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The life and times of Cyrus Eaton are the evolution of dynamic creed for modern industry.

Eaton is the scholarly master of a two billion dollar industrial empire that stretches from the frozen tundra of north Canada to the wind whistling tip of Argentina. He is a fascinating and many-sided personality - philosopher, essayist, naturalist, aesthete, scientific farmer and industrial pioneer. He has the courtly, soft voiced manner of an Old World cleric, and is one of the twenty wealthiest men of North America. A London Daily Mail correspondent described him aptly as "the tycoon who looks like a cardinal."

Eaton's claim to history is as the Tom Paine of the industrial revolution. He is a crusading social philosopher whose views, permeating through industry and government over a quarter century, are now part of the cloth of America. He was one of the first men of great fortune to speak forcefully, and, at the time, rebelliously, of the responsibility of industry to modern society.

Senator Paul Douglas who has known Eaton for many years observed, "Cyrus Eaton is the kind of constructive and creative capitalist Thomas Jefferson hoped for. He sees money as a weapon of social progress. He is motivated by a profound belief in a wide diffusion of economic and political power."

Thirty years ago, the lay pastor who became a protege of John D. Rockefeller, expressed a new creed for industry - mass public ownership of securities, a broad and enduring partnership of capital and labor, splitting up financial power through

competitive bidding on major financing and regional financial centers, more and better schools where intellectual freedom and independence is encouraged, and rapid forward strides in the material welfare of workers and farmers.

This was not an ivory-towered professor speaking, but a practical and successful business man who advocated this course as insurance for capitalism. For this, Eaton was condemned as a heretic by orthodox business circles.

But today as the handsome, white haired industrialist sits in his office overlooking Lake Erie - where his boats bring ore from his mines to his steel plants - Cyrus Eaton sees this creed calmly accepted in most board rooms and himself hailed as "an evangelist for a venturesome free enterprise system... a literate, inspired empire builder... a creative capitalist." Financial editors treat his views with respect. Leslie Gould, the Hearst financial editor, remarked recently, "Cyrus Eaton is not a liquidator. He is a builder. His fortune is founded on the future of America."

Eaton began talking to American big business about itself at a turn of the times. The great empire builders, Morgan, Carnegie, Mellon, Armour, had dug the canals, pushed the railroads across the nation, and planted the factories without pausing to think too much about how it all fitted into society. Labor unions were just beginning to form in mass strength. Big Steel broke a strike of 365,000 with military force. The stock market was starting on its big spree. A few rebel voices, as George Norris and Robert LaFollette, were heard faintly from Capitol Hill in Washington. It was against this background that Cyrus Eaton, as John D.

Rockefeller's brightest pupil, began to think of industry's responsibility. His ideas took form in the towns and booming cities where he established utilities, in the noisy factories he took over, and in the universities he visited as trustee and inquiring scholar.

He has said since, "I discovered the strength of America was in the producers, the farmers and laborers. They plant the corn and rivet the steel. They buy the goods and invest in the bonds. Their economic well being is as essential to the free enterprise system as the sun is to life. Functioning properly, capitalism can produce more of the good things of this world than any other system. And the life of the mind and the spirit will flourish if there is material progress in nations which combine capitalist economics with political democracy."

This thinking goes back to his childhood in Nova Scotia. He saw changing times and a lack of venture with a once prosperous area. Eaton was born 71 years ago at the end of a great era for Nova Scotia. It built the great clipper ships that sailed the seas, and its immense and fertile marshes grew food for New England. The steamship drove the proud sailing beauties off the seas and ruined the Nova Scotia shipyards. Eaton's great uncle sailed the last three Nova Scotia-built clippers to New Zealand. The province entered the Canadian federation in 1867 and lost its preferential tariff with the United States. This destroyed its great food market. By the time Eaton was born in the village of Pugwash, its young men were moving south and west to make their fortunes.

