

### Man of World Peace: Cyrus Stephen Eaton

From the last years of corporate existence of The Chicago, Lake Shore and South Bend Railway (South Shore Lines) almost until the sale of the Chicago, South Shore and South Bend Railroad (South Shore Line) to the Venango River Corporation in 1984, there was a common thread throughout much of the story – Cyrus Stephen Eaton. But Cyrus Eaton was not a common man.



*Man of World Peace:  
Cyrus Stephen Eaton, 29  
December 1930.  
(Photographer Credit:  
International Newsreel  
Photos).*

Just as Samuel Insull played a critical role in the development of the business model for our Nation's electric utility industry, Cyrus Stephen Eaton

played a leading, but controversial, role in global post-World War II politics. As a business titan in the 1920s, the Canadian-born Eaton himself was in part to blame for the derailment of Insull's business empire. In the years following the Second World War, Eaton worked with Albert Einstein and others involved in the Manhattan Project to open a dialogue between the nuclear superpowers through his Pugwash Conferences on Science and World Affairs at Eaton's Thinker's Lodge in his boyhood hometown of Pugwash, Nova Scotia. And in 1967, through his majority stock ownership and board chairmanship of the Chesapeake and Ohio Railway (C&O), Eaton bought the South Shore Line.

Financing for the original construction of the South Shore Lines was made through The Cleveland Trust Company (CTC).<sup>1</sup> Through its unpaid construction loans, CTC was still in control of the South Shore Lines on 21 January 1925 when Eaton was elected to the CTC board of directors. It cannot be said that Eaton played a role in the exchange of the construction loans for 6% noncumulative debentures in Insull's new company, the South Shore Line, as Eaton was not assigned to any standing committees when he was first seated on the CTC board.<sup>2</sup> But as a CTC director, Eaton was most likely aware of the transaction; he was certainly aware of Insull.

During 1928, Eaton began purchasing shares in the Insull companies through his own investment trust, Continental Shares. Fearing a corporate raider, Insull panicked. To ensure that he would maintain control of his companies, Insull created another layer of stock ownership – a holding company – Insull Utility Investments, and layered that with another, Corporation Securities Company.<sup>3</sup> As Eaton kept buying Insull company shares, Insull privately negotiated with Eaton to buy back major portions of Insull company stock, paying Eaton a premium. This worked well in 1929, but by 1930, as share prices began to fade, Insull was paying well above what would be the future value of his companies. The two men called a truce on June 3, 1930. Insull bought back his company's shares at \$350 each; the deal cost Insull \$56 million, 10% above what was already a falling market price.<sup>4</sup> Eaton never gained control of the Insull Empire, but in the end Insull lost his.<sup>5</sup>

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<sup>1</sup> James Walker, Cost of Reproduction and Cost of Reproduction Less Accrued Depreciation As of May 1, 1925 Based on Prices Prevailing at Time of Appraisal of the Property of The Chicago, Lake Shore and South Bend Railway Company in Indiana 1 (1925).

<sup>2</sup> Letters from H.D. King, Secretary, The Cleveland Trust Company, to Cyrus Eaton, Otis & Company (Jan. 21, 1925 and Jan. 23, 1925) (on file at the Western Reserve Historical Society, Cleveland, O.)

<sup>3</sup> *National Affairs, Crime: Old Man Comes Home*, Time Magazine, May 14, 1934 at 12.

<sup>4</sup> Marcus Gleisser, *The World of Cyrus Eaton* 43 (2005).

<sup>5</sup> Time Magazine, *supra* note 110.



*At the proceedings: Eaton appeared in the defense of Samuel Insull at his mail fraud trial. Eaton testified that there were no sinister motives behind the infamous "Eaton Deal." Chicago, 12 November 1934. (Photographer Credit: International News Photos, Inc.).*

Eaton profited some \$19 million in his trading in the Insull companies but lost most of his fortune during the Great Depression.<sup>6</sup> Eaton remained an active investor in steel, coal, and railroad companies and he gained a board seat on the C&O in 1943, becoming board chairman in 1954.<sup>7</sup> But of great significance in world history, on August 6, 1947, Albert Einstein addressed a letter to Eaton under the letterhead of the Emergency Committee of Atomic Scientists, Incorporated. From the letter, it appears that Einstein was asking help from Eaton in approaching the Soviets in a bid to gain understanding, rather than appeasement.<sup>8</sup> This effort to build understanding between the Communist Bloc nations and the United States became Eaton's life work.

Following the release of the Russell-Einstein Manifesto on July 9, 1955,<sup>9</sup> Eaton offered to host and finance the conferences called for by the eleven signing scientists. The scientists proposed the conferences to "appraise the perils that have arisen as a result of the development of weapons of mass destruction." Initially, Eaton was turned down. But when two other attempts to hold the conferences failed, Eaton's offer was accepted.

Since 1957, the Pugwash Conferences on Science and World Affairs have been held at Cyrus Eaton's summer retreat, Thinkers Lodge.<sup>10</sup> The first conference was attended by scientists and leaders from around the globe including the Soviet Union. This led Eaton to have controversial friendships with Soviet leaders Nikita Khrushchev and Anastas I. Mikoyan.<sup>11</sup> Eaton was a hardened

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<sup>6</sup> Gleisser, *supra* note 4.

<sup>7</sup> The Encyclopedia of Cleveland History: Eaton, Cyrus Stephen, <http://ech.case.edu/cgi/article.pl?id=ECS1>, (last visited May 4, 2017).

