A CREDIT TO THEIR NATION: EASTERN EUROPEAN JEWISH IMMIGRANT "BANKERS," CREDIT ACCESS, AND THE TRANSNATIONAL BUSINESS OF MASS MIGRATION, 1873-1914

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The summer of 1914 thrust the world into an unfathomable war. The gruesome events in Europe often overshadow the transformations that took place on the other side of the Atlantic. Indeed, one of the first casualties of the war in America was the world of immigrant banking, a network of enterprises that had financed and fueled mass migration through its sales of ship tickets on credit. But as ships used by the Hamburg America Line were seized by the Kaiser to transport troops, entrepreneurial immigrant bankers faced a crisis of their own. Much ink has been spilled on the mounting financial crisis that unfolded as political crisis escalated in Europe. Less is known of the reverberations in the United States. While New York State banking officials were uncertain of the damage that war would cause European financial centers, they remained confident that the "neutral" United States and its financial capital in New York City would continue to operate unscathed.[1] But as war became inevitable, immigrants in New York panicked.[2] Fearing the worst, thousands ran to withdraw their savings from their "banks" to transmit back to their countries of origin in Europe.

Overwhelmed by the sea of depositors rushing in to take out their money, several of the largest Jewish immigrant banks were forced to suspend business. Even though these institutions were not chartered by the state, Eugene Lamb, New York State Banking Superintendent, closed the banks of A. Grochowski, the Deutsch Brothers, Adolf Mandel, M & L Jarmulowksy, and Max Kobre because he felt that they did not have enough funds in reserve to return their depositors' assets.[3] The Jarmulowsky bank alone had 15,000 depositors with over $1,667,000 in deposits in the bank.[4] It had sold hundreds of thousands of ship tickets in the foregoing decades. But that paled in comparison to the banks of Max Kobre, who had branches on the Lower East Side and in Brooklyn that claimed over 23,000 depositors who had entrusted $3,700,000 to him after booking their passage through his firm.[5]

1 Liaguat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York, 2009), 29-32.

2 The editorial pages of the Yiddish press capture the terror that seized the Jewish immigrant community upon seeing the events of July 1914 unfold. See *Forverts*, July 31,1914, 4; and August 14, 1914, 5; *Varheyt*, Aug. 1, 1914. For a discussion of the larger reaction to the outbreak of war in the Yiddish press, see Joseph Rappaport, "The American Yiddish Press and the European Conflict in 1914," *Jewish Social Studies* 19, no. 3/4 (1957): 113-28. See, in particular, *Forverts*, July 29, 1914.

3 "Information RE: Private Bankers," P3/1542, Judah Leib Magnes Papers, Central Archives for the History of the Jewish People, Jerusalem.

4 Ibid.

5 Ibid.

Enraged, the depositors organized a protest to make their "struggle" known.[6] "A mob of 5,000 depositors angered by their inability to draw their deposits," reported the New York Times, staged a "demonstration" in front of Sender Jarmulowsky's bank on Orchard Street to express their outrage with "the State Banking Department, and the District Attorney, who, they thought, should get their money back for them."[7] Carrying Yiddish banners proclaiming "the 60,000 unfortunate depositors of the East Side banks demand their rights from the Governor of New York State," the mob marched to city hall where they attacked clerks. Reserve policemen were called in as "clubs were swung and fists were struck out."[8] The riot ended with police arresting nine men and women.

The riot concerned New York City's officials as it raised questions about the stability of banking institutions in New York City, the financial capital of the United States. Since 1863, New York had served as the backbone of the expanding U.S. banking system.[9] Banking riots in New York City had to be addressed immediately. Uncovering that much of this institution's missing assets were tied up in real estate investments that could not be quickly liquidated, the New York State Banking Superintendent would act decisively, and would urge the courts and state legislators to craft new laws requiring increased regulation of private immigrant "banks." These new laws fundamentally altered the practice of immigrant banking in New York City, a city that functioned as the pre-paid ship-ticket sales capital of the world. Within a few years, hundreds of other entrepreneurial immigrant businesses that similarly made a profit from selling ship tickets through firms based in Germany were forced to shut down. But such drastic measures were deemed necessary by New York state officials who believed such regulation would protect New York State from other failures and riots.[10]

The coming pages draw from a larger project that raises questions about the place of immigrant banking in early-twentieth-century America, highlighting the historic interplay between banking regulation and immigrant entrepreneurship in American history. Through its close analysis of the rise and fall of the world of Eastern European Jewish immigrant banking, my larger project reinserts Eastern European Jewish immigrant bankers into the narrative of American economic history. Moreover, these immigrant entrepreneurs demonstrate the role entrepreneurs have played historically in economic change, not only by opening new markets but by also prodding the

6 "Depozitors poderen az di arbeyter bavegung zol oypnemen zeyr kampf," *Forverts*, Aug. 30, 1914, 1.

7 "5,000 RIOT IN FRONT OF CLOSED BANKS; Reserves Called to Disperse East Side Depositors Who Demand Their Money; MARCH TO SEE WHITMAN, Police Forced to Use Clubs to Quell Angry Crowd," *New York Times*, Aug. 30, 1914, 10.

8 Ibid.

9 Richard Sylla, "Federal Policy, Banking Market Structure, and Capital Mobilization in the United States, 1863-1913," *Journal of Economic History* 29 (1969): 657-86. Under the national banking system, national banks outside of New York were required to maintain 15 percent of their reserves, of which three-fifths, or 9 percent, was held on deposit in New York. If a bank were seen as failing in New York City, it could create a panic throughout the country.

10 Daniel Hochfelder, "Where the Common People Could Speculate: The Ticker, Bucket Shops, and the Origins of Popular Participation in Financial Markets, 1880-1920," *Journal of American History* 93 (2006), 335-58, here 340; Jackson Lears, *Something for Nothing: Luck in America* (New York, 2003).

state to create new regulations.[11] To be sure, the influence of Jews on banking in the United States is far from unchartered territory.[12] But when asked how immigrant Jewish entrepreneurs and their business practices shaped twentieth-century American banking, most scholars would rattle off the names of famous German-Jewish immigrant bankers such as Jacob Schiff, Paul Warburg, and Henry Lehman, who shaped the investment banking sector. However, isolating a few prominent examples of Jewish economic achievement obscures the formative roles unregulated Eastern European Jewish-run immigrant banks played at the turn of the twentieth century; these banks with offices in New York and German port cities faded into oblivion after 1914. Part of a broader trend in banking catering to immigrants, entrepreneurial Eastern European immigrants deployed innovative credit mechanisms and speculative investment strategies that shaped the very process of migration to the United States. The credit that these institutions offered to immigrants directly contributed to their ability to come to America and their economic practices once they arrived. The rise and fall of these transnational Jewish immigrant businesses left an imprint far beyond one community, as the system of American banking regulation took shape in direct response to risks taken by these immigrant entrepreneurs and the unregulated financial institutions they founded.

