pipe for pipelines?

It is conceivable, but not a major factor.

Russia? There is the core of the enigma which many Americans, including some I talked to in Cleveland, find in Eaton's latest operation and peace crusade. Cyrus Eaton regards establishment of trade with the Communist world

thoroughly desirable. Even more insistently, he brands John Foster Dulles' brinkmanship and willingness to risk a head-on clash as the height of human folly—from a strictly capitalist point of view. Some of Cyrus Eaton's reasons, as he told them to me, will be given in the next article.

Why Eaton Wants Trade With Reds

EVERY capitalist is expected to regard the Communist bloc with maximum mistrust, even loathing. Yet Cyrus Eaton visited Russia on a friendship tour, dined and dined Mikoyan at Cleveland's plushy Union club and is campaigning against the U.S. state department for a policy of peaceful co-operation with Russia and Red China.

Why?

I batted the question up to Cyrus Eaton with blunt directness in his "Eagle's Eyrie" of an office looking down upon Cleveland. He replied with equal directness:

"I have very practical reasons. I have watched the progress of the Russians in science and industry. They are hard working and have great natural resources. They are potentially a dangerous enemy."

Eaton underlined the last sentence. Every logical capitalist estimates situations in terms of profit, in general, and his own profit in particular—but always as against the risks involved. Here Eaton was underlining risk.

Russia Would Fight

He continued: "I am dedicated to the capitalist system in theory and in practice but I am not so bigoted that I cannot see another system succeeding, at least for the time being. The Russian people are sold on their system. They are willing to fight for it. On practical grounds, I don't seek a quarrel. I want to preserve the advantages of capitalism. In World War III the destruction would be so vast that capitalism would be destroyed."

This is the crux of the matter for Cyrus Eaton. He regards the cold war and the brinkmanship policies of John Foster Dulles and the State Department as running the world into grave danger of hot

Cyrus Eaton Talks About . . .

COMMUNISM: "I am dedicated to the capitalist system in theory and practice but I'm not so bigoted I can't see another system succeeding for a time."

COLD WAR: "With it we have a war economy. Without it, we could invest that money around the world for development."

TRADE WITH RUSSIA: "If instalment buying is ever introduced—and it will come—it will create a mass market well worth American attention."

ON DULLES' BRINKMANSHIP: "It may cost the life of capitalism itself."

war—with nuclear bombs destroying the centres of capitalism and communism alike. His own vast empire would be ruined along with everyone else's.

But Eaton emphasized the humanitarian aspect also. He does not want to see "the destruction of hundreds of millions of people in Russia or anywhere else."

It has been hinted darkly that the cold war must be kept going lest the North American economy should slump into economic depression. I tried this on Eaton, many of whose enterprises depend to a considerable extent on "war orders." He replied:

"Some people take that shortsighted view. But what we are getting along with the cold war is the burden of taxation. Without it, we could invest that money round the world for development." If war orders were diminished, Eaton conceded, "there would be a temporary slowdown." But only temporary, with greater expansion and profits eventually. However, owners of some industries entirely dependent on war orders might take a different view, he said.

So far, the risk side in his calculations of relations with Russia has been paramount. But on the posi-

tive, or profits side, there are inducements toward peaceful trading with the Soviet bloc.

Eaton has been quoted as saying: "If instalment buying is ever introduced—and my hunch is that it will come eventually—the increase in demand for consumer products will create a mass market well worth American attention." Certainly he has his eye on the markets provided by 200 million Russians and 600 million Chinese.

But this is general. What about the particular finger of Cyrus Eaton in the Communist trade pie? John Barden, who did research into this and reported in *The Nation*, concluded: "It can be positively asserted that Eaton did not negotiate, begin to negotiate, or even suggest to Khrushchev or any other Russian official any transactions which might benefit the Eaton enterprises in any specific way. He didn't have to."

If trade is opened up with Russia, Barden declares, "the big foot in the door everybody will suddenly see will be Eaton's." The same goes for Red China. Cyrus Eaton, with his goodwill campaign, will have got there first. He is one capitalist with whom the Communists would be willing to deal.

