

## Addison Mizner: Promoter in Paradise

by RAYMOND B. VICKERS

CALIFORNIA'S gold rush of 1849 and the Klondike gold rush of 1898 pale when compared to the Florida land rush of 1925. As tales of quick profits captured the attention of the nation, the boom in paradise became the greatest speculative frenzy in history.<sup>1</sup> Florida's climate, new roads, and low taxes had appeal, but the chance of easy money fueled the hysteria. Real estate promoters littered the state with "the joyful and confident devastation of development." Anything could happen as subdivisions rose from snake-infested mangrove swamps. Not since the days of the carpetbaggers had so many opportunists and swindlers migrated south.<sup>2</sup>

Addison Mizner was the most flamboyant promoter in paradise. Historian George Tindall described him as "one of the great charlatan-geniuses of the Twenties." Mizner, who had become the leading architect for the leisure class of Palm Beach, designed a grandiose plan to transform Boca Raton into the world's premier resort. Its centerpiece would be Castle Mizner, his own \$1 million house, to be built on an island in the middle of Lake Boca Raton.

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1. Pierre Berton, *Klondike: The Last Great Gold Rush 1896-1899* (Toronto, 1990), 524; Paul S. George, "Brokers, Binders, Builders: Greater Miami's Boom of the Mid-1920s," *Florida Historical Quarterly* 65 (July 1986), 27-51; George B. Tindall, "Bubble in the Sun," *American Heritage* 16 (August 1965), 76-83, 109-11; Reginald T. Townsend, "Gold Rush to Florida," *The World's Work* (June 1925), 179; Kenneth L. Roberts, "Florida Fever," *Saturday Evening Post* (December 5, 1925), 6-7, 207, 209; Gertrude Matthews Shelby, "Florida Frenzy," *Harper's Monthly Magazine* (January 1926), 177-86; "Florida Madness," *New Republic* (January 27, 1926), 258-59; Theyre Hamilton Weigall, *Boom in Paradise* (New York, 1932), 30; *Miami Herald*, January 16, April 17, July 1, 2, 1925.
2. Ida M. Tarbell, *Introduction to Florida Architecture of Addison Mizner* (New York, 1928), 1-2; George, "Brokers," 31; Frederick Lewis Allen, *Only Yesterday: An Informal History of the Nineteen-Twenties* (New York, 1931), 227; John Kenneth Galbraith, *The Great Crash, 1929*, (Boston, 1972), 8-12; Charlton W. Tebeau, *A History of Florida* (Coral Gables, 1971), 268-69.



Castle Mizner, with its medieval drawbridge, was to become Addison Mizner's \$1 million dream-house and the center of his Boca Raton extravaganza. *Photograph courtesy of Historical Society Palm Beach County.*

He planned a grand entrance for his medieval castle, complete with a functioning drawbridge.<sup>3</sup>

With a straight face, Mizner announced that his residence would be "a Spanish fortress of the twelfth century captured from its owner by a stronger enemy, who, after taking it, adds on one wing and another, and then loses it in turn to another who builds to suit his taste." A brochure of the Mizner Development Corporation declared: "Addison Mizner has planned his home to endure through the ages and house for the enjoyment of posterity, the art and architectural treasures which he has brought from the old world. No finer contribution to the architectural splendor of Boca Raton could be made by its founder."<sup>4</sup>

3. As a comparison, the state of Ohio announced, in June 1925, the construction of the "first 'skyscraper' capitol building" at a cost of \$1 million. See *Daytona Beach Journal*, June 4, 1925; *Boca Raton: Florida's Wholly New Entirely Beautiful World Resort*, Mizner Development Corporation Files, Boca Raton Historical Society (cited hereinafter as MDC Files); Tindall, "Bubble," 80; Donald W. Curl, *Mizner's Florida: American Resort Architecture* (Cambridge, Mass., 1984), 145-47; Theodore Pratt, *The Story of Boca Raton* (St. Petersburg, 1963), 25.

4. *Boca Raton: Florida's Wholly New Entirely Beautiful World Resort*, MDC Files; Curl, *Mizner's Florida*, 145.

The ego and imagination of Mizner epitomized the boomtime promoters. He advertised Boca Raton as “undoubtedly the most tremendous land development project ever launched in the state of Florida.” Mizner’s company purchased two miles of oceanfront and sixteen thousand undeveloped acres, an immense project even by boom standards. In April 1925, Mizner announced that the development would feature a \$6 million oceanfront hotel named “Castillo del Rey (Castle of the King).” It would be “the most beautiful hotel in the world,” with 1,000 rooms and 250 private apartments. The “social capital of the south” would include a polo field to “assure an aristocracy of sport,” two world-class golf courses, tennis courts, private beaches, an airport, and a marina to house the yachts that would be cruising through the “lazy lagoons” and lakes of Boca Raton’s twenty miles of waterways. A cabaret run by Irving Berlin, the famous composer, and a casino, even though casino gambling was illegal in Florida, would provide nighttime entertainment.<sup>5</sup>

A new generation of conquistadors would know when they reached the enchanted land. They would leave behind the “congested and tormented” Dixie Highway to enter the “palm-arcaded and flower-bordered” El Camino Real. Mizner planned “a truly royal highway 160 to 220 feet wide . . . inspired by Rio de Janeiro’s famous Botafogo.” The King’s Highway would become “the world’s most beautiful boulevard.” To capture the romance of the Old World, “a bridge-arched Venetian Canal” would run through the center of the road, and imported Italian gondolas would ferry prospects and guests throughout the development.<sup>6</sup>

Mizner tried to emulate Henry Flagler, who, catering to the rich and famous, built the Royal Poinciana and Breakers in Palm Beach in the 1890s. Flagler’s hotels stayed full because he controlled the transportation system on the east coast of Florida. He built the grand hotels after buying the Florida East Coast Railway and expanding it to West Palm Beach. With captive customers, Flagler minimized risk by building superb resorts in strategic locations.<sup>7</sup>

5. *Palm Beach Post*, April 15, September 1, 1925, February 26, July 14, 1926; *Boca Raton: Florida’s Wholly New Entirely Beautiful World Resort*, MDC Files; Pratt, *The Story of Boca Raton*, 14, 20-25; Curl, *Mizner’s Florida*, 138-45.

6. *Boca Raton: Florida’s Wholly New Entirely Beautiful World Resort*, MDC Files; Tarbell, *Florida*, 1-2; Theodore Pratt, *That Was Palm Beach* (St. Petersburg, 1968), 44.

7. David Leon Chandler, *Henry Flagler: The Astonishing Life and Times of the Visionary Robber Baron Who Founded Florida* (New York, 1986), 136, 138-40, 240-41, 243, 253; Edward N. Akin, *Flagler: Rockefeller Partner & Florida Baron* (Kent, Ohio, 1988), 145-46, 155, 157, 203, 234; Tebeau, *Florida*, 284; Pratt, *Palm Beach*, 19-38; Stuart B. McIver, *Yesterday’s Palm Beach* (Miami, 1976), 35-50.

A different kind of “snowbird” migrated to Florida in the 1920s. Instead of traveling in private railroad cars, high-spirited members of the middle class headed south in their Fords. Mizner’s isolated development had to compete with established subdivisions in Miami and Miami Beach, so he aimed his marketing at high society: “Get the big snobs and the little snobs will follow.”<sup>8</sup>

Unlike Flagler, Mizner depended on other people’s money. He raised most of the equity for his project by seducing the elite of society with his fantasy. Paris Singer, heir to the sewing machine fortune, had been Mizner’s closest friend and booster for years. Singer gave Mizner his start in Palm Beach. He hired Mizner in 1918 to design a hospital for convalescent soldiers, which was converted to the exclusive Everglades Club. The Everglades Club introduced Mizner’s Spanish architectural style to the cream of society and generated an influential clientele for him. With Singer’s backing, in 1925 Mizner persuaded Senator T. Coleman du Pont of Delaware to become chairman of the newly formed Mizner Development Corporation, and convinced du Pont’s lawyer, Congressman George S. Graham of Philadelphia, to join the board of directors.

