Those palazzos, with all their costly furniture, and all their splendid equipages, have been the product of the same genius in their proprietors, which has made the “Confidence Man” immortal and a prisoner at “the Tombs.” His genius has been employed on a small scale in Broadway. Theirs has been employed in Wall Street. That’s all the difference. He has obtained half a dozen watches. They have pocketed millions of dollars. He is a swindler. They are exemplars of honesty. He is a rogue. They are financiers.

“The Confidence Man’ on a Large Scale,” New York Herald (1849)

We are now forming new combinations of the $25, $50, $100, and $500 classes for this purpose, which we confidently recommend to our old customers and friends. While all of these combinations afford equal privileges and prospects, we would remind our friends that experience has proved that the larger amounts, having the greatest power, usually yield the greatest profits.

Lawrence & Company, Special Announcement (1879)

This vast mysterious Wall Street world of “tips” and “deals”—might she not find in it the means of escape from her dreary predicament?

Edith Wharton, The House of Mirth (1905)

An issue that repeatedly vexed Americans in the Gilded Age and the Progressive Era was the role that personal connections should play in market exchanges in general, and in the workings of the stock market in particular, that supposedly
purest expression of the free market. Were those personal connections, in fact, the systematic operation of social capital? Were the fluctuations in prices in the stock market a result of the vast, impersonal, uncontrollable aggregation of individual desires, or were they being manipulated through inside information by the elite? On the other hand, in a modern economy, was there still room for friendship in business transactions? What role did seemingly noneconomic emotions, such as trust, play in the age of Trusts? This chapter will argue that the continuing importance of the rhetoric and the reality of personal connections in a seemingly impersonal market complicates the standard story of the great transformation—from an economic order governed by traditional relationships of status to one ruled by the law of a free-market contract—as far from straightforward.

The chapter explores a number of different accounts and episodes that highlighted the problematic relationship between a sentimental and an exchange economy, focusing on the idea of inside information, not only as a business practice and a legal category, but also as a form of understanding and a narrative structuring device. It begins by considering the confidence trick and other forms of fraud that worked by appealing to personal connections. I first discuss Herman Melville’s tricksy novel, *The Confidence-Man* (1857), because, in a prescient fashion, it worries away at the question of just how much trust and suspicion were appropriate in the rapidly expanding marketplace of midcentury America. Melville’s novel, I argue, shows how the confidence game worked, not merely by gulling innocent greenhorns new to the city, or even by using clever psychology to speak to the unspoken greed of the not-so-blameless victims. It shows instead how the con trick functioned: by mimicking the rhetoric and reassurance of a contract infused with the “Wall Street spirit,” while, at the same time, appealing to an older tradition of personal connections. The chapter next examines what we might term the industrialization of the confidence trick around the turn of the twentieth century, with the mass production of fraud raising to a new level the fundamental sleight-of-hand between gift and grift that is at the heart of Melville’s novel. It was not just the conceptual slipperiness of the confidence trick that made it so appealing and persistent; the legal definitions of “larceny by false pretenses,” “inside dealing,” and other forms of fraud remained fraught and fluid throughout the period. In many respects, the modern prohibition against the use of inside information in business transactions in general, and in the stock market in particular, did not come into effect until the New Deal reforms of the 1930s. This chapter argues that inside dealing, in the broadest meaning of this term, was not merely an occasional lapse, but was absolutely vital
to both the way Americans thought about the market and the way they interacted with it.

The second half of the chapter explores the role of inside information in the novel, focusing in detail on William Dean Howells’s *The Rise of Silas Lapham* (1885) and the three major novels of Edith Wharton. The reason for looking closely at these novels is that writers in this period returned repeatedly to the question of the possibility or impossibility of a moral economy in a world that seemed increasingly governed by the blind forces of economic and biological determinism—a preoccupation that, in turn, was part of the larger aesthetic and ideological debate between the older conventions of sentimentalism and the newer logic of realism and naturalism. This thematic dilemma, I contend, also underpins the formal difficulties many writers in this period encountered as they struggled to bring together (or, in some cases, to keep apart) the love plot and the business plot in their novels.

**The Con Trick in the Age of Contract**

Melville began work on *The Confidence-Man* during 1855 and 1856, a moment of economic boom before the panic of 1857, which once again plunged the American economy into crisis. Even before the crash, Melville’s own finances were in a perilous state, in part because he had received a hazily phrased loan to buy a house in the Berkshires in Massachusetts from his father-in-law, Lemuel Shaw, chief justice of the Massachusetts Supreme Court, whose legal work, ironically, significantly contributed to a rethinking of the traditional nature of obligations in an emerging corporate economy. Making matters worse, *The Confidence-Man* was the nail in the coffin of Melville’s career as a commercially successful novelist, and, to cap it all off, even Dix & Edwards, the publishers of this novel, went bankrupt in the panic of 1857, a nationwide financial meltdown widely blamed on a “want of confidence” (*CM*, 71). The circumstances in which Melville composed *The Confidence-Man* encapsulate the dilemmas with which the novel grapples. *The Confidence-Man* provides a series of meditations on how much trust and how much suspicion were appropriate in the global marketplace emerging in the 1840s and 1850s, an economy animated by the wild confidence of boosterism, but also racked by the endless suspicion of having to deal with strangers. Was confidence vital to the promotion of a credit-based, expansionary economy, or was the human bond of trust damaged by the emergence of that economy? As the protagonist of *The Confidence-Man* piously explains as he fleeces another victim: “Confidence is the indispensable basis of all sorts of business transactions. Without it, commerce between man and man, as between country and country, would,
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like a watch, run down and stop” (155). The Confidence-Man is less a transcendent critique of capitalism as such than an embodiment of the emotional and conceptual problems caused by the intrusion of the placeless financial market into every corner of American life. In the world of Melville’s novel, there are few, if any, guarantees of knowing the true worth of the person or the banknotes the hapless characters are doing business with. The society depicted in this book is one in which the traditional bonds and obligations of kinship, neighborhood, and shared political, religious, and cultural commitment have been unmoored. This situation creates an alienated and individualist society in which freedom of contract is seemingly the only rule governing relationships between people. In this world of chance encounters with strangers, a mastery of the everyday semiotics of commercial culture is crucial. The novel offers a self-reflexive meditation on the problem of reading in a market society. The potentially infinite regress of a literary interpretation of an author’s meaning is equated with the difficulty of “reading” a person or a banknote in conditions of radical uncertainty, which are exacerbated by the permanent possibility for fraud.

Through its focus on the confidence game and a series of staged dialogues debating the role of friendship in business, The Confidence-Man provides conflicting answers to the question of the role of personal trust. The plot of the novel, such as it is, involves a con artist who appears in different disguises aboard the appropriately named Fidèle, a Mississippi paddleboat. The novel plays on the genre of western tall tales of frontier rogues, such as Simon Suggs; popular exposés of urban crime and fraud; and a popular fascination with the life and work of P. T. Barnum. It riffs in particular, however, on the primal scene of modern confidence trickery, the arrest in 1849 (and again in 1855) of a scam artist the newspapers dubbed the “Original Confidence Man.” The novel offers seemingly endless variations on this basic story, in which the different incarnations of the con man function as copies of his initial fake, joined in a futile quest for what Michael Rogin terms “the single, authentic confidence man.” He appears as a new social type, yet also as a personification of the abstract possibility of endemic deception that is at the heart of a market economy. Moreover, each avatar of the novel’s central figure can be substituted for any of the others, a form of repeated circulation and depersonalization of literary character that works in a similar fashion to the fungibility of both money and language. The novel thus provides both a focus on the individualism that is produced by contractarian capitalism, and a peculiarly impersonal form of narrative in which the individuals are interchangeable. Not merely do the numerous guises of the confidence man begin to collapse into one another, but the separation between con man and dupe also
becomes blurred, as does the division between the con man and the narrator, who becomes, in modern terminology, increasingly unreliable.  

Why did the figure of the confidence man (and it usually was a man) haunt the American imagination from the mid-nineteenth century onward? Karen Halttunen argues that fears about con men, not just in fiction, but also in middle-class conduct books and advice literature, result from a republican ideology of trusting in appearances and in plain speaking when confronting the prospect of dealing with strangers—confidence men, *avant la lettre*—in the emerging national marketplace from the 1830s on. Halttunen goes on to argue that the middle class developed a sentimental “cult of sincerity” as a defense mechanism in the face of social mobility and its attendant potential for duplicity, but, she concludes, by the 1870s, the idea of sincerity had itself become a self-conscious posture, a ritualized and melodramatic performance that was the forerunner of the Dale Carnegie “how to win friends and influence people” model of the self-as-salesman. Halttunen’s analysis of the cultural function of fears in the advice literature of mid-nineteenth-century America about “confidence men and painted ladies” is compelling, but it focuses primarily on the social interactions in the parlor. Melville’s novel, I want to suggest, points to a different understanding of the cultural logic of the con man, one in which the sentiment of confidence is essential to economic development, although the confidence trick was permanently in danger of undermining it.

The newspaper reports of the 1849 arrest in New York of the Original Confidence Man explained his modus operandi, with most recounting a scam reduced so close to its bare bones that its audacious simplicity is as staggering as the gullibility of the victims is laughable. The well-dressed and affable William Thompson (one of his many aliases) would approach a likely looking gentleman on the streets of New York and engage him in conversation. Thompson would first inquire whether the mark had confidence in him and then ask him to lend Thompson his watch as proof of that sentiment—“Have you confidence in me to trust me with your watch until tomorrow?”—only for Thompson to walk off and never be seen again. Over the course of a few days, Thompson made off with three watches, worth over $300, but was arrested when one of his victims spotted him on the street. It was this simplified version of the Original Confidence Man that occasioned much newspaper commentary, most of its lamenting the abuse of trust in the changing commercial landscape of American society. This rendition chimes in most clearly with Halttunen’s analysis of the con man’s affront to the prevailing republican ideology of simplicity and sincerity, but it seems to have very little to do with later commercial fraud. From the point of view of the
supposedly innocent mark, he is merely asked to offer up a token of an almost metaphysical faith in human goodness, one that is more a gift than a form of security for a loan. On this account, the moral crime of the con man is that he betrays the sentimental generosity of the victim. Indeed, in this iteration it is hard to explain why the con trick should be considered illegal, rather than merely immoral, because the “friendly loan” could, in theory, be repaid at some future stage, with the debt cancelled out by the return of the watch, turning what might look like a loan back into a gift.

In all likelihood, however, the actual scam was a little more elaborate, even if many at that time chose to read it as a simple parable of the corruption of worthy sincerity. Thompson, it turns out, would show the victim a roll of cash that he was planning to invest in a secret get-rich-quick business proposal. He would promise to let the mark share in the scheme if the latter would provide a token of his trust, in the form of a gold watch, that, in effect, was to serve as collateral. Even this first incarnation of the confidence man thus relied on the victims being less than innocent, already corrupted by market desires; the trick plays on their hopes of getting something for nothing. As with later elaborations of the confidence trick, Thompson’s marks presumably thought they were getting privileged information, an inside tip, a sure-fire way to get rich quick that beats regular dealings in the market and defies the Protestant work ethic of slow, steady accumulation. Melville’s novel, I want to suggest, captures the slippage between these two differing accounts of the Original Confidence Man, suggesting that there was less a slow fall from grace from the republican-spirited greenhorn to the greedy mark than a permanent, dialectical intertwining of the two modes of economic being they respectively represent.

In Melville’s story, a man posing as an agent for the Seminole Widows and Orphans Asylum strikes up a conversation with a widow by pretending to piety. He then says, in a direct echo of the phrase used by the Original Confidence Man, albeit in a variation that suggests an interest that is less economic than metaphysical: “By the way, madam, may I ask if you have confidence?” Responding to the widow’s confused, stuttering reply, he makes his meaning more clear: “Could you put confidence in me, for instance?” And then comes the sting: “Prove it. Let me have twenty dollars” (56–57). Only when the widow fumbles for a polite way of asking why, exactly, he wants the money, does the confidence man reveal that it is not for himself but for charity, the spurious Seminole Widows and Orphans Asylum. Even this version of William Thompson’s routine—which seems to operate more in the realm of charity than commerce—blurs the line between a financial and a sentimental economy by having the con man force the widow
to give him twenty dollars as tangible proof of her confidence in him, or, to put it another way, she is ironically forced to put a monetary value on a noneconomic emotion, creating a dangerous fusion between the two ways of valuing that are seemingly incommensurate.\textsuperscript{12}

The same logic is repeated in the scene between the confidence man and a distrustful and ill miser below decks. The confidence man (in the guise of the ironically named Mr. Truman, an agent of the fraudulent Black Rapids Coal Company) gives the miser a glass of water, an act of kindness that seems to have no strings attached. The miser then asks, “How can I repay you?” and the scene continues:

“By giving me your confidence.”
“Confidence!” he squeaked, with changed manner, while the pallet swung. “Little left at my age, but take the stale remains, and welcome.”
“Such as it is though, you give it. Very good. Now give me a hundred dollars.” (90)

These attacks on hypocrisy—of not putting your money where your mouth is, especially when it comes to Christian charity—perform a repeated sleight-of-hand in which a gift is turned into a monetary transaction, with the confidence man getting people to put a price on something that is, in theory, priceless. The double irony is that this exchange is, in reality, a form of theft. In a similar vein, there is the satirical episode of the businessman with gold sleeve buttons who has a plan for injecting the “Wall Street spirit” into the realm of philanthropy, organizing charity on an industrial scale and level of efficiency, undermining the very idea of charity as selfless giving. The novel repeatedly suggests that a moral economy is inseparable from economic calculations, and, vice versa, that market transactions are conducted through sentimental forms.

