

## JACOB H. SCHIFF, BANKER AND PHILANTHROPIST

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A banker and philanthropist, Jacob H. Schiff secured European funding to build America's railroads, mines, and other enterprises. He helped transform the United States into the world's leading industrialized economy. At one time or another, Schiff marketed the bonds of every major U.S. railroad. Under his innovative leadership, the New York banking firm of Kuhn, Loeb & Company developed a worldwide reputation for successful financing, sound judgment, and integrity. Schiff's strategic loans to Japan during the Russo-Japanese War facilitated Japan's surprise victory. In the interest of American prosperity, Schiff advocated the German model of integrated industry, which he preferred over the American penchant for unbridled and often ruinous competition. Despite his political influence, his business advice to presidents and lawmakers failed to win favor at a time when muckrakers, politicians, and reformers demanded trust-busting. Pursuing charitable work from an early age, Schiff contributed his wealth and time to secular charities and Jewish communal needs, not only in America and Germany but also worldwide. Schiff became known as a leader of American Jews during his lifetime. His estate, valued at approximately \$35 million in 1922 (\$455 million in 2010 U.S. dollars),<sup>1</sup> less than one-third the size of J. Pierpont Morgan's estate, reflected his lifelong charitable giving.<sup>2</sup>

### Family and Ethnic Background

Jacob H. Schiff (born Jakob Heinrich Schiff on January 10, 1847, died September 25, 1920, in New York, NY) was the second son and third child of Moses (1810-1873) and Clara Niederhofheim Schiff (1817-1877) of Frankfurt am Main. Moses Schiff, a successful stockbroker, was an active member of Frankfurt's orthodox Jewish community. With a Frankfurt lineage dating back to about 1370, the Schiffs were among the city's oldest and most established Jewish families. Jacob Schiff's direct ancestors included many rabbis, scholars, scientists, and merchants, some of whom were particularly notable: Meir ben Jacob Schiff (1608-1644), who wrote a commentary on the Talmud, and David Tevele Schiff (1722-1791), rabbi of London's Great Synagogue from 1765 until his death. Other Schiff relatives included two Chief Rabbis of London, Nathan Marcus Adler (1803-1890) and Hermann Adler (1839-1911), who served in that position from 1845 to 1911.<sup>3</sup>

1 All current values (in 2010 USD) are based on Samuel H. Williamson, "Seven Ways to Compute the Relative Value of a U.S. Dollar Amount, 1774 to present," *MeasuringWorth*, 2011, using the Consumer Price Index.

2 "J.H. Schiff's Estate Fixed after Decade," *New York Times*, August 23, 1931, 1; Jacob H. Schiff Left \$34,426,282 Estate," *New York Times*, March 3, 1922, 1.

3 Cyrus Adler, *Jacob H. Schiff: His Life and Letters*, vol. 1 (Garden City, NY, 1928), 1-3.

Schiff grew up in Frankfurt, a bustling commercial and banking center and the seat of the German Confederation. Frankfurt was also the center of Jewish life in Germany.<sup>4</sup> Frankfurt's Jews, who consistently accounted for about ten percent of the city's population, won political rights in 1864.<sup>5</sup> Schiff received a balanced secular and religious education in the renowned Frankfurt Jewish school that his father, together with other communal leaders, established in 1853. The school educated students from religious homes to become businessmen and community leaders. Schiff's family life, his father's active role in the community, and his school experience were key factors in the shaping of his youthful personality.<sup>6</sup> At fourteen, he began his business training. First, he apprenticed at a leading mercantile warehouse enterprise in Frankfurt; then he worked for his brother-in-law in banking.<sup>7</sup>

Ambitious and hardworking, Schiff decided to immigrate to America. Unlike many immigrants, Schiff did not leave Germany to escape poverty or to marry. Nor was he pulled toward emigration by family in America. In fact, Schiff was the only member of his family to leave Germany. Apparently, he emigrated because his rigid, overbearing father was too strong a presence for a young man determined to control his own future. He was drawn to the U.S., a developing nation ripe for investment after the Civil War. While still in Germany, Schiff wrote an exploratory letter to a family friend in St. Louis, Missouri, in the hopes of securing a position. When that failed to yield results, Schiff, undaunted, sailed to New York alone and without any offer of employment. He arrived in August 1865.<sup>8</sup>

Schiff became a naturalized U.S. citizen in 1870, a fact that indicates his intention to remain in America. Yet becoming an American citizen did not mean severing ties with Europe. Schiff always maintained strong business and family connections with Germany. When the Hamburg-based banker Moritz Warburg offered Schiff a position with his firm, M. Warburg, which represented the London & Hanseatic Bank of London, Schiff moved to Hamburg in 1873. Just two years earlier, in 1871, the disparate German states that had once made up the German Confederation had been united under Emperor William I into a single German nation state. It is conceivable that the promise of economic growth presented by the newly unified Germany helped pull Schiff back to his native land; alternatively, the depression of 1873 in America may have pushed him to leave New York.

4 Nachum Gidal, *Jews in Germany from Roman Times to the Weimar Republic* (Cologne, 1998), 90, 148.

5 Robert Liberles, *Religious Conflict in Social Context: The Resurgence of Orthodox Judaism in Frankfurt am Main, 1838-1877* (Westport, 1985), 162.

6 *Ibid.*, 152-55.

7 Adler, *Jacob H. Schiff*, vol. 1, 7.

8 *Ibid.*, 4-6.

Schiff only worked for M. Warburg for a few months. His father died later that year, and he returned to Frankfurt to attend to his mother. About a year later, the German-born American banker Abraham Kuhn (1838-1900) visited Frankfurt and offered Schiff a position at his New York investment banking firm, Kuhn, Loeb & Company. Though reluctant to leave his widowed mother, Schiff returned to New York City with her blessing. He brought strengthened ties to European banking to his new position in America.<sup>9</sup>

As a single young man, Schiff lived and worked among German immigrants in New York City. The social milieu of German immigrant youth must have provided Schiff with a supportive environment, particularly since he was quickly incorporated into New York's German-Jewish community. Nevertheless, the serious young Schiff lamented the absence of social institutions and organized activities for young people, and he sought alternatives to sports and drinking. When he could afford to do so, Schiff helped establish the 92<sup>nd</sup> Street Y in New York City to provide others with some of the cultural opportunities that he missed.<sup>10</sup>

### Business Development

Frankfurt Jewish connections proved invaluable to the young Schiff when he started out in investment banking in New York City, particularly since gentiles would not do business with him. When the eighteen-year-old Schiff first arrived at the docks in 1865, he was met by William B. Bonn (1843-1910), a fellow Frankfurter who was a few years his senior. Bonn, who was with the Frankfurt-based investment-banking firm of Speyer & Company, provided Schiff with crucial early support; later, Speyer & Company worked with Schiff on many investment opportunities.<sup>11</sup>

In addition to Bonn, Schiff reached out to other New Yorkers who had emigrated from Frankfurt and elsewhere in Germany. Within months of his arrival, Schiff secured a position as a clerk with the brokerage firm Frank & Gans. One year later, days before his twentieth birthday, Schiff entered into a partnership with Heinrich "Henry" Budge (1840-1928) and Leo Lehmann, both from Frankfurt, and together, they founded the New York brokerage firm of Budge, Schiff & Company. The importance of ethnic ties can be seen in the fact that it was William Bonn who had urged Lehmann, then in Europe, to return to New York to form a partnership with Schiff. For young Germans, American investment banking was sometimes a short-term venture

<sup>9</sup> *Ibid.*, 8.

<sup>10</sup> Naomi Cohen, *Jacob H. Schiff: A Study in American Jewish Leadership* (Hanover, NH, 1999), 4-5.

