

# The Man

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John D. MacArthur

1897-1978



MacArthur arranged to have all the stock of Bankers Life and Casualty Company – by then the largest privately owned insurance company in the United States – put into a trust that, upon his death, would fund the John D. and Catherine T. MacArthur Foundation, a non-profit charitable institution. The stock of his other major holding – Citizens Bank and Trust Company of Park Ridge – went into a separate trust and then to the Retirement Research Foundation, the largest foundation devoted to the problems of the elderly in the U.S. The rest of the estate was divided among family: half to Catherine, and one quarter each in life estates to his children Roderick and Virginia, and to their children.

When he died in 1978 at age 80, MacArthur assigned the Foundation assets appraised at approximately \$700 million. He left no instructions as to how this fortune should be used, preferring instead to let the MacArthur Foundation Board of Directors determine the Foundation's destiny. Ten years after MacArthur's death, his assets had grown to more than \$2.5 billion and were providing well over \$125 million annually for the Foundation's philanthropic work.

JOHN DONALD MACARTHUR was born in 1897, the youngest of seven children born to a coal-miner-turned-Baptist-preacher and his wife in the poor, hilly mining region of eastern Pennsylvania. When John died in 1978, he was one of the world's wealthiest men, passing on the bulk of his extraordinary wealth to philanthropy.

His route to riches, like the man himself, was unconventional. John's childhood was dominated by his father – a traveling evangelist who imposed a strict morality on his children. In the early 1900s, John moved with his family to Illinois, where the Rev. MacArthur supervised seven area churches. By the time John was a teenager, the Rev. MacArthur was a nationally known Bible teacher, a hellfire-and-brimstone preacher who often reached audiences of 5,000 to 6,000.

In 1910, John's parents, his brother Charles, and his three sisters moved to Nyack, New York. John attended the Wilson Academy, where he proved himself very bright but extremely mischievous. He dropped out in the eighth grade.



*The MacArthur family, with John seated at bottom center.*

When his mother died a few years later, John took the opportunity to leave home and move to Chicago, where his brothers were launching successful careers. At 17, John discovered his remarkable sales talent while working as a door-to-door salesman in his brother Alfred's insurance company. Within three months, he was the top salesman in the firm. At 19, he sold \$1 million in insurance in one year.

During World War I, MacArthur joined the Navy and then the Royal Canadian Air Force as a pilot. He left both because he couldn't get close enough to the action and eventually was caught trying to stow away on a New York troopship headed for combat.

John briefly became a cub reporter for the *Chicago Herald and Examiner*, where Charles worked. Charles eventually won a Pulitzer Prize for his play "The Front Page," a comedy he wrote with fellow newspaperman Ben Hecht. But John's interest did not lie in journalism. Quitting the newspaper, he tried his hand at some small business ventures before returning to a career in insurance.

In 1919, John married Louise Ingalls and had two children, Roderick and Virginia. The couple was later divorced.



*The Rev. William T. MacArthur, John's father, a nationally known evangelist.*

#### **Daredevil**

*On a dare, one of John's boyhood friends swam four dangerous miles across the Hudson River – a feat that landed him on the front page of the local newspaper. John, always a daredevil and not to be outdone, said he would swim the river, too. And he did, according to MacArthur's own boast to historian John F. Taylor. Unfortunately, World War I broke out the next day and John's feat never made the newspapers.*



*The family home in Nyack, New York.*

#### **Student**

*At the Wilson Academy, John got D's and F's and once was expelled for a week for climbing through the window of the girls' dormitory. His classmate Frank Marten recalls John in Bible class: "John was called on to recite, and he wasn't prepared. He said he didn't have a Bible. And Miss Pennington said, 'Well, John, it is near Christmas time. Why don't you write and tell your Dad you would like to have a Bible for Christmas?' And John thought for a minute and said, 'Well, Miss Pennington, if you think I should I will, but I have never told my father a lie.'"*

#### **Rascal**

*"John was a rascal from the time he was 12 years old," says historian Taylor. "If anything exciting was happening, you could be sure that John was in the middle of it. He was an entrepreneur from the very beginning – and always in trouble."*



*John as a Royal Canadian Air Force pilot during WWI.*

#### **Adventurer**

*When John decided to leave Nyack and head to Chicago, he reportedly told his father, "Charles is out there in the wicked city of Chicago. I'd better go out there and see what he's doing, so I can give you a report." Once out of Nyack, John never lived there again.*



By age 30, MacArthur had become sales vice president of *State Life Insurance of Illinois*. As a salaried employee, he made about \$10,000. Just before the Depression, he resigned to go into business for himself, taking over Marquette Life of Jerseyville, Illinois, a small ailing insurance company with assets reportedly totaling \$15.31. MacArthur set up shop in one small office of an old building in Chicago's South Loop. (Today the building is a National Historic Landmark owned by the MacArthur Foundation and housing the Foundation's offices.)

