

**Credit, capital and community:
informal banking in turn-of-the-century
immigrant communities in the United States, 1880-1924¹**

By Jared N. Day

By the 1990s, the social and cultural history of banking has become one of the more active and exciting areas of research within the general field of business history. No recent study has captured the intellectual possibilities of this topic better than Lendol Calder's *Financing the American Dream: A Cultural History of Consumer Credit*, which traces the development of the small loan business, usury law, and changing public attitudes toward consumption-based debt within the day-to-day experiences of average Americans. It widens the historical lens to encompass not only institutional studies -- long the meat and potatoes of banking history -- but to include ethnic and cultural attitudes as well, long the staples of social history.

With its focus on one area of lending, Calder's study begged many questions about other financial services as well as about the service providers themselves. Even as mainstream Americans developed new sources of institutional credit in the early twentieth century, how did immigrants respond -- given that they were usually not welcomed at traditional banks? What formal or informal practices, traditions or institutions did they rely on to assist them in accumulating and managing their resources in the new world? Who did they look to in their communities? And what happened to these practices, traditions or institutions? With these questions in mind, this essay will examine a specific group of

lenders at the turn of the century in the United States, immigrant bankers. These ethnic entrepreneurs were usually based within other commercial enterprises including groceries, bakeries, saloons, booksellers, boarding houses, and peddlers' carts, and they provided critical financial services to their communities. Despite the name, immigrant bankers bore only a passing resemblance to the founders of immigrant savings and loans which were briefly popular in the early twentieth century. Immigrant bankers rarely surrounded themselves with the institutional trappings of banks. Located within the economic and social fabric of immigrant neighborhoods, these informal bankers were crucial financial intermediaries for ethnic immigrants, most notably eastern and southern European immigrants, and they eventually became important investors and property holders in developing urban ethnic enclaves in the United States.

While several historians have explored the immigrant banking phenomenon, few have stepped away from one ethnic group and examined the banks as a multi-ethnic phenomenon. While Shelly Tenenbaum and Irving Howe have looked at Jewish immigrants and Gunther Peck, Donna Gaccia, Humbert Nelli, Richard Juliani, and Luciano Iorizzo have examined Italians, these analysts and others have tended to emphasize the culturally unique features of their subjects and underplayed the broad cross-cultural characteristics of immigrant banking.² The most insightful and suggestive

¹The author wishes to acknowledge Professor Shelly Tenenbaum of Boston College for generously sharing her own research, insight, and sources on this topic.

²Tenenbaum, *A credit to their community*; Howe, *World of our fathers*, pp. 140-142; Peck, *Reinventing free labor*; Gabaccia, *Italy's many diasporas*, pp. 58-80, and Gabaccia's "Little Italy's decline"; Nelli, "The Italian padrone system in the United States"; Juliani, "The social organization of immigration", pp. 208-218; Iorizzo, *Italian*

study of immigrant banking's multi-ethnic dimensions is Gunther Peck's examination of the padrone system in the American West. Unlike earlier studies, Peck's work showed how Italian and Greek labor agents dealt with a wide cross section of Eastern European immigrants, not just those from Italy or Greece. Peck focused on padrones as labor agents, and failed to discuss their connection with informal banking except in passing. In this essay, I will examine immigrant banking in the U.S. as a pervasive, cross-ethnic phenomenon from its heyday in the 1880s and 1890s through its gradual decline after 1907 until the mid-1920s.

I

Immigrant bankers can trace their origins in America to the 1860s, if not earlier.³ They operated discreetly within the fabric of ethnic urban neighborhoods in most of America's major cities. Several key developments in the 1860s help explain their later proliferation. Following the Civil War, both American corporations and steamship lines began using well-connected or well-respected Jewish, Italian and other ethnic businesspeople as labor agents and sellers of steamship tickets. As the American (or Keystone), the Red Star, North German Lloyd and the Hamburg American Lines made more trips to more American cities on set schedules, ethnic intermediaries became more essential.⁴ In the early 1900s, one steamship line alone retained between 1,800 and 2,000 ticket agents around the country almost all of whom were immigrant bankers. Another firm employed

immigration and the impact of the padrone system; and Iorizzo, "The padrone and immigrant distribution". See also Iorizzo and Mondello, *The Italian Americans*.

³See Leiter, "Opening the door," pp. 84-86, and Koren, "The pedrone system and pedrone banks".

