

# Ethnic minority groups in international banking: Greek diaspora bankers of Constantinople and Ottoman state finances, c. 1840–81<sup>1</sup>

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In the history of international finance, Greek diaspora bankers are one of the less known ethnic minority groups. Tight-knit but cosmopolitan, Greek diaspora banking developed from within the international mercantile community of diaspora Greeks that specialised in long-distance staple trades. By the first half of the nineteenth century, it operated an advanced network of financial transactions spreading out from Alexandria, Constantinople, Odessa and Smyrna in the east to Leghorn, London, Marseilles and Paris in the west.<sup>2</sup> More specifically, from about 1840 until 1881, Greek diaspora bankers<sup>3</sup> at Constantinople attained an elite position within the local community through their specialisation in financing the Ottoman public debt.

The evolution of Greek banking in Constantinople was first researched during the 1980s. This paper's contribution lies in its analysis of this small group of bankers' organisational framework, and its reappraisal of their financial techniques.<sup>4</sup> This has been made possible by the recently republished *Memoirs* of Andreas Syngros, which,

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<sup>2</sup> See C. Hadziiosif, 'Banques grecques et banques européens au XIXe siècle: le point de vue d'Alexandrie', in G. B. Dertilis (ed.), *Banquiers, Usuriers et Paysans Resaux de crédit et stratégies du capital en Grèce (1780–1930)* (Paris, 1988), pp. 157–98.

<sup>3</sup> The Greek bankers of Constantinople, as suggested by material in the Skouloudes Archive at the Gennadeion Library, had to some extent a dual identity in that, though they were members of a diaspora of an international breadth, they also had a sense of belonging to Constantinople. Indeed, it should be noted that traditional scholars of the Greek diaspora categorise the Greeks within the Ottoman empire not as a diaspora, but as 'omogeneis' – men of common breed – and study them within the more specific context of the religious communities that formed the Ottoman millet system: see I. K. Hasitosis, *A Survey of the History of Modern Greek Diaspora* (Athens, 1993) (in Greek.)

<sup>4</sup> In this sense this paper can be thought of as an extension of the work of H. Exertzoglou, *Greek banking in Constantinople, 1850–1881*, Ph.D. thesis (London University, 1986).

regardless of their imprecisions, is an invaluable tool for understanding Greek diaspora banking in mid-nineteenth-century Constantinople.<sup>5</sup>

The central arguments put forward below are that, first, the peak period of Greek diaspora banking at Constantinople can be divided into two phases. During the first (brought to an end by the creation of Banque impériale ottomane [hereafter BIO] by Anglo–French banking interests in 1863), local banking was almost exclusively identified with Greek banking. Thereafter until 1881, although Greek bankers continued to increase their wealth, their dominance was gradually eroded by Western banking that gradually developed to be the sole significant factor in the local banking industry. During this process, Constantinople was incorporated within the expanding nexus of international finance.

Second, the peak years of Greek banking in Constantinople – when ‘proper banking’ was in its early stages of development – coincided with the Ottoman empire undergoing transition. Greek bankers combined familiarity of local financial practices – institutionalised bribery – with the West’s more formal banking rules. Furthermore, they became engulfed in a larger whole – the nineteenth-century ‘social web’ of high finance. It was precisely their position in this international financial network that explains both their dominance within Constantinople’s banking community and their function as intermediaries, bringing closer two worlds still rather unknown to one another. By facilitating Constantinople’s integration into rapidly expanding Western capital markets, they attained pecuniary advantages from the still loose Western supervision over Ottoman finances, and the highly asymmetrical information existing between the so-called Western world of ‘rational capitalism’ and the ‘political capitalism’ of the eastern Mediterranean.

Third, Greek diaspora bankers’ organisational framework at Constantinople was flexible. They each operated both within the entity of a firm and, concurrently, as ‘privateers’ in outside collaborations. This suggests that a large part of their businesses involved speculative deals, some of which were informal and/or illicit operations that could not be easily contained within their respective firms’ constraints.

Fourth, an important innovative feature distinguishing Greek diaspora bankers vis-à-vis local *sarrafs* (moneychangers) was their ‘internationalisation’ of the paper comprising the internal Ottoman public debt. This drew them into a heavy dependence upon Western bankers while giving a near exclusive involvement in the provision of short-term advances to the Ottoman Treasury. Three phases can be discerned in the evolution of their financial techniques. Initially (c. 1840–67), the inner core of the Greek elite marketed and exported paper of the internal Ottoman public debt to the West through the international Greek diaspora mercantile network and their own long experience of discounting commercial bills. During the second phase (1868–71), a group of newcomers improvised the so-called Mandat method (see Section IV). A prominent member of this group was Andreas Syngros

<sup>5</sup> A. Syngros, *Memoirs*, vols 1–3 (Athens, 1908, 1998, republication edited by A. Angelou and M. C. Chatziioannou) (in Greek).

without whose *Memoirs* this paper could not have been written. The third phase (1872–81) was marked by the abandonment of the Mandat method, and the newcomers' adoption of the more conventional business methods pursued before 1868 by the inner core for internationalising Ottoman debt.