Throughout my project, I use Jewishness as the lens through which to look at the world of immigrant banking — but we must remember that this was a diverse world with individuals from many different countries and backgrounds. Working in their respective immigrant communities, immigrant bankers together transferred over $300,000,000 overseas to dozens of different countries in 1909 alone.[13] By examining

11 The role entrepreneurs play in taking advantage of and creating new markets has been discussed by many interested in economic growth. Fewer discuss how they set economic change in motion by prodding the government to increase regulation. Several classical approaches to studying entrepreneurs and economic growth are Joseph Schumpeter, "The Creative Response in Economic History," *Journal of Economic History* 7 (1947): 149–59; idem, "Economic Theory and Entrepreneurial History," in *Change and the Entrepreneur: Postulates and Patterns for Entrepreneurial History*, ed. Robert R. Wohl (Cambridge, 1949), 63-84; William Baumol and Robert J. Strom, "Entrepreneurship and Economic Growth," *Strategic Entrepreneurship Journal* 1 (2008), 233–37. For a general overview of this theme, see R. Daniel Wadhwani and Geoffrey Jones, "Schumpeter's Plea: Historical Methods in the Study of Entrepreneurship," *Academy of Management Best Paper Proceedings* (2006), revised and republished as "Schumpeter's Plea: Historical Reasoning in Entrepreneurship Theory and Research," in *Organizations in Time: History, Theory, Methods*, ed. Marcelo Bucheli and R. Daniel Wadhwani (New York, 2014), 192-216.

12 Stephen Birmingham, *Our Crowd: The Great Jewish Families of New York* (Syracuse, 1996); Vincent P. Carosso, "A Financial Elite: New York's German-Jewish Investment Bankers," *American Jewish Historical Quarterly* 66, nos. 1-4 (September 1976-1977); Barry E. Supple, "A Business Elite: German-Jewish Financiers in Nineteenth-Century New York," *Business History Review* 31 (1957): 143-78; Naomi Cohen, *Jacob H. Schiff: A Study in American Jewish Leadership* (Hanover, NH, 1999); Susie Pak, *Gentlemen Bankers: The World of J. P. Morgan* (Cambridge, MA, 2013).

13 United States Senate, *Reports of the Immigration Commission: Immigrant Banks*, 61st Congress, 3rd Session, Vol. 37, Senate Doc. 753 (Washington, DC, 1911 [reprint, 1970]) [hereafter referred to as *Reports of the Immigration Commission*, Vol. 37], 260-64.

primarily Jewish immigrant banking entrepreneurs, I deal head-on with the anti-Semitic implications that have pervaded any inquiry into Jewish economic history. Ever since Werner Sombart wrote his 1911 *Die Juden und das Wirtschaftsleben* [*Jews and Modern Capitalism*], which held Jews responsible for bringing capitalism into the world, the question of distinctive Jewish financial practices, proclivities, or behaviors has been avoided in scholarship.[14] Such avoidance obscures how in early twentieth-century Europe, immigrant Jews from Eastern Europe struggled to gain a foothold in Europe's dynamic economy. Discriminated against in Tsarist Russia, Germany and the United States, Eastern European immigrant Jews were forced to experiment with new credit arrangements to address their unmet needs. Some of these experiments succeeded while others failed, but they all deserve attention, as U.S. historian David Hollinger points out, because the absence of any straightforward historical and social-scientific study into what enabled Eastern European immigrant Jews to succeed economically in the United States has perpetuated a mystification of Jewish history.[15] Through close analysis of the business methods, international trade networks, and credit mechanisms of the two most prominent Eastern European Jewish immigrant bankers, Sender Jarmulowsky and Max Kobre, who worked in both Hamburg and New York City, I will highlight the ways these entrepreneurial immigrants transformed not only the world of immigration but commercial banking and its regulation in the United States as well.

The Problem of the Immigrant "Banker" in the United States

In the numerous early twentieth-century conversations concerning immigration, nothing troubled U.S. officials more deeply than the growing ranks of unqualified immigrant entrepreneurs who called themselves "bankers."[16] Unlike traditional bankers who worked in businesses that possessed state charters, these immigrant businessmen usually did all their business in a foreign language and operated out of other commercial enterprises, such as saloons, grocery stores, bakeries, or boarding houses.[17] Most importantly, their banks were not chartered or regulated by any governmental authority. Thus, they did not hold funds in reserve as state-chartered banks were expected to do. As the 1909 Senate Commission on Immigration bemoaned, this lack of regulation enabled these enterprises to use the deposits left with them for a myriad of speculative investments. Describing the methods by which immigrants become

14 Werner Sombart, *The Jews and Modern Capitalism*, trans. M. Epstein (London, 1913; repr. New Brunswick, 1982). Recent scholarship that grapples with Jewish economic behavior notes the shadow cast by Sombart. See Jonathan Karp, *The Politics of Jewish Commerce: Economic Thought and Emancipation in Europe, 1638–1848* (Cambridge, 2008), 268–69; Derek J. Penslar, *Shylock's Children: Economics and Jewish Identity in Modern Europe* (Berkeley, 2001), 256–62; Jerry Z. Muller, *Capitalism and the Jews* (Princeton, 2010), 1–3.

15 David Hollinger, "Rich, Powerful, and Smart: Jewish Overrepresentation Should Be Explained Rather than Mystified or Avoided," *Jewish Quarterly Review* 94 (Fall 2004): 596.

16 Jeremiah W. Jenks and W. Jett Lauck, *The Immigration Problem: A Study of American Immigration Conditions and Needs* (New York, 1911), xv, 96. This idea is further expanded in *Reports of the Immigration Commission* 37:212-13.

17 Jared N. Day, "Credit, Capital and Community: Informal Banking in Turn-of-the-Century Immigrant Communities in the United States, 1880-1924," *Financial History Review* 9, no. 1 (2002): 65-78.

ensnared by immigrant bankers, the Senate Commission noted in its report:

> Nothing is more natural than that the immigrant should take his savings to the agent [who brought him to America] and ask that the agent send them home for him. Having made the start, it is natural that he should continue to leave with the agent for safe-keeping his weekly or monthly surplus, so that he may accumulate a sufficient amount for another remittance or for the purpose of buying a steamship ticket to bring his family to this country or to return to Europe. It is not long before the agent has a nucleus for a banking business and his assumption of banking functions quickly follows.[18]

Few individuals better illustrated the ways in which ship-ticket brokers developed into bankers in the United States than Sender Jarmulowsky. Born in 1841 in Grajewo, in the Lomza province of Russian Poland, Jarmulowsky was orphaned at the age of three and then raised by the rabbi of Werblow.[19] Growing up close to the German border, Jarmulowsky was fluent in German, Russian, Polish, and Yiddish. Impressed by Jarmulowsky's intellect, the rabbi sent him to the Volozhin Yeshiva, where he received rabbinical ordination.[20] As was common in Lithuania, though penniless, Jarmulowsky made a good match with Rebecca Markels, the daughter of a wealthy merchant, on account of his great intellect.[21] While this match enabled Jarmulowsky to pursue his career in the rabbinate on a full-time basis, he opted instead to enter the business world.

In 1868, Jarmulowsky and his new wife moved to Hamburg, where he opened a "passage and exchange" office through which he bought and sold steerage class tickets to the United States. Jarmulowsky was a business innovator in the ways he connected individual migrants to larger shipping companies. He pioneered a system that extended credit to prospective passengers and sold them prepaid tickets on

18 *Reports of the Immigration Commission* 37:212-13. To be sure, this report is a rich primary source on the multi-ethnic character of turn-of-the-century immigrant banking, but its limitations are nicely summed up by Oscar Handlin in his *Race and Nationality in American Life* (New York, 1957), 93.

19 "Yarmulowski gebrakht tsu kvure mit groys koved [Jarmulowsky was brought to his burial with great respect]," *Morgn zhurnal*, June 4, 1912.

20 On the highly esteemed reputation of the Volozhin Yeshiva, see Shaul Stampfer, *Yeshivah ha-Liṭaʾit be-hithavutah* (Jerusalem, 1995). Immanuel Etkes, *Yeshivot Liṭa: Pirḳe Zik hronot* (Jerusalem, 2004), paints a vivid portrait of life in this yeshiva and the high regard its graduates enjoyed.