At 17, by a unique set of circumstances, young Eaton was brought to John D. Rockefeller's attention. The boy's uncle was the late Rep. Charles Eaton, onetime chairman of the House Foreign



Affairs Committee, then pastor of the Euclid Avenue Baptist Church in Cleveland. One vacation, the Canadian student visited his uncle and the two were invited to a "command performance" by Rockefeller, the most famous member of the Euclid Avenue church. This dinner profoundly affected Eaton's life. The elder Rockefeller discoursed on a favorite theme - that human progress and happiness could be advanced by a dynamic free enterprise system. As the great capitalist told how money could create factories, jobs and products for the many, Cyrus Eaton saw how a Fugwash could be transformed. (Soon after he made his first fortune, Eaton told a Nova Scotia audience his ambition was to see throughout the province "a bathroom in every farm home, as well as electric lights and telephone.") This was the beginning of a master-pupil relationship with Rockefeller, interrupted only by Eaton's schooling in Toronto, a brief spell as a cowboy in northern Saskatchewan and as lay pastor of the small Lakewood Baptist Church in Cleveland.

The strong influence of Rockefeller on Eaton's thinking is indicated by this excerpt from the latter's essay on "Financial Democracy:"

"One of my earliest business recollections is an occasion when the elder Rockefeller said to me of a financial giant of that time, 'He is a mere banker.' Those five words constitute the most succinct expression I have ever heard of the incontrovertible fact that the United States owes its unparalleled economic progress to its creative genius, and not to its money lenders. The record has invariably shown indeed that when bankers subordinate their useful function of money lending to the mere alluring, but completely unnecessary pastime of trying to run every phase of business, economic



progress is sacrificed."

His business career began with the Rockefeller owned East Ohio Gas Company in 1905. Two years later, he was setting up utilities in Manitoba, Nebraska, Iowa and Kansas and making his first fortune. He became, while still a young man, organizer of one of the most powerful utility realms, the United Light & Power Company. Next, he went into rubber and steel. He obtained controlling interests in two of Akron's great rubber companies, Goodyear and Goodrich. He created Republic Steel Corporation, third largest in the nation with assets of \$741,000,000, in 1930. He had a large share of Fisher Body. He boldly challenged Wall Street in its monopoly on financing.

It was during this period that Cyrus Eaton began to put his economic philosophy into essays and talks. They rarely made headlines, but they disturbed the financial world and interested university economists who read them in such obscure journals as the University of Chicago Law Review. They were brought to Washington in the New Deal and kneaded into the laws and policies of that era. Supreme Court Justice William O. Douglas, for one, was a close follower of Eaton's philosophy. Justice Douglas' views as chairman of the Securities and Exchange Commission mirrored major reforms advocated by Eaton, such as regional capital markets, competitive bidding and an even balance between debt and equity.

Also, many of the bright young men Eaton brought to his side in industry absorbed his ideas and put them to practice. An example is Benjamin Fairless, who Eaton made the executive vice president of Republic Steel. Fairless created a new era in labor relations when, as head of U. S. Steel, he and David J. McDonald, president of the United Steelworkers of America, toured the mills together.

picking up ideas from the workers to spur production.

Eaton's thinking focussed on what he considered a really dynamic capitalist society, one that continually expands economically, spiritually and culturally. It never is static. It finds new customers, builds new markets and increases the standard of living while spreading education, the love of learning and spiritual values.

There are two great classes in this society, the producers and the managers or trustees. To Eaton, the producers - the farmers, laborers, scientists, writers, teachers, artists - are the most important class. They produce abundantly, in this society, because they have a stake in progress and a freedom of thought and movement. The managers are bold imaginative men with a venturesome spirit and an intelligent concern for the welfare of the producers.

The essential ingredients of this dynamic society are:

Democratic ownership of industry. He wrote, "To make our system work, every American must become a capitalist. Every one of the more than 50,000,000 men and women who work in the mines and mills and in the factories, fields and offices ought to have a stake in the American system. If ever the \$10,000,000,000 a year the people risk on betting could be channeled into venture capital investments to increase the productivity of our mammoth industrial machine, there would be an abundance of the good things of life for all Americans.