<sup>11</sup> Adler, *Jacob H. Schiff*, vol. 1, 6-7.

of making connections. That was the case with Budge. A few years after entering into the partnership, Budge left America, moved to Hamburg, and became a member of another banking firm in that city.<sup>12</sup>

Schiff built his reputation and fortune at the commercial banking firm of Kuhn, Loeb & Company in New York City. Kuhn, who emigrated from Germany in 1839, and Solomon Loeb (1828-1903), who came to America ten years later, were both from Worms in the grand duchy of Hesse. Upon their arrival, they both became dry good merchants in Cincinnati. After amassing \$500,000, they relocated to New York City, eventually starting what in 1867 became the investment-banking firm of Kuhn, Loeb & Company. Kuhn and Loeb relied on their European contacts, especially Germans, to place U.S. government and railroad bonds. After Kuhn brought Schiff into the partnership in 1875, Schiff aggressively expanded Kuhn, Loeb & Company's business.<sup>13</sup>

Among U.S. growth industries, railroads were the undisputed leader. From the late 1860s until the 1890s, the demand that they created for steel, coal, rolling stock, civil engineering, and labor drove the U.S. economic engine. Their capitalization dwarfed the largest manufacturers, and their influence was felt in all aspects of American society.<sup>14</sup>

Schiff made good use of his European banking connections, successfully allying with European bankers to attract European capital to finance American railroads. European investors sought out American investments, which promised higher rates of return than European ventures. In turn, American business, particularly railroads, depended on European capital to finance expansion, improvements, and operating expenses. Schiff brought to the banking business an existing base of contacts garnered from his Frankfurt network, his previous work in New York, and his experience at M. Warburg in Hamburg. He cultivated and extended this base assiduously through frequent European travel, regular correspondence, personal outreach, and private hospitality. By way of example, about 1,500 letters from Schiff to German-born British banker Ernest Cassel (1852-1921) attest to Schiff's attentive mingling of business and personal camaraderie as he kept important clients informed of the status of their investments. Cassel, who valued Schiff's advice, recommended him to his colleague, the young Paris banker Édouard Noetzlin (1848-1935). When Noetzlin traveled to New York, he met with Schiff, who advised him to go to Mexico to explore possible investments. As a result of his Mexican trip, Noetzlin set up the National Bank there in 1881. His friendship with Schiff opened a door to their eventual cooperation in

12 Cohen, *Jacob H. Schiff*, 4; Adler, *Jacob H. Schiff*, vol. 1, 7.

13 Adler, *Jacob H. Schiff*, vol. 1, 11-12.

14 Thomas McCraw, *Prophets of Regulation: Charles Frances Adams, Louis D. Brandeis, James M. Landis, Alfred E. Kahn* (Cambridge, MA, 1984), 4.

large joint transactions, especially their marketing of Pennsylvania Railroad bonds in 1906. Another one of Schiff's close European contacts was Robert Fleming (1845-1933), first of Scotland, later of London. Fleming visited the U.S. eighty-two times, and Schiff met with Fleming during his European trips; together with regular correspondence, their visits provided the basis for a lifetime of banking transactions on behalf of clients.<sup>15</sup>

Schiff did not limit his business to Europeans. Developing links with Japanese investors, Schiff corresponded with and visited Baron Korekiyo Takahashi (1854-1936). He and his wife, Therese Loeb Schiff, even hosted the Baron's teenage daughter for three years, the start of a lifelong friendship between the Schiffs and the extended Takahashi families.<sup>16</sup>

For the most part, Schiff's European and Japanese contacts served in lieu of the foreign branch offices, staffed with family members, maintained by the New York-based Morgan bank and by many European banks as well. Schiff generally emphasized alliances instead of branch offices, which he organized with independent firms in London, Paris, and Amsterdam. In some instances, however, Schiff did choose to rely on family contacts. In Hamburg, for example, his former employer, M. Warburg, eventually became family, and the two firms increasingly worked together to secure German investment capital.<sup>17</sup> After his nephew Otto Schiff (1875-1952) left Germany and settled in London, he occasionally worked on behalf of Kuhn, Loeb with English investors interested in American opportunities.<sup>18</sup>

Making his home in New York City, Schiff settled into America's financial capital. Earlier in the nineteenth century, the Erie Canal project, which connected New York to the Great Lakes, helped transform New York City into America's center of finance and trade. At the time, westward expansion, industrialization, and mining promised revenues for railroads. With the end of the Civil War, pent up demand exploded in a frenzy of business activity.<sup>19</sup>

Schiff was the only immigrant banker who undertook railroad financings; the others left the business to Yankee bankers. When Schiff joined Kuhn, Loeb, he recognized the significance of railroads to his work. Writing to his mother on January 1, 1875, Schiff noted that "the opportunity is enormous here . . . The coming expansion of the United States, in railroading and all that, is so large."<sup>20</sup> Schiff tapped into this new market with a decisiveness and willingness to assume

15 *Ibid.*, 12.

16 *Ibid.*, 13.

17 Jacob Schiff to Ernest Cassel, January 20, 1891; Jacob Schiff to Paul Warburg, December 23, 1895, Jacob Schiff Papers, American Jewish Archives, Cincinnati, Ohio.

18 The Jacob Schiff Papers document his frequent correspondence with Robert Fleming, first in Scotland and then in London, Ernest Cassel in London, Max Warburg in Hamburg, the Barings House in London, Edouard Noetzelin in Paris, Baron Korekiyo Takahashi in Japan, and others in Amsterdam and elsewhere.

19 Daniel Howe, *What Hath God Wrought: The Transformation of America, 1815-1848* (New York, 2007), 117-20; George Tindal and David Shi, *America: A Narrative History*, 6<sup>th</sup> ed. (New York, 2004), 760-62.

20 Cohen, *Jacob H. Schiff*, 5.

risk that most established American firms avoided. He quickly assumed a leadership role within Kuhn, Loeb. When Solomon Loeb retired in 1885, Schiff, then thirty-eight, became head of the firm. As a mark of his humility and devotion to his wife's family, Schiff never changed the firm's name to include his own, though he was indisputably the firm's leader during his lifetime.<sup>21</sup>

Until 1904, railroad investments exceeded the sum of all other forms of commercial investments in the United States.<sup>22</sup> Railroads needed large amounts of money to lay track and buy equipment. Issuing bonds was one way for them to meet their financial needs. Europeans who wanted high yields on their investments chose emerging economies, looking to the United States as it rapidly developed. Transcontinental railroads promised to bridge the Atlantic and Pacific but involved enormous risk, since the western territories were thinly populated and it was unclear whether trade and ridership would be sufficient to make the railroads profitable. Southern railroads, underdeveloped from the start and largely destroyed during the Civil War, were being rebuilt and expanded, but there were uncertainties there, too. Railroads everywhere engaged in cutthroat competition. Their managers were not always fiscally judicious. To obtain capital in a timely manner, railroads relied on underwriters to assume the risk of the market for their debt. If bankers could not find subscribers for a debt issue, they had to purchase the securities themselves and assume the risk involved with their future placement.

Under Schiff's direction, Kuhn, Loeb juggled these market uncertainties. Sometimes the firm readily placed debt issues; other times, it had to buy them and place them later, when opportunity permitted, sometimes at reduced prices that required Kuhn, Loeb to assume the loss. In some instances, Kuhn, Loeb acted on its own to place debt instruments; in other instances, the firm joined other banks in syndicates to offer the debt issuance, sharing the profits as well as the risks. Such activities demanded that the firm maintain adequate cash liquidity to meet its clients' needs. When Schiff entered the field, syndicates were a relatively new way to market debt instruments. It may be that German syndicates predated American ones, for Schiff placed Northern Pacific Railway securities with a syndicate of German investors in 1870.<sup>23</sup> The first underwriting syndicate in the U.S. was founded in 1871.<sup>24</sup>

Schiff expanded Kuhn, Loeb's underwriting beyond railroads to provide capital for mining and industrial manufacturing. The success of these enterprises was closely linked: the railroads often created the

21 Cohen, *Jacob H. Schiff*, 5; McCraw, *Prophets of Regulation*, 4-5.

22 Steven Usselman, *Regulating Railroad Innovation: Business, Technology, and Politics in America, 1840-1920* (New York, 2002), 243.