21 Glenn Dynner, *Men of Silk: The Hasidic Conquest of Poland* (New York, 2006), ch. 4; Shaul Stampfer, "Heder Study, Knowledge of Torah, and the Maintenance of Social Stratification in Traditional East European Jewish Society," *Studies in Jewish Education* 3 (1988): 271-89.

installment.[22] He built his fortune by arbitraging these prepaid tickets, which were valid for a year. His business model revolved around purchasing hundreds of tickets in bulk from the Hamburg America Line when prices were lower during the winter season; he then wrote out the tickets to fictive people since name changes on tickets were processed at no extra charge. During the summer months, when prices increased, he sold these tickets to prospective migrants with an extra profit margin. Charging 6 percent more for tickets paid in four installments, Jarmulowsky offered credit to poor migrants who had few other credit options so that they could buy their tickets. If prices dropped or tickets could not be sold in time, his loss was limited to the 5 percent cancellation fee.[23]

Jarmulowsky became a critical middleman for shipping lines by developing a new multilingual ticket, with which he drew prospective migrants from all over Eastern Europe to his office. The biggest challenge facing maritime companies was attracting as many migrants as possible to fill their boats. They relied on a host of agents in ports of embarkation to do this job, as they did not have the networks nor the languages to reach prospective migrants. Through his use of an addendum that translated the ticket terms into eight different languages, Jarmulowsky made sure all his clients, regardless of where they hailed from, understood the terms of their tickets. This boilerplate document earned him the trust of many prospective migrants, linking them not only to shipping companies but to a larger world system that saw migrants as commodities.[24]

Selling tickets on installment along with his translation addendum helped make Sender Jarmulowsky immensely successful; yet he was nonetheless denied residency in Hamburg (as a result of his birth in Eastern Europe). He ventured to America in 1873, leaving his son who had just married into an established Hamburg Jewish family to run his office in Hamburg.[25] He expanded his business by offering Eastern European Jewish immigrants already in the United States a way to "pay out" in installments the cost of bringing their European relations to America. His business quickly flourished. As S. L. Blumenson recalled, "on the [Rutgers] Square stood the green, iron-grilled skyscraper which housed the Jarmulowsky bank, a

22 Torsten Feys, "Prepaid Tickets to Ride to the New World: The New York Continental Conference and Transatlantic Steerage Fares 1885-1895," 2-3 (I would like to thank Torsten Feys for sharing this article with me). Jarmulowsky, who worked in Germany, used methods developed in England earlier in the century. See Nicholas Evans, "The Role of Foreign-Born Agents in the Development of Mass Migration through Britain, 1820-1923," in *Maritime Transport and Migration: The Connections between Maritime and Migration Networks*, ed. Torsten Feys et al. (St Johns, 2007), 49-61; Pamela Nadell, "From Shtetl to Border: East European Jewish Emigrants and the 'Agents' System', 1868–1914," in *Studies in the American Jewish Experience*, Vol. 2, ed. Jacob R. Marcus and Abraham J. Peck (Cincinnati, 1984), 49-78.

23 CII IV: Die Behörde für das Auswandererwesen Hamburg: Folder IV B I:, no. 14: Sender Jarmulowsky, Folder No. 3323: Alexander Jarmulowski [1873], No. 36268 Albert Jarmulowski [1890, 1896, 1901], Staatsarchiv Hamburg. The following New York Civil Court cases also describe this business system: Sender Jarmulowsky vs. Oscar Rose, November 11, 1889 [JL-1889-351]; M. Rosencranz v. S. Jamelowsky [sic], Fourth District Court, September 28, 1890. This case is discussed further below.

24 Dirk Hoerder, "Segmented Microsystems and Networking Individuals: The Balancing Functions of Migration Processes," in *Migration, Migration History, History: Old Paradigms and New Perspectives*, ed. Jan Lucassen and Leo Lucassen (Bern, 1997), 73-84, here 84.

25 On the difficulties Eastern European Jews faced in Hamburg in this era concerning residency and status see Rainer Liedtke, *Jewish Welfare in Hamburg and Manchester, 1850-1914* (New York, 1998), 142-63.

name known in every town, village and hamlet across Europe. It was Jarmulowsky who provided the *shiffskarten*, the steamship tickets, to probably half the immigrants during the last two decades of the nineteenth century."[26]

As Blumenson's recollections evocatively capture, "bank" and "ship ticket salesman" were interchangeable terms in the Eastern European Jewish immigrant world. Soon, by not only extending credit but also operating in the foreign currency markets and taking deposits, Jarmulowsky became known by "every Jew in both the old and new world."[27] His business dealings "brought him into contact with thousands of immigrants" as he booked their passage through his office, since "the name Jarmulowsky was the guarantee of honesty."[28] Sender Jarmulowsky was one of the brokers, as W. H. Van den Toorn of the Holland America Line pointed out, who had cornered the market on pre-paid tickets through his "passage and exchange offices" in New York and Hamburg.[29]

Investigations by shipping companies along with court cases shed light on how entrepreneurial Jewish immigrant brokers like Jarmulowsky continued to make money off each ticket sold on installment throughout the 1890s despite shipping companies' increased regulation of the market. Starting in 1885, the largest European shipping lines — the Holland America Line, North German Lloyd, Hamburg America Line and the Red Star Line — joined together to form the Continental Conference to regulate competition on the transatlantic fares and maximize their profits.[30] One result was a coordinated effort by the shipping companies to investigate agents selling tickets on installment as American officials were increasingly penalizing shipping lines for the growing number of impoverished passengers arriving claiming they had debts (as a result of buying their tickets on installment). Employing a group of detectives posing as migrants, several of the main shipping lines caught Jewish immigrant bankers such as Max Kobre, Sender Jarmulowsky, the Markel Brothers, and others who all required a down payment of five to ten dollars followed by weekly installments of one dollar.[31] As a result, the shipping lines imposed fines on Jarmulowsky and all other ship ticket salesmen they found offering credit through the sale of tickets on installment.

26 S. L. Blumenson, "Culture on Rutgers Square," *Commentary* 10 (1950): 66.

27 "Reb Sender Yarmulowski," *Tageblat*, June 2, 1912.

28 Ibid.

29 Torsten Feys, "Prepaid Tickets to the New World: The New York Continental Conference and » Transatlantic Steerage Fares 1885–1895," *Revista de Historia Económica* 26 (2008): 173-204, here 176. See The Holland America Line Collection (hereafter GAR, HAL) Folder 318.04: Passage Department, 221-226, Letters June 14, August 6, 23, September 5, & September 19, 1895.

30 Erich Murken, *Die grossen transatlantischen Linienreederei-Verbände: Ihre Entstehung, Organisation und Wirksamkeit* (Jena, 1922), 44-50.

31 Van den Toorn was the representative of the Holland American Line in New York City who launched the investigation. He reports that one women was charged $59.50 for her passage and that of her child from Antwerp to New York while the gross rate charged by the lines amounted to $44.25. See GAR, HAL, 318.04, Passage Department, 221-226, letter July 8, 1899. He notes the same margin was used by Max Kobre: see GAR, HAL, 318.03, Passage Department, 563, minute 122 October 22, 1896, 541 August 15, 1900. All these sources are quoted in Torsten Feys, "A Business Approach to Transatlantic Migration: The Introduction of Steam-Shipping and Its Impact on the European Exodus, 1840-1914" (Ph. D., University of Ghent, 2008), ch. 3.

