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Case Study #14 **December 2019**

Gossip, Corporate Reputation, and the 1905 Life Insurance Scandal in New York

On the evening of 31 January 1905, six hundred of the richest and most powerful members of New York society descended on Sherry's Hotel dressed in extravagant costumes designed to resemble the court of the French King, Louis XV. The wealth on display was astounding. Pearls, emeralds, turquoise, and diamonds abounded. Mrs Potter Palmer, the queen of Chicago society, appeared dressed in a diamond tiara, diamond choker, and diamond breastplates. Mrs Clarence Mackay, wife of the chairman of the Postal Telegraph Company and a suffragist, wore a gold and turquoise crown and the train of her dress was so long, that despite the help of her two pages, she was forced to sit out the dancing.[1]

No expense had been spared in creating the event. The two floors of ballrooms had been decorated in the style of the gardens of Versailles. Lemon and orange trees lined the corridors, while grass covered the floor.[2] Madam Réjane, a French actress of considerable fame, had been brought to New York to perform in a play written specifically for the party.[3] She is depicted at the ball in figure 1. Her fee, apparently, was a gift of a diamond tiara.[4] Dancers from the Metropolitan Opera House performed as well and, over supper, two orchestras sat at either end of the room and played alternately so the music never paused.[5] In total, the ball cost its host, James Hazen Hyde, an estimated $50,000, the equivalent of well over a million dollars now.[6]

Figure 1: Madam Réjane seated with others in the "Garden of Versailles" at the James Hazen Hyde Ball. Source: 'Hyde Ball, Madame Rejane and Large Group in Garden of Versailles' Arthur Vitols Byron Company (New York, N.Y.), January 31, 1905, Museum of the City of New York Collections.

Like many young men in Gilded Age New York society, James Hazen Hyde had inherited his wealth and position. He was the son of Henry Hyde, the founder of the Equitable Life Assurance Society. James Hyde had become the vice president of the Equitable after graduating from Harvard in 1898. Soon after joining the company, his father died, leaving James Hyde as the majority stockholder in the Equitable and the beneficiary of a trust stipulating that James would gain full control of the company and its presidency

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on his thirtieth birthday. Hyde was set to become one of the most important men in New York's financial world, with a 'sacred duty' to fulfil.[7]

Figure 2: Portrait of James Hazen Hyde by Théobald Chartran (1901), Source: Wikipedia.

By the time that James Hyde became vice-president of the Equitable, life insurance was already big business. But, it hadn't always been so. Originating in early modern Europe, life insurance had appeared relatively late on the scene in America. It was only during the 1830s that life insurance began to have a bigger presence in American life. Not until the turn of the twentieth century, following a period of steady growth, and a boom and bust cycle, did life insurance emerge as the backbone of the American economy.[8] Like other economies around the world, most Americans divided their savings equally between life insurance and banks, particularly given the recurrent panics that plagued banks before the development of government-backed deposit insurance.

The life insurance boom was both a response and solution to the upheavals caused by urbanization and industrialization.[9] As their disposable incomes rose, many American families at the turn of the century found they could save. More often than not, they turned to life insurance rather than savings accounts in banks that were vulnerable to financial panics. At the same time, the purchase of a life insurance policy was tied to respectability in America. A responsible man, Gilded Age society believed, made provisions for his wife and children in the case of his death. Life insurance could save a family from destitution, but it was a long-term investment: policyholders worried about the company still being solvent when the time came to pay out the policy. With the well-being of widows and orphans at stake, life insurance companies spoke of the 'sacred duty' they owed to their policyholders to bolster their corporate reputation.

During the nineteenth-century, the corporate reputation of life insurers went largely unchecked by government. While the newly founded state insurance departments began to enforce reporting requirement laws, they lacked the resources to regulate the insurance giants. [10] It was down to the insurers themselves to guard their reputation and to avoid the mistakes of their British counterparts, who had been embroiled in gambling scandals. [11] Men in the American life insurance business were to be responsible and upstanding citizens, no mean feat in the scandal-rife world of Gilded Age New York.

At the centre of New York's gossip mill, always on the hunt for a new scandal, was William D'Alton Mann and his weekly magazine, *Town Topics.* Every Thursday, *Town Topics'* readers could revel in gossip ranging from divorces and affairs to rumours about the stock market and Mann's latest bugbears in the form of local politics or the apparent need to annex Cuba.[12] Thus *Town Topics* was equal parts social and financial gossip in turn of the century New York.

Mann's business was social reputation and he did well from it. Mann's approach was also innovative if somewhat shady. Most notoriously, Mann devised the 'catch and kill' whereby *Town Topics* agents would hunt down gossip and scandal and then approach those whose reputation stood at stake.[13] In exchange for a loan (which Mann had no intention of paying back), buying advertising in the magazine, or subscribing to an extortionately expensive volume published by Mann, the scandalous story would disappear. For the lucky few who paid enough, *Town Topics* could be a powerful ally, printing only positive reports and buttressing an individual's social capital in the financial marketplace. Those who did not pay, however, found themselves on the receiving end of Mann's sting. *Town Topics* avoided libel suits with another Mann innovation: the blind item, although hints as to the anonymous participants in a scandal were hardly subtle.[14]

Fortunately for the Hydes and their reputation for dependable life insurance, *Town Topics* was firmly in their corner. Henry Hyde had made a loan of $165,000 (through the Equitable) on real estate owned by William D'Alton Mann and his publishing company. In return, both Hyde senior and his son James were posted on the wall of the *Town Topics* office as immune from reports of scandal.[15] By the time of the ball, therefore, James Hazen Hyde was well known in New York society, but had few, if any, scandals attached to his name.

