CHAPTER 3

Jewish Immigrant Bankers, New York Real Estate, and American Finance, 1870–1914

by Rebecca Kobrin

What an extraordinary episode in the economic progress of man that age was which came to an end in August 1914!

—John Maynard Keynes

The summer of 1914 is most often remembered for the eruption of the war that transformed Europe; fewer recall how during the same summer a crisis of confidence unfolded on American shores that led to the end of the era of immigrant banking. The private unincorporated businesses that were known in America as “immigrant banks” may have faded into history, but the debates they launched over immigration, access to credit and banking reform have reverberations until today. The crisis was set in motion by thousands of East European immigrant Jews in New York City who ran to withdraw their savings from their “banks,” a network of unregulated immigrant businesses that sold ship tickets, kept deposits, granted small loans and processed currency exchanges for overseas transfer—to transmit back to Europe. Overwhelmed by the sea of depositors rushing in, several immigrant banks closed their doors (“Depozitors un der bankn kampf” 1). As a result, Eugene Lamb, New York State’s Banking superintendent, decided to intervene, taking over the books of the banks of A. Grochowski, the Deutsch
Brothers, Adolf Mandel, M & L Jarmelowksy, and Max Kobre because they did not have enough funds in reserve to return their depositors’ assets. The Jarmulowsky bank alone had 15,000 depositors with over $1,667,000 in deposits in the bank. 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 (“Information RE: Private Bankers”).

Riots soon broke out as many immigrant banks could not distribute their funds to their depositors who feared the worst and wanted to send funds back to Europe (fig. 1). These riots 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 United States’ expanding banking system (Sylla).2 Many believed in 1914, that New York’s banks would remain unscathed by the rumblings in Europe (Ahamed 29–32). But New York’s immigrant Jews, whose extended families still lived in Europe, did not see the war as some distant menace.3 Uncovering the fact that much of these institutions’ missing assets were tied up in real estate investments that could not be quickly liquidated, the
New York State Banking Superintendent, Eugene Lamb would set in motion legislative and judicial efforts that would forever doom the world of immigrant banking. These new laws fundamentally altered the practice of “private banking” in New York City, a city that functioned as America’s financial capital, Jewish immigrant capital and the pre-paid ship-ticket sales capital of the world. Within a few years, hundreds of other small immigrant businesses that similarly made a profit from selling ship tickets and investing in real estate were forced to shut down. But such drastic measures were deemed necessary by New York State banking authorities who believed such regulation would protect New York State from the world of immigrant banking that was threatening to not only economic life in New York but in America itself (Hochfelder 340; Lears).

This chapter aims to raise questions about the place of Jewish immigrant banking in early-twentieth century New York, highlighting the historic interplay between banking regulation, New York real estate development and immigration history. Through its close analysis of the world of Jewish immigrant bankers by means of a focus on the business of Max Kobre, I seek to reinsert East European Jewish immigrant entrepreneurs into the narrative of American economic history. To be sure, the influence of Jews on banking in the United States is far from unchartered territory (Birmingham; Carosso; Supple; N. Cohen; Pak). But when asked how immigrant Jews and their business practices shaped twentieth-century American banking, most scholars would rattle off the names of famed Jewish investment bankers such as Jacob Schiff, Paul Warburg, and Henry Lehman, whose successes shaped the sector of investment banking (Chernow; N. Cohen; Pak). However, that isolating of a few prominent exemplars of Jewish economic achievement obscures the formative roles played by unregulated East European Jewish-run immigrant banks at the turn of the twentieth century. Part of a broader trend in banking catering to “unbanked” immigrant masses, entrepreneurial Jewish immigrants deployed innovative credit mechanisms and speculative investment strategies that shaped not only American commercial banking but also urban development in cities such as New York. The credit that these institutions offered to immigrants directly contributed to their ability to come to America and to their economic practices once they arrived. While some of these experiments succeeded and others failed, they all deserve attention because, as American historian David Hollinger points out, the lack of a straightforward historical and social-scientific study into what enabled East European immigrant Jews to succeed economically in the United States has perpetuated a mystification of Jewish history (Hollinger 596). In short, this chapter seeks to highlight the
ways in which East European Jewish immigrant bankers who have been placed in the dustbin of history actually transformed not only the Jewish immigrant world, but commercial banking and its regulation in the United States as America’s system of banking regulation took shape in direct response to risks taken by these unregulated financial institutions and their failures.

THE PROBLEM OF THE IMMIGRANT “BANKER” IN THE UNITED STATES

In 1907 the US Congress created a commission to investigate what many Americans saw as a national crisis: the unprecedented number of immigrants flowing into the United States. Led by Senator William Dillingham, this commission made observations and recommendations that became codified into law concerning such varied issues as instituting a literacy test, a quota system based on national origin, continuing Asian exclusion, and granting greater federal oversight of immigration policy (Benton-Cohen). Among the many problems this commission identified was the pressing issue of “Immigrant Banks.”