Harold S. Vanderbilt, William K. Vanderbilt II, the Duchess of Sutherland, and Elizabeth Arden eagerly bought stock in Mizner’s company. Clarence H. Geist, who had been a partner of United States vice-president Charles G. Dawes and who acquired the Mizner properties in 1927, was also one of Mizner’s original stockholders. Henry C. Phipps, of the Pittsburgh steel family, and Jesse L. Livermore, the Wall Street speculator, also supported Mizner’s dream.<sup>9</sup>

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8. Tindall. “Bubble,” 79; Alva Johnston. *The Legendary Mizners* (New York, 1953), 212; Pratt, *That Was Palm Beach*, 19, 24; George McEvoy, “Wilson Mizner: Now We See Him,” *Orlando Sentinel Florida Magazine*, January 14, 1973.
  9. *Palm Beach Post*, April 15, 1925, February 6, 19, December 5, 1926; *Palm Beach Independent*, December 4, 1925; Curl, *Mizner’s Florida*, 1, 38-39, 41-44, 46-50, 52-54, 83, 145-147; Joseph Frazier Wall, *Alfred I. du Pont: The Man and His Family* (New York, 1990), 346, 348; James Marquis, *Alfred I. du Pont: The Family Rebel* (New York, 1941), 288-92; Joseph J. Thorndike, Jr., “Addison Mizner— What He Did for Palm Beach,” *Smithsonian* 16 (1985), 113-16, 118, 121, 122; Johnston, *Mizners*, 278-99; “Mizner Came to Florida to Die,” *Florida Trend* 16 (1973), 94-96, 98, 99; Paris Singer, Foreword to *Florida Architecture of Addison Mizner* (New York, 1928); Donald H. Dyal, *Addison Mizner: The Palm Beach Architect* (Monticello, Ill., 1985); Christina Orr, *Addison Mizner: Architect of Dreams and Realities, 1872-1933* (1977); George H. Soule, *Prosperity Decade: From War to Depression: 1917-1929* (New York, 1947), 311; John Burke, *Rogue’s Progress: The Fabulous Adventures of Wilson Mizner* (New York, 1975), 111, 177, 219, 222, 265-67.

Mizner leveraged his project by selling stock to local bankers and then arranging large loans from their banks. After the boom cooled and lot sales slowed, the promoter-bankers made their depositors unwitting participants in Mizner's reckless venture. Mizner put William A. White, who later became president of the Palm Beach National Bank, on the board of Mizner Development Corporation. Mizner also sold stock to D. Lester Williams and Howard P. Smith, officers and controlling stockholders of the same bank.<sup>10</sup>

Williams, whose name appeared in Mizner advertisements, and Smith were important because they also controlled a state bank, the Palm Beach Bank and Trust Company, which had a different set of regulators. Its president, Benjamin R. Clayton, was another stockholder in the Boca Raton project. Both banks were affiliated with the Commercial Bank and Trust Company, whose president, Thomas M. Cook, and vice-president, Adrian E. Pearson, were stockholders of Mizner's company. The three Palm Beach County banks were affiliated with the Manley-Anthony system, a banking empire of nearly two hundred banks in Florida, Georgia, New York and New Jersey. Wesley D. Manley and James R. Anthony also had a personal financial interest in the Mizner Development Corporation.<sup>11</sup>

Addison Mizner gladly took money, but not advice, from his powerful partners. He relied primarily on his brother Wilson, whom he appointed as the company's treasurer. When lot sales were generating millions of dollars, Addison entrusted the company's checkbook to Wilson, a "slick con man" and professional gambler with a criminal record. In complete control of the project,

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10. Curl, *Mizner's Florida*, 145; Examiner's Reports of Palm Beach National Bank, June 17, 1925, and June 15, 1926, United States Office of the Comptroller of the Currency, Record Group 101, Records of the Examining Division, 1863-1935, Washington National Records Center, Suitland, Maryland (cited hereinafter as USOCC/WNRC).

11. *Palm Beach Post*, April 15, May 15, 1925; *New York Times*, September 23, 1926; Final Report of Palm Beach Bank and Trust Company, July 28, 1926, and Final Report of Commercial Bank and Trust Company, June 26, 1926, State Comptroller Records, Record Group 350, Series 64, Closed Bank Records, 1898-1942, Florida State Archives, Tallahassee, Florida (cited hereinafter as SC/FSA).



Addison Mizner (left) and Wilson Mizner (right) at the gala opening of the Cloister Inn on February 6, 1926. *Photographs courtesy of Historical Society Palm Beach County.*

Addison and Wilson did not take long to squander the deal of their lifetimes.<sup>12</sup>

Addison's clients gave him the credibility to set up what Wilson called a "platinum sucker trap" in Boca Raton. Though little work

12. *Palm Beach Post*, April 15, November 30, 1925, February 19, July 14, August 23, 1926; Jack "Doc" Kearns with Oscar Fraley, *The Million Dollar Gate* (New York, 1966), 27; Burke, *Rogue's Progress*, 52-67; William R. Hunt, *North of 53: The Wild Days of the Alaska-Yukon Mining Frontier 1870-1914* (New York, 1974), 82, 102, 198-201; Johnston, *Legendary Mizners*, 205, 253-54, 264-65, 286; Jean Matheson, "Wilson Mizner: 'The First Hundred Years Are the Hardest,'" *Palm Beach Today*, June 14, 1991.

had been completed on the “Golden City of the Gold Coast” during the first six months of the project, the *Palm Beach Post* declared that Mizner had really “put it over!” The newspaper could speak with authority because its publisher, Donald Herbert Conkling, was involved in the deal.<sup>13</sup>

Besides owning the influential newspaper, Conkling was a real estate promoter and banker who played a key role in Mizner’s confidence game. He was an organizing stockholder of the Mizner Development Corporation, owning fifteen hundred shares of the company. Conkling’s *Palm Beach Post* proudly listed him as one of the “noted personages” joining Mizner’s syndicate. His newspaper fueled the real estate frenzy with its promotional articles about the Mizner Development Corporation and other boom projects. The articles may have helped temporarily to inflate the value of Conkling’s real estate holdings, but they were a disaster for the depositors of Palm Beach County.<sup>14</sup>

As a banker, Conkling knew how to play the insider’s game. He bought stock in local banks and then borrowed many times more from those banks. He owned stock in the same banks that were financing Mizner: the Palm Beach National Bank, Commercial Bank and Trust Company, and First American Bank and Trust Company of West Palm Beach. After the banks failed, Conkling defaulted on his obligations.<sup>15</sup>

Conkling’s banks generously loaned money to Mizner, and the publisher’s involvement ensured favorable publicity for the devel-

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13. Cur1, *Mizner’s Florida*, 235-38; Johnston, *Legendary Mizners*, 212; Pratt, *Story of Boca Raton*, 20; *Palm Beach Post*, August 23, 1925.

14. Statement of All Property of Bankrupt, October 25, 1932, *In the Matter of Donald H. Conkling, Bankrupt*, Docket No. 1284, United States District Courts Records, Record Group 21, Southern District of Florida, 1847-1942, National Archives, Atlanta, Georgia (cited hereinafter as USDC/SDF); *Palm Beach Post*, April 15, 1925; Final Report of Commercial Bank and Trust Company, June 26, 1926, Inventory and Liquidator’s Receipt, October 24, 1929, SC/FSA, Receiver’s Quarterly Report of Palm Beach National Bank, June 28, 1926, United States Office of the Comptroller of the Currency, Record Group 101, Records of the Division of Insolvent National Banks, 1865-1950, National Archives, Suitland, Maryland (cited hereinafter as USOCC/NA); Examiner’s Report of Palm Beach National Bank, June 17, 1925, USOCC/WNRC; *Polk’s Banks Encyclopedia* (September 1925), 291; *Ibid.*, (March 1926), 311; Cur1, *Mizner’s Florida*, 139-40.