⁴Leiter, "Opening the door", pp. 85-86.

over 5,000.⁵ Most importantly, the rising tide of eastern and southern European immigration placed a much higher value on the various services provided by these ethnic, bilingual intermediaries. In 1881, for example, Manhattan's 22,000 tenements held approximately 500,000 people, most of them immigrants. By 1895, New York City's tenements held 1.3 million tenants, double the number a decade earlier.⁶

Three common features distinguished most immigrant bankers. First, they relied heavily on working-class immigrants either as customers, tenants, or workers. Second, providing local credit was an essential part of their other commercial services. Throughout the U.S. in late nineteenth century working-class communities, tradesmen, shopkeepers and saloon owners routinely granted credit as a matter of custom. In a world of strangers, it was completely reasonable for newly-arrived immigrants to seek out fellow countrymen who implicitly extended trust to them in the form of credit. Finally, immigrant bankers were those who were able to convert these simple acts of trust into money by developing a wide range of ancillary operations specifically designed to serve the immigrant community.⁷

Logically, the most common service was the selling of steamship tickets, and it was a powerful financial anchor for private ethnic bankers. As Congressional investigators

⁵United States Senate, *immigrant banks*, pp. 222-223. This report is by far the richest single primary source on the multi-ethnic character of turn-of-the-century immigrant banking. Its limitations are nicely summarized in Handlin, *Race and nationality*, p. 93 and, more recently, in Lund, "Boundaries of restriction".

⁶Meltzer, *Taking root*, p. 66.

⁷United States Senate, *immigrant banks*, pp.205-209. See also State of New York, *commission of immigration*, pp. 24-26.

would note in 1910, “To the [immigrant newcomer] the steamship agent is the sole connecting link with the fatherland. As the representative of well-known [shipping] lines, he ascribes to the agent a standing a responsibility such as he has no cause to assign to any American institution.”⁸ Selling steamship tickets was only a beginning. Immigrant bankers also routinely established informal savings accounts for patrons. Beyond extending credit, selling steamship tickets, and safekeeping money or valuables, immigrant bankers often translated and notarized legal documents, contracted labor, and located housing. For each of these services they routinely charged fees. In addition, they often kept the interest on their customers’ savings, paid checks and notes when immediate payment was desired, and acted as informal legal advisors. One Hungarian immigrant banker advertised that he could obtain all kinds of documents (birth, marriage, death, school records), that he could adjust cases of “military matters, those concerning orphans, parents, registry and effacement of mortgages and loans and industrial matters.”⁹

Greek and especially Italian immigrant bankers were long associated with labor agents or so-called “padrones.” Much has been written about the padroni system in the late nineteenth century, most of it focusing on their role in promoting chain migration to labor-hungry communities in America’s North and Midwest. For a percentage of future wages, padrones paid laborers’ travel expenses to specific job sites in the United States. Once in the U.S., the padrone continued to manage groups of laborers, locating new work

⁸United States Senate, *immigrant banks*, pp. 205-209. For more on their links to the sale of steamship tickets, see Nadell, “From shtetl to border”, pp. 49-78; Leiter, “Opening the door,” pp. 84-85.

assignments and organizing lodging, food, and other necessities for these transient work gangs. While padrones and immigrant bankers, could, at times, work independently, it was usually impossible to separate the two functions into discrete occupational categories. In the early 1900s, for example, two padrones operated a bank and labor agency in Philadelphia as well as stocking numerous commissaries catering to their work crews in New Jersey. While one partner remained at the work sites directing the commissaries, the other organized the men and shipped them where needed. They also provided a range of immigrant banking services.¹⁰ In another case, a *Banco Italiano* official claimed that he had advanced travel expenses to Italians immigrating to the U.S. at 6 percent interest. In this fashion, he imported 14,000 Italian workers from approximately 1865 to 1884.¹¹ At the end of the nineteenth century, according to Glazer and Moynihan, Italian immigrant bankers and padrones held sway over perhaps *two-thirds* of the Italian laborers in New York City, sending thousands of them to work as far west as California or south to Florida.¹²

While New York City was, by most accounts, the epicenter of multi-ethnic immigrant banking, bankers who doubled as labor agents were also concentrated and well-organized in the Midwest and West, particularly in Chicago. One 1908 study of Chicago employment agencies found that they acted cumulatively as a “clearing house” for seasonal labor for the central and western states. Most of the agencies investigated were

⁹United States Senate, *immigrant banks*, pp. 228-231.

¹⁰United States Senate, *immigrants in industries*, p. 393.

