

THIRTEENTH INTERNATIONAL ECONOMIC HISTORY CONGRESS
BUENOS AIRES 2002

SESSION X :
DIASPORA ENTREPRENEURIAL NETWORKS, C.1000-2000,

21-22 September 2001
General State Archives/Corfu, Old Fort
Corfu, Greece

**“Greek Diaspora Entrepreneurship 18th-20th centuries:
A Comparative and Methodological Analysis”**

*Gelina Harlaftis & Ioanna Pepelasis Minoglou,
University of Piraeus & Athens University of Economics and Business*

What kind of diaspora?

And “Thou shalt be a diaspora in all kingdoms of the earth”, said God; it is written in the Old Testament.¹ God back then might have meant only the Jews, the “chosen” people, but in the centuries to come opinions differed. Greeks with their ancient civilization have put the foundations of European culture and think they are the chosen diaspora people, and of course the Chinese, with their ancient civilization think they are the chosen ones, and of course the Indians, another ancient nation think they are the best, and of course the Armenians, another ancient nation, think so themselves, not to talk about the Arabs. All the above people of ancient civilizations, dispersed in all corners of the earth, have carried for centuries long international business, an inter-cultural trade across the globe, exchanging goods with people that had a different way of life through land-routes and sea routes.²

But about what kind of diaspora are we going to be talking about? «Diaspora», is now used historically for those people that have left their countries for various reasons (involuntarily or voluntarily) and established themselves in other countries and regions but who keep ties or identify with their homeland.³ Diaspora people have been

¹ According to the Oxford English Dictionary the term diaspora originates from the Septuagint, Deut. 27:25, cited in Daniel J. Elazar, “The Jewish People as the classic diaspora: a political analysis”, in Gabriel Sheffer (ed.), *Modern Diasporas in International Politics*, Croom Helm, 1986, p. 212.

² Philip D. Curtin, *Cross-cultural trade in world history*, Cambridge University Press, 1984, preface. Also Avtar Brah, *Cartographies of diaspora*, London, Routledge, 1996, p. 41.

³ On Greek diaspora, see I.Hasiotis, «Continuity and Change in the Modern Greek Diaspora», *JMH*, 6, (1989), 9-24, and I.K. Hasiotis, *A Survey of the History of modern Greek Diaspora*, Athens, 1993; and on an interesting approach and bibliography on «Hellenism» and «Hebraism» see Louis A. Ruprecht, Jr,

excluded and have suffered from the political power of the countries they have settled in, and in this way have developed enclave networks based on their own culture that have proved pivotal for their economic survival. But are the immigrant waves of millions from Europe to the rest of the world in the last two centuries, the diaspora we are dealing with? In this paper we will not deal with the recent phenomenon of mass immigration and the “triadic” relation between ethnic diasporas, their host countries and their homelands affecting international politics. We are not going to look to what extent the ethnic diasporas played a role in the formation of a particular country. And we are not going to talk about the international political dimension of the ethnic question, diasporas as ethnic pressure groups in the host country for the homelands, we are not going to deal with xenophobia, or pogroms of diasporas.⁴ It is clear then, that we are not dealing with the political or social dimension or anthropological dimension of diaspora, although we can not but take under consideration such aspects, but we are dealing with its economic dimension, and more particularly with the diaspora entrepreneurship, the one that carried business beyond borders. “Diasporas are emblems of transnationalism because they embody the question of borders”⁵.

Our aim is to identify the continuity of particular and common characteristics of the international business of diaspora people within the development of capitalism in the modern era. At the center of our research is the thread of development of international business of the so-called “historical diasporas”, of people that have carried for centuries long cross-cultural trade in world history. All of them, some since very early times, some more recently have facilitated the flow of goods between nations in the era of colonial expansion that led to the globalised economy of today. Although their role in the evolution of modern capitalism has been studied and acknowledged by historians, and although these diaspora people have together repeatedly worked in the international business, there are extremely few works that draw comparisons or trace common elements in their entrepreneurial practices. Philip Curtin in his seminal book *Cross-cultural trade in world history*, places this kind of studies in comparative world history. “World” because it tries to avoid the western ethnocentric look, history because it is

Diaspora, 3:2, 1994. See also Gabriel Sheffer (ed.), *Modern Diasporas in International Politics*, New York, 1986.

⁴ Gabriel Sheffer (ed.), *Modern Diasporas in International Politics*, Croom Helm, 1986, pp. 1-2.

⁵ Khchig Tololyan, “The Nation-state and its others: In Lieu of a preface”, *Diaspora* 1.1 (spring 1991), 87, in Rey Chow, *Writing Diaspora. Tactics of intervention in contemporary cultural studies*, Indiana University Press, 1993, p.15

concerned about continuity and change.⁶ In this era of specialization and division of history in different branches, in combination with the rising interdependence of all social sciences there is no single discipline that can understand such an international phenomenon; isn't Eric Hobsbawm the one that has stated that historians specialize (or are more ignorant) in narrower fields of history? Hence in this conference we have apart from historians, political scientists, sociologists, and anthropologists in order to combine "forces" and understand.

Long-distance trading and maritime networks in Europe and Asia have historically been in the hands of particular ethnic groups, in the entrepreneurial networks for example of Jews in the whole of Europe, of Greeks in the Mediterranean and Black Sea, of Armenians in Anatolia, of Hadhrami Arabs in the Indian ocean, of Chinese in Southeast Asia. Contrary to many a current belief, the integration of world economy, the so-called globalisation of modern economic life, does not owe its present character solely to the actions (and omissions) of the colonialism and imperialism of prominent western (or eastern) powers. By bringing the entrepreneurship of the diaspora as the main focus of this paper, we will draw more knowledge and material in order to understand international business. It is the success in international operations that have attracted the attention of analysts, and there are many elements that are common to different diasporas. Research conducted in each case focuses on their uniqueness in using network and culture (meaning religion and family) as basic institutions in the organisation and structure of their firms. And each researcher who plunges into the study of his/her own people forgets or fails to realise how many common elements one finds in the others.

Because more often than not it is a Jew who studies the Jewish, a Greek who studies the Greek, a Chinese who studies the Chinese, an Armenian who studies the Armenian. Truly how could a «foreigner» ever understand each other's «unique» cultures?⁷ Could it be that this «chauvinistic» mentality, this lack of comparative perspective, has given so few cross-cultural works in business behaviour? All diaspora people are characterised by cosmopolitanism, by mobility and ability to approach new countries and communicate in many languages, by the ease to go beyond boundaries, to search and adjust in new markets, new opportunities, new trades. They have learned to co-exist, to communicate, to cross paths, to exchange interests and to collaborate, it is only ironic that their researchers very rarely meet. Hopefully this conference will

⁶ Curtin, *Cross-cultural* ... preface.

contribute to fill this gap. Our main argument is that the structure and organisation of the international firms of the diaspora people share much in common and have developed in parallel but different ways than those of the firms of the western world.

Are Greeks a diaspora people?