15. Final Report of Commercial Bank and Trust Company, June 26, 1926; Inventory and Liquidator’s Receipt of Commercial Bank and Trust Company, October 24, 1929; and Final Report of First American Bank and Trust Company, October 12, 1929, SC/FSA, Receiver’s Quarterly Report of Palm Beach National Bank, June 28, and September 30, 1926, USOCC/NA.

oper. By hyping the boom, the *Palm Beach Post* advanced Conkling's economic interest. His newspaper derived most of its revenues from the Mizner Development Corporation and other real estate companies that ran full-page advertisements. Buyers then bought lots at inflated prices, providing Conkling and the other promoters with the cash to repay their bank loans. The pyramid scheme worked as long as new buyers believed in paradise.<sup>16</sup>

Addison Mizner reached the pinnacle of promoters in large part because of Conkling's newspaper. The *Palm Beach Post* depicted Mizner as a "genius" who had a "keen, far-sighted" vision of the future. Effusively, the paper proclaimed that he had done "what no other man had been able to do in the world's history, and may never do again." Mizner was "backed by the greatest of development companies" and was turning his magnificent dream into a reality. Boca Raton would become a "city old in romance, restful in atmosphere, poised in buildings, orderly in plan and in every feature beautiful . . . a cornerstone to American architectural prestige and a monument to American money."<sup>17</sup>

Advertisements in the *Palm Beach Post* trumpeted the same message. Mizner decreed that the Spanish conquistadors "had COURAGE . . . IMAGINATION . . . the spirit of ADVENTURE. But they lacked FORESIGHT. And so Spain lost what might have been the greatest empire the world has ever seen." Spain had squandered the opportunity to develop "a new race of Spaniards" in the New World and thus had forfeited the chance to be a "DICTATOR among nations." In contrast, Mizner and his partners would "win empires of profit in Florida" because they were inspired prophets.<sup>18</sup>

The advertisements served the dual purpose of selling lots in the development and stock in the company. The Mizner Development Corporation invited the public "to Share in the Profits of an Enormous Land Development." The company sold a \$500,000 public stock offering in one week. Anyone could participate by sending a check "direct to Addison Mizner" in Palm Beach.<sup>19</sup>

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16. Final Report of Commercial Bank and Trust Company, June 26, 1926; and Inventory and Liquidator's Receipt, October 24, 1929, SC/FSA, Receiver's Quarterly Report of Palm Beach National Bank, June 28, 1926, USOCC/NA; Examiner's Report of Palm Beach National Bank, June 17, 1925, USOCC/WNRC; *Polk's Bankers* (September 1925), 291; *Ibid.*, (March 1926), 311.

17. *Palm Beach Post*, April 15, August 23, 1925.

18. *Palm Beach Post*, June 30, 1925.

19. *Palm Beach Post*, April 15, 1925.

In September, when Mizner finally hired a general contractor for "actual work," the *Palm Beach Post* made the event a front-page story. Working in concert with the free publicity, advertisements kept lot sales moving by describing Mizner and his partners as the "magicians of art and commerce." For hundreds of years Florida had lain "barren, peopled only by a few breech-clouted savages." Now the wasteland was visited by "the men of genius and enterprise at whose magic touch Florida awakened to fulfill her destiny." These great men were a natural resource, as vital as Florida's sunshine. They had "the powers of brain, muscle and money. . . the vision that inspires and the energy that builds armies . . . the magic touch that pulls cities from the earth and draws people from all parts of the world to fill them."<sup>20</sup>

When the cost of construction created a cash shortage, Mizner crossed the line. The Mizner Development Corporation surpassed its other promotional gimmicks by guaranteeing that the extravagant improvements would be built: "Attach this advertisement to your contract for deed. It becomes a part thereof." Lot buyers were also promised that they would "make quick and large profits." The advertisements pledged that the project could not possibly fail because the developers backing it owned "considerably over one-third of the entire wealth of the United States." Mizner's advertising strategy exposed Senator du Pont and the other wealthy directors to tremendous personal liability.<sup>21</sup>

Recognizing his exposure and sensing an end to the boom, Senator du Pont tried to salvage his investment by reorganizing the Mizner Development Corporation. He demanded the resignations of Wilson Mizner and Harry L. Reichenbach, the public relations man who was issuing the false advertisements. Du Pont produced evidence of Wilson's 1919 gambling conviction as proof that the company needed a new treasurer. When his demands were ignored, du Pont resigned as chairman of the board. He accused the Mizners of mismanaging the company, adding that Boca Raton had "wonderful possibilities" if properly managed. Du Pont's resignation sent shock waves through Florida. Addison Mizner blamed du Pont's departure on internal politics. He said the dispute was merely a struggle for control of the company and that du Pont had

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20. *Palm Beach Post*, September 5, 1925.

21. Curl, *Mizner's Florida*, 140, 147, 153; *Palm Beach Post*, October 10, 1925; *Tampa Morning Tribune*, September 22, 1925.

failed in his attempt to stack the board of directors with his cronies. According to Mizner, his group's efforts— not du Pont's— had produced sales of \$30 million in just six months. His arrogant response prompted four more outside directors to resign within a week. They denied losing a takeover fight and castigated Mizner for falsely using their names in advertisements. With much fanfare, the business leaders denounced the "exaggerated" promotional campaign. The negative publicity crippled the company and raised serious doubts about a boom based solely on consumer confidence.<sup>22</sup>

The fever at Boca Raton broke after the resignation of Senator du Pont. Without a fresh supply of buyers, the pyramid scheme was doomed to fail. Scrambling to maintain control of the Mizner Development Corporation, Addison Mizner participated in a bank fraud conspiracy that financed his extravaganza with depositors' money. His partners acquired control of the Palm Beach National Bank and operated it as a criminal enterprise. Mizner looted the bank by using worthless promissory notes to procure loans.<sup>23</sup>

Howard Smith and Lester Williams, stockholders of the Mizner Development Corporation and partners of J. R. Anthony, who controlled a Florida banking system of sixty-one banks, organized the Palm Beach National Bank. Smith was president of the bank, Williams the vice-president and chairman of the board. Comptroller of the Currency Henry M. Dawes approved the bank's charter in November 1924. Henry Dawes was the brother of Charles G. Dawes,

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22. *New York Times*, November 25, 1925; *Palm Beach Post*, November 6, 1926; *Palm Beach Independent*, December 4, 1925; Burke, *Rogue's Progress*, 242-43; Curl, *Mizner's Florida*, 153-54; Johnston, *Legendary Mizners*, 278-87.

23. Examiner's Reports of Palm Beach National Bank, February 10, and June 15, 1926, USOCC/WNRC, Charles W. Collins to Attorney General, July 22, September 1, 1926; O. R. Luhring to Comptroller of the Currency, July 27, August 3, 1926; V. H. Northcutt to J. W. Pole, August 3, 1926; E. W. Steams to Attorney General, July 13, 1926; J. B. Cunningham to Comptroller of the Currency, September 17, 1926, February 6, 1928; Assistant Supervising Receiver to J. B. Cunningham, February 18, 1928; Receiver's Reports of Palm Beach National Bank, June 28, September 30, 1926, USOCC/NA; Final Report of Palm Beach Bank and Trust Company, July 28, 1926; Final Report of Commercial Bank and Trust Company, June 26, 1926; Final Report of Farmers Bank and Trust Company, June 15, 1927; Final Report of First American Bank and Trust Company, October 12, 1929, SC/FSA, Schedule A of Creditors, August 4, 1927; First Dividend .001%, March 18, 1930, and other bankruptcy records, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF; Balance Sheet of Mizner Development Corporation, March 31, 1926, and Addison Mizner to the Stockholders of Mizner Development Corporation, April 30, 1926, MDC Files.

the newly-elected vice-president and former comptroller of the currency under President William McKinley.<sup>24</sup>

After the Palm Beach National Bank opened, Smith used it to subvert the regulation of his state bank, the Palm Beach Bank and Trust Company. Smith arranged for the national bank to make what appeared to be bribes disguised as loans to the state's top regulators. At a time when a new Ford could be purchased for \$290, the Palm Beach National Bank loaned \$1,750 to Florida Comptroller Ernest Amos. When both banks failed, Amos was in default on his loan.<sup>25</sup>

During a routine examination in February 1926, Victor H. Northcutt of the comptroller of the currency's office discovered that the Palm Beach National Bank had loaned \$2,000 to E. M. Porter, the state's chief bank examiner, who was in charge of the Palm Beach Bank and Trust Company. Northcutt immediately called for the collection of the Porter loan, which was more than 50 percent of his yearly state salary. Criticizing the loan in his report, Northcutt wrote: "E. M. Porter, State Bank Examiner. No statement or security. Put in bank by Mr. Smith. *Need to collect.*" Northcutt failed to elaborate on the propriety of the loan, although he knew that Smith was vice-president of the Palm Beach Bank and Trust Company, which was under the direct supervision of Porter.<sup>26</sup>

When Northcutt returned to the Palm Beach National Bank on June 15, 1926, he found that Porter had defaulted on his "loan." Four days after the examiner left the bank and in an attempt to avoid criticism, Smith paid off Porter's loan. Nevertheless, Northcutt classified the loan, listing it in the "slow and doubtful paper" category of his confidential report: "\$2,000, E. M. Porter, Tallahassee, Fla. State Bank Examiner. Paid 6/19/26 by H. P. Smith former President of the Bank."<sup>27</sup>

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24. George Lewis, *Florida Bank* (Tallahassee, 1942), 20, in P. K. Yonge Library of Florida History, University of Florida, Gainesville, Florida; U.S. Comptroller of the Currency, *Annual Report of the Comptroller of the Currency* (Washington, D. C., 1930), 311; *Palm Beach Post*, January 1, 3, 1925.