¹¹Erickson, *American industry and the European immigrant, 1860-1885*, p. 84.

located in immigrant bank or steamship offices or in close proximity to associated lodging houses or saloons. Seventy percent of the employment agencies in Chicago that placed immigrant labor were linked to Italian immigrant bankers.¹³

If European and American officials and reformers hated the padrones, they were still widely trusted and respected within Italian immigrant communities. Italian immigrant bankers emerged from the same ethnic milieu of community trust that fostered immigrant banking as a multi-ethnic phenomenon and helped explain their resilience in the face of nativist hostility.

Contemporaries often associated Jews and Italians with immigrant banking.¹⁴ However, it is essential to realize that immigrant bankers could be found in most major and many minor American cities, and that they represented virtually every eastern and southern European immigrant community including Hungarians, Poles, Russians, Slovaks, Croatians, Greeks, Magyars, and Serbs.¹⁵ For example, Henry Spira, born in Richwald, Hungary, immigrated to Ohio in 1879 where he began work as a peddler. He returned to Hungary in 1885 and became a liquor merchant. He then returned to the United States in 1890 and established himself as a liquor wholesaler in Cleveland. In 1891, he formed a

¹²Glazer and Moynihan, *Beyond the melting pot*, pp. 190-194; and Sheridan, "Italian, Slavic and Hungarian unskilled labor", p. 416. For a broader view of the padrone system's influence over migration, see Peck, *Reinventing free labor*, especially pp. 15-48.

¹³Abbott, "Chicago employment agency".

¹⁴On Jewish immigrant banking see, for example, "Immigrant Banks in NY"; "A Jewish Immigrant Bank"; "Organize immigrant banks"; "Dynasty". See also Pecorini, "Italians in the United States", pp. 15-29; and Juliani, "Social organization", pp. 208-218. Among Italian-language sources, see de Luca, *emigrazione Europea*, 1: 177.

foreign exchange and banking office which included a steamship agency. Under its official name, the “Bank of Henry Spira” was first located on lower Broadway and then moved to Woodland Avenue where it became the Spira Savings and Loan Association.¹⁶ Immigrant banking not only embraced most eastern and southern European groups, but at times also serviced multiple ethnic groups and formed regional multi-ethnic managerial structures or banking combinations. For example, three such banks existed in western Pennsylvania run by three Hungarians. Although they were independently owned and managed, they were so closely associated that they were known locally as a single entity. They, in turn, were closely allied with two other banks, one managed by a Magyar son-in-law, the other by a Slovak. According to one investigation, these five banks “are of mutual benefit through the interchange of financial information and assistance.”¹⁷ As Frederick Binder and David Rheimers have suggested, these modest businessmen, discreetly located within the socio-economic fabric of American ethnic enclaves, emerged as central actors in the social networks that coordinated the process of immigrant relocation to the new world.¹⁸ Moreover, they not only provided essential financial services to vulnerable newcomers, in a larger sense they became the gatekeepers to the American dream -- whether that dream was bringing over family and friends from the old country, buying property, getting a job, saving money, or simply finding a place to live.

¹⁵United States Senate, *immigrant banks*, pp. 214-217; State of New York, *Commission of Immigration*, p. 25..

¹⁶See the papers of Henry Spira, MS 3760, Western Reserve Historical Collection, The Western Reserve Historical Society, Cleveland, OH.

¹⁷United States Senate, *immigrant banks*, p. 223.

II

One reason why immigrant banking was so ubiquitous for many different ethnic groups was a common feature -- southern and eastern European immigrants were unwelcome at mainstream American banks. Regular banks rarely had translators, their hours and customs often appeared quite alien to immigrants, and banking staff often treated immigrants with impatience. According to investigators, a Slovak immigrant banker kept his office untidy on purpose, the banker said, "men would come in in their working clothes often covered with mud, frequently intoxicated, which, together with [their] smoking and spitting, kept the room in a constant state of disorder." The Commission further noted that "such a condition would not be tolerated by an American bank. Moreover, the average immigrant feels a certain hesitancy in entering in his working clothes a building of the character of some city banks."¹⁹ In contrast, immigrant bankers spoke the language of their patrons; they already had established reputations within their communities, and they usually did not care how their patrons dressed.