The Original Confidence Man was arrested again in Albany, New York, in 1855, just as Melville was writing his novel in nearby Pittsfield, Massachusetts. Now going under the alias of Samuel Willis, the confidence man went into a jewelry store and asked the owner to step aside for a private matter. He then asked whether the jeweler was a Freemason. (It is not clear from the historical record if this was a lucky—albeit reasonable—guess, or whether Thomson had inside information in advance.) Having made an appeal to this secret, personal connection, Thomson then told the jeweler how he had fallen on hard times before asking him, as the newspaper account puts it, “if he would not give a brother a shilling if he needed it?” The proprietor of the jewelry store, the report concludes, “was induced to give him six or seven dollars.”\textsuperscript{13} In the version of this story in Melville’s novel, John Ringman, another of the many incarnations of
the confidence man, strikes up a conversation on board ship with a well-to-do businessman called Mr. Roberts. (A previous avatar of the confidence man has been seen picking up a business card dropped by Roberts.) Ringman tries to persuade Mr. Roberts that they have met before, calling up details of how they had both done business in an office in Philadelphia, how they had hit it off, how Roberts had invited Ringman back to his house for tea, and so on. This encounter is fascinating, because it blends together elements of both a traditional gift economy and a newer, contract-based exchange. The appeal to a Masonic connection is obviously designed to make the mark respond not as a stranger, but as a “brother.” In part, this appeal to a Masonic connection has the effect of making Ringman seem more respectable by presenting himself as a business equal with Mr. Roberts, but it also makes him more suspect, because it conjures up a form of business orchestrated by hidden connections rather than by pure freedom of contract. The encounter also evinces a tacit appeal to intimacy, a form of knowing confidence between men who share a recognition of sameness that exceeds the bounds of strict business. The name Ringman evokes marital respectability, but it also suggests anal sex. It is thus perhaps not without reason that the confidence man is called a “queer sort of chap,” a “queer man—a very queer and dubious man,” a “queer customer,” and a “man-charmer” (131, 136, 280).

Ringman’s subsequent extended story about how he has fallen on hard times is equally significant in terms of the shifting debates about debt, bankruptcy, and moral culpability in the middle of the nineteenth century. Ringman is appealing to an older notion of economic misfortune and debt, not as the result of personal liability, but as the effects of an impersonal Providence. “Judging from his auditor’s expression,” the narrator comments, “it seemed to be a tale of singular interest, involving calamities against which no integrity, no forethought, no energy, no genius, no piety could guard” (29). If Ringman’s approach to Roberts conjures up the specter of a risky—and potentially unmanning—financial exchange with a stranger, it is a very odd kind of impersonal contractarianism, because it is framed almost entirely in the language of a personal connection achieved through telling a story. There is no explanation, for example, of what the terms of the loan might be; it is as if, between gentlemen and fellow Masons, the embarrassing financial details are best left unsaid. Unlike the earlier scene in Melville’s novel, in which it seems that the con man is pretending to be a crippled black beggar (the Black Guinea) appealing directly for alms, Ringman does not ask for charity as such, but instead asks for a loan, framing a charitable encounter as a contractual transaction, using virtually the same words as those in the newspaper article about the reappearance of William Thompson/Samuel
Willis: “And would you not loan a brother a shilling if he needed it?” (28). It is therefore worth noting that in the original newspaper report, the confidence man asks the victim to “give” him a shilling, but in Melville’s version, Ringman asks for a “loan,” albeit still in the euphemistic amount of a “shilling.” What this scene suggests is that it is not doing business with a stranger that, in itself, is the problem, as the antebellum advice literature studied by Halttunen suggests. Instead, the confusion comes from mistaking a contractual relationship for one based on friendship, status, charity, and gift.

The mistake Mr. Roberts makes is to place trust in personal character, rather than the impersonal guarantee of freedom of contract. Ringman the con man dresses up an impersonal economic relationship in the language of sentimental intimacy that both sides try to pretend is otherwise, conveniently passing off as a gift what is, in fact, a loan. The con man flatters the mark by implying that they are both men of business, even as he silently pockets a charitable donation, which is a form of theft.

As soon as Ringman has extracted a donation from Mr. Roberts, he turns cold and impersonal, breaking the spell of their supposedly friendly encounter and indicating that his bonhomie was purely instrumental. Ringman does, however, leave Roberts with a parting gift: a piece of information. It is a gift that serves as partial repayment for Mr. Robert’s charitable donation, which had been dressed up as a loan; a gift that, in turn, was actually a form of payment for the sob story that Ringman had told. Ringman gives Mr. Roberts an inside stock tip for the Black Rapids Coal Company, whose transfer agent—another guise of the con man—happens to be on board: “My object, sir, in calling your attention to this stock, is by way of acknowledgement of your goodness” (31). But this free gift, given supposedly with no strings attached, is yet another ploy to con Roberts by making the seemingly impersonal world of financial capitalism appear to operate through inside information.

Melville’s novel thus shows how the confidence trick worked: contractarian forms of exchange masquerading as gifts, and vice versa. The emerging market for industrial securities in mid-nineteenth-century America was not simply fuelled by a new and unwelcome spirit of speculative risk taking and calculability, although this was the interpretation that many at the time made after the appearance of the Original Confidence Man. Instead, as Melville’s anatomy of the confidence trick suggests, many speculators were looking to avoid risk by receiving surefire tips as gifts, grafting a newer economic epistemology onto a traditional system of favors and reciprocities.

Melville captures the persistence of status in the age of contract with savage irony in a twinned pair of stories toward the end of the novel, which speak
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poignantly to Melville’s frustration at both the vagaries of a brave new world of fluctuating market values and the claustrophobic chains of familial obligation in which his economic affairs had become entwined. The first story emerges out of an encounter between the “cosmopolitan” Francis Goodman and Egbert (who, most commentators on the novel agree, is a thinly disguised parody of Thoreau). The conversation goes round in circles as Egbert intransigently refuses to budge from his clear separation of a moral economy from a financial economy. In order to defend his position that a “friendly loan” always ends in disaster, Egbert recounts the fairy-tale story of China Aster, the moral of which is presumably that business motives should not interfere between friends, and that a loan should be regarded as a gift, rather than a humiliating act of charity or a hard-nosed contractual agreement.

The story immediately following the tale of China Aster, however, has the opposite moral. The con man, in the guise of the cosmopolitan, tries to convince the ship’s barber to remove the sign that he has placed outside his shop, announcing “No Trust” (10)—literally meaning that no credit will be given, but also suggesting that all business in a modern market society is conducted under the sign of suspicion. Most firms at the time, however, were forced to do business on credit, in part because there was very little hard currency in circulation; what little there was came in the form of paper money, which was prone to counterfeit. One reason financial panics were so frequent and so widespread is that the whole nation was caught up in an interconnected web of credit and obligation. Yet the barber’s sign, proclaiming a refusal of trust, can also be read as an affirmation of trust—in hard cash, rather than in insubstantial credit. The con man eventually manages to dupe the distrusting barber into shaving him for free by drawing up a contract in which he agrees to indemnify the barber for any loss occurred by the latter agreeing to “trust” his customers. The contract is thus used to guarantee trust, but the promise of a contract is predicated precisely on a lack of trust—or, more accurately, a rational, calculating trust in the abstract and impersonal guarantee of the law, rather than on incalculable trust in a person, which involves a measurement of character as collateral (as J. P. Morgan continued to assert in the Pujo Committee hearings). The con man’s contract turns out not to be worth the paper it is written on, because the con man leaves, having neither paid for his shave nor left any collateral to back up his offer of insurance.

The moral of the story, we are led to believe, is that there is no place for personal connections in the impersonal transactions of the market: trust no one. Yet Melville’s novel helps us see that the con artist’s routine blurs the boundary between an older, gift-based system of exchange and a newer, contractarian, market-
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based economy, suggesting that the two are permanently intertwined. The confidence trick works by promising to transform a risky encounter with an anonymous stranger on the shifting sands of the placeless market into an intimate engagement with a friend that is governed not by the harsh doctrine of caveat emptor, but by a more-sentimental appeal to friendship and a gift economy, the latter through the hope of access to inside information. As Melville shows, the con trick was thus not so much an unwelcome assault on more innocent modes of social exchange as a clever and confounding incorporation of those traditional ways of being into the newer forms of market activity. Although accounts of the development of the confidence trick in the latter half of the nineteenth century emphasize how the mark was no longer the innocent greenhorn of midcentury conduct books, but instead a deceitful person, Melville’s novel suggests that the confusion between gullibility and greed was present from the outset—and that the con trick plays on that confusion. What is significant about the confidence trick, as it developed in the second half of the nineteenth century in the United States, is that its ambiguous, two-faced appeal also provided the structuring principle for other economic activities, from credit reporting to inside dealing in the stock market. In its confounding of gift and exchange economies, the confidence trick was not merely a quaint frontier tale or an affront to the middle-class sincerity of the parlor, but instead was central to the development of American capitalism in the Gilded Age and the Progressive Era. As Stephen Mihm notes in his study of counterfeiting in the nineteenth century, “confidence was the engine of economic growth, the mysterious sentiment that permitted a country poor in specie but rich in promises to create something from nothing.”

“The Confidence Man on a Large Scale”

Most commentators at the time were initially merely amused or mildly intrigued by the appearance of the Original Confidence Man, although, as Halttunen notes, the reaction to the con man’s assault on middle-class sensibilities became increasingly pious. Some writers were sanctimoniously proud of the honest, trusting character of Americans revealed by the easy success of the con man’s schemes. For instance, Evert Duyckink, writing in the Literary World and quoting an article in the Merchant’s Ledger, insisted that “it is not the worst thing that may be said of a country that it gives birth to a confidence man. . . . ‘It is a good thing, and speaks well for human nature, that, at this late day, in spite of all the hardening of civilization and all the warnings of newspapers, men can be swindled.’” A few writers, however, voiced a more astute interpretation of the episode, most notably
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an acerbic editorial in the *New York Herald*, three days after its initial news report, that ironically compared William Thompson with the “real confidence men” of Wall Street who were beginning to fleece the gullible public on an epic scale:

As you saunter through some of those fashionable streets and squares which ornament the upper part of this magnificent city, you cannot fail to be struck by the splendor of some of the palazzos which meet the eye in all directions. . . . Over the whole scene there is an air of that ostentatious expenditure, and that vulgar display in which the possessors of suddenly acquired wealth are so prone to gratify their low and selfish feeling. . . . Those palazzos, with all their costly furniture, and all their splendid equipages, have been the product of the same genius in their proprietors, which has made the “Confidence Man” immortal and a prisoner at “the Tombs.”

The difference between the two is one of scale: “His genius has been employed on a small scale in Broadway. Theirs has been employed in Wall Street. That’s all the difference. He has obtained half a dozen watches. They have pocketed millions of dollars. He is a swindler. They are exemplars of honesty. He is a rogue. They are financiers.” The article sarcastically notes that the Original Confidence Man’s fault was his lack of ambition. His methods would have been lionized if he had engaged in fraud on an industrial scale, a way that would soon become the norm with the antics of the robber barons:

He struck too low! Miserable wretch! He should have gone to Albany and obtained a charter for a new railroad company. He should have issued a flaming prospectus of another grand scheme of international improvement. He should have entered his own name as a stockholder, to the amount of one hundred thousand dollars. He should have called to his aid a few chosen associates. He should have quietly got rid of his stock; but on the faith of it got a controlling share in the management of the concern. He should have got all the contracts on his own terms. He should have involved the company in debt, by a corrupt and profligate expenditure of the capital subscribed in good faith by poor men and men of moderate means. . . . He should have run the company into all sorts of difficulty. He should have depreciated the stock by every means in his power. He should have brought the stockholders into bankruptcy. . . . Long life to the real “Confidence Man!”—the “Confidence Man” of Wall Street—the “Confidence Man” of the palace uptown—the “Confidence Man” who battens and fattens on the plunder coming from the poor man and the man of moderate means! As for the “Confidence Man” of “the Tombs,” he is a cheat, a humbug, a delusion, a sham, a mockery! Let him rot!19
The Herald’s witty conclusion is that the “original” confidence man is a fake, because the stock market is the real con game, with its abuse of trust on an industrial scale.