23 Adler, *Jacob H. Schiff*, vol. 1, 83.

24 Frederick A. Cleveland and Fred Wilbur Powell, *Railroad Promotion and Capitalization in the United States* (New York, 1909; 1981), 287.

market for their product and in other instances benefitted from their transport. Westinghouse Company, for example, appeared promising to Schiff in 1898 because it manufactured air brakes for railroads. Mining, on the other hand, promised to be a source of revenue for the railroads that carried minerals. Among other mining ventures, Schiff handled the Guggenheim family purchase of Anaconda Copper in 1898. Schiff's work on behalf of Daniel Guggenheim (1856-1930), the son of Swiss-Jewish immigrant Meyer Guggenheim (1828-1905), underscored the European ties that were sometimes critical to the entrepreneurial aspects of his banking activity. Schiff knew Guggenheim and introduced him to Cassel in 1900.<sup>25</sup>

On rare occasions, Schiff knitted together his business and charitable endeavors. Working with his friend, the railroad builder, manager, and financier James J. Hill (1838-1916), Schiff came up with a plan to settle Russian-Jewish immigrants on farms in the Pacific Northwest. The plan responded to a variety of concerns and objectives: humanitarian, political, and financial. First and foremost, the settlement plan aimed to offer Russian-Jewish immigrants a better life outside of overcrowded East coast tenements. At the same time, the plan also served the larger political goal of removing Russian-Jewish immigrants from the scrutiny of anti-immigrant critics who viewed urban ghettos as evidence of the need for immigration restrictions. Lastly, financial objectives played a role as well, for new settlements offered the promise of increased railroad traffic and thus greater profitability. This being the case, the plan represented a unique fusion of Schiff's charitable activity on behalf of Russian-Jewish immigrants, his interest in social and political questions, in general, and his business interests, particularly in the railroad sector. The plan also demonstrated Schiff's willingness to use the resources at hand to experiment with new solutions to intractable problems, though in this case the attempt proved unsuccessful.<sup>26</sup>

Railroad presidents reached out to Schiff, seeking his help in capitalizing their businesses; they invited him to sit on their boards, turned to him for advice and counsel in their business activities, dined with him at home and, in some instances, developed close personal friendships with him. Hill, for instance, trained Schiff's son Mortimer in the railroad business, and Edward Henry Harriman (1848-1909) became a lifelong friend. But Schiff was their second choice; only after J.P. Morgan (1837-1913) rejected their business, either because of the risk involved or for other reasons, did they take their business to Kuhn, Loeb.

<sup>25</sup> Cohen, *Jacob H. Schiff*, 24.

<sup>26</sup> *Ibid.*, 118.

Schiff, for his part, never accepted any business that Morgan might want. After Kuhn, Loeb decided not to pursue business with Atchison Railroad in 1905, Schiff offered the following words of explanation to banker Edgar Speyer, “We have always tried to abstain from interfering with the existing arrangements of our neighbors, and since Morgans have for some time been doing the Atchison Company’s business, we would not be willing to force ourselves into this against the desire of Morgans.”<sup>27</sup>

Schiff always kept investors informed of financial and political developments that affected the railroads in which they invested. He even relayed climate forecasts to help investors predict agricultural productivity, an important source of railroad freight and, therefore, one key indicator of railroad profitability. For example, in 1882, he advised Cassel that “there will be no change [in business conditions] until we get definite news about crop conditions. Thus far the news has been very favorable, but if the cold and wet weather keeps on, we shall have bad times in this country.”<sup>28</sup>

Schiff befriended investors and invited them to his home, arranged working trips to inspect transcontinental rail lines throughout the United States, and introduced investors to American presidents.<sup>29</sup> Earning the confidence of clients was always a key factor in Schiff’s success. He joined Kuhn, Loeb only a couple of years after two major events had rocked the nation, undercutting public confidence in the railroad sector and in industry in general. First, there was the corruption scandal involving *Crédit Mobilier of America*,<sup>30</sup> the construction company for America’s Union Pacific Railroad. In 1872, it came to light that the company had bribed members of Congress and federal government through sales and gifts of stock, a move that had brought the company enormous profit at the public’s expense. The following year saw the first bankruptcy of financier Jay Cooke’s Northern Pacific Railroad. Against the backdrop of these events, Schiff paid close personal attention to the interests of investor clients and helped shore up their confidence.

In the interest of his investors, Schiff insisted that the companies in which they invested be conservatively managed. He worked closely with railroads to ensure that they set aside capital to fund their debt obligations. He frowned on railroad managers who paid out all their profits to stockholders looking for high dividends. In a letter to Stuyvesant Fish (1851-1923), president of the Illinois Central Railroad Company, Schiff commended Fish for the “prudent policy”

27 Jacob Schiff to Edgar Speyer, January 10, 1905, Jacob Schiff Papers.

28 Jacob Schiff to Ernest Cassel, 1882 (n.d.), Jacob Schiff Papers.

29 Jacob Schiff to Ernest Cassel, Robert Fleming, Noetzlin, Jacob Schiff Papers, *passim*.

30 *Crédit Mobilier of America*, a company formed by Union Pacific, created a conflict of interest by giving and selling stock to influential senators, congressmen, and the vice president, all whom then stood to gain from the company’s profits. As a result of this situation, Congress failed to regulate Union Pacific’s construction costs, which the federal government had subsidized. *Crédit Mobilier* made enormous profits, and the congressmen profited personally. See U.S. Congress, House, “Report of the Select Committee of the House of Representatives, Appointed under the Resolution of January 6, 1873, to Make Inquiry in Relation to the Affairs of the Union Pacific Railroad Company, *Crédit Mobilier of America*, and Other Matters Specified in Said Resolution” (Washington, DC, 1873), 3, 4, 7; and [http://cpr.org/Museum/Credit\\_Mobilier\\_1873.html](http://cpr.org/Museum/Credit_Mobilier_1873.html) (viewed August 12, 2012).

that Illinois Central pursued in “laying something aside for improvements and betterments in times of prosperity.” This had not been the policy of the Louisville & Nashville Railroad, whose “financial ills and troubles,” according to Schiff, arose from “a forcing in the payment of dividends, when surplus earnings would have better gone into improvements and betterments, for which purposes, instead, bonds were liberally issued.” Schiff reminded Fish that many other railroad companies operated in a similar, unsound manner, and as a result “were forced into bankruptcy largely because surplus earnings were paid out to the stockholders.”<sup>31</sup>

When Schiff recommended investments, he either took a board position or became an advisor to management. His practice of casting proxy votes for the German, English, and French clients he represented gave him a voice in management. By building close personal relationships with railway management, he could better ensure the investors whom he advised of the fiscal soundness of their investments. But by 1906, he would withdraw from all board positions in businesses in which his clients invested, as a result of public opposition to such practices.

America’s economy experienced frequent cyclical financial crises during the last decades of the nineteenth century. The 1893 depression in America was unusually severe, resulting in massive unemployment, homelessness, and poverty. Many railroads were thrown into bankruptcy. Among the railroads that seemed beyond recovery was the Union Pacific. Business writer Bertie C. Forbes (1880-1954) described the Union Pacific as “a battered, bankrupt, decrepit stretch of rust.”<sup>32</sup> America’s first transcontinental railroad, the Union Pacific was built with an unusual amount of federal government involvement, including land grants from the public domain, direct monetary subsidies, and free timber and building materials from lands of the United States — all of which complicated its finances and ensured that Congress and the public were much more involved than usual in any efforts to reorganize it.<sup>33</sup>

In 1895, Schiff and Kuhn, Loeb undertook the reorganization of the Union Pacific Railroad.<sup>34</sup> As a result of this mammoth effort, Kuhn, Loeb became so closely identified with Union Pacific that the railroad sometimes was referred to as the Kuhn-Loeb line. Schiff’s success in reorganizing Union Pacific generated large profits for Kuhn, Loeb and secured its status and reputation as the second largest private investment bank in New York after Morgan.

31 Jacob Schiff to Stuyvesant Fish, September 20, 1899, Jacob Schiff Papers.

32 Bertie Forbes, *Men Who Are Making America* (New York, 1919), 330.

33 Cleveland and Powell, *Railroad Promotion*, 249, 257; Maury Klein, *The Life and Legend of E. H. Harriman* (Chapel Hill, 2000), 106-107.

34 “American Stock Markets,” *Manchester Guardian*, October 12, 1895, 5.