As the commission noted in 1910:

> Numerous instances are at hand where strangers have gone into communities and established themselves as steamship agents and foreign-exchange dealers. Their only qualification was that they were Italians among Italians, or Magyars among Magyars. Even a former evil reputation does not seem to injure their ability to attract patronage. In the course of the investigation, knowledge was gained of two fugitive swindlers, two clerks discharged for dishonesty, several laborers dismissed for dishonesty . . . who have established themselves successfully as bankers. (United States, Congress, Senate, The Immigration Commission, 24 Feb. 2010, 22)

Max Kobre, who arrived in the United States in 1891, became one of the most prominent immigrant bankers through his sale of ship tickets from his “banks” on the Lower East Side and in Brooklyn (fig. 2). Kobre also became infamous among representatives of the British and Dutch shipping lines for his practice of selling tickets on installments—offering credit—through these agents. Kobre 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
American line secretly sent an agent to investigate his business practices in 1894. As Van den Toorn, the representative of the Holland-American Line in New York, reported, Kobre exemplified the corrupt business practices of East European Jewish agents who sold on installments through peddlers. Agents of the Continental Lines posing as migrants caught Kobre underselling their established rates. While fined for his practices, Kobre was up and running again in less than a week: he sold too many tickets on installment to be put out of business.

Indeed, it was Kobre’s expansive offering of credit through the sale of tickets on installment that raised the ire of shipping companies in 1895 as they tried to seize control of the increasingly competitive New York pre-paid ticket market. Other groups also used peddlers to sell tickets, but the shipping lines targeted Max Kobre’s “Banking, Passage and Exchange office,” seeing it as an exemplar of the problem (Feys ch. 3).

In short, many officials throughout the country were concerned with the growing ranks of unqualified immigrant “bankers who sold ship tickets and in contrast to traditional bankers did all their business in a foreign language and
operated out of other commercial enterprises, such as saloons, grocery stores, bakeries, or boarding houses (Day; Jenks and Lauck xv, 96). In New York City, the nation’s financial capital, banking authorities were concerned about these so-called banks as they knew that aside from selling ship tickets, they also offered loans. Yet they 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 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, such as stocks or real estate.

As regards the tendency among immigrant bankers to invest funds entrusted to them in real estate and stocks, it is only necessary to state here that many of these bankers who receive deposits are property holders to an extent not warranted by the legitimate profits they would derive from their steamship, foreign exchange or other business. It was found that real estate, first and second mortgages and speculative securities were favored forms of investment. Deposits have undoubtedly been the greatest resource these bankers have in making such investments. (United States, Congress, Senate, Reports of the Immigration Commission, 2011, 244)

Immigrant bankers’ involvement in urban real estate development can be clearly seen through the world of Jewish immigrant banking in the years leading up to 1914. East European Jewish immigrant businesses’ credit-accessing strategies transformed the ever-expanding world of New York real estate. 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 that took place in numerous cities throughout the world at the end of the nineteenth century. The Jewish world that saw real estate as a commodity in New York demonstrates what Sara Stein has observed in another commodity market, namely, the ways in which “ethnicity [acts] as a powerful force in the shaping of commodity networks and, conversely, [how] particular commercial networks . . . impact on the identity formation of their participants” (Stein 777). Unlike other commodities in which Jews were overly represented during this period, real estate did not present its investor with an easily portable asset (Stein; Oltuski; Vanden Daelen). Rather, it did present great profits to those willing to take large risks. Jews appreciation of real estate as a commodity, according to some scholars, was directly linked to their pre-migration experiences in which they “never developed an attitude of reverence and permanence
toward land.” As historian Edward Shapiro sums up, they appreciated “what was important were land values, not the land itself” (121).

The ways in which immigrant bankers became involved in real estate is illustrated through the numerous banks of Max Kobre with branches in Brooklyn and the Lower East side (fig. 3). His most lucrative branch was in Brownsville, Brooklyn, a center for East European Jewish immigrant settlement at the turn of the twentieth century. Brownsville, as Alter Landsman recalled, possessed one of the most dynamic real estate markets in New York City before 1914:

Real estate values jumped. Hundreds of buildings were erected to provide housing for newcomers. Between 1907 and 1909, the entire section of west Rockaway was cluttered up with diggers and excavators. Whole streets were cut through and piled with building material and sewer pipes. In 1909, Dr. Coyne, president of the Brownsville Tax Payers Association, stated that lots originally costing $50 or more had been sold within the previous two years at an average price of $3000. (83)

From Kobre’s 1914 Bankruptcy trial, one can clearly see how he tapped into this exploding real estate market. In addition to running a bank that made small profits off of placing deposits on which he offered 3% interest into chartered
banks in Brooklyn that offered 6% interest, Kobre also established two companies in which he served as secretary and Moses Ginsburg served as the treasurer. As his bookkeeper, Elias Frankle testified, “The Saratoga Improvement Company and the Canal Realty Company were both real estate arms of Kobre’s business. Kobre still made some profit from steamship tickets sold through the “foreign department,” in Manhattan but his real estate investments drove his profits starting in 1910 (“In the Matter of Max Kobre and Moses Ginsburg” 15).