The most important task for management in achieving this goal is to gain the confidence and cooperation of labor. When management stops resorting to legal and governmental compulsions over labor and takes up constructive and direct dealings with labor and its leaders, then the great unions and their individual members will want to become investors in industry and business. The urgent job of government

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... dynamic reforms of the agencies and commissions whose rigid bureaucratic controls now constitute an almost complete barrier between business and the individual investor . . . The way to combat Communism is not by witch hunting and wire tapping. These police state methods may gain momentary notoriety, but they offer no solution for our long term economic problems. Common stocks owned by all the people and common sense exercised by business and political leaders would be the best guarantee of a dynamic and flourishing capitalism."

This is not just academic philosophy. Cyrus Eaton has tried to carry it into action. He organized Continental Shares, a great investment trust, to attract small stockholders and invest their money in basic industries. When the prospectus was brought to him by his advertising aides, it spoke glowingly of the way investors would benefit by the growth of American industry. He said in a gentle reprimand, "You must add to this that it is share and share alike. If there is any depreciation, the investors will suffer the losses, too. There is no venture without risk."

In the stock market crash and depression, Continental Shares was pulled down. Cyrus Eaton lost \$100,000,000. He remarked in a classic understatement, "My affairs underwent a considerable shrinkage." He took the loss without a whimper. An associate tells of the occasion, "Mr. Eaton came to settle his losses and signed one of the biggest checks ever written. He walked out head high and made only one comment. He said quietly, 'Tomorrow is another day.'"

From that loss, Cyrus Eaton did come back. He is rated one of the 20 wealthiest men on the continent, referred to as "the iron master of North America, "and has heavy investments in railroads,



steel, coal, lake shipping, gas and electric utilities, paint and rubber.

To prove he means what he says about employee ownership of industry, Eaton loaned the 850 employees of The Cincinnati Enquirer \$7,600,000 to buy the newspaper. His first statement as chairman of the board of the Chesapeake & Ohio Railway was to tell the workers, "I should like to see all of the 40,000 become stockholders, so they would achieve the same enthusiastic participation that is carrying the employee-owned Cincinnati Enquirer to new peaks of success . . . "

Working partnership of labor and capital is another ingredient of his dynamic society. He told Canadian industrial leaders, "An essential element in economic progress will be the closest harmony between capital and labor. Canadian business leaders would be well advised not to rely on governmental agencies to handle labor matters, but to get to know and understand their employees and the leaders of the labor organizations to which they belong. Any executive who bases his claim to office on his prowess as a labor baiter is a heavy liability to his company."

He pointed out in an essay, "Labor not only produces the goods and consumes a large part of them; labor also has the votes. In a democracy like ours, capitalism cannot survive without the support of life. He suggested that if capital fought labor at every turn "we may ultimately see a strong alliance between labor and the farmer accompanied by a tremendous expansion of the manufacturing and selling cooperatives. Then, the continued existence of capitalism will be completely at the mercy of an estranged 95 percent of the electorate."

In this field, too, he practices what he preaches. He bought the West Kentucky Coal Company, which had fought the United Mine Workers and refused to sign a contract with the union, and instituted model labor relations. Eaton and John L. Lewis are great personal friends and discuss such a variety of subjects as Greek drama, American politics and business. During the 1946 coal strike, he took up his pen for the union and wrote, "All that the coal miners are asking for is an opportunity to discuss their desires for somewhat shorter hours and other small adjustments. But the government, fronting for the owners, declines to consider any changes as long as the mines remain in federal possession. And the mine operators, hiding behind legal subterfuge and federal possession prolonged beyond need, disclaim any responsibility to negotiate with the miners . . . and work feverishly under cover to keep a torrent of abuse turned on the miners and their leaders."

