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THE MONEY KINGS

The Jewish Immigrants Who Transformed Wall Street

By Daniel Schulman

Putzel Goldman—it doesn't quite have the same stately ring as Goldman Sachs. Yet this is how the world's most powerful investment bank might have been known had Marcus Goldman remained in his initial partnership with Mayer Putzel.

Marcus joined up with Putzel shortly after relocating to New York from Philadelphia in 1869 with his wife Bertha and their five children. Putzel, also Jewish and of German extraction, was an experienced note broker who traveled the cobbled lanes of Manhattan's financial district making short-term loans to local merchants. Note brokers packaged these IOUs—the predecessor of commercial paper—and sold them in bulk to local banks at a discount, replenishing their capital for the next day's transactions. It was a volume business, and Marcus evidently excelled at it. After about a year, he departed Putzel Goldman and struck out on his own, forming the firm that would become Goldman Sachs. At the time, the credit reporting agency R.G. Dun & Co. didn't think much of his prospects, deeming Goldman "too timid to do much bus[iness]."

It's not surprising that the credit reporters underestimated Goldman. Nothing in his background suggested he would lay the cornerstone of a financial empire so massive and ubiquitous that today there is no need to say anything more than the surname of its founder. (Mercifully, for the company's employees, not Putzel.) He shared that trait—and much else besides—in common with a tight-knit group of business titans who, from remarkable and surprising origins, helped to transform Wall Street as we know it.

The founders of Goldman Sachs, Kuhn Loeb, J. & W. Seligman & Co. and Lehman Brothers—who formed close business and personal connections and whose firms, at various points, dominated American finance—were German-Jewish immigrants, mostly from Bavaria, who sought refuge in the United States in the mid-19th century. The kingdoms of pre-unification Germany had largely treated Jews as a permanent underclass, restricting them from most professions, barring them from property ownership, dictating where they

"The Peddler's Wagon" illustration drawn by Charles Green Bush, 1868. Peddling was the most popular start-up profession for the German-Jewish immigrants who came to the United States in the mid-1800s.

could live and forcing them to pay extortionate "protection" money for the privilege of residing there. One Bavarian lawmaker, enraged by a bill that would have conferred equal rights to the region's Jewish population, summed up the prevailing attitude when he argued that Jews would remain foreigners even if their German roots stretched back a millennium.

In 1848, revolutions swept Europe, as people revolted against the feudal order, demanding democratic reforms and basic civil rights. Known as the Springtime of the People, these uprisings—and the often-brutal crackdowns that ensued to restore order—sent waves of immigrants to the United States. Many of these "Forty-Eighters," as these immigrants were known, hailed from the German states. Marcus Goldman, Solomon Loeb and Mayer Lehman were part of this exodus. By some accounts, Mayer participated in the protests in Bavaria before escaping Germany to join his brothers Henry and Emanuel in Montgomery, Alabama.

Metropolitan Concert Company stock certificate issued to Jesse Seligman, Jr. on May 19, 1880.

Collection of the Museum of American Finance

Goldman and his fellow German-Jewish investment banking pioneers followed a similar roadmap. Most were graduates of what John Langeloth Loeb, Jr., Mayer Lehman's great-grandson and the onetime US ambassador to Denmark, calls "the Harvard Business School for Jewish boys." In other words, they started out as peddlers, often ranging deep into the American interior, far from the nearest towns and cities to hawk an assortment of hard-to-find products at remote farms, mining communities and other rural outposts. Peddlers were like mobile department stores, and they tended to specialize in luxury items, extravagances and "fancy" goods (decorative knickknacks and accessories). There often seemed to be no end to what a peddler could produce from his pack or excavate from his loaded cart: almanacs, mirrors, picture frames, china, cutlery, table linens, bedding, shawls, coats, shoes, lace, silk, embroidery patterns, watches, jewelry, sewing machines.

