

Avery Brundage: Money and Olympic Ideology

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Abstract

As an International Olympic Committee member from 1936 to 1973 and president from 1952 to 1972, Avery Brundage shaped the modern Olympics. Both Brundage and the modern Olympic movement reflect the ascendancy of investment capitalism and the energizing effect of money in American society and international movements.

Avery Brundage was born in 1887 of poor parents in Detroit and in 1893 his family moved to Chicago. His father soon left the family and Minnie Lloyd Brundage took a position as a clerk to provide for herself and her two sons. Her brother-in-law, Edward Brundage, was a rising young corporate attorney. Edward's home provided an extended family for the young boys. By 1899, Avery entered the business world as a newspaper delivery boy. He was an excellent student and graduated from Crane Manual Training School in 1905. While majoring in engineering at the University of Illinois, he had summer employment on construction jobs in the Chicago area. He was an assistant building construction superintendent and later denied that he had ever laid a brick or pushed a wheelbarrow. After graduation in 1909 he joined the architectural firm of Holabird and Roche as a construction superintendent and worked on major projects in the Chicago Loop. He resigned his position to participate in the Stockholm Olympics in 1912 and tour Europe. Upon his return, he worked for the John Griffiths and Sons construction firm until 1915, when he started his own construction business.¹

Brundage participated in track and field events until 1919 as a representative of the Chicago Athletic Association. Membership and offices in this organization provided valuable contacts for his business career. After 1919, he gained regional and national contacts through offices he held in the Amateur Athletic Union. In 1928, he was elected president of the A.A.U. During the 1920s, Brundage's

construction company earned a reputation for the many large projects that it completed in the Chicago area. Contractors estimated construction time, costs of supervision and labor, prices of materials and the amounts of subcontracts. In a lucrative market, Brundage excelled in competition. In 1927, he was elected to the Board of Directors of the Chicago Trust Company and his net worth was reported as over one million dollars. Brundage's fortunes were further enhanced in 1927, when he married Elizabeth Dunlap, the daughter of a Chicago banker.²

Most of Brundage's building construction fortune was lost in the Great Depression of 1929-33. However, his position as a businessman of integrity led to his involvement in liquidations and reorganizations. His knowledge of the value of buildings and locations enabled him to invest in properties that increased in value and provided a second fortune. The depression economy dictated a shift from building construction to real estate investments. His extensive experience in hotel and large apartment building construction in the 1920s prompted him to invest in hotels. The Roanoke Real Estate Company (1932) and Roanoke Hotel Corporation (1939-45) were vehicles for his ventures in investment capitalism. In reflecting on his investments in the 1930s, he said, "All you had to do during the depression was buy stocks and bonds in depressed corporations for a few cents on the dollar - and then wait. I was just a little lucky."³

On September 16, 1935, Congressman Adolph Sabath convened the Select Committee on Investigation of Real Estate Bondholders' Reorganizations in Chicago. Chief Investigator Joseph L. Tupy stated that a nine month investigation "strengthened the opinion that...a crafty few" were "usurping control of valuable properties to great loss of millions on innocent investors." He alleged that the liquidation trust was an "adroit document for polite swindling of trusting people dazed by artifices and stratagems of bondholders' committees...and lawyers endowed with much cunning and no ethics." On September 25, the committee heard the testimony of Avery Brundage, chairman of the H.O. Stone & Co. bondholders' protective committee. He testified that, in 1930, college friend James Alexander asked him to join a bondholders' committee. In a lengthy interrogation, Brundage explained cash transactions and his relationships with the Chicago Title and Trust Co. and the Continental Bank.