Conflict With Dulles

Eaton's war with the U.S. state department centres upon high policy—how to live with communism. But there is also a particular angle, an old difference with John Foster Dulles. Eaton, as an industrialist, despises bankers as mere "money men." He caught this from John D. Rockefeller, to whom he once acted as secretary. And he especially despises "Wall Street lawyers," the lesser fleas who infest the backs of the bigger, banker fleas. Eaton has fought and won famous battles against such renowned lawyers as Newton D. Baker and Wendell Willkie.

He has little use for such lawyers in general, but in particular, he told me, "Dulles cost me a lot of money." The story dates back to the decade from the middle '30's to the middle '40's. As a senior partner in the great law firm of Sullivan and Cromwell, Dulles was then

counsel for the celebrated case of "the death sentence." This was an act of congress forbidding utility companies from operating in more than one community. Eaton, as a utility king, had millions at stake along with the others.

Dulles "masterminded" the attack on the bill when it was before congress. "He said it would never pass," Eaton ruefully recalls. It did. Then Dulles was sure it would be rejected by the courts. He had an unbending attitude and insisted on standing firm. He fought it all the way, confident that at least the supreme court would reject it. But in 1946, this final court of appeal upheld the act by a vote of five-four.

(Last week, when Bird interviewed Eaton, reports on Mr. Dulles' operation described it as successful. In recalling his early differences with Dulles, Eaton refrained from personalities and was obviously not seeking to harry a

stricken man.)

Eaton comments: "Mr. Dulles was being honest and brilliant, but he didn't succeed. We are going in the same direction now. He keeps telling us that the Soviets will back down, if only we stand firm." This early example of brinkmanship cost the utility capitalists hard cash, but Eaton figures that brinkmanship against Russia may cost the life of Western capitalism itself.

In sum, here are elements of a classic Eaton operation: Calculation of the deadly risk in the state department's course, and of the possibilities of profit in Eaton's own alternative course—with less risk, he thinks. Yet we still must consider Eaton, the man himself, his remarkable crusade—and the key part which, in his mind, Canada may play in it. Cyrus Eaton gave me a "message for Canada." I shall tell about it tomorrow.

Are Children Key To His Peace Crusade?

IN estimating what Cyrus Eaton is really after in his peace-and-friendship-with-the-Communist-bloc crusade you run right into the riddle of the man himself. What complex of motives, private and public, has set him on the greatest, the most open campaign of his life?

As an industrialist, Eaton enjoys the reputation of a "lone wolf," the big capitalist who has fought much bigger capitalists and won. Thus, for example, he established his Republic Steel Company as a "third force" beside the giants, U.S. Steel and Bethlehem.

But American stories suggesting that even his present campaign is "Eaton versus the world" are silly. This time, he is riding an idea which is widespread throughout the Western world, especially outside U.S. The idea is self-preservation and the preservation of future generations. He sees a real danger to human existence unless this idea spreads.

Cyrus Eaton is a realist, a 20-minute hard-boiled egg. Since he is 75, he obviously does not think he will live out the century. New wealth for himself cannot interest him much now. But he has a numerous family, including Cyrus Junior, who is right inside the Eaton financial empire, and a younger son, Macpherson, doing graduate work at Acadia University. He has 13 grandchildren, including Cyrus the Third. These grandchildren are immensely important to him, and he refers to them again and again. They make the preservation of the Eaton empire that much more important. On his humanitarian side, they represent the future generations of a world which must work out a peace or die.

This fear of the future is perhaps the strongest motive behind

Cyrus Eaton Talks About . . .

COMMUNIST CHINA: "It is time to put an end to the folly of cold war and time to quit offending the 600 million people of China."

CANADA'S ROLE IN U.N.: "Canada is the most conspicuous nation that could recognize China. England went half way—recognized China but did not vote to admit her to U.N. Canada ought to do it because it's the sound thing to do. The U.S. will follow."

U.S. PRESIDENTIAL CAMPAIGN (1960): "The winner will be one who is willing to ease the cold war."