Greeks have always lived in the lands of eastern Mediterranean, on the Greek peninsula and dispersed in what we today call the northern Balkans, Turkey and the Near East. Seafarers and merchants since the ancient times, the Greeks established commercial settlements in the western Mediterranean, on both European and African coasts, as well as on the Black Sea on the Asian coast in a way that by the fifth century B.C., Greek culture influenced the whole of the Mediterranean coastline. By then, a generalized or cross-cultural set of trade practices had come into existence in the Greek world, and a regular professional group of traveling merchants (*emporos*, a word we still use today), came into existence. By the fourth and third centuries B.C., Greek culture had expanded to southwestern Asia, into Mesopotamia, what is now Iran and northern India, as well as into Egypt. This hellenization penetrated the Italian peninsula and influenced to a great extent the newly rising Roman Empire. Greek became the international language of trade in the eastern Mediterranean as Latin became of the western Mediterranean.⁸ In this closed and multi-ethnic sea, the culture of Mediterranean commerce became homogenized and in a way ecumenical, which is another Greek word for “globalised”. For about 20 centuries then, Greeks lived in multiethnic empires dispersed in the same area, in the lands of the eastern Mediterranean; under the Romans for six centuries, under the Byzantine Empire, a Hellenic Christian Empire, for another ten centuries, under the Ottoman Empire, an Islamic Empire for four centuries.

The role of Greek merchants through history has been then extremely important, but so has been that of the Jews, the Armenians or the Chinese. The first three “diaspora” people began from the Eastern Mediterranean and carried transnational trade between and within three continents, Europe, Africa and Asia having the Mediterranean as their center using similar entrepreneurial practices that one can recognize to the present day. The Chinese settlements in Southeast Asia go back to the first centuries of A.D. in the same way that the Greek settlements in all Mediterranean go back in the last B.C. centuries. In the twentieth century neither the so-called “diaspora Greeks” or the

⁷ And of course exceptions found in the references of this articles are only to prove the rule.

⁸ Curtin, Cross-cultural trade, pp. 80-81.

“overseas Chinese” ran a trade diaspora, but both, in certain transnational business, like wholesale and retail trade in the case of the Chinese, or shipping in the case of Greeks, have kept much of their commercial tradition and have developed similar practices stemming from their long-standing histories.

At the beginning of the 19th century, in 1830, an independent national Greek state emerged. This was an “incomplete” state, however, extremely small, including half of the Greek peninsula, and only a small portion of the Greek population. Despite its continuous expansion and the final formation of the boundaries in the 20th century, still Hellenism *extra muros*, is supposed to englobe an additional 50% over its present inhabitants of Greece. Up to the beginning of the 20th century, then Hellenism referred to four distinguishable sub-groups. First the independent national state, second, the “nationalizable” territories the Greeks claimed as their own, that all belonged to the Ottoman Empire, and third, numerous communities in European countries (Russia, Italy, France, England etc.) and fourth, emigrant communities all over the world, a new “diaspora” which acquired significance in the twentieth century and expanded in all continents, in America, Australia, South Africa.⁹

It is important before discussing Greek diaspora entrepreneurship through the last three centuries, to understand what we mean by Greek diaspora. Although it has been written repeatedly that Greeks form part of the so-called “classic” diaspora people, it has been argued “Greece is not a diaspora nation”.¹⁰ As very rightly Constantine Tsoucalas states “except for scholarly discourses, the Greek word “diaspora” is seldom, if ever, referred to in Greece other than in the sense of the recent groups of emigrants in industrialised countries”. For Greeks who live out of Greece, the word *homogeneia* is very commonly used, a word that has no translation in the English language.¹¹ It means men of common breed. This notion of the Greek “genos” (breed) might be the result of these “spaceless” linguistic, cultural, and religious communities within the Ottoman Empire, that formed the Ottoman millet system and this “imagined community” of

⁹ Constantine Tsoucalas, “Tranterritorial Imageries and Symbolic Antinomies: The Greek State, Bureaucracy, and the Diaspora”, in Chr. P. Ioannides (ed.), *Greeks in English-speaking Countries. Culture, Identity, Politics*, New York/Athens, A.D. Caratzas, 1997, 287-304. See also Richard Clogg (ed.), *The Greek Diaspora in the Twentieth Century*, MacMillan/St. Antony’s College, Oxford, 1999.

¹⁰ Ibid.

¹¹ See the work of Vassilis Kardasis, *Greek “homogeneis” in Southern Russia*, Athens, Alexandria Editions, 1997, which has been translated and published in English under the title *Diaspora merchants in the Black Sea*, Lexington Press 2001. The word “homogeneia” is also commonly used for the modern immigrant diaspora of the 20th century; the Greek-Americans are referred to as the American “homogeneia”, or the Greek-Australians, the Australian “homogeneia”.

genos has evolved in the modern notion of nation.¹² In the same way that there was the *genos* of the Greeks (Hellenes), there was the *genos* of the Jews (Hebrews), the *genos* of Armenians that co-existed and collaborated within the Eastern Mediterranean. So all Greeks dispersed within the territory of the Ottoman Empire which used to be the territory of the Byzantine Empire, are not considered until the early 20th century as “diaspora”, because Greeks have always lived there.¹³ There is a persistence of the ancient word “*paroikia*”, untranslatable too, something like temporary settlement or “*paroikoi*” being the “sojourners”, having in mind to return to the homeland. The use of the word “merchant communities settled abroad” is also common among Greek historians when describing the Greek diaspora merchant communities beyond the traditional territories in the eastern Mediterranean, for example in Southern Russian, Italian, French, English, Dutch or Austro-Hungarian lands, not to mention those in India dated as far back as the 18th century. So, following I.K. Hassiotis’ definition, by Greek “diaspora” we mean this part of the Greek people that for various reasons have left the traditional lands of the Greek orthodox East and have settled, even temporarily, on lands and countries far away, but continue to keep close cultural ties with their land of origin.

During the long history of Greek diaspora, we will start our reference in the modern period, or what Greek historians have commonly called neo-Hellenic history; the conventional chronology being the fall of Constantinople to the Ottomans in the mid-15th century. This of course coincides with the modern European era, the era of the development of capitalism and the expansion of the Europeans to the rest of the world. Conventionally two main periods in order to analyse the Greek diaspora, two periods that share common characteristics can be defined: the first long one is most of the period of the Ottoman rule from mid-15th century to the mid-18th century and the second one consists of the period from the mid-18th century to the present day, which includes the formation of the Greek state. The idea of an independent national state emerged from the “dark” in the age of Greek enlightenment that is conventionally dated from the 1750 to 1830, date of the formation of the independent Greek state. So it will be in the 18th century that we will start the analysis, with the Greeks that from the

¹² Constantine Tsoukalas, “Tranterritorial Imageries and Symbolic Antinomies: The Greek State, Bureaucracy, and the Diaspora”, in Chr. P. Ioannides (ed.), *Greeks in English-speaking Countries. Culture, Identity, Politics*, New York/Athens, A.D. Caratzas, 1997, 287-304.

¹³ See I.Hasiotis, «Continuity and Change in the Modern Greek Diaspora», *JMH*, 6, (1989), 9-24, and I.K. Hasiotis, *A Survey of the History of modern Greek Diaspora*, Athens, 1993; and on an interesting approach and bibliography on «Hellenism» and «Hebraism» see Louis A. Ruprecht, Jr, *Diaspora*, 3:2, 1994.

Eastern Mediterranean –and almost always keeping a base there—traveled and prospered beyond boundaries.

Greek diaspora entrepreneurship in a comparative perspective, 18th- 20th centuries

Greek diaspora business whether on land or the sea was an international business based on the formation of transnational networks based on trust and common culture. Greek trans-territorial and trans-ocean commercial and shipping activities developed along the lines of western European trade and shipping, and proved particularly effective in connecting the so-called Levant or eastern Mediterranean and Black Sea markets to western Europe in the 18th and 19th centuries, and highly successful in shipping in the cross-trade between third countries in the 20th century. The transnational networks of Greek merchant houses that started from the Ottoman Empire in the 18th century to the Greek international maritime network in the 20th century still retain all the characteristics of the way international business is done by other diaspora people.