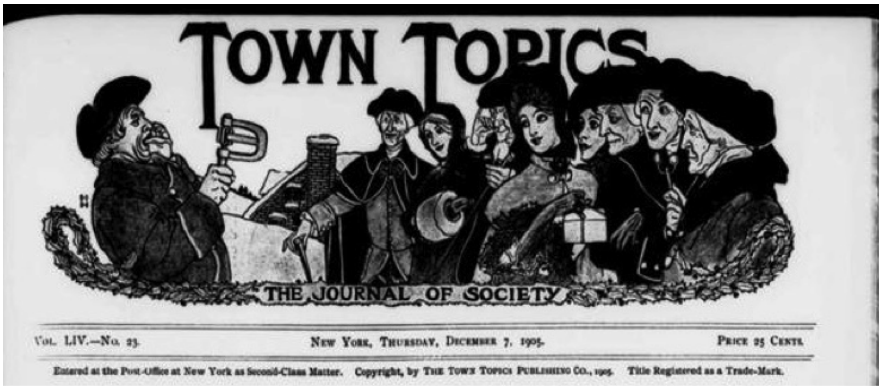


Figure 3: Town Topics: The Journal of Society', (December 7, 1905), 1. Source: Town Topics.

The ball itself seemed unlikely to change Hyde's reputation. While the ball was among the most noteworthy of the season, and *Town Topics* reported on men and women discussing the night and their costumes for weeks before and after, James Hyde's ball was hardly out of the norm of society balls.[16] Marie Antoinette and the French court were the height of fashion; just three weeks before Mrs Astor (the wife of the real estate mogul who would die with the sinking of the *Titanic*) had appeared in a Marie Antoinette costume at her own ball with a choker of pearls while coal baron, Henry Clay Frick (whose home, now the Frick Museum, was one of the grandest in New York), reportedly owned, and used, Louis XIV's throne.[17] Sherry's was a popular spot for balls and large expenses were to be expected.[18] More was more in Gilded Age society. Ballrooms were transformed into jungles, or fairylands, or even treasure islands. The hosts imported exotic animals. Costumes ranged wildly from satin lined tiger skins to hairpieces illuminated with little electric lights – an incredible, if somewhat dangerous, extravagance at the turn of the century.[19] At one notable debutante ball, the hosts had imported ten thousand butterflies that they hung from the ceiling in muslin pouches, but by the time they were released the insects had suffocated and, instead of the fluttering of thousands of beautiful wings, the guests were showered with dead insects.[20]

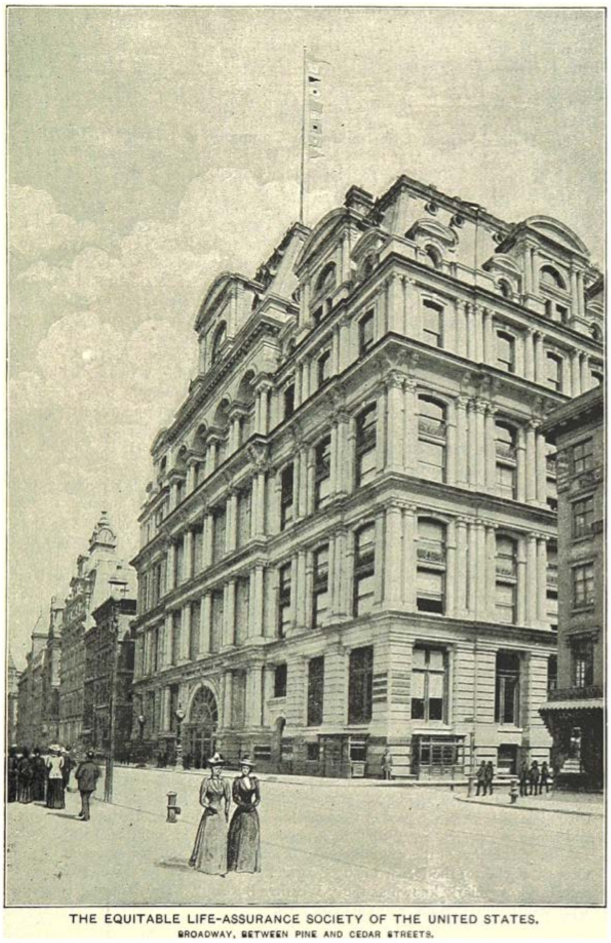


Figure 4: The Equitable Life Assurance Building in New York. Constructed in 1870, the building was the first in the world to feature passenger elevators. Source: Wikipedia.

Without any such mishaps, initial coverage of the Hyde ball was positive. Reporters had been allowed in to special viewing balconies to witness the night and by the following morning reports of the splendid event appeared throughout the New York newspapers. *Town Topics* reported that the ball "rivalled in splendour all the celebrated fancy dress affairs that have been given in the history of New York society."[21] Hyde, himself, appeared as a stylish, creative host.[22]

Just two weeks later, however, the tide turned. What had seemed impressive now appeared excessive. Most surprisingly of all, the catalyst for the sudden change came from within the Equitable company itself.

Equitable and "The Mud of Iniquity"[23]

In 1905, James Hazen Hyde was first vice president of the Equitable and set to assume the presidency the following year on his thirtieth birthday. The mutualized life insurance companies, including Equitable's two main competitors, Mutual Life and New York Life, were solely owned by policyholders who ostensibly chose the officers of the company. In contrast, the Equitable was not a mutual and was instead run by the stockholders. The stockholders of the Equitable were entitled to semi-annual dividends of up to 3.5%, but they were not entitled to a share of the surplus, which the Company ostensibly split between policyholders every five years, once a sufficient quantity had been retained to cover outstanding risks and obligations.[24]

Owning stock, however, offered another advantage: a seat on the board of directors. At the Equitable, the presidency (and thus control of the board), lay with whomever controlled the majority of the shares, soon to be James Hazen Hyde. Once Hyde assumed his new position, he would oust the current president (and trustee of Hyde senior's estate), James W. Alexander, and would presumably block the ascent of the ambitious second vice president, Gage E. Tarbell.