MacArthur met Catherine Hyland, who worked as a secretary at Alfred's insurance company. Catherine was one of five children born to Irish immigrants who had settled on Chicago's South Side. She was systematic, detail-oriented, and self-effacing. John was the opposite – an eccentric risk-taker who operated on instinct.

John and Catherine became business partners almost immediately and soon were married. While John ran the business, Catherine kept the books. Over the years, she appears under her maiden name throughout the records of John's various companies, in the position of corporate secretary, director, or both.

MacArthur got his big break in the midst of the Depression. Using \$2,500 of borrowed money, he bought the financially impaired Bankers Life and Casualty Company. The entire firm consisted of a box of papers; MacArthur carried it home in his car and began working from the kitchen table. As the sole member of the sales force MacArthur spent his days knocking on the doors. Catherine was the office staff.

### **Businessman**

During its early success, Bankers Life and Casualty was investigated by several agencies suspicious of its skyrocketing growth. But, "John always had hard figures showing that his customers were buying good coverage," according to a 1981 article in *Chicago Magazine*. "In fact, overall they were getting back more in claim settlements than they would have from most other insurance companies. The figures still can be seen in brittle old reports filed each year with the Illinois Department of Insurance; they show that John D. MacArthur, for all his innovative marketing, never trifled with the trust of his policyholders."



John D. and Catherine F. MacArthur.

### **Award-winner**

MacArthur received a 1953 Presidential Citation for employing the handicapped in his companies. And Bankers Life and Casualty was widely praised as one of the nation's few corporations that did not force employees to retire. In both instances, John insisted that his actions were "just good business practice."

### **Employer**

MacArthur hired ordinary people – policemen, truck-drivers, grocery clerks – as his insurance sales force. He especially disliked flashy wealthy people. If MacArthur could see the Foundation today, colleagues say, he would be especially pleased about grants that help the "little people" – poor communities and everyday men and women.

### **Entrepreneur**

MacArthur often was ahead of his time in business transactions – a trait that sometimes caused resentment. When two brothers who owned a tea shop wanted to borrow money to build a shopping center in growing Lake County, Illinois, MacArthur offered a fair interest rate, but then demanded a percentage of the ownership. Annoyed because MacArthur wanted a piece of the action, the brothers refused. Today, 40 years later, such deals are standard practice.

### **Pragmatist**

"John was an absolute realist," says his long-time friend and attorney William Kirby. "If you didn't like his reasoning, he listened to your thoughts but he didn't sit around arguing endlessly. He was independent and he had the financial strength to go his own way. All that gave rise to legends about his toughness. But in fact he had a reputation among colleagues for being cheerful, pleasant, and easy to work with."



The Marquette Building in Chicago's South Loop, from which John ran his insurance business. Today, it houses the Foundation.

In its early years, Bankers struggled to survive. But before long, MacArthur launched an innovative method of selling insurance – by mail. He placed ads in the newspaper and mailed out thousands of newsprint flyers. The response was phenomenal. Soon MacArthur was able to expand his company nationwide and hire a giant sales force. Between 1940 and 1950, he sold hundreds of thousands of low-cost policies to people across the nation.

MacArthur ran a no-frills company. His offices were a cluster of aged, unimpressive buildings (although they were among the first in Chicago to be air-conditioned). His agents were expected to work as long and as hard as he did. The sales force consisted of vast numbers of middle-class people, many of them handicapped.

After World War II, security-conscious customers began buying more insurance policies and more expensive coverage. By the 1950s, Bankers was a virtual insurance empire – and MacArthur was the sole shareholder.

MacArthur's success allowed him to purchase more than a dozen other small – usually bankrupt – insurance companies. By the time of his death, MacArthur's companies had more than 3 million policyholders, with \$5.5 billion worth of insurance, and a sales staff of more than 5,000.