25. Examiner's Reports of Palm Beach National Bank, February 10, and June 15, 1926, USOCC/WNRC; Final Report of Palm Beach Bank and Trust Company, July 28, 1926, SC/FSA, Receiver's Reports of Palm Beach National Bank, June 28, September 30, 1926, USOCC/NA; James J. Flink, *The Car Culture* (Cambridge, Mass., 1975), 67; *Palm Beach Post*, September 23, 1926.

26. Examiner's Report of Palm Beach National Bank, February 10, 1926, USOCC/WNRC; *General Acts of Florida*, Chapter 11808, 1927, 10; Affidavit of E. M. Porter, August 9, 1926, Palm Beach Bank and Trust Company Records, SC/FSA.

27. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC.

Smith made the loans after Comptroller Amos had placed the Palm Beach Bank and Trust Company on the state's troubled bank list. Smith's state bank had been criticized for "excessive" insider abuses and other "irregularities." Though the survival of the national bank depended on the affiliated state bank, federal regulators did nothing to stop the brazen influence peddling. A grand jury investigation should have resulted in bribery charges against Smith and Porter. Instead, Porter did not even lose his position.<sup>28</sup>

A bribery investigation also would have exposed impropriety at the affiliated Commercial Bank and Trust Company of West Palm Beach. In furtherance of the multibank conspiracy, the Manley-Anthony bank made an unsecured \$500 loan to T. C. Hawkins. Hawkins was the state bank examiner responsible for the Commercial Bank and Trust Company. Despite clear and convincing evidence of official corruption, federal regulators refused to take enforcement action or even to report the wrongdoing to prosecutors.<sup>29</sup>

With corruption permeating the secret regulatory system, Smith and Williams abused their fiduciary positions at the Palm Beach National Bank with reckless abandon. They initially owned 25 percent of the bank, but they and their partners borrowed at least 182 percent of the bank's capital. Smith and Williams also used about 200 percent of the national bank's capital to purchase loans from their Palm Beach Bank and Trust Company. Regulators knew exactly what was happening. The comptroller of the currency's office examined the bank four times in a one year period, much more frequently than is done today. Yet federal officials merely watched the insider deals and reported the abuses to each other.<sup>30</sup>

In February 1926, federal regulators discovered that Mizner's group had begun its raid on the bank. They also found a bank inundated with deposits, which had increased by 248 percent since September 1925. The phenomenal growth in deposits was not an isolated case. Bank deposits in Florida soared to spectacular levels

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28. Joe L. Earman to J. B. Hodges, August 30, 1926, Box 58, James B. Hodges Papers, P. K. Yonge Library; Ernest Amos to Palm Beach Bank and Trust Company, January 23, 1926, *Palm Beach Independent*, September 24, 1926; *Annual Report of the Comptroller of the State of Florida, Banking Department* (Tallahassee, 1926); *Ibid.*, (1927); *Ibid.*, (1928).

29. Final Report of Commercial Bank and Trust Company, June 26, 1926, SC/FSA; T. C. Hawkins to J. B. Hodges, February 10, 1934, Box 137, Hodges Papers.

30. Examiner's Reports of Palm Beach National Bank, June 17, September 25, 1925, February 10, June 15, 1926, USOCC/WNRC; *Palm Beach Post*, April 15, 1925.

during the winter of 1925-26. The first quarter call reports of state banks for 1926 showed that deposits totaled \$440,708,004 as compared to \$294,373,906 a year earlier. Deposits increased by more than \$146.3 million or 50 percent in one year. If the banks had maintained adequate liquidity, they could have overcome the recession. Instead, nearly fifty state banks were on the verge of collapse because promoter-bankers had loaned millions of dollars to themselves.<sup>31</sup>

The flood of deposits at the Palm Beach National Bank occurred after the public became suspicious of Addison Mizner and other boom promoters. Local residents exercised restraint by depositing their money in the bank rather than speculating in real estate. But Mizner and his partners followed the money into the bank's vault. By February they had borrowed nearly twice the capital of the Palm Beach National Bank.<sup>32</sup>

Victor Northcutt, the federal bank examiner, warned his supervisors of the danger. He criticized the Mizner loans "as representing unwarranted extensions of credit to the same or affiliated interests." His report focused on the Mizner loans: "Mizner Development Corporation are carrying on large development at Boca Raton. The loans to Addison Mizner, Antiqua Shops, Inc. and Mizner Industries, Inc. and secured by notes of parent company are claimed to represent bonafide purchases. Parent organization claimed to have large assets and to be in strong hands. Total accommodation viewed as concentration and *material curtailment urged*."<sup>33</sup>

Northcutt chided Smith and Williams, who were undisclosed stockholders of the Mizner Development Corporation, for excess loans and violations of federal banking law. He advised his supervisors that the national bank was now dependent on their state bank for survival. Two more directors of the Palm Beach Bank and Trust Company had been added to the board of the Palm Beach National Bank, increasing the number of interlocking directors to five. Smith, Williams and Mizner could now borrow from either bank and sell those loans to the other without answering embarrassing questions from outside directors.<sup>34</sup>

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31. Examiner's Report of Palm Beach National Bank, February 10, 1926; "Florida Banks in Healthy Condition," n.d., clipping in Palm Beach National Bank Records, USOCC/WNRC.

32. Examiner's Reports of Palm Beach National Bank, September 25, 1925, and February 10, 1926, USOCC/WNRC.

33. Examiner's Report of Palm Beach National Bank, February 10, 1926, USOCC/WNRC.

34. Ibid.

The examination exposed many other reckless banking practices. The report portrayed a grossly mismanaged bank: "Inadequate credit data . . . Past due paper. . . in need of constant close attention . . . illegal real estate loans . . . Irregular cash items. . . General detail of the bank in poor shape. Bank statements had not been reconciled for several months; both savings and individual ledgers . . . out of balance . . . The Cashier and Assistant Cashier are apparently very indifferent and negligent." Yet Northcutt failed to demand an increase in the loan loss reserve, and agreed to the distribution of dividends.<sup>35</sup>

Summarizing his findings, the examiner revealed the most alarming development. Smith and Williams were in the process of selling control of the bank to William White, the Mizner director, who would now be its president. White had no banking experience and had already borrowed 60 percent of the bank's capital. His obligations to the bank were second only to those of Addison Mizner.<sup>36</sup>

After the examiner left town and his confidential report was filed away, Mizner's inner circle acquired more than 50 percent of the Palm Beach National Bank, making it an affiliate of the Mizner Development Corporation. In addition to White, the following associates joined the bank's board of directors: Congressman Graham, who had become a legal advisor to Addison Mizner and director of Mizner Development Corporation; H. Halpine Smith, business manager of Mizner Industries; Ward A. Wickwire, an original stockholder and director of Mizner Development Corporation; and Willey Lyon Kingsley, a Mizner client and banker from Rome, New York, who became chairman of the bank's board. Majority control of the bank's stock was ensured when two influential newspaper executives participated in the bank deal. Donald Conkling, publisher of the *Palm Beach Post* and a major stockholder in the Mizner Development Corporation, and Christopher J. Dunphy, assistant to the president of the *Washington Post*, bought bank stock. Dunphy also became a vice-president of the bank and then defaulted on his loans.<sup>37</sup>

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35. Ibid.