Control of the Equitable was an attractive prize. As Mann reminded his readers in February 1905, the three oligopolistic life insurance companies, the Equitable, New York Life, and the Mutual, controlled assets of "a billion and a quarter of dollars and represent a financial power not equalled by the Government banks or Treasury resources of all the great nations of Europe combined."[25] By 1905, the Equitable alone had an investment pool close to $400 million, approximately 1.5 percent of the US national income.[26] By comparison, the largest New York bank at the turn of the century (National City Bank, now Citibank) had assets of just $155 million.[27] At the start of the twentieth century, life insurance companies, not banks, dominated American finance and to control the Equitable was to control Wall Street.

With such substantial money on the table, New York's financial giants vied for access to the board of directors of the three largest insurers, the Equitable, New York Life, and the Mutual, and, with it, influence over the investment of company funds.[28] George Perkins, vice-president of New York Life, for example, also served as a partner in the investment bank, J P Morgan and Company. "Perky" Perkins sat directly across from Morgan at a shared partners desk and the two traded stocks as easily as they handed each other the morning paper.[29] At the Mutual, financial interests represented on the board included First National Bank, the investment bank Speyer and Co., and William Rockefeller of Standard Oil. In the Equitable, Hyde's friendship with the director of the Union Pacific Railroad, E. H. Harriman, gave Harriman and the investment bank, Kuhn, Loeb, favoured access to the company's funds for their initial public offerings. When Harriman and Morgan famously jostled for control of the Northern Pacific Railroad, it was with money from the Equitable and New York Life respectively at their disposal.[30]

The officers of the insurance companies drew large salaries. Hyde's salary had been raised to $100,000 in 1903. New York Life's president, John McCall, also drew a $100,000 salary while the Mutual's president, Richard McCurdy, earned $150,000 at a time when the average American wage was less than $500 per year.[31] Salaries, however, were just the beginning of the monetary benefits that life insurance executives could expect. Officers also ran underwriting syndicates where they drew large profits by buying and selling stock to their respective life insurance companies; they were awarded paid positions on the boards of banks and industrial companies; and they could use large and unsupervised expense accounts for dinners, dances, and travel.[32]

In addition to generating huge profits, the financial products offered by the life insurance companies were increasingly controversial. While the life insurance policies taken out by a family man to protect his widow and children in the event of his death was the height of respectability, other products the life insurance companies sold were far from it. The most provocative of these were 'deferred dividend policies', otherwise known as 'tontines'. In 1867, the ever innovative Henry Hyde had first introduced the tontine with a standard life insurance policy to the offerings of the Equitable.[33] Holders of tontine policies paid a monthly subscription fee for a specified period of five, ten, fifteen or twenty years. Policyholders, who died before the end of the term, received a death benefit but forfeited any accumulated dividends. Policyholders who missed a single monthly payment on a full tontine policy received no death benefit, dividends or nonforfeiture value. On a semi-tontine policy, policyholders received a small surrender value. Winners were the policyholders who survived the twenty-year term and received not only the dividends that they had accumulated on their own policy but also a share of the dividends accumulated by those who had died or whose policy had lapsed.[34]

Under the presidency of Hyde, tontines became the Equitable's hottest product. Families who sought security in old age and investors emboldened by the promise of financial reward flocked to buy policies. By 1885, tontines compromised the great majority of the company's new business. Other companies, including Mutual Life and New York Life, also started to offer tontine insurance. This contributed significantly to the growth of the life insurance business. By 1905, the $6 billion tontine industry represented over 7.5 per cent of total national wealth. In this same year, there were 9 million tontine policies in a time when there were only 18 million American households.[35]

Yet, for every winner – who managed to outlive their policy's term – there were many more losers. Observers railed against the unfairness of a scheme that was effectively encouraging policyholders to gamble on lives. Others objected to tontines because of the power that they afforded insurers. Companies set a high price for premiums and often paid much lower dividends than advertised. The deferred dividends accumulated by the insurers fuelled financial speculation that didn't directly benefiting policyholders.[36] In 1884, Connecticut Mutual Life, a company which refused to sell tontine insurance, took aim against the 'immorality' of the Equitable's business practices. The New York and Ohio Legislatures launched investigations into tontine corporations as public opinion rose against them.[37] In the meantime, tontines made the Equitable a veritable fortune, all under the control of the president of the board. If Tarbell and Alexander couldn't help it, that would shortly mean James Hazen Hyde.

To achieve their corporate take-over, Tarbell and Alexander decided to attack Hyde where he was most vulnerable, in his personal reputation. They approached board members, gathering signatures for a petition to mutualize the company with stories that Hyde had been misappropriating company funds to support his ostentations lifestyle. Importantly, and naively, they also went to the newspapers. Tarbell promised a reporter at *The World* that, "full particulars of the greatest business scandal this country has ever known… what I will give you will tear hitherto unblemished reputations and smear many men with the mud of their own iniquity."[38] Tarbell was not exaggerating.

