Jewish Immigrant "Bankers," Financial Failure, and the Shifting Contours of American Commercial Banking, 1914–1918

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On August 30, 1914, one of the largest finance-motivated riots in New York City history erupted on Canal Street. Fears of a long and protracted war had prodded thousands of east European Jewish immigrants to withdraw money from small businesses (commonly referred to by their Yiddish moniker, *banken*) to send back to their relatives still in Europe. Unable to return depositors' funds, one institution on the Lower East Side, with more than sixty-thousand clients, was forced to shut its doors. Several thousand depositors marched to city hall where they attacked clerks and policemen and demanded that the municipal government guarantee the return of their funds. A riot ensued; nine were arrested. Order was restored only after the state's most revered judge, Learned Hand, was assigned to handle the case. Discovering that much of this institution's missing assets were tied up in Harlem real estate that could not be quickly liquidated, Hand wrote precedent-setting judicial decisions that crafted new state banking legislation requiring increased regulation of immigrant "banks" and forbidding any deposit-taking institution from investing in real estate. These new laws would fundamentally change the face of commercial banking in New York City, a city that functioned as America's financial capital, forcing hundreds of other small immigrant businesses that took deposits, sold ship tickets, and invested in real estate to shut down. But such drastic measures were deemed necessary by Hand who believed such regulation would protect New York State from future panics caused by "speculitis," a disease that William Gladden, an early twentieth-century New York City preacher, argued was disfiguring not only New York but America itself.

The Jarmulowksy Bank, corner of Orchard and Canal Streets, New York City, 1912. Reprinted from "Building for S. Jarmulowksy," *Architects & Builders Magazine* XLIV (November 1912): 447.

The failure setting all this chaos in motion was that of Jarmulowsky's Bank, founded by Russian-Jewish immigrant Sender Jarmulowsky in 1873. Few people today recognize the name Jarmulowsky or can identify its main branch—nicknamed "the Temple of Capitalism"—which still stands on the corner of Canal and Orchard streets on New York's Lower East Side. But the nexus of real estate speculation and bank failure sounds eerily familiar to contemporary ears. Today, many debate the impact that the 2008 downfall of Lehman Brothers—the oldest Jewish-founded investment bank in America—had on the country's banking infrastructure; yet, no scholar has yet commented on its significance for the annals of American Jewish life, perhaps fearing dredging up antisemitic sentiment. A similar silence characterizes the virtual erasure of Jarmulowsky from the narrative of American Jewish history, even though

Sender Jarmulowsky, as the popular Yiddish newspaper *Tageblat* exclaimed in 1912, was known to “every Jew in both the old and new world” on account of his business dealings and philanthropy. His “bank’s” stunning fall reshaped the world of commercial banking just as its spectacular rise had revolutionized the business of mass migration, or more specifically, the trans-Atlantic shipping industry that saw migrants as commodities. Through such business practices as selling tickets on installment through his “bank’s” system of multilingual agents, Jarmulowsky captured the bulk of the steerage class ticket market for the Red Star Line. But when the North Atlantic Passenger Conference in 1892 rendered the selling of ship tickets no longer profitable (only the shipping lines, not the agents, could set the price of the tickets), the Jarmulowsky family sought its profits through real estate investment.

SENDER JARMULOWSKY’S TALE ALONG WITH THE STORIES OF DOZENS OF OTHER IMMIGRANT JEWS WHO ALSO DABBLED IN THE BUSINESSES OF SHIPPING, RETAIL BANKING, AND REAL ESTATE DEVELOPMENT BRINGS INTO SHARP FOCUS A CRITICAL QUESTION FOR SCHOLARS INTERESTED IN THE ECONOMIC DIMENSIONS OF AMERICAN JEWISH LIFE: AT WHICH MOMENTS AND IN WHICH WAYS DID IMMIGRANT JEWS, THEIR FINANCIAL ENTERPRISES, AS WELL AS THEIR FAILURES, PLAY A CENTRAL ROLE IN RESHAPING AMERICA’S ECONOMIC DEVELOPMENT?

Sender Jarmulowsky’s tale along with the stories of dozens of other immigrant Jews who also dabbled in the businesses of shipping, retail banking, and real estate development brings into sharp focus a critical question for scholars interested in the economic dimensions of American Jewish life: at which moments and in which ways did immigrant Jews, their financial enterprises, as well as their failures, play a central role in reshaping America’s economic development? Indeed, while there is already an expansive body of literature on German Jewish bankers’ contribution to the world of investment banking and eastern European Jews’ role in the garment industry, little attention has been paid to the ranks of eastern European immigrant entrepreneurs like Jarmulowsky, whose failures reshaped America’s ever-evolving banking system. More broadly, as historian David Hollinger points out, “the failure to conduct a straightforward historical and social-scientific study” of what enabled immigrant Jews to economically succeed so quickly in the United States in the first place has perpetuated the mystification of Jewish history and subtly reinforced invidious distinctions between descent groups in American society.”[1] Indeed the virtual absence of the Jarmulowsky family from the annals of American Jewish history exemplifies, as Tony Michels has argued, that “American Jewish history has been turned into a celebration of winners for whom winning comes easily and without costs.”[2] If we do not grapple with stories of Jewish financial failure, like that of the Jarmulowsky family, we will never properly grasp how immigrant Jewish entrepreneurs fit into the larger fabric of American capitalism.