Fines imposed by the shipping lines, however, did little to deter the agents from selling on installment as illustrated by an 1890 New York State Supreme court case — Michael Rosencranz v. Sender Jarmulowsky. As one of Sender Jarmulowsky's clerks testified at an 1890 trial, Jarmulowsky made up to $16 profit per ticket. As the clerk noted, during the winter season, Jarmulowsky purchased tickets for $8 and $9, and he sold them "for up to $24 (during other seasons)."[32] Indeed, Rosencranz was suing Jarmulowsky because tickets he had arranged to pay on installment in New York for $10 and to be sent to Jarmulowsky's office in Hamburg for his wife and children were not honored. But while Jarmulowsky may have made a handsome profit, he was trustworthy. Indeed, Rosencranz's wife was stranded in Hamburg, as the trial revealed, because six weeks earlier her husband had booked passage with another ship ticket salesman by the name of Wolff, whose business failed, leaving his wife with no ticket to reach the United States. After receiving a letter from her husband that he had purchased tickets at a certain price for her and the rest of the family at the Jarmulowsky bank, she went to the Jarmulowsky office in Hamburg to claim her ticket. The Jarmulowsky branch office denied this purchase. At her wit's end, she paid a higher price for the tickets after a clerk in Hamburg told her (as he testified in the trial), "Payment in full is always required. Because the price of tickets change[s] sometimes and we want to satisfy [the purchaser] that if the prices are higher, we won't ask for more payment." Rosencranz sued Jarmulowsky to return the extra money his wife had paid, since he had arranged a different price on installment. Ultimately, Rosencranz lost his case, but not because he did not sufficiently prove his claim. Rather, the judge did not feel it was in his jurisdiction to adjudicate a business dispute concerning a transaction that actually transpired in Germany. Indeed, the transnational character of Jarmulowsky's entrepreneurial dealings saved him from being penalized in New York City Civil Court.

Investigations of Max Kobre's business further demonstrate how ship-ticket sales on installment became the bedrock of Jewish immigrant banking. Kobre worked in Hamburg as well with his father in law, Samuel Hershmann, who ran a boarding house at the docks. Seeing that guests in the boarding house were all looking for a reliable ship ticket salesman, he began selling ship tickets. But New York City had become the center for ticket sales by the 1880s. Leaving his brother-in-law in Hamburg, Kobre soon ventured to New York City in 1882 to expand his business.[33] Kobre employed a wide

32 M. Rosencranz v. S. Jamelowsky [sic], Fourth District Court, September 28, 1890, found in the New York Civil Court Archives, Chambers Street, New York.

33 In the matter of Max Kobre and Moses Ginsberg, co-partners doing business as Max Kobre's Bank at 1783 Pitkin Ave, Brooklyn, NY, November 13-18, 1914, Folder 5263 NARA, p. 253.

range of newcomers who worked as peddlers to sell tickets to many different ethnic groups. As historian Torsten Feys points out, Kobre soon became infamous among representatives of the British and Dutch shipping lines for his practice of selling tickets on installments through these newly arrived peddlers.[34] Kobre also introduced new selling methods such as cheaper cash orders, enabling him to further pierce the divided ethnic markets common in the sale of ship tickets. In fact, Kobre sold so many tickets that the Holland America Line secretly sent an agent to investigate his business practices in the 1894. As Van den Toorn, the representative of the Holland America Line in New York, reported, Kobre exemplified the corrupt business practices of Eastern European Jewish entrepreneurs; their sale of ship tickets on installment through peddlers proved impossible to eradicate as they undersold the shipping lines' established rates. While fined for his practices, Kobre resumed his business in less than a week as the demand for prepaid ship tickets on installment was so high.

As the trial and shipping line investigations highlight, trust was central to the treacherous business of mass migration. Would-be passengers had to make sure that they were giving over their life savings to a person who would safely transport their families to their desired destination and charge them fairly. Indeed, Jarmulowsky's success hinged on his appreciation of these concerns and his ability to use his unconventional banking role to his business advantage. Specifically, he stressed his piety (reinforcing the impression that as a rabbi he would not cheat his customers) and focused his efforts on ensuring that people reached their destinations. As Louis Lipsky recalled about his mother's migration:

> The guardian who received my mother at the boat was Sendor [sic] Jarmulowsky . . . . His name stands high in the memory of our family. As far as we were concerned, he was the *Hachnosas Orchim* [spirit of hospitality] incarnate. He was known to thousands of Jewish families. He . . . remains in the memory of thousands of Jews as the man who freed them on the soil of the United States. I have met Jews from Pittsburgh, from Chicago, from Boston and other places, all of whom remember his name with warmth. He considered it his duty to receive personally the immigrants on arrival at Castle Garden. He provided them with a night's lodging, a good meal, and then dispatched them to their new homes,

34 Feys, "A Business Approach"; GAR, HAL, 318.04, Passage Department, 221-226, Letter July 23, 1901.

personally accompanying them to the railroad station to say goodbye.[35]

From Ticket Broker to Trusted Banker

Trading on piety was common among Jewish immigrant entrepreneurs. So when the North Atlantic Passenger Treaty signed by all the thirty shipping lines active in the North Atlantic made selling tickets no longer profitable in 1895, Jarmulowsky and Kobre shifted to operating "banks" to earn a profit. Jarmulowsky centered his business on the Lower East Side and Hamburg, while Max Kobre set up branches on the Lower East Side and in Brooklyn and expanded his Hamburg office by opening a branch office in Rotterdam.[36]

Jarmulowsky and Kobre's businesses shared several common features with many other immigrant banks. As historian Jared Day points out, immigrant bankers relied heavily on the loyalty of working-class immigrants as customers whom larger banks — which employed only English-speaking tellers — rarely tried to serve.[37] They also provided "a wide range of ancillary services very specific to the immigrant community," most notably, easy liquidation of accounts, the sale of ship tickets on installment, the offering of credit and loans with no collateral, and the processing of small money transfers overseas. To be sure, Jarmulowsky and Kobre charged borrowers 6 percent interest on loans, but they were seen as providing a much-needed service for their "unbanked" immigrant customers who could not get loans from chartered banks.[38]

In short, Max Kobre and Sender Jarmulowsky's ultimate successes were not related to any revolutionary or unique service they offered, but rather that they acted like thousands of other immigrant bankers who offered financial services and other services — such as letter writing and document translation from German and Russian — that mainstream American banks refused to provide. Mainstream American banks may have been a safer choice, as they were chartered, regulated, and constantly supervised by the state banking authority, but they made foreign depositors feel "unwelcome," rarely employing "translators" and allowing their "staff [to] treat immigrants with impatience."[39] Jarmulowsky for example, "fixed his bank hours to suit the convenience of his patrons" — with Sunday being his longest day of business, when every other bank in New York was closed. All these services were provided in Yiddish to insure little confusion occurred.[40] By providing all these services and employing only Yiddish, Eastern

35 Louis Lipsky, *Memoirs in Profile* (Philadelphia, 1975), 12-13.

36 Kobre's main branches were in Williamsburg and Brownsville. Alfred Kazin observed Brownsville was a place "that all measured all success by [one's] skill in getting away from it." Alfred Kazin, *A Walker in the City* (New York, 1951), 12.

37 Day, "Credit, Capital and Community," 67.

38 In the matter of Max Kobre and Moses Ginsberg, co-partners doing business as Max Kobre's Bank at 1783 Pitkin Ave, Brooklyn, NY, November 13-18, 1914, Folder 5263 NARA, p.449d. It appears to be arbitrary, though all were charged 6 percent interest.

39 Day, "Credit, Capital and Community," 70.

40 Reports of the Immigration Commission, 214-18.

European Jewish immigrant bankers became the key middlemen between first-generation immigrants and the ever-evolving American banking system.