Like Melville’s novel, what this editorial suggests is that the confidence trick was not a curiosity or an aberration, but was central to the American way of understanding and doing business in the increasingly corporate and finance-driven society of the nineteenth century. The con man is not merely an outlaw, but is fully part of the structure of the expanding, deterritorialized market, an inevitable consequence of the nation’s faith in social and economic mobility and the seeming absence of inherited structures of tradition and authority. As Amy Reading notes in her study of Frank Norfleet, a victim of a swindle in the 1910s: “Con men work firmly within the structures of American democratic capitalism, exploiting uncharted territory inside the system itself. . . . The new nation would never have prospered without imposture, speculation, and counterfeiting, because America was, from its inception, a confidence trick.”20 Indeed, it is arguable that market capitalism does not rely on the Weberian spirit of plodding, Puritan accumulation predicated on rational calculability, but on fictional expectations of an unknowable, speculative future, for which confidence is more important than knowledge.21 The confidence man’s habit of making the future seem tangible is thus also deeply connected to other national archetypes, such as the self-made man, the trickster, the gambler, the Barnum-esque hoaxer, the frontier booster, and the traveling salesman.22 Confidence tricks (along with other forms of swindling, such as bigamy) should therefore be considered “crimes of mobility.”23 Yet, as the Herald’s editorial makes clear, the confidence trick did not work outside the rules of financial capitalism, but it was central to the expanding influence of corporate capitalism. Confidence men provided a “negative analogue” that made regular Wall Street business seem respectable by contrast.24

Far from a mere historical curiosity, the confidence trick remained a compelling and increasingly common scenario well into the first decades of the twentieth century, a mainstay of lurid criminal confessions and exposés written by those trying to educate the public in the ways of the con man. What these books document is that by the 1880s, the small-scale, opportunistic confidence trick employed by William Thompson had developed into a very elaborate and often highly routinized scam. The short con mutated into the long con, as these more elaborate scams came to be known. “If the short con is an anecdote,” Luc Sante notes, “the long con is a novel.”25 A regimented script began to emerge that played almost scientifically on the psychological weaknesses of potential marks, and it began to make the crucial assumption that you could only con a dishonest
person, who, in many cases, became complicit in the illegal activity proposed in the con (and hence was less likely to complain to the authorities). In each of these scams, there was what the historian of the con, David Maurer, identifies as a ten-stage process that resembles the formulaic conventions and variations of a dramatic genre:

1. Putting the mark up (locating and investigating a well-to-do victim)
2. Playing the con for him (gaining the victim’s confidence)
3. Roping the mark (steering him to meet the insideman)
4. Telling him the tale (permitting the insideman to show him how he can make a lot of money dishonestly)
5. Giving him the convincer (allowing the victim to make a substantial profit)
6. Giving him the breakdown (determining exactly how much he will invest)
7. Putting him on the send (sending him home for this amount of money)
8. Taking off the touch (playing him against the big store and fleecing him)
9. Blowing him off (getting him out of the way as quietly as possible)
10. Putting in the fix (forestalling action by the law)

Three scenarios in particular came to dominate the world of the confidence game: gold bricks, green goods, and the wiretap (the big store). The simplest of these was the gold-brick routine, in which a seemingly naive or desperate miner would look to sell a solid brick of gold below market value. The brick would appear to the mark as genuine. In some cases it was, and would be swapped for a fake one by sleight-of-hand at the moment of trade, or a gold plug was inserted in a lead brick, so that a sample dug out for the mark to take for assaying would come back positive. The green-goods game involved advertising counterfeit money that could be sold to a willing mark. The money shown to the victim would be genuine, but it would either be substituted at the vital moment for a wad of worthless paper or sawdust, or the transaction would be interrupted by accomplices of the con man posing as police (stage nine in the outline above).

In the wiretapping game, the mark would be introduced—often with the seemingly fortuitous discovery of a dropped wallet—to an apparently high-rolling businessman who made his money from betting on a rigged horseracing game or from a stock market ploy. The scheme would involve illegally tapping into the official race results or stock prices over the telegraph and delaying them long enough to allow surefire bets to be placed in a betting parlor or a bucket shop. At first, the grift gang would painstakingly carry out the wiretapping, but by 1900 a more devious version was developed, in which the mark would be shown the
scheme apparently working in a elaborate mock-up of a poolroom or bucket shop that was peopled entirely by accomplices of the con man running the game. The victims would be enticed into getting more money to invest in the supposedly risk-free deal, only for them to end up losing it all as any number of carefully scripted, smoke-and-mirrors impediments frustrated their ambitions to get rich quick.

These scams became routinized around the turn of the twentieth century and, at first sight, are far removed in both practice and spirit from the simple charms of William Thompson—at least in the way the ploy of the Original Confidence Man was usually reported. No longer was the confidence man a lone artisan, plying his trade one mark at a time; the scam had become a corporate affair. The wiretapping game, in its most elaborate forms, needed a large organization of bunco men, and marks were fed into the assembly line by the dozen by a team of expert ropers. Even the green-goods game became scaled up into an industrial operation. It was an increasingly hierarchically organized and highly capitalized affair, usually with one mastermind behind the scenes, bankrolling the operation, and, like more-legitimate businesses during the “managerial revolution,” with a hired general manager, who would be put in charge of administering the complex details of the operation. Paddy O’Brien, for example, employed between thirty and forty green-goods men in Chicago, while James McNally’s agents, between them, had 800 aliases, issuing 750,000 circulars and spending $5 million on printing.28 Many commentators—both at the time and since—have romanticized what they consider the consummate artistry of the golden age of the confidence trick (c. 1880–1920), highlighting the way the scam merchant played out the drama like a master playwright. For example, even the hard-headed private detective George McWatters, in his exposé published in the Pinkerton Detective Series, writes with grudging admiration of “Colonel Novena, the Prince of Confidence Men,” who was a “true artist.”29 Con artists characterized themselves—and were viewed in popular commentary—as ruggedly independent artisans who rejected the soul-destroying strictures of emerging corporate capitalism. Nonetheless, they perfected the long con through what might be viewed as the same techniques of Taylorized management that were beginning to reshape industrial labor. “Wiretapping,” noted the lawyer and thriller writer Arthur Train in 1906, had become “an industry, a legalized industry with which the authorities might interfere at their peril.”30

Despite the industrialization and financialization of the confidence game at the tail end of the nineteenth century, it nevertheless continued to operate through the same basic logic employed by the Original Confidence Man. The proposition
that hooked the sucker remained the idea of inside information: the hope of getting ahead in the harsh, impersonal marketplace by befriending someone who knew the ropes, in order to even up the informational asymmetry and provide a shortcut to the social capital that was vital to the workings of a market society. The victim of the con wanted to get rich, not merely quickly and without effort, but also without risk, using inside information and personal connections to turn a hazardous speculation into a guaranteed deal. The marks—usually from a second-rate city or the countryside—were made to feel that by using their old-fashioned native savvy, they could play in the brave new world of the stock market on a par with the big-city manipulators. The rubes might not be skilled in reading the market, but they prided themselves on being able to read people; the irony was that it was the con man who was the one genuinely skilled in decoding the semiotics of psychology. The operation worked by deliberately confusing what seemed to be a legitimate, if somewhat irregular, business deal with a personal favor—the inside tip that was given (or should that be “gifted”? or “traded”?) in recognition of the return of the dropped wallet, an event that would usually set the game in motion in the first place.

Gold bricks, green goods, and the wiretap, however, were just the tip of the iceberg of an entire industry of fraud, which often mimicked legitimate forms of stock market and other financial transactions. Instead of coming up to one prospective mark at a time on the streets of New York or Chicago or Denver through a wallet drop, the “modern” con man approached a vast regional, and even national, audience through mass mailings and newspaper advertisements. “All the more important swindling schemes of the time which are intended to reach the mass of the people,” the New York postal inspector and prominent antivice campaigner Anthony Comstock observed, “depend upon two mighty agencies of our present civilization, the Newspaper and the United States Mail. By means of these two instruments for good or evil, it is possible to reach every household in the land.” The advertisements and circulars enticed ordinary Americans to take part in schemes that would supposedly guarantee advantageous results in stock market speculation. Comstock, for example, tells the story of Lawrence & Company, a fraudulent brokerage office set up by Benjamin Buckwalter, a former snake-oil salesman who had advertised under the operatic moniker “Dr. Gounod.” A newspaper advertisement would declare that it was “just your time” to “make money safely, easily, and rapidly” in the stock market through the “combination method” of speculation. Those who replied to the advertisement would be sent a lengthy circular that conjoined a bamboozling explanation of how the combination system worked with a direct, friendly approach to the
The scheme supposedly allowed small investors to pool their capital, so they could collectively engage in a large-scale speculation that would put them on an equal footing with noted Wall Street figures such as Jay Gould. Suckers who accepted the bait would send in their money to Lawrence & Company, along with a signed form that would give the broker complete legal freedom to make investment decisions on the client’s behalf. Discretionary brokerages (as they were termed) proliferated rapidly in this period and were, in the eyes of their more-legitimate counterparts, a scourge on the profession. What made fraudulent discretionary brokerage firms like Lawrence & Company even more treacherous was the fact that they did not actually invest the pooled money in the stock market on behalf of their gullible clients. Despite an elaborate show of keeping records of his alleged stock market transactions, in the hope that he could legally defend his practice if the books were examined, Buckwalter would merely pocket the money sent in by the public. Investors were strung along by a series of seemingly personal form letters, with detailed statements of account, showing that their initial speculations had made tremendous profits, which were now being reinvested as a deposit in the next combination, but that a further contribution would be needed to secure the deal. In reality, all of this was a fiction. Once a sucker had been bled for as much as Buckwalter thought he could stand, the “Royal Bounce” letter (as Comstock terms it) was sent, explaining that, sadly, the latest combination had failed and the victim’s account was therefore wiped out.

At the height of the operation, Buckwalter was raking in more than $20,000 per month, with only a small proportion going toward the expense of hiring clerical staff and an office. When Comstock raided the firm’s office (not the grand Wall Street premises that the vignette on the letterhead notepaper seemed to promise, but a shady cubbyhole in an unprepossessing building around the corner), he discovered a “sucker list” of more than half a million names and seized some 40,000 letters from victims, the most tear jerking of which Comstock reprinted. Other, similar scams included “1% margin syndicates” (in which participants would be asked to stake a risibly small margin that would inevitably get wiped out); “stock promoters” (who would mail out elaborate prospectuses for firms whose prospects were grossly exaggerated, or even for firms that did not exist); “guarantee brokers” (who would faithfully return all the money from failed investments, less an eye-watering 12.5 percent “insurance charge” each month); “investment syndicates” (such as E. S. Dean & Company and the Franklin Syndicate, which operated a Ponzi scheme long before Ponzi himself, paying out up to 10 percent in weekly returns to early investors, simply by handing over the money received from subsequent ones); and the “advance-information
brokers” (who promised, for a fee, “inside and advance information” on the future course of grain and stock markets, but who would instead use the clients’ money to bet on both sides of the market, take a cut from the winners, and offer commiseration to the losers, all the while happily pocketing the regular subscription fee from both). 34 Most prominent of all was the development of the bucket shop, which mimicked regular brokerages, but with the crucial difference that bettors were not buying actual agricultural produce, or even their derivatives, such as commodity futures, but were instead, at best, betting against the house on the rise and fall of actual stock exchange prices, and, in the more-fraudulent versions, betting against manipulated or entirely fictitious quotations coming in over the ticker.

In comparison with the work of the Original Confidence Man in 1849, and even the more elaborate “big store” variations that began to emerge in the 1880s and 1890s, the scale of these late-century frauds operating through mass mailings and advertising was astounding. Writing in 1904, John Hill, a director of the Chicago Board of Trade tasked with combatting bucket shops, estimated that $100 million was invested in fraudulent stock promotions in 1902, while another $100 million annually was lost by the public in other get-rich-quick schemes, not including the rapid proliferation of bucket shops themselves, whose organization was increasingly complex. William Rodman Hennig, for example, started out in the tape game but then moved up to running a full bucket shop, with a central staff of twenty clerks, bookkeepers, and telegraph operators and more than thirty branch offices. In response to the legal challenges championed by Hill, Hennig created a quasi-trade organization for bucket shops that was designed to ape the respectability of the more legitimate exchanges. When that failed to achieve the desired results, he announced that he was establishing an entire parallel exchange to generate proprietary stock prices that the bucket shops could then use without fear of legal challenges.35

Despite the seemingly industrial and impersonal scale of these operations, however, they continued to make a pseudopersonal appeal to their victims, just like the trick played by the Original Confidence Man. The letters sent out by firms such as Lawrence & Company were lithographically printed to make them look handwritten, a technique that many anxious commentators feared would dupe the gullible public. “Many of this class,” Comstock advised, “seek to overcome the growing prejudice against all this kind of advertising by sending personal letters: and these communications, which come unsolicited, are always to be regarded as very suspicious, the same as a printed circular.”36 Likewise, McWatters warns “youthful readers” that these mass-produced copies are designed to fool
the recipients into believing that they are handwritten for their benefit: “Prob-
bly one-third of those who receive these letters do not know that they are in fact ‘printed,’ and each ignorant receiver feels flattered as he reads the letter that the ‘speculator’ has taken pains to write to him so extendedly.” With the moderniza-
tion of the con trick, the mimicry of intimacy is now doubly false, providing a fake appeal to a personal connection that is itself cast deceitfully in pseudoauthentic lithographic “handwriting.” Even large bucket shop chains, like Christie Stock & Grain, relied on an oddly personal tone in letters that gave their postal clients the brush off. “Well, old friend,” one missive began, “we got in wrong this time, even though your corn was sold at what seemed to me an outrageous high price last evening. We had an old-fashioned runaway market to-day and there is no doubt that the December option is controlled by parties strong enough to do as they please with it, and it would be folly for any one to mix up with them.”