The bondholders' committee held buildings producing an aggregate income of about \$750,000 with another \$2,250,000 borrowed from the Continental Bank to pay taxes and foreclosure costs. The Stone Company had \$30 million in outstanding bonds. As president of the Avery Brundage Company, Brundage paid himself \$30,000 a year, but business was slow from 1930 to 1935. In this period he earned about \$18,000 a year from his bondholders' committee service. His secretary, Frances Blakely, was secretary of the Wenoso Company which managed the buildings and rentals of the committee's properties. She received \$3,500 a year and the Wenoso employees were also employees of the Brundage Company. Avery Brundage owned his company, but received no money personally. He successfully defended himself in a suit about property appraisal fees and emerged from the difficult depression years with a substantial annual income, a good reputation, and excellent investments.⁴

Brundage's main opportunity came in 1940, when he acquired the twenty-two story LaSalle Hotel in the heart of Chicago's financial district. The purchase was completed in October 1942. In 1947, he purchased the Montecito Country Club in Santa Barbara, California. In 1949, he added El Paseo, a 73,000 square foot Spanish Mission style center built in 1922. For \$530,000, he acquired thirty-six shops, seven offices, five residences and a gasoline station. Incorporated as El Paseo Properties, Brundage was president and Frances Blakely was secretary. In 1953, Avery and Elizabeth Brundage sued to recover \$46,807 in 1948 income taxes paid on the basis of a Treasury Department ruling that \$130,091 was dividend income, not capital gains. In 1944, they had bought 3,633 shares of Portland Electric Power Company for \$140,031. In 1947, a court approved the dissolution of the company. In the following year, the Brundages sold their stock and dividend rights for \$608,663.⁵

While he served as I.O.C. president from 1952 to 1972, Brundage was sixty five to eighty five years old. At the age of retirement, he undertook a global administrative responsibility and sought to reorganize and relocate his business commitments. Secretary Frances Blakely began keeping his books in 1926 and was an astute money manager. After 1950, Frederick Ruegsegger gradually became Brundage's financial agent and chief advisor in Olympic matters. As Brundage assumed positions of major

responsibility in the Olympic movement, he had less time for business affairs and covered the cost of his I.O.C. activities and travel from his own funds.⁶

The financial records become more complete in September 1954, when a personal statement listed his assets at \$8,672,503. His principal holdings were the La Salle-Madison Hotel Company (\$5 million), market securities (\$1.4 million), Montecito Country Club and other Santa Barbara properties (\$1.2 million), and the Mohawk Mine & Mill investment in Silver Peak, Nevada (\$1 million). A second statement at this time added his Oriental art collection ("more than" \$1 million) and listed his net worth as between \$9,471,324 and \$10,294,708. His securities were largely in Missouri Pacific, New Orleans, Texas and Pacific and Chicago, Milwaukee and St. Paul railways and Aztec Oil and Gas. Purchased in 1946, his twenty room mansion in Santa Barbara, "La Pineta", was valued at \$160,000 and its title was in the name of Miss Blakely. He kept \$72,000 in a checking account at the Harris Bank & Trust Co. in Chicago. His annual expense and income sheet was balanced at \$3,274,800. \$62,000 was received from Mrs. Elizabeth Brundage for household expenses. Brundage paid \$37,400 in income taxes, \$130,000 to maintain La Pineta, \$272,000 to operate El Paseo and \$235,000 for the Montecito Country Club. The Bruhi Mining Company in Nevada was a \$624,500 expense.⁷

As operators of the Mohawk mine and mill, the Bruhi Company was expected to develop "into a large and prosperous operation" with W. Church Holmes as general manager and Frederick Ruegsegger as office manager. Brundage advised Ruegsegger that he was "working directly for" him, that he was relying on him to protect his interests and that he would have considerably more authority. Ruegsegger moved to Nevada, but continued to manage Brundage's Santa Barbara properties. On June 17, 1955, Ruegsegger reported that equipment was arriving at the mine and that "we are all looking forward to see this costly enterprise getting to the production stage." By December 8, Brundage had become disenchanted with Holmes' management of Bruhi Mining. He requested "an intelligent analysis of this operation" and initiated financial retrenchment in an effort to enable the operation to "carry itself." Ruegsegger noted that producing an ounce of silver for \$1.50 and selling it for 98 cents only lost more money. By December 4, 1956, he was nego-