In the 18th century a remarkable development of the Greeks in land and maritime trade of the Ottoman Empire took place, rising their importance in the external trade of the Empire. Simultaneously a network of diaspora communities was formed in the main ports of western Mediterranean Europe in the newly acquired Russian lands in the Black Sea. This rising activity went hand-in-hand with their rising strength in the mechanisms of the Ottoman state. During the 15th to the 17th century Greeks moved to the Italian peninsula but during the 18th century to the beginning of the 19th century they preferred the big Mediterranean ports and the most important commercial centers of western, central, eastern and southeastern Europe. The activities of the Greek merchants and shipowners however, started as an organic part of the Ottoman Empire and of course of the Mediterranean world and more specifically of the eastern Mediterranean and the so-called Levante. The commercial and maritime activities of the Greeks that developed during the Ottoman rule started from the islands of the Aegean and the Ionian seas, lands whose history has been ineradicably connected with those of western European powers, or from the main ports of the Ottoman Empire like those of Constantinople, Smyrna, Salonica, or Alexandria and in close connection with the expansion of diaspora merchant communities abroad. All islands and ports from where Greek immigrants expanded to transterritorial activities were on the main sea commercial routes of the Mediterranean. Two were the main arteries on which all the “vein” system of the

eastern Mediterranean trade developed. The first one was the East-West itinerary, a sea-route that was controlled by the Western European powers, and the other North-South one, a sea-route which the Ottomans controlled. On both routes Greek merchants and shipowners played a major role. Already from mid-eighteenth century the Greeks had penetrated and were engaged in a wide range of activities in other regions that included the Balkan peninsula and Southern Russia, while they had expanded their business to Central Europe as far as Leipzig¹⁴. By the end of the 18th century, the immigrants from the Archipelago and the Ionian islands formed powerful and effective commercial houses, with epicentres the main mercantile centres of the Empire, Istanbul and Smyrna, and branch offices in the main markets of the East (Alexandria, Odessa, Syros), southwestern Europe (Marseilles, Trieste, Livorno) and the far-off industrialized West (London, Amsterdam). The cornerstone of this expansion was without doubt the mutual trust between the directors of the branch offices, an indispensable prerequisite for the close co-operation of the various branches of the firms that led to the formation of a closely-knit network. The keystone of this network was the common origin or kinship of an extended family enclave. The Greeks developed a commercial know-how that was based on a system of communication and information about the prices, the level of production and the consumption of goods, which meant the exchange of information on a normal basis between the different knots of the network. They also held with success a system of debit and credit accounts, which allowed the regular movement of cargoes to and fro, the exchange that is of the agricultural products of the East with the industrial goods of Western Europe. The involvement of these commercial houses in the grain trade was precisely the axis of the development Greek commercial and shipping activities throughout the nineteenth century. Establishment of numerous Greek commercial houses in London in the world's main grain market as early as 1820s contributed to the integration of the Black Sea grain trade in the international market.

The entrepreneurial network of Greek merchants dispersed among the main southern and northern European ports by the early 19th century had assumed a pan-Mediterranean character. In the rest of the 19th century we have the consolidation of the Greek merchants in the trade of the Levant and the Black Sea with Western Europe and the formation of numerous diaspora communities from Odessa to London. At the turn of the 20th century the diaspora merchant houses developed into shipping companies, that

¹⁴ See Troian Stoianovich, «Conquering Balkan Orthodox Merchant», *Journal of Economic History*, 20,

concentrating their activities to the axis Piraeus/Athens-London, expanded to activities beyond European waters and entered into the Atlantic sea-routes in the interwar period and to global sea-routes in the post-WWII period. The organisation, structure and trading methods of the Greek diaspora merchant and maritime houses that prospered since the late 18th century, formed a distinct Greek entrepreneurial strategy that was continued by the shipowners of twentieth century.¹⁵

Diaspora Greek and generally diaspora business is an international business. It seems that international business has always implied cultural minorities and the European “miracle” would never have taken place without entrepreneurial minorities.¹⁶ It is now a common knowledge that the European maritime trade since the age of European expansion was linked with the establishment of foreign merchants in big ports, like Antwerp, Amsterdam, London, Seville, Marseilles, Livorno, Venice or Trieste, where the terms “merchant community” and “community of foreign merchants” were synonymous.¹⁷ There, foreign entrepreneurial minorities of “Levantine origin” like the Jews, the Armenians and the Greeks stood out. There are many parallels to be drawn between these diaspora entrepreneurial communities that co-existed under the Ottoman rule, forming the main *millets* or religious communities in the Empire. And let us have a short glimpse of the prominence of members of these three millets from the East to West.

All three diaspora communities were dispersed in the lands of the Ottoman Empire with also important communities in Western Europe. The Jews of Western and Central Europe moved to Eastern Europe and the Balkans since the 16th century. It was Ashkenazi but particularly Sephardi Jews that were established in the main port-cities of the Adriatic and the islands of the Ionian sea (particularly Corfu and Zante), and the

(1960), pp. 234-313.

¹⁵ For more on diaspora merchants see Gelina Harlaftis, “The Role of the Greeks in the Black Sea Trade, 1830-1900”, in Lewis R. Fischer and Helge W. Nordvik (eds), *Shipping and Trade, 1750-1950: Essays in International Maritime Economic History*, (Yorkshire: Lofthouse Publications, 1990); --“The commercial and maritime networks of the diaspora Greeks and the development of Greek shipping in the 19th century: 1830-1860”, *Mnemon*, vol 15th, 1993 (in Greek); -- *A History of Greek-owned Shipping*, Routledge 1996; Ioanna Pepelasis Minoglou and Helen Louri (1997), ‘Diaspora Entrepreneurial Networks of the Black Sea and Greece, 1870-1917’, *Journal of European Economic History*, 26 (1), 1997, pp. 69-104; Ioanna Pepelasis Minoglou, ‘The Greek Merchant House of the Russian Black Sea. A nineteenth century example of a Traders’ Coalition’, *International Journal of Maritime History*, 10, (1), 1998, pp. 1-44; Vassilis Kardasis, 1997 and 2001 as cited above.

¹⁶ Anthony Reid, “Entrepreneurial Minorities, Nationalism and the State”, in Daniel Chirot and Anthony Reid, *Essential Outsiders. Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe*, University of Washington Press, 1997, p. 33.

¹⁷ Frederic Mauro, “Merchant communities, 1350-1750” in J.D. Tracy (ed.) *The Rise of Merchant Empires. Long-distance Trade in the Early Modern World, (1350-1750)*, Cambridge, Cambridge University Press, 1990, p. 285.

main port cities of the Ottoman Empire, namely Constantinople, Salonica, and Smyrna as well as to the islands of south-east Aegean.¹⁸ On the other hand, Jews were established and consolidated as a cohesive cultural group in the main European cities, notably in Prague, Frankfurt, Hamburg, Amsterdam, Mantua, Venice, and Livorno in the 17th century, which is considered the century of the peak prosperity of European Jewry. Jews became the most important entrepreneurial minority in the European Courts with a wide involvement in statecraft, state finance and large-scale of military supplies, a central feature of Jewish activity to the mid-18th century.¹⁹

In the same way, Greeks dispersed apart from the Greek mainland, in the Balkans and Asia Minor, also found access in the Ottoman state mechanisms, since the 17th century. A particular group, the so-called Phanariot Greeks who lived in the part of Constantinople where the Greek Patriarchate was established, due to their knowledge of European and Eastern languages were used as dragomans by the Porte dealing with all the transactions of the Ottomans with the Westerners. The Phanariots became necessary in the Ottoman administration taking the posts of the “Dragoman of the Porte” since 1661 and since 1701 the post of the “Dragoman of the fleet” following Capudan Pasha in the Aegean, while since 1709 Greeks were the rulers, or hospodars, of the Danubian Principalities and until the war of Greek Independence.