**Millionaire**

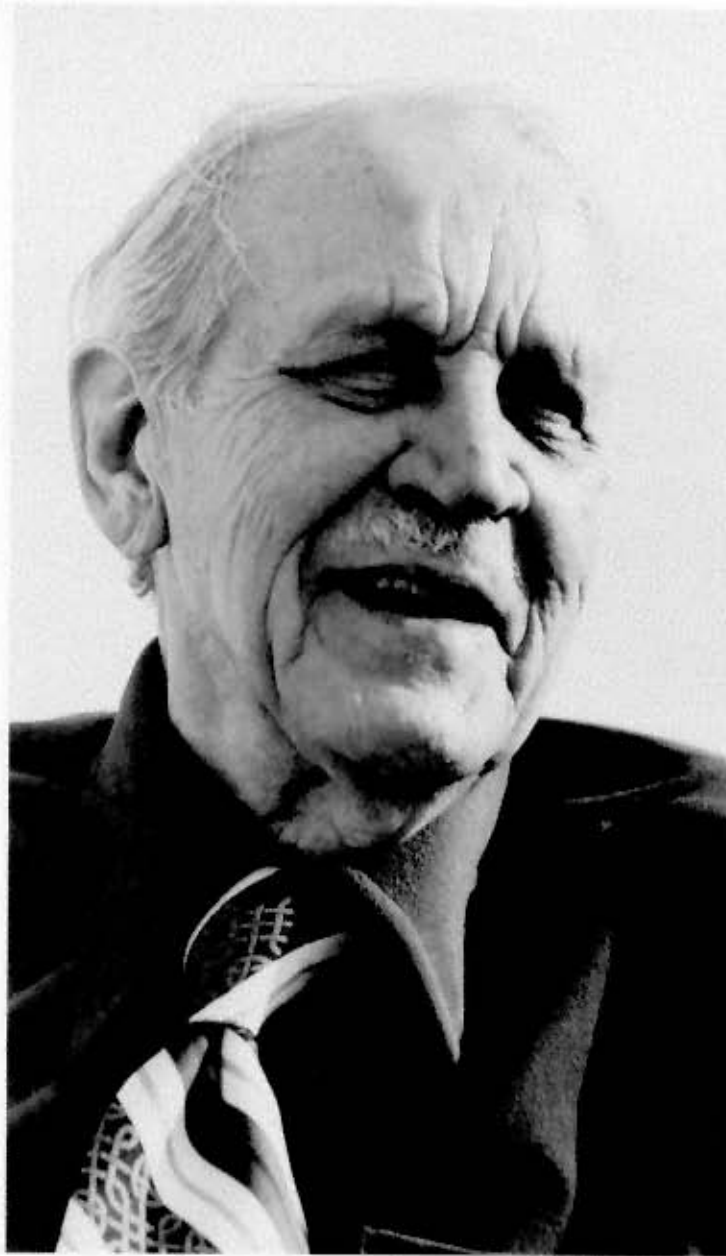
*MacArthur didn't make his first million until he was 45, and he didn't become a billionaire until he was nearly 80. "I'm not rich," he often said. "I just work for companies that are rich as hell. And I happen to own the companies."*

**Deal-maker**

*The key to MacArthur's success, according to Kirby, was that he wanted to win and he knew how to win. He understood real estate cycles, and never bought at the peak of the market. He tended to buy businesses that were in trouble and then get a lot out of them. And he had an instinctive understanding of the realities of land and what makes it valuable. He acted on his business acumen, and he always seemed to be right.*

**Brother**

*John MacArthur was not the only member of his family to achieve prominence. His oldest brother, Alfred, was president of the Central Life Insurance Company in Illinois. Another brother, Charles, was a Pulitzer Prize-winning playwright and newsman who married actress Helen Hayes. Yet another brother, Telfer, owned Pioneer Press, a prosperous chain of suburban Chicago newspapers. General Douglas MacArthur, commander-in-chief of U.S. operations in the Pacific during and after World War II, was a cousin.*

**Ecologist**

*MacArthur at first paid little attention to environmental issues surrounding the commercial development of his Florida property. But late in his life, he commissioned conservation researchers at the University of Florida to study some of his land. Their report fascinated him, and he became acutely aware of the need to protect the environment. The Foundation later gave eighty-two acres of his Florida land – prime, undeveloped oceanfront property – to the State of Florida to form the basis of a public park.*