In many ways, one can say Kobre actually provided the Jewish immigrant community with a service, since most aspiring real estate investors had no collateral and needed several thousand dollars, and at times, over ten thousand dollars (Kobre v. Kramer Mortgage Company, 1914). To be sure, there were other credit accessing institutions—such as the Hebrew Free Loan Society or Jewish hometown associations [landsmanshaftn]—but these institutions rarely offered loans over $500 (Tenenbaum 6). As scholar Shelly Tenenbaum highlights, the business model for these credit-accessing organizations was that they raised capital from supporters contributions. In New York City, wealthy German Jews now and then loaned small amounts under $300 to approved borrowers without interest. Kobre, on the other hand, loaned out thousands to individuals lacking collateral as he trusted them.

Jews were far from the only immigrant group to invest in real estate. Such behavior was common, as the 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” (United States, Congress, Senate, Reports of the Immigration Commission, 2011, 244). 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. As the main institution granting loans to ambitious immigrants, immigrant banks became central to New York City real estate development, a fact many contemporary observers noted (Wheatley 324–27; also see Shachter 10). As Richard Wheatley claimed in his 1892 survey of the “Jews in New York,” Jews 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-eights” of all real estate deals in New York City (325).

Where Jews may have differed from other immigrant groups lay in their lack of sentimentality and forward-looking attitude: when other groups began moving into specific neighborhoods, Jews moved elsewhere and developed new communities by buying up lots, erecting cheap buildings and renting them out quickly to prospective residents. Rather than just being involved in Manhattan,
Jewish immigrant real estate entrepreneurs relished investing in developing the outer boroughs of New York City. As George Cohen noted in 1904,

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.

[In New York City] These Jewish operators do not confine themselves to the East side, but extend their activities to all parts of the Greater City and its environs. There is more than an accidental connection between the tremendous rise of real estate values in New York City since the 1890’s and the expansion of the Jewish community in the metropolis. In critical times, however, more than one fortune went with greater rapidity than it came. Nevertheless, as a result of the unparalleled expansion, a large number of erstwhile Jewish pushcart peddlers and shopkeepers marched triumphantly through the portals of homes in New York’s most exclusive residential section. (127–28)

Jewish immigrant bankers of all groups relied on their ethnic networks to build the types of dwellings that would entice other immigrants to move (Gabaccia). But the system that built up the tenements and new neighborhoods was heavily dependent on credit access and risk. A 1903 report by an investigator for the New York State Tenement House Commission, Elgin Gould, explains the vital centrality of credit and risk for New York City real estate development:

The work is done as cheaply as possible [on borrowed funds]. 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. (358)
Playing a disproportionate role as a result of their credit accessing strategies, immigrant Jews became a central force in the expansion of new areas of New York City (Gabaccia). So many Jewish immigrants tried their luck in New York City's real estate market that Abraham Cahan, editor of the *Jewish Daily Forward*, the most popular Yiddish daily newspaper, would coin the Yiddish term “realestatenik” (combining the words real estate and *alrightnik* [nouveau riche]) in reference to the growing ranks of 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” (480). The “intoxicating” real estate “boom,” Cahan explained, attracted all “the small tradesmen of the slums” to “invest their savings in houses in lots” (464). 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” (486). But the commodity they were trading was not stocks but building lots.

Beyond Abraham Cahan, there was a general sense in New York City that tenement construction was a particularly Jewish economic niche. As George Cohen stated:

> The purchase of real estate and building of new homes has become a Jewish business in New York . . . A perusal of the real estate columns of the daily newspapers bring out the fact that the overwhelming majority of buyers of real estate are German and Russian Jews. The vast heterogeneous population of New York City are sheltered in Jewish houses. The Real Estate Record and Guide might be mistaken for a Jewish directory of the city. (128)

Max Kobre with the help of Moses Ginsburg became one of the most successful “realestateniks” around in Brooklyn. The lawsuits following the banks closures revealed the extent of their holdings throughout Brownsville. But their lofty ambitions were thwarted by events that transpired in Europe. As thousands of Jewish immigrant depositors ran into Max Kobre’s three banks to withdraw their funds to send back to Europe, Max Kobre’s real estate investments caused the bank to have insufficient funds in reserves.
THE JEWISH COMMUNAL RESPONSE TO THE JEWISH IMMIGRANT BANK CLOSURES

Jewish communal leaders realized that they had to respond immediately to the growing ranks of Jewish immigrant depositors who could not access their money after news of war in Europe. As a group, most Jewish immigrant depositors often teetered on the brink of destitution. Living in the densely packed Lower East side and in Brownsville, in tenements which one contemporary observer called “great prison-like structures,” the neighborhood, as scholar Gerard Wolfe points out, “soon became synonymous with [immigrant Jews’] grinding poverty and squalid existence.”  

