

OTHER INSURANCE SCANDALS COME TO LIGHT

As was expected when the methods of the Equitable were exposed, the other large life insurance companies have been having a carnival of graft. The officers admit the practice of deception, the use of dummy note-makers and the existence of inside syndicates of company officials, and they admit these things with an indifference which indicates an astonishing moral obtuseness.

A few years ago these men paraded the streets and boasted a superior morality. They posed as champions of national honor and denounced the democratic party as a dishonest organization.

It will shock many confiding souls to find these leaders of finance, these guardians of sacred trust funds, engaged in all kinds of duplicity and dishonesty. But the investigations will not only lead to remedial legislation but they will show the necessity for independent thought and independent opinion. It is not safe to let others—even though they be financiers—do your thinking for you. Confidence is likely to be abused as it has been abused by the managers of the great insurance companies. It was never intended that a few men should do the thinking for the people.

"Deceiving the Government"

In a recent number of the Chicago Record-Herald, a republican paper, an editorial entitled "Deceiving the Government" appeared, which editorial was as follows:

"In all the revelations concerning the Equitable Life Assurance Society it is doubtful whether there was anything more shameful than the action of the New York Life Insurance company in deliberately falsifying its own books in order to deceive the Prussian government. The company owned certain securities, including steel bonds and railway stocks, which the Prussian government regarded as unsafe investments for an insurance company. Unless these securities were disposed of, the New York Life would be barred out of Prussian territory. According to the admission of Edmund D. Randolph, the treasurer of the company, the books of the company were made to show that these securities had been sold. Actually, however, the securities were merely put up as collateral for a loan to the New York Trust company. And to cover the transaction the notes were signed, not by the life insurance company but by a bond clerk and a messenger, the latter of whom was on a salary of \$600 a year. The amount involved was above \$3,000,000. To make the matter worse the trust company was itself under the control, and ultimately the prop-

erty, of the New York Life company, but in order to hide the ownership the stock had been transferred to trustees. Here was double-dyed deception. If the New York Life Insurance company deceived the Prussian government in this manner, to what extent has it deceived our own state governments and their inspectors? The impression is abroad that if it has not found it necessary to falsify its books for home uses, it is only because it, like other companies, has been on such friendly terms with the New York insurance department that such methods were unnecessary. Manifestly the officials of a company that have thus betrayed their trust are utterly unfit to continue in the management of policy-holders' money. The fact that the slime of syndicate operations seems to cover them does not make their position any the better."

"Life Insurance Scandals"

In a recent number of the Chicago Tribune, a republican paper, an editorial entitled "Life Insurance Scandals" appeared, which editorial was as follows:

"When Mr. Thomas W. Lawson, in his magazine articles, incidentally referred to scandals which were said to exist in many life insurance companies people were disposed to discount his statements. No one at that time was prepared to believe that the life insurance companies, which were supposed to be in the hands of high minded, honorable men, could be guilty of the practices alleged by Mr. Lawson. It is now apparent that he did not tell half the truth. The managers of these companies themselves admit being engaged in operations worse than those he charged against them. People will not know how to reconcile the behavior of J. Pierpont Morgan, for instance, with his standing in the community as a gentleman and man of honor. Surely it can not be held as appropriate that he should take from the New York Life Insurance company its principal vice president, occupying the position of chairman of its finance committee, and make him a partner in the banking house of J. P. Morgan & Co. If Mr. Perkins had retired from the position of vice president of the insurance company when he became a member of the banking firm he would not have been open to criticism, but it was impossible for him to discharge faithfully the duties of trustee and promoter at the same time. The law does not hold such relations as equitable. There have been many instances in the courts of trustees who have taken advantage of their positions being compelled to turn over to their principals the profits of their

transactions. 'No man can serve two masters, for either he will hate the one and love the other, or else he will hold to the one and despise the other.' Mr. Perkins can not properly discharge his duties as vice president of the insurance company and at the same time as a member of the Morgan firm. J. P. Morgan & Co. is not an ordinary banking firm. It is a promoting firm, a floater of bonds and stocks, and its relations to corporations like the New York Life Insurance company could not, under the circumstances, be entirely free from taint.

"When we come to such transactions as those by which the New York Life Insurance company put out of its hands large amounts of industrial securities to deceive the German government we are perilously near the region of plain fraud. How can any one engaged in the life insurance business reconcile transactions of that kind with his conscience and sense of duty as a trustee? The drift of legislation in all the states is plainly opposed to the use of public money for private purposes. So far as legislators are able to effect it treasurers are forbidden to take interest on public money or to speculate with it, under the severest penalties, which often involve penitentiary sentences. We fail to see in what particular the abuse of a position as a private trustee differs from abuse of a position as public trustee, except that the penalties are lighter in one case than in the other.

"Manifestly there is need for the overhauling of the entire life insurance system and for its divorce from trust companies and inside corporations, through which some managers apparently are seeking to enrich themselves. If there are any profits from such transactions the policy holders should be the beneficiaries. The temptation to accept dubious securities offered by a member of a banking firm to himself as chairman of a finance committee must be well nigh irresistible. Such transactions can only be called by one name—'graft,' even when practiced by 'honorable men' standing high in the community and famous for acts of charity and public spirit. The word 'graft' in its secondary sense has not yet been fully adopted into the language, but people know well enough what it means. The Century dictionary defines 'grafting' as follows: 'The act of inserting a shoot or scion taken from one tree into the stem or some other part of another,' etc. This is precisely what was done with Mr. Perkins when he was taken from the life insurance company and inserted in the banking house; and he produced fruits as a banker that did not properly belong to the stem upon which he was grafted."

TWO FIGURES

Governor Black of New York in presenting the name of Theodore Roosevelt before the Republican National convention for 1904, used these words:

"The fate of nations is still decided by their wars. You may talk of orderly tribunals and learned referees; you may sing in your schools the gentle praises of the quiet life; you may strike from your books the last note of every martial anthem, and yet out in the smoke and thunder will always be the tramp of horses and the silent, rigid, upturned face. Men may prophesy and women pray, but peace will come here to abide forever on this earth only when the dreams of childhood are the accepted charts to guide the destinies of men. Events are numberless and mighty, and no man can tell which wire runs around the world. The nation basking today in the quiet of contentment and repose may still be on the deadly circuit and tomorrow writhing in the toils of war. This is the time when great figures must be kept in front. If the pressure is great the material to resist it must be granite and iron."

Who will say that the Theodore Roosevelt urging the Portsmouth conference to peace terms is not a more superb figure than the Theodore Roosevelt described by Governor Black as "granite and iron" and as one who represents not the doctrine of peace and arbitration but the doctrine that the destinies of nations must still be settled by their wars?

GOOD WORK

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