Peddling was the most popular start-up profession for the German-Jewish immigrants who came to the United States in the mid-1800s because it was a familiar one. It was one of the few jobs available to their fathers and grandfathers in the old country. Peddling, which could be dangerous and lonely, offered a crash course in American customs and the English language and rewarded risk-takers. After gaining some experience and accumulating some capital, the next rung on the economic ladder for peddlers was opening a store.

After peddling largely in New Jersey, Goldman eventually established a successful wholesale clothing business on Philadelphia's Market Street. Similarly, the investment bank of Kuhn Loeb traced its origins to the thriving, Cincinnati-based clothing outfit of brothers-in-law Solomon Loeb and Abraham Kuhn (who initially peddled in Indiana).

The Seligman brothers, led by paterfamilias Joseph (another peddler), operated a handful of dry-goods stores in Alabama before branching into importing and establishing their headquarters in New York. The eldest of 11 children—eight of them boys—Joseph preceded the "Forty-Eighters" by a decade, arriving in 1837 during a financial crisis so severe that eight states and the Florida territory eventually toppled into bankruptcy. He based his peddling operation first in Pennsylvania, sending for one family member after the next until the entire Seligman clan had relocated to the United States.

Within 30 years of arriving in America with the equivalent of $100 sewn into the lining of his trousers, Joseph would be advising presidential administrations on economic policy. Ulysses Grant, a close family friend, reportedly tried to recruit him as his first Treasury Secretary. If Joseph's rise from lowly pack peddler to shop-keeper to one of the nation's foremost financiers seemed like a Horatio Alger tale, there was a good explanation for that. For about eight years, the up-and-coming author lived in Joseph's Murray Hill mansion, where he tutored the banker's sons. Alger and his employer spent many evenings bantering—Joseph enjoyed discussing literature, philosophy and religion—and over the years the author soaked up Seligman's remarkable story.

The Civil War marked a dramatic inflection point, including for the upstarts who in the years to come would help to power the nation's industrial transformation. It signaled their transition from merchants to bankers, though as the conflict worsened Joseph Seligman was far from optimistic about the future. "The state of affairs in the US begins to take on a very dark aspect," Joseph wrote to his brothers not long after Abraham Lincoln's Emancipation Proclamation. He feared for "the downfall of not only the Government, but of all law, order and society."

Emanuel Lehman wrote even more despondently to relatives after the war began: "Alles ist beendet!"—It's all over!

Emanuel had recently formed a New York outpost for the Lehmans' Montgomery-based business, which was slowly branching out from dry goods into the cotton trade. Prone to anxiety about their financial prospects on a good day, he now envisioned the most catastrophic scenarios, as a northern naval cordon tightened around the South.

Unlike the moguls who would eventually compose their New York social circle, the Lehmans thoroughly identified with

Solomon Loeb

Courtesy of The Jacob Rader Marcus Center of the American Jewish Archives, Cincinnati, Ohio at americanjewisharchives.org

Abraham Kuhn

Courtesy of The Jacob Rader Marcus Center of the American Jewish Archives, Cincinnati, Ohio at americanjewisharchives.org

Joseph Seligman

the southern cause, even though the Confederacy sought to maintain and expand a system of subjugation to which they surely could have related as members of an oppressed people. (Mayer would be described later in life as an "unreconstructed rebel.") Many southern Jews came to accept, if not embrace, slavery—though the spiritual dissonance of this position, even at that time, was lost on no one. During one barbed congressional debate over slavery in the 1850s, an abolitionist senator inveighed against "Israelites with Egyptian principles"—a dart aimed at his slavery-defending colleague Judah Benjamin, the Jewish Democrat from Louisiana.

A corporate history published by Lehman Brothers in 1950 to mark the firm's centennial sidesteps the question of whether the Lehmans dealt in black market cotton during the Civil War, but the considerably longer and more detailed unpublished version, titled *The Seed and the Tree*, leaves little doubt that they were blockade runners. The Lehmans also did considerable business with the Confederacy, landing contracts worth at least $200,000 to supply goods ranging from coffee and rice to the fabric used in the unifoms worn by the southern forces.