tiating the sale of the Silver Peak mining operations for \$350,000.⁸

Brundage's 1955 and 1956 financial statements listed his net worth at \$10,721,966 and \$9,682,198. The major asset was the La Salle Madison Hotel Company (\$5 million), the Oriental art collection (\$1.5 million) and Santa Barbara real estate (\$1.2 million). The mining investments declined from one million dollars to \$239,000. Railroad and gas investments were transferred to stock in the Susquehanna Corporation and 10,000 shares of Strategic Materials. He served as Susquehanna's board chairman from its founding in 1953 to 1959 and made more than a million dollars when he sold his stock in 1959. Susquehanna had "made millions from putting the North Shore Railway out of business." Its efforts to acquire western uranium properties were blocked when Chicago financier J. Patrick Lannan gained control in October 1958. Brundage described Lannan and two associates as speculators. All three were board members of the Milwaukee Railroad.⁹

In 1956, Brundage bought the Montecito Inn in Santa Barbara and invested \$225,000 remodeling. He negotiated a 1960 sale, but repossessed the property in 1961. In 1970, he sold it for over \$400,000. In 1958, Brundage sought to dispose of his commercial properties in Santa Barbara. He sold El Paseo to retired Chicago attorney Albert T. Belshé for \$620,000. Brundage offered El Presidio, a property including a restaurant, shops and offices, for \$550,000 and the property was sold in 1960 to Ed Leven, the purchaser of the Montecito Inn. When Leven failed to make monthly payments, Ruegsegger negotiated a new sale. Brundage sent Ruegsegger on trips to Nevada to check on Sam Levine, who was buying the Silver Creek mining properties on a conditional sales contract and to evaluate Brundage's real estate holdings in Carson City and a mining property near Redding, California. The extensive sales, repossessions, investment transactions and depreciation allowances brought continuing tax audits. In 1966, Ruegsegger settled with the Internal Revenue Service on an income tax liability of \$37,000 for the 1958 to 1963 tax years.¹⁰

Brundage's speeches as I.O.C. president provide an indication of his public attitude toward money. Upon assuming "the highest position in the world of sport" in 1952, he linked the success of the Olympic games to the absence of "large funds or huge endow-

ments", noted that the I.O.C. had no money and no army, and observed that in this "materialistic age" "the most important things in life cannot be measured by money and exclusive pursuit of the almighty dollar leads only to disaster." At each I.O.C. session, he paid a glowing tribute to the cultural and sports heritage of the host country and repeated these themes through 1963. From 1955 to 1960, he proclaimed the Olympic Movement's "freedom from political intrigue and from dollar signs." In 1956 at Melbourne, he elaborated on this theme by stating that the Olympic games "must not become a battleground for national ascendancy, a money-making apparatus for participants and officials, or a circus or carnival to groom participants for a professional career to line the pockets of promoters."¹¹

At Athens in 1954, Brundage bridged the centuries in praising the classic Grecian games for their "wholesome contempt for mere money" and counseled his audience to place "fiery independence" ahead of "social security". In 1959, his economic viewpoint emerged again at Munich when he defined amateurism as "a philosophy of life, a consecration and devotion to the task at hand rather than to the payment or to the reward." Citing Henry Ford and Thomas Edison as amateurs, he decried workers who think only of "pay day and quitting time."¹²

From 1964 to 1969, the increasing prosperity of the Olympic Movement brought new observations from Brundage about "an overwhelmingly materialistic world." He was increasingly concerned about participants who were "paid to participate" and declared that he had never known a boy "too poor to participate." Stressing the athlete's willpower, he listed the temptations of modern life as "easy pleasure, mediocre pastimes, quick profits." While alleging that the Olympics had become too large and too expensive, Brundage frequently cited with approval the large sums spent by organizing committees in the cities hosting the games. His presidential pronouncements were made as he presided over a quarrel over television rights involving the International Olympic Committee, international sports federations, the national Olympic committees, local organizing committees and the emerging television industry. Technological advances and global sponsorship agreements had increased the value of television rights from \$1.2 million in 1960 to about \$24.7 million in 1972. His final years demanded the same business acumen and ability to reconcile diver-

gent interests that he had employed thirty years before in the struggles between the A.A.U. and the N.C.A.A., when intercollegiate athletics became a profitable enterprise.¹³