Within the context of the literature addressing the evolution of international finance, this case study sheds new light on the interaction between Western and Greek diaspora financiers, and their meeting up in what can be described as a grey area, where risky, non-conventional financial methods were practised by the Greeks with Westerners' silent consent. It also supports the argument that multiple-network arrangements were involved during the nineteenth century in the transfer of funds from the capital-rich Western European economy to the capital-poor eastern Mediterranean.

This paper is organised as follows. Section I follows the rise and assimilation of the inner core of Greek bankers at Constantinople. Emphasis is given here to their organisational framework, and their responses to the gradual infiltration of Western banking interests at Constantinople. Section II analyses the inner core's financial techniques. Sections III and IV examine the widening of the Greek banking circle, and the newcomers' adoption of the novel Mandat method. The linkages between the inner core group, the newcomers and Western financial institutions are delineated. Section V sketches the very peak of Greek banking at Constantinople, and the partial transition of Greek bankers from partnerships to the *société anonyme* type of banking firm. Section VI surveys the main findings.

## I

Over the centuries, Constantinople's financial community comprised moneylenders and brokers, who functioned as 'bankers without banks'. These so-called *sarrafs* were based in the Galata neighbourhood, the financial heartland of the Ottoman empire from the fifteenth century.<sup>6</sup> Within the context of the ethnic division of labour in the Ottoman empire, *sarrafs* were drawn from local, non-muslim minority groups: Armenians, Greeks, Jews and some Levantines. During the fifteenth and sixteenth centuries, Greeks and Jews were the predominant element. In the seventeenth century, Greeks retained their second-rank position among the *sarrafs* and, as the Jewish presence receded, Armenians became the leading ethnic component. However, by the 1840s – when foreign trade began rapidly to expand and banking 'in the modern meaning of the word' is considered to have first appeared at Constantinople – Greeks as a group became the more prominent through their

<sup>6</sup> S. Pamuk, *A Monetary History of the Ottoman Empire* (Cambridge, 2000), pp. 20–1, 80, 200–2; Z. Çelik, *The Remaking of Istanbul, Portrait of an Ottoman City in the Nineteenth Century* (Seattle, 1986), pp. 37–9; and Exertzoglou, Greek banking in Constantinople, pp. 73–5, 110.

dynamic presence in ‘opening up’ the Ottoman empire to Western European finance.<sup>7</sup>

During the 1840s, among the first known bankers to appear amongst the plethora of local moneylenders, there was one Jew – Isaac Camondo<sup>8</sup> – a French Levantine – J. Alléon – and some 11 Greeks, whose dominant position was to last about 40 years. These were Emmanouel and Theodore Baltazzis, D. Glavanys, Stephanos Mavrocordatos, (Tz)Ioannis Psycharis, Stephanos Rallis, Z. Stephanovik-Skylitsis, B. Tubini, George Zafiropoulos, George Zarifis and Christakis Zographos.<sup>9</sup> Amongst all these bankers, Isaac Camondo was probably the richest and, by 1870, he had moved his headquarters to Paris, where he claimed fame as ‘a second rank Paris *haute banquier*’.<sup>10</sup>

Every Greek banker had a mercantile background. With the exception of the Baltazzis, they had personal experience of the Ottoman empire’s rapidly expanding foreign trade. Diversification from the long-distance trade into finance came almost effortlessly<sup>11</sup> since Greek diaspora merchants in the Ottoman empire had a long tradition of making bets in futures, dealing in bills of exchange and speculating in international currencies. Furthermore, with the exceptions of Psycharis and Zographos, they belonged mostly to interrelated diaspora mercantile dynasties whose houses operated as ‘internal banks’ – their international branches working with capital provided by the head office.<sup>12</sup>

Their privileged origins combined with intimate connections east and west. For example, Theodore Baltazzis was close to the prominent statesman and reformer Mustafa Reshid Pasha; Christakis Zographos was personal banker to Sultan Murad V; and George Zarifis was personal banker to the Sultan Abdul Hamid. Furthermore, the Baltazzis and the Zarifis were well known within the banking

<sup>7</sup> H. Inalcik and D. Quatert (eds), *An Economic and Social History of the Ottoman Empire 1300–1914* (Cambridge, 1994), pp. 209–17, 970; C. Issawi, *The Economic History of Turkey 1800–1914* (Chicago, 1980), pp. 14, 17, 54, 61–2, 76, 339; E. Eldem, *A History of the Ottoman Bank* (Istanbul, 1999), p. 13; and S. Pamuk, *The Ottoman Empire and European Capitalism, 1820–1913: Trade, Investment and Production* (Cambridge, 1987), pp. 13–21, 26, 66–8.

