

REGISTER: THE CYRUS S. EATON PAPERS

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Cyrus Stephen Eaton (1883-1979) was born December 27, the fifth

of nine children born to Joseph Howe Eaton and the former Mary Adelle

MacPherson, in the village of Pugwash, Nova Scotia, Canada. He grew up

in Pugwash before coming to Cleveland in 1901 at the invitation of his

uncle, Charles A. Eaton, then pastor of the Euclid Avenue Baptist Church.

Cyrus had intended following his uncle into the Baptist ministry until

he made the acquaintance of John D. Rockefeller, Sr., one of the

parishioners of the elder Eaton's church. Rockefeller hired Cyrus as an

office boy and personal secretary, a position he held during summer

vacations from college.

Upon graduating from McMaster University in Toronto, Canada, with

a Bachelor's degree in Philosophy in 1905, Eaton decided on a career in

business rather than in the ministry. He served for a period as a trouble

shooter in Rockefeller's East Ohio Gas Company before leaving to pursue

an independent career. His next accomplishment was the formation of the

Canada Gas and Electric Corporation in Manitoba in 1907. Thereafter he

organized and consolidated numerous utility companies throughout the United

States and Canada, amassing his original fortune in this manner.

In 1907 Eaton married Margaret House in Cleveland. Between 1915

and 1926 they had seven children, five daughters and two sons. Also during

this period Eaton bought a farm in 1912 in northern Summit County, which

later became the family's primary residence. In 1913, he became a natural-

ized American citizen. The Eatons were divorced in 1934.

Eaton changed the emphasis of his business activities in 1916, when he became a partner in the Cleveland investment banking firm of Otis & Co., which specialized in underwriting and marketing stock issues. Following this association, his next ventures were in the rubber and steel industries. He briefly acquired a controlling interest in Goodyear Tire and Rubber, along with positions of influence in the Firestone and Goodrich companies.

In 1925 the Trumbull Steel Company in Warren, Ohio, came under his control when he presented a check for eighteen million dollars to that company's directors, relieving them from severe financial difficulties. Expanding Trumbull Steel's operations, he merged that concern with other steel companies to form Republic Steel in 1930. At the same time he was organizing Republic Steel, he also formed the Cliffs Corporation, later known as Cleveland-Cliffs Iron Company, a holding company for several iron ore shipping and steel operations.

During these years, Eaton respected the advice Rockefeller had given him years earlier. That advice was to stick to the basic industries (coal, steel, railroads, etc.) upon which all other industrial concerns were built. This, according to Rockefeller, would provide the greatest opportunity for financial success.

Eaton left the utilities industry almost completely in the early 1930s when he sold his considerable holdings in that field to Samuel Insull of Chicago. Both men had been struggling for control of the industry for some time. Insull's purchase, however, proved too much for his unstable empire to bear and ended in his financial ruin. Charges were subsequently made that Eaton had been aware of Insull's shaky financial position and had deliberately offered to sell out, knowing this would precipitate the collapse of Insull's empire. Eaton denied these

charges saying, simply, that he assumed Insull knew what he was doing.

Eaton, however, did not escape the depression of the 1930s

unscathed. In 1933, due in large part to a costly but successful battle to prevent the merger of Youngstown Sheet and Tube and Bethlehem Steel, he lost nearly all of his business assets, retaining only Otis & Co.

Continental Shares, Inc., a holding company set up to finance his various ventures, was entirely liquidated when New York banking firms foreclosed on several loans. Prior to liquidation, the price of Continental Shares stock had plummeted from \$300 to \$8 per share. Less than sixteen million dollars was left to distribute among 18,000 stockholders.

Eaton was forced to sell his Euclid Avenue townhouse and moved

to his Summit County residence, which he named Acadia Farms. This property, enlarged through the years to more than 800 acres, remained his primary residence for the rest of his life. He developed it into a successful

farming operation which, together with his even larger Deep Cove Farms in central Nova Scotia, became well-known for the Shorthorn beef cattle which he raised beginning in the late 1940s.

The 1930s were a period of slow financial recovery for Eaton,

who now struggled to regain his earlier influence and wealth. For years he

had argued that Wall Street unfairly exercised control over all major

financial dealings, and he began his recovery by using Otis & Co. in an

attack on that control. Contending that this field was monopolized by a

few New York firms who excluded outsiders and divided the profits among

themselves, he joined with Halsey, Stuart and Company of Chicago and pressed

for competitive bidding in the marketing of railroad and utility securities.

Wall Street banking firms were stunned when, in 1938, Otis & Co.

outbid them on a thirty million dollar bond issue being offered by the

Chesapeake and Ohio Railroad (C&O). Thus began a close relationship between

Eaton and Robert R. Young, chairman of the board of the C&O. Five years

later, his financial fortunes greatly improved, Eaton became a member of

the board of directors of the railroad.