By the mid-19th century, Greeks might not have been involved in high administrative posts of the Ottoman state, but under the now new and different circumstances, formed part of the top bourgeoisie of the main Ottoman cities and were among the main bankers of Constantinople lending the Ottoman state along with Armenians and Jews.²⁰ The activities of the Greeks went hand-in-hand with those of the Jews and Armenians within and out of the Ottoman Empire. According to the testimony of one of Constantinople’s main Greek bankers, Andreas Syngros, the Jew Isaac Camondo and the Armenian Antonio Pirianz were among the top bankers of his time.²¹ Jews and Armenians were also involved at least since the 18th century in the administration of the finances of the Ottoman state, particularly in its finances as customs officials apart from their activities in the internal and external trading and

¹⁸ Jonathan I. Israel, *European Jewry in the Age of Mercantilism, 1550-1750*, Oxford, 1989, pp.45-49. See also Maria Efthymiou, *Jews and Christians in the ottoman ruled island of the southeast Aegean: the difficult aspects of a fruitful co-existence*, Athens, Trochalia publications, 1992.

¹⁹ Israel, *European Jewry*, pp.87-89, 109.

²⁰ Exertzoglou Harris, «Greek Banking in Constantinople, 1850-1881», Ph.D. thesis, King’s College, University of London, Λονδίνο, 1986, and Pamuk Sevket, *Ottoman Empire and European Capitalism, 1820-1913. Trade, Investment and Production*, Cambridge, Cambridge University Press, 1987.

²¹ Andreas Syngros, *Apomnimonevmata*, Angelou Alkhs and Maria Christina Hadziioannou (eds.), 2 vols, Athens Estia publication 1998 (1908), vol. 2, 15-16, 19-20, 64, 157,178, 163-4 196.

financial networks. dealing with trade and lending. The Armenians traditionally placed in Eastern Anatolia and Syria, by the 19th century were deeply involved in the Ottoman public life.²² They have also traditionally involved apart from trade and customs in the mint, and industry of the Empire.

And of course these cosmopolitan entrepreneurs in the main cities of the Ottoman Empire were in direct contact with the international financial and trading networks of the Jews, Armenians and Greeks in Western Europe. All three had established large merchant communities in Western Europe, keeping strong links with each other as cohesive cultural groups. Greeks, Jews and Armenians in the 18th century became deeply involved in the external trade with Western Europe, and participated in an extensive financial network from Venice, Livorno and Genova to Vienna and Amsterdam.²³ Western merchants in order to form local networks of penetration in the markets of Anatolia used Ottoman subjects, namely Greeks, Jews and Armenians who proved the best advocates of western capitalism in the sales and purchases of cargoes of cotton, silk or grain. In 1768 for example three-quarters of all cargoes loaded from Smyrna to Amsterdam belonged to the merchants of these three *millets*. Dutch had given to the merchants of all three established in Smyrna, the main Ottoman export port, the same rights and advantages as to their own subjects since 1730.²⁴ It was following the trade from Smyrna to Amsterdam that the first Greek merchant community was established in Amsterdam. Members of the Chiot family of Mavrogordatos were established in Amsterdam since 1750s, while by 1770s members of the Chiot families Korais, Pringos and Courmoulis²⁵ established in Smyrna, had opened branch offices in Amsterdam exchanging silk and cotton for Dutch cloth and spices. And it seems that it is due to this export trade from Smyrna, that shifted its activities from Amsterdam to Trieste at the end of the 18th century, that the international network of the diaspora Greek merchants started to consolidate to all main port cities of southern, central and northern Europe.

Studies of parallel cases are hundreds to be shown in the 19th century. In 1800s, for example the Chiot Geroussis house from Smyrna was entering the consolidated east-west network, by opening branch office in Trieste and later in London; at the same time the Jewish family from Rhodes Alhadeff founded in 1810s became among the most

²² Mesrob K. Krikorian, *Armenians in the service of the Ottoman Empire, 1860-1908*, Routledge 1977.

²³ H. Inalcik-D.Quataert (eds.), *An Economic History of the Ottoman Empire, 1300-1914*, Cambridge, Cambridge University Press, 1992, p. 729.

²⁴ *Ibid.*, 702-703.

²⁵ We owe the information on Pringos and Courmoulis to Dr Maria-Christina Hadziioannou.

important merchant and banking houses of eastern Mediterranean with branch offices in Smyrna, Mersina, Athens and Milano, a leader among a network of another dozen of Jewish families from the same area.²⁶

And it was still at the beginning of the nineteenth century that the five Greek brothers, the Ralli brothers, started their activities from Smyrna and Chios, and by 1809 had expanded to branch offices in Malta and Livorno. The Rallis founded the most powerful Greek commercial House of the 19th century, leaders of a network of another few dozen of Greek families involved in international business. It was exactly the same time that the five Jewish brothers, the Rothschild, started their activities from the ghetto in Frankfurt and soon expanded to Vienna, Paris and London. The Rothschilds started in the cotton trade, the Rallis in grain and cotton. They both clung to their family character and turned to merchant banking.²⁷ And if the Rothschild story is well documented and known, that of the Ralli is shamefully understated and shamefully under-researched. By the mid-1820 the Rallis had established their offices in London and kept branch offices from St Petersburg to Marseilles, Istanbul, Odessa, Tangarog, Trebizond and Resht. In the 1850s they expanded to Calcutta and by the 1860s they withdrew from Mediterranean trade and opened offices in New York and Bombay. In the last third of the nineteenth century they became the prime jute merchants in the whole of India, with thousands of workers, and continued their trading activities up until 1963, always exporting raw materials from India and Pakistan and importing British textiles to the same regions. The Rallis from Chios recruited members from their extended family or from co-islanders to equip their offices all over the world, until the company was sold in 1963. In the nineteenth century they fully combined trade and shipping and consolidated the sea-trade between East and West on which the Greek fleet developed. Greek culture, island ties and strict familial hierarchy lay at the heart of their international commercial network. The Greek Rallis were a multinational family trading company with interests extending from New York to Russia, India and Japan, with investments in all parts of their activities and a commercial bank in the City of London. Particularly the London based Ralli Bros, attained large wealth. In 1860 it was among the largest companies in the City with an estimated wealth of over one million sterling pounds at a time when the

²⁶ Efthymiou, *Jews and Christians...*, p. 190, and Maria-Christina Hadziioannou, "The commercial House of Geroussi 1823-1870. From the Ottoman Empire to the Greek state", unpublished Ph.D. thesis, University of Athens, 1989.