In the North, meanwhile, the firms run by Marcus Goldman, the Seligmans and Abraham Kuhn and Solomon Loeb helped to outfit Union troops.

The Civil War hastened the financialization of American life, requiring large-scale bond-selling operations by both sides and causing a speculative frenzy on Wall Street, especially in the gold market, which gyrated violently based on the latest battlefront news. The Lehmans and Seligmans edged into finance during this era, respectively selling Confederate and US securities in Europe during the conflict.

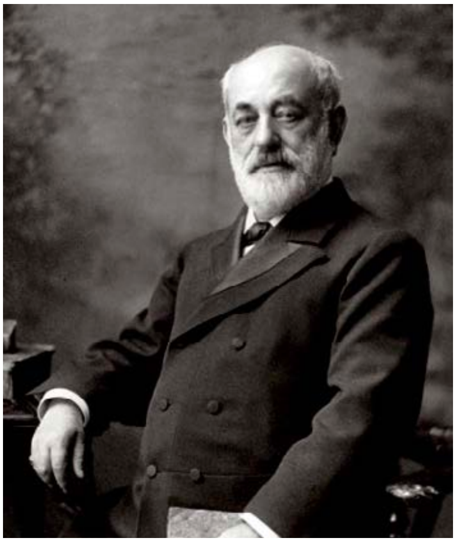
Government contracts attracted droves of competitors to the clothing trade and, in the war's aftermath, Solomon Loeb recognized that the "cream was off the business," his son James recalled. In 1867, he and Abraham Kuhn moved their families to New York, now the nation's undisputed financial capital, forming the investment banking partnership of Kuhn Loeb. A couple years later, the Goldman clan arrived in Manhattan, where Mayer and Emanuel Lehman had also settled.

By now, a young German immigrant was drawing notice on the Street. Jacob Schiff arrived in New York in August 1865—but not by way of steerage, like the earlier generation of bootstrapping German-Jewish immigrants who preceded him. He hailed from a prominent Jewish family whose roots in Frankfurt stretched back centuries. Religious leaders, scholars and prosperous merchants populated the Schiff family tree.

Schiff co-founded his own brokerage before he reached 20 and later married into the investment banking partnership established by his father-in-law, Solomon Loeb. To the initial horror of Loeb and the firm's older and more conservative partners, Schiff piloted Kuhn Loeb directly into the turbulent realm of railroad finance.

Banker to the Pennsylvania Railroad (then the world's largest corporation) and a great many other companies, Schiff led Kuhn Loeb to the very peak of American finance, a height he occupied with the mercurial J.P. Morgan. As the heads of two distinct Wall Street factions—Schiff, the chieftain of the ascendant German Jews, and Morgan, the leader of the blue-blooded Yankee bankers with New England roots—Schiff and Morgan had a cordial relationship that belied a hint of mutual suspicion. Their firms frequently collaborated on railroad ventures and industrial offerings, generally believing it was more lucrative to work together than to engage in destructive corporate bloodletting—with one notable exception. In 1901, Schiff, Morgan and their respective clients, railroad moguls E.H. Harriman and James J. Hill, engaged in a titanic struggle over the Northern Pacific Railway that sparked a stock market panic (and led to Teddy Roosevelt's subsequent trust-busting crusade).

"There is no banker in the country who is more closely identified with great corporate interests, especially railroads, than Jacob H. Schiff," the *Wall Street Journal* mused a couple of years later. One publication called him the "uncrowned king of transatlantic finance." Another coronated him officially. Dubbing him "the New Money King," the *Philadelphia Press* asserted that Schiff had eclipsed Morgan: "Both Mr. Morgan and Mr. Schiff have financed very large propositions, but it has been observed by the more powerful



Marcus Goldman

Courtesy of The Jacob Rader Marcus Center of the American Jewish Archives, Cincinnati, Ohio at americanjewisharchives.org

Jacob Schiff

banking interests in Wall Street, that, gradually, little by little, the authority of Mr. Schiff, from the financial point of view, over the railroads of the United States has been equaling and then surpassing that obtained by Mr. Morgan, until at last it is acknowledged that there is none other here who can match in the extent or strength of his power that which Mr. Schiff has obtained."

