

CLEVELAND'S *Fundamental Position* in the American Business Scene

By **CYRUS S. EATON**

Chairman of the Board, Chesapeake & Ohio Railway Company

DURING the fifty-three years since I came to Cleveland, the city has seen vast changes. My purpose in reminding you of these changes is to emphasize the fundamental position of Cleveland in the American business scene and leave you with a feeling of pride in your city and of strong hope and optimism for its future.

When I came here right after the turn of the century, the population of the Metropolitan area was just between 300,000 and 400,000. The metropolitan area now holds four times as many people. The financial progress of the city can be measured by the growth of its banks. The assets of the Cleveland Trust Company have increased from \$9,000,000 to \$1,365,000,000, of the Central National Bank from \$6,000,000 to \$521,000,000, of the National City Bank from \$2,000,000 to \$712,500,000.

GIANTS IN BUSINESS

What are the business institutions that have been created in Cleveland and have gone on to places of the first importance in the nation and in the world?

The Standard Oil Company would have to be mentioned first. That great world wide organization with all of its affiliated and related institutions, was the creation of John D. Rockefeller. Today it is known in every nook and cranny of the world.

Cleveland is the iron ore capital of the world and the headquarters of the vast shipping and commerce that centers around the Great Lakes. Mr. Rockefeller was a leader in the development of the iron ore resources of the Lake Superior region, and in devising the unique type of bulk carrier that will economically bring ore down the lakes and take coal back up. Other great Cleveland families participated in the discovery and development of the great iron ranges of the Lake Superior region. And on this iron ore our wonderful American industrial civilization has been built.

In recent years, since the demand for iron ore began to exceed the existing supply Cleveland has been taking the lead in opening new areas. One of the most important is Steep Rock Iron Mines, with which I have been associated since its pioneering days more than a decade ago. Located beneath a lake in what was then wilderness, north of Duluth on the Canadian side of the border, Steep Rock now is one of the major North American ore producers, and is recognized as the



MR. CYRUS S. EATON

largest deposit of high grade, direct shipping ore readily accessible to the American steel industry. The courage that our Steep Rock people showed in undertaking a most difficult engineering and physical job in a new area has been the inspiration for more recent bold ventures, the most outstanding of which is the Iron Ore Company of Canada in Labrador, also sponsored and directed by Clevelanders.

The vast expenditures in Minnesota and Michigan to bring the low grade taconites and jaspers into use for iron ore purposes have had their inspiration in Cleveland.

The steel industries of the United States and Canada are indebted to Cleveland for development and expansion. In 1926, the company that later formed the nucleus of Republic Steel Corporation, was a small organization, with gross sales of approximately \$50,000,000 a year and total assets of approximately \$125,000,-

000. The company was controlled in New York and its headquarters were located in New York. Republic's sales in 1953 were \$1,137,000,000, its profits before taxes over \$150,000,000 and its assets at year-end more than three-quarters of a billion. The location of that great company in Cleveland, with the properties it now embraces and the able organization that runs it, were my selections. Cleveland and Clevelanders have had profound influence on the growth of National Steel Corporation, Youngstown Sheet & Tube, Jones & Laughlin, Wheeling Steel, Inland Steel and the Steel Company of Canada.

WORLD'S PAINT CAPITAL

Cleveland is the paint capital of the world. I take pride in my long association with The Sherwin-Williams Company. Twenty-seven years ago, when the trustees of the Sherwin and Williams estates felt it necessary to diversify and distribute the holdings in the paint company, there were two proposals to sell control of Sherwin-Williams out of the city and move its headquarters away from Cleveland. I had the privilege of joining with the Sherwin-Williams management in buying part of the stock of these estates and continuing the headquarters of the company in Cleveland.

As always happens, when one company in a given industry flourishes in a community, others follow it. The great Glidden company is the creation of that lively octogenarian Adrian Joyce, who in the early days was a vice president of Sherwin-Williams. The highly regarded Patterson-Sargent paint company was founded by another former Sherwin-Williams officer, Ben Patterson, as fine a man as any community has ever had.

Cleveland's position in railroads is one of the marvelous stories of imagination and energy. The Van Sweringen brothers, who created a great railroad empire managed from Cleveland, were men of outstanding ability and of the most constructive qualities. Cleveland still retains the headquarters of three great railroad systems, the Chesapeake and Ohio, the Erie and the Nickel Plate. All three found their homes in Cleveland through the enterprise of the Van Sweringens. The devastating financial panic of the early 1930's shattered their fortunes, and they died brokenhearted and maligned. I want to pay a tribute to their

CYRUS S. EATON has been a fabulous figure in Cleveland's business and financial circles for half a century. Few men are as well qualified to speak of Cleveland's growth and future. This article is a condensation of his recent talk before the members of the City Club.

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CLEVELAND'S POSITION

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memory, and to the lofty motives that inspired them and to the extraordinary skill they displayed as upbuilders.