By the middle of February, rumours about the ball's extravagance abounded.[39] Soon it seemed consensus that the ball had cost a staggering $200,000 and Hyde had charged the bills directly to the Equitable.[40] The *Journal-American* lead with a scathing attack on Hyde for squandering money that rightly belonged in the pockets widows and orphans. *Town Topics,* ever loyal to one of Mann's principal mortgage lenders, remained firmly in Hyde's corner applauding his "heritage of honesty, impregnable integrity and the whitest of personal business honor."[41] But Hyde was quickly losing his defenders.

As long as Henry Hyde, the founder of the company, was in power, the pushback that the Equitable faced did not place it in any real danger. Perhaps this was because Henry Hyde and the older generation of founders had been moderate in their displays of wealth. In contrast, James Hazen Hyde was of a different generation. He had a place at the centre of New York Society and he was happy to spend wildly to remain there. In addition, he had a conspicuously expensive hobby in the form of four-in-hand carriage driving.[42] Equitable president Alexander and second vice-president Tarbell feared that with the public mood turning against 'robber barons', Hyde's excesses might attract too much attention to the enormous wealth that life insurance officials were accumulating. *Town Topics* had already been approached by a former Equitable employee with stories of corporate malfeasance.[43] For now, the story had been squashed (for a fee of course), but for how much longer remained unclear. Something had to be done and, in early February, Tarbell and Alexander moved against Hyde.

Hyde did have supporters within the Equitable such as railroad magnate, E H Harriman, whom Hyde had brought onto the Equitable board. As offers to buy his stock began, Hyde turned them down and decided to fight for what he saw as his father's legacy. Board meetings descended into personal attacks as Alexander accused Hyde of "cultivating" "unpleasant notoriety" through unbridled consumption that "suggest by their obvious expensiveness the possibilities of enrichment in the service of the Society, which should not exist and are impossible to explain."[44] The Hyde faction, for their part, accused Alexander and Tarbell of treachery and greed and targeted Alexander, in particularly, for betraying the trust of his friend and mentor, the late Henry Hyde.[45]

By March, a new faction, supposedly representing the interests of the policyholders had emerged but did little to bring an end to the affair. In April, to break the stalemate in the Equitable leadership, the Board of the Equitable appointed a committee led by coal baron, Henry Clay Frick, and including Union Pacific director, E H Harriman, and Great Northern Railroad director, James J Hill, to thoroughly investigate and advise upon the management of the society.[46] Public interest in the Equitable 'squabble' continued to grow, however, and in mid-April the New York Superintendent of Insurance Francis Hendricks opened the first official external inquiry into the affair.

Drastically misreading the public mood, Tarbell and Alexander believed any attention they drew to Hyde's mismanagement of company funds would be contained in a criticism of Hyde. But as the press attacked Hyde's social reputation and Hyde refused to leave quietly, the corporate reputation of the Equitable plummeted and soon questions were raised about the apparent problems throughout the life insurance industry.

Sensational Disclosures

As Spring 1905 drew to a close, the Equitable scandal seemed, if anything, to gather steam. Now some four months after the ball, *Town Topics* was still spending pages of ink on the affair. Every issue revealed a new twist in the case. As the social scandal deepened, investors on Wall Street began to question the ties between life insurance and the wider financial markets. With the "Equitable squabble" developing into "a matter of general interest", stock prices dropped quickly as "public confidence" in the market fell away.[47] At the beginning of June, the internal Frick committee made their report, criticizing the management of the Equitable and calling for the removal of both Hyde and Alexander.[48] Hyde would feel the betrayal, particularly on behalf of Harriman, for the rest of his life. The report found "excessive salaries, excessive commissions, excessive expenses, superfluous offices [and] a general lacking in the organization of that strong moral fibre so essential for the accomplishment of satisfactory results."[49] The following week Hyde sold the majority of his shares to tobacco magnate Thomas F. Ryan for $2.5 million in cash.[50] As a term of the sale, Ryan was to place the shares in a trust run by ex-President Glover Cleveland, Supreme Court Justice O'Brien, and railroad air-brake innovator and industrialist, George Westinghouse. These three men were specifically chosen for their "highest character, experience, and sagacity."[51] The new leadership of the Equitable hoped that their personal reputations could restore confidence in the company. But, by this time, the scandal had reached gargantuan proportions and stretched far beyond the boardroom of the Equitable. Removing Hyde and Alexander would not be enough to restore the company's shattered corporate reputation nor that of the industry itself.

While Hyde was selling his stock, the Superintendent of Insurance, Francis Hendricks, was busy investigating the Equitable scandal. His first report appeared on June 21st and was widely publicized.[52] It called attention to "grave abuses of management" and irregularities.[53]

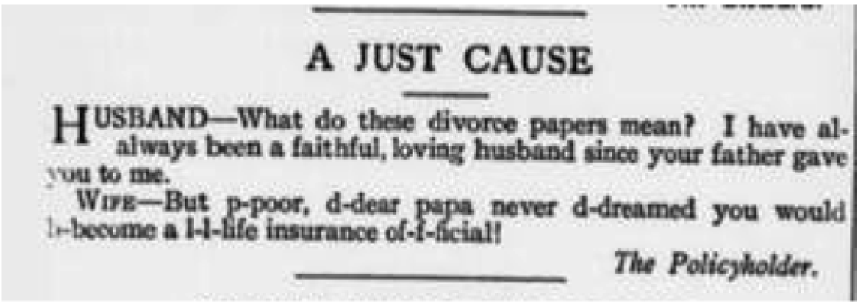
Meanwhile confidence had not returned to the financial markets. Watchers of Wall Street feared that the Equitable scandal would affect the entire business of life insurance and the stock market more generally. Although panic had not set in, Mann had observed a "downward movement in the stock market … after a period of drastic liquidation" in early May.[54] Yet *Town Topics* remained hopeful, at least in public. The financial column 'Other People's Money', offered the same advice week after week: stand pat (or 'hold' in the modern vernacular).[55] In order to restore confidence – an essential component for bull markets – Mann wrote that the investigation would awaken a new sense of responsibility and reform among life insurance officials.[56] Transparency and regulation would regenerate the market.[57]

By September, Joseph Pulitzer's daily newspaper, *The World* (after which the American baseball contest, *The World* Series, was named), had carried more than one hundred editorials demanding an investigation.[58] Finally, on 6 September 1905, the state investigation, known as the Armstrong Committee, began. Although the committee was named after William Armstrong, the chairman, the real star of the show, was the committee's counsel: Charles E. Hughes. It was Hughes' aim to find out whether executives were making appropriate use of policyholders' money.