The sixty thousand depositors who could not access their funds immediately became impoverished, underscoring that America at the turn of the twentieth century was no promised land for immigrants. As essayist S. L. Blumenson recalled several decades later: “the same poverty that existed among the denizens of the Judengassen [Vienna’s Jewish district] was duplicated on the [Lower] East Side” (65).

The frightened and infuriated depositors realized that despite all their hard work and frugal saving, they were no longer just struggling immigrants. With their savings eviscerated, they fell into the growing ranks of the “Jewish poor” or “near poor,” as one social service provider termed their situation, akin to what they had sought to escape in Tsarist Russia. Immediately, Jewish social workers realized that the reverberations of the banks’ failures would be felt by many far beyond the depositors themselves. Indeed, Kehillah worker Dr. Paul Abelson stressed the growing ranks “in very great financial straits” whom he encountered daily who found themselves dependent on soup kitchens for their daily sustenance. On the heavily populated streets of the Lower East Side, as economist and statistician Isaac Rubinow commented in 1905, “almost every newly arrived Russian-Jewish laborer comes into contact with a Russian-Jewish employer; almost every Russian-Jewish tenement dweller must pay his exorbitant rent to a Russian-Jewish landlord” (Rubinow 104). Indeed, without Jewish communal action, the whole economy of the Lower East Side could collapse.

But the bank closures took place in late July and early August, when most of the New York Jewish banking elites had decamped to the Adirondacks for the summer. Perhaps unaware of the unfolding crisis, they offered no immediate response to their co-religionists growing need. After the riot at City Hall, Judah Magnes sent a panicked telegram to Louis Marshall, who tersely responded, “I am on vacation until September 1, at which point I will address this issue” (Magnes, Internal correspondence). With no other Jewish private
banker stepping up to bail out these failed East European Jewish immigrant bankers, Felix Adler, Mortimer Schiff, Cyrus Sulzberger, Bernard Semel, and Julius Goldman, the leading figures of the New York Kehillah, penned the following letter to their friends and fellow Jewish leaders:

The failure of the banks on the East Side which tied up the savings of sixty thousand depositors to the amount of more than ten million dollars ($10,000,000), coming in combination with existing conditions of unemployment, has produced a state of affairs which has not heretofore been paralleled in our community. Thousands of thrifty and self-supporting persons have been reduced to the verge of penury. These are people who have never been recipients of charity and do not now wish charitable gifts to meet their requirements.8

As these leaders noted, the angry, rioting depositors were not criminals. They painted them instead as models of self-reliance who needed help in a desperate time. Forming the New York City East Side Emergency Loan Fund, Adler, Schiff, Sulzberger, Semel, and Goldman asked anyone who could afford it to make a donation of $5 that “a generous donor” would match so that a new “popular loan fund” could be established “to deal with making loans to persons not willing to apply to charitable institutions” (Files of the New York City East Side Emergency Loan Fund). Appreciating the general uncertainty and financial strain of the time, they emphasized that the “amount they requested from each individual is so small that we felt we may indulge the hope that we shall receive a favorable response for every person to whom this letter is addressed.” But these pleas for help fell on deaf ears, and the depositors remained penniless.

Indeed, the first effort to address the Jewish immigrant banking crisis came from a most unlikely corner of the world: Russia. Realizing the centrality of the remittances sent by Jewish immigrant banks for the relief of Russian Jewry, a group of noted Jewish bankers and public men in St. Petersburg penned a “Memorandum on a Proposed Jewish Immigrant Bank,” in which they decried, “the recent failure of many private banks. . . . causing misery and hardship to hundreds of thousands of our poor people, the losses in the transmission of monies abroad (estimated by the Russian minister of Finance in 1910 at 26% of the twenty million sent to Russia annually).” They went on to deplore “the swindlers” and argued for “the necessity for a responsible and unselfish agency to care for this very real need of the immigrant.”

They concluded their memorandum with the following offer:
With these considerations in mind, a group of noted Jewish bankers and public men of St. Petersburg organized before the war a society whose avowed purpose was to establish a bank in St. Petersburg to take care of the financial operations of Jewish emigrants. It was to have a capitalization of five million rubles and branch offices in Vienna, London, New York, and wherever else needed. The officers of this society are B. Mandel (lawyer Supreme Court of Petrograd), President; Dr. Bomash (Member of Duma), 2nd vice president; J. Pumpionsky (Director of AsoffDonBank) Tresurer; A Soloweitchik, (Director of Asiatic Bank) Hon Secretary.