I have been heavily interested in the C. & O. for many years, and it is with great satisfaction and pride that I have just assumed the office of Chairman of the Board. It has as its president a unique and wonderful man, Walter Tuohy who has a young organization, on its toes and devoted to him and the company

A railroad, like all competitive institutions in a democracy has its problems. Fifty years ago, all the railroads of the United States were controlled by two Wall Street banking houses. Members of these banking houses had little or no investment in the railroads, but controlled their credit and exercised the veto power over their boards of directors and managements. Banker-control of these transportation systems, together with the influence of the same bankers over many other big business institutions, brought down especially upon the railroads the wrath of the federal and state governments. The result was the creation of federal and state commissions which, under the influence of the multitudes of lawyers who serve on these governmental agencies, have devised more rules and regulations to hamper and restrict the initiative and resourcefulness of railroad management than you could imagine.

LEADERSHIP NEEDED

There will be no change in these regulations and restrictions unless the leadership in bringing about the needed reforms is taken by the 1,500,000 men and women who compose the railroads' annual payroll of \$6,000,000,000, and by their families and friends. My hope for the C. & O. is that all of the 40,000 members of the company family will become C. & O. stockholders, and that they, with the railroad brotherhoods to which many of them belong, will take the initiative in a movement to free the railroads from too much bureaucratic interference and enable the railroads to compete freely with other forms of transportation.

The machine tool industry is another in which Cleveland is outstanding, with such successful companies as National Acme and Warner and Swasey doing a world-wide business. Nearly 40 years ago there was a plan to move National Acme to New England, where there had been great progress in building the machine tools. I then became a substantial stockholder and director of National Acme, and I am going to claim credit for a part in the building of their fine factories at 131st Street. I had the good luck to pick for the head of National Acme Fred Chapin, who has managed its business with increasing success, and has played a conspicuous part in the industrial and

banking life of Cleveland.

The automotive and aircraft industries had their beginnings in Cleveland. While none of the major motor or aviation companies makes its headquarters here, we have a number of wonderful companies that supply component parts to these mammoth industries. The name of Thompson Products and its able president Fred Crawford comes immediately to mind. I have had my own part in the location in Cleveland of companies that supply the automotive and aircraft industries. Before General Motors acquired

Fisher Body, when the Fishers decided they would expand outside of Detroit, I was instrumental in bringing them to Cleveland and furnishing them the money that established Fisher Body here. With my partner, J. O. Eaton, I collaborated actively in the organization and development of the Eaton Manufacturing Company Both General Motors and Ford in recent years have been locating important new plants in Cleveland.

The great National Lamp Works of General Electric was founded in Cleveland. General Electric and the Lamp works now employ upwards of 6,000

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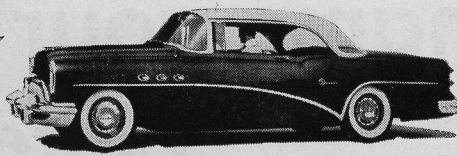
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Position

[Continued from Page 33]

people in Cleveland, and the research laboratories at Nela Park attract scientists and engineers world wide.

Another fundamental field in which Clevelanders long have had an important part, and in which they may become even more influential, is the coal industry. Our greatest American natural resource is coal. The industry goes through periods of overproduction and consequent low prices, but I believe that the long-term outlook for coal is bright, and that the industry today offers a real opportunity for constructive planning. If one happens to observe the brilliant research now being conducted to make coal more competitive as a source of fuel and power, and to make coal available to the great chemical industry, he must be convinced that coal offers a tremendous field for constructive work.

I have been through, and my affairs have been keenly affected by all of the financial and industrial panics of this century. First was the panic of 1907 when the condition of the banks was so weakened that they could not even supply money for payrolls. Then came 1914, with the beginning of World War I, when the stock exchanges were closed for weeks. In 1921 we saw readjustment from



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the big production of World War I; many of the prudent thought it would take ten or fifteen years for realignment to the new peacetime conditions. At that time, many expected even the great Ford Motor Company would have to go through the wringer, and our great neighbor the Goodyear Tire & Rubber Company had the misfortune to fall into the hands of a creditors' committee. But we quickly moved out of that period of despondency.

The terrible ravages of the 1930's slaughtered our banks, and dealt cruel blows to Cleveland. I felt the ravages of that debacle as keenly as anyone, and I am one of the few who was taking heavy responsibilities at that time who has lived to participate in America's great recovery from that low point. Scores of my colleagues of those days—presidents of banks and heads of great corporations—did not have the physical stamina to endure the disappointments and hardships of that regrettable period, which grew out of our inadequate banking resources and the failure of our federal government to act in time to avert the disaster. The '30's in Cleveland were the decade of the liquidators and the undertakers. Some of my younger audience will not be conscious of the depths to which we were carried, nor will they realize how great the recovery has been.

CONFIDENCE JUSTIFIED

To illustrate from my own affairs, I will cite the National Refining Company for many years the nation's leading independent oil company. Its common stock sold as low as 25 cents a share. Some of us who had the tenacity to hold on to the shares we had, and the courage to buy as much additional stock as we could borrow the money to obtain, saw a final realization of \$50 a share.

The stock of the great Sherwin-Williams Company sold as low as \$7 a share for the present stock which now has a market of \$80 a share.