The Jarmulowsky family was able to amass a great fortune by the end of the nineteenth century by acting as such middlemen. Sender Jarmulowsky did not offer interest on deposit accounts but placed his bank's reserve funds in mainstream banks in that offered 4 percent interest. Moreover, he charged a 5-percent commission on all overseas money transfers. He charged 6 to 7 percent interest on loans he offered to men he considered "pious" and "honest." Since no one else would offer them credit, many took out loans from Sender Jarmulowsky's bank to build businesses or invest in real estate.[41]

All told, America had been good to Sender Jarmulowsky, the orphan from Lomza, and he became committed to constructing for the Lower East Side an edifice to mark his achievement. Hiring the esteemed architectural firm of Rouse & Goldstone, who had just completed the resplendent Langdon Hotel, the Jarmulowskys contracted in 1912 to erect a twelve-story loft building on the same corner of Canal Street Sender Jarmulowsky had established himself on thirty years earlier. Hoping this building would bring "uptown elegance and class to the Lower East Side," the Jarmulowskys purchased only the finest materials, with the lower section of the building composed of rusticated limestone. The bank stood apart from surrounding buildings, by its sheer size and its giant, circular roofed tempietto that rose fifty feet above the building to a dome, appearing as an altar from which all could worship capitalism. Inside, there was a place to worship as well, under the trading floor, as Jarmulowsky did not want to have to venture far for learning and prayer in his bank. The bank's façade and marble interior were thoroughly discussed on the pages of the *New York Architectural Digest*. Great excitement and a parade accompanied its grand opening on May 6, 1912. Advertisements in the Yiddish press noted how this bank and its dedication would be remembered forever, as it would change the course of Jewish life in America.[42]

Sender Jarmulowsky did not live to see his temple to capitalism transform America, as he died less than a month later on June 2, 1912. As a revered philanthropist and celebrity of the Lower East Side, his obituary made the front page of all the major Yiddish newspapers.[43] Even the wealthier leaders of the Kehillah, or Jewish community, convened an emergency meeting of the executive board "to discuss

41 Numerous cases lodged in New York City Civil Court shed light on these business practices. See Jarmulowsky v. Meyer Greenberg, August 20, 1893 [LJ-1893-422]; Sender Jarmulowsky v. David Block, January 23, 1893 [L.J. 1893 — B 287]; Sender Jarmulowsky v. Charles Bloom, November 6, 1893 [PL -1893-J 16]; Sender Jarmulowsky v. David Block November 9, 1893 [LJ 1893 — D 315]; Sender Jarmulowsky v. Morris Kahn et al., May 31, 1895 — [JL 1895 428]; Abraham L Lowenthal v. Sender Jarmulowsky, November 15, 1901 [JL 1901 398]; Meyer Jarmulowsky and Louis Jarmulowsky (M.L. Jarmulowsky) v. Jennie Kind, et al., March 11, 1908 [PJ 1908 192].

42 *Forverts*, May 4, 1912, p. 3.

43 "Sender Yarmulowski," *Froverts*, June 2, 1912; "Reb Sender Yarmulowski," *Tageblat*, June 2, 1912; "*Yarmulowski gebrakht tsu kvure mit groys koved*," *Morgn zhurnal*, June 4, 1912.

the great loss to the Jews of New York" and how they could continue his "work for the unity of Jews" from all areas of New York.[44] Leaving his bank to his sons Meyer and Louis Jarmulowsky, many were shocked that this supposed multi-millionaire left an estate worth only approximately half a million dollars.[45] Many wondered where Sender Jarmulowsky's fortune had gone. The answer lay in the New York City real estate market and the speculative real estate dabbling of his son Meyer.

Jewish Immigrant Banks and New York City Real Estate

In the years leading up to 1914, the world of immigrant banking and its credit-accessing strategies transformed the ever-expanding world of New York real estate.[46] Starting at the end of the nineteenth century, real estate emerged as the ideal industry for ambitious immigrants who lacked capital and were willing to take risks. Scholars have long pondered Jewish immigrants' embrace of real estate investment, which took place in numerous cities throughout the world in this period.[47] Unlike other commodities in which Jews invested during this period, real estate did not present its investor with an easily portable asset.[48] Rather, it exemplified an entrepreneurial spirit: it promised great profits to those willing to take large risks and live with much uncertainty.

The Jarmulowsky family clearly illustrates the ways Eastern European Jewish immigrant entrepreneurs became involved in real estate investment. Beginning in the 1890s, one finds several court cases in which Sender Jarmulowsky sued an individual who defaulted on a loan payment for the mortgage of a certain property. Jarmulowsky appears to have regularly made loans to aspiring Eastern European Jewish immigrant real estate developers. Some succeeded but others failed, and Jarmulowsky then found himself the owner of over twelve buildings on the Lower East Side as a result of their defaulted loans. The elder Jarmulowsky was well placed to succeed in what was then a new arena for wealth acquisition.

As the *New York Times* reported in 1903,

> [A] new industry or a new method of investment for persons of small capital has arisen and has attracted the attention and the energies of many who had been engaged in other lines of activity. Speculative tenement building, to give it a name that best seems to describe it, has become a recognized business in part of the city . . . and has given

44 "Yarmulowski in eybige ruh," *Tageblat*, June 3, 1912.

45 "Only $501,053 Left By Jarmulowsky: East Side Banker Had Been Reputed to be Multi-Millionaire," *New York Times*, August 14, 1912.

46 See Boss v. Jarmulowsky, R. W. S, "Landlord's Tort Liability to Tenant for Injuries Caused by Negligence of Independent Contractor," *University of Pennsylvania Law Review and American Law Register* 87, no. 6 (April 1939): 731.

47 For a discussion of Jews in New York real estate, see Clarence I. Freed, "Romance of Realty: Men Who Have Become Masters of the Metropolis through Real Estate Enterprise," *American Hebrew* 120 (April 1927): 742-43; Andrew Dolkart, "From Rag Trade to Riches: Abraham E. Lefcourt Builds the Garment District," in *Chosen Capital: The Jewish Encounter with American Capitalism*, ed. Rebecca Kobrin (New Brunswick and London, 2012), 62-92; Deborah Dash Moore, *At Home in America: Second Generation New York Jews* (New York, 1981), 19-60. For a discussion of Chicago, see Beryl Satter, *Family Properties: Race, Real Estate and the Exploitation of Black Urban America* (New York, 2009).

48 Discussions of Jewish entrepreneurial niches including portable assets can be found in Sarah A. Stein, *Plumes: Ostrich Feathers, Jews, and a Lost World of Global Commerce* (New Haven, 2008); Alicia Oltuski, *Precious Objects: A Story of Diamonds, Family, and a Way of Life* (New York, 2011); Veerle van den Daelen, "Negotiating the Return of the Diamond Sector and Its Jews: The Belgian Government During the Second World War and in the Immediate Post-war Period," *Holocaust Studies* 18, nos. 2-3 (Autumn-Winter 2012): 231-60.