Despite the good intentions expressed, however, because of the worsening of the war and conflict in Tsarist Russia, their offer could not be fulfilled. So instead of looking overseas, Jewish immigrants began bringing their financial grievances to the courts. The two cases with the most appearances in front of a Bankruptcy court judge between 1914 and 1916 were the bankruptcies of Max Kobre’s bank and M & L Jarmulowsky bank. The depositors hired lawyers to represent them, who did not shy away from taking up the court’s time: lawyers visited the court over 382 times to discuss the closing of Max Kobre’s bank and 371 times in relation to the Jarmulowsky closure (Bankruptcy docket Vol. 42). Max Kobre and Meyer Jarmulowsky joined forces and sued Eugene Lamb for closing their banks, since they argued, their private banks were not under his regulatory jurisdiction and he had no right to place them in bankruptcy (Max Kobre & M & L Jarmulowsky v. Eugene Richards Lamb, 1914). Trying to avoid court and reopen his business as soon as possible, Meyer Jarmulowsky agreed to make a payment of 15% on each dollar, followed by an annual payment of 10% for the next six years. This did not satisfy the depositors who convened a meeting between themselves, their lawyer, William Sulzer, and Meyer Jarmulowsky (“Tush!” 6). One depositor at the meeting “with fury blazing from his eyes,” as the *New York Tribune* reported, “made a prodigious leap, snatched a weapon from his pocket. Before the startled banker could raise an arm to guard his life a keen blade was at his throat . . . if not for Sulzer’s quick hands, in another instant Jarmulowsky’s life’s blood would have spotted the carpet” (“Tush!” 6).

Seeing the violent rage of the depositors, Judah Magnes, head of the Kehillah, realized that immediate action was necessary. The Kehillah could not wait until the New York Emergency Loan fund tried again to raise sufficient sums to repay each insolvent depositor. Thus, Magnes decided to pursue legal action, as well, forming the Depositors’ Protective Committee to shield those
who had fallen into penury. Appreciating immigrants’ desire for legal and governmental action, Magnes had the committee authorized by the State Banking Department to act in the interests of depositors of the private immigrant banks of the East side. In a promotional leaflet, Magnes claimed the “committee agrees to represent, without charge,” but he warned his prospective clients:

**CAUTION!!!**

Engage no lawyers.

Under no circumstances give up your pass book.

Have patience and confidence in the Banking Department of the State of New York.\(^{10}\)

But far from reassuring the depositors that there was no need for lawyers, Magnes and his Depositors’ Protective Committee appears to have not discouraged disgruntled depositors from turning to the courts to help them with their claims. Jewish immigrant depositors’ search for remuneration led them to the bankruptcy courts in Brooklyn and New York, and formatively changed these courts and their vision of immigrant banking.

**JEWISH IMMIGRANT BANK DEPOSITORS AND THE NEW YORK BANKRUPTCY COURTS**

Three days after Eugene Lamb closed Max Kobre’s bank Bessie Weinstein, represented by Morrison and Schiff, lodged the following petition in Brooklyn’s United States District Bankruptcy court for the Southern District of New York. Claiming she was owed $1,500, Bessie Weinstein, who was joined in her claim by Hyman Zukerman and Phillip Stillerman, sought not just a full repayment but to make sure that all fraudulent bankers were put out of business. Claiming that Max Kobre was a co-partner with a man named Moses Ginsberg, she wanted to make sure that both paid for all the funds lost. As the petition claimed, both were full partners in the “private banking business and steamship agent and as agent for transmission of moneys under the name and style of Max Kobre’s Bank with offices at 1783 Pitkin Avenue and 81 Grand Street in Brooklyn and 41 Canal Street in the Borough of Manhattan” (“In the Matter of Max Kobre and Moses Ginsberg” Case #5295).

The central questions of this petition and the numerous cases that would occupy the bankruptcy court for the next two years concerned the business
practices of Jewish immigrant bankers. Weinstein and her lawyers would continuously argue over how these banks were run and how they invested their assets. One case would involve whether Kobre ran his business as a partnership with Ginsberg or as a partnership with his wife. Could Ginsberg, who was central to the establishment on 1783 Pitkin, be held responsible or did he just work for Kobre who really owned the bank? Creditors wanted all help finding those who could repay them. Other cases revolved around the legal issue of consolidation, as Jewish immigrant bankers often had several branches scattered throughout New York City in immigrant enclaves in Manhattan and Brooklyn. Many in Brooklyn feared that only depositors in Manhattan would be repaid, as that was where the riots took place and as Kobre transferred funds between his banks. As Weinstein's lawyers' petition argued,

Your petitioners are informed and believe that said alleged bankrupts with intent to hinder, delay and defraud their creditors, and with intent and for the purpose of giving preference contrary to the provisions of the Bankruptcy Law. . . . [as they] transferred and set over unto said diverse persons, firms and corporations large valuable property consisting of merchandise, accounts and dues receivable of the value of $10,000 applicable to the payment of debts of the alleged bankrupts.