Unregulated, unlicensed and reliant upon communal trust and informal rules of conduct, the immigrant bankers were quite vulnerable to runs on their banks as well as to the temptation to embezzle funds. Evidence suggests that financial mismanagement and corruption were fairly commonplace. Federal and state investigators as well as many urban newspapers provide numerous examples of errant bankers, peddlers and shopkeepers who absconded with money left either for steamship tickets or for

¹⁸Binder and Rheimers, *All the nations under heaven*, p. 156

¹⁹United States Senate, *immigrant banks*, p. 216.

safekeeping.²⁰ When runs on immigrant banks occurred, at times they became violent spectacles. When Munzio Pacelli's bank in New York City failed in 1908, his offices on Laurel Avenue, were wrecked by enraged and impoverished Italians. Depositors had discovered that the money which they had cabled home to Italy through Pacelli's office had not reached there. After an investigation, Pacelli fled. Fifty patrons descended upon the deserted banking rooms, and broke windows and doors with stones. The safe doors were torn off and thrown into the street.²¹

As a rule, immigrant bankers were not embezzlers or con men. Indeed, they routinely provided legal aid or provided services such as locating work or housing at no charge. High reputation and a good name were the foundations of the immigrant banking business. As a result, as Richard Juliani has noted for Italian bankers in Philadelphia, they were usually very highly regarded within their communities.²² In 1911, investigators described the owners of the five allied banks in western Pennsylvania, as "men of great influence among the people, possessed of considerable wealth, and [who] practically control the Austro-Hungarian patronage of their district. The banks are of good repute and are recognized as institutions of strength in their respective towns."²³ In numerous studies of the lives of immigrant bankers, such testimonials from immigrant and non-immigrant sources alike are commonplace. Indeed, even padrones, despised by mainstream American reformers, are often revealed as well-regarded community leaders,

²⁰See, for example, "Protect depositors", "A popular fund"; "An all day run on an Italian bank"; "East side bankers close their doors"; See also Cleveland Chamber of Commerce, *irresponsible private banks*, pp. 1-8.

²¹"Banker gone with \$100,000", p. 1.

²²Juliani, "Organization of social immigration", pp. 214-218.

highly respected by both ethnic compatriots and non-immigrant neighbors and political leaders.²⁴ The classic example of such a figure is Thomas Marinelli (or Marnell), an immigrant banker and labor agent from Syracuse, New York. As a banker, real estate broker, foreign exchange and steamship ticket agent, Marnell became the recognized “king” of public works contractors in the city, a leading politician and civic organizer in both Italian and American fraternal societies. He was a member of the Agostino Depretis Society, a military and mutual aid society, as well as a life membership of the Elks.²⁵ According to Luciano Iorizzo and Salvatore Mandello, Marnell’s activities were “typical of ... countless padroni throughout the United States.”²⁶

III

From the 1870s through the 1890s, many U.S. and foreign officials waged periodic campaigns against immigrant bankers. In particular, Greek and Italian bankers were targets of these efforts because of their association with labor agents. In 1873, Italy passed a sweeping anti-padrone law aimed at Italians transporting unrelated children to the U.S. for money. This was followed quickly in America by similar legislation in 1874. These laws and occasional, well-publicized cases brought against eastern and southern Europeans made padrones reviled among immigration and welfare groups including the Society for the Prevention of Cruelty to Children and the New York’s Charity

²³United States Senate, *immigrant banks*, p. 223.

²⁴Juliani, “Organization of social immigration”, pp. 214-218. See also Swanson, “Italians in Cortland, New York”, pp. 266-268; Baden, “D.J. ‘Joe’ Saia”, 107-155.

²⁵Iorizzo, *Italian immigration*, p. 130.

²⁶Iorizzo and Mandello, *Italian Americans*, pp. 168-169.

Organizations Society.²⁷ In the 1890s, the Italian government half-heartedly operated a bureau at Ellis Island whose main objective was to destroy the padrone system and to channel Italian workers away from New York City where padrone proliferated. In 1899, the Bureau was shut down following complaints that its activities were ineffective and that, indeed, it had become “a mere agency of the padroni.”²⁸ In 1906, the Italian government provided a large subsidy to establish a Labor Information Office in New York to eliminate the need for the padrones. However, these and other efforts directed against Greeks and Italians failed to disrupt the overall structure or profitability of immigrant banking within those communities — and for Jews, Hungarians and other eastern and southern European groups that lacked a strong “labor agent” tradition, immigrant bankers went about their business undisturbed.

This freedom from oversight began to change after the turn of the century when nativist sentiment led increasingly to calls for limitations on immigration. The sheer number of new arrivals appeared to support calls for restrictions. The total arriving in 1903, 857,046, surpassed all previous years and by 1905 the number of immigrants exceeded one million.²⁹ An abundance of widely-read newspaper editorials, magazine articles, and books warned readers of the perceived dangers of this influx. Anti-immigrant tirades, including sociologist Guy Halifax's "The Immigrant Scourge," Immigration Restriction League spokesman Prescott Hall's "Selection of Immigration," and Massachusetts

²⁷*The padrone case*, pp. 3-5, 29-36.