> occupation to scores of men who have saved a few thousand dollars by laborious work in the sweatshops of that district.[49]

In a manner reminiscent of how Jarmulowsky had leveraged and speculated on ship tickets in Germany, he also bet on real estate. Jews were far from the only immigrant group to invest in real estate. Such behavior was common, as the Dillingham Senate Immigration Commission noted: "there is a great tendency about immigrant bankers to invest funds entrusted to them in real estate and stocks . . . speculation in real estate is not infrequent. The tying up of funds in this way caused many failures during the panic of 1907."[50] Another investigator for the New York State Tenement House Commission, Elgin Gould, explained the allure of such investments:

> The work is done as cheaply as possible as it is all done on credit . . . . Every penny saved means so much more profit to the building as he is not a holder for investment but builds to sell as soon as the building is completed or even before completion, should he be fortunate enough. Such a tenement built on an inside lot, would cost at the present time from $16,000 to $19,000. The cost of the lot varies, let us say, from $15,000 to $18,000. The total investment would therefore amount to about $34,000. Rentals are fixed so that if the building keeps full and all rents are collected, from 12 to 12.5 percent gross would be received.[51]

Though not the only ones to engage in this venture, Jewish immigrant bankers became particularly heavily involved in real estate at the turn-of-the century because they emerged as the main source of loans to ambitious immigrants. Many contemporary observers have noted this fact, but few scholars have yet to address it.[52] Jewish entrepreneurs' appreciation of real estate as a commodity may have been directly linked to their premigration experiences: since Jews were "forbidden to own land," they "never developed an attitude of reverence and permanence toward land."[53] Jews may have differed from other immigrant groups in their lack of sentimentality towards land but they clearly diverged in their forward-looking attitude: when other groups began moving into specific neighborhoods, they moved elsewhere and developed new communities. Rather than limiting their involvement to Manhattan, Eastern European Jewish immigrants specialized in developing the outer boroughs of New York City. As George Cohen noted in 1924,

49 "Many Big Tenement Houses Built with Little Capital," *New York Times*, September 13, 1903, 30.

50 United States Senate, Reports of the Immigration Commission: Immigrant Banks, 61st Congress, 3rd Session, vol. 37, Senate Doc. 753 (1911) [hereafter: Reports of the Immigration Commission], p. 244.

51 Elgin R.L. Gould, "Financial Aspects of Recent Tenement House Operations in New York," in *The Tenement House Problem*, vol. 1, ed. Robert DeFrost and Lawrence Veiller (New York and London, 1903), 355-66, here 358.

52 Richard Wheatley claimed that Jews in New York not only owned close to $200,000,000 in real estate but their constant trade of real estate holdings was responsible for more "than five-eighths" of all real estate deals in New York City. See Wheatley, "The Jews in New York," 325. Also see Abraham Shachter, "Jews as the Builders of New York," *American Hebrew*, July 4, 1912, 10.

53 Edward Shapiro, *A Time for Healing: American Jewry Since 1945* (Baltimore, 1992), 121.

> The purchase of real estate and the building of new houses has become a Jewish business in New York, and in the other large cities where Jews are represented in appreciable numbers. Whole stretches of hitherto uninhabited territory, like the Bronx, Borough Park and Bensonhurst in New York City, Douglas Park section in Chicago and similar sections in the other cities have been converted into veritable cities, where block after block of fine suburban residences house the Jewish population. Land values within ten years have risen to an extent undreamed of. Barren and deserted spots have been turned into fine residential sections with all the latest advantages of a modern community. The tenement sections into which they migrated several decades earlier have been to a certain extent rebuilt; numbers of old private houses and slum dwellings have been converted into up-to-date double decker apartments.
>
> Perusals of the real estate columns of the daily newspapers bring out the fact that the overwhelming majority of buyers of real estate are Russian Jews. The vast heterogeneous population of New York City is sheltered in Jewish homes. The Real Estate Record and Guide might be mistaken for a Jewish directory of the city.[54]

Jewish immigrant entrepreneurs of all groups relied on their ethnic networks to build the types of dwellings that would entice other Jewish immigrants to move.[55] But the system that built up the tenements and new neighborhoods was heavily dependent on credit access and risk. Eastern European Jewish immigrant bankers' easy offers of credit helped immigrant Jews become a central force in the expansion of new areas of New York City. Eastern European Jewish entrepreneurship was critical in reshaping northern Manhattan, in particular the Harlem neighborhood, which has been called Manhattan's first suburb.[56]

Harlem, long viewed as a bucolic retreat from the hectic life of the burgeoning metropolis, had remained relatively untouched for centuries. The phenomenal growth of Harlem in the late nineteenth century was a byproduct of the development of New York City, whose population soared to over a million people in 1880, with the elevated train expanding to its northern reaches.[57] Anticipating immigrant Jews' influx into Harlem to escape the cramped and impoverished conditions of the Lower East Side, Jewish investors started buying up

54 George Cohen, *The Jews in the Making of America* (Boston, 1924), 127-28.

55 Donna Gabaccia, "Little Italy's Decline: Immigrant Renters and Investors in a Changing City," in *The Landscape of Modernity: Essays on New York City, 1900–1940*, ed. David Ward and Oliver Zunz (New York, 1992). Indeed, scholarship on the role of Jews in New York real estate development has focused mostly on the interwar years when the outer boroughs became speckled with small apartment buildings erected by Jewish entrepreneurs in the Bronx along the Grand Concourse or in Brooklyn, along Eastern Parkway. These Jewish builders relied on their ethnic networks to build the types of dwellings that would entice middle class Jews. See Deborah Dash Moore, *At Home in America* (New York, 1983), 19-59.

56 Gilbert Osofsky, *Harlem: The Making of a Ghetto* (Chicago, 1996, reprint), 71; Jeffrey Gurock, *When Harlem Was Jewish* (New York, 1979).

57 Osofsky, *Harlem*, 74; Walter Laidlaw, *Population of the City of New York, 1890-1930* (New York, 1932), 51.

Harlem's ready supply of cheap lots. Indeed, this purchasing spree prompted lot values to skyrocket literally overnight, but Harlem was seen as both a new residential haven for Jews and a place that promised quick riches. So many Jewish entrepreneurs tried their luck in Harlem's real estate market that Abraham Cahan, editor of the *Jewish Daily Forward*, the most popular Yiddish daily newspaper, coined the Yiddish term "realestatenik" (combining the words real estate and *alrightnik* [nouveau riche]) to refer to the growing ranks of real estate speculators in the Jewish immigrant world.

As Cahan evocatively depicted in his classic tale of Jewish immigrant life, *The Rise of David Levinsky,* "huge fortunes seemed to be growing like mushrooms all over New York . . . . I saw men who three years ago had not been worth a cent and who were now buying and selling blocks of property."[58] The "intoxicating" real estate "boom," Cahan explained, attracted all "the small tradesmen of the slums" to "invest their savings in houses in lots."[59] These "realestateniks" would gather in Harlem on the corner of Fifth Avenue and 116th Street, where their "gesticulating, jabbering, [and] whispering" made them resemble "the crowd of curb-brokers on Broad Street."[60] Echoing Cahan's fictive portrayal of the role Eastern European immigrant Jews were playing in New York City's real estate boom, George Cohen noted that tenement construction had emerged in New York as a particularly Jewish economic niche.[61]

Meyer Jarmulowsky, scion of one of the most influential Eastern European Jewish immigrant banking families, was one of the most successful "realestateniks" around. Before the suit that revealed the extent of their holdings, Meyer had his father's permission to use bank assets to build up a real estate empire. By 1912, he not only owned over twenty properties in central Harlem; he also became a prominent leader in the "redlining" movement to limit African-American settlement to a district north of 135th Street to the Harlem River in order maintain property values.[62] In 1912, he spoke at St. Philip's Church, Harlem's premier African-American church, on "The Housing Problem from the Owners' Point of View."[63] There, he made the dubious argument that the effort to restrict African-American residences in Harlem stemmed not from racial prejudice but from the fact that African Americans did little to avert the deterioration of property. Comparing Harlem in 1912 to the Lower East Side in the 1870s, he urged his African-American audience to buy property and learn from his family's success and to "Be a factor in the business world."[64]

58 Abraham Cahan, *The Rise of David Levinsky* (New York, 1917, reprint, 1969), 480.

59 Ibid., 464.

60 Ibid., 486.

61 George Cohen, *The Jews in the Making of America* (Boston, 1924), 127-28.

62 On Jarmulowsky's holding, see the records of the Real Estate Board of New York.

63 *New York Age*, Dec. 26, 1912. This whole encounter is discussed by Steven Bloom in his dissertation, "Interactions Between Blacks and Jews in New York City, 1900-1930, as Reflected in the Black Press"(Ph. D., New York University, 1973), 167-71.