Your petitioners are informed and believe that said alleged bankrupts conveyed, transferred concealed or removed or permitted to be concealed or removed, a large part of their property of considerable value not exempt from levy and sale under execution. . . . the alleged bankrupts have their domicile and residence at the time of the filing of this petition. (“In the Matter of Max Kobre and Moses Ginsberg,” Case #5263, 30–31)

In short, the lawyers for Weinstein argued that depositors should not only be able to make claims on Kobre's real estate holdings, including his private home in Manhattan, but that Kobre had to consolidate all the banks' assets from his bank businesses at 41 Canal Street, 1783 Pitkin Ave in Brownville and 81 Grand Street, Williamsburg Brooklyn (“In the Matter of Max and Sarah Kobre” 8; “In the Matter of Max Kobre and Moses Ginsberg” Case #6101). Residents of Manhattan should not be given preference, according to Section 24B of the Bankruptcy Act, the petition argued—all of Max Kobre's assets had to be consolidated so that he could pay off debts in his Pitkin Ave bank branch in Brooklyn with funds from his Lower East side establishments (“In the Matter of Max and Sarah Kobre”).
To be sure, the cases involving the closed Jewish immigrant banks of 1914 may have not set legal precedent but they did occupy much of the courts' time. The history and evolution of bankruptcy legislation and code is one of the least-often studied areas of American legal history. The evolution of the bankruptcy code from the mid-1800s to 1914 can be viewed from a larger point of view as the story of American legislators coming to terms with America as it was. By 1914, it can be seen as New York State judges trying to shape America as an emerging world power populated by immigrant risk-takers and speculators, not just idyllic agrarians. To be sure, the story of bankruptcy legislation in the United States is also a distinctly American and political one. As exemplified by the reaction to the failed Jewish immigrant banks of 1914, code was slow to change as a result of conflicts between state and federal rights, as well as the system of checks and balances.

By looking at specifically how New York’s bankruptcy courts dealt with the onslaught of cases resulting from the 1914 Jewish immigrant bank closures, one is constantly reminded that the roots of the bankruptcy code, as John Witt points out, lay in ideas of religious moralism. When bankruptcy laws did not keep debtors in line, prominent preachers in the nineteenth century turned to religious rhetoric to shame debtors into good behavior. As Witt notes, moral and religious language was used to supplement the legal action. But in 1914, New York State bankruptcy judges quickly realized that religious language would not curb the behavior of these non-Protestant immigrant bankers. Thus, the court exhibited a more stringent approach to Jewish immigrant bankers. While the US Bankruptcy Code may have been the most liberal debtor relief bankruptcy system to come into existence since the Jubilee Year of the Old Testament, as late-nineteenth century US bankruptcy law enabled the debt-strapped corporation to set its debts to one side, and continue in business, rather than shutting down, Jewish immigrant bankers were not given the same leeway, depriving the economy as a whole of its products and (what should be) its contribution to the common good.

On November 13, 1914, all filed into the courtroom of Thomas I. Chatfield. Representing the people, Jeremiah Mahoney would spend the next five days making sure “the truth [is] brought out” concerning whether Moses Ginsberg was “a partner in the entire Max Kobre Bank” or just a partner in his Brownsville branch (“In the Matter of Max Kobre and Moses Ginsberg” Case File 5263). As the bankruptcy court hearing suggests, “The Brownsville Branch may have been far more profitable than the New York business” (4). The profits were derived from the fact that the bank also ran the Saratoga Improvement
Company as well as the Collective Holding Company, two corporate entities that invested in real estate in Brooklyn led by Moses Ginsberg, Louis Weinstein and Elias Frankle. Frankle had worked at Kobre's original bank at 40 Canal Street since 1908. But he moved to the Brownville bank in 1913, which employed around fifteen people, because of the numerous real estate deals being conducted there with bank assets.

In the end, Kobre did not have his full day in court. On June 5, 1916, the New York Times attracted readers with the headline: “Max Kobre Dead on Eve of Trial.” All were intrigued about the details of his death, since he had once threatened suicide during his two-year indictment for the failure of his private banks on the Lower East Side and Brownsville during one of the many heated exchanges he had with assistant district attorney, Leslie Tompkins. In one particularly charged encounter, Kobre railed that he would rather commit suicide than see his family lose their Harlem home at 115 West 122nd Street. So when Kobre was found on his kitchen floor, “lying under an open jet of a gas stove,” just hours before his trial was to start, many became suspicious. One police officer declared it suicide, only to be corrected shortly thereafter by the city coroner: Max Kobre died of heart disease, falling to the ground from a massive heart attack while heating himself some milk so that he could fall asleep. As the coroner summed up: “a man does not commit suicide standing up . . . [the abrasions] found on Kobre’s body indicated that the banker had falled [sic] to the floor near the gas stove.”