Day after day, senior executives in insurance took the stand and revealed practices we'd now term self-dealing, insider trading, price-fixing, accounting malpractice, and corporate funding of personal interest, not to mention rampant nepotism, lobbying, and bribery.[59] It soon became clear to the committee that the leading insurers were also engaged in the controversial practice of twisting (wherein agents libelled rival firms in a bid to convince policyholders to switch allegiances) and rebating (a negotiated kickback to favoured customers that involved illicit collusion).[60] Describing an apparently scandalous industry, , Hughes exposed the insurance company executives as arrogant, entitled men who seemed to have little shame about their illicit activities. For example, when E. H. Harriman, who ran the Union Pacific, was pressed about corrupt practices at the Equitable, he boasted "I should think Mr Odell [the Republican party boss] had political influence because of his relation to me [rather than vice versa]."[61] Corporate corruption and political corruption appeared to function hand-in-hand.

The political networks of the insurance companies ran deep. The Equitable, New York Life, and the Mutual had split the country into three regions where each paid hefty sums to keep unfavourable regulation out of the state legislatures. Their reach also extended to the Federal Government. In one of the most disturbing revelations of the investigation, it appeared that the life insurance companies employed lobby agents in Washington D.C. to defeat a revision of the tariff, a move which was widely believed to protect the corporate interests of Wall Street financiers while damaging the interests of individual policyholders.[62] The findings from the Armstrong investigation prompted many other states to open their own enquiries,

including New Jersey, Massachusetts, Ohio, Missouri, Wisconsin, Tennessee, Kentucky, Minnesota, and Nebraska.[63] What had once been a regional investigation had soon become a national scandal.
The individual reputations of life insurance officials plummeted. From responsible, reputable men upholding the sacred trust of policyholders, adjectives such as rotten, dishonest, corrupt began to be used to describe life insurance executives.[64] And while *Town Topics* initially held that the trustees of life insurance companies were "neither adventurers, rogues, cheats, nor gamblers,"[65] just a week into the Armstrong Hearings, Mann published the following joke (figure 5). Being a life insurance official now appeared scandalous enough to be grounds for divorce.


A JUST CAUSE

HUSBAND—What do these divorce papers mean? I have always been a faithful, loving husband since your father gave you to me.

WIFE—But p-poor, d-dear papa never d-dreamed you would b-become a l-l-life insurance of-f-ficial!

The Policyholder.

Figure 5: 'A Just Cause' Town Topics (September 28th 1905) (148).
Source: Town Topics.

By October, James Hyde's ostensible defender, Mann was writing that, "the cover is lifted from the cesspool… Already the faces of several of the squirming, dishonest, unfaithful, contemptible thieves, whose cupidity and total lack of honor and decency have made them willing to descend into the noxious tank of infamy, have been turned up and are widely recognised… There are plenty more that Mr Hughes will lift to the public view… Its exposure is a necessity to its eradication…The loathsome excrescence on the general magnificent business body of America must be dug out root and branch."[66]

Figure 6: This cartoon entitled, 'Turn the Rascals Out: After the Investigation – The Strictest Economy". It shows a ship named "Life Insurance" taken over by pirates labelled "Pres. $100,000, 1st V.P. $50,000, 2nd V.P. $40,000, 3rd V.P., 4th V.P., 5th V.P. and Sonny" who are forcing scapegoats to walk the plank, an "Old Clerk, Office Boy, Pensioner, Janitor, Scrubwoman, and The Goat". Source: Keppler, U. J. (1905) "Turn the rascals out" / K., 1905. N.Y.: J. Ottmann Lith. Co., Puck Bldg., Library of Congress, www.loc.gov/item/2011645744/

Despite *Town Topics'* ever greater ravings about the excesses of the life insurance world, Mann continued to protect Hyde's personal reputation. Indeed, although Hyde's scandal had sparked the whole affair, Hyde seemed to have chosen just the right moment to exit the stage. He still appeared in society and was at various times mentioned in potential engagements. Hyde took his regular summer vacation from the city and returned in mid-October to testify to the committee. On the stand, Hyde appeared at times naïve and trusting, and at others careless or disingenuous.[67] By November, he was preparing to expatriate to France.

Since Hyde's ball in January, the insurance scandal had gathered more and more steam. It dominated the social, financial and commercial year.[68] Only two of the weekly issues of *Town Topics* in 1905 mentioned neither Hyde's ball nor the life insurance scandal.[69] The revelations of the year had rocked the industry to the core. By the beginning of December, the Presidents of each of the big three life insurance companies had resigned.[70] Early December also brought JP Morgan, the investment banker, into the spotlight, as Morgan partner George Perkins, took to the stand to answer for his involvement in New York Life.[71] To protect the company's own reputation, Morgan turned on Perkins and ordered his own internal investigation into Perkins' financial transactions.[72] Relationships with life insurance officials had transformed from lucrative to potentially damaging. Corporate reputation was increasingly infused with personal disgrace.