Comstock also documents how the newspaper advertisements placed by fraudulent brokerages, such as Lawrence & Company, also worked through a sleight-of-hand that was designed to evoke personal trust. Not only did the advertisements address their audience directly, in the second person, as if speaking to a business equal, but they were to be typeset, to appear supposedly in the editorial voice of the newspaper, rather than as a separate advertising column. The advertisements treacherously called upon the trust readers have in their newspaper’s friendly voice of authority. As Comstock explained, the editor thus “appears as voucher for the fraudulent banking establishment advertised in his paper; and straightaway these readers invest their capital and savings. This trust is reposed especially in the word of the editor of a religious journal or of a reputable secular paper, which has for years been a companion in the household.” The advertisements and circulars also included testimonials from allegedly satisfied customers (in the case of pyramid schemes, such as the Franklin Syndicate, early investors would genuinely promote their success in person to eager denizens living in their neighborhood), along with worthless but rhetorically persuasive personal “guarantees” from the head of the firm. The scams thus combined what looked like impartial details of the success of the investment scheme, as if the numbers spoke for themselves, with an appeal that rested on placing trust both in the people that ran it and in the opinion of those who supposedly had profited by it. One correspondent of Lawrence & Company, for example, confessed that “I have read your circular carefully; and though I do not fully understand some of the terms, and methods, yet I believe you; and this doubtless is better than if I believed myself and doubted you.”

Most of the schemes relied on a populist appeal, both by offering the sem-
blance of participation in the stock market for would-be investors of very humble means, and by evoking the democratic sentiment of average Americans being able to enjoy a share of the same successes as the elite. Many circulars for the “combination method” routinely evoked the idea that by pooling their resources, ordinary investors could be the equal of Jay Gould. Lawrence & Company, for example, noted that even for Gould, combinations were “the sole secret of his success,” but whereas he was said to admit only a favored few into his syndicate, with Lawrence & Company, “any one can participate in the business of the street at any time.” In the follow-up letters that strung the mark along, however, the emphasis instead was on the fact that the next combination was reserved for special “friends” only: “We are now forming new combinations of the $25, $50, $100, and $500 classes for this purpose, which we confidently recommend to our old customers and friends. While all of these combinations afford equal privileges and prospects, we would remind our friends that experience has proved that the larger amounts, having the greatest power, usually yield the greatest profits.” The interpellated investor was figured as both a generic Everyman and an “old friend.” The mass-produced confidence trick thus worked by making a simultaneous appeal to the inclusivity and exclusivity of the deal. Having access to confidential information or to the secret techniques employed by the big players was key to this advertised dream of leveling the social playing field. As an advertisement for an advance-information bureau stated, its aim was “to furnish a service that will put the small investor on an equal footing with the large trader, or, to use the parlance of the ‘Street,’ the ‘insider.’” In contrast to the Progressive Era’s political faith in transparency, regulation, and “system trust,” the appeal of the industrialized form of the confidence swindle was that it would combat the inequalities produced by Wall Street by allowing outsiders to become insiders.

**Tips Are Valueless**

Many critics were adamant, however, in insisting that participation in the stock market was indeed best left to insiders, a conviction that was only strengthened by the mounting evidence of the susceptibility of the public to confidence rackets promising surefire tips and other ways of beating the market. Despite its campaign in the 1910s and 1920s to promote a “shareholding democracy,” in the decades around the turn of the twentieth century, the New York Stock Exchange, in particular, warned against the democratization of finance. The Hughes Committee (which had investigated speculation in securities and commodities in the wake of the panic of 1907) likewise counseled that speculation per se should not be banned, but was best left to the professionals, who were able to adjudge and
shoulder the risk. It identified, as the lowest of five categories of patrons of the exchanges, those “inexperienced persons, who act on interested advice, ‘tips,’ advertisements in newspapers, or circulars sent by mail, or ‘take flyers’ in absolute ignorance, and with blind confidence in their luck.” These feckless outsiders, it concluded, “almost without exception . . . eventually lose.”

The obvious popularity of confidence scams that promised inside access to the stock market also worried many of the popular writers who were trying to make financial speculation seem safe, and thus suitable for ordinary Americans. Respectable investment-advice manuals—such as John Moody’s 1904 reissuing of John F. Hume’s 1888 Art of Investing as The Art of Wise Investing—decried a “new form of advertising for ‘Lambs’ [that] has become popular,” in which “for a small sum, paid ‘weekly’ or ‘monthly,’ the subscriber will receive ‘sure tips’ on the market’s movements, and that in consideration of one-quarter or one-half of the profits secured, the ‘Advisory Brokers’ will handle the deals for the ‘Lambs’ who don’t know how to do it for themselves.” For those seeking market information, Hume instead recommended John Moody’s Bureau of Corporation Statistics, whose reports “are not influenced or ‘inspired’ and have no bearing on Wall Street ‘tips’ and ‘gossip.’” He counseled trusting in objective data rather than personal connections, a position that needs to be tempered by the fact that his book was published by Moody. Most stock market guides for the common man published in the decades around the turn of the twentieth century warn that the promise of surefire tips and inside information is illusory, absurd, or deceptive. Other commentators, however, such as Thomas Gibson in Pitfalls of Speculation, insist that the dream of beating the market by such means is also “illogical.” The reason is that “any wide-spread dissemination of advance information as to a projected movement would defeat its own object”; in other words, rumors spread quickly and the market will instantly discount the anticipated event in much the same way that the efficient market hypothesis, a century later, would insist takes place. Gibson therefore concludes that “tips are valueless,” and is dismayed to admit that “the public continues to use them largely as a basis for trading.”

Early advocates of chart and tape reading took the idea of the self-negating nature of inside information even further. Richard Wyckoff, in Studies in Tape Reading, notes that “the insider who knows a dividend is to be jumped from 6 per cent, to 10 per cent, shows his hand on the tape when he attempts to turn his knowledge into dollars.” In this line of thinking, any private information quickly becomes public knowledge (at least for those able to “read” the tape correctly), so tipsters and their clients are unable to capitalize on their access to privileged information. In fact, Wyckoff’s claim is even stronger; he suggests that good tape
readers are able to glean genuine inside information through an alert reading of the tape alone. He tells one story, for example, about an anticipated U.S. Supreme Court decision that would have a significant effect on stock prices, with the tape revealing the outcome even before the news wires: “That not even the insiders knew what the decision was to be is shown in the dullness of the stock all morning. Those who heard the decision in the Supreme Court chamber doubtless did the double-quick to the telephone and sold the stock short. Their sales showed on the tape before the news arrived in New York. Tape Readers were, therefore, first to be notified. They were short before the Street knew what had happened.” Wyckoff’s argument is that equal access to stock market information via the stock ticker will ensure that finance is democratized for those who can read the tape, thereby undermining the usual dubious channels of privileged access.

A similarly prescient faith in the ability of the impersonal market itself to anticipate any significant inside information is evident in Henry Emery’s academic study of speculation, albeit with a very different conclusion. At first it seems as though Emery acknowledges the potential importance of inside information when he argues that the reason the “outside public” are so easily fleeced is that they have no access to advance knowledge of market movements, unlike genuine insiders. He notes that “with scarcely an exception . . . every successful operator in the stock or grain market has been distinguished by his unusual success in securing accurate information in advance of his competitors.” Emery goes on to argue, however, that in reality, access to inside information plays a comparatively insignificant role in speculation, because in the stock and produce markets, “events are anticipated and exert their influence before they arrive,” such that “it is often surprising to see how absolutely without effect is the final occurrence of an event of importance, provided it has been expected.” In another anticipation of the efficient market hypothesis and its notion of the uncanny accuracy and efficiency of the collective wisdom of the market, Emery is suggesting that the market will always have already discounted any inside information. As chapter 5 explores in more detail, Emery was not alone in arguing that the democratization of finance—in the sense of speculation no longer being confined to a small clique of insiders, but opened up to the masses—would diminish the possibility of manipulating the market through inside information, and perhaps even make it impossible. If the robber barons had once been able to cannily use their positions as company directors to manipulate the market or engineer a corner in those securities, the argument went, then more-widespread speculation would make it much harder for any one individual to control the market and would make the information conveyed in prices more truly representative of actual conditions.
The Special Circumstances of Inside Information

Although Emery suggested that the problem of inside information was exaggerated, he remained concerned that company directors could still use their privileged position to manipulate the market in securities: “If they wish to speculate in the shares of their companies, they are in a position of extraordinary advantage. By means of one line of policy or another, combined with the use of false information to the public, they may move the price to suit their private purposes. . . . Speculations of this order constitute the worst evil and the most flagrant scandals of the stock exchange.”50 Sereno Pratt, editor of the Wall Street Journal, secretary of the New York Chamber of Commerce, and author of the sober guide, The Work of Wall Street, took similar exception to the abuse of inside information: “There is still another class of speculators who are called ‘insiders.’ They are directors or officials of corporations or in other positions where it is possible to obtain inside information as to the business of the companies whose stocks are traded in[,] in Wall Street. They know things in advance of the public or even the professionals. They are able to speculate on the vantage-ground of certain knowledge.” Pratt takes some comfort in the fact that “even insiders sometimes slip in their operations,” noting that “there have been speculative directors who, selling the stock of their own company short, have found themselves cornered.” Like Emery, though, Pratt is still concerned about the power that directors hold and the dangers of insider trading: “A director of a great corporation whose securities are listed on the Stock Exchange is an influential individual, with sources of information and opportunities of manipulation denied to others. He is the true ‘insider’ of the stock-market.”51

The problem of inside information thus raised a number of political, ethical, and legal questions. Should promising to provide inside information be made illegal, because so many gullible outsiders get hoodwinked by confidence artists, or should the doctrine of caveat emptor apply, meaning that victims of scams had only themselves to blame? Was there any need for governmental or even industry regulators to do anything about speculators using inside information, if the abstract market was able to regulate itself and negate any advantages of advance knowledge? If you can never beat the market, was using inside information unethical, or merely inadvisable? Or, in the absence of any legal requirements for full transparency in corporate reporting, was having access to inside information a vital function that provided the trust that oiled the machinery of finance?

As chapter 5 examines in more detail, despite J. P. Morgan’s rejection of the Pujo Committee’s accusation that the interlocking directorships of corporations

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and banks amounted to a vast, yet intimate, conspiracy in the control of a handful of insiders, he relied on the seemingly outdated rhetoric of personal connections and character in his defense of his business practices. Corporate directorships and informal social and kinship ties provided Morgan & Company not merely with specific inside information, but a level of confidence that could not be achieved in any other way. While critics argued that this privileged access was open to abuse, the coterie of investment bankers and corporate financiers insisted that the public should have confidence in them—not because of any regulatory requirements (which, they argued, could easily be corrupted), but because of their personal professionalism and patriotism. Trust the person, not the rules, they insisted.

Far from being defensive about the charge of inside information, some bankers were proud of the service they could provide to their clients, precisely because of their personal connections and privileged position. George Perkins, for example, worked simultaneously for the New York Life Insurance Company and J. P. Morgan & Company. Morgan wanted help in selling $500 million worth of shares as part of his massive consolidation of U.S. Steel. As a component in that larger campaign, Perkins was personally given $3 million worth of shares to dispose of. His preferred solution was for New York Life to buy the $3 million block, but because the terms of an agreement the insurance firm had regarding trading in Germany prevented it from owning any stock, Perkins instead sold the block to the New York Security and Trust Company, of which he was also a director. With the promise to the trust company’s fellow directors that New York Life would continue to keep its sizeable cash deposits there, the trust company agreed to return 75 percent of the profits from the deal to New York Life. Perkins’s cozy personal relationship with the three firms allowed him not only to circumvent laws, but to engage in a financial speculation with seemingly no risk. Like Morgan, Perkins felt that this kind of gentlemanly cooperation was preferable to the ravages of unfettered competition and was even willing to defend this position when called before the Hughes Committee’s investigation of the shady conflicts of interest and cozy relationships between the “Big Three” insurance firms. The Hughes Committee revealed, for example, how Perkins had sold $4 million worth of International Mercantile Marine bonds to J. P. Morgan & Company on the last day of the year, in order to move the loss-making bonds off the books of the insurance company before it made its annual report, only to buy them back two days later. When Hughes sarcastically asked whether “you conducted that transaction with yourself,” Perkins replied that he had merely acted as agent for the two firms. Although rattled both by his cross-examination at the hands of Hughes
and by a public campaign led by a young Louis Brandeis, Perkins was “prepared not only to defend the insider transaction but to boast of it.” He was proud of the way he was able to engineer mutually profitable, risk-free deals for both the New York Life Insurance Company and J. P. Morgan & Company, and—had he not been prevented by Hughes from making a public statement—would have insisted that the transaction “was only possible because of the advantages of my connection with J. P. Morgan & Co.” As far as Perkins was concerned, inside information was not only legitimate, but essential to the proper workings of high finance.