By the time Brundage left the I.O.C. presidency in 1972, he was reducing his business interests. In 1970, he had sold the La Salle Hotel to Samuel Schulman and formed the Avage Investment Company to invest the proceeds and appointed Ruegsegger as executive vice-president of the Avage Investment Company and the Avery Brundage Foundation. When Schulman failed to make the payments, Brundage repurchased the hotel. In a London interview, he mentioned that he had just sold his last hotel. He reflected that he had succeeded in the building construction industry by applying the same ideas that he did in sport. "I wanted to do it better and cheaper than the other feller, and that's how I got the business." When properties were sold, Brundage lost no time in reinvesting the proceeds. In reporting a \$1,400,000 reinvestment on April 5, 1971, Ruegsegger found that the Harris Bank had "standing orders to do almost anything for Mr. Brundage." Their cooperative attitude was announced after they heard that Brundage would open up "accounts all along LaSalle Street." In 1973, he sold the Montecito Country Club to Japanese interests for \$4,032,000. Sale expenses of \$924,110 included \$697,314 in income taxes.¹⁴

He was personally parsimonious. Aside from the Olympic movement and his investments in Oriental art, he had few expensive personal tastes. He knew the value of money and wealth and was a shrewd judge of managerial talent. The thousands of "business letters" that he wrote as an officer of the Amateur Athletic Union, the United States Olympic Association and the International Olympic Committee indicate that he was effective in delegating responsibility and inspiring associates to strive to achieve common goals.¹⁵

Avery Brundage also enjoyed female companionship. His marriage to Princess Mariann Reuss in the summer of 1973 marked the beginning of the final chapter in the management of his funds. In July, he had made a downpayment of \$15,000 on a wedding ring at the Gallerie Melerio in Paris. In the ensuing thirteen months, the newlyweds spent \$1,113,613 as follows:

Jewelry	\$411,414
Apartment and house	\$354,491
Cash for Mariann	\$242,778
Cruises, travel and parties	\$55,918
Wedding	\$31,130
Other	\$ 1,222

In December 1974, Brundage met with Ruegsegger and Brundage's Chicago attorney, Ralph Davis, and agreed to sell properties in Santa Barbara and Garmisch and jewelry and "put a tight control on...day-to-day ordinary expenses." The financial situation was further weakened in April 1975, when Davis visited Brundage in Germany and reported that from February 1974 through March 1975 the La Salle Hotel had lost \$1,300,697. Brundage agreed not to sell his securities to provide working capital for the hotel operation and authorized efforts to sell it. He also agreed to a monthly budget for household expenses in Garmisch and Chicago, Ruegsegger's power of attorney for handling Avage investments and other business, and placing proceeds from the sale of the La Salle Hotel in an agency account at Harris Trust. From December 1974 to Brundage's death on May 8, 1975, the depressed securities market, losses at the repossessed La Salle Hotel, antipathies between Mariann Reuss and Ruegsegger, and Brundage's failing health caused anxieties over cash flow and expenditures.¹⁶

In 1972, Brundage declared that he was "an octogenarian millionaire" and that "if there's anything worse than that, then I don't know what it is." Unlike Andrew Carnegie, he did not proceed to develop a rationale for disposing of his personal wealth. While business agreements and tax legislation were major factors in the establishment of the Carnegie, Rockefeller, Ford and Mellon foundations. Brundage paid his taxes, condemned all administrations after Herbert Hoover and lost few major court cases. He was an individual entrepreneur who opposed government regulations, and a dedicated anti-communist and defender of the capitalist system. He had a strong distaste for the commercial aspects of professional sports and maintained that sports organizations should remain poor.¹⁷