At the century old farmhouse where Cyrus Eaton lives at Northfield, Ohio, and at his 3000-acre model farm in Nova Scotia, labor leaders are his frequent guests. He enjoys their vigor and their closeness to the producers. He commented once, "While the descendants of the industrial pioneers are disporting themselves at cocktail parties, the horny-handed sons of toil are hard at it to represent their union constituents with first-class talent of every kind."

To keep industry alive and dynamic, Eaton believes it should be widely distributed and managed locally. He wrote, "We must continue industrial plants in the small communities. It is cities like Portsmouth and Follansbee that are the heart and strength of America. (He purchased steel plants in both cities when they were threatened with extinction.) Building of industrial plants in the small communities, offering job opportunities to our people in

their home towns strengthens the capitalist system."

He made a point of local direction and control when the Steep Rock iron mines, one of the great ventures of this era, were organized in Canada. He ruled that the mines should be operated, both policy and management-wise, from the site, an old moose pasture in a near wilderness. Eaton told the Quebec Board of Trade, "I insisted that we follow the philosophy of local direction and control. Some thought the headquarters ought to be in Cleveland, the acknowledged iron ore capital of the world. Others urged the establishment of an elaborate head office in Toronto or Montreal. The argument was advanced that many of the world's great enterprises at distance places have been successfully directed from London. My answer to that was that they would have been conducted with considerably greater success had the officers moved to the scene of action."

The C&O railroad, another of the Eaton properties, is run from Cleveland and the boss is a conservative business man, Walter J. Tuohy.

Cyrus Eaton looks on his role, as a manager, as a protective and creative one for all the enterprises he controls, to guard them from raids, to furnish financing, and to think up new products or ventures which the individual companies can accept or reject. He is more daring than any of his lieutenants.

An ever-present danger to a dynamic capitalism, Eaton believes, is the piling up of monopoly - distant control by great financial interests. This tends to reduce the producer, in his mind, to a hired hand with no incentives. He warned his fellow capitalists, "Monopoly is the key that opens the door to state socialism. The reason is simple. When economic power is held by a few cartels



with interlocking directorates, it is temptingly easy for a government to substitute politicians for bankers and lawyers on the boards of directors."

He originated or crusaded for a number of reforms he felt would keep monopoly at a distance. One of the most successful was his fight for competitive bidding.

The practice of industry is to arrange its financing through Wall Street.

One of the large investment banking houses would buy a company's bonds. This has tended over the years to center financial control over industry in Wall

Street. Eaton recommended that competitive bidding be required by law.

Competitive bidding enabled him to gain a substantial control of the C&O in a classic battle in 1938. He took \$30,000,000 of C&O financing from the traditional bankers of American railroads, Morgan, Stanley & Co., and Kuhn Loeb, by paying \$1,500,000 more than Wall Street was willing to put on the line.

Congress in the early New Deal days made competitive bidding an established fact in utility and railroad financing. All electric and gas utilities which come under the utility holding company act (or subsidiaries of holding companies) must advertise for competitive bidding. In addition, many state utility commissions enforce competitive bidding. For railroad financing, the Interstate Commerce Commission act requires competitive bidding except for peculiar cases where the ICC can waive the regulation. Washington observers give Eaton much credit for the behind the scenes work that led to passage of these laws.

Intellectual freedom is another "must" for the dynamic society Eaton envisages. He has remarked, "The atmosphere should be productive of new ideas. We can never make progress if we suppress independent thinking and imagination. The curse of society which smothers

disturbing new ideas is mediocrity. Ideas can never be held in chain for long. They are like a powerful gas which when it is bottled up exploded with a mighty force.

He has been a quiet but important force for academic freedom as trustee of three universities, University of Chicago, Case Institute of Technology and Denison University. Senator Douglas, who was a University of Chicago professor, tells of a number of instances when Eaton insisted on academic freedom when great pressure was exerted to discipline teachers. In fact, Eaton stepped in to prevent Douglas' ouster when great financial interests became enraged at the professor's criticism.