The legal status of inside information was hazy, at best, during this period. Although corporations were required to submit annual reports to their state’s authorities, there was no requirement for them to be independently audited. Many corporate reports functioned as thinly disguised and often quite inaccurate advertisements for the firm. Company directors thus had no incentive to share their privileged knowledge of the true state of affairs of the corporation and, in fact, could make personal fortunes on the stock market by manipulating their secret knowledge. Perkins was convinced that his transactions were morally justified, because he saw himself working ultimately for the benefit of the masses of insurance policy holders by reducing competition and thereby reducing risk, rather than being a party to the selfish abuse of public trust that had typified the era of the robber barons. Perkins assumed that he was fulfilling his fiduciary duty of trust by using inside information.

Although the Hughes Committee and the public were outraged at some of the details of the internecine connections between insurance companies, banks, and industrial corporations, the kind of insider dealing that Perkins engaged in was not technically illegal. The dubious practices that Perkins followed were not outlawed until the advent of New Deal legislation that was designed to regain public trust in the stock market after the Wall Street crash of 1929. Even then, despite a sweeping prohibition on fraudulent securities practices, insider trading as such was not singled out for particular attention. Although the Securities Exchange Act of 1934 did not fully identify and prohibit insider trading, as it has since come to be theorized in legal scholarship, it nevertheless signaled a desire to overturn the presumption that such manipulative practices were part and parcel of Wall Street business. A later U.S. Supreme Court ruling summarizing the broad intent of this New Deal legislation concluded that “a significant purpose of the Exchange Act was to eliminate the idea that the use of inside information for personal advantage was a normal emolument of corporate office.” Before the twentieth century, as an article in a law journal (summarizing received legal
Confidence Games and Inside Information

wisdom) noted in 1910, “the doctrine that officers and directors [of corporations] are trustees of the stockholders . . . does not extend to their private dealings with stockholders or others, though in such dealings they take advantage of knowledge gained through their official position.” Strong v. Repide (1909), the first case on insider trading heard by the U.S. Supreme Court, began to chip away at this prevailing wisdom. The case revolved around the question of whether the director of the Philippine Sugar Estates Development Company should have revealed to a shareholder—whose shares the director secretly bought on the cheap—the negotiations he was involved in to sell the company’s assets to the U.S. government. While the Supreme Court broadly affirmed the ruling that company directors were under no special obligation to disclose all material facts, it argued that in the case at hand, there were “special circumstances” that made it permissible for the law to intervene in the transaction, a compromise that neither explicitly condoned nor prohibited inside information.

In cases involving confidence tricksters and inside information, the law was even more murky, with suits brought by victims of swindling often failing to obtain a conviction. The defense would cite People v. McCord (1871), a case in which the victim of a fake arrest tried to bribe Henry McCord, a con man posing as a detective issuing a warrant. The Illinois Court of Appeals overturned McCord’s initial conviction, arguing that the injured party was complicit in the crime proposed by the con man. People v. McCord was later cited in other cases involving confidence tricks, such as attempting to obtain advance information of stock-price movements by illegally tapping telegraph wires, or by trying to buy forged currency in the green-goods game. The victim was deemed to be a confederate in the intended crime and therefore not deserving of the protection of the law. In both Strong v. Repide and People v. McCord, the underlying assumption was that people engaging in the financial marketplace should do so with their eyes wide open, with their sovereign individual freedom trumping the need to protect the unwary from the dangers of inside information, whether real or fictitious. The law was not particularly concerned with financial fraud; instead, it was left to individuals and businesses to provide a private solution to this public problem.

In the late nineteenth and early twentieth centuries, crony capitalism—using inside information, relying on personal favors, and betraying both public and private trust—was thus a matter of routine. This was no longer the shameless political vote rigging and blatant abuse of privilege that had characterized the Tammany Hall and Erie Railroad shenanigans, however. Instead, it was a system of corruption that was championed as technocratic and professional. As Richard White argues, in this historical moment, “the corrupt explored new frontiers:
they corrupted information, particularly financial information, on a scale never before possible.”

Love Plots and Business Plots

The questions presciently raised by Melville in *The Confidence-Man* remained a pressing concern in the latter part of the nineteenth century. Why was the confidence trick so troubling, yet so alluring? Did it work by appealing to the moral code of friendship, or by abusing it? Should personal friendship and impersonal business mix? By the final decades of the nineteenth century, traditional ways of organizing social dealings through established hierarchies of status and chains of obligation had supposedly given way to more impersonal and abstract modes of economic interaction, governed by the developing laws of contract. In Nikolas Luhmann’s terms, personal trust had seemingly been rendered redundant by system trust. Yet an older gift economy was not simply replaced by an encroaching exchange economy, but was folded within it. Although the law governing insider dealing clung resolutely to the laissez-faire doctrine of caveat emptor, the persistent fascination and anxiety surrounding confidence games suggested otherwise. The scams promised a personal connection to financial success that bypassed both hard work and the laws of supply and demand.

The second part of this chapter explores in more detail the way that the relationship between economics and morality was worked through in a number of American novels of the period, focusing in particular on fiction by William Dean Howells and Edith Wharton. The first reason for looking closely at novels as a cultural form is that in their plots, writers returned repeatedly to the theme of the possibility or impossibility of a moral economy in a world that seemed increasingly governed by the blind forces of economic and biological determinism—a thematic preoccupation that, in turn, was part of the larger aesthetic and ideological debate between the older conventions of sentimentalism and the newer logics of realism and naturalism. Confronted with the increasing importance of distant financial episodes in determining everyday reality, many novelists felt obliged to explore either the “romance and adventure in Wall Street” (in the words of Lafcadio Hearn), or, for those less sanguine about the effects of finance, a sense of the floating, unsubstantial nature of reality in an era repeatedly beset by panics in which all that had been taken to be solid and dependable melted so quickly into thin air. The other reason for focusing on the novel is that, during this period, it is, as Wai Chee Dimock notes, the cultural form that enacts in its structure of multiple plot lines the potentially infinite chains of causality, obligation, and personal connectedness that continue to exist between individuals in
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Dimock observes, “in its web of causality and its need for closure, we see a universe of alternating expansion and contraction that would seem to correspond, more or less, to the alternately expanding and contracting cognitive universe that facilitates both capitalism and humanitarianism.” It is thus not merely in its story lines, but at the level of form, that the realist novel investigates the idea of personal entanglements in an age of impersonal financial strictures.

The relationship between morality and economics in general, and the concatenations of interpersonal causality in particular, are worked through most obviously in the intertwining of a love plot and a business plot in the Gilded Age novel. The relationship between the two plot lines in many novels from around the turn of the twentieth century is troubling. In many of the popular fictions of finance that appeared in large numbers during this period, the two plots find mutual resolution in hackneyed endings. In these Wall Street stories, the business plot is often melodramatically entwined with the love plot, with rivalries and malfeasances on the floor of the stock exchange paralleled, but also eventually resolved, by romantic entanglements outside the realm of the market. The specialty of author Will Payne, for instance, was a love subplot in which the son and daughter of warring financiers eventually marry, providing a connubial solution to the financial problem that the novel raises, albeit at the expense of plausibility and aesthetic sophistication. In other cases, though, the connection between the various plot strands is less easily resolved, and both readers at the time and more recent critics have disagreed about the logical justification and aesthetic success of the conflation of seemingly unconnected stories and genres within the same novel.

The Personal Considerations of Silas Lapham

Against the backdrop of William Dean Howells’s tale of the financial ruin of its self-made businessman protagonist, The Rise of Silas Lapham raises the question of his moral rejuvenation in the face of adversity. Having made his fortune from the fortuitous discovery of a natural mineral paint on the family farm, Lapham tries to gain entry for his two daughters into polite Boston society. While on vacation, his wife and elder daughter Irene had nursed Mrs. Corey, who is from one of the most refined Boston families. Feeling a debt of obligation to Mrs. Lapham, she arranges a visit and then a dinner party, one result of which is that her son Tom Corey becomes attracted to Penelope, the younger Lapham daughter, although everyone else is convinced that it is Irene who has caught his fancy—not least Irene herself, who is besotted with Tom. In part flattered by the attentions of
Corey Jr., Lapham offers the young dilettante a position in his paint firm, a business decision that seems entwined with sentimental considerations, despite Lapham denying to his wife that this was the case. The central drama of the novel comes when the truth of Corey’s affections are made known: what is the best way out of a situation that, whichever way it is solved, will inevitably cause distress to one of the Lapham sisters? The solution to the love triangle proposed by the Reverend Sewell, whom the Laphams approach for advice, seems to belong more properly to the world of business. The utilitarian calculation of an “economy of pain” dictates that there is no point in all three young people being made to suffer needlessly for a falsely sentimental notion of sacrifice (i.e., if Penelope allows Irene to marry Tom), when common sense dictates that the pair who are truly in love should marry, and the unrequited sister should accept the reality of the situation as unfortunate and not blameworthy.

Compounding Lapham’s troubles is the return of Milton K. Rogers, his feckless former partner, who fell on hard times after Lapham bought him out once he no longer needed the other’s initial input of capital. In an act that is part sentimental charity and part hard-nosed business, Lapham agrees to buy some mining shares from Rogers, but it turns out that they are nearly worthless, as the regional railroad has changed its commitment to connect up with the mines (and is perhaps deliberately reneging on the deal in order to force a fire sale of the property). In order to recoup some of his losses from these shares, Lapham takes to stock market speculation, but he ends up losing even more money, something he can now ill afford, as general business conditions are falling into a slump. The paint business suffers, and things take a turn for the worse when the appearance of a new paint firm in West Virginia ultimately forces him to sell out to his younger rivals. Lapham’s fall is complete when the new house he had commissioned burns to the ground, a disaster made worse by the fact that he had allowed the insurance policy on the property to lapse. Alongside the love triangle involving the tale of Irene, Penelope, and Tom on the one hand, and Lapham’s descent toward bankruptcy on the other, there is another plot line that concentrates on Zerilla Dewey, who works as a secretary for Lapham. The reader eventually learns that Zerilla is the daughter of the man who, during the Civil War, took the bullet destined for Lapham, an act for which the latter feels eternally grateful. Lapham considers it a debt that can never be repaid. Unbeknownst to his wife and family, he supports the girl, her alcoholic mother, and the latter’s equally hapless partner.

Many original reviewers of the novel were mystified by its title, which seemed to promise uplift rather than decline, and could not find any connection between the different stories covered in the novel. Some even flat out ignored the far-from-
incidental account of Lapham’s lurch toward bankruptcy, seeing the novel merely as a story of a tragic love triangle. Several modern critics of *The Rise of Silas Lapham* have likewise been unconvinced by the relationship between the various parts of the novel, seeing it as aesthetically flawed. In contrast, Donald Pizer insists that “the apparent conflict between the attack on self-sacrifice in the sub-plot and Lapham’s self-sacrifice in the main plot” is, in fact, reconciled within a “single moral system,” suggesting that the tensions between the love plot and the business plot are illusory, because they are both governed by the same sentimental code. In a similar vein, but with the opposite conclusion, Wai Chee Dimock argues that Sewell’s utilitarian “economy of pain” provides a cognitive frame that, at a thematic level, joins the love plot and the business plot and is matched, at a formal level, by the novel’s aesthetic balancing of its different plot lines, which function, at a structural level, as an analogue for poetic justice. Where Pizer views all the plot lines of *The Rise of Silas Lapham* as operating within a single moral framework, Dimock (in keeping with other New Historicist interpretations of American naturalism) reads the different elements as part an all-pervasive economic logic.

As we have seen, however, the love plot and the business plot in *The Rise of Silas Lapham* remain confused and conflicted, neither fully demarcated in separate spheres nor fully integrated. Hildegard Hoeller argues that the tensions within Howells’s novel and other works of late nineteenth-century American literature result from the operation of two different economies within the novel, namely, a gift economy of personal obligations and an exchange economy derived from the world of contractual business relationships. For example, Hoeller rightly points out that the conflict between these two modes of interaction actually provides the starting point for the whole narrative, with the worrying sense of limitless obligation felt by the Coreys to the Laphams for Mrs. Lapham’s kind act. Hoeller’s reading of the discord between the two perspectives draws on the anthropological and philosophical meditations by Lewis Hyde and Jacques Derrida on the conceptual impossibility of a true, altruistic gift. The implication is that the unresolvable confusions between obligation and an exchange economy in the novel result from the timeless, contradictory nature of the gift itself.