At the height of the scandal, the daily papers in New York frequently referred to life insurance officials as "the meanest type of thieves, robbers, and embezzlers".[73] The criminals were obvious to all, their crimes clear, all that mattered now was for New York's crusading District Attorney, William Travers Jerome to formally indict them.

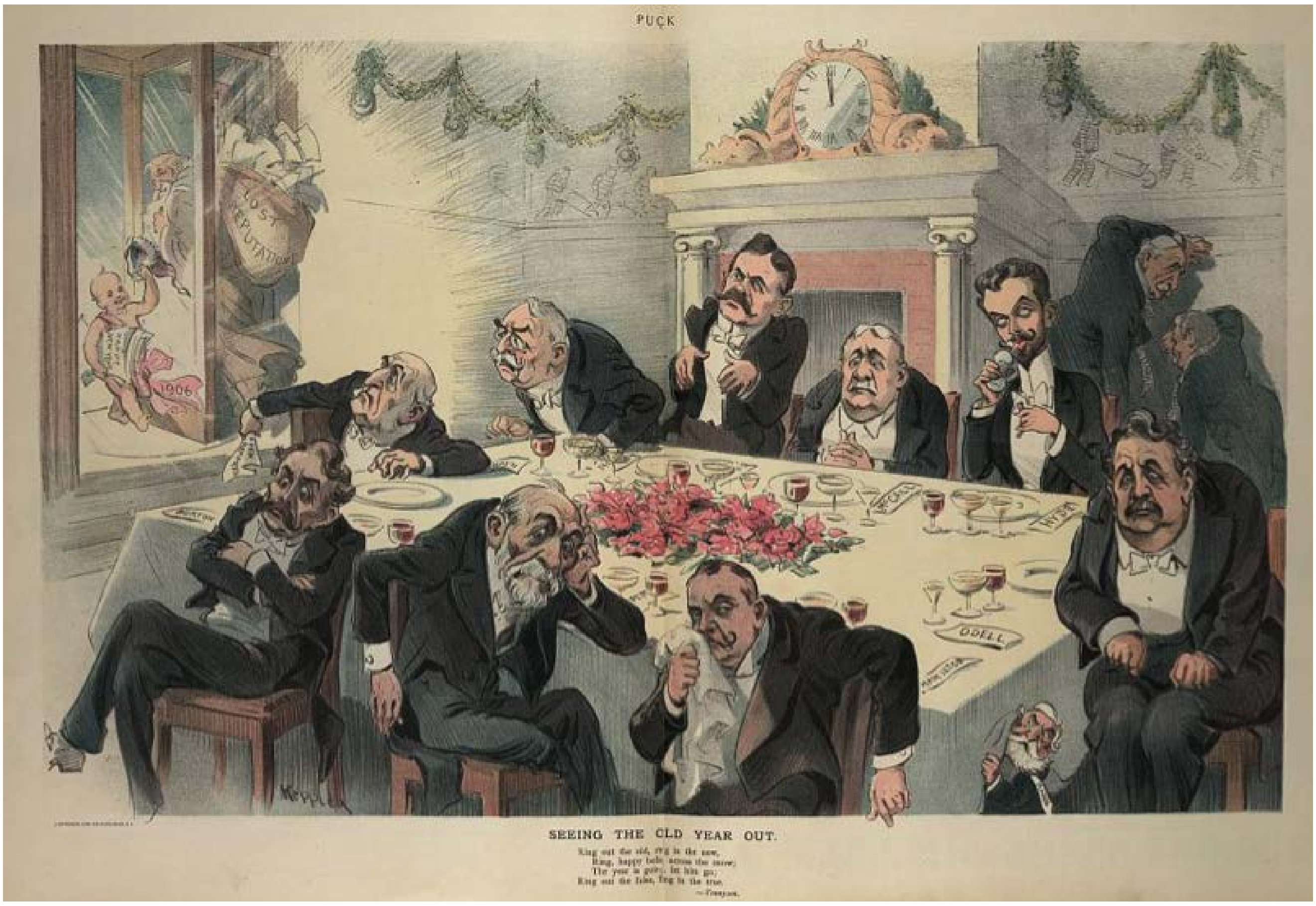


Figure 7: This cartoon, entitled 'Seeing the Old Year Out', depicts a group of men including James Hazen Hyde, Francis Hendricks, Richard McCurdy, and George Perkins gathered for a banquet as an old man labelled 'Lost Reputation' makes a hasty exit and a cherub labelled 1906 enters. William D'Alton Mann peers out from under the table where he has been scavenging for scraps. Source: Keppler, U. J. (1905) Seeing the old year out / Keppler., 1905. N.Y.: J. Ottmann Lith. Co., Puck Bldg. www.loc.gov/item/2011645767/.

After the Armstrong Investigation

In the winter of 1905, William Travers Jerome was re-elected as New York's District Attorney. Once again, his campaign promised reform and to deliver justice to New York's robber barons, but for the first time, Jerome included corrupt life insurance officials among his promised targets.[74]

All through the autumn, Jerome poured over the insurance investigation documents looking for indictable crimes. Here was evidence of twisting the accounts, of self-dealing, of using corporate funds for personal and private affairs, of bribing newspaper men, and lobbying politicians. All of it "immoral, unethical, dastardly"; yet none of it illegal.[75] Jerome's failure to prosecute any of the major life insurance officials damaged his own reputation, just as Francis Hendrick's failure to prevent corporate misdeeds damaged his credibility as the Superintendent of Insurance.[76] Only Charles E Hughes came off well.