**Eccentric**

*Unlike other American billionaires, MacArthur was not a recluse. On the contrary, he enjoyed his reputation as an eccentric. He always was available to reporters who wanted to interview him. He answered every question, no matter how pointed, and delighted in telling and confirming outrageous stories about himself.*

At the height of Bankers' success, MacArthur was fabulously wealthy – but still more than a decade away from being a billionaire. In 1958, he and Catherine moved to the Palm Beach area of Florida. Though now in his 60s, MacArthur continued working every day from a back table of a coffee shop in the Colonnades Beach Hotel he owned in Palm Beach Shores.

His new interest was real estate. A consummate salesman and dealmaker, MacArthur bargained with the steady stream of entrepreneurs and land tycoons who visited him. His remarkable business sense, uncanny eye for a good deal, and the zeal with which he worked were unrelenting. At one point, he owned 100,000 acres of land in Florida and was the largest individual landowner in the state. He also owned a dozen insurance companies, several development companies and shopping centers, paper and pulp companies, 19 commercial office buildings in New York City, 6,000 apartments in Manhattan, several publishing enterprises, hotels, radio and television stations, and banks.

By the 1970s, MacArthur was one of the nation's two billionaires. Yet he firmly refused extensive work in charities; he couldn't bear the endless tasks of both making money *and* giving it away, he explained. But MacArthur did agree that, upon his death, the huge bulk of his wealth should go to philanthropy.

*MacArthur's "office" in the Colonnades Beach Hotel coffee shop*

**Curmudgeon**

*William Kirby recalls MacArthur's refusal to learn about giving away money: "One time I tried to get him to look into what I thought was a particularly worthwhile charity, but he stubbornly refused, saying, 'Do you have any other clients as rich as I am?' I said, 'Well, maybe the Pritzkers are as rich as you are if we take them all together.' He then asked, 'Are they giving away all their money to charity?' I answered, 'No.' In triumph, he then said, 'Then I am the most charitable son-of-a-bitch you know, 'cause I am giving all my money to charity. So leave me alone and let me live the life I want to. If people knew an old guy was sitting here giving away money, this coffee shop would be full of people jumping up and sitting down at my table, and I wouldn't be free to lead the kind of life I like.'"*



**Spartan**

*MacArthur was not interested in the comforts of wealth. He conducted business from a rear table in the coffee shop of an aging Florida resort hotel that he owned. He, Catherine, and their two poodles lived upstairs in a two-bedroom apartment overlooking the parking lot. He drove a dusty Cadillac and paid little attention to his clothes.*

**Legend**

*MacArthur enjoyed shocking people with his flamboyant penny-pinching. He loved having other people pick up the check for a meal, and delighted in their expressions when he wrapped up half a sandwich to take home. Among the many legends associated with him was that he saved rubber bands from newspapers and turned off the air-conditioning in his coffee shop when no customers were present.*

**Friend**

*In his will, MacArthur provided that his body be donated for medical research. He also stated that he did not wish a funeral service, since he wanted "to spare my friends and relatives the inconveniences involved in attending a funeral, such as the canceling of appointments and flying all night to arrive on time."*

**Husband**

*"I drew up the papers creating what I called the 'John D. MacArthur Foundation,'" recalls William Kirby. "And when he looked at those papers, he said, 'Change the name to include Catherine; she helped make it too.' Catherine took the papers I had prepared, went over to the typewriter, and added her name . . . Of all my memories of the legendary John and Catherine MacArthur, this is the one I love best: two seniors, with John insisting Catherine be recognized as an equal partner, knowing they could not take any of it with them, arranging to send all of it ahead."*

**Family Man**

*MacArthur reportedly thought wealth was corrupting, that children who were given a lot of money did not benefit from it. Nevertheless, after giving away 92 percent of his fortune to charitable trusts, he still left \$70 to \$80 million to his wife and children.*

*A moment of relaxation on his ranch in central Florida.*

**Founder**

*The MacArthurs wanted the Foundation's Board of Directors to chart its own future. "I know of a number of foundations where the donors tried to run them from their graves," MacArthur once wrote in a personal letter. "I have guaranteed the trustees that when I am gone, they can run the show."*