<sup>8</sup> The Thinkers Lodge Histories: Albert Einstein wrote Cyrus Eaton a letter in 1947 asking for his support, [http://www.thinkerslodgehistories.com/uploads/2/2/1/9/22191330/einstein\\_letter\\_1947\\_to\\_cyrus\\_eaton\\_page\\_one.pdf](http://www.thinkerslodgehistories.com/uploads/2/2/1/9/22191330/einstein_letter_1947_to_cyrus_eaton_page_one.pdf); [http://www.thinkerslodgehistories.com/uploads/2/2/1/9/22191330/einstein\\_letter\\_to\\_cse\\_page\\_2\\_1947.pdf](http://www.thinkerslodgehistories.com/uploads/2/2/1/9/22191330/einstein_letter_to_cse_page_2_1947.pdf), (last visited May 4, 2017).

<sup>9</sup> The Pugwash Conferences on Science and World Affairs, Statement: the Russell-Einstein Manifesto, <https://pugwash.org/1955/07/09/statement-manifesto/> (last visited May 4, 2017) (The Manifesto was authored by eleven concerned scientists who called for a resolution by the governments of the world to seek peaceful solutions to disputed matters rather than to take up nuclear war.).

<sup>10</sup> The Pugwash Conferences on Science and World Affairs: Activities Since 1957, <https://pugwash.org/activities-since-1957/> (last visited May 4, 2017).

<sup>11</sup> Alden Whitman, *Cyrus Eaton, Industrialist, 95, Dies*, New York Times, May 11, 1979, at A1.



capitalist, but he believed the Cold War to be a folly of mankind. Eaton worked to alleviate world tensions through back channels he called “Track 2 Dialogues.”<sup>12 13</sup>



*Presiding over lunch: At the podium with Nikita Khrushchev at the Hotel Biltmore, New York City, 27 September 1960. (Photographer Credit: The Cleveland Plain Dealer).*

All through the period that Eaton worked with Einstein and others on the stage of world affairs, Eaton was consolidating his power in the railroad industry, and consolidating railroads. Eaton’s combination of the C&O with the Baltimore and Ohio Railroad (B&O) in 1963 set up a pattern of railroad mergers that were believed would have a devastating effect on the South Shore Line. Most of the South Shore Line’s freight traffic in 1963 was so-called bridge traffic that did not

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<sup>12</sup> Thinkers Lodge: Minds over Matters, Cyrus Eaton, <http://thinkerslodge.org/history/cyrus-eaton/> (last visited May 8, 2017) (Thinker’s Lodge is a National Historic Site of Canada).

<sup>13</sup> The Pugwash Conferences on Science and World Affairs: History, <https://pugwash.org/history/> (last visited May 8, 2017).

originate or terminate on the line. Under the merger scheme that was unfolding, the bridge traffic that was picked up from say, the B&O at Miller, Indiana, and delivered to the C&O near Michigan City was certain to be lost. Pending mergers of other connecting railroads were expected to have similar impacts.

Throughout the 1950s and 1960s, Eaton had received regular letters from railroad industry analysts and shippers regarding a purchase of the South Shore Line as the State of Indiana moved toward the construction of a deep-water port near Burns Ditch. But Eaton believed that the new port would be better served by lake freighters.<sup>14</sup> When the Port was established in 1965, Eaton moved to acquire the shares of the former Insull interurban.



*Presiding over the Chesapeake and Ohio Railway: Chairman Cyrus Eaton at the podium addressing eleven-hundred shareholders at their annual meeting. White Sulphur Springs, West Virginia, 23 May 1965. (Photographer Credit: The Cleveland Plain Dealer).*

Eaton's purchase of the South Shore Line likely saved it. The C&O management under Eaton patiently (and sometimes impatiently) pursued good-faith efforts to negotiate with the states of Indiana and Illinois for nearly a decade to find a funding solution for the passenger operating deficits. These efforts almost

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<sup>14</sup> Various letters and notes to Cyrus Eaton (1959-1963) (on file at the Western Reserve Historical Society, Cleveland, O.).

certainly preserved the passenger service. Without the passenger service and the bridge freight traffic, perhaps only a remnant of the South Shore Line would have survived: that which serves the Port of Indiana and the NIPSCO Michigan City Generating Station.<sup>15</sup>

Cyrus Eaton developed long standing relationships with heads of state from around the world through his Pugwash Conferences on Science and World Affairs. Through those conferences, Eaton tried to bring often quarrelsome parties together to negotiate for and promote peace. In Northwest Indiana, the officers of Eaton's railroad companies negotiated with state officials in an often difficult political climate to save what had been Insull's South Shore Line.

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<sup>15</sup> Interviews with Timothy R. Jorgensen, Vice-President, Venango River Corp., in Michigan City, Ind. (1986). Jorgensen indicated that he and the other officers of the company certainly believed that if they were to lose the passenger service that there would be little justification for the rest of the South Shore Line. The Venango River Corp. officers jokingly referred to what would be left as the Miller & Michigan City Railroad.





*Seemingly The Ultimate in Political Tension: A frosty-looking Samuel Insull, Jr. (left) confronts Cyrus Eaton at a meeting of the Rotary Club of Chicago, 20 November 1962. (Photographer Credit: U.P.I. Photo). The unhappy looks shown here belie the reality of the ongoing relationship of Eaton and Insull, Jr. – both men maintained cordial correspondence for decades after the fall of the Insull Group.<sup>16</sup>*

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<sup>16</sup> Letters between Samuel Insull, Jr. and Cyrus Stephen Eaton, (1932-1962) (on file at the Western Reserve Historical Society, Cleveland, O.).