I want to suggest instead that *The Rise of Silas Lapham* repeatedly returns to the confusion between gift and exchange, because it had become a pressing problem by the 1880s. Lapham is presented as the epitome of the modern businessman, in contrast to the obsolescence of the aristocratic world of Corey Sr. The Coreys worry that Lapham is too focused on business—“I don’t think it would strike him as businesslike” (68)—with Corey Sr. struggling to find some way of understand-
ing his counterpart.\textsuperscript{70} He charitably suggests that for men like Lapham, money is “the romance, the poetry of our age” (64). Despite the increasing dominance of the corporate form, Lapham, early in his career, rejects even a straightforward partnership, as it would signal a dilution of his manly sense of independence. Later, after his bankruptcy, he becomes more obsolescent still, as his paint-mine firm becomes merely part of a larger corporate structure. The novel suggests that the Brahmin Coreys are outdated in comparison with Lapham the businessman, but he, in turn, is a dying breed of ruggedly individualist proprietor. In a similar contradictory fashion, Lapham makes his fortune by an obsessive and hard-hearted dedication to his business, seemingly to the exclusion of all other virtues, yet his feeling for the paint he manufactures is highly personal, the antithesis of mere exchange value. His paint firm, the narrator informs us, “was something more than a business to him” (50), and he recognizes that the mineral source of his paint is a gift, a natural boon. As Brook Thomas notes, Howells’s novel—as if trying to work out the troublesome border between the separate spheres of feminine sentiment and masculine trade—repeatedly invokes the very word “business” in domestic contexts, with Silas, for instance, telling his wife Persis, “You mind your own business, Persis . . . if you’ve got any” (284).\textsuperscript{71} When Lapham and his wife discuss whether he should take Tom into the firm for the sake of Irene, Lapham stumbles to the conclusion (drawn from the rhetoric of paint making) that “I don’t object to him, as I know, either way, but the two things won’t mix” (90). And Persis hesitatingly feels her way toward agreement: “But if you really think it won’t do to mix the two things . . .” (91). From the other side of the transaction, Mrs. Corey wonders whether her son’s advancement in the world of business is not the result of his objective merit: “And you don’t suppose it was any sort of—personal consideration?” (101).

Despite Howells’s insistence that the story is one of the moral rise of its protagonist despite his business fall, Lapham’s problems stem from the inconsistent way in which he manages to “mix the two things” of business and personal affairs. Lapham blames his downfall on his dabbling in the alien and amoral new realm of stock market speculation, with Silas confessing to Irene on her return from her self-imposed exile: “I don’t know as you’d call it wrong. It’s what people do all the time. But I wish I’d let stocks alone” (287). Yet it turns out that his difficulties arise from other factors, some of which are mere contingencies of “this economic chance world,” while others are a result of his repeated and contradictory efforts to maintain an old-fashioned moral rectitude.\textsuperscript{72} Lapham does business with Rogers as a personal favor but presents it as a commercial transaction; yet he then refuses the possibility of conducting some business with the representatives of
wealthy English investors in a manner that, while on the surface is entirely respectable, smacks of knowing collusion: Lapham “with difficulty kept himself from winking” (325). As far as his treatment of Rogers is concerned, Lapham is adamant, protesting a trifle too vehemently that “it was a perfectly square thing,” because “it was a business chance” (46). Lapham insists on keeping up the fiction that they are engaged in a business relation rather than charity: “Rogers came to borrow. He didn’t come to beg” (131). Persis demands, however, that the loan is never to be recalled, no matter how much Lapham might need it, a gesture that, in effect, turns the loan into a gift. Despite Lapham’s insistence on keeping his dealings with Rogers on a purely business footing, he seals his own financial ruin when, for reasons of moral scrupulosity, he refuses to indulge in the transaction that Rogers proposes with the English agents, even when Rogers offers to buy the property directly from Lapham, so that the latter’s conscience (and his legal liability) will be clear: “You will not have an iota of responsibility,” and “any lawyer would have told him the same” (329). Rogers’s reading of the business ethics of the case differs from Lapham’s: “I did not think that was necessary,” he informs Lapham, “to tell the parties about the G, L & P [Railroad]” (321). At the same time, however, he invokes the old-fashioned sanctity of a businessman keeping his promises when he tries to persuade Lapham that the latter must meet with the English agents.

With the G, L & P deal, it seems that nearly everyone is “in the know” yet willing to maintain the fiction of impartiality: Lapham knows that Rogers knows that the English agents know that the property is worthless, and that, in any case, the English investors are able to sustain the loss. This only leaves the question of whether the unknown wealthy English investors are merely the fools of stock market lore, or whether they are turning a blind eye themselves to the specifics of a deal they must know is probably too good to be true in order to pass it on to an even greater fool. Lapham comes to realize that the inside deal being proposed, through euphemism, is that the Englishmen will buy the stock issues at an inflated price from Lapham but will then expect a kickback, each side benefitting from a “personal consideration.” Despite having earlier boasted to Persis that “I’ve got the inside track” on the deal, Lapham insists on conducting business with the highest level of morality, even if it means his financial ruin. He explains to Persis: “Most likely Rogers was lyin’, and there ain’t any such parties; but if there were, they couldn’t have the mills from me without the whole story. Don’t you be troubled Persis. I’m going to pull through all right” (279). When presented at the eleventh hour with the opportunity of selling his paint firm to a speculator from New York, Lapham toys with the tantalizing possibility of rescue but then
realizes that he could not withhold information about the rival West Virginian paint company from the prospective New York buyer. Despite supposedly being the representative of a new age, in which everything is reduced to the bottom line, Lapham instead seems to represent an older order, as he finds himself unable to compartmentalize his business and his morals. Unlike Melville’s sly narrator, Howells—and, indeed, the realist novel as a cultural form during this period—cannot recount his protagonist’s rise and fall “without the whole story,” that is, without the full disclosure to the reader of all the “material facts” (as the *Strong v. Repide* decision termed it) of the hidden consequences of each character’s actions, appearing in seemingly ever-widening ripples of influence that blur the boundaries between the various love plots and business plots. Lapham finds himself caught up in a web of global business connections that are increasingly being woven by a stock market that is geographically remote. At the same time, however, he is entangled in a series of domestic moral obligations that cannot easily be repaid. There is no easy, dialectical synthesis of the two perspectives. Rather than a smoothing out of the apparent tension between a moral economy and an exchange economy, the novel provides what we might term an imaginary *irresolution* of real social contradictions.73

**Friends**

In her autobiography, Edith Wharton observed how her friend Henry James “often bewailed to me his total inability to use the ‘material,’ financial and industrial, of modern American life. Wall Street, and everything connected with the big business world, remained an impenetrable mystery to him.”74 In contrast to some examples of financial fiction from the turn of the twentieth century, Wharton’s novels do not undertake a sustained examination of “Wall Street, and everything connected to the big business world.” Yet they nevertheless engage dramatically with the tensions between the realm of morality and the realm of economics, doing so in more ways than the familiar exploration of marriage as a market in the nineteenth-century novel of manners. In Wharton’s novels, the link between Wall Street and Fifth Avenue, at the level of both content and form, is a moral quagmire of inside information that blurs the boundary between older, more personal forms of interaction and seemingly more modern, impersonal ones.

In his revisionist account of the transcontinental railroads in the nineteenth century, Richard White argues that “friendship” greased the economic and political machinery of railroad corporations, whose focus was often more on making money through financial scheming than on building a robust transportation system. Despite all the contemporary popular talk of gloves-off battles between the
era’s robber barons, the key players in nineteenth-century financial skullduggery routinely invoked the notion of friendship in their creation of reciprocal chains of influence and obligation. The sentimental virtue of affection, however, was not necessarily part of what was meant by calling an amenable politician or financier a “friend.” Instead, “friendship was a code: a network of social bonds that could organize political activity.” White insists that corruption is not always inevitably the same, but has its own history, and that what made Gilded Age and Progressive Era corruption distinctive is that a stylized performance of genteel friendship was preferred to brazen bribery. It involved manipulating information, especially corporate financial information, thus creating an informational asymmetry in the rapidly expanding and largely unregulated markets of the period, one that could be exploited for profit. What passed hands between the railroad corporations and their “friends” was not, if it could be avoided, anything so vulgar as a direct money bribe (though, of course, that did happen), but information among insiders. White draws attention to the ubiquity of references to “friendship” in the public and private correspondence of Gilded Age robber barons, making clear how financial corruption was normalized, becoming part of the ordinary way of doing business.

For White, the best guide to this elite world of corrupt friendship is not a muckraking journalist, but the novelist Edith Wharton:

Friendship was where the kind of men found in an Edith Wharton novel obtained their footing. In a Wharton novel the businessmen husbands or fathers—so necessarily present and as necessarily alien to the love affairs and friendships, to the flirtations and conversation, around which the novels revolved—only blundered and did damage. The female characters created networks too insubstantial to support the ponderous men whom they accidentally ensnared. But in the hotel rooms, clubs, and offices men spun out their webs of friendship. The material networks—the bands of steel that girded the continent—also depended on inchoate networks that mirrored the secrets, courtships, and flirtations of drawing room and dining room. The cultural connections of business and politics were the domain of friends.

Wharton’s three great novels about the upper class in Gilded Age New York—The House of Mirth (1905), The Custom of the Country (1913), and The Age of Innocence (1920)—operate, in both their thematic concerns and their narrative structure, through the control of access to inside information. I want to suggest, however, that in Wharton’s novels, the “inchoate networks” of the boardroom are not merely “mirrored” by the “secrets, courtships, and flirtations” of the drawing room, but are influenced and enabled by them, as well as vice versa. Where The Rise of Silas Lapham can be read as a nostalgic attempt to apply the uncorrupted
In her fictional as well as her autobiographical writings, Wharton provided an ambiguous lament for the passing of the world of her childhood. Although the new-money families are at times viewed as refreshingly entertaining, they are more often seen as scandalous invaders; furthermore, her novels retain a sense of nostalgia for an aristocratic ideal of noblesse oblige that is more in tune with traditional American notions of democratic classlessness than the self-conscious elitism of the nouveau riche. In the last quarter of the nineteenth century, the Anglo-Dutch patrician families of New York merchants and landowners—who, in Wharton’s eyes, epitomized respectability, business probity, and a sense of aristocratic rootedness, but also restrictively clung to tradition and gentility—were increasingly overtaken by those who had made sudden fortunes in corporate or financial speculation. As Sven Beckert notes, what had held the older mercantile class together was a close-knit system of kinship, the forging and maintenance of which was dominated by women. “It was in the family parlor, not the counting house,” Beckert argues, “that New York’s merchant elite worked hardest to remain a community.”\(^7\) In the parochial New York of the 1870s that *The Age of Innocence* looks back on, “as through the wrong end of a telescope” (74), the matriarch Mrs. Manson Mingott insists that “everybody in New York has always known everybody” (27), or, as the arriviste Undine Spragg, in *The Custom of the Country*, observes of the esteemed but increasingly marginalized Dagonet family circle she marries into: “They were all more or less cousins” (36). The emphasis on family ties and the construction of strong social bonds was, for this earlier mercantile elite, a necessary solution to the problem of trust in dealing with trading partners who were spread out over the vast distances of national and, increasingly, global markets. Beckert argues that by the end of the nineteenth century, New York’s bourgeoisie had consolidated itself as a cohesive upper class by embracing an increasingly self-conscious cultural identity of elitism, backed up Darwinian racial thinking.\(^8\) The genteel networks of influence that held together the earlier merchant dynasties were not, however, swept by the invading hordes of new money, but, in fact, made the transition possible. Wharton’s novels provide an anatomy of these circuits of information.

**Tips and Deals**

At first sight, there seems to be a vast gulf between Fifth Avenue and Wall Street in Wharton’s novels. For example, when Lily Bart, a socialite in quest of a suitably
distinguished marriage, whose story is told in *The House of Mirth*, is repaying her hostess’s hospitality by helping her out with her correspondence, the narrator describes how the household bills provide an “incongruously commercial touch to the elegance of her writing table” (63). Likewise, Ralph Marvell, Undine’s old-money husband in *The Custom of the Country*, snobbishly reflects that “what [the portrait painter] Popple called society was really just like the houses it lived in: a muddle of misapplied ornament over a thin steel shell of utility.” Its “steel shell was built up in Wall Street, the social trimmings were hastily added in Fifth Avenue,” he continues, and “the union between them was as monstrous and factitious, as that between the Blois gargoyles on Peter Van Degen’s roof and the skeleton walls supporting them” (73). The source of wealth for families such as Ralph Marvell’s is discreetly obscure, as they live off inheritances, with the men barely engaging in any productive work. (Newland Archer, for example, the protagonist of *The Age of Innocence*, dabbles at law and mainly spends his time in the office reading the newspaper.) Occasionally, though, the world of finance does directly intrude when, for example, in *The House of Mirth*, we hear disquieting rumors that it had been a “bad autumn in Wall Street” (194), or, in *The Age of Innocence*, that “Beaufort’s fortune was substantial enough to stand the strain; yet the disquieting rumors persisted, not only in Fifth Avenue but in Wall Street” (210). Lily, once she is embroiled in a financial speculation engineered by her would-be lover, Gus Trenor, realizes, to her cost, that she does not understand “this vast mysterious Wall Street world of ‘tips’ and ‘deals’” (*HM*, 131). Likewise, for Mrs. Spragg, the wife of a midwesterner who has made a fortune in real estate speculation, her “knowledge of what went on ‘down town’ was of the most elementary kind” (*CC*, 16).