Sender Jarmulowsky embodied the Horatio Alger myth for the millions of Jews living on New York’s Lower East Side at the turn of the twentieth century. Born in Russian Poland in 1841, Jarmulowsky graduated from the illustrious Volozhin Talmudic Academy with rabbinic ordination. But he chose the world of business instead of the rabbinate, earning his first fortune by betting that Jews’ dissatisfaction with the czarist empire would lead to mass migration. Moving to Hamburg in 1868, Jarmulowsky opened a “passage and exchange” office, where he bought steerage passages in bulk and extended credit to east European Jews so that they could leave Europe. Jarmulowsky pioneered a system that sold prepaid tickets. Such a system favored speculation since the prepaid tickets were valid for a year. Thus when prices were lower during the winter, Jarmulowsky ordered prepaid blanks in bulk with tickets written out to fictive people. When prices increased these were sold with extra profit margin. If prices dropped or tickets could not be sold in time the agents’ loss was limited to the 5 percent cancellation fee. Jarumulowsky also developed a network of multilingual agents to sell the tickets he purchased, attracting loyal clients from all over eastern Europe.

Sender Jarmulowsky ventured to America in 1873, where he expanded this system by offering customers a way to “pay out” in installments the cost of bringing their European relations to America. By extending credit, operating in the foreign currency markets, and branching out to take deposits, Jarmulowsky was able to build the largest commercial bank on the Lower East side, holding the deposits of more than sixty-thousand east European Jewish immigrants and exchanging millions of greenbacks for Russian rubles to send back to the old country. With the fortune he amassed, he soon became one of the greatest philanthropists of the Lower East Side, overseeing the erection of the Eldridge Street Synagogue (1887), the founding of the Orthodox Union (1898), and the reestablishment of the Jewish Theological Seminary of America (1902). Upon his death in 1912, the widely popular Yiddish newspaper *Morgen zhurnal* asserted that "Jarmulowsky was living proof that in America one can be a rich businessman but also be a true, pious Jew."[3] Leaving his bank to his sons, Louis and Meyer, Jarmulowsky believed that future generations would continue to associate the Jarmulowsky name only with financial prowess and generous philanthropy.

But in the face of increased regulation of ship ticket agents, Jarmulowsky's sons turned to real estate to earn money. Buying up thirty-seven buildings in Harlem during a decade in which real estate speculators, known in Yiddish as *realestateniks*, drove up housing lot prices from $50 per lot to more than $3,000 per lot in northern Manhattan, Meyer Jarmulowsky believed they would easily make millions by quickly reselling their purchases. Unfortunately, events in Europe thwarted his plans. Upon hearing of the outbreak of war in July 1914, thousands stormed the bank, demanding their deposits so that they could send money to relatives in Europe. With only $654,000 in assets and over 1.75 million dollars in liabilities tied up in mortgages, the bank was forced to close its doors. The thirty-seven buildings the Jarmulowsky brothers purchased were placed in escrow. When the buildings were finally sold in 1918, only $371,850 was realized from the sale. By the end of World War II, Sender Jarmulowsky's descendants had all changed their surnames to either Jarmel or Jarmuth, unable to cope with the stain of the Jarmulowsky name.

The failure of Jarmulowsky family's business was not exceptional; thousands of immigrant Jews failed to make it in America. But Jarmulowsky's spectacular rise and fall casts a different light on the narrative of American Jewish immigration, so long shrouded by Emma Lazarus's powerful imagery. The "huddled masses" of east European Jews who came to American shores were embedded in a larger system of distribution in which migrants served as a lucrative commodity, a commodity expertly exploited by men like Sender Jarmulowsky. Developing and deploying various business practices, businessmen like Jarmulowsky enabled, fueled, and molded not only the ever-shifting contours of American shipping and money exchange practices but the process of migration itself, a process that would emerge as integral to American nationalist mythology by the twentieth century.

Sender Jarmulowsky's spectacular ascent resulted from his ability to help Jews come to America. His sons' failure to return these same immigrants' hard-earned money suggests that Jews not only reshaped the world of American business through their successes but by their mishaps as well. Their failure and the ensuing riot, which was widely covered by all the New York City newspapers, became central to a larger debate on the interrelationship of American character and capitalism, a literature that rarely grappled up front with the roles played by Jews. The discomfort of New York's Protestant elite with immigrant speculators, as exemplified by the Jarmulowsky family, was rooted in a general anxiety with the role speculation played in America's rapid advance as a world economic power. While America's founding fathers explained American affluence as rooted in celebrated Protestant values of hard work, saving, and methodical planning, those closer to the world of banking quickly recognized that thrift and circumspection were not rewarded. Speculation was the engine driving America's economic expansion in the first decades of the twentieth century, just as its "frontier spirit" had driven America's geographic expansion in the previous generation. As social gospel preachers warned, in this new America, the nexus between commercial banking and speculation was dangerous; it directly challenged the country's celebrated Protestant ascetic roots as it encouraged ambitious young men to embrace risk rather than hard work. Despite preachers' admonitions, speculation would continue to shape American business—and particularly the world of American finance—for the next century. As American capitalism came of age and risk-taking, self-made men became the primary model of American identity, we cannot forget the families like the Jarmulowskys, who may have ultimately failed in this nation that worships success, but whose creativity, hard work, and bad luck left an indelible imprint on its growth and development.

[1] David Hollinger, "Rich, Powerful, and Smart: Jewish Overrepresentation Should be Explained Rather than Mystified or Avoided," *Jewish Quarterly Review* (Fall 2004): 596.

[2] Tony Michels, *A Fire in Their Hearts: Yiddish Socialists in New York* (Harvard, 2005), 19.

[3] *"Yarmulowski gebrakht tsu kevurah mit groys kavod," Morgen zhurnal*, June 4, 1912, 1.

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