In the course of reorganizing Union Pacific, Schiff worked with Edward H. Harriman, an investment banker turned railroad magnate who was intent on taking it over. Schiff recognized Harriman's genius and helped him become director and eventually chairman of Union Pacific. In the process, Schiff won a lifelong friend and business associate. Schiff became Harriman's banker, growing his own financial resources as well as those of Kuhn, Loeb as Harriman extended his control over a large swath of America's rail system. After Union Pacific, Schiff and Kuhn, Loeb went on to reorganize other railroads, earning large commissions for managing the transactions, often ten percent of the value of the financings.<sup>35</sup>

Schiff financed the Pennsylvania Railroad from 1881 until his death, handling transactions amounting to approximately half a billion dollars. When the railroad ambitiously pursued the construction of a tunnel under the Hudson River and a massive station in New York City, Schiff, understanding that the plan would benefit not only the railroad but New York City as well, used his political influence in New York City to facilitate the project. Schiff was particularly proud of his work with the Pennsylvania Railroad, and his close relationship with its management extended across successive administrations. Proudly displayed on his office wall were two cancelled loan checks from Kuhn, Loeb to the Pennsylvania Railroad. They had been issued within a six-month period, one for \$49,098,000 and the other for \$62,075,000.<sup>36</sup> Schiff's primary competitor in the business of providing commercial credit to railroads was J. Pierpont Morgan and his brokerage firm.<sup>37</sup>

In the years leading up to World War I, Schiff increasingly found himself called upon to work with Morgan on financial matters. Schiff collaborated with Morgan in 1905 on Pennsylvania Railroad stock securities.<sup>38</sup> In 1914, the two banking houses, working together, rescued New York City from a potential financial debacle when Britain exercised its right to redeem certificates for gold. In this instance, Schiff succeeded in convincing the Rothschild bankers to secure the gold that New York needed.<sup>39</sup>

Schiff engineered railroad financings in his triple role of banker, investor, and lender, believing that his work was in the best interests of the railroads, his clients, and the nation. Over time, however, Schiff and other bankers came under increasing public scrutiny. It started back in the 1870s with the Grangers, an organization of farmers who fought the unfair practices of railroad tycoons and

35 Forbes, *Men Who Are Making America*, 330; Klein, *E.H. Harriman*, 107-17; "Lays Railroad Ills to Banking Control," *New York Times*, February 1, 1915; "Wabash Syndicate Formed; Kuhn, Loeb & Co. and Allies Underwrite Reorganization Plan," *New York Times*, May 1, 1915; "\$41,420,000 for M.O.P. By \$50 A Share Tax; Kuhn, Loeb & Co. Reorganization Plan Provides for Reduction of Bonded Debts," *New York Times*, July 7, 1915; "Security Owners Indorse 'MOP' Plan; Kuhn-Loeb Program for Missouri Pacific's Reorganization is Likely to Succeed," *New York Times*, December 16, 1915.

36 Adler, *Jacob H. Schiff*, vol.1, 72-77; Birnbaum, *Our Crowd*, 177.

37 Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York, 1990), 89-90.

38 Adler, *Jacob H. Schiff*, vol. 1, 77-78.

39 Chernow, *House of Morgan*, 185.

sought government regulation of the industry. Their concerns were adopted and subsequently advanced by the Populists, by Progressive reformers, and by the American public at large. Their protests were directed at railroad executives' interlocking directorates, long haul-short haul rate disparities, free passes, rebates, and kickbacks, all of which were viewed as evidence of serious wrongdoing. In the first decade of the twentieth century, journalists Lincoln Steffens (1866-1936), Ida Tarbell (1857-1944), and Ray Stannard Baker (1870-1946), all of whom earned great renown as muckrakers, captivated their audiences with highly publicized accounts of anti-competitive behavior that enriched wealthy capitalists at the expense of farmers and small businesses. Politicians tried to respond to the public demand for legislation that would regulate the railroads and put an end to anti-competitive activity. Schiff's work landed him squarely in the middle of the controversies that dominated the politics of this era.<sup>40</sup>

Going against public opinion, Schiff supported "community of interest" arrangements among railroads, replacing some competition with cooperation to make railroads profitable. He also recommended non-competitive ownership of railroads. According to Schiff, eliminating duplicate railroad lines would make railroads profitable and benefit the nation. He pointed to Germany's encouragement of integrated industry as an example of sound industrial organization. After the U.S. Supreme Court ordered the dismantling of the Standard Oil trust, Schiff called the court's ruling "destructive." Schiff took his argument for community of interest and noncompetitive ownership to President Theodore Roosevelt in 1902, 1905, and again in 1907, but failed to persuade the president that monopoly practices could benefit the American public.<sup>41</sup>

When Harriman decided to buy a controlling interest in the Chicago, Burlington and Quincy Railroad to ensure Union Pacific's entry into the Chicago market, secure its western routes, and prevent Hill's railroads from driving him out of business, he ran up against Hill's control of the Burlington. That railroad, together with Hill's Great Northern and Northern Pacific railroads, gave Hill control of western rail traffic. Hill was backed by Morgan; Harriman worked with Schiff. Their subsequent competition to acquire a controlling stock share in the Northern Pacific Railroad triggered the Wall Street Panic of 1901. Schiff devised a solution to rescue Wall Street and bring Hill and Harriman to the table. With order restored, Morgan formed a holding company, the Northern Securities Company, one of the world's largest corporations

40 McCraw, 9; Usselman, 119-20, 328-30.

41 Adler, *Jacob H. Schiff*, vol. 1, 42-44, 46-50.

at the time. Known by its detractors as the Great Railway Trust, the Northern Securities Company provided Theodore Roosevelt with a prime opportunity to make political hay before the next presidential election, and he directed his attorney general to file suit against the holding company as an illegal restraint of trade. By a 5-4 margin, the U.S. Supreme Court ruled that Northern Securities was an illegal combination and ordered its dissolution. Schiff may very well have fumed about America's unwarranted fear of business concentrations as this giant step in the writing of American business law occurred.<sup>42</sup>

Schiff joined the boards of more than twenty railroads, banks, life insurance companies, and other corporations to oversee policy and ensure sound financial management on behalf of his investor clients. Banks and insurance companies that invested in railroads were of particular interest to him, and he made important connections that benefited his business. For instance, as a director of the Franklin National Bank of Philadelphia, he befriended the bank's president, Henry Tatnall (1855-1939). When Tatnall became treasurer of the Pennsylvania Railroad in 1901, he called on Schiff to handle its financing. As a board member of National City Bank, the bank associated with the Rockefeller family, Schiff came to know the bank's president, James Stillman (1850-1918), who played a major role in financing the Union Pacific and other railroads.<sup>43</sup>

Schiff's position on various boards sometimes drew public scrutiny. For example, his association with the Equitable Life Assurance Company was viewed as problematic by some. Schiff served as a director of Equitable Life Assurance Company from 1893 until 1905, during which time Kuhn, Loeb sold railroad securities, at a profit, to Equitable. Though Schiff sought legal advice during his dealings with Equitable, and never monopolized its purchase of securities nor profited unduly from the transactions, Schiff and Kuhn, Loeb became enmeshed in a widely publicized state investigation of Equitable's management in 1905. Schiff's forthright public testimony preserved his reputation, but he and Kuhn, Loeb suffered negative publicity in the course of the investigation. For the first time, the public learned about the enormous volume of trade that Kuhn, Loeb handled. From 1900 to 1905, Kuhn, Loeb sold \$1.75 billion worth of securities (\$1.75 billion in 1905 is equal to approximately \$44.7 billion in 2010).<sup>44</sup>

Roosevelt's aggressive regulation of business, together with market uncertainties, helped trigger the Panic of 1907. In response, Morgan and Schiff banded together to help rescue an uncertain economy.

42 "Wall Street Was Taken By Assault," *New York Times*, May 12, 1901, 3; *Northern Securities Co. v. United States*, 193 U.S. 197 (1904); Albro Martin, *James J. Hill and the Opening of the Northwest* (New York, 1976), 496-520.

43 Adler, *Jacob H. Schiff*, vol. 1, 77; "Jacob H. Schiff Returns; Expansion in Germany Due to Government Aid to Trade, He Says," *New York Times*, August 27, 1911.