Eaton continued his battle against the Wall Street bankers and

made an enemy of Senator Robert A. Taft, Sr. Taft rejected Eaton's attempt

to underwrite a railroad bond issue in 1939 and made it clear he resented

Eaton's intrusion into the matter, offending him in the process. Eaton

carried the fight to the Interstate Commerce Commission and the Securities

and Exchange Commission, which eventually made competitive bidding mandatory

for all public utility bonds.

Eaton came into conflict with Taft on at least two other occasions.

In 1950 he contributed heavily to an unsuccessful attempt to defeat Taft's

re-election bid. Two years later Eaton loaned the employees of the Cincinnati

Enquirer newspaper over seven million dollars to prevent the purchase of the

paper by a rival Cincinnati paper owned by the Taft family.

When the United States entered World War II, the government rec-

ognized the need for a large, assured supply of iron ore to carry on a

protracted conflict. Years earlier huge amounts of iron ore had been dis-

covered in central Canada in a remote area northwest of Lake Superior

and north of the famous Mesabi Range. The difficulty lay in the fact that

this ore was beneath a deep lake which would have to be drained before the

ore could be extracted. Many mining engineers flatly stated that the project

was impossible. Even if it could be accomplished, it would take massive

financial backing with no certainty of success.

Eaton learned of the project in 1942 and bought Steep Rock Iron

Mines, Ltd. for a nominal price. He negotiated a five million dollar loan

In 1948 Otis & Co. signed a contract to underwrite an \$11,700,000 stock issue for the Kaiser-Frazier Corporation. At the last moment Otis & Co. pulled out, claiming Kaiser-Frazier had misrepresented their financial position. Kaiser-Frazier promptly filed a breach of contract suit in U. S. District Court. The initial decision was in favor of Kaiser-Frazier, with an award of three million dollars. The SEC entered the case also and

local steel mill.

After the war, in 1946, Eaton learned that the Wheeling Steel Corporation planned to close down their plant in the southern-Ohio town of Portsmouth, removing the town's only industry. Eaton bought the plant and kept it in operation, eventually merging it with Detroit Steel, another operation he controlled. He did much the same thing for the town of Follansbee, West Virginia, in 1955, when he prevented the closure of the

production began the next year.

In 1943, engineers built a tunnel under Steep Rock Lake for the purpose of draining the water to reach the ore. A plug of rock was left under the lake bed, to be blasted out in the final step. It was hoped that when this plug was removed the water would rush out with sufficient force to prevent the tunnel from clogging with debris from the blast. If things did not go as planned, all the money spent would be wasted and the ore would still be inaccessible. When the last charge was ignited, however, events proceeded exactly as planned. The lake was drained and iron ore production began the next year.

Rock could produce, and sell it to Cliffs Corporation.

Another company Eaton controlled, Premium Iron Ores, would buy all the ore Steep corporate income taxes for the first three years of operation. Another area. As a further incentive, the Canadian Government agreed to waive from the U. S. Government, and persuaded Canada to provide equal assistance for the construction of docks, roads, and railway lines in the wilderness

tried to suspend the underwriting license of Otis & Co.

Eaton appealed and the decision was overturned in the U. S. Court of Appeals. Kaiser-Frazer had claimed a net profit of four million dollars, which the Appellate Judge termed "about \$3.1 million short of the truth."

Climaxing five years of costly litigation, the appellate court reversal was upheld by the U. S. Supreme Court, which delivered a stinging rebuke to the SEC and Kaiser-Frazer. Shortly thereafter, Kaiser-Frazer was declared

financially insolvent.

Another major lawsuit involving Eaton's interests was instituted

by the U. S. Internal Revenue Service in 1955. The IRS contended that

Premium Iron Ores, the intermediary company between the Steep Rock Iron

Mines and the Cliffs Corporations, was actually operating out of Cleveland

and was thus liable to pay U. S. income taxes. These taxes, with penalties

and interest added, came to ten million dollars. Eaton countered that the

company was already being taxed by Canada and had conducted no business at

its small Cleveland office. The issue was laid to rest early in 1959

when the U. S. Court of Appeals upheld an earlier rejection of the charges

brought by the IRS.

Just prior to this litigation, Eaton became Chairman of the Board

of the Chesapeake and Ohio Railroad in 1954. He acquired this post when

Robert R. Young resigned with the intention of gaining control of the larger

New York Central Railroad. With Otis & Co. relegated to handling private

investments, the C&O became Eaton's primary business interest and his

headquarters were re-located from the Guyahoga Building to the thirty-

sixth floor of the Terminal Tower. Along with controlling the major coal-

hauling railroad in the eastern United States, Eaton also acquired one of

the largest bituminous coal producers, West Kentucky Coal Company.