Republic Steel, whose 1935 record was brilliantly impressive, sold as low as \$2 a share. It now has a strong market at \$50.

Through all of these economic upheavals, I have never for a moment lost my optimism and my faith in the vast resources of America, the skill of its people, their willingness to work and their ability to cope with difficulties. I cannot be persuaded to join now with the pessimists who are shaking their heads over our adjustment from an all-out defense program to a new peacetime economy. Certainly if any nation on the face of the globe can move forward to a position where its entire population can enjoy the good things of this world, it is the United States of America.

Cleveland more than any other city is a community whose industries are of a fundamental character. New York is famous for its bankers, its merchants and its entertainers. Washington's claim to

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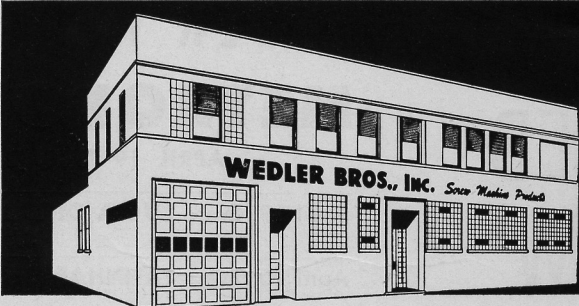
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Position

[Continued from Page 35]

fame is its politicians and its social life. Los Angeles brings first to mind its temperamental movie industry. But Cleveland is the heart of America's industrial empire, with long and close affiliation with iron ore, steel, coal, lake shipping, petroleum, paint, machine tools, electri-

cal equipment and automotive and aviation parts. Nor should we omit our vigorous close neighbor Akron.

What do we need to make the most of our future? We must forget the inferiority complex we developed during the disasters of the 1930's. We must give due recognition to success in business. We must have a partnership between capital and labor

I would like to see our people to the last



★ The new president, and five former presidents of the Northern Ohio Industrial Editors Association were presented with Association gavels by Louis B. Seltzer, editor of the Cleveland Press, at the February meeting. Left to right: John R. Childs, Horn & Norris; Robert F. Conway, The Fisher Bros. Co.; M. J. Wurzbach, American Steel & Wire Division, U. S. Steel Corp.; Mr. Seltzer, John Page, Ohio Bell Telephone Co.; Robert A. LaChance, White Sewing Machine Corp., the new president, and Arthur S. Bostwick, Fuller & Smith & Ross, Inc.

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April 23, Eve.: **LA BOHEME**: Albanese, Fenn, Bjoerling, Valentino, Harvuot, Hines.

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man and woman own some share in the institutions and industries that constitute our economic wealth.

The way to combat Communism is not by witch-hunting and wire-tapping. These police-state methods may gain momentary notoriety for the office-seeking politicians who advocate and employ them, 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 most effective bulwark against Communism, and the best guarantee of dynamic and flourishing Capitalism.

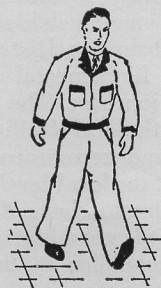
While I have been emphasizing the glory and grandeur of industry and commerce, I do not for a moment overlook the excellence of Cleveland's schools, colleges, churches, museums, libraries and other wonderful institutions that contribute so much to the life of the mind and the spirit of our community. The fact remains that the first concern of every man and woman is the provision of the elemental things of life such as food, clothing and shelter, and the prime requisite for the purchase of these necessities is money. If any of you feel that people do not work for money, just try to run a newspaper or a coal mine or a railroad, or for that matter an art museum or a symphony orchestra, without money.

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.

I look upon Cleveland as the potentially ideal city and I urge the material prosperity of Cleveland.

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Opportunity For Inventors

★The nation's inventors will have an opportunity to make a bid for a profitable recognition of their "brain children" at an Invention Exhibit & Conference to be held May 3rd at the Cleveland Engineering Society

Inventors having a practical product or process are invited to submit patent papers, or résumé, and a commercial description, if available, to the Invention Conference Group of the Cleveland Engineering Society not later than April 1st. Non-patented items are not acceptable for consideration unless submitted with a disclosure form obtainable from the Society

All material to be considered for review must be submitted in writing to the Invention Conference Group of the Cleveland Engineering Society 2136 East 19th St., Cleveland 15, Ohio, not later than April 1.

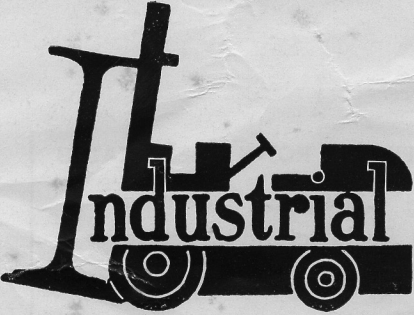
Inventors are cautioned not to send original patent papers since all material submitted will not be returned but will become the property of the Society to be deposited in its library

The conference will be headed by Joseph H. Gepfert, Reeves Pulley Co., general chairman; Walter T. Gollwitzer Addressograph-Multigraph Corp., meeting chairman; and Emmett C. Hartley, Parker Appliance Co., exhibit chairman.

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