The controversy that surrounded Max Kobre in his death mirrored the conflicting attention his bank’s failures received in its demise after 1914. Did Kobre deserve jail time? Or was he just an overextended immigrant entrepreneur who was caught in a precarious position by the unexpected events of the summer of 1914 as a result of his real estate investments and offers of credit to those willing to invest in developing new areas of New York City?

IMMIGRANT BANK CLOSURES AND THE EXPANSION OF NEW YORK STATE BANKING LAW

The new banking laws passed in the years immediately following the closures of the Jewish immigrant bank failure marked a watershed moment in the history of commercial banking in New York City. While historian Jared Day argues that the era of immigrant banking came to an end during the early 1920s
after “Americanized” immigrants began their own attack against immigrant
banks, the aftermath of the closing of the Jewish immigrants banks suggests
that it was increased state regulation that ultimately led to the strangulation of
the immigrant banking system. As Day notes, “the numerous immigrant bank
failures of 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 ac-
cepted 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
(Day 75–76; W. and M. Hamm). While the Wells Law addressed issues of cor-
ruption in the world of immigrant banking, Max Kobre had not actually done
anything corrupt or illegal; rather he had invested heavily in real estate that he
could not liquidate quickly. In response, banking and legal authorities crafted
the Banking Law NY §156, that 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.”
The law would enable depositors to make claims against the Kobre’s massive real
estate holdings. Banking Law NY §156 would go on to define banking insol-
vency 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 and bankers constituted a large segment. While 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” (5–6). 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.

Thus, New York State revised its banking laws in 1914, declaring in chap-
ter 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 super-
vised by the New York State’s Banking Superintendent.” Moreover, the new
Banking Superintendent in 1921, George McLaughlin, pushed the New York
State Senate and the governor to pass a new bill to further amend the 1914 state
banking law. As he explained to Governor Franklin Delano Roosevelt, “The
purpose of the new proposed bill is to broaden the powers of savings banks so
that they may make foreign transmissions through banks or trust companies
that incorporate under the laws of the State of New York. They do expect . . . they will attract the foreign born into their institution . . . [and will] educate them [from the problems with their immigrants banks] (George McLaughlin to Hon. C. Tracy Stagg, Counsel to the Governor, 1921). This note pushed Governor Roosevelt to support the amendment proposed by State Senator Cotillo and approve it on April 9, 1921. McLaughlin lauds this endorsement, claiming it would represent “a step in the right direction” in his effort to erase the need for the services provided by immigrant banks.

Beginning in 1921, the Banking Department’s regulatory push led at least thirty-six private banks to incorporate as state banks or become a part of other financial institutions (Table 1). Meanwhile, from 1914 to 1932, the Department liquidated approximately 101 private banks. While it is undocumented as to why these banks were liquidated and whether it was voluntary, it is clear that the Banking Department utilized its authority to close immigrant banks more than other institutions run by private bankers as it waged a war against institutions catering to the foreign-born that they believed were financially unsound.

The Banking Department’s efforts to liquidate immigrant banks and pressure them to become incorporated transformed the strategies used by those remaining Jewish immigrant bankers to earn money. The percentage of real estate and mortgages of total assets these banks held dropped significantly. In 1915, real estate and mortgages comprised 36% of the total assets of these banks, and this figure dropped to as low as 7% in 1923 and 1926.

In the decades after the 1914 Jewish immigrant bank failures, banking regulators became convinced that the informal financial institutions used by immigrants 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.”

Drawing on prohibition era discourse, Broderick made clear that unregulated immigrant bankers were akin to renegade bootleggers.

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 (Van Horn 116). With private banks’ capacities significantly stricken by the efforts of the Banking
Department, by 1932, only seventeen private immigrant bankers remained under the Superintendent of Banks’ supervision while in 1909 the Dillingham commission had found over one thousand operating in New York City alone (Annual Report of the Superintendent of Banks, 1932).