A major turning point in Cyrus Eaton's life began in 1955, when a group of Soviet technicians on a tour of Cleveland asked to visit the home of a prominent American capitalist. The State Department asked Eaton if he would mind hosting the group and he readily agreed. This original involvement with prominent guests from the Soviet Union captured his interest and thereafter he avidly followed the course of Soviet-American relations. He soon announced that his Pughwash, Nova Scotia, estate would be opened to scientists of all nations to challenge them to further the cause of world peace and cooperation through an exchange of views in this relaxing environment.

These Pughwash Conferences began in earnest in 1957, inspired by the warnings of Albert Einstein and Bertrand Russell that nuclear war between the United States and the Soviet Union would result in the destruction of all mankind. Meeting in such places as Quebec, Vienna, Moscow, London, India, Ethiopia, and Czechoslovakia, and Thinker's Lodge in Pughwash, these conferences brought together notable scientists from all major nations to discuss the problems confronting the world.

Eaton also hosted a series of meetings at Pughwash for college presidents and deans. These were mainly devoted to the study of great literature and its application to world problems and were held from 1956 through 1961. In addition, conferences were held on such topics as the Middle East, continuing education, Chinese culture, the civilization of India, and Islamic civilization.

In December, 1957, Eaton married for the second time. His bride was the former Anne Kinder Jones, daughter of Cleveland Probate Court Judge Walter Kinder. The Eaton and Kinder families had known each other for years and were sympathetic to many of the same causes. Mrs. Eaton shared her new husband's enthusiasm for international politics and the

Pugwash Conferences, and was also interested in domestic politics, serving as a delegate to several Democratic National Conventions in the 1950s and 1960s.

The general public became aware of Eaton's new found enthusiasm for world affairs, when he visited Moscow in 1958 and was introduced to Soviet Premier Nikita Khrushchev, who impressed him as a man genuinely desiring peace and cooperation. When Eaton returned to the United States he made his views known through speeches, interviews, and letters to national leaders. He quickly became a controversial figure after placing most of the blame for the Cold War on the United States and other western nations and roundly criticizing America's State Department and intelligence-gathering agencies.

Despite the threat of a subpoena from the House Un-American

Activities Committee, he continued to call for nuclear disarmament and a

complete moratorium on nuclear testing. For these efforts he received the

Soviet Union's Lenin Peace Prize in 1960. That same year Eaton and his

wife travelled extensively through the East European countries, visiting

Moscow again in December. In the United States, he hosted receptions for

visiting Soviet and East European dignitaries, including a luncheon for

Khrushchev in New York just prior to Khrushchev's famous table-pounding

United Nations speech.

Other ventures into global politics included visits to Cuba in

1968, where he met with Fidel Castro and discussed agricultural projects,

another visit to Moscow in 1965 to meet Leonid Brezhnev and Alexei Kosygin,

and a visit to Hanoi in 1969. This latter journey was brought on by his

intense opposition to the Vietnam War and the strains it produced in

American society.

In the 1970s, vindicated in part by the detente in Soviet-American relations, Eaton continued to push for nuclear arms control and international cooperation and understanding. He also maintained his opposition to the Vietnam War and spoke out against President Nixon's "dictatorial" control

on the Board of Directors. Although he retained his office in the Terminal Tower and his membership voted Chairman Emeritus and removed from active control of the railroad, merging with the Baltimore and Ohio Railroad. In October 1973, he was of the CEO, which during this time became known as the Chessie System after industrial holdings and directorships. He retained only the Chairmanship Through the late 1960s Eaton gradually divested himself of his American influence in the world, the United Nations, and nuclear disarmament.

with statesmen and leaders of foreign countries on such topics as trade, interests broadened to the international scene, he began correspondence Representatives, and Presidents on matters of national concern. When his Eaton corresponded extensively with United States Senators,

its rights in voting stock held in trust. However, the Justices ruled in March 1970 that Cleveland Trust was within year by the county Court of Appeals. On appeal to the Ohio Supreme Court, Court ruled in favor of Eaton, and this decision was upheld the following Trust stood by its practice. In June 1967 the Cuyahoga County Common Pleas a state law which seemed to rule out a bank voting its own stock, Cleveland practice to be illegal and asked the courts to order an end to it. Despite who still owned a sizeable portion of Cleveland Trust stock, believed this stock it held as trustee to perpetuate its existing management. Eaton, The subject of the litigation was the bank's practice of voting shares of Trust Company, a banking firm on whose Board of Directors Eaton once served. In 1966 Eaton became involved in a lawsuit with the Cleveland

over the United States Government. These concerns occupied his life until May 9, 1979, when he died at home at the age of 95.

In addition to his other pursuits, Eaton served as a trustee for the University of Chicago, Dentison University in Ohio, and the Harry S. Truman Library. He was a lifetime trustee of the Cleveland Museum of Natural History, and a Fellow of the American Academy of Arts and Sciences. He was also the recipient of fourteen honorary degrees from colleges and universities in the United States, Canada, and Europe.