Political democracy which gets its strength and direction from the producers Eaton regards as essential. His views were set out at length in an essay defending the third term. He argued, "It cannot be repeated too often that the President is elected by a popular vote of the whole electorate. He is therefore subject to the control of those for whom he acts. No valid objection remains to a third term if that is the will of the people. As Bryce said, 'A President is strong... because his rights come straight from the people. Nowhere is the rule of public opinion as complete as in America or so direct.'"

A vital ingredient is a venturesome spirit, a pioneer daring. He spoke in Canada, "Canada is held back by the excessive caution of her banks, railroads and utilities and by her governments, especially in their approach to electric power development and highway construction. Now is the time for her big institutions to abandon the penurious and unprogressive policies of a contracting economy, and to embark on a bold and courageous course of expansion to bring the economic status of every Canadian to the highest in the world."

More recently, he said sadly, "Today there is relatively little incentive for the spirit of venture. Security, supervised by the state, is the most likely lot of the common man. To those who have set aside some wealth, the temptation is ever stronger to convert it into tax exempt municipal bonds and abandon the energetic empire of industry and risk taking for the cult of carefree business in warmer climes."

An example of venture is Eaton's iron ore operations. He controls the largest reserves of high quality iron ore in North America, an estimated two billion tons in Ontario, and unlimited lower grade ore destined for Germany in the tundra of northeast Canada. This enterprise is typical of what Senator Douglas calls "creative capitalism."

At a time when war orders were draining the famous Mesabi iron range - developed by Rockefeller a half century ago - Eaton raised \$40,000,000 to test a highly speculative field across the border. The time was 1942. To conservative business interests this was a reckless gamble and dubbed "Eaton's Folly." The nearest town was an Indian village of 300. The temperature dropped to 50 degrees below zero when winter winds howled down from the North Pole. To make matters worse, the ore lay at the bottom of 50-foot deep Steep Rock Lake. It was 15 miles long, four miles wide and enclosed by a moose pasture. Competent engineers said the ore could not be drained economically. Eaton's reply was to drain the lake at a cost of several millions, boring through solid rock for 2000 feet to the center of the lake. Still, insisted some engineers, the tunnel would become clogged with rocks.

When the drillers were within 20 feet of the lake, they planted dynamite time fuses and ran. Cyrus Eaton standing anxiously by



was like the gambler who has tossed in his last chips for the big try. There was a deep rumble, a cloud of smoke and boulders shooting high in the air. Water flooded the tunnel in a raging roar. Today, Steep Rock has more than fulfilled his hopes. He sees six mines producing a minimum of 10,000,000 tons of the highest type ore yearly.

An equally daring project, iron ore mined by Eskimos to expand West Germany's steel industry, is the Ungava Bay deposits in northeast Quebec. Canada's top geologist said recently, "There is nothing in the world to compare to the size of the Eaton deposits." They are located in the tundra area at Kayak Bay and Hope Advance Bay within a few hundred miles of the Arctic Circle. One section alone holds 60 billion tons of medium grade ore. Two nearby rivers can supply the same amount of electric power Ontario will draw from the St. Lawrence. Two first class harbors, one big enough to anchor the whole U. S. Navy, are located near and would be open to ocean shipping four months of the year. When Eaton speaks of this project in his gentle, precise voice, he says with the enthusiasm of a prospector, "Why you can walk for 110 miles on surface iron ore."

A hardy pioneer physically as well as mentally, Eaton has spent many days surveying the area by foot, canoe, jeep and airplane and sleeping in a tent. He loves the out of doors, makes a point of walking two miles daily, skis in the winter, and is an expert naturalist. He knows all the birds and trees of North America and is trying to impart that knowledge and feeling for nature to his twelve grandchildren.