Yet the worlds of business and the drawing room are shown to be intimately linked. For Undine, “it was of no consequence that the details and technicalities [of finance] escaped her. . . . Every Wall Street term had its equivalent in the language of Fifth Avenue” (*CC*, 537). In Wharton’s New York novels, gossip, tips, favors, deals, and—above all—the networks of information conducted by “friends” do not merely find their “equivalent” on Fifth Avenue, but instead are part of the very same economy. In her reading of *The House of Mirth*, Wai Chee Dimock demonstrates how the logic—and language—of the market pervades the entire social world, such that the two realms can no longer be thought of as distinct or in contradiction. The novel portrays Lily as a victim of a society in which women are commodities, whose value rises and falls like a corporate stock, and the relations between men and women are reduced to transactional exchanges. Although Dimock rightly draws our attention to the pervasive influence
of Wall Street on Fifth Avenue in *The House of Mirth*, it is also important to understand how this and other Wharton novels chart the converse—the influence of the logic of the drawing room in the counting house—with the incorporation of a seemingly genteel economy of “friendship” in downtown’s supposedly hard-nosed realm of exchange. Wharton’s novels suggest that Wall Street’s “‘tips’ and ‘deals’” at the core of its heartless exchange economy result from a striving to gain advantage through corrupt inside information that is dressed up in the refined language of favors and obligations, which Beckert shows was the social glue that kept the mercantile elite together.

**Fraternal Intimacy**

Not only does the euphemistic refusal to specify the exact terms of a deal create an uneasy parallel with the moral confusions of the intrigues of the drawing room, but a Wall Street deal is often enabled by or is used to cement a Fifth Avenue connection. In the case of the nouveau riche, Jewish real estate speculator Rosedale, for example, we learn that “already his wealth, and the masterly use he had made of it, were giving him an enviable prominence in the world of affairs, and placing Wall Street under obligations which only Fifth Avenue could repay” (*HM*, 387). The glimpses we are afforded of “big business” suggest that money is being made not from an impartial and impersonal interaction with the “vast mysterious world of Wall Street,” but from personal connections and inside information. In *The House of Mirth*, for example, we learn that Mr. Bry, one of the new-money set who continues to prosper despite the economic downturn that causes the other, more established members of the elite to tighten their belts, “has promised [the Duke] a tip, and he says if we go he’ll pass it on to us” (331). It turns out that Gus Trenor generates speculative windfalls for Lily not because, as he complains to Lily, “a fellow has to hustle” (129) in his exhausting work downtown, but because he has traded access to society for the social outsider Rosedale in exchange for some financial inside information—a “half-a-million tip for a dinner” (130). Trenor reassures Lily that he can make a “handsome sum of money for her without endangering the small amount she possessed” (135), and readers are therefore left to presume that this deal is less the result of smartly calculated risk taking than the reaping of the rewards of the instrumental friendship between Trenor and Rosedale. Lily mistakes (or rather, deludes herself into mistaking) the arrangement between herself and Trenor as one of “fraternal intimacy,” rather than the quid pro quo of money for sex, just as in Wall Street, corruption is masked as friendship: “In her innermost heart Lily knew it was not by appealing to the fraternal instinct that she was likely to move Gus Trenor; but
this way of explaining the situation helped to drape its crudity” (131). Lily realizes that she needs to make Gus feel that her request was “uncalculated” (136), relying on those qualities of loyalty and benevolence that White argues were essential to making corruption palatable. “The haziness enveloping the transaction,” the narrator comments, “served as a veil for her embarrassment” (136). Redescribing a bribe as a favor, and enveloping the exchange in the fuzzy language of “uncalculated” friendship, is precisely what made Gilded Age corruption so successful.

Lily wishes she “had a clearer notion of the exact nature of the transaction which seemed to have put her in his power” (186), and it is only later that she comes to realize that “what he said he had made for me he had really given me” (472). Although Lily might profess to comprehend little about the technical details of Wall Street, her seemingly willful misunderstanding of Trenor’s bribe as a gift (which she later tries to redescribe as a loan that can simply be repaid) suggests that she would be no stranger to the euphemistic world of corrupt business explored by White, an elaborate game where everyone knows the rules, which must never be spoken out loud. When Lily continually rebuffs Trenor’s increasingly rapacious advances, in his frustration he breaks the taboo and accuses her of “dodging the rules of the game” (234). Instead of acceding to the corrupt logic of extramarital seduction, Lily tries instead to reinterpret their “friendship” in the more traditional sense of a relationship of affection, rather than the euphemistic kind of arrangement that Trenor means. Trying to call his bluff in an effort to stave off his threatening advances, she thus asks, with a deliberate disingenuousness, “What more have you done than any friend might do, or any one accept from a friend?” (149). Trenor laughingly dismisses Lily’s misguided offer to repay any money she might owe him: “‘Oh, I’m not asking for payment in kind’” (235). The irony is that payment in kind—sexual favors rather than repayment of the money—is exactly what he is asking for, but the euphemistic “haziness” surrounding the whole transaction obliges him to insist on the opposite, even when the mask of social respectability has been dropped.

Lily is equally hazy about the nature of friendship in connection with her female acquaintances. As Judy Trenor becomes cooler toward Lily (when she presumably learns about Lily’s arrangement with her husband), Lily tries to convince herself that she “believed in the sincerity of her friend’s affection, though it sometimes showed itself in self-interested ways, and she shrank with peculiar reluctance from any risk of estranging it” (208). As if hedging her bets against a possible estrangement with Judy, Lily turns back toward her old on-off friend, Bertha Dorset, with a “renewal of friendliness,” prompted by the “discovery that they could be of use to each other” (206). Bertha, it turns out, is an
expert manipulator of friendship, inviting Lily on a Mediterranean cruise to keep her husband amused while she has an affair with the young would-be poet Ned Silverton. When Bertha is in danger of being exposed, she does not hesitate to cast Lily aside, leaving Lily to wonder to her friend, Gerty Farish (whom Lily uses just as shabbily, albeit without conscious malice): “Who are one’s friends at such a time?” (361). Lily’s friends end up believing Bertha’s version of the events in Nice (that Lily was dismissed for having an affair with George Dorset), because it is more in their interests to do so. As Lily’s life crumbles around her toward the end of the novel, she becomes more suspicious of the notion of friendship. When Rosedale rejects Lily’s belated renewal of a marriage proposal, he asks: “Ain’t we going to be good friends all the same?” Lily, suspicious of coming under another imprecisely defined obligation, asks the question that dare not speak its name: “What is your idea of being good friends?” (410). Wharton’s novels thus show not so much a relentless “reduction of human experiences to abstract equivalences for exchange,” as a series of uneasy tensions and ligatures between the speculators of Wall Street and the social elite of Fifth Avenue, with both operating through the code of instrumental friendship, despite the separate sphere of business supposedly animated by more-impersonal forces.83

Knowing People

Euphemism was vital to the operation of the system of Gilded Age corruption that White describes, and it is equally central to the social world dramatized in Wharton’s New York fiction, with its focus on the “verbal generosities” that (in protagonist Newland Archer’s eyes) provide merely a “humbugging disguise of the inexorable conventions that tied things together and bound people down to the old pattern” (AI, 41). Like expert Wall Street operators, the “knowing people” of polite society are able to decode the “faint implications” (14) of everyday exchange, and it is the sharing of nonpublic knowledge that both forges these people into an exclusive class and permits them to profit, in both Wall Street and Fifth Avenue, from their inside information. For example, when Mrs. van der Luyden is persuaded to issue a dinner invitation to May’s cousin, Countess Ellen Olenska (who is separated from her husband), that evening at the opera, “some of the younger men in the club box exchanged a smile at this announcement” (55). Except for those excluded by reasons of age or class from the inner circle, everyone in this incestuous world supposedly knows what everyone else is alluding to but cannot speak out loud about it.84 Most notably, Newland Archer prides himself on the fact that he and his new wife, May, understand the conventions of polite society so well that much that might otherwise cast a shadow
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on respectability can remain unspoken. In contrast, Ellen doesn’t always seem to get what Newland means; he wishes she could be more “feminine” and intuitive and spare him from having to state things in plain words (140). He tries to avoid putting into words, either to Ellen or to himself, what he actually wants: “It is your idea, then, that I should live with you as your mistress—since I can’t be your wife?” she asked. The crudeness of the question startled him” (292). At the same time, he also becomes increasingly frustrated by the inability of his social world to actually name things for what they are. He wishes, for instance, that he could say out loud to the men of his club: “If you’d all of you rather she should be Beaufort’s mistress than some decent fellow’s wife you’ve certainly gone the right way about it” (144).

The rigid refusal to address certain topics openly had begun to crack by the time of The House of Mirth (set in the same historical moment as the novel’s publication in 1905), but that social world still operates through codes of shared inside information. Even though “Evie Van Osburgh’s engagement was still officially a secret,” it was “one of which the innumerable intimate friends of the family were possessed” (158). Bertha Dorset, we are informed, works her devious schemes by “insinuations intelligible to every member of their little group” (177), and Lily is well aware that Bertha’s speech is rarely as innocuous as it might seem to the uninitiated outsider: “For of course she always means something” (406). What distinguishes insiders from outsiders in this upper-class enclave is an understanding of the social codes of this “hieroglyphic world” (AI, 42), when what is left unsaid can itself be deeply meaningful—and profitable: “Lily, well versed in the language of these omissions, knew that they were equally intelligible to the other members of the party” (HM, 368). Lily’s sanctimonious cousin Grace Stepney, who ends up inheriting Mrs. Peniston’s fortune (despite the fact that “it had been, in the consecrated phrase, ‘always understood’ that Mrs. Peniston was to provide handsomely for her niece [Lily]” [357]), takes vindictive delight in breaching etiquette by informing the old lady about Lily’s supposed indiscretions: “I didn’t suppose that I should have to put it so plainly. ‘People say that Gus Trenor pays her bills’” (202). Unlike many of the other characters who can afford to operate through the indirection of social niceties, the twice-divorced society fixer Carry Fisher has a streak of keen-eyed realism, in evidence when she “brutally put[s]” (365) the truth of Lily’s situation to her. Rosedale, an outsider in this social world, likewise favors plain speaking: “Now we’re talking let’s call things by their right names” (418). Yet Lily is aware that even his proposal of a “plain business arrangement” (483), a straightforward loan of the kind that businessmen might make between themselves, might be viewed differently among
her class. In this world, Lily learns that there is no such thing as a plain business arrangement. Nevertheless, she still shies away from the private exchange of information between “friends” that Rosedale proposes, namely, using the love letters that Lily had bought from the charlady to blackmail Bertha Dorset into rehabilitating Lily’s reputation. The plan only seems troubling to Lily when she strips it of its “verbal generosities”: “After all, half the opprobrium of such an act lies in the name attached to it. Call it blackmail and it becomes unthinkable; but just explain that it injures no one, and that the rights regained by it were unjustly forfeited, and he must be a formalist indeed who can find no plea in its defense” (485). Barefaced bribery, as White notes, is a cultural failure, when there are more sophisticated and “polite” ways of doing business between “friends” that involve information, rather than money. As Dimock has documented, the rhetoric of business insinuates its way into the domestic sphere in Wharton’s novels. At the same time, however, these fictive works show how the circumlocutions of polite society are central to the operations of the world of business.

The Innocence of May

The plots of Wharton’s New York novels revolve around privileged access to information and gossip and focus on the question of who knows what. This is most notably so in The Age of Innocence, which hinges on the issue of just how innocent May Archer is and just how much she actually knows at each stage. Newland prides himself on his wife’s perspicacity, the product, in his view, not of a cynical knowingness, but of her very innocence and whole-hearted immersion in the codes of polite society: “He never saw her, or exchanged a word with her, without feeling that, after all, May’s ingenuousness almost amounted to a gift of divination” (119). He is convinced of her essential ignorance of any thoughts, emotions, or situations that would upset the calm surface of their genteel world.

The central irony of the novel, however, is that it is not May, but Newland, who is deluded. Despite seeming to embody the lost innocence of old New York, she is far more knowing and plays the game of “friendship” with more sophistication than Archer can imagine. When Newland tries to get May to agree to marry him sooner (presumably in order to prevent himself from becoming more emotionally entangled with Ellen, who is separated from her Polish husband), she asks him straight out if there is anyone else, showing that she understands Newland better than he understands himself. May confesses that “you mustn’t think that a girl knows as little as her parents imagine. One hears and notices. . . . Every one was talking about it [Newland’s affair with a married woman] two years ago at Newport” (148). Newland, blind to the fact that May might actually be euphe-
mistically referring to his current infatuation with Ellen, expresses his relief: “My dear child—was that it? If you only knew the truth!” With more knowledge than a mere “gift of divination” would permit, May perceptively—yet still with the surface appearance of ingenuousness—asks, “Then there is a truth I don’t know?” (148).