36. Ibid.; Addison Mizner to the Stockholders of the Mizner Development Corporation, nd., MDC Files.

37. Examiner's Reports of Palm Beach National Bank, June 17, 1925, June 15, 1926, USOCC/WNRC; Receiver's Report of Palm Beach National Bank, June 28, 1926, USOCC/NA; Statement of All Property of Bankrupt, October 25, 1932, *In the Matter of Donald H. Conkling, Bankrupt*, Docket No. 1284, USDC/SDF; Addison Mizner to Stockholders of Mizner Development Corporation, n.d.; and "Mr. Christopher Dunphy," newspaper clipping, December 14, 1948, MDC Files; Curl, *Mizner's Florida*, 71-76, 118, 145; *Palm Beach Post*, January 15, 1925.

Addison Mizner and his partners, controlling the board of directors, increased their loans to more than 200 percent of the bank's capital. According to John B. Cunningham, a career federal official who was appointed receiver of the bank when it failed, Mizner used "worthless" promissory notes of the Mizner Development Corporation as collateral for his loans. His personal interests, including Mizner Industries, Antiqua Shops, and Clay Products Company, were the largest borrowers with loans of \$38,600, which represented 77 percent of the bank's capital.<sup>38</sup>

With the Palm Beach National Bank as an affiliate of the Mizner Development Corporation, Addison Mizner tried to bail out his failing development by manipulating his newly acquired colleagues in the banking fraternity. Using bogus collateral, Mizner procured large loans from friendly bankers, who in turn received loans from the Palm Beach National Bank. After its insolvency, the Mizner Development Corporation borrowed \$57,982 from the Palm Beach Bank and Trust Company and \$47,500 from the Commercial Bank and Trust Company; both were affiliates of the Palm Beach National Bank. He also arranged loans of \$101,689 from the First American Bank and Trust Company of West Palm Beach, a member of the Manley-Anthony banking system, \$99,636 from the Farmers Bank and Trust Company of West Palm Beach, and \$99,500 from the Chelsea Exchange Bank. The banks suffered a complete loss of the principal of their Mizner Development Corporation loans.<sup>39</sup>

While Addison Mizner and his brother Wilson were procuring large personal loans from the Palm Beach National Bank and its affiliated banks, other Mizner insiders were also joining in the plunder. They included his nephew Horace B. Chase, who worked for Mizner Industries; Harry L. Reichenbach, his public relations agent; C. R. Crandall, auditor for Mizner Industries; and Anderson

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38. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; J. B. Cunningham to Comptroller of the Currency, February 6, 1928; Assistant Supervising Receiver to Cunningham, February 18, 1928, USOCC/NA.

39. Final Report of Palm Beach Bank and Trust Company, July 28, 1926; Final Report of Commercial Bank and Trust Company, June 26, 1926; Final Report of Farmers Bank and Trust Company, June 15, 1927; Final Report of First American Bank and Trust Company, October 12, 1929, SC/FSA: Schedule A of Creditors, August 4, 1927; and First Dividend .001%, March 18, 1930, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF.

T. Herd, vice-president and general manager of Mizner Development Corporation.<sup>40</sup>

Operating the Palm Beach National Bank as a subsidiary, officials of the Mizner Development Corporation could make bank loans to lot buyers at the real estate office. On behalf of Mizner's company, Anderson Herd made a \$6,000 unsecured, interest-free loan to former United States senator Joseph W. Bailey of Texas. After originating the loan, the Mizner Development Corporation transferred it to the bank with Herd as the guarantor.<sup>41</sup>

When Senator Bailey and the other Mizner insiders defaulted on their loans and the bank failed, Herd hid from his creditors and process servers. John Cunningham, the bank's receiver, told Comptroller of the Currency Joseph McIntosh: "Every endeavor to locate the address and present whereabouts of Anderson T. Herd has not been successful. He has a woman in Palm Beach call for his mail and she then re-addresses same to wherever he may be. No forwarding address or any information of any sort or character can be obtained from her. Great secrecy seems to be the order of procedure with her and she absolutely refuses to give any information directly or indirectly regarding Anderson T. Herd. There are many, many summons awaiting personal service on Herd."<sup>42</sup>

Mizner's director, William White, was president of the bank until it failed. Receiver Cunningham uncovered that White had obtained a fraudulent loan from the bank by having his secretary sign a \$6,000 note. The deposit ticket and withdrawal records showed that White had received the money, and his secretary confessed that he "never received one penny" of the loan. With this and evidence of other fraudulent loans, Cunningham recommended to Comptroller McIntosh that the Justice Department immediately in-

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40. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; Final Report of Palm Beach Bank and Trust Company, July 28, 1926; Final Report of Commercial Bank and Trust Company, June 26, 1926; Final Report of First American Bank and Trust Company, October 12, 1929, SC/FSA, Curl, *Mizner's Florida*, 53, 118, 140-41, 145.

41. Examiner's Report of Palm Beach National Bank, February 10, 1926; John B. Cunningham to Comptroller of the Currency, January 31, 1927; J. E. Fouts to Cunningham, February 16, 1927; N. C. Bainum to Cunningham, December 21, 1928, Palm Beach National Bank Records, USOCC/NA; *New York Times*, April 15, 1929; Curl, *Mizner's Florida*, 140, 145.

42. J. B. Cunningham to Comptroller of the Currency, January 31, 1927, USOCC/NA.

investigate the Palm Beach National Bank. In response, the comptroller's office filed a routine criminal referral which was limited in scope and only involved White's fraudulent loan.<sup>43</sup>

Appalled by the widespread criminal activities at the bank, Cunningham also urged the swift prosecution of Assistant Cashier C. C. Gilbert, who was a relative of Howard Smith's. The receiver had gathered solid evidence showing that Gilbert had stolen a large amount of cash from customers. In July 1926, the comptroller of the currency's office filed another routine criminal referral regarding "willful irregularities in the bank's accounts." The transactions consisted of "frequent shortages in his tellers cash, added to extreme carelessness in his records, coupled with extravagant methods in which he lived." Before leaving town, Gilbert defaulted on his loans and was drinking heavily and engaging in fist-fights.<sup>44</sup>

After receiving no response from the Justice Department, Cunningham renewed his efforts to prosecute White and Gilbert. He repeated to his superiors in Washington that Gilbert had "systematically embezzled the funds of the bank" and that he was a "fugitive from justice, every effort to locate him has been nil." He recommended that a "special request be made on the Department of Justice to locate and apprehend" Gilbert. Indicting him for embezzlement "would have a decided moral effect with the community and command respect and observance of the National Bank Act." After several more weeks of inaction, the frustrated receiver complained to professional staff of the comptroller's office that Comptroller McIntosh was not treating his repeated reports of bank fraud as a priority matter. Cunningham said that "the general public in this community cannot understand why action has not been taken." He stressed that an accountant from the Justice Department could complete the investigation in "three or four days inasmuch I have all the facts and evidence available." In spite of

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43. J. B. Cunningham to Comptroller of the Currency, July 15, 1926; Charles W. Collins to Attorney General, July 22, 1926; O. R. Luhring to Comptroller of the Currency, July 27, August 3, 1926; V. H. Northcutt to J. W. Pole, August 3, 1926, USOCC/NA.

44. J. B. Cunningham to Comptroller of the Currency, July 7, 1926; E. W. Stearns to Attorney General, July 13, 1926, USOCC/NA.