64 "Be a Factor in the Business World: Advice of Meyer Jarmulowsky, East Side Banker, to Negroes," *Amsterdam News*, December 26, 1912. The intricate ways Meyer Jarmulowsky acknowledged and played upon issues of race demonstrates some of the ways immigrant Jews saw themselves "acquiring the prejudices associated" with America as they "scrambled for social status" in the race-conscious nation. See Eric Goldstein, *The Price of Whiteness: Jews, Race and American Identity* (Princeton, 2006), 82.

Only after the elder Jarmulowsky's death would the extent of Meyer's investments in Harlem become clear. During his life, Sender Jarmulowsky had amassed a huge fortune, which he had donated generously within the Jewish community and flaunted freely. He even commissioned the building of an ostentatious bank on the very corner of Canal Street where he had established himself thirty years earlier. And yet, when he died, in June 1912, this supposed multi-millionaire left an estate worth only approximately half a million dollars to his wife.[65] Where had the money gone? It was swallowed up by Meyer's real estate investment strategy to expand the Jarmulowsky bank's profits. After hearing rumors concerning the construction of a new subway line along Second Avenue, Jarmulowsky purchased thirty-seven properties with bank assets in East Harlem, believing they would make him even more money than his previous investments had.[66] But his lofty ambitions were thwarted by events that transpired in Europe.

On June 18, 1917, Judge Augustus Hand presided over the bankruptcy hearing for Sender Jarmulowsky's bank. Seizing all buildings owned by the Jarmulowsky family, Hand set up a receivership, which he called the Loretta Corporation.[67] All anxiously awaited for the auction of the Jarmulowsky properties, estimated to be worth $2 million in 1918. While the auction room was filled with many bidders and some former depositors of the bank, the great interest did not turn into great profits; in the end only $371,850 was realized from the sales. Watching the claimants who held the government responsible, even though the Jarmulowsky bank was not chartered or checked by the New York State Banking Authority, Hand joined forces with the State Banking Superintendent to craft increased regulation of private banks along with new legislation to protect depositors and the state from corrupt immigrant entrepreneurs who called themselves "bankers." The effort to transform these proposed regulations into law illustrates how these immigrant entrepreneurs — far from just operating on the periphery of the economy and transforming the immigrant economy — were also able to set changes in motion that altered the shape of American banking at its core.

Immigrant Bank Closures and the Expansion of New York State Banking Law

The years immediately following the closures of the Jewish immigrant banks marked a watershed moment in the history of commercial banking in New York City. To be sure, long before 1914, as historian

65 "Only $501,053 Left by Jarmulowsky: East Side Banker Had Been Reputed to be Multi-Millionaire," *New York Times*, August 14, 1912.

66 "FIRST AVENUE FOR SUBWAY; Reasons Why East Side Line Should Be There," *New York Times*, November 19, 1904; "FOR FIRST AVENUE SUBWAY; East Side Improvement Association Treasurer Argues for It," *New York Times*, February 2, 1905. Indeed, rumors of the construction of this subway line are still being debated. Michael Grynbaum, "Further Delays Possible for Second Avenue Subway," *New York Times*, July 22, 2009.

67 See the following cases: JARMULOWSKY C.A.2 1919, Circuit Court of Appeals, Second Circuit, May 14, 1919; no. 161. Robbing v. Bank of M. & L. Jarmulowsky, 90 N. Y. Supp. 288.

Jared Day notes, "numerous immigrant bank failures" provoked the creation of new regulations. Failures in 1907 prodded "the New York state legislature to pass what came to be known as the 'Wells Law'. This law provided that all private bankers who accepted money for the sale of steamship tickets or for transmission abroad had to file a $15,000 bond to assure that the transactions were faithfully executed."[68] While the Wells Law addressed issues of corruption in the world of immigrant banking, the only crime committed by the Jewish immigrant bankers was their heavy investment in real estate that could not be liquidated quickly. In response, banking and legal authorities crafted the Banking Law N.Y. § 156 in 1919, which gave "persons making deposits for safekeeping or transmittal preferred claims against certain funds upon a private banker's insolvency," and to recover any "money which he can trace and identify."[69] The law would enable depositors to make claims against Jarmulowsky's massive real estate holdings. Banking Law N.Y. § 156 would go on to define banking insolvency law until 1930.

But the most revolutionary change set in motion by the immigrant bank closures of 1914 concerned the world of private banking, of which immigrant banks constituted the largest segment. "Until the passage of the present law, no private banker," explained the New York State Banking law, "was subject to the supervision of the superintendent of banks."[70] Indeed, several court cases in the years leading up to 1914 had "recognized" the definition of a private banker as "a person or a firm engaged in the banking business without authority from the banking department and not subject to the banking law or the supervision of the superintendent of banks."[71] But as the *New York Times* reported, just months before the war broke out, the Senate Banking Committee held a hearing and decided that immigrant bankers must be supervised and regularly checked to avoid failure. Calling for increased regulation of private banking firms, ironically, Meyer Jarmulowsky himself admitted that "the security of the depositors depends entirely on the honesty, conservatism and business wisdom of the banker."[72] Under questioning, he admitted that real estate investments of private bankers should be more closely supervised. Thus, in response to his own advice, New York State revised its banking laws, declaring in Chapter 369 of Section 2 of the Consolidated Banking Laws of New York that anyone who wanted to call himself a "private banker," or who "makes use of any office sign bearing thereon the word "bank" in his business must be regularly supervised by the New York State's Banking Superintendent." No

68 Day, "Credit, Capital and Community," 75-76; David Warfield and Margherita Arlina Hamm, *Ghetto Silhouettes* (New York, 1902).

69 This law can be accessed and read in full through Westlaw, Document 14_39_33_4300.

70 George Wilson Morgan and Amsa Parker Jr., *Banking Law of New York: Chapter 2 of Consolidated Laws, Chapter 369, Laws of 1914 with Notes, Annotations and References* (New York, 1919), 5.

71 Ibid., 5-6.

72 "All Do Not Favor State Regulation," *New York Times*, January 17, 1914,.

entrepreneur can just claim to be "a banker" without a state charter. The State Banking Superintendent would monitor all immigrant banks to insure they kept enough assets in reserve and did not loan funds to risky borrowers. The entrepreneurial practices of Eastern European Jewish immigrant bankers paved the way for the expansion of the state power into immigrants' financial lives and the limitation of places where they could gain access to credit.

The Annual Reports of the Superintendent of Banks from the 1920s illustrate how the state policy of advising immigrant entrepreneurs to incorporate their enterprises as state banks altered banking in New York City.[73] "The department "advised private bankers to incorporate because of the additional protection afforded the depositors," the 1927 Annual Report of the Superintendent of Banks noted, with the result that the number of private bankers declined from year to year.[74] At least 36 private banks incorporated as state banks or became a part of ordinary financial institutions between 1915 and 1932 (see Table 1). Meanwhile, between 1914 and 1932, the department liquidated approximately 101 private banks — the same number of private banks that were under the supervision of the Superintendent of Banks at

73 I would like to thank Shira Poliak for all her research assistance with these figures and charts. *Annual Report of the Superintendent of Banks,* 1924, 7; *Annual Report of the Superintendent of Banks,* 1927, 7; *Annual Report of the Superintendent of Banks*, 1922, 6.