Cyrus Eaton's venturesome spirit, his interest in independent

business, and his affection for the producers drew him inevitably into the Follansbee Steel Company. Follansbee is one of the last of the smaller independent steel companies. It sits over a crook of the Ohio River in West Virginia and produces high grade steel. The mill properties were to be sold and shipped to Republic Steel's Gadsen, Alabama site. The one-industry town would be left stranded.

Governor William C. Marland of West Virginia appealed to Eaton to save Follansbee. After a series of skirmishes which involved the Senate Anti-Monopoly Committee, the Justice Department, SEC and courts, Eaton bought the property valued at more than \$15,000,000.

Eaton was welcomed by the town as its "Santa Claus" last winter. The "victory dinner" in the mill itself, cooked and served by the townswomen, was a symbol of Cyrus Eaton's career. He was surrounded by grateful mill hands whose jobs and homes he had saved. His battles were reviewed and cheered by leaders of labor and politics and a national financial editor.

The laudatory remarks followed the tone of an editorial in "Union", a labor paper which said, "As long as genial gentlemen of <sup>his</sup> high humanitarian standards remain at the top of American industry, the lammies are going to have a hard time selling red revolution. Mr. Eaton must feel pretty fair at the thought of the grateful prayers of hundreds of honest workmen go out him for restoring their chance to earn an honest living, secure their families and hold their heads high as they look the world in the eye!"

In more ways than even this review of Cyrus Eaton's philosophy suggests, he differs from the conventional picture of the successful American industrialist. He looks neither like a rough and ready Charlie Wilson or a suave Floyd Odlum. He might be mistaken, instead,

for a distinguished British actor playing the role of Foreign Secretary in a modern play. He is exceptionally handsome with snow white hair, clear blue eyes, an erect carriage and the figure of an athlete. He has an air of quiet dignity, complete self control and a courtly charm that belongs more to the parish hall, chancery or university than the market place. One cannot imagine him ever clapping another on the back or telling an off-color story in the locker room. He speaks in a voice that is gentle and cultivated, yet there is no mistaking its firmness.

Cyrus Eaton is an anomaly in this age of organized public relations. He has no press agent or speechwriter and is extremely reticent about discussing himself with strangers. This is in part shyness and in part an old fashioned belief that a man's life is his own.

He shuns society and prefers the company of books, scholars, a few close friends and the out of doors. He works 16 hours a day with a planned intensity. He never raises his voice, drinks or smokes. He relaxes by writing essays that are frequently pointed by a witty satire and reading. He spends six weeks every summer teaching his grand children how to live the kind of life he admires, hard work, self reliance, imagination, and curiosity. The six weeks are spent at Deep Cove Farms in Nova Scotia. This is a model farm for his master plan to raise the income level of the province by turning it into a great beef cattle ranch and truck farming area. He makes periodic trips to Scotland to select shorthorn cattle for this project.

Eaton can discuss obscure Roman orators or French poetry with the best of the scholars, and is a serious member of the American



Philosophical Association. He says the most satisfying moments of his life were as host to dignitaries of the Association of Universities of the British Commonwealth at Deep Cove. He plans to turn this retreat into a haven for authors, scholars, statesmen, labor leaders and businessmen. The idea is to bring thinking men to a place where they may relax together, exchange views, sharpen their own thinking and design formulas for us to live in this bright new world of ours. "Scientific discoveries in the past fifteen years have brought us into a new universe so tremendous that even our imaginations are too feeble to appreciate the possibilities."

To Cyrus Eaton, material progress must be a means for mental and spiritual growth in a dynamic society. To a group with whom he had been discussing his economic philosophies, Eaton said almost apologetically: "Perhaps you may feel that I am laying too much stress on the material side of life, to the neglect of the needs of the mind and spirit. But the Golden Age of Pericles, in Athens, the era of the greatest Greek masterpieces of literature, philosophy, art and architecture, coincided with Athens' period of greatest material prosperity based on bustling trade with the far corners of the then known world."

These words perhaps best describe the hope of Cyrus Eaton who says of his own busy life, "No regrets, no fears!"