²⁸Letter dated June 20, 1899, Count Vinci to John Hay, Notes from the Italian Legation in the US to the Department of State, 1861-1906, National Archives, cited in Iorizzo, “The padrone and immigrant distribution”, p. 45.

²⁹*Statistical Abstracts*, pp. 66-67.

Republican Senator Henry Cabot Lodge's "Efforts to Restrict Undesirable Immigration" stirred nativist passions by emphasizing the undesirability of southern and eastern Europeans.³⁰ Their arguments fueled the fear inherent in the demand for greater restriction and persuaded many to put aside the ideal of America as an asylum for the oppressed. As John Lund has noted, on the federal level, Vermont Republican Senator William Paul Dillingham spearheaded restriction as chairman of the Senate Committee on Immigration from 1903 and 1911 and chairman of the Dillingham Commission, a joint House-Senate Immigration Commission from 1907 to 1911. The commission's investigation began in response to nativist calls to cut off immigration from Japan and southern and eastern Europe.³¹ Between 1900 and the late 1920s, anti-immigrant sentiment remained a leit motif of the growing campaign against immigrant banking.

Other factors also promoted the growing sense that specific banking reforms were needed. Mainstream bankers began to view their immigrant counterparts as real competitors. Beginning around 1900, mainstream banks in St. Louis, Chicago, Cleveland, Pittsburgh, and other large cities began quietly establishing what were called "foreign departments" to sell steamship tickets, transmit money abroad, and take deposits for savings accounts. In 1902, for example, Pittsburgh had twelve or more state, national, and savings banks that began maintaining well-equipped foreign departments that included steamship agencies. Foreign departments were usually staffed by managers and clerks of the ethnic background of the clientele the banks were courting, and, most

³⁰ Halifax, "immigrant scourge", pp. 65-69; Hall, "Selection of immigration", pp. 169-184; Lodge, "Efforts to restrict undesirable immigration", pp. 466-469.

³¹ Lund, "Boundaries of restriction," p. 1.

tellingly, these departments often came about when mainstream banks absorbed local immigrant banks.³² Around 1924, as an example, the Perth Amboy Trust Company in New Jersey, organized a ‘special department’ for “soliciting the accounts of foreigners, [and] placing a foreigner in charge to do nothing else but that work.” In nine months, the department established over 1,700 new accounts with total deposits amounting to \$146,200. Trust officials borrowed wholesale from the standard methods of immigrant banks, including advertising freely in foreign newspapers, distributing circulars, and having bilingual staff on hand in the bank to meet the needs of foreign depositors. They went further as, according to a reporter for a banking industry monthly, “the groundwork of their plan is the house-to-house canvass, lectures at the various foreign societies by a representative of the bank who speaks their own language and is really of their own kith and kin.” Company officials clearly viewed the immigrant banker as a prime competitor as the reporter noted that the savings held by the bank was “money previously hoarded, ‘left with the Boarding Boss,’ or otherwise withheld from circulation.” The reporter summed up the growing realization of banking officials in Perth Amboy and elsewhere when he stated, “All of these things may seem like too much trouble and too much catering to a foreign class, but it pays from a banking standpoint, while it also pays in a larger sense, that of really Americanizing those people through contact with our bank.”³³

To further counter their influence, banks supplemented their foreign departments by establishing so-called “neighborhood” or branch banks in sections populated by

³²United States Senate, *immigrant banks*, pp. 214-217.

³³DeYoung, “Educating the other three-fourths”, p. 30. For other examples, see Beasley, “The ‘bank of unselfish usefulness’”, p.47. Many mainstream banks also began promoting a broad savings and thrift movement in the public schools, a movement that

immigrants. The Dillingham Commission noted in 1911, that these branch banks were “more or less successful in securing a share of the immigrant business, both as regards remittances abroad and savings accounts.”³⁴

Starting in the 1890s and accelerating for the next twenty years, nativist groups, banking reformers and other critics began to campaign against immigrant banks. The occasional episodes of fraud or embezzlement gave credence to Progressive-era critics who felt that unlicensed lending in all its forms needed greater regulation, a perception highlighted by the widespread misconception that most immigrant bankers engaged in exploitation, fraud and loan sharking. Between 1900 and 1920, reformers began to demand stricter regulation of immigrant banking. Leading critics such as Albert Hamm, Rolf Nugent along with the Russell Sage Foundation, as well as local legal aid societies and anti-loan shark advocates, began to demand that legal action be taken against unlicensed lenders.³⁵ State legislatures in New York, Massachusetts, and Illinois as well as civic organizations such as the Cleveland Chamber of Commerce joined the chorus for reform. In New York, the city’s Commissioner of Accounts, the National Civic Federation as well as the Research Department of the Women’s Municipal League conducted investigations of the city’s immigrant banks. Federation investigators argued in 1907 that, “Many fake banks are in existence on the East Side, which profess to forward money abroad. In some cases

explicitly included as one of its targets immigrant parents. See, for example, Taylor, “immediate returns from schools”, p. 45.