<sup>8</sup> Some Armenians, however, such as the Duz family, distinguished themselves for their large, more informal financial operations: Pamuk, *A Monetary History*, pp. 201–3.

<sup>9</sup> Syngros, *Memoirs*, vol. 1, p. 280, and vol. 2, pp. 15, 120–2 and 278; H. Exertoglou, *Adaptability and Policy of the Expatriate Capital in Constantinople, the House of ‘Zarifis Zafiropoulos’ 1871–1881* (Athens, 1989), pp. 11, 12 (in Greek); and F. Sidiropoulos, *The National Philanthropist Foundations in Constantinople* (Athens, 1999), p. 134 (in Greek).

<sup>10</sup> Syngros, *Memoirs*, vol. 2, p. 225; R. Davenport-Hines and J.-J. Van Helten, ‘Edgar Vincent, Viscount D’Abernon, and the Eastern Investment Company in London, Constantinople and Johannesburg’, *Business History*, 28 (1986), p. 51.

<sup>11</sup> Exertoglou, *Greek banking in Constantinople*, pp. 114–15, 117; and S. Chapman, *The Rise of Merchant Banking* (London, 1984), pp. 128–9.

<sup>12</sup> Syngros, *Memoirs*, vol. 2, p. 121; E. Frangakis-Syrett, *The Commerce of Smyrna in the Eighteenth Century (1700–1820)* (Athens, 1992), p. 110; and idem, ‘Implementation of the Anglo-Turkish Convention of Izmir’s Trade: European and minority merchants’, *New Perspectives on Turkey* (Spring 1982), p. 101; and G. I. Zolotas, *The History of Chios*, vol. A (Athens, 1923) (in Greek).

circles of London, Marseilles and Paris.<sup>13</sup> Indeed, the Greek merchant banker of Marseilles, Demetrius Baltazzis (a relation and collaborator of Theodore Baltazzis), became a member of Comptoir national d'Escompte's governing board in 1848.<sup>14</sup>

During the 1840s, if not earlier,<sup>15</sup> the 11 Greek diaspora bankers established private banking houses as general or limited partnerships. They specialised in financing the internal Ottoman public debt and all survived on Constantinople's volatile market until at least the early 1880s. The one exception was I. Psycharis & Son, which went bankrupt in 1860/61.<sup>16</sup> These houses had correspondents in the provinces of the Ottoman empire and either access to European financial markets through their foreign branches or a loose affiliation (usually through family ties) to leading Greek diaspora banks/merchant houses based in Western Europe, as was the case with the firms of St Mavrocordatos et Cie, St Rallis, Z. Stephanovik-Skylitsis and Zarifis & Zafiroopoulos.<sup>17</sup>

In accordance with the international Greek diaspora's then business practice, a significant part of Greek bankers' activities at Constantinople involved informal contracts outside the framework of their firms, built upon the economic mechanism of 'trust and reputation', secrecy and personal honour.<sup>18</sup> It was also the case that these bankers, while jealously guarding their private firms – in their original form as partnerships – would also, as 'privateers', participate in setting up new banks, all of

<sup>13</sup> Zarifis was close to Société marseillaise de Crédit and Imperial Credit Mercantile Association: Hadziiosif, *Banques grecques et banques européennes*, p. 169.

<sup>14</sup> Exertzoglou, Greek banking in Constantinople, p. 113; P. Rose and J. Staniforth, *Turkish Debt: Report on the Result of Their Mission to Constantinople* (London, 1876), p. 45; S. Papageorgiou, *Greek Benefactors* (Athens, 1997), p. 105 (in Greek); Syngros, *Memoirs*, vol. 2, pp. 121, 298; A. Alexandris, *The Greek Minority of Istanbul and the Greek-Turkish Relations, 1918–1974* (Athens, 1985), p. 232; and Eldem, *A History of the Ottoman Bank*, p. 21.

<sup>15</sup> Exertzoglou, Greek banking in Constantinople, p. 117.

<sup>16</sup> S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), p. 160; and Syngros, *Memoirs*, vol. 2, pp. 122–3.

