THE MILWAUKEE JOURNAL

Sunday, May 13, 1962

XR

Eaton-Lewis 'Sweetheart' Pacts Lead to Fiscal Marriage; Miners Orphaned

35 Million Dollars of Union Funds Lent to Tycoon Under Favorable Terms; UMW Plays Key Role in Breaking Own Strike, Closing Small Mines and Throwing Its Members Onto Government Dole

Last week, the Pulitzer prize for national reporting went to two Nashville Tennessean writers for "their exclusive disclosure and six years of detailed reporting . . . of the undercover co-operation between management interests in the coal industry and the United Mine Workers." The reporters summed up their findings in an article for Harper's magazine. A condensed version of that article is reprinted here by special permission.

By NAT G. CALDWELL and GENE S. GRAHAM

ALMOST unnoticed by the rest of the country, the story of an amazing conspiracy in the coal industry has been unfolded in a federal court in Tennessee.

The testimony at the trial discloses, among other things, that:

1. The United Mine Workers—whose chieftain, John L. Lewis, is an almost mythical hero of American labor—quietly became a big stockholder in some of the nation's largest coal mines.

2. A union controlled company broke a strike of UMW's own members. They worked in small, "inefficient" mines which competed with those mechanized through the use of UMW money.

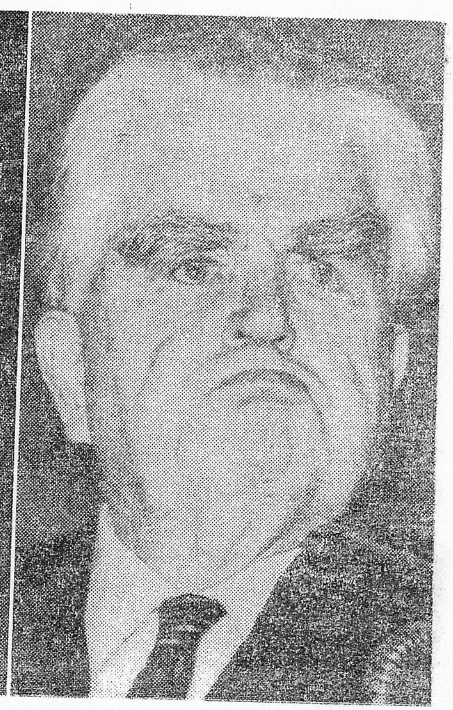
3. The union was found guilty of conspiring with large coal companies to monopolize the soft coal industry and drive small firms into bankruptcy.

4. The union's money was used to finance certain big deals of Cyrus S. Eaton, Cleveland industrialist, who in return helped mastermind the UMW's financial adventures.

5. As financier of coal mines, Lewis' union now sits on both sides of the bargaining table—in effect making deals with itself.

6. These manipulations have resulted in a sharp drop in the price of coal to consumers, including the Tennessee Valley authority, biggest customer of all.

Cyrus Eaton



John L. Lewis

Miners Lose Their Jobs

7. A companion result is the rapid growth of automation in coal mines, a sharp reduction in the number of miners (and union members), and a steady rise in relief cost for men whose jobs are gone forever.

8. More surprisingly — the union's bank roll has not dwindled with its membership. Profitable investments pour dividends into the treasury. And the multi-million-dollar welfare and retirement fund still collects 40c for every ton of soft coal mined—whether it is dug by men or machines.

9. By drastically cutting production costs, the UMW-management combine has apparently revived the dying coal industry and enabled it to compete once more with other fuels.

For more than five years the men most deeply affected refused to believe what was happening. The story has now been confirmed under oath. And on May 19, 1961, a federal jury in Knoxville found the United Mine Workers guilty of violating the antitrust laws—although hitherto all unions had been exempt from such prosecutions. In effect, the case held that the exemption does not apply when a union becomes part of ownership or conspires with it ancient enemies in restraint of trade. The verdict is being appealed.

Welfare Money Used

Lewis' chief source of investment money is the union's welfare fund. He is chairman of the fund's board of trustees. Last year he exchanged the title of president of the United Mine Workers for that of president emeritus. His full salary, however, continues for life, as does—it is widely believed—his awesome power over the union's policies and its general funds. These, apart from the welfare fund, have assets, according to the union itself, of 104 million dollars.

Lewis was worshiped by his miners—for the high wages he had won them, their retirement allowance of $100 a month, free medical care in 10 modern union run hospitals, and countless other benefits. But in the 1940's it began to appear that he had won too much. Coal was a sick industry, fast losing out in

Turn to page 3, column 1

Inside Guide

Lewis Pours Union Funds Into Mines, Throws the Workers Onto Public Dole

From page 1

the competitive race with cheaper, more easily transported fuels. Unless he could somehow mount a new offensive, Lewis' days of glory were over.