NUCLEAR WAR: "Massive retaliation is massive nonsense." Eaton's fear of atomic war is behind his sponsorship of Pugwash conferences at which world's leading scientists and philosophers confer on world problems.

Eaton's crusade. Almost certainly, it inspires his now-famous Pugwash conferences, named after his ancestral home in Pugwash, N.S., though they may be held elsewhere, such as in Vienna or Beauport, Que. He brings together scholars and scientists from inside and outside the Iron Curtain and turns them loose, as his guests, to talk to each other.

From some of these conferences nothing tangible in the form of a communique issues. From others have come statements, such as the notable one on the hazards of radiation, the problems of nuclear weapon control, signed in 1957 by atomic scientists of East and West. Even apart from the propaganda value of the communiqués, many observers feel that Eaton's Pugwash conferences are among the most down-to-earth attempts in the world today to break down barriers between the Communist and the Western world.

His Stake In Canada

It is perhaps significant that Eaton made Pugwash the rallying

place for his conferences. A naturalized American, he is proud of his Canadian background. He is a distant cousin of Mrs. John Diefenbaker, whose mother was Angela Eaton. Cyrus Eaton, like the Diefenbakers, is a Baptist.

Sentiment apart, Eaton has a fat economic stake in Canada. The Eaton interests control about half a billion dollars of wealth here, including some \$170 million in Steep Rock Iron, \$200 million in Ungava Iron; his Chesapeake and Ohio Railway runs through Ontario from Detroit to Buffalo; he is into lake shipping and has large holdings of McIntyre-Porcupine Mines, of undisclosed amount.

Because of his varied interest in Canada, I asked Cyrus Eaton whether he had any special message for Canadians. Here is what he answered:

"Their statesmen should forget expediency and do something they know in their hearts is good. It is time to put an end to the folly of cold war and time to quit offending the 600 million people of China."

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Risking U.S. Wrath

Earlier, I had asked him if Canada could afford to risk the wrath of the American state department and recognize Red China. He had answered: "Canada is the most conspicuous nation in U.N. which could do this. England went half way and recognized China but did not vote to admit her to U.N. Canada ought to do it because it's the sound thing to do, and that is always the best course."

But now he made this emphatic statement: "The U.S. will follow." He discoursed upon the world acclaim Canada might get from recognizing Red China: "It will be an enormous asset to the future of Canada," he said. "You would be surprised at the number of (American) congressmen who tell me 'You are right; all we lack is courage.' That is what is needed. Courage."

Eaton obviously would like to see Canada spearhead a move to admit

Red China to U.N. He believes that the idea is gaining ground in U.S. also and attributes the resounding reverse of the Republicans last November to the Dulles foreign policy, especially on Quemoy and Matsu.

How does it all add up? After talking with Eaton and to dozens of others about him, I came to two conclusions. Cyrus Eaton himself is certainly a riddle, and he likes it to be that way. But his peace crusade is not really a riddle. It can be explained on coldly logical grounds.

Eaton is a capitalist who wants to save his huge fortune for his heirs. He not only does not want to be blown up himself, but does not want his children and grandchildren to be "atomized" and is humanitarian enough to extend this solicitude toward other people's children. The Pugwash scientists have confirmed him in the belief that atomic world war means world

destruction. He sees U.S. state departments cold war policies leading straight toward hot, nuclear war. Negatively, he assesses the risk as frightful. "Massive retaliation is massive nonsense," he shouts.

Positively, if there can be a let-up in cold war and peaceful trading relations are developed with the Communist bloc, he sees profits for the Western world, including clear profits for the Eaton interests. All kinds of personalities are mixed up in the complex, such as long-standing differences with John Foster Dulles. But these are subordinate. Eaton fears atomic war and is moving heaven and earth, by hook or crook to prevent it.

Is there not something else for Cyrus Eaton himself? Perhaps. If he were to carry American opinion with him, if there were some dramatic cease-fire in the cold war and Red China were to be admitted to U.N., would not Cyrus Eaton qualify for a Nobel Prize?