<sup>17</sup> Syngros, *Memoirs*, vol. 2, pp. 122, 278; Exertzoglou, *Adaptability and Policy of Expatriate Capital*, p. 13; idem, Some thoughts and hypotheses regarding the movement of Greek expatriate capital in the Ottoman Empire and Greece (end of 19th century–beginning of 20th), 93rd meeting of the researchers of the National Bank of Greece Historical Archive, 22 Dec. 1988, mimeo, p. 30 (in Greek); A. Mandilara, 'The penetration of Greek entrepreneurial networks in the markets of the western Mediterranean. The case of Marseilles (1860–1890)', *Ta Istorika*, 33 (Dec. 2000), pp. 266–8 (in Greek); idem, *The Greek business community in Marseille, 1816–1900: individual and network strategies*, Ph.D. thesis (European University Institute, 1998), p. 174; and J. Thobie, *Intérêts et Impérialisme Français dans l'Empire Ottoman* (Paris, 1977), p. 90. For the similarity with the contemporaneous Chinese diaspora, see: R. Brown, 'Chinese banking and business in South-East Asia since 1870', in G. Jones (ed.), *Banks as Multinationals* (London, 1990), p. 174.

<sup>18</sup> S. Xenos, *Depredations or Overend, Gurney and Co. and the Greek Oriental Steam Navigation Company* (London, 1869), pp. 5, 11, 13, 17–18, 23; Mandilara, *The Greek business community*, pp. 183–4; D. Vikelas, *The Complete Works, My Life*, vol. 1 (Athens, 1997 edn), pp. 188, 191–3 (in Greek); T. Sklavenitis, 'The "traders coalitions" of Smyrna and Constantinople (1806–1820)', in Society for the Study of Modern Greek Civilization and General Education, *The Outside Hellenism, Constantinople and Smyrna 1800–1922* (Athens, 1998) (in Greek).

which had a near-exclusive involvement in Ottoman state finances and some of which were constituted as sociétés anonymes. Specifically, E. Baltazzis, Glavanys, Psycharis, Tubini and Zarifis were involved in establishing what are considered as the first three proper banking firms in the Ottoman empire: Banque de Constantinople (1847), Banque ottomane (1853) and Union financière (1860). Each founded under the auspices of the Ottoman state, these banks' primary purpose was stabilising the exchange rate of Ottoman paper currency and, specifically, curtailing interest-bearing paper money (kaime), the circulation of which had assumed large proportions after its first issue in 1840. However, all three banks were short-lived ventures that failed, largely due to inadequate financial backing (Figure 1).<sup>19</sup>

Under the pressure of financial insolvency following the 1861 Mires crisis, the state turned westward as it became obvious that another Greek 'financial rationalisation experiment' would be doomed to failure. Thus BIO was founded at Constantinople in 1863 by the London-based Ottoman Bank (created in 1856), Crédit Mobilier, Comptoir national d'Escompte, the Péreire Brothers and other French financial interests. Although effectively managed from London and Paris, BIO acted as a quasi-central bank and agent of reform of the Ottoman state.<sup>20</sup> Perhaps the 'most powerful European financial institution operating in the non-Western world', BIO became intimately involved in most of the state's foreign loan flotations, beginning with that of 1862, raised specifically for withdrawing kaime paper currency.<sup>21</sup>

The timing of BIO's creation was not coincidental. During the aftermath of the Crimean war and the 'promises of Western-style reform' incorporated in the Imperial decree of 1856, the Ottoman empire began to appear in Western eyes as a 'new California'. This, combined with the large 'surplus' capital available in Western Europe for investment abroad, led to an abrupt rise in foreign direct investment, a large part of which was directed towards banking.<sup>22</sup>

With BIO's founding, Greek banking might have lost in one blow its 'near monopolistic position' on the local market but, simultaneously, new opportunities arose.<sup>23</sup> Although there was no Greek participation in BIO's capital, the eminent Greek banker, George Zarifis, sat on its board, and the bank also developed strong

<sup>19</sup> Pamuk, *A Monetary History*, pp. 203, 210–12; Eldem, *A History of the Ottoman Bank*, pp. 20–4, 74, 89; and Exertzoglou, Greek banking in Constantinople, pp. 116–30, 166.

<sup>20</sup> C. G. A. Clay, 'The Imperial Ottoman Bank in the later nineteenth century: a multinational "national" bank?', in Jones, *Banks as Multinationals*, pp. 142–59; and D. Landes, *Bankers and Pashas* (New York, 1969), pp. 62–7.

<sup>21</sup> C. G. A. Clay, 'Western banking and the Ottoman economy before 1890: a story of disappointed expectations', *Journal of European Economic History*, 28 (1999), p. 479; A. Du Velay, *Histoire Financière de la Turquie* (Paris, 1903), p. 153; and Thobie, *Intérêts et Impérialisme*, pp. 82–3.

<sup>22