³⁴United States Senate, *immigrant banks*, p. 216.

³⁵There is a small but rich secondary literature on the history of the loan shark business. Along with Calder, *Financing the American dream*, pp. 135-146, see especially Haller and Alviti, “Loansharking in American cities”, pp. 125-156. See also A. Graham, “The loan shark evil”.

they purport to be backed by well-known firms.”³⁶ In 1907, with the appointment of the Dillingham Commission, Congress began one of the more critical and comprehensive examinations of immigrant banks in dozens of major U.S. cities. Most of these examinations portrayed ethnic bankers as rapacious usurers bent on destroying the morals, the finances and the reputations of average working men.

Legislators, reformers, and reporters routinely failed to distinguish between ethnic bankers and loan sharks.³⁷ However, there were substantial differences between these two groups of lenders. Beyond the fact that loan sharks dealt in consumer loans while immigrant bankers were more involved in steamship tickets, savings accounts, and work contracts, they came from two entirely different social, economic, and cultural groups in American cities. As Mark Haller and John Alviti have noted, while immigrant bankers flourished in southern and eastern European neighborhood centers and frequented the wharves where immigrants landed, loan sharks tended to come from middle and upper-class, American and northern European families. Their clients tended to be established government and city employees rather than immigrant workers, the standard customers of immigrant bankers. In cities like New York, moreover, the offices of most of the major loan sharking agencies were not located in immigrant communities but rather in financial district such as New York’s Wall Street or Chicago’s Loop.³⁸ For example, Chicago loan sharks (or salary lenders as many reformers called them), clustered in downtown buildings near or within the financial district. According to a 1915 study, over half of the

³⁶“To end fleecing of immigrants”, pt. 2, p. 7.

³⁷See, for example, Cleveland Chamber of Commerce, *irresponsible private banks*, pp. 1-8; “Loan sharks and others”; Calder, *Financing the American dream*, pp. 135-146.

offices of salary loan businesses (152 of 263) were located in the Loop, mostly within a block of Madison and Dearborn Streets. Thus, as Haller and Alviti note, “salary lending offices were not neighborhood centers, but attracted their customers by locating near the government and business buildings where the customers worked.”³⁹ Anti-loan shark activists missed the mark in attacking immigrant banks. Only late in the process did Hamm and others begin to make meaningful distinctions between true loan sharks and immigrant banks. Hamm eventually sought to have unlicensed lenders who were not loan sharks become industrial loan associations, licensed “legitimate” banks or other types of regulated lending institutions.⁴⁰ Many immigrant bankers gradually complied, including Henry Spira and a large number of other bankers who went on to achieve notoriety either as legitimate bankers or as financiers later in the twentieth century.

However, critics had well-founded reasons for attacking immigrant banking . An economic downturn in 1907 caused thousands of immigrant bankers across the country to fail, leaving tens of thousands of working-class depositors penniless. During this crisis, the contrast in the safety of deposits between mainstream banks and immigrant banks was very pronounced. As the Dillingham Commission noted, “The Commission has been impressed by the fact that although during the late financial panic a considerable number of state and national banks went into insolvency, the depositors in those institutions suffered practically no loss, while, during the same period, the losses sustained by the depositors in the [immigrant] banks ... have run into the millions.” In Cleveland alone,

³⁸Haller and Alviti, “Loansharking in American,” pp. 128-130.

³⁹Haller and Alviti, “Loansharking in American Cities,” p. 129.

one report estimated, immigrant bank failures in 1907 had caused local immigrant families two million dollars in losses. In Pittsburgh, another report estimated one million dollars in similar losses.⁴¹

It was largely within this context that federal and state legislators began passing stronger laws targeting immigrant banking. For the purposes of this paper, I will focus just on the legislative actions taken in New York as examples, though comparable legislation was passed in many other states.⁴² Because of the numerous immigrant bank failures of 1907, the state legislature passed the “Wells Law,” which 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 insure these transactions. Since violations of the Wells Law were misdemeanors and the law was poorly enforced, it did little to deter immigrant banking in the state. However, in 1907 and 1908, further legislation brought increasing pressure against immigrant bankers. In 1907, the State Senate considered a bill to amend the Penal Code to obligate all New Yorkers representing themselves as steamship agents to obtain signed authorizations from ship owners -- something very few of them had and which required a substantial bond. Moreover, every ticket or order had to include the

⁴⁰Calder, *Financing the American Dream*, pp. 132-137. See also Haller and Aliveti, “Loansharking”, pp. 128-130.