Avery Brundage was inspired by Olympic idealism at Stockholm in 1912 and came to power in the Olympic movement with the wave of idealistic optimism following World War II. He invested the bulk of his fortune in the creation of a modern Olympic movement which he hoped would forge a bond between national and individual competitors. The Olympic "business" had become profitable just as a new management team took over when a reluctant Avery Brundage left the stage. His final gift of \$330,000 to the University of Illinois for student scholarships indicated his desire to achieve consistency. The money was available only for students with athletic interests who were not the recipients of athletic scholarships.¹⁸

Endnotes:

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2. Guttmann, *Games*, 11, 29-31, 38-41, 46-47; Herman, "Fitting In", 484-488; William T. Anderson to Brundage, Jan. 13, 1927, ABC.
3. Guttmann, *Games*, 41-42; Robert Shaplen, "Profiles, Amateur" in *New Yorker* (July 23, 1960) 52; *Chicago Tribune*, September 10, 1972.
4. House of Representatives, 74th Congress, 1st Session, Public Hearings before the Select Committee on Investigation of Real Estate Bondholders' Reorganizations Sept. 19-25, 1935 (Washington: Government Printing Office, 1935) pp. 2035-2037, 2650-2659, 2662-2663, 2674-2675, 2685-2686; Guttmann, *Games*, 41-42.
5. Guttmann, *Games*, 42-44; Santa Barbara News Press, June 8, 1958; *Chicago Sun-Times*, Nov. 20, 1953, Box 274, ABC.
6. Guttmann, *Games*, 43-44, 49, 110-255; Avery Brundage Company Corporation Shuck, 1926, Box 1879, Illinois State Archives.
7. Personal Financial Statements, Frederick Ruegsegger Papers, Spet. 1, 1954.
8. Tonopah Times-Bonanza, October 29, 1954; Brundage to Ruegsegger, Nov. 20, 1954; Ruegsegger to Brundage, Feb. 21, 1955; Ruegsegger to Blakely, June 17, 1955; Brundage to Holmes, Dec. 8, 1955; Blakely to Ruegsegger, Nov. 14, 1956; Ruegsegger to Blakely, Dec. 4, 1956; Ruegsegger autobiography, p. 13; Ruegsegger to Ralph Davis, April 9, 1975, Frederick Ruegsegger Papers.
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10. Santa Barbara News Press, August 23, 1970, Box 274, ABC; Escrow agreement, June 6, 1958; Santa Barbara News Press, June 8, 1958; Brundage to Bank of America, June 27, 1958; Ruegsegger to Brundage, July 2, 1958, May 24, 1966; Brundage to Ruegsegger, July 3, November 11, 1958; Ruegsegger to Ralph Davis, April 9, 1975; Ruegsegger autobiography, pp. 14-16; Frederick Ruegsegger Papers.
11. Brundage, *Speeches*, 6-7, 9, 12, 19, 26-28, 32, 36-37, 44, 47, 52-53, 61, 68.
12. Brundage, *Speeches*, 12, 44.
13. Brundage, *Speeches*, 62, 68, 73, 79, 99-100; Mexico City Speech, Oct. 7, 1968, 5-6; Warsaw Speech, June 6, 1969, p. 5; Stephen R. Wenn, *A History of the International Olympic Committee and Television, 1936-1980* (College Park: Pennsylvania State University dissertation, 1993) 55-57, 60-66, 74-98, 105-114, 123-129, 132-136, 139-144, 157-174, 177-178, 181-191.
14. Hans Klein, *Avery Brundage Die Herausforderung* (Munich: Verlag pro Sport, 1972) p.36; Ruegsegger to Ralph Davis, April 9, 1975; Ruegsegger to Brundage, April 5, 1971, March 27, 1975, Ruegsegger Papers; David Taylor, "Passing Through" in *Punch*, p. 922, June 28, 1972.
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18. TV Guide, May 20, 1972.