²⁷ Stanley Chapman, *Merchant Enterprise in Britain. From Industrial Revolution to World War I*, Cambridge, Cambridge University Press, 1992, p. 131

wealth of Baring Bros. was placed at two million sterling pounds and Rothschilds at eight million pounds.²⁸

The Jewish Rothschilds were referred to as “an authentic multinational, with a business empire which expanded during the 1850s as far afield as the new goldfields of California and Australia.”²⁹ And if the Rothschilds might seem to us an exception and a famous case, they were in fact the leading family in a large network formed by a number of multinational Jewish family firms in banking between 1850 and the interwar period in Europe. As in the case of the Greek commercial and maritime firms, the organization of the Jewish banking houses in the nineteenth century and early twentieth centuries, was based on extended families with international financial networks, using agents and correspondents between their diaspora communities in various European cities. Inter-marriage was used as an important strategy in keeping the business together and the heirs were selected and educated carefully among this international family business elite, at the heart of which lied personal contacts and trust.³⁰ A striking example is that of the Dutch Jewry based in Amsterdam, whose traditional role had been that of importing and processing colonial goods, and re-exporting them to Europe, along with the trade in precious metal and precious stones trades, and of course that of the Jewish bankers in Amsterdam with far-reaching contacts in Frankfurt, Vienna, Antwerp, Brussels, Paris and London.

On the other side of the world, at about the same time as the Rallis and the Rothschilds, another five closely bonded brothers founded the commercial dynasty of the Chen of Qianxi village in the Chaozhou area. They were involved in the rice trade and by the mid-nineteenth century had opened branch offices in Hong Kong, South China, Bangkok, Singapore and Saigon. In the same way as the Greek Rallis emphasized the authority of «Zeus», the patriarch, and only the males were involved in the business, the Chens too retained patriarchal authority and patrilineal inheritance. They also combined trade with shipping; in the 1930s the shipping section of the firm ran a fleet of four cargo vessels. The view that «the family tie is one of the most important institutions for a traditional Chinese family in nurturing networks of relationships»³¹ fully applies in the Greek case.

²⁹ Nial Ferguson, *The House of Rothschild. The World's Banker, 1849-1999*, Viking, 1999, p. 89.

³⁰ For well documented examples, see Huibert Schijf, “International Jewish Bankers between 1850 and 1914: an early example of internationalisation along ethnic lines”, paper in the conference «Entrepreneurship and institutions in a comparative perspective: Europe and Asia, 16th-20th century» Rotterdam, 14-15 January 2000. [

³¹ Ferguson, . *The House of Rothschild. The World's Banker, 1849-1999*, Viking, 1999, p. 89.

If Greeks then, can easily be compared with the Jews, they can easily be compared with the overseas Chinese in southeast Asia. In the mid-17th century there were Chinese diaspora communities in the main port cities of the region, in Java, Siam, Vietnam and Philippines and by 1700 they were the unrivaled commercial minority of Southeast Asia; from this date they can be compared with the Jews in central and eastern Europe.³² The success of the entrepreneurs of overseas Chinese in the second half of the 20th century has risen similar questions as the success of the Greek shipowners in international shipping. Upon his death in the mid-70s the wealth of Aristotle Onassis was found with investments in European, Latin American and the U.S. in buildings, real estate and construction companies, financing and banking, industrial activities, general enterprises and of course shipping of about one and a half billion dollars.³³ Equally, upon his death in the early 1980s, Chang Ming Thien of Penang through the Overseas Trust Bank in Hong Kong and a holding company, International Consolidated Investments; he controlled a vast economic network that extended throughout the region of Southeast Asia. Chang's close business associates included persons from Indonesia, Thailand, the Philippines and Malaysia. His syndicate had growing relations with Middle East oil tycoons and at various times attempted to gain control of US banking institutions.³⁴

The success of the South-east Asian enterprises of the Chinese whether in mainland China, Hong-Kong and Taiwan or in any other overseas Chinese diaspora community in the post-Second World War era has highly perplexed western scholars and has triggered research and various interpretations on the Chinese «model» of behaviour. So-called «Confucian capitalism» has become the centre of attention, an explanatory factor of the achievements of the Chinese diaspora in East and Southeast Asia. S. Gordon Redding has tried to interpret Chinese business behaviour by writing about Confucianism and the «Spirit of Chinese Capitalism»,³⁵ drawing parallels to Weber's «the Protestant Capitalist Ethic and the Spirit of Capitalism». His analysis has invoked the severe criticism from a number of Chinese scholars, since it seems to be based on a timeless, ahistorical Chinese business behaviour; Chinese culture being viewed as the panacea of business success, a culture that promotes trust and networks,

³² Anthony Reid, "Entrepreneurial Minorities, Nationalism and the State" in Daniel Chirot and Anthony Reid, *Essential Outsiders. Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe*, University of Michigan Press, 1997, p. 41.

³³ Harlaftis, *Greek shipowners and Greece...*, Appendix V.

³⁴ Milton J. Esmán, "The Chinese diaspora in southeast Asia", in Sheffer, *Modern Diasporas...*, pp. 152-153.

³⁵ S. Gordon Redding, *The Spirit of Chinese Capitalism*, New York 1993.

a deterministic way of interpretation. But «guanxi», the distinctive mode of relationship, a way to do business with friends and relatives, a unification of economic interests and kinship,³⁶ can be found in all other diaspora cultures.

And it is “culture» the simple magic word that gives us the key to the cohesion and longevity through continuity and change of the diaspora entrepreneurial networks. Culture is what keeps a network together and gives it a particular ethnic identity. And by the term “culture” we do not mean a general and abstract interpretation of the “external” process of the evolution of the “culture” of a nation, but an alternative interpretation of an “internal” process of evolution through religion, art, family and personal life, that formulate the institutions, practices, values and way of thinking of a society.³⁷ And let us also deal briefly with the much used notion and analytical tool of a «network». What is a network? Network is a very trendy word these days, stemming from the incredible rise in electronic communication webs, worldwide. Interest in networks, however, as a theoretical concept has grown dramatically since the 1970s, particularly in Sociology and Anthropology expanding rapidly into related fields of Social Sciences. *Relations* are the essence of network analysis. A network is defined as a specific type of relation linking a defined set of people: thus we have transaction relations, communication relations, and kinship relations.³⁸

Trade and shipping are both international activities, providers of services, entirely based on regular flow of information, on the reputation of the entrepreneurs involved, on the trust and mutual trust of both contracting sides. Key to the success of Greek diaspora enterprise from the 18th to the 20th centuries have been the formation of closed transnational entrepreneurial network that possessed commercial and maritime know-how, linked by Greek culture. The cohesive force of the Greek network is the common origin or kinship of an extended family enclave;»Greekness» entirely connected with the Greek language, Greek Orthodoxy, the Greek family. So culture was embedded in the Greek-owned commercial shipping firms and has proved pivotal in their structure and function. What it mainly did, if we are going to use the language of institutional economics, which we will use in the next section, was to keep the transaction costs at low levels.³⁹ But still, is the explanation of culture a panacea? Is

³⁶ Yao Souchou, «Guanxi: Sentiment, performance and the trading of word», draft paper, Dept of Anthropology, University of Sydney. I would like to thank Dr Penny Graham and Dr Yao Souchou for the provision of this paper.

³⁷ See for example Raymond Williams, *The Long Revolution*, London 1961.

³⁸ David Knoke and James H. Kuklinski, *Network analysis*, Sage Publications, 1982, pp. 7 and 12-16.

³⁹ John Theotokas, «Organizational and Managerial Patterns of Greek-Owned Shipping Enterprises and the Internationalization Process from the Interwar Period to 1990», στο David J. Starkey and Gelina

Greek culture unique in providing the mechanisms for a successful international career? Is then Greek orthodoxy a ticket to business success in the same way as «Confucianism» has proved a ticket to a successful and «harmonious business order» of many a Chinese?