44 Adler, *Jacob H. Schiff*, vol. 1, 185-94; Birnbaum, *Our Crowd*, 328-29.

Their efforts won them little public favor, however. Whereas Morgan and Schiff saw themselves as serving the greater good, the public perceived them, and other bankers, as the problem, not the solution. Fed by muckrakers' reports, public opinion lashed out against the so-called Money Trust. In response, Congress held investigatory hearings. The Pujo hearings, named after Congressman Arsène Pujo (1861-1939), chairman of the House Banking and Currency Committee, lasted from May 1912 through February 1913. Targeting Morgan but also including Schiff and Kuhn, Loeb in its investigation, the committee's counsel, Samuel Untermyer (1858-1940), sought to expose American bankers' anti-competitive behavior.<sup>45</sup> Schiff was called to Washington to testify. Answering evasively, Schiff appeared defensive and guarded in his responses. He admitted that New York City banking resources had become concentrated, that Kuhn, Loeb had handled Union Pacific securities issues exclusively for at least ten years in the absence of competitive pricing, and that his firm and Morgan did not venture into each other's territory. Untermyer's intense questioning of Morgan and Schiff also focused a spotlight on Wall Street bankers' ties with the industries they financed. Progressive lawyer Louis Brandeis (1856-1941) later wrote *Other People's Money*, which defamed Kuhn, Loeb for the fees and commissions it earned during its reorganization of Union Pacific Railroad.<sup>46</sup>

After the publication of the Pujo Committee Report, Congress passed the Federal Reserve Act of 1913, which called for the creation of the Federal Reserve Bank. Schiff campaigned for the bank, arguing that a central bank and currency reform would improve America's economic system. Periodic economic panics might be avoided if the U.S. took appropriate action, Schiff insisted. In three speeches before the New York State Chamber of Commerce in 1906, Schiff had recommended the establishment of a central bank, like the Bank of England, to remedy America's inelastic currency problems. Schiff's crusade for a central bank, waged simultaneously by his brother-in-law Paul Moritz Warburg (1868-1932), led to the creation of the Federal Reserve Bank in 1914 and to Warburg's appointment to the bank as its only German-born member.<sup>47</sup>

The Woodrow Wilson administration also pushed for additional legislation to regulate and control banking and limit business combinations. In 1914, Congress passed the Clayton Antitrust Act and President Wilson signed it into law, prohibiting horizontal restraints on trade and interlocking directorates. Schiff was forced to change

45 Hawkins, Richard, "Samuel Untermyer," in *IE*.

46 U.S. Congress, House, "Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit" (Washington, DC, 1913), 102, 104-106; Cohen, *Jacob H. Schiff*, 30-32; "Schiff to Testify," *New York Times*, December 8, 1912; "\$25,000,000,000 Resources Represented in 180 Men," *New York Times*, December 19, 1912; "Schiff Believes in Individual Concentration," *New York Times*, January 17, 1913, 1.

47 Adler, *Jacob H. Schiff*, vol. 2, 277-88.

the way that he did business. The interlocking directorates and holding companies that Schiff favored to limit ruinous competition and promote profitability had become illegal.<sup>48</sup>

Schiff combined business with conscience when he elected to finance loans that enabled Japan to defeat Russia in the Russo-Japanese War of 1904-05. At the start of the war, Japan was widely perceived as the weaker of the two parties, but Schiff disliked Czarist Russia, which continued to persecute Jews. He therefore decided to arrange loans for Japan, knowing that Kuhn, Loeb might profit at the same time. Working with Ernest Cassel in London, Schiff secured English bankers' cooperation. He won support from American bankers as well, and included German investors in subsequent war loans. His efforts won him the gratitude of the Japanese government and people. Feted in Japan in 1906, he dined with the emperor, a rare invitation for a Westerner.<sup>49</sup>

Schiff was also very interested in opportunities in China; he worked with the State Department to participate with Morgan in a syndicate to invest in China. Diversifying into central and South America, Schiff and Kuhn, Loeb financed businesses throughout the western hemisphere.<sup>50</sup>

### Social Status and Personality

Anti-Semitism was pervasive in New York City during Schiff's lifetime. By necessity, Schiff had to work for a German-Jewish banking firm; no other banking firm would have employed him. Morgan, for instance, referred to Schiff as "that foreigner."<sup>51</sup> His bank did business with Kuhn, Loeb only reluctantly until the early 1900s, at which point they cooperated more readily. Schiff, sensitive to his social position vis-à-vis Morgan, avoided antagonizing him. J.P. Morgan would not socialize with Jews. Morgan, whose favorite hobby was sailing, famously said: "You can do business with anyone, but only sail with a gentleman."<sup>52</sup> After John Pierpont "Jack" Morgan (1867-1943) succeeded his father as head of the Morgan firm, Schiff became more forthright in his dealings. For instance, Schiff demanded an explanation from Jack Morgan after he left Kuhn, Loeb out of an Erie Bonds syndicate.<sup>53</sup>

As a German banker of the Jewish faith, Schiff served on civic boards and charities with American Protestant businessmen and philanthropists as well as German and Jewish men, but he socialized primarily

48 Clayton Act, <http://www.stolaf.edu/people/becker/antitrust/statutes/clayton.html> (viewed August 12, 2012).

49 "Mr. Schiff on Japan's Loan," *New York Times*, May 18, 1904; "Jacob H. Schiff Going to Japan," *New York Times*, January 7, 1906; "Harriman and Schiff Dine Japan's Financier," *New York Times*, January 10, 1906.

50 Cohen, *Jacob H. Schiff*, 33-36.

51 Cohen, *Jacob H. Schiff*, 24. Comp. Susie J. Pak, *Gentlemen Bankers: The World of J.P. Morgan* (Cambridge, MA, 2013), esp. chapter 3.

52 *Ibid.*, 14.

53 Jacob Schiff to Mortimer Schiff, March 23, 1915, Jacob Schiff Papers.

with other German Jews. New York City establishment social clubs did not admit Jews, so they formed their own clubs. One would not have expected the Morgans to invite the Schiffs to their home, though they might meet together at the Waldorf Astoria Hotel for charitable fundraisers. The pages of the *Social Register* offer ample evidence of the anti-Semitism that prevailed in New York society at the time. Although Schiff was among the wealthiest men in New York, the *Social Register* excluded him. Most non-profit institutions denied him a seat on their boards despite his munificent donations to the arts, museums, libraries, and colleges.<sup>54</sup>

A man guided by strong principles, Schiff addressed anti-Semitism where he thought he could make a difference. For instance, when the episcopal bishop of the New York diocese, Henry C. Potter (1835-1908) in a letter to Schiff, remarked that prejudice against Jews derived from the dishonesty of Jewish Wall Street bankers, Schiff responded with a four-page letter that showed that Jewish firms on Wall Street were *more* honest than others.<sup>55</sup> On another occasion, he took issue with a comment by his friend Charles Eliot (1834-1926), president of Harvard University, about international Jewish banking ties.<sup>56</sup> On principle, Schiff refused to do business with anyone who publicly disparaged Jews, and he turned down business opportunities even when this entailed financial loss. He would not join the Reading Railroad syndicate in 1887, for example, “though it offered a sure profit,” because the Reading’s president had publicly insulted Jews “in a very vulgar manner.” Kuhn, Loeb repeatedly rejected Reading Railroad business. “I should be ashamed before myself and my children if I acted otherwise,” Schiff explained.<sup>57</sup>

Schiff’s principles cost Kuhn, Loeb all underwriting business with Russia at a time when other firms participated without compunction. Because of Czarist persecution of Jews, Schiff prohibited Kuhn, Loeb from lending to Russia. He was indignant when Jewish bankers Rothschild and Bleichröder undertook large Russian financial transactions, but he did not depart from his position. During World War I, Schiff contended with anti-German sentiments, and his failure to extend loans to Russia (which, together with France, Britain, and later the U.S., opposed Germany and the other Central Powers in the war) only made matters worse. Still, he remained unrelenting and chose to follow his conscience rather than offer support to Czarist Russia. In 1915, when Morgan led American bankers in providing funds for the Allied war effort, Kuhn, Loeb declined to participate after it became

54 Cohen, *Jacob H. Schiff*, 53-54.

55 Jacob Schiff to Bishop Potter, January 18, 1898, Jacob Schiff Papers.

56 Jacob Schiff to Charles Eliot, March 14, 1917, Jacob Schiff Papers.

57 Jacob Schiff to Ernest Casel, March 6, 1888, Jacob Schiff Papers.

known that Britain's Lord Chief Justice, Rufus Isaacs (1860-1935), refused to limit Russian access to Allied loans. Kuhn, Loeb faced public criticism as a result of their abstention, but Schiff and the firm responded creatively by underwriting humanitarian loans, including a 50-million-dollar loan to Paris, France (approximately \$1.12 billion in 2010). The loan was to alleviate suffering by funding hospitals, orphanages, and providing aid to widows and the unemployed.<sup>58</sup>

Schiff married American-born Therese Loeb (1854-1933), a daughter of his partner Solomon Loeb, in 1875. Their marriage followed a pattern common among European banking families: business and family were united; capital was preserved. Jacob and Therese Schiff had two children, Frieda (1876-1958) and Mortimer (1877-1931). Mortimer was groomed for partnership in Kuhn, Loeb. His education and training, carried out under his father's rigid guidance, offers evidence of Schiff's own uneven assimilation. Mortimer attended a private school for German-Jewish boys in New York City. Upon Mortimer's graduation, Schiff, who believed that his son was not yet ready for college, tried to secure a place for him at Groton, a largely Episcopal college preparatory boarding school. When Groton refused to waive its requirement that young men participate in religious training, Schiff sent his son to college. He chose Amherst College rather than Harvard University, despite Mortimer's clear preference for the latter. Schiff did so because he believed that a climate of frivolous dissipation prevailed at the Ivy League university. In the end, Schiff pulled Mortimer out of college altogether, despite his fine academic record. This decision was motivated by Schiff's desire to see his son educated in the German manner, that is, by means of apprenticeships. Instead of attending German universities, as wealthy Americans might, Mortimer learned the railroad business from railroad magnate James J. Hill in the American Northwest and then learned banking in London under the tutelage of Schiff's German-born friend, the financier Ernest Cassel.<sup>59</sup>