Cunningham's efforts, no charges were filed against White, Gilbert or anyone connected to the Palm Beach National Bank.<sup>45</sup>

A close look at the major participants explains the reluctance of the Justice Department to investigate the Palm Beach National Bank. A public trial of White would have disclosed the relationship between the bank and the Mizner Development Corporation at a time when Vice-President Charles Dawes and his brothers controlled the company. It also would have exposed the involvement of Senator Bailey and Congressman Graham.<sup>46</sup>

Because the Palm Beach National Bank was regulated by the federal government, the Mizner group had turned to their partner in Washington, Congressman Graham, for assistance with Comptroller McIntosh. Graham remained on the board of the Mizner Development Corporation after his client, Senator du Pont, resigned. His influence with federal bank regulators was crucial to the survival of Mizner's company. Graham asserted his clout and gained concessions from the regulators for the Palm Beach National Bank.<sup>47</sup>

Graham, who was chairman of the House Judiciary Committee with jurisdiction over the Justice Department, personally benefitted by gaining regulatory approval for the bank to sell its worthless stock to the public. Soon after pulling the strings, the powerful congressman took a seat on the board of directors of the Palm Beach National Bank, which had become part of the life support system for the Mizner Development Corporation. Graham was now a stockholder and director of both the bank and the land development company.<sup>48</sup>

By the time of the gala opening of Addison Mizner's Cloister Inn on February 6, 1926, the public had become wary of his charade. Nevertheless, he entertained five hundred socialites with an

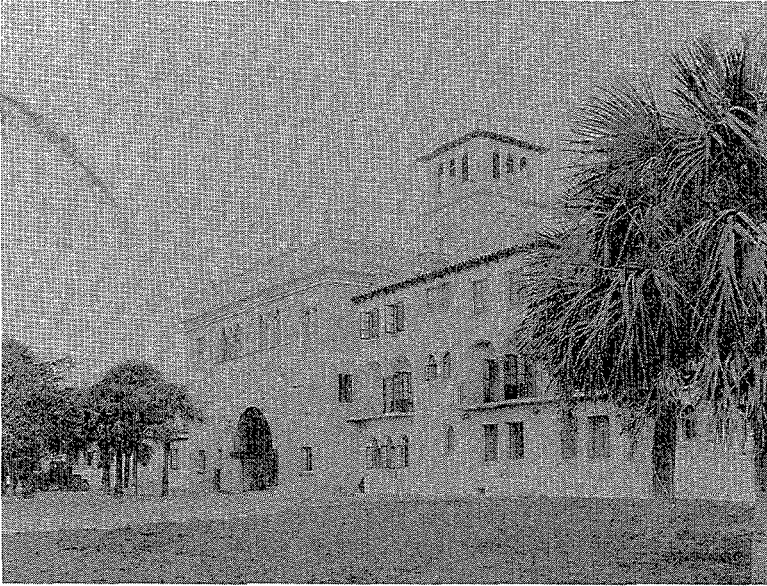
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45. Charles W. Collins to Attorney General, September 1, 1926; J. B. Cunningham to J. W. Pole, September 3, 1926; Cunningham to Comptroller of the Currency, August 27, September 17, 25, 1926, February 6, 1928; Assistant Supervising Receiver to Cunningham, February 18, 1928, USOCC/NA; V. H. Northcutt to J. W. Pole, August 3, 1926; Pole to Cunningham, September 9, 1926; J. W. McIntosh to Cunningham, October 11, 1926, USOCC/NA.

46. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; *New York Times*, September 23, 1926; Curl, *Mizner's Florida*, 163.

47. *New York Times*, November 25, 1925; William A. White to George S. Graham, January 27, 1926, and Graham to J. W. McIntosh, February 10, 1926, Palm Beach National Bank Records, USOCC/WNRC.

48. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC.



Addison Mizner's Cloister Inn, Boca Raton, Florida. *Photograph courtesy of Historical Society Palm Beach County.*

extraordinary gastronomic experience, presented on his personally designed china. Uninvited depositors had no way of knowing that they were paying for the dinner. Neither did the New York manufacturer of the china who had rushed 906 dozen plates, tea-cups, and other items to Boca Raton.”

Less than a week after the dinner party, regulators discovered that the Palm Beach National Bank was hopelessly insolvent. They immediately reported the urgent situation to Comptroller McIntosh. Instead of the comptroller's office seizing the bank, the Federal Reserve Bank of Atlanta loaned it \$43,550. The federal government was now subsidizing Mizner's extravagance. The federal bailout and

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49. Today, the Boca Raton Resort & Club, which includes the original Cloister Inn, proudly features one of Mizner's unpaid dinner plates throughout its room service menu, explaining in great detail what each symbol means. Petition of Franklin L. Jones, August 24, 1927, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF; Curl, *Mizner's Florida*, 153-57; *Palm Beach Independent*, March 19, 1926.

regulatory secrecy kept the bank open until June 29, 1926. Meanwhile, the insider abuse and outright fraud continued.<sup>50</sup>

Federal regulators had front-row seats to the Mizner fiasco and other bizarre land deals at the Palm Beach National Bank. Northcutt, the bank examiner, repeatedly warned about the excessive Mizner loans and that the survival of the bank depended on the solvency of the Mizner Development Corporation. Although Comptroller McIntosh had full knowledge of the bank's precarious condition and its entanglement with Mizner, he failed to take enforcement action. In four consecutive examinations, Northcutt reported its rapidly deteriorating condition to his supervisors, who shuffled the reports, held meetings, and worried about newspaper leaks.<sup>51</sup>

Regulators kept a tight lid on the impending disaster; consequently, unknowing depositors continued to fund Mizner's project. Regulatory secrecy and favorable publicity in Donald Conkling's *Palm Beach Post* deceived depositors. But when a lawsuit filed in open court accused Mizner of fraud and alleged that his company was insolvent, the pyramid scheme abruptly ended. Regulators in Palm Beach, Tallahassee, Atlanta, and Washington watched while angry depositors stormed the banks affiliated with Mizner. Word of the controversy forced the closing of the Commercial Bank and Trust Company of West Palm Beach and a panic spread to affiliated banks in Palm Beach County.<sup>52</sup>

A "tornado" of humanity swirling around the Palm Beach Bank and Trust Company forced its tellers to lock their cages. In an attempt to stop the panic, the Federal Reserve Bank of Atlanta sent a cash-laden armored car escorted by a motorcade of armed guards through downtown West Palm Beach. The show of strength was supposed to calm the "hysterical" depositors. One banker reportedly told a depositor who made a withdrawal "to go to hell and

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50. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; Ellis D. Robb to Comptroller of the Currency, June 12, 1926, Palm Beach National Bank Records, USOCC/NA, *Annual Report of the Comptroller of Florida*, June 30, 1930.

51. Examiner's Reports of Palm Beach National Bank, February 10, June 15, 1926, and Supplemental Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC.

52. Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; *New York Times*, June 22, 29, 30, 1926; *Palm Beach Post*, June 22, 23, 1926; *Palm Beach Independent*, July 2, 1926; Curl, *Mizner's Florida*, 163.

never set foot inside the bank again." Despite insults and cajolery, depositors continued to demand the return of their money. The Palm Beach National Bank closed the next day, and panic spread through the Manley-Anthony banking chain in south Florida.<sup>53</sup>

Two weeks later a lawsuit accused W. D. Manley, the Atlanta banker whose banks had financed Boca Raton and many other developments in Florida, of operating a massive bank fraud conspiracy. Depositors stampeded in Georgia, and the suit had a sensational impact in both states. In a matter of days eighty-three Georgia state banks, 20 percent of the state banking system, failed. The disastrous news from Georgia caused a second wave of bank failures in Florida. Regulators had attempted to prevent the panic by concealing the magnitude of the problem. Instead of curbing the crisis, official deception caused the banking debacle to grow beyond control. The collapse of the Manley-Anthony banking system shattered Georgia's economy and drove Florida's recession into a depression. Thousands of depositors, who had believed government officials, lost most of their life savings. By the end of 1926, 150 banks had locked their doors in the two states. More than \$30 million was missing.<sup>54</sup>

Mizner's dream had become a nightmare. No guests would be royally entertained at Castle Mizner or the Castillo del Rey, the original thousand-room, \$6 million oceanfront hotel, because they were never built. The Cloister Inn, a charming but small hotel with only one hundred rooms, was constructed on the Intracoastal Waterway. The company's administration buildings and twenty-nine small houses "of little architectural merit" in the Old Floresta dis-

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53. *Palm Beach Independent*, July 2, 1926; "Asks Receiver for Mizner Corporation," clipping, n.d., and "Mizner Corporation To Oppose Receiver," clipping, n.d.; Chief Examiner Robb to U.S. Comptroller, June 29, 1926 (translated telegram); and E. W. Stearns to Examining Division, June 29, 1926, Palm Beach National Bank Records, USOCC/NA; Examiner's Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; Curl, *Mizner's Florida*, 163; Anona Christina Orr-Cahall, "An Identification and Discussion of the Architecture and Decorative Arts of Addison Mizner, 1872-1933," (Ph.D. diss., Yale University, 1979), 69; Final Report of Commercial Bank and Trust Company, June 26, 1926; and Final Report of Palm Beach Bank and Trust Company, July 28, 1926, SC/FSA.