⁴¹State of New York, *Commission of Immigration*, p. 31-34; Cleveland Chamber of Commerce, *irresponsible private banks*, p. 8. See also United States Senate, *immigrant banks*, pp. 219, 301-302.

⁴²See, for example, Eubanks, “Loan sharks and loan shark legislation”. For a more general portrait of state legislation, see United States Senate, *immigrant banks*, pp. 317-324

price paid and other information.⁴³ In 1908, for example, the Wells Law was amended to include money received on deposit. In September, 1908, new laws took effect that compelled immigrant bankers to file bonds of \$15,000 to guarantee deposits. Previously, if they even bothered to obtain bonds, they could get them for as little as \$50. For the new bonds, many bonding companies were demanding as high as \$300 and \$400.⁴⁴

In combination with other factors, the law's effects were felt quickly in New York's immigrant banking community. On September 29, 1908, three large immigrant banking concerns went bankrupt. Two of them were Italian immigrant banks, one on Mulberry Street, and the other, a private banker, money changer, and steamship agent on Bleecker Street. The third, the largest, was the corporation of Polowe, Mogilewsky & Werner, a steamship agency, foreign money exchange, and private bank, on Grand Street. The business was started by the three principales in 1897, and the business was, for a time, very profitable. But Mogilewsky, who died in 1905, lost on Wall Street \$85,000 of money earned from the business on Wall Street speculations.⁴⁵

More stringent regulation came to New York in the early 1920s when "Americanized" immigrants began their own attack against immigrant banks, branding them as "fake

⁴³State of New York, *Commission of Immigration*, pp. 33-34; "To end fleecing of immigrants".

⁴⁴State of New York, *Commission of Immigration*, pp. 33-34; "East side bankers close their doors", p. 4.

⁴⁵"East side bankers close their doors", p. 4. These failures came on the heels of one of New York's most high-profile immigrant bank failures, the collapse of New York's largest Italian immigrant bank owned by Frank Zotti. See "Bankrupt banker held for larceny"; "Zotti charges conspiracy"; "Banker Zotti faces two more accusers", "Wall street man did it".

banks.” In New York, a naturalized Italian-American lawyer, Salvatore Cotillo led this campaign. In 1913, Cotillo, one of the most prominent ethnic Democrats in the state, became the first immigrant Italian elected to the State Assembly and then the State Senate as well as the first naturalized Italian elevated to the State Supreme. As a lawmaker and judge, Cotillo specialized in social welfare reforms, child welfare bills, and immigration issues. In early 1921, Cotillo took aim squarely at immigrant bankers’ role as labor agents and keepers of workers’ savings. He demanded legislation to supervise immigrant banks doing an interstate business and to safeguard customers’ deposits. While many banks were already establishing foreign departments to compete with immigrant banks, he lobbied extensively for national and state banks to establish these special departments, to staff them with people who spoke the language of immigrant customers, and develop many of the special services immigrant bankers usually provided.⁴⁶ Cotillo and his supporters, aided by the *New York Evening World*, lobbied banks and communities for an on-going publicity campaign designed to reach immigrant wage earners. They advocated co-operative arrangements with industries to educate immigrants about the procedures and safeguards that existed at mainstream banks and to create meaningful ties between these banks and foreign trade organizations doing business in the U.S. and have substantial dealings with immigrant communities.

Cotillo’s 1921 reform bill struck at powerful interests when it placed express companies and steamship agencies that transmitted monies abroad under the supervision of the State Banking Department. Representatives of the Cunard Line, the White Star Line and

⁴⁶ Ferber, *New American*, pp. ix, 112.

companies such as American Express found themselves in an uncomfortable alliance with ethnic bankers opposing Cotillo's legislation. However, in the midst of hearings on Cotillo's bill in March, 1921, a disastrous bank failure of the Tisbo Brothers immigrant bank on Mott Street in lower Manhattan left 2,000 raging depositors taking losses of more than three million dollars. In response, a series of four bills were signed into law on May 1, 1921 which regulated the transmission of funds abroad, allowed the state to closely oversee immigrant banking accounting practices and introduced new licensing requirements.⁴⁷