Schiff's daughter, Frieda, was sent to Brearley, New York City's finest academic school for girls. She may have been the first Jewish student accepted by that exclusive school. On a visit to Frankfurt, she met and later married German-born Felix Warburg (1871-1937), son of Schiff's former employer, M. Warburg of Hamburg. Felix moved to New York and became a partner in Kuhn, Loeb. He participated actively in the Schiff family tradition of philanthropy as well. Felix's brother Paul (1868-1932) soon married Jacob Schiff's young sister-in-law, Nina

58 "Kuhn, Loeb to Lend \$50,000,000 to Paris; Loan 'to Alleviate Suffering' Arranged for City that Never Borrowed Outside France," *New York Times*, September 28, 1916.

59 Cohen, *Jacob H. Schiff*, 4, 6, 13.

Loeb (1870-1945). He also moved to New York and joined Kuhn, Loeb. From 1916, Paul Warburg served on the Federal Reserve Board, founded in 1914, thanks to the crusade that he and Schiff waged on behalf of a U.S. central bank and currency reform. Though the young Schiffs, Loeb, and Warburgs all married German bankers' children in America, each marriage was reportedly a love match and not an arranged union. It is likely that the children were keenly aware of the expectations that came with their role as scions of banking families. Other partners in Kuhn, Loeb also entered into suitable marriages that united business and family. Throughout Schiff's lifetime, the leadership of Kuhn, Loeb was made up entirely of German immigrants or the children of German immigrants.<sup>60</sup>

A patriarch in the traditional German mold, Schiff headed a close-knit family whose wellbeing and continued adherence to American, German, and Jewish values was critical to him. His letters to close associates are replete with details of his family life. After his responsibilities at Kuhn, Loeb lessened somewhat, it seemed that he was always departing for or returning from a vacation with children and grandchildren. These were the times that he valued most. Apparently, Schiff was known as a somewhat tyrannical presence in his family. Like his own overbearing, Schiff demanded that his wife and children perform to his expectations. He transmitted his values of hard work, frugality, charity, and communal responsibility to his children and grandchildren.

Schiff's ongoing use of German reflected his love for the language and culture of his homeland. Schiff corresponded with friends and associates in German and spoke German with his family as well. Before World War I, many Americans held the German language and German culture in high esteem. With the advent of war, however, speaking German became cause for suspicion, and Schiff refrained from using it in public. Schiff's language skills helped him to develop and maintain European business connections and to keep in touch with German family members. Schiff also used written English well, and he was known for his elegant, articulate letters to presidents, policy makers, colleagues, and newspaper publishers, among others. Nevertheless, his spoken English was always marked by a strong German accent.

Schiff always maintained his dedication to Judaism but modestly Americanized his expression of faith. Orthodox in Germany, he affiliated

60 Ibid., 6-7.

with Reform Judaism in New York City, where he joined two prominent congregations of Jews who mostly hailed from German lands. He tithed while still a young man, not waiting to accumulate wealth before beginning his charitable endeavors. He scheduled lunch meetings on the Sabbath when necessary, an accommodation that conflicted with traditional Jewish observance. At the same time, he worked hard to maintain the traditions of his German-Jewish background. Schiff prayed daily. He brought his family together for Friday night Sabbath observance. Schiff refused to let business interfere with religious observance, and he encouraged his family as well as Jews with whom he did business to be respectful of religious observance.<sup>61</sup>

As an American Jew, Schiff often broke new ground in his business and charitable work. For example, in 1898, he was elected vice president of the New York Chamber of Commerce, becoming the first Jew to hold an office in that organization. Thanks to his White House connections, he was asked to recommend a Jew for a cabinet position, another first.<sup>62</sup>

As a community leader, Schiff embodied a typology of responsibility that he had first encountered in Frankfurt's Jewish community. It had been the tradition in Germany for Jews to belong to a *Gemeinde*, or community, that assumed responsibility for the social welfare and education of the Jews in that community. In America, Schiff acted as a community leader to secular as well as Jewish constituencies.

Although Jewish life in America was centered on synagogues, Schiff became a kind of lay leader of the Jewish community beyond the boundaries of synagogue life. In many instances, Schiff worked independently to advance his charitable activities on behalf of Jews in America, Russia, and worldwide. He spoke to presidents, lobbied the State Department for action, raised funds, organized committees to distribute relief, and established schools and institutions. His favorite charity was the Montefiore Hospital and Home for the Aged, which he established in 1884 and on whose board he served as vice president from 1885 until his death. Whenever Schiff was in New York, he spent his Sundays visiting with the elderly residents of the Montefiore Home.<sup>63</sup>

61 *Ibid.*, 6, 100-101; Jacob Schiff Papers, *passim*.

62 Jacob Schiff to Simon Wolf, October 11, 1916, Jacob Schiff Papers.

63 Cohen, *Jacob H. Schiff*, 64-69.

Schiff assumed responsibility for the care of Russian-Jewish immigrants. He worked to Americanize them while preserving their Judaism, and he invested in communal services to provide them greater access to quality healthcare, housing, education, and recreation. The

Educational Alliance, a community center for immigrant youth in New York's Lower East Side, offered night classes in English and citizenship, providing a pathway to Americanization. Schiff served as its vice president and donated funds in support of it. Schiff also funded the non-sectarian Henry Street Settlement and



Visiting Nurse Service, led by Lillian Wald (1867-1940), a New Yorker of German-Jewish descent. One of the nation's first settlement houses, the Henry Street Settlement offered social services to the poor of New York's Lower East Side. Schiff also helped fund the Hebrew Technical Institute in New York, which had been founded in 1884 by his brother-in-law Morris Loeb (1863-1912) to train men in crafts and mechanics.<sup>64</sup>

**Figure 1: Jacob Schiff and New York City Mayor William Gaynor, 1913. Bain News Service. Courtesy of the Library of Congress.**

Concerned with immigrant Jews' religious needs, Schiff played a leading role in rebuilding the defunct Jewish Theological Seminary (JTS) as a training ground for Conservative Jewish rabbis and teachers. Recognizing that Russian Jews were abandoning religious observance but were uncomfortable with American Reform Judaism, Schiff tried to create an American form of Judaism that immigrants would find welcoming. He personally funded JTS and took an active role in its administration. His daughter Frieda, who took over her father's seat on the board after his death, donated her Fifth Avenue home to JTS for use as a Jewish museum.

Schiff supported all Jewish denominations, knowing no Jews who were alien. Thus, he funded teachers' institutes not only at JTS but also at Hebrew Union College, training grounds for Reform rabbis and teachers, and Yeshiva University for Orthodox rabbinic training. Similarly, he funded Reform, Conservative, and Orthodox Jewish houses of worship. To bring Jewish learning to the community, he donated America's largest collection of Judaic writings to the New York Public Library and sponsored Judaic libraries at the Library of Congress and Harvard

64 Ibid., 90-95; "Educational Alliance," <http://www.edalliance.org/index.php?submenu=OurHistory&src=gendocs&ref=History&category>AboutUs> (viewed May 12, 2011).