With all the skills of a confidence trickster, May performs the role of the ingénue to perfection. When Newland proposes a visit to Washington, DC, May realizes that he is lying yet, “looking him straight in the eyes with her cloudless smile” (269), insists that he sees Ellen Olenska while he is there, both letting her husband know that she is aware of what he really intends, while still keeping up the pretense of social decorum. Newland thinks that, as a skilled semiotician of social exchange, he can perfectly decode their restrained dialogue, which seems to him to be both the strength and the constricting weakness of their emotionally repressed social class. But he is deluded, and it is May who inhabits the logic of euphemism with a scary conviction. Even when she disingenuously calls Newland’s bluff after she later catches him lying about his trip to Washington, her voice “was as clear as a bell” (285). Despite seeming not to be privy to her husband’s secrets, May knows more of what is going on than Newland and uses her privileged information to bend circumstances to her will. When May reveals that she had a “really good talk” (317) with Ellen, Newland fails to pick up on its significance. Newland hopes this means that May might, after all, understand his feelings for Ellen, but to his disappointment, his wife merely seems to want to explain why the family has cut her cousin off. The irony, however, is not only that May indeed knows about Newland’s affair with Ellen, but that she uses her knowledge—unbeknownst to her husband at this point—that she is probably pregnant to force Ellen to quit as her rival by returning to Europe. May then keeps to herself the knowledge that Ellen is going back to Europe and only reveals that fact—seemingly in full innocence—to Newland when it is too late for him to do anything about it.

For all that Newland thinks of himself as an astute and well-informed reader of his “hieroglyphic world,” it turns out that he is kept out of the information loop as May’s extended family tribe (in Wharton’s anthropological terminology) rally round to protect her. He is shocked by the “discovery that he had been excluded from a share in these negotiations, and even from the knowledge that they were on foot” (254). It turns out that he, not May, is the naive one, blinded by his infatuation with Ellen and his conviction that his wife, with her “transparent eyes,” is incapable of scheming. Despite the 1870s coming to seem, in retrospect, an “age of innocence,” it turns out that all along, everybody had
known this crucial piece of hidden information about May. Yet, as in the game of “friendship” White describes, they have all conspired to pretend otherwise and have collectively refused, in a “tissue of elaborate mutual dissimulation” (342), to name Newland’s corruption out loud for what it is: “And then it came over him, in a vast flash made up of many broken gleams, that to all of them he and Madame Olenska were lovers, lovers in the extreme sense peculiar to ‘foreign’ vocabularies. He guessed himself to have been, for months, the center of countless silently observing eyes and patiently listening ears. . . . The whole tribe had rallied about his wife on the tacit assumption that nobody knew anything, or had ever imagined anything, and that the occasion of the entertainment was simply May Archer’s natural desire to take an affectionate leave of her friend and cousin” (338).

Newland rails against the way that people in old New York “dreaded scandal more than disease” (338), and he finds their “deathly sense of the superiority of implication and analogy over direct action” (339) oppressive. Despite his desire to break free from the rigid, hypocritical conventions that maintain the social solidarity of this elite class at the expense of truth and individual freedom, at the end of the novel, Newland nevertheless convinces himself that “after all, there was good in the old ways” (350) that had sustained “a kind of innocent family hypocrisy, in which children and father had unconsciously collaborated.” On a trip with his father to Paris (during which Newland prefers not to engage in “direct action” by actually meeting Ellen), Dallas mentions that on her deathbed, his mother May had revealed to him that she indeed knew about Ellen: tellingly, as far back as the moment when, “once, when she asked you to, you’d given up the thing you most wanted” (359). Yet even Dallas, the voice of modernity and social mobility (he is marrying the daughter of the ruined banker, Julius Beaufort, and Beaufort’s former mistress, Fanny Ring), wonders if, after all, there was not some value in the customs that had kept his parents’ restricted social class tightly knit together: “You never did ask each other anything . . . [and yet] I back your generation for knowing more about each other’s private thoughts” (359–60). The collective enactment of innocence might be as hypocritical as the performance of friendship without affection White describes, but *The Age of Innocence* nevertheless refuses to entirely condemn the social logic of circumlocution, in contrast to an unflinching and seemingly Progressive regime of transparency.

**Noblesse Oblige**

Wharton’s novels view the lost world of old New York from an ironic as well as a sometimes nostalgic distance. The rhetorical framing of New York’s mercantile
elite as if it were a primitive tribe, with its own arcane codes of etiquette, styles of dress, and rituals of marriage, introduces a relativizing defamiliarization that also serves to naturalize class as an anthropological given. The stance of “looking through the wrong end of a telescope” (AI, 74) at the New York of Wharton’s childhood comes, in part, from the conviction that business and personal ethics have changed for the worse by the turn of the twentieth century: “The idea of absolute financial probity as the first law of a gentleman’s code was too deeply ingrained in [Newland] for sentimental considerations to weaken it. An adventurer like Lemuel Struthers might build up the millions of his Shoe Polish on any number of shady dealings; but unblemished honesty was the noblesse oblige of old financial New York” (AI, 276–77). Despite these allusions to a vanished ideal of conduct, Newland’s mother, for example, insists that, strictly speaking, America has no aristocracy, in the sense of a titled nobility, and it is supposedly this lack of objective distinction that makes the elaborate codes of behavior in polite society so important. Likewise, in The Custom of the Country, readers are meant to laugh at Undine who, thanks to religiously following the society column in the newspapers, “knew all of New York’s golden aristocracy by name, and the lineaments of its most distinguished scions had been made familiar by passionate poring over the daily press” (28).

Although Wharton’s novels cast doubt on the idea of a literal American aristocracy, they nevertheless manifest a residual hankering for a time when the upper class was supposedly held together not by money and contract, but by a sedimented sense of kinship and a feudal understanding of the obligations to other classes that was markedly different from the social Darwinism of William Graham Sumner’s popular tract, What Social Classes Owe to Each Other (1883). For the old New York families in Wharton’s novels, the barbarians at the gate are not the immigrant and racial masses, but the newly rich beneficiaries of industrial and financial capitalism. The novels suggest that the reason for clinging so anachronistically to the pseudoaristocratic trappings of status and kinship was that it was the obfuscating fig leaf that justified overturning America’s faith in democratic classlessness: wealth without a sense of noblesse oblige was just vulgar materialism. As Wharton noted in a letter to a friend, “social conditions as they are just now in our new world, where the sudden possession of money has come without inherited obligations, or any traditional sense of solidarity between the classes, is a vast & absorbing field for the novelist.” Most notably, at the end of The House of Mirth, Lily feels no sense of “class distinction” (460) when she sits in the kitchen of Nettie Struther, the object of Lily’s past charity. The narrator sympathetically captures Lily’s unarticulated nostalgia for kinship and rooted-
ness that, as The Custom of the Country also makes clear, seems to emerge more organically in European society: “In whatever form a slowly accumulated past lives in the blood—whether in the concrete image of the old house stored with visual memories, or in the conception of the house not built with hands but made up of inherited passions and loyalties—it has the same power of broadening and deepening the individual existence, of attaching it by mysterious links of kinship to all the mighty sum of human striving” (HM, 516).

Hildegard Hoeller reads the scene with Nettie Struther and her baby not as lapsing into sentimentalism, which most critics have viewed as quite jarring in the face of the hard-nosed, satirical realism that structures the rest of the novel, but as offering a glimpse of a female-centered gift economy. In this reading, the bonds of maternal and sisterly love present a viable alternative to the exchange economy in which Lily has become entrapped. Yet I would argue that in The House of Mirth and Wharton’s other New York novels, an older, quasi-aristocratic, woman-centered ideal of an economy structured by personal connections and obligations does not stand in utopian opposition to a newer, impersonal, manly economy of exchange and contract. Instead, there is a continuity between the two modes, with the economy of exchange wrapped up in the language of gift. The spirit and language of personal connections persisted long into the era of corporate capitalism, with the socialization of ownership enabled by limited liability and the democratization of the financial markets. As White’s studies of the patterns of representation of a small number of interconnected families on the boards of railroad corporations make clear, the period of the rise of what Wharton called the “vast mysterious world of Wall Street” did not destroy an older appeal to blood, family, and noble obligation, but was made possible by the concentration of ownership through kinship networks. What these families got out of their persistent representation on corporate boards of directors was not a monopoly of control per se, but corrupt access to inside information. As one study concludes, “the emergence of bureaucratic corporations did not mean the end of insider networks based on family and kinship.”

**Privileged Circle**

Wharton’s novels dramatize the problem of inside information, not only at the level of the plot, but also in their formal narrative features. In addition to May, who knows more than her self-deluding husband, the reader is also invited to collaborate in this secret knowledge through “implication and analogy.” The House of Mirth, The Custom of the Country, and The Age of Innocence are focalized, to varying degrees, through leading characters who are not as astute as they think they
are, and we therefore learn to read between the lines, to see what they cannot. In this way, the novels use irony to create a sense of complicity between narrator and reader, making us privy to the codes and cues that place us in a position of superiority. For example, we are not told directly that Undine Spragg is socially gauche, because, it is assumed, the right sort of people instinctively know the social codes without these ever having to be spoken out loud.

Readers are not told directly what to think by an omniscient narrator; instead they are invited to glean and hoard crucial pieces of information—tips, as it were—that are there to be discovered by those in the know. In *The House of Mirth*, for example, we become like Rosedale, an outsider who is hoarding information in his campaign to become an insider. Precisely because he is not “one of us,” Rosedale needs to use privileged information to insinuate his way into the inner circle of the elite—which, in turn, will bring about financially meaningful personal connections. Like the observant reader, Rosedale is “a man who made it his business to know everything about every one” (23). When he meets Lily, coming out of the Benedick building after having taken tea in Lawrence Selden’s apartment there, Rosedale knows that she is lying in her claim that she has been visiting her dressmaker. Lily “detected in Rosedale’s eye a twinkling perception of the fact” (153), and her silence gives “special meaning” to Rosedale’s seemingly harmless comment about owning the Benedick and therefore knowing that it is a residence for bachelors. This secret knowledge inserts Rosedale—and, by implication, the reader—into a “privileged circle,” and permits Rosedale to smile a “knowing smile” (155). The way that Lily later glosses over her behavior ironically provides a “confirmation of his suspicions” (184), a confirmation that is now shared with the reader, putting us in Rosedale’s morally compromised position of banking useful information while also having sympathy for Lily as the victim of this transaction between “friends.”

In contrast, in some instances the reader becomes merely one of the social crowd, rather than being granted privileged access, learning significant plot developments accidentally, through tidbits of gossip that are dropped into the conversation, thus putting us temporarily in the position of Lily as she begins to fall out of the “privileged circle.” For instance, we only learn in passing that Judy Trenor has quarreled with her husband, Gus, from the idle gossip that Grace Stepney reports to her aunt, Mrs. Peniston (*HM*, 203–4). The significance of this will not be lost on readers who share Lily’s awareness of the reason for Judy’s behavior (and the sense of injustice created by the mismatch between public gossip and our inside knowledge of the actual circumstances). Or, for example, in *The Custom of the Country*, after Undine’s argument with her aristocratic French hus-
band over the impossibility of selling any of the estate’s heirlooms, the reader is not privy to the fact that on Undine’s brief escape trip to Paris, she has contacted an art dealer to come and appraise the chateau’s priceless tapestries (527–38). This lack of full disclosure serves the immediate narrative purpose of making the appearance of Elmer Moffat at the chateau all the more of a surprise, but it also enacts, at a structural level, the pleasures, frustrations, and moral complicities of being granted or denied inside information.

In both their content and their form, then, Wharton’s New York novels exhibit an ambivalent attitude toward the social and economic changes of the late nineteenth century. On the one hand, they lament the passing of a tightly knit, mercantile upper class that was supposedly founded on financial probity and a quasi-feudal rootedness (which admittedly verged on claustrophobia). On the other hand, they also make it apparent that those seemingly outmoded values of kinship and friendship, and the social mechanisms of being “in the know,” make possible the very scheming that, with the emergence of corporate and financial capitalism, threatens to undo those old moral certainties and manners, and upper-class identity.

Conclusion: The Confidence Trick of Finance

What Wharton’s novels make clear is that the world of Fifth Avenue and the world of Wall Street were not so far apart in the Gilded Age and the Progressive Era, either conceptually or in practice. Henry James feared that the novelist was ill equipped to chart the changes taking place in both the social world of Manhattan and the national economy as a whole. What Wharton’s fiction helps us understand, however, is the deep connection between the personal and financial realms during that period, an intertwining that takes place not only in the story lines, but in the formal structures of the genre. Likewise, the figure of the confidence man might, by century’s end, seem to be merely an archaic and romantic outlaw, yet we have seen how the con trick—by that point enacted on an industrialized scale—continued to work the rich seam revealed by the fault line between business and friendship. Rather than merely sweeping away older modes of personal connection, however, the brave new world of financial capitalism—with its reliance on the impersonality of contracts and its confidence in abstract systems, rather than individual people—was enabled, both conceptually and practically, by the possibility obtaining of inside information.