Intellectuals to understand the business behaviour of specific groups of people have used religion repeatedly. If recently scholars have used Confucius to help analyse Chinese entrepreneurship, a century ago, Sombart used the Torah to explain Jewish economic success; the attitudes towards wealth expressed in the Torah were supposedly more positive than those found in the New Testament. And of course Weber searched the key of the success of capitalism in the interpretation of the New Testament by Protestants. Is may be the interpretation of the Armenians of the New Testament the cause of their success in the international arena? Or may be the Koran of the Arab seafarers of the Indian Ocean? Which religion can be chosen to provide answers for the success of particular groups within the capitalist system?

The Jewish successful business paradigm did not fit Max Weber's interpretation of the mechanisms of capitalism and he defined the capitalism of the Jews as "pariah" capitalism in an attempt to analyse the Jewish role in European capitalism.⁴⁰ Marxists categorized all such groups that acted as brokers or "middlemen" as "agents of imperialism". Greek scholars in the 1960s and 1970s following the Marxist line of thought have tried to analyse the development of capitalism in Greece by relating to the entrepreneurial diasporas in Greece. What made the case of Greeks *extra muros* with the Greeks "in the walls" particularly interesting in the sector of shipping, was that Greeks owned a highly successful international fleet that on the one hand had almost nothing to do with the modern Greek state, but on the other, kept its "Greekness" abroad intact.⁴¹ The issue was whether or not shipping could be regarded as a part of the modern Greek national economy and of course it was connected with the issue of whether shipowners constituted part of the local bourgeoisie. In turn both questions were linked to the debate about the course of capitalism's development in Greece. This debate, carried out by Greek historians, political scientists and sociologists centred not only on the activities of Greek shipowners but also on the effect of diaspora Greeks on

Harlaftis, *Global Markets: The Internationalization of the Sea Transport Industries since 1850*, Research in Maritime History no.14, I.M.E.H.A, St. John's, Newfoundland, 1998.

⁴⁰ Anthony Reid "Entrepreneurial Minorities...", p. 35.

⁴¹ The fleet owned by Greeks has grown from 400 ships in the 1780s to 800 ships of 60,000 tons in 1830, to 600,000 gross registered tons in 1914 and more than 90 million gross registered tons in 2000. Owning almost 18% of the world fleet, Greek shipowners form the world's most successful group of entrepreneurs in the world shipping business.

the socio-economic evolution of Greece during the 19th and 20th centuries. The debate was closely connected to the appearance of the Dependency School that emerged in the late 1950s to explain the development of capitalism in backward nations, particularly in Latin America.⁴² Greek diaspora merchants of the 19th century and Greek shipowners of the 20th century have assumed the role of “internal” forces that function as “go-betweens” and sell them out to the “external” forces, i.e. the developed capitalist countries. As such, diaspora Greek entrepreneurs have been described as an “adulterated bourgeoisie”, “Trojan horses of foreign consortia”, agents of imperialism, and “comprador bourgeoisie”.⁴³

Towards a typology of diaspora entrepreneurship: a methodological approach

It is evident from the previous analysis that entrepreneurial diasporas have played a crucial role in the services sector in the international arena: in trade, finance and shipping. Historical analysis has been to follow continuity and distinguish change, political science to understand the position of these diasporas in the countries they resided, sociology to understand networks and social systems. In order to shed light on the economic dimension, we will use some tools from the institutional economics.

Greek diaspora business in trade and shipping has always been an international business. In order to analyse Greek diaspora entrepreneurship we will use some of the recently developed concepts derived from the theory of the firm and multinational enterprise used by business historians to analyse international commercial business. Geoffrey Jones in his path-breaking book *Merchants to Multinationals* brings in the mainstream literature and at the core of his study, the multinational merchant firms or trading companies which developed from the eighteenth century to handle some of Britain’s vast overseas trade. In this way “the study of these trading companies can, as a result, provide insights on a form of international business which remains little understood.”⁴⁴

The traditional interpretation for 19th century internationalisation lies on the rise of the businessman as an economic agent of an impersonal market⁴⁵. Following this line of thought, internationalisation is a function of the rise of the impersonal market which in turn is a function of the rise of the businessman. In neoclassical economics the firm is

⁴² Christos Hadjiiossiff, “Commercial settlements and independent Greece: interpretations and problems”, *O Politis*, September 1983 (in Greek).

⁴³ Harlaftis, *Greek Shipowners and Greece*, Athlone, 1993, pp. 65-66.

⁴⁴ Geoffrey Jones, *Merchants to Multinationals*, Oxford 2000, p.3

⁴⁵ G.B. Condliffe, *The Commerce of Nations*, New York, 1951.

a “black box” and there is no theory to analyse the development of a firm. To that end transactions cost theory has provided an explanation on the growth of the firm.⁴⁶ According to transaction theory the market is costly and inefficient to undertake certain transactions and costs arise from asymmetric information, from measuring what is being exchanged and from protecting rights and policing (enforcing) agreements (contract). For that reason firms undertake to internalize activities in order to minimize transactions costs. In this way the firm involved in long-distance trade and overseas investments in many countries develops by organizing agency relations within a traders’ coalition to overcome the above problems. This theory applied to 20th century multinational firms suggests that these firms expand across borders because the transactions occurred in international markets for their products prove costly and can be reduced by by-passing these markets, by internalizing these markets. As a result, the multinational firm and its transnational network of branch offices/factories around the world becomes the main economic institution.

Transactions cost theory reinforced by the principal-agent and contracting theories, can be used to support the argument that non-market economic institution, i.e. networks, clusters or a trader’s coalition have contributed to the development of internationalization. The main assets of the international trading companies, of the services sector, rest on “ ‘soft skills’ embodied in people rather than in machinery or other physical products.” The main advantage of such firms is knowledge and information about the markets, relationships and contacts with other firms across the borders. The survival of such international firms lies on their competitiveness in the international arena. Consequently, competitiveness strongly depends on their ability to internalize as much many transactions as possible. The cost of these transactions would be enormously high if the company had to rely on formal negotiations and contracts, so it lies on informal negotiations and contracts.

In the twentieth century, in the shipping sector, for example, that carries cross-trade on all oceans, the high frequency of transactions leads “multinational” shipping companies to plan and implement strategies that could minimize both the cost and the risk they create. Strategies of internal development, as well as strategic alliances, allow shipping companies to internalize transactions, thus reduce their cost and their inherent risk. Moreover, for companies that are not able or not willing to apply the above-

⁴⁶ Coase, Oliver Williamson, etc.

mentioned strategies, the solution for the minimization of the cost and the risk of transactions is to cooperate with other companies of similar characteristics, and to enlarge their value chain by forming networks.⁴⁷

Networking and co-operation is usually based on common business culture, as it minimizes the risk of transactions. Mark Casson defines a network as “a set of high-trust relationships, which either directly or indirectly link together everyone in a social group”.⁴⁸ Networks mean the formation of an institutional framework that will minimise entrepreneurial risk and provide information flow. Networks allow us to understand how official market mechanisms and trends can be by-passed, through the formation of trans-national contracts based on personal relations. The factor that allows this type of contracts is the trust. The most important aspect of business culture is that it promotes trust and consequently reduces the cost of transaction. In high trust culture, complex interdependencies between firms can be sustained by arm’s-length contracts and within each firm the owner can rely on the loyalty and integrity of the employees⁴⁹. The survival of “multinational” shipping companies has entirely relied on its ability to maintain strong links to multiple business networks on a local, on a national and international basis. The strength and the viability of these networks, described otherwise as “clusters”⁵⁰ on all three levels have been pivotal for the continuation of the activities of British and Greek tramp operators. By regarding diaspora trading companies or commercial houses as institutions that form their own networks, clusters or coalitions carrying trans-territorial, trans-ocean business based on a particular common culture can provide us the theoretical tools to study, compare and understand the international business of the diaspora entrepreneur.