Eventually, Schiff would channel hundreds of millions of dollars—and perhaps billions—of European investment capital into American corporations, in the process shaping the nation's economic trajectory. The orbit of German-Jewish dynasties who formed his social and professional circle also played a vital role in the development of the modern economy, and the policies and institutions that undergird it.

Paul Warburg, Schiff's partner and brother-in-law, was one of the architects of the Federal Reserve system and served on the first Fed board.

Edwin Seligman, son of Joseph Seligman, was a Columbia University economist who led the push to ratify the 16th amendment authorizing a federal income tax. He was one of the intellectual forefathers of progressive taxation, on which our tax system is based.

Henry Goldman and Philip Lehman, childhood friends whose fathers had co-founded Goldman Sachs and Lehman Brothers, respectively, helped to pioneer the modern IPO. Pushed out of railroad finance by the major investment houses, they zeroed in on the retail businesses ignored by the top Wall Street firms, pricing intangibles such as future earning power and goodwill into their valuations. A generation of household name businesses—B.F. Goodrich, Sears and Woolworths, to name a few—flourished as a result of their financial innovation.

But the legacy of the "money kings"—a term often applied to Schiff and the Seligmans, but also to moguls such as Morgan and Jay Gould—went far beyond finance. Their philanthropic impact rivaled their financial one. That today there is a thriving American Jewish community at all owes, in no small part, to their efforts.

Between 1890 and 1920, the Jewish population of the United States swelled from 400,000 to 3.4 million as refugees from Eastern Europe and the Russian Empire fled oppressive living conditions and mob violence.

The deluge predictably caused a backlash and politicians stoked fears of disease-carrying foreign criminals who were stealing American jobs and contributing to the moral and cultural decay of American society. (Sound familiar?) For years, Schiff, the *de facto* leader of American Jewry, and his fellow philanthropic stewards beat back efforts to block the immigration of Jews and others who nativists claimed would dilute the nation's Anglo-Saxon pedigree, and they shouldered a weighty obligation to take care of their own that grew heavier with each shipload of immigrants that arrived in New York Harbor. They poured millions into efforts to help Jews in the United States and abroad. Job training programs, schools, hospitals, English lessons—they helped to found and fund organizations that provided these services and much more, not only anticipating the immediate needs of the new arrivals but paving the way for their rapid "Americanization."

There was also a tragic aspect to the story of the "money kings." To many American Jews, it seemed they were on the cusp of a new era, one in which ancient prejudices and stereotypes were receding. But not only would antisemitism come roaring back in a new and virulent form during the early 20th century, but German-Jewish bankers—and Schiff and his Warburg in-laws in particular—would figure prominently in the conspiracy theories that persist to this day. In this, America's leading automaker played a singular part. For seven years spanning much of the 1920s, Henry Ford's *Dearborn Independent* newspaper, week after week, attacked Jews for everything you could imagine, from causing financial panics and wars to wrecking American baseball. These articles were anthologized in four volumes as *The International Jew: The World's Foremost Problem* and published throughout the world, including in Germany, where Adolf Hitler's growing Nazi movement blanketed the country with this antisemitic propaganda.

More than 100 years have passed since the time of the "money kings." But their influence is inescapable, whether strolling through Manhattan, whose very landscape they helped to shape, or in the mechanics of the financial markets. The ongoing immigration wars, the debate over tech monopolies and income inequality, rising antisemitism—there are many eerie modern echoes from that era. Today, the world of over a century ago, the world of the "money kings," seems closer than ever. $

Daniel Schulman is the New York Times *best-selling author of* Sons of Wichita, *a biography of the Koch family that was a finalist for the Financial Times and McKinsey Business Book of the Year Award. The deputy editor (news & politics) of Mother Jones, his latest book is* The Money Kings: The Epic Story of the Jewish Immigrants Who Transformed Wall Street and Shaped Modern America *(Knopf, 2023), from which this article has been adapted.*