IV

Many immigrant banks survived the new banking regulations and the loan shark reform movement.⁴⁸ A number moved gradually into legitimate banking, usually savings and loans, industrial loan societies or credit unions, an opportunity created, in part, by Cotillo's 1921 laws. Indeed, many prominent businessmen and financiers of the 1920s and later moved from immigrant banking to mainstream banking or financial services between 1905 and 1925. In New York, these include Semon Bache of Bache and Company; Philip Heidelbach of Heidelbach, Ickelheimer and Company; Henry, Emmanuel and Mayer Lehman, who founded Lehman Brothers; in Boston, William

⁴⁷ Ferber, *New American*, pp. 122-128. See also "Senator Cotillo's bill first of a series to end swindle of aliens by fake money carriers"; "Spectacular bank failure".

⁴⁸ See, for example, Leiter's discussion of the Philadelphia immigrant banks owned by the Lipshutzes, Blitzsteins and Rosenbaums in "Opening the door," pp. 86-87; and Bloom, "Dynasty", pp. 116-119, 152-164..

Filene of the eponymous department store; Abe Schuman and A.C. Ratschesky of United States Trust; and, in San Francisco, A.P. Giannini, founder of the Bank of America.⁴⁹

Larger social changes began impinging on traditional ethnic banking in the 1920s. World War I and then new restrictions on immigration passed by Congress in 1924 significantly curtailed the flow of eastern and southern European immigration, particularly Jews and Italians who were singled out in the restrictions.⁵⁰ Since the establishment of the Dillingham Commission in 1907, Congress had considered placing significant restrictions on immigration. In the midst of Europe's post-World War I economic woes, an increasingly isolationist American populism argued that Congress had to act or the nation would be flooded with destitute war victims and their families. Congress temporarily stemmed the tide with the Emergency Quota Act of 1921 which limited each ethnic or national group to a set quota based on the percentage of people who had been living in the United States in 1910. This system still favored eastern and southern Europeans to some extent, and thus Congress replaced it with the Immigration Act of 1924 which reduced the quota from 3 to 2 percent and shifted the national origins base from 1910 to 1890, when comparatively few southern or eastern Europeans were immigrating. The Immigration Act of 1929 used 1920 as the quota base and virtually cut immigration in half by limiting the overall total of immigrants to 152,574 a year.

⁴⁹ Day, *Urban Castles*, p. 41; Bloom, "Dynasty", pp. 155-156; Giovinco, "Democracy in banking", pp. 195-218.

⁵⁰ Groneman and Rheimers, "Immigration", pp. 584-585.

These cutbacks struck at the root of many ethnic banking businesses. Assimilation also began to undercut traditional business practices as immigrants looked to mainstream banks for financial services; they no longer needed the “special” knowledge of the immigrant banker to get work, find lodging, buy a steamship ticket or get a loan. When the gates to America were closed, there was no longer any pressing need for financial “gatekeepers.” Even those bankers that survived the decline in immigration faced serious challenges particularly when the Depression hit in 1929. Indeed, the Depression spelled the endgame for immigrant bankers, as bank failures and sweeping banking reforms devastated this class of ethnic businesspeople.⁵¹

To a large extent, historians have underestimated the significance of immigrant bankers in turn-of-the-century America. The multi-ethnic panorama of peoples that engaged in this line of business speaks loudly about nativist attempts to relegate new immigrant groups to permanent “outsider” status or force assimilation on native terms. Immigrant bankers not only saved money, made loans, and provided legal advice to their patrons, but they deftly circumvented these barriers and visibly modeled a certain type of American success. On those matters that meant the most to newcomers -- reuniting families, finding work, and saving money, immigrant bankers were the ones who made clear the realities of America. As historian Luciano Iorizzo has argued in his study of Italian communities, the Italian immigrant banker or the “padrone” was also known as

⁵¹See Leiter, “Opening the door,” pp. 86-87; State of New York, *exploitation of immigrants*, pp 21-40; and Ferber, *New American*. As Iorizzo has noted, Cotillo was one of the first justices to successfully battle banking, labor, and steamship abuses in the Italian community. See Iorizzo, *Italian immigration*, p. 125.

the “cicerone” or the “guide.”⁵² This appellation was generally appropriate for this whole class of ethnic entrepreneur. Indeed, in everyday activities that were both tangible and broadly symbolic, these ethnic businesspeople acted as emissaries to America *within America*.

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⁵²Iorizzo and Mandello, *Italian Americans*, pp. 181-183.

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