Table 1: Number of Private Banks Authorized, Liquidated and Incorporated as State Banks, 1915–1932 (Annual Reports of the Superintendent of Banks, 1914–1932).\textsuperscript{15}

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Private Banks</th>
<th>Number of New Private Banks Authorized</th>
<th>Number of Private Banks liquidated</th>
<th>Number of Private Banks that became incorporated banks or were absorbed by incorporated institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>75</td>
<td>29</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>1916</td>
<td>76</td>
<td>11</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>1917</td>
<td>80</td>
<td>9</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>1918</td>
<td>84</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1919</td>
<td>91</td>
<td>10</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>1920</td>
<td>101</td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>1921</td>
<td>98</td>
<td>3</td>
<td>4</td>
<td></td>
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<tr>
<td>1922</td>
<td>95</td>
<td>3</td>
<td>5</td>
<td></td>
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<tr>
<td>1923</td>
<td>90</td>
<td>0</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>1924</td>
<td>82</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>1925</td>
<td>74</td>
<td>0</td>
<td>0</td>
<td>4</td>
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<tr>
<td>1926</td>
<td>68</td>
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<td>8</td>
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<td>1927</td>
<td>59</td>
<td>0</td>
<td>7</td>
<td>2</td>
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<td>1928</td>
<td>50</td>
<td>0</td>
<td>6</td>
<td></td>
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<tr>
<td>1929</td>
<td>44</td>
<td>0</td>
<td>7</td>
<td>17</td>
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<td>1930</td>
<td>33</td>
<td>0</td>
<td>18</td>
<td></td>
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<tr>
<td>1931</td>
<td>20</td>
<td>0</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td>17</td>
<td>0</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>101</td>
<td>36</td>
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</table>
CONCLUSION
In the decades following 1914, the world of immigrant banking would virtually disappear from the streets of New York City. As the banking capital of the nation, its legislations and actions served as a model for other states to address the problem of “immigrant banking.” As ships used were seized to transport troops, the business of mass migration came to a halt. The world of open borders irrevocably gave way to regulations and border control that ended an era of global free movement of people, capital, and credit (McKeown 156). So what is the historical significance of the lost world of Jewish immigrant banking and immigrant banking writ large? First and foremost, Jewish immigrant bankers were far from exceptional: dozens of other immigrants inserted themselves in the American economy through conducting businesses that depended on connections on both sides of the Atlantic. The virtual erasure of these businesses from the annals of history because of the business’ ultimate collapse has obscured the transnational ties shaping early-twentieth century American business. The narrative of East European Jewish migration has been shrouded for far too long by American nationalist mythology and Emma Lazarus’s powerful imagery. But East European Jewish migration was embedded in a larger system of distribution in which a migrant served as a lucrative commodity. This commodity was expertly speculated on by Jewish immigrant bankers like Max Kobre. Once the regulation of ship ticket prices made the sale of ship tickets no longer profitable, men like Max Kobre turned their attention to real estate speculation as well. By offering credit to prospective migrants and other business practices, East European Jewish bankers both fueled and shaped this mass population shift. Once their immigrant clientele arrived in America, the continued access to credit offered by men like Kobre transformed not only immigrant economic adaptation to America but also the physical landscape of New York City.
Notes


2. Under the national banking system, national banks outside of New York were required to maintain 15% of their reserves, of which three-fifths, or 9%, would be held as deposits in New York. If a bank was seen as failing in New York City, it could create a panic throughout the country.

3. 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, 31 July 1914, p. 4; Forverts, 14 Aug. 1914, p. 5; Varheyt, 1 Aug. 1914. For a discussion of the larger reaction to the outbreak of war in the Yiddish press see Rappaport.

4. For a discussion of Jews in New York real estate see Schepper 24; Freed 719; Hirsch 183; Morris 187; also see editorial “New York Structural Progress and the Jew” 181; Dolkart. For a discussion of Chicago, see Satter.

5. Indeed, scholarship on Jew’s role 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, as Deborah Dash Moore points out, relied on their ethnic networks to build the types of dwellings that would entice middle class Jews. See Moore, At Home in America 19–59.

6. The Lower East Side housing stock was described in Century Magazine, Nov. 1888, quoted in Rischin 93; Wolfe 27.

7. The Metropolitan Council on Jewish Poverty (51) discusses the dire predicament of the “near poor” who barely manage to “make ends meet” with their paychecks and can easily join the ranks of the destitute.

8. Magnes Archives, File P3/1803. Also see Files of the New York City East Side Emergency Loan Fund.

9. This memorandum is undated but probably was penned in August 1914 as it is reprinted in the American Hebrew, Sept. 1914.

10. “Depositors’ Protective Committee.” I would to thank Arthur Goren for giving me this document.

11. Several noteworthy works on the history of Bankruptcy law include Skeel; Witt, and Warren, a 1935 history written from the study of Congressional debates; and Bays, written as part of an informative American Commercial Law Series in 1920.

12. Under the traditional Anglo-American “rule of law”—modeled on Roman law—contracts are considered sacrosanct, and debts must be repaid at all costs, in former times often at the cost of the life or liberty of the debtor. Thus, to be bankrupt was considered a crime to be punished.

13. This law can be accessed and read in full through Westlaw, Document 14_39_33_4300.
14. I would like to thank Shira Poliak for sharing her Barnard thesis with me. See Shira Poliak, “Protecting and Assimilating Foreigners: Immigrant Banks and New York State Banking Regulation, 1907 to 1932.”

15. 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.
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