The Greek international network, as described above, helped to reduce transaction costs mainly through agency relations and that led to their international success. Following this line of thought and towards a typology of Greek diaspora entrepreneurship we distinguish three main periods: the first period spans from the mid-

⁴⁷ Gelina Harlaftis and John Theotokas, “ ‘ Multinationals’ of a family character: British and Greek tramp shipping companies in the twentieth century”, *Business History*, forthcoming.

⁴⁸ Mark Casson, “Entrepreneurial Networks: A Theoretical Perspective”, in M.Moss and A.Slaven, *Entrepreneurial networks and business culture*, Proceedings, Twelfth International Economic History Congress, Madrid, August 1998, p.15

⁴⁹ Mark Casson, “Entrepreneurship and business culture” en J. Brown and M.B.Rose (eds), *Entrepreneurship networks and modern business*, (Manchester, 1993), 42.

18th century to the 1820s, the second period from 1830s to the First World War, and the third one from the 1920s to the 1990s.⁵¹ In all three periods four main features can be distinguished. Firstly, Greeks followed the routes of maritime trade, established themselves in main port-cities of trade and shipping, and the diaspora communities that dealt with trade and/or shipping that remained closed to outsiders and formed a “larger whole” that can be referred as a “Greek merchants’ and shipowners’ coalition”.⁵² Secondly in the first period, from mid-18th century to 1820s, Greek merchant houses acquired a uniform style of organization that was consolidated during the 19th century and continued through to the shipping companies of the 20th century. Using very old forms of organization, almost like the eleventh-century maghribi traders, by arranging agency relations through peer organizations, the Greek merchant house was able to overcome the problems of limited power to enforce contracts and asymmetric information. The operation of what might be called a “reputation mechanism” among the members of the coalition ensured the proper conduct of the agents of the member merchant houses. At the same time, the existence of an information-transmission mechanism within the coalition balanced out the constraints of asymmetric information. The ability to employ overseas agents—or to let business associates function as agents—allowed the Greek diaspora houses to pursue new opportunities and to keep capital constantly employed by spreading risks and participating in a number of different ventures.

Main characteristic of the diaspora houses was the importance of the family in the ownership and management of the companies for multiple generations. Family business was at the core of the function of the networks. Kinship and common place of origin implied trust and facilitated entry in the “club”, that was closed to all “foreigners”. The power of the Greek families derived from the discipline dictated by the patriarchy and cohesion of the family. Inter-marriage within entrepreneurial diaspora families was used extensively to keep the business within the group and to make them even more powerful.⁵³ Another important characteristic was their connection to their

⁵⁰ Ibid.

⁵¹ Each one of these periods, were we to analyse more closely, would be divided to another two sub-periods, but we will proceed the analysis with these three main periods that share the same characteristics, as they have been already described above.

⁵² For more on this concept, see A. Grief, “Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders”, *Journal of Economic History*, XLIX, no 4, (December 1989).

⁵³ For nineteenth century inter-marriages of commercial and shipping families see Harlaftis, *A History of Greek-owned Shipping...*, Routledge 1996, chapters 2 and 3, and for the twentieth century see Gelina Harlaftis, *Greek Shipowners and Greece. From Separate Development to Mutual Interdependence, 1945-1975*, Athlone 1993, chapter 1.

home island from which they draw investment funds and manned their companies and ships. Five islands have become famous for their diaspora merchants and shipowners in the 19th and 20th centuries: Chios, Andros and Kasos in the Aegean archipelago, Cephalonia and Ithaca in the Ionian seas.

Thirdly in the second and third periods as mentioned above, Greek maritime coalitions, were advanced specimens of the Greek maritime traders' coalition: not only did they operate within the coalition but also they copied it. In other words each company was a coalition in itself. The Greek diaspora house or the London shipping office that followed it did not have the rigid structure of a firm and it appeared as an "amorphous" organization, involving a large number of actors and ad infinitum collaborations.⁵⁴ Agency relations among partners and overseas agents were flexible. Besides being a partner or an agent for a specific house, agents would also be engaged independently in other "outside" economic activities. The house was built on numerous, constantly shifting "strategic alliances" with other houses, most (but not all) of which belonged to members of the same family or co-islanders. Often these collaborations were short term and had a specific objective, such as the chartering of ships or securing loans.

Particular entrepreneurial methods developed and persisted through the centuries that characterized the houses. One was direct access to the markets of both producers and consumers. Penetration of the difficult Black Sea hinterland on the one hand, penetration of and establishment in the equally, albeit for different reasons, difficult western markets proved pivotal for the operation of the networks of the diaspora Greek houses. In the mid-18th century the Chiot families of Mavrocordatos, Pringos, Courmoulis and Korais established in Istanbul and Smyrna, opened up branch offices in Amsterdam to carry silk and cotton from the Levante. In the mid-19th century the Chiot families of Ralli, Rodocanachi, Argenti, Petrocochino and others had opened up offices in London to carry grain, cotton, tallow and general cargo from the eastern Mediterranean and the Black Sea. In the mid-20th century the Chiot families of Lemos, Livanos, Chandris and others like Onassis from Smyrna, had opened branch offices in New York to ensure the transport of oil with their oil tankers around the globe. Another entrepreneurial method the Greeks followed was the type of cargoes they carried and

⁵⁴ A great deal of international business activity has always been organized through collaborative or network arrangements rather than hierarchies (firms). For a further discussion of this point, see G. Jones, *The Evolution of International Business: An Introduction* (London, 1996, p. 20; and G. Boyce *Information, Mediation and Institutional Development: The Rise of Large Scale-Enterprise in British Shipping, 1870-1919* (Manchester, 1995).

the kind of transport services they provided; in other words their specialization in the carriage of bulk cargoes by sea among third countries. And a last entrepreneurial method has been the use of various flags on Greek-owned ships: Greeks used about twelve flags in the 18th century, thirteen flags in the 19th century and more than twenty-five flags in the 20th century.

The fourth main feature of the Greek international business was diversification. Up to the mid-19th century the Greek trading house diversified into banking, shipping and insurance, i.e. it expanded vertically and raised even further profit margins in the grain trade, for example it was carrying. In the second half of the 19th century it expanded into industry, joint stock banking and steam shipping, farming and mining. For example by the 1870s Theodore Rodacanachi from the island of Chios, established the Russian-based House of the Rodocanachis with branch offices in Alexandria, Athens and London, to deal with the grain trade in which he was involved. Beyond his interests in grain, he owned immense farm lands in Russia and thirteen large factories (flour mills, brewery, tanning factory, cotton thread and cloth factory and jute factory, gold mine interests etc.); was a partner in fourteen banks, four of which were outside Russia; and had a large steamship company and two insurance companies.⁵⁵ Equally, one hundred years later, Stratis Andreadis, also from the island of Chios, a second generation shipowner, established in Greece, apart from his shipping interests with branch offices in Piraeus, London and New York, was a major partner in four Greek banks, one of which was outside Greece; three insurance companies seven industrial complexes (Shipyards, Food factories, phosphoric fertilizers), and two large hotel companies.⁵⁶

As a result of their worldwide activities, Greek-owned shipping companies in the 20th century have been referred to by some, as multinationals.⁵⁷ Ch. Carvounis asserted that Greek shipping firms “epitomize” multinational corporations through their exposure to a world-wide market and, the utilisation of foreign capital, foreign technology and foreign labour in order to maximise profits. By processing floating assets owned by non-Greek companies, Greek shipowners can transfer funds from Greek companies to the non-Greek companies. They can even finance shipping activities through profits generated by non-shipping activities, in which case they can be

⁵⁵ Ioanna Pepelassis Minoglou, “The Greek merchant house....”.