Lewis was in his seventies now—a very different John L. Lewis from the firebrand of the 1930's. Politically an archconservative but resilient as ever, King Lewis went into his countinghouse the National Bank of Washington. Earlier he had bought what is in effect a controlling interest in this bank. Here were the millions he had won for his men—tax free and for all practical purposes his to use for the union as his keen intellect dictated.

Sound judgment told him, however, that he needed a counselor — a man schooled in finance.

For a good many years Eaton had served the UMW behind the scenes as a financial adviser. In return Lewis helped Eaton to maintain harmonious relations with the unions in his companies. What was—in union language—a sweetheart relationship blossomed into fiscal matrimony in 1951.

In that year UMW began action as Eaton's banker, lending him many millions of union funds.

Eaton taught Lewis the fine art of leverage. Lewis wound up in a position to speed the mechanization of the coal industry, in control of major transportation lines for the movement of coal by rail and water, and owner of one of the nation's 10 largest coal mining operations.

Deal Raises Suspicion

In 1955, Eaton flew to Nashville and bought one of America's largest coal mining and sales operations, Nashville Coal Co., a nonunion firm, for an undisclosed amount. The sale increased suspicion that UMW funds were behind Eaton.

This had been rumored since 1951, when Eaton began buying into West Kentucky Coal Co., using (it later developed) money borrowed from UMW. When Eaton obtained working control of West Kentucky Coal Co., one of the first orders of business was recognition of UMW for its approximately 3,000 nonunion miners.

Once the (Nashville Coal Co.) deal was closed, Eaton merged the two firms. Altogether, more than 4,000 miners began paying union dues. And for every ton mined from these rich, black veins, 40c, from that day dropped into the welfare treasury.

After several days of reportorial digging, the Nashville Tennessean uncovered an unimpeachable — and still undisclosed—source who said that the UMW had put up the more than seven million dollars cash down payment that enabled Eaton to buy out Nashville Coal Co.

The newspaper, confident of its source, published the story. Five years were required to confirm it. Among the last to face the truth were the men of the UMW.

In 1955, union owned and union mined coal from the fields in western Kentucky was shipped in by barge to break a UMW strike in the Sequatchie valley coal fields. These fields had been the chief source of fuel for the TVA's Widow's Creek steam plant. (Steam now generates 75% of TVA's power.)

The big barges slowly took over larger and larger slices of the Widow's Creek contracts. One after another, the small mines closed and their men were thrown out of work.

In Tennessee's Campbell county, however, one small firm—Phillips Brothers Coal Co.—fought back. It filed a federal lawsuit charging the UMW and its welfare fund trustees with conspiring with the great coal combines. Phillips had little to go on—until the Landrum-Griffin act was passed, forcing the union to file a financial report.

What has come to light is this:

Eaton's borrowings from the UMW amount to more than 35 million dollars. It seems that these loans were made on uniquely favorable terms. If the stocks Eaton puts up as collateral rise in value, he can withdraw some of them; on the other hand, if they go down, he suffers no loss; he need put up no more collateral.

No Doubt Left

Clearly, as a result of these loans and its own investments, the UMW—jointly with its associates—has a controlling interest or is in a position to exercise effective "leverage" in:

The Chesapeake & Ohio railroad, the National Bank of Washington (the bank has lent more than 15 million dollars to large coal mines to mechanize their operations), West Kentucky Coal, American Coal Shipping Co., and others.

There is no longer any doubt that the Sequatchie valley strike was broken in 1955 by union owned barges carrying union owned coal in defiance of the union's own pickets. It is clear, too, that the union has substantially speeded the events which have at the same time revived the sick coal industry and reduced its own membership rolls from a peak of nearly half a million in the 1930's to an estimated 75,000 today.

Phillips Brothers will be $240,000 richer if the judgement they won is sustained in the higher courts. But by the time the trial ended, their mine was closed. Campbell county, where 11,000 of 26,000 residents are chronically unemployed, lies within the nation's No. 1 depressed area: Appalachia. Appalachia.

And on July 1, 1960, the welfare fund trustees announced that those unemployed for more than a year would no longer receive free hospital and medical care. In December of that year they cut retirement pensions from $100 to $75 a month. For men unschooled in the facts of automation and the mysterious ways of John L. Lewis this kind of economic realism is hard to follow.

An example of the kind of mechanization that is taking place in the coal industry is the Peabody mine at Paradise, Ky., where a TVA steam plant is being built. A 200 ton power shovel—the greatest on earth—scoops out tons of rock and earth with each bite. Two smaller monsters can left out 5,000 tons of coal a day.

Thus by the work of three men, $4,000 could fall every day into UMW's welfare and retirement fund. They do the work of 300 miners who no longer pay dues—and who are no longer a burden on the fund.

What is to become of them? The UMW has sloughed them off onto a government dole. Has Lewis or the UMW no responsibility to them?

And what of the role of TVA—the agency created to develop a region? It has become cost conscious and conservative. It has, so far, resisted even the pleas of President Kennedy to weigh human as well as cost factors in its plans.

6026 W1221 N.b