74 *Annual Report of the Superintendent of Banks*, 1927, 7.

75 A 0 indicates that the report specified that no new private bank was authorized or liquidated. A space indicates that the Annual Report did not specify if new banks were created, liquidated, or became incorporated banks in the given year. I would like to thank Shira Poliak for creating this table.

Table 1: Number of Private Banks Authorized, Liquidated, and Incorporated as State Banks, 1915-1932[75] (*Source: Annual Reports of the Superintendent of Banks,* 1914-1932)

Year	Number of Private Banks	Number of New Private Banks Authorized	Number of Private Banks Liquidated	Number of Private Banks Incorporated or Absorbed by Incorporated Institutions
1915	75	29	3	1
1916	76	11	5	1
1917	80	9	4	1
1918	84			
1919	91	10		2
1920	101	10		
1921	98	3	4	
1922	95	3	5	
1923	90	0	6	
1924	82	1	5	
1925	74	0	0	4
1926	68	0	4	8
1927	59	0	7	2
1928	50	0	6	
1929	44	0	7	17
1930	33	0	18	
1931	20	0	21	
1932	17	0	6	
Total			101	36

its peak in 1920. Many of these liquidations were involuntary, which highlights how the Banking Department expanded state authority to clamp down on immigrant banks they deemed to be financially unsound.

The Banking Department's efforts to liquidate immigrant banks transformed the strategies that immigrant entrepreneurs who remained in the world of unregulated financial services for the immigrant working class used. Real estate development and investment became markedly less popular as the annual report of the New York State's Superintendent of Banks suggests: the percentage of real estate and mortgages these banks held, as Table 2 illustrates, dropped significantly. In 1915, real estate and mortgages comprised 36 percent of the total assets of these banks, and this figure dropped to as low as 7 percent by 1923. This change is significant because it suggests that the Banking Department's efforts to pressure private banks led Eastern European Jewish immigrant bankers to restructure and become safer — moving away from risky, illiquid and highly speculative assets like real estate which had alarmed the Superintendent of Banks in his initial review of their books in 1914.

After 1914, instead of seeing immigrant banks as offering credit and services to "unbanked" immigrant workers, banking regulators became convinced that these informal financial institutions were suspect and fraudulent. They mobilized public pressure and lobbied for new banking laws to suppress immigrant banks' capacities. As the New York State Superintendent of Banks Joseph Broderick declared in support of amendments to New York State banking laws in 1930, "The amendment will not only act as a deterrent to the formation of new bootleg banking concerns, but will serve either to drive those in existence under the supervision of the Banking Department or out of business."[76] Drawing on Prohibition-era discourse, Broderick made clear that unregulated immigrant bankers were akin to renegade bootleggers.

Table 2: Percentage of Real Estate and Mortgages of Total Assets of Private Banks under the Supervision of the Superintendent of Banks, 1915-1926 (Source: *Annual Reports of the Superintendent of Banks*, 1915-1927)

Year	Percent of Real Estate and Mortgages of Total Assets
1915	36
1916	30
1917	20
1918	15
1919	11
1920	10
1921	9
1922	8
1923	7
1924	8
1925	8
1926	7

76 Memorandum from Joseph Broderick to Mr. Samuel Rosenman, Counsel to the Governor, n. d., Legislative Bill Jacket 1930, chap. 678, Reel #5, New York Public Library — Science, Industry and Business Library, New York, NY. I would like to thank Shira Poliak for pointing me to this source.

By 1930, Broderick had made credit access for immigrants as difficult to find as an alcoholic drink. He made it illegal for private banks holding deposits under $500 to accept any sums, thereby preventing those surviving immigrant banks from providing the basic service it clients needed.[77] The efforts of the Banking Department significantly curtailed private banks' capacities, so by 1932, only seventeen immigrant banks remained under the Superintendent of Banks' supervision — a huge drop from the over one thousand immigrant banks the Dillingham commission found in 1909.[78]

Conclusion

In the decades following 1914, immigrant banking would be virtually erased from the streets of New York City. While the edifices constructed by various luminaries of the world of immigrant banking still stand on New York's Lower East Side, their owners' names and their entrepreneurship have faded into oblivion as a result of increased regulation crafted by the New York State Banking Authorities. As the banking capital of the nation, New York, with its legislation and action, served as a model for other states for addressing the problem of "immigrant banking," a "problem" that would be eliminated from the United States in the coming years.

So what historical lessons can be learned from paying closer attention to the lost world of Jewish immigrant entrepreneurs who sold ship tickets and set up enterprises called banks? First and foremost, Jewish immigrant bankers were far from exceptional: dozens of other immigrants inserted themselves in the American economy by conducting businesses that depended on connections on both sides of the Atlantic. Utilizing their native tongue, these entrepreneurs took advantage of the new markets that opened up as a result of migration. Far from exceptional, Eastern European Jewish immigrants — to use the words of Claude Lévi-Strauss — I argue are "good to think with" about this larger network of immigrant entrepreneurs as their clients often brought them to court, laying bare many of their business practices.[79] By offering credit to prospective migrants in Germany and engaging in other business practices, these entrepreneurs both fueled and shaped this mass population shift. Indeed, as many often forget, the world of immigrant banking made mass migration to America possible. Once their migrant clientele arrived in America, continued access to credit transformed not only immigrant economic adaptation to America but also the physical landscape of New York City.

77 Van Horn, "The Small Private Banker in New York and Regulatory Change," 116.

78 *Annual Report of the Superintendent of Banks*, 1932.

79 Claude Lévi-Strauss, *Totemism* (Boston, 1963), 89.

The virtual erasure of immigrant bankers from the annals of American economic history has ultimately obscured the crucial role immigrant entrepreneurs played in the development of American commercial banking. While many scholars reflect upon the critical link between entrepreneurship and growth in opening up new markets, fewer reflect on the role entrepreneurship plays in creating new types of regulations and legal structures that shape the world in which all entrepreneurs can even operate. Immigrant bankers not only provided a vehicle through which unbanked immigrant masses could participate in American finance; they prompted new types of regulations that forever changed the face of commercial banking in the United States. Far from operating on the periphery of the world of banking, these Eastern European Jewish immigrant entrepreneurs transformed American banking at its core as their unchartered banks provided new models for how the foreign-born could access credit in New York.

In the end, a closer examination of Eastern European Jewish immigrant entrepreneurship contributes not only to the growing literature on the economic dimensions of immigration history but also to the larger discussion on the interrelationship between American character, immigrants, and capitalism. Perhaps discomfort with immigrant bankers was rooted in a larger general anxiety about the role speculation played in America's rapid advance as a world economic power.[80] While America's founding myth identifies American affluence as rooted in celebrated Protestant values of hard work, saving, and methodical planning, those closer to the world of immigrant banking faced the limitations of thrift and circumspection for those trying to get a footing in the new world. Speculation — in real estate, ship ticket sales, or banking — was the engine that drove America's economic expansion in first decades of the twentieth century. There were those who worried, however, that the speculative ethos that these men exemplified undermined the "frontier spirit" that had molded America's geographic expansion and character in the previous generation. As the lost world of Jewish immigrant banking illustrates, much economic development was precipitated by the innovative approaches and entrepreneurial spirit of fearless immigrants on the frontiers of credit in their new world. Indeed, in revisiting this lost world we gain "a richer and deeper understanding of entrepreneurship and how it shapes and reshapes the modern world" both through opening up new markets and through creating new regulatory structures.[81]

80 Jackson Lears, *Something for Nothing: Luck in America* (New York, 2003), 5.

81 Wadhwani and Jones, "Schumpeter's Plea: Historical Reasoning," 216.

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