**Figure 2: Knitting Class at the Henry Street Settlement, 1910. Lewis Wickes Hine, photographer. Courtesy of the Library of Congress.**

University.<sup>65</sup> Remembering the loneliness of his own early years in New York, Schiff helped establish the 92<sup>nd</sup> Street Y, a branch of the Young Men's Hebrew Association, to provide cultural, social, and recreational opportunities to foster Jewish continuity.<sup>66</sup>

Always alert to political issues, Schiff took note of increasing

American anti-Semitism toward Russian-Jewish immigrants. The Immigration Restriction League, which was organized by Harvard graduates in 1894 and headed by the president of the Massachusetts Institute of Technology, lobbied nationwide to restrict Jewish and southern Italian Catholic immigration, contending that new immigrants, who apparently also brought crime and idiocy, threatened the American race. Congress responded to public pressure to cap immigration, repeatedly passing restrictions to limit the entry of "new immigrants." Schiff reacted to legislative restrictions on ongoing immigration by reaching out to congressmen and presidents via letters, telegrams, and personal meetings, urging them to keep America's doors open. A patriot and a Jewish communal leader, Schiff engineered the Galveston Movement, which diverted Russian Jewish immigrants away from New York to the Port of Galveston, Texas, from which point they found new homes throughout the south and Midwest. Schiff hoped that this would stem a wave of anti-Semitism that was seemingly fueled by visions of crowded New York City tenements. Mindful of public opinion, Schiff recognized that there would be a time when America's doors would be closed to immigration. Therefore, although he was not a Zionist, he supported the building of institutions in Palestine for Russian-Jewish refugees, contributing generously to Haifa Technikum (later called the Technion), an agricultural experimentation station, and other institutions and public relief efforts in Palestine.<sup>67</sup>

65 Cohen, *Jacob H. Schiff*, 76, 80, 266n104.

66 A plaque in the Lexington Avenue lobby of the 92<sup>nd</sup> Street Y honors Jacob Schiff's contributions.

67 Cohen, *Jacob H. Schiff*, 153-88.

Unlike Morgan, who shied away from politics, Schiff attempted to reform municipal government and to weigh in on national issues and international affairs. As a businessman, Schiff followed and sought to influence politics, frequently in instances where his clients' investments were at stake. For example, when President Wilson and Congress threatened to take control of the nation's railroads in 1916, Schiff sent Wilson a telegram carefully outlining the problems that government seizure (without accompanying compensation) would pose for investors, who had provided the necessary capital for the railroads. Schiff's business activities gave him access to U.S. presidents and Congressional leaders, and, over time, he used these contacts to promote not only his financial interests but also various social reforms that were dear to him. For example, Schiff sought to help persecuted Russian Jews secure better treatment in Russia and, when that proved impossible, refuge in America.

Foreign contacts also played a key role in Schiff's charitable efforts. Schiff looked to London and Berlin for scientific expertise to help chronically ill patients in the Montefiore Home and Hospital, an institution that he actively supported for thirty-five years. He also helped manage Munich-born and Paris-based Baron Maurice de Hirsch's (1831-1896) efforts on behalf of Russian Jews in America; these efforts centered on industrial education, agricultural colonies, and other philanthropic initiatives on behalf of immigrants.<sup>68</sup>

Recognizing Americans' preference for democratic participation, Schiff participated in the founding of the American Jewish Committee (AJC) in 1906, and increasingly pursued his leadership role in the Jewish community with AJC support. Initially established as a self-defense organization, the AJC fought persecution abroad and at home, quickly expanding its sphere of interest to cover other issues of concern to Schiff.<sup>69</sup>

During World War I and the Eastern European pogroms that followed in its wake, Schiff aided Eastern European Jews and Jews in Palestine through generous donations via American organizations, especially the Joint Distribution Committee. On a different note, Schiff underwrote the construction of Harvard University's Semitic Museum and then sponsored its Near East expeditions, which transformed American research in the area of biblical archaeology.<sup>70</sup>

Schiff also assumed a leadership role in New York City municipal affairs, reforming the government and building civic institutions. For

68 Telegram from Jacob Schiff to President Woodrow Wilson, December 16, 1917, Jacob Schiff Papers; Cohen, *Jacob H. Schiff*, 65-66.

69 Cohen, *Jacob H. Schiff*, 54.

70 Rachel Hallote, "Jacob H. Schiff and the Beginning of Biblical Archaeology in the United States," *American Jewish History*, vol. 95, September 2009, 225-47.

instance, over the course of many years, Schiff played an active role in reformers' efforts to end the Tammany machine's control of New York City government. To achieve this and other reform goals, Schiff participated in the German-American Union of Citizens' efforts to clean up city government and the courts in 1894, the Good Government Club in 1895, the Committee of 70 in 1898, the Committee of 15 in 1902, and the Committee of 9 in 1905. These committees promoted mayoral candidates who sought to overthrow the Tammany machine, fight prostitution, gambling, the police, and corruption, and promote issues benefitting the public welfare. Schiff provided advice and funding to anti-corruption city mayors, including Mayor William Gaynor (1849-1913). Under Mayor William Lafayette Strong (1827-1900), he served on the Board of Education. A believer in civic institutions, Schiff also took leadership roles in the New York Chapter of the American Red Cross, served as treasurer of Barnard College, and made substantial contributions to the New York Public Library, the Metropolitan Opera, the American Museum of Natural History, and the Metropolitan Museum of Art. He also funded a recreation center at Barnard College, on whose board he sat, to mark the fiftieth anniversary of his arrival in America, and he endowed a professorship at Columbia as well.<sup>71</sup>

Approximately 5'3" tall and fit, with a closely trimmed beard and moustache, Schiff cut a dignified figure. He carried himself with the reserved bearing of a gentleman and was always elegantly attired. He readily gave money to many in need and encouraged family members to do so as well. His wife Therese occupied herself with numerous charities, and their daughter Frieda carried on the family's philanthropic activities. Mortimer Schiff was an active supporter of many organizations, including the Boy Scouts of America, which he served as president in 1931. Schiff's grandchildren were also schooled in charitable giving from an early age. Schiff avoided ostentation himself and expressed concern whenever he detected it in his family. When his daughter and her husband built a Beaux-Arts style house on Fifth Avenue, he made his disapproval known.

Schiff's sense of social justice, together with his concern for labor relations, prompted him to align with workers and union activists. He supported efforts to restrict child labor, limit women's work hours, and improve work conditions. In 1893, he worked for passage of a New York state law to regulate child and women's labor. He tried to

71 "United for Better Government," *New York Times*, March 22, 1894, 8; "Watchers at the Polls," *New York Times*, October 27, 1895; "City Farms on Vacant Lots," *New York Times*, April 12, 1897; Louis Pink, *Gaynor, The Tammany Mayor Who Swallowed the Tiger: Lawyer, Judge, Philosopher* (New York, 1931), 220.

provide assistance to unemployed workers through government job-creation measures to improve municipal infrastructure — a move that anticipated the later initiatives of Franklin Delano Roosevelt’s New Deal. After the Triangle Shirtwaist Factory fire in 1911, Schiff helped organize and manage a Red Cross fund for the victims’ families, and he presided over a mass meeting organized by the pro-union Women’s Trade Union League to win better fire protection for factory workers. When garment workers walked out on strikes, he tried to mediate their disputes, while also working to improve tenement living conditions.<sup>72</sup>

Schiff took part in efforts to end World War I, hoping to bring peace to the belligerents and forestall a lengthy battle. Part of his plan was to marshal American public opinion behind peace and to impress Americans’ wishes upon the warring powers. He also wanted the U.S. to refuse to provide munitions to anyone. Finally, he envisioned that peace would be negotiated with the help of the U.S. and without any power being victorious. Schiff’s effort to take no side except that of peace offered an attractive, though unrealistic, plan for a nation divided among ethnic groups.<sup>73</sup>

Schiff provided strong financial and public support for African-American education and civil rights. Schiff was an early member of the governing committee of the National Association for the Advancement of Colored People (NAACP), which was founded in 1910.<sup>74</sup> His generous contributions enabled the organization to meet its budget during its initial years. When President Wilson initiated the segregation of the federal civil service, Schiff joined in the NAACP’s 1913 letter-writing campaign to try to persuade the president, whose presidential campaign he funded, to revoke his policy. Schiff willingly addressed participants in NAACP conferences, where his presence boosted the fledgling organization’s attendance. In 1919, Schiff signed the call for the First National Conference on Lynching and The Address to the Nation on Lynching.<sup>75</sup> Schiff donated funds to Booker T. Washington’s Tuskegee Institute, which was dedicated to African-American education, and supported other schools for Southern blacks.<sup>76</sup>

### Immigrant Entrepreneurship

While ethnicity created certain opportunities for Schiff, it also closed the doors to others. As a German of Jewish faith, Schiff succeeded in an American Protestant business environment. Schiff refused to violate

72 “Our New York Weekly Bulletin,” *Reform Advocate*, April 8, 1911, 285; “Domestic News,” *Reform Advocate*, April 22, 1911, 371; Adler, *Jacob H. Schiff*, vol. 1, 291-98.

73 Charles Eliot, *The Road Toward Peace* (Boston, 1915), 144-46.

74 W.E.B. DuBois, ed., *The Crisis* 1, no. 1 (November 1910): 12. Subsequent issues of *The Crisis* also list Schiff as a member of the organization’s committee.