54. *Atlanta Constitution*, July 13, 15, 1926; *New York Times*, June 22, 29, 30, July 3, 4, 13, 14, 15, 1926; *Commercial & Financial Chronicle*, July 17, 1926, 286; *Annual Report of the Comptroller of the Currency* (1930), 311; *Palm Beach Post*, June 22, 23, 1926; Haynes McFadden, "Chain Bank Crash in Georgia," 137; Jan Pogue, *To Wild A Mighty Influence: The Story of Banking in Georgia* (Atlanta, 1992), 64-66.

tract of Boca Raton were also completed. Construction crews had finished only a half-mile of the proposed twenty-lane El Camino Real, and its Venetian canal resembled a muddy ditch instead of a grand European waterway.<sup>55</sup>

Although 3,750 lot buyers executed sales contracts of nearly \$21,900,000, the Mizner Development Corporation was insolvent. After squandering millions of dollars, Mizner was confronted with a liquidity crisis. As the volume of lot sales dropped dramatically, he relied on the Manley-Anthony banking system for financing. Its officers and directors held personal stakes in the Mizner Development Corporation, so the chain banks financed the development until depositors forced them to lock their doors.<sup>56</sup>

In the aftermath, state and federal prosecutors quickly indicted W. D. Manley for orchestrating an elaborate bank fraud conspiracy. After being convicted of mail fraud, Manley served five years in prison. In Florida, a Palm Beach County grand jury indicted five bankers affiliated with Manley, who were also Mizner's partners, for flagrant insider abuses and illegal banking practices at the Commercial Bank and Trust Company and the Palm Beach Bank and Trust Company. Indictments charged that they had made illegal loans to the Mizner Development Corporation. But the most significant player in the multibank conspiracy, Addison Mizner, eluded the grand jury because of the complicity of Comptroller Amos and the policy of bank secrecy in Tallahassee and Washington. Bank secrecy prevented prosecutors from understanding the corrupt relationship between regulators and the promoter-bankers. While Mizner and his companies were receiving illegal loans, his partners were making bribes—disguised as loans—to regulators. Tainted loans to the comptroller of Florida and his bank ex-

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55. Curl, *Mizner's Florida*, 140-41, 147, 149-50, 164; Pratt, *Story of Boca Raton*, 21-22, 27-28; *Palm Beach Post*, September 1, 1925, June 22, 1926, Orr-Cahall, "Identification and Discussion," 62, 64-65; Joan Bream, *Addison Cairns Mizner, 1872-1933*, MDC Files.

56. Oath to Schedule B, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF; Addison Mizner to Investors at Boca Raton, January 14, 1926, MDC Files; *New York Times*, November 29, 1925, September 23, 1926; *Palm Beach Post*, May 15, 1925; Final Report of Palm Beach Bank and Trust Company, July 28, 1926; and Final Report of Commercial Bank and Trust Company, June 26, 1926, SC/FSA; Examiner's Reports of Palm Beach National Bank, February 10, and June 15, 1926, USOCC/WNRC.

aminers bought official silence and allowed the looting to continue until violent bank runs paralyzed Florida and Georgia.<sup>57</sup>

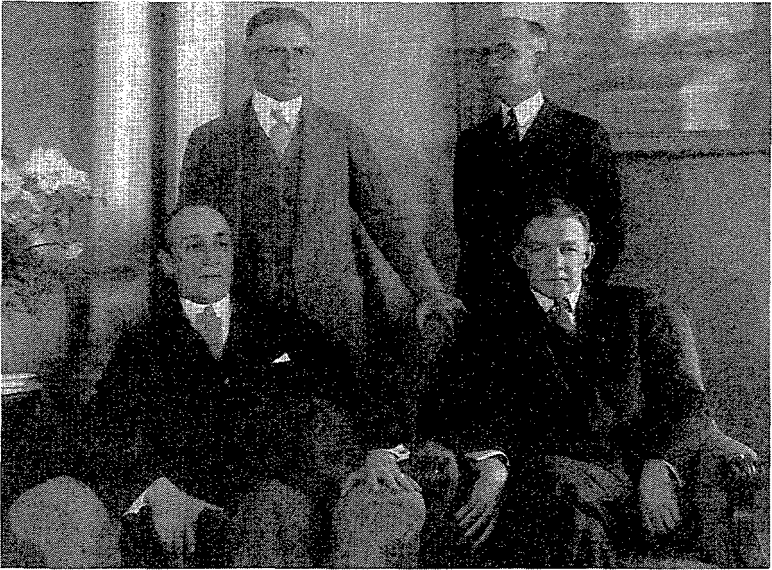
After precipitating a banking crash of historic proportions, Mizner enticed Vice-President Charles Dawes and his brothers to become his partners. The Dawes brothers, through the Central Equities Corporation, kept the company floating for less than a year. During the early part of 1927 lawsuits were filed by disgruntled creditors to force the Mizner Development Corporation into bankruptcy. Creditors charged that the company was insolvent and had engaged in “false and fraudulent” sales tactics. They also accused the company of committing illegal acts of bankruptcy by transferring valuable assets out of the company after becoming insolvent.<sup>58</sup>

While litigating with creditors, the Dawes brothers stripped Mizner’s company of its liquid assets and cash flow. The Dawes brothers seized the purchase contracts of lot buyers with an unpaid balance of \$10,510,407. They also secured a priority position as a creditor by filing mortgages on 87.5 acres and 67 lots owned free and clear by the Mizner Development Corporation. In addition, the Dawes company placed liens on the furniture, equipment, and automobiles of the development company. The Dawes brothers had secured for themselves the unencumbered assets of the Mizner

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57. Order of Judge V. B. Moore; Order of Judge G. H. Howard; Motion for Continuance; Order of Judge John D. Humphries; Indictment Numbers 26668, 26729, 26730, 26731, 26732, 26733, 26734, 26735, 26736, 26737, 26738, 26739, 26740, 26741, 26742, 26743, 26744, 26745, 27179, 27180, 27181, 27182, 27183, 27184, 27185, Criminal Division, Fulton County Superior Court, Atlanta, Georgia; *Atlanta Constitution*, June 17, 1923, July 22, August 15, 20, 24, September 5, November 12, 1926, October 25, 1929, October 16, 1934, March 14, 1935; *New York Times*, July 22, August 15, September 23, 1926; *Commercial & Financial Chronicle* (New York), July 24, 1926, 411, August 21, 1926, 936-38; *Chicago Daily Tribune*, July 22, 1926, Palm Beach Post, September 23, May 15, 1925, November 9, 1926; Haynes McFadden, “Chain Bank Crash in Georgia.” *American Bankers Association Journal* 19 (September 1926), 137-38; Examiner’s Report of Palm Beach National Bank, June 15, 1926, USOCC/WNRC; Final Report of Commercial Bank and Trust Company, June 26, 1926, SC/FSA.

58. Schedule of Creditors Holding Securities, August 4, 1927; Petition of Trustees in Bankruptcy, September 23, 1927; Reply to Order to Show Cause of Central Equities Corporation; Transcript of Hearing before Referee L. Earl Curry, October 10, 1927; Order Dismissing Petition, October 10, 1927; Petition of Jack Lindy, H. F. Underwood, and Sidney Adler, March 7, 1927, *In the Matter of Mizner Development Corporation*, Bankrupt, Docket No. 252, USDC/SDF; *Palm Beach Post*, April 23, 1927; *New York Times*, March 10, 1927; J. B. Cunningham to J. W. Pole, October 22, 1927, and *Palm Beach Post*, newspaper clipping, n.d., Palm Beach National Bank Records, USOCC/NA.



Using their influence to exploit the panic, U.S. Vice-President Charles G. Dawes and his brothers gained control of the assets of the Mizner Development Corporation, leaving its debts for the bankruptcy court. Front: Rufus and Charles. Back: Benjamin and Henry. *Photograph courtesy of the Evanston Historical Society, Evanston, Illinois.*

Development Corporation, leaving its debts and other liabilities for the bankruptcy court.<sup>59</sup>

The predatory practices of the Dawes brothers prompted the bankruptcy trustees of the Mizner Development Corporation to petition the court to set aside the asset transfers to the Dawes company charging that they were based on “fraudulent” and “fictitious” claims. A month later, on July 26, 1927, the Mizner Development Corporation was adjudicated a bankrupt company.<sup>60</sup>

59. Schedule of Creditors Holding Securities, August 4, 1927; Petition of Trustees in Bankruptcy, September 23, 1927, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF.