His turn as the brilliant, likeable counsel for the Armstrong Committee, propelled him to the capital city of Albany as Governor in 1907 and then to the United States Supreme Court in 1910.

While the officials of the life insurance companies of the Gilded Age would not have to answer for their misdeeds and vast fortunes, their glory days were over. The New York legislature adopted all of the recommendations of the Armstrong Committee. From 1906 no longer would insurance companies be allowed to own stock, control banks, or underwrite securities.[77] New regulation restricted the type of policies insurers could sell and capped the amount of new insurance that a company could write per year.[78] Additional legislation limited lobbying practices, capped campaign contributions, eliminated proxy voting, standardized policy forms, and placed a check on the practices of rebating and twisting. In what came as the biggest blow to the life insurance business, tontines were outlawed and insurance companies were required to make regular dividend payments to policyholders. Although no federal legislation was ever enacted, other states followed New York's regulatory lead. States including Florida, Wisconsin, Massachusetts, Kansas and Texas also looked into the practicality of establishing public or semi-public insurance plans.[79] Regulation took hold.

What began with a ball and one man's social reputation, revealed a company's misdeeds, and exposed an industry's wrongdoings as their corporate reputation fell. The effects on life insurance and the financial landscape of the United States would last into the twenty-first century. Life insurance had been transformed from the beating, innovative heart of Wall Street with a seat at every table, into a financial utility that was little more than commodity. Investment banking replaced life insurance as the driving force of American financial markets.

Society gossip, on the other hand, was quick to move on. With the insurance scandal over, and the life insurance industry seemingly neutered, other newer scandals would emerge to grip New York society. Yet, for once, *Town Topics* would be the object of gossip and not just the purveyor. In early 1906, *Town Topics* sued *Collier's,* a muckraking magazine, for criminal libel after *Collier's* published accusations of *Town Topics'* nefarious business practices. With talk of blackmail, perjury, and gossip in the air, New York's attention turned to the courtroom where Jerome dived into the scandalous business of social reputation. When Mann took to the stand, he denied all of *Collier's* charges but the court found no libel had been committed. *Collier's* reports of blackmail and scandal within *Town Topics* had considerable merit. Although *Town Topics* survived, the libel suits streamed in and the magazine inevitably lost some of its bite.

Figure 8: The Gardens at James Hazen Hyde's Estate at Versailles. Source: 'France, ca. 1932. James Hazen Hyde gardens, designed by Hazen Hyde to surround his 19th-century estate, near Versailles. View of house and garden.' Bonney, Therese. 1925. Therese Bonney photographs, 1925-1937., Smithsonian Libraries, https://library.si.edu/image-gallery/91019

As for James Hazen Hyde, he had had enough of New York. Always an avowed Francophile, Hyde decided to move to Paris. Before he left America, Hyde auctioned his stables. The contents testified to the wealth and extravagance of the Gilded Age financial elite:
"a road coach, mail coach, park drag, pony coach, body break, two skeleton breaks, three opera busses, two hansoms, two broughams, two victories, mail and spider phaetons, gigs, jogging, shooting, dog and tandem carts, buggies and runabouts, express wagons, cutters and sleighs… twenty-four sets of four-in-hand harness, cock horse, tandem and English postillion harness and dozens of saddles. Hundreds of blankets and robes and dozens of liveries."[80]

The auction brought in well over half a million dollars, money Hyde used to start his new life in Paris.[81] In addition to his house in the city, Hyde purchased a "small country place": fittingly, a large estate in Versailles on property once gifted to Madame la Pompadour by Louis XIV.[82] There Hyde spent his days organising lectures and collecting books. In losing his father's legacy, James achieved his dearest ambition. James Hyde became a landed French intellectual at last.

Endnotes

[1] Mary Cummings, *Saving Sin City: William Travers Jerome, Stanford White, and the Original Crime of the Century* (New York, 2018), loc2225.
[2] 'James H. Hyde Gives Splendid Costume Fete,' *New York Times* (1 Feb 1905), 9.
[3] 'James H. Hyde Gives Splendid Costume Fete,' 9.
[4] 'At The Play,' *Town Topics,* (16 February 1905), 18.
[5] James H. Hyde Gives Splendid Costume Fete' 9.
[6] Patricia Beard, *After the Ball: Gilded Age Secrets, Boardroom Betrayals, and the Party That Ignited the Great Wall Street Scandal of 1905* (Bloomington 2009), loc 154.
[7] 'Saunterings,' *Town Topics* (23 February 1905), 12.
[8] Sharon Ann Murphy and Timothy Alborn (eds.), *Anglo-American Life Insurance, 1800-1914*, 3 vols. (London, 2013), vol. 1, xvi.
[9] Murphy and Alborn, *Anglo-American Life Insurance*, vol. 1, xi.
[10] Ibid., vol. 1, xvii.
[11] Ibid., vol.1, xiii.
[12] Peter Knight, 'Reading the Market: Abstraction, Personification and the Financial Column of Town Topics Magazine,' *Journal of American Studies*, 46:4 (November 2012) 1055-1074.
[13] For a contemporary account of this practice, see Ronan Farrow, *Catch and Kill: Lies, Spies and a Conspiracy to Protect Predators* (New York, 2019)
[14] Andy Logan, *The Man Who Robbed the Robber Barons* (New York, 1965).
[15] 'The Year in Society,' *Town Topics,* (7 December 1905), 32.
[17] 'Saunterings,' *Town Topics* (12 January 1905), 1.
[18] See, for example, 'The Year in Society,' *Town Topics,* (7 December 1905), 31- 32; 'The Fashionable World,' *Town Topics* (16 February 1905), 15; 'Saunterings' *Town Topics* (5 January 1905), 4-8.
[19] Beard, *After the Ball*, chpt 13.
[20] Beard *After the Ball,* loc 2191.
[21] 'Saunterings,' *Town Topics* (2 February 1905), 4
[22] 'The Year in Society,' *Town Topics,* (7 December 1905), 32
[23] Gage Tarbell to the World extracted in Beard, *After the Ball*, loc 49.
[24] 'Report of the Joint Committee of the Senate and Assembly of the State of New York Appointed to Investigate the Affairs of Life Insurance Companies' (Albany, 1906), 91.
[25] 'Saunterings,' *Town Topics* (23 February 1905), 11. While this may have been a slight exaggeration, historian Patricia Beard confirmed that the Equitable had a larger investment pool than the Bank of England at the height of the British Empire. Beard, *After the Ball,* loc 131.
[26] Beard, *After the Ball,* loc 131.
[27] Mark J. Roe 'Foundations of Corporate Finance: The 1906 Pacification of the Insurance Industry,' *Columbia Law Review* 93:9 (April 1993), 639-684.
[28] Douglass C North, 'Life Insurance and Investment Banking at the Time of the Armstrong Investigation of 1905-1906,' *Journal of Economic History* 14:3 (1954), 209-228.
[29] North, 'Life Insurance,' 212; John A Garraty, *Right-Hand Man: The Life of George W. Perkins* (New York, 1960).
[30] Beard, *After the Ball*.
[31] 'Report of the Joint Committee'.
[32] 'Report of the Joint Committee'.