⁵⁶ Harlaftis, *Greek Shipowners and Greece*, Appendix X.

⁵⁷ Chr. Carvounis, «Efficiency and contradictions of multinational activity: the case of Greek shipping», (unpublished Ph.D. thesis, New School for Social Research, 1979).

regarded as multinationals who practice “transfer pricing”.⁵⁸ Greek shipping firms were characterised by the dispersal of their main decision making centres and the diversification of shipping capital into various areas around the world.⁵⁹ But these corporations were not incorporated, and did not develop along the lines of the modern industrial firm of the twentieth century, under the trends and tendencies that the new globalised managerial capitalism dictated. These twentieth century Greek shipping «multinationals» were and are first and foremost family firms, archetypes of prevalent family capitalism.

We can thus trace certain common characteristics among the development of the business practices of historical diasporas whose practices facilitated the integration of the new economic world system of the modern capitalist era. They all developed in big multiethnic empires and they are all Asian apart from the Greeks. They all speak languages that are not Latin-based, they are all ancient people that have retained their own culture, religion and language, they are all multi-lingual with an “overinvestment” on education. They are all organised in enclave groups based on kinship and intermarriage wherever they established themselves. And we can distinguish in all, continuity of old structures and success in transnational business. The business strategies of the diaspora people have much in common: on the one hand is the organisational side -- family, kinship, a particular culture that makes them feel their uniqueness, that brings cohesion to their efforts, and an identification of their particular practices by the “others”. On the other hand there are their entrepreneurial practices, with the development of transnational networks at the head of which there is always one of their own, since at the core of this business lies “trust”. They all clung to their own identity and culture for their business success. “Greekness”, “Jewishness”, “Chineseness”, meant an entry ticket to an international business network, because the diaspora entrepreneurs were always more loyal to international capital than to the nation in which they lived.⁶⁰

The modern international entrepreneurial practices of the Greeks, the Chinese, the Jews, the Armenians, the Indians or the Arabs do not fit the model of western capitalism and can not well be understood by northern European and north American scholars. It seems that there is a distinct difference in the development of capitalism of

⁵⁸ Ibid, pp. 33, 94, 111-132.

⁵⁹ Harlaftis, *Greek Shipowners and Greece*, , chapt. 4.

⁶⁰ Daniel Chirot, “Conflicting Identities an the Dangers of Communalism”, in Daniel Chirot and Anthony Reid, *Essential Outsiders. Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe*, University of Washington Press, 1997, p. 13.

diaspora people and of western European or North American capitalism. But beyond all, this was family capitalism, thriving on personal contacts and networks based on their own diaspora communities. And these “trans-territorial”, “trans-ocean”, “trans-cultural”, “transnational”, “international”, or “multinational” networks, this business beyond any boundaries, preserved unfettered flow of information and communication that sustained a permanent competitive advantage in the services sector. The “model” of the development of diaspora entrepreneurs is found at the center of the debate on personal or family capitalism *versus* managerial capitalism. Alfred Chandler, the patriarch of comparative business history, has supported the view, that one of the main reasons for the failure of British industrial companies has been the persistence of the British on the traditional structures of family capitalism and their inability to make their transition to managerial capitalism as this happened in the United States and Germany.⁶¹ According to this line of thought economic development is viewed only through the modernization of industrial firms. And by their “modernization” is meant the separation of ownership and administration, the trend to the growth and incorporation of the firm. So the path to managerial capitalism is considered a major factor for development whereas persistence to family forms of enterprise is considered as backwardness and failure. Chandler’s theory that identifies the modern form of organization of the firm with managerial capitalism after triggering extensive theoretical debate on the issue on the growth of the capitalist firm tends to be denounced at least as a general theory. The importance and the persistence of family firm structures in the era of the so-called globalisation, not only in the services sector but also in the industry has been studied as an accepted and still persisting form of structure that is certainly not synonymous to backwardness.⁶²

Jews, Greeks, Chinese have produced incredible business success stories of family firms that have attracted attention, all of which put together, form a highly interesting puzzle, that will keep being filled in to give a much clearer picture, as seen from a comparative perspective. It seems that the industrial era did not destroy the traditional trade diasporas and their merchant networks⁶³; it seems that although transformed, the descendants of these trade diasporas kept their distinct characteristics and particularly the structures of family capitalism intact, giving the very interesting

⁶¹ Alfred Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism*, Cambridge, Mass. Belknap Press, 1990.

⁶² Geoffrey Jones and Mary Rose, *Family Capitalism*, Business History 1993

examples of multinational family firms. A Chinese trading company has much more in common with a Greek shipping company than with an equivalent Western Company. The Greek way resembles the Chinese way; never to do business with “foreigners”; and a “foreigner” was sometimes a shipowner from another Greek island. An editorial of 1882 in the Chinese newspaper *Shenbao*, is as true of the Greeks as it was/is of the Chinese: “the main difference between the Chinese way of doing business and that of the West was that the Chinese did not do business with someone whom they’d never met”.⁶⁴ “Guanxi” is important in all diaspora business transactions because it is considered as an institutional substitute, when social economic resources cannot be obtained in formal relationships or regular institutional framework, “guanxi” or personal connections become a substitute channel.⁶⁵

Choi Chi-Cheung, representing many other authors’ opinions wrote in 1998, *«Family, together with kinship, region and dialect ties, construct the inner circles of the fiduciary community which serve as a prime criteria for recruiting employees, securing a firm’s internal harmony and establishing business relations. Overall, the consensus of opinion is that wherever successful Chinese businesses have been found they have operated within extensive networks based on kinship»*.⁶⁶ It is striking how researchers on the international businesses, mainly trade and shipping, of diaspora people, drawing their results from different archives, from different cultures thousands miles apart, trace similar patterns of behaviour and similar strategies.

Entrepreneurs of historic diaspora people then, have formed since very old times vibrant entrepreneurial merchant communities in the whole world, vehicles for the flow of goods and the development of transactions between people, during the whole era of the European expansion. It seems that within western capitalism and serving western capitalism all entrepreneurs that belonged to diaspora people have retained all the characteristics of their own entrepreneurial traditions that gave them unique competitive advantage in the international arena, and have developed similar practices stemming from their long-standing histories in international trade.

⁶³ Anthony Reid, “Entrepreneurial minorities, nationalism and the state”, in Daniel Chirot and Anthony Reid, *Essential Outsiders. Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe*, p. 36.

⁶⁴ Wai-keung Chung, “The emergence of Chinese Company. A Case on Institutional Transformation”, paper in the conference «Entrepreneurship and institutions in a comparative perspective: Europe and Asia, 16th-20th century», Rotterdam, 14-15 January 2000.

⁶⁵ Wai-keung Chung, “Guanxi Logic and the Chinese Business Practices”, paper presented to ?

⁶⁶ Choi Chi-Cheung, «Kinship and Business: Paternal and Maternal Kin in Chaozhou Chinese Family Firms», *Business History*, vol. 40, no. 1 (January 1998), pp. 26-49.