60. Petition of Trustees in Bankruptcy, September 23, 1927; Reply to Order to Show Cause of Central Equities Corporation; Transcript of Hearing before Referee L. Earl Curry, October 10, 1927; Order Dismissing Petition, October 10, 1927; Petition of Riddle Engineering Company, Ahrens & Sons, Inc., and The Palm Beach Mercantile Company, June 23, 1927; Adjudication in Bankruptcy of the Mizner Development Corporation, July 26, 1927, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF.

The bankruptcy of the Mizner Development Corporation left 173 creditors with \$4,192,000 in unsecured claims. They waited three more years to receive a dividend of .001 percent from the bankruptcy court. Mizner Development Corporation paid \$57.98 to the Palm Beach Bank and Trust Company on loans of \$57,982 and \$101.68 to the First American Bank and Trust Company on loans of \$101,689. The Chelsea Exchange Bank received only \$95.50 on its loans of \$95,500. The remaining creditors also suffered near total losses.<sup>61</sup>

In November 1927, Clarence Geist of Philadelphia, an original Mizner stockholder and a former partner of Vice-President Charles Dawes and his brothers in midwestern gas and electric companies, purchased the real estate holdings of the Mizner Development Corporation for \$76,350 and the assumption of \$7 million of mortgage loans. The Dawes brothers, in the name of Rufus and Henry Dawes, then became stockholders of the Geist syndicate.<sup>62</sup>

Addison Mizner held worthless shares of the Mizner Development Corporation but still hoped to secure a profit from his ill-fated Boca Raton project. Under the guise of Mizner Industries, Inc., he filed a lien for labor and materials on the Cloister Inn, which was owned by the Mizner Development Corporation. By the summer of 1926, his business affairs had become a tangled web of intercompany transactions. Until his death on February 5, 1933, he kept a running balance of credits and debits between Mizner Industries, Inc., and Addison Mizner, Inc., his architectural business. Between June 30, 1926 and December 16, 1932, Addison Mizner, Inc., transferred \$412,020 to Mizner Industries, which in turn transferred \$355,305 to Addison Mizner, Inc. Despite Mizner's ma-

61. First Dividend of .001%, March 18, 1930, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF.

62. Hearing before Referee L. Earl Curry, October 27, 1927; Stipulation and Agreement of Max Specktor, C. H. Geist, and J. D. Gedney, November 8, 1927, *In the Matter of Mizner Development Corporation, Bankrupt*, Docket No. 252, USDC/SDF; *Palm Beach Post*, April 15, 1925, April 23, October 28, November 6, 9, 1927; *Palm Beach Independent*, October 21, November 25, 1927; *Palm Beach Times*, October 19, 28, November 1, 2, 20, 1927; *New York Times*, October 20, 1926, March 10, November 7, 1927, June 13, 1938; J. B. Cunningham to J. W. Pole, October 22, 1927, and *Palm Beach Post*, newspaper clipping, n.d., Palm Beach National Bank Records, USOCC/NA; Donald W. Curl and John P. Johnson, *Boca Raton: A Pictorial History* (Virginia Beach, 1990), 79; Marjie Gates Giffin, *Water Runs Downhill: A History of the Indianapolis Water Company and Other Centenarians* (New York, 1981), 23-27; "Report of Syndicate Manager," April 1, 1928, in *The Spanish River Papers*, 16 (1987-88).

nipulations, both companies were forced into federal bankruptcy court.<sup>63</sup>

Mizner Industries had been in the business of manufacturing floor and roof tiles, pottery, reproduction antique furniture, and decorative items made of iron, stone, and wood. Less than four months after Mizner's death, it was adjudicated bankrupt. After five years of proceedings, unsecured creditors received only \$3,360 of \$111,786 in debts. The Internal Revenue Service was a priority creditor because after 1928 Mizner Industries stopped paying federal taxes, which totaled \$10,855 by 1933. The company also owed the tax collector of Palm Beach County, and it was delinquent for four years on its taxes to the city of West Palm Beach.<sup>64</sup>

Moreover, Mizner Industries defaulted on an unsecured loan at the West Palm Beach Atlantic National Bank, which had an outstanding balance of \$3,795. After the bankruptcy of the Mizner Development Corporation, why would any bank make an unsecured loan to one of Addison Mizner's companies? Because Mizner Industries had issued a fraudulent financial statement showing a net worth of \$152,239. Relying on the false financial statement, the bank loaned Mizner Industries \$6,100 on December 15, 1932. But appraisers hired by the trustee in bankruptcy reported that the company was worth only \$11,300.<sup>65</sup>

The prized asset of Addison Mizner, Inc., was the five-story Via Mizner Building in Palm Beach. In February 1925, Mizner had personally borrowed \$100,000 from the Atlantic National Bank of Jacksonville and other mortgage bondholders to construct the

63. In Account with Addison Mizner, Incorporated; Creditors Whose Claims Are Unsecured, July 24, 1933; Transcript of First Meeting of Creditors, August 23, 1933; Schedule of Creditors Holding Securities, August 4, 1927, *In the Matter of Mizner Industries, Inc., Bankrupt*, Docket No. 1325, USDC/SDF.

64. Final Report of Referee L. Earl Curry, November 9, 1938; Statement of all creditors who are to be paid in full, or to whom priority is secured by law, July 24, 1933; Income Tax Claim of Collector of Internal Revenue, August 16, 1933; Petition of United States of America, December 22, 1933; Order of Fifth Circuit Court of Appeals, February 7, 1935; Petition of Paty, Warwick and Mooney, August 27, 1935; Hearing of July 8, 1936, *In the Matter of Mizner Industries, Inc., Bankrupt*, Docket No. 1325, USDC/SDF; Curl, *Mizner's Florida*, 53-59.

65. Petition of West Palm Beach Atlantic National Bank, August 23, 1933; Promissory Note of Mizner Industries, Inc., December 15, 1932; Creditors Whose Claims Are Unsecured, July 24, 1933; Petition of Lainhart and Potter, Inc., Frank E. Martin, and Sinclair Refining Company, April 29, 1933; Balance Sheet of Mizner Industries, Incorporated, July 30, 1932; Oath of Appraisers, October 23, 1933, *In the Matter of Mizner Industries, Inc., Bankrupt*, Docket No. 1325, USDC/SDE

complex. The following September, while in the throes of the Boca Raton development and as a shield against his creditors, he transferred the building to Addison Mizner, Inc. The Via Mizner loan, which ballooned in February 1935, forced the company to seek the protection of the bankruptcy court.<sup>66</sup>

The Via Mizner Building, located on Worth Avenue, one of the most exclusive shopping districts in the world, consisted of shops, offices and apartments. It housed Mizner's architectural office and his private residence. Addison Mizner lived there in grand style without paying rent to his company. Surrounded by antiques and fine furnishings, he entertained like an Old World potentate. His butler served drinks to the guests as they listened to a group performing classical music, an artist explaining his work, or Mizner's anecdotes. After Mizner's death in 1933, Frank Gair Macomber, the curator of the Boston Museum of Fine Arts, appraised his personal silver, china, rugs, works of art, chandeliers, antiques and other furnishings. Seven years after the Boca Raton fiasco, Mizner's personal belongings were valued at \$191,432 in Depression-era dollars.<sup>67</sup>

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66. Debtor's Petition in Proceedings Under Section 77-B of the Bankruptcy Act, May 11, 1935; Order of Halsted L. Ritter, May 13, 1935; Petition of Intervention of Atlantic National Bank of Jacksonville, June 11, 1935; Affidavit of E. Harris Drew, March 7, 1936; Decree Confirming Plan of Reorganization, March 9, 1936, *In the Matter of Addison Mizner, Inc., Debtor*, Docket No. 1495, USDC/SDF.

67. Debtor's Petition in Proceedings Under Section 77-B of the Bankruptcy Act, May 11, 1935, *In the Matter of Addison Mizner, Inc., Debtor*, Docket No. 1495, USDC/SDF; Curl, *Mizner's Florida*, 113-15, 201; Orr-Cahall, "Identification and Discussion," 56-57.