[33] Jonathan Levy, *Freaks of Fortune: The Emerging World of Capitalism and Risk* (Cambridge, Mass., 2012), 215.
[34] Daniel D. Skwire, 'David Graham Phillips and the Great American Insurance Novel', *Contingencies Online*, November/December 2011, 42.
[35] Levy, *Freaks of Fortune*, 215-16.
[36] Skwire, 'David Graham Phillips', 42-3.
[37] Levy, *Freaks of Fortune*, 216-17.
[38] Quoted in Beard, *After the Ball*, loc 49.
[39] See 'Saunterings,' *Town Topics,* (23 February 1905), 10-14.
[40] Beard, *After the Ball*, loc 2507.
[41] 'Saunterings,' *Town Topics*, (April 13, 1905), 12.
[42] 'Saunterings,' *Town Topics* (23 November 1905), 6.
[43] Logan, *The Man Who Robbed,* 160.
[44] Beard, *After the Ball,* loc 2638.
[45] See 'Saunterings,' *Town Topics* (13 April 1905), 11-12;'Saunterings,' *Town Topics* (6 April 1905), 12-13.
[46] 'Report of the Joint Committee,' 94.
[47] 'Other People's Money,' *Town Topics* (4 May 1905) 21-22; 'Other People's Money,' *Town Topics* (11 May 1905), 22-23.
[48] 'Report of the Joint Committee,' 95.
[49] 'Report of the Joint Committee,' 95.
[50] 'Report of the Joint Committee,' 95.
[51] 'Saunterings,' *Town Topics* (15 June 1905), 12.
[52] 'The Battle of the Equitable,' *Town Topics* (8 June 1905), 18.
[53] 'Report of the Joint Committee,' 100.
[54] 'Other People's Money,' *Town Topics* (4 May 1905) 21-22.
[55] 'Other People's Money,' *Town Topics* (18 May 1905) 20-21.
[56] 'Saunterings,' *Town Topics* (14 September 1905), 11.
[57] 'Saunterings,' *Town Topics* (21 September 1905), 12; 'Saunterings,' *Town Topics* (26 October 1905), 12.
[58] Roe, 'Foundations of Corporate Finance,' 639-684.
[59] Roe, 'Foundations of Corporate Finance,' 639-684.
[60] Murphy and Alborn, *Anglo-American Life Insurance*, vol. 2, 359.
[61] Roe, 'Foundations of Corporate Finance,' 639-684.
[62] 'Saunterings,' *Town Topics* (12 October 1905), 12-13.
[63] Murphy and Alborn, *Anglo-American Life Insurance*, vol. 2, 359.
[64] 'Saunterings,' *Town Topics* (14 September 1905), 11.
[65] 'Saunterings,' *Town Topics* (14 September 1905), 11.
[66] 'Saunterings,' *Town Topics* (12 October 1905), 13.
[67] Beard, *After the Ball*, loc 4199.
[68] 'Saunterings,' *Town Topics* (7 December 1905), 16.
[69] These two issues were 5 January 1905 and 31 August 1905.
[70] 'Saunterings,' *Town Topics* (23 November 1905) 12-13; 'Saunterings,' *Town Topics* (7 December 1905), 16.
[71] 'Wall Street Whispers,' *Town Topics,* (30 November 1905), 22.
[72] 'Saunterings,' *Town Topics* (7 December 1905), 16.
[73] 'Saunterings,' *Town Topics* (26 October 1905), 12.
[74] 'Saunterings,' *Town Topics* (2 November 1905), 12.
[75] Cummings, *Saving Sin City*, loc 2689
[76] 'Saunterings,' *Town Topics* (9 November 1905), 10.
[77] Roe, 'Foundations of Corporate Finance,' 639-684.
[78] Roe, 'Foundations of Corporate Finance,' 639-684.
[79] Murphy and Alborn, *Anglo-American Life Insurance*, vol. 2, 360.
[80] 'Saunterings,' *Town Topics* (23 November 1905), 6.
[81] Beard, *After the Ball*, loc 4191.
[82] Beard, *After the Ball*, loc 4542.