75 *Annual Report of the National Association for the Advancement of Colored People* (New York, 1920), 94.

76 Hasia Diner, *In the Almost Promised Land: American Jews and Blacks, 1915-1935* (Westport, 1977), 120, 125, 151, 168, 174, 188; Adler, *Jacob H. Schiff*, vol.1, 314-18.

Jewish religious observance, even when doing so resulted in business losses. Despite his religion, Schiff's honesty, integrity, knowledge of the railroad business, and successful marketing of debt securities won him a loyal following among the leading American railway entrepreneurs, including Alexander Cassatt (1839-1906) and Samuel Rea (1865-1929) of the Pennsylvania Railroad, Edward H. Harriman of Union Pacific, and James J. Hill of Great Northern Railroad.

Ethnic solidarity provided leads to potential banking contacts in New York and Europe: men who, like Schiff, were excluded from positions with established Protestant banking houses. As discussed above, Schiff started out with the help of German immigrant bankers, including William Bonn, Leo Lehmann, and Henry Budge. German Jews in Europe who managed investments in commercial paper formed the core of Schiff's expanding network at a time when Gentile and Jewish bankers did not mix. Among those already referenced, Schiff worked closely with Ernest Cassel in London, who advised British investors, including King Edward VII, and Édouard Noetzelin of Paris, who became honorary president of the Banque de Paris et des Pays Bas and opened the French market to American railroad securities. Family marriages with the Hamburg-based Warburgs gave Kuhn, Loeb a valuable link to German banking. The fact that brothers Felix and Paul Warburg decided to relocate to New York after marrying into the Schiff-Loeb family is evidence of Kuhn, Loeb's reputation in the international world of finance.<sup>77</sup>

Some business networks were neither ethnic nor national in origin. Schiff also had diverse long-term friendships that developed from his business and, in turn, nurtured it. Schiff welcomed relationships with non-Jews and non-Germans and sought them out.<sup>78</sup> Fleming was one of the men whom Schiff befriended and did business with over a lifetime; another was Baron Takahashi. Edward Baring, the later Lord Revelstoke (1828-1897) of London's Baring Brothers & Co. cooperated in many transactions with Schiff. In America, Schiff became close friends with and adviser to many railroad and banking leaders. Harriman was an intimate as well as a business associate. Hill's friendship with Schiff began in 1886. Rea, Cassatt, and Stillman called Schiff a friend. Seth Low (1850-1916), mayor of New York and president of Columbia University, and Charles Eliot, president of Harvard University, were also among Schiff's friends.<sup>79</sup>

Schiff successfully Americanized and yet always retained his identity as a German and a Jew. Within two years of becoming a citizen, Schiff

77 Adler, *Jacob H. Schiff*, vol. 1, 13; Ron Chernow, *The Warburgs: The Twentieth-Century Odyssey of a Remarkable Jewish Family* (New York, 1993).

78 See Jacob Schiff to Ernest Cassel, May 28, 1883, Jacob Schiff Papers. In his letter, Schiff specifically seeks an *English* [emphasis in original] firm to serve as Kuhn, Loeb's agent in London.

79 Adler, *Jacob H. Schiff*, vol. 1 and 2, passim.

joined the New York State Chamber of Commerce, where he developed business connections and pursued philanthropic endeavors. He remained active in the Chamber of Commerce throughout his lifetime. Schiff was among the founding members of the American Red Cross and served as treasurer of the New York branch. These iconic American business and charitable organizations offer evidence of his integration into American business life.

Although Schiff was patriotically engaged in American civic life, he always maintained close ties to Germany. His extended family lived in Germany; he made at least twenty trips to Europe over the course of his lifetime. He valued German culture. After making a \$100,000 gift (approximately \$2,320,000 in 2010) to Cornell University to endow German studies in 1912, Schiff funded the Amerika-Institut at the University of Berlin in 1913 — two signature efforts to develop and reinforce ties between Germans and Americans. In 1914, Schiff joined with Frankfurt citizens to found the University of Frankfurt, then Germany's only civically funded university.<sup>80</sup>

Schiff combined an enduring love for the land of his birth with American patriotism. On the occasion of his daughter Frieda's religious confirmation, Jacob and Therese Schiff donated Jewish ceremonial objects adorned with an American flag and an American eagle, reflections of their patriotism, to New York City's Temple Emanu-El. In a symbolic fusion of Schiff's American patriotism and German heritage, the ceremonial objects were made by Silberwarenfabrik Lazarus Posen Witwe, a firm based in Frankfurt and Berlin.<sup>81</sup>

World War I challenged Schiff to choose between his German and American loyalties. Before America joined the war effort, Schiff campaigned for peace. In 1916, Schiff joined with others to lobby for a negotiated peace among the warring nations. A lifelong Republican, Schiff supported Wilson in 1916, trusting that Wilson would keep America out of the war. Although Kuhn, Loeb did not participate in Allied loans before America's entry into the war Kuhn, Loeb sponsored French municipal loans for humanitarian purposes and sought to fund German municipal loans as well; however, the Federal Reserve Board banned the German loans. During the war, Schiff was careful to accommodate anti-German sentiments. He refrained from speaking German with his family in public. He modified the terms of his endowment to Cornell, supplanting German studies with modern language studies. His modest peace efforts reflected not only his abhorrence of war but also his love for the

80 "Schiff Gives Cornell \$100,000," *The Penn Germania: A Popular Journal of German History and Ideals in the United States*, vol. 1, January 1912, 66-68.

81 "Therese Loeb Schiff," Jewish Women's Archive, <http://jwa.org/encyclopedic/article/schiff-therese-loeb> (viewed May 12, 2011); "Emanuel from Past to Present," <http://www.emanuelnyc.org/timeline.php> (viewed May 12, 2011).

land of his birth and the nation where his extended family still lived. When the U.S. entered World War I, Schiff set aside his campaign for peace and made clear that he supported his adopted country. Schiff invested heavily in U.S. Victory Bonds; at the time of his death, he owned Liberty bonds valued at \$6,395,970 (approximately \$69,600,000 in 2010).<sup>82</sup>

### Conclusion

Jacob Schiff, ambitious to make a future for himself in post-Civil War America, became one of this nation's leading investment bankers. Building upon his European contacts, family, and ethnic networks, he syndicated loans for every railroad in America, contributing to the successful industrial expansion and development of his adopted country. Over the course of his lifetime, he managed loans to governments and businesses worldwide. Schiff built Kuhn, Loeb & Company into America's second largest investment banking firm. As a philanthropist, he continued the German-Jewish tradition of communal welfare, proving his loyal citizenship through contributions to American civic, cultural, and educational institutions that served every race and religion. He also took a lead in efforts to reform municipal government in New York City.

First, Schiff personally learned the business of the railroads before selling their debt issuances. He obtained seats on their boards of directors or served as an advisor to management, overseeing their fiscal affairs. He traveled their routes, studied their equipment, and assessed their competition. He became friends with their presidents. He practiced the same careful tactics with every investment that he pursued to ensure that it was properly managed. Schiff won clients because he carefully tended their investments.

Second, Schiff personally apprised European investors of political and economic conditions that promised to have an impact on their American investments; he did this primarily through frequent correspondence and personal visits. Third, Schiff became known for his sound judgment. Financial writer Bertie C. Forbes opined that Kuhn, Loeb "issued more good investments and fewer bad ones than any other banking concern in America."<sup>83</sup> Finally, Schiff personally observed the motto that he drummed into his partners: "Our only attractiveness is our good name and our reputation for sound advice and integrity."<sup>84</sup>

82 "Jacob H. Schiff Left \$34,426,282 Estate," *New York Times*, March 3, 1922, 1.

83 Forbes, *Men Who Are Making America*, 328.

84 Birnbaum, *Our Crowd*, 179.

Schiff was a strong believer in the German model of integrated business, and he attempted to convince Americans that it would result in greater national prosperity. Despite his political influence, his message failed to sway politicians, and he could not forestall government regulation of business practices. He preached an unpopular sermon to a skeptical public during the Progressive era, when Wall Street bankers and railroads earned the wrath of the public.

As a philanthropist, Schiff built institutions that advanced his ideals and social values, and he persuaded his family to continue the charitable efforts that he initiated, at least into the next generation. But he could not bequeath his leadership abilities or his dedication to community nor could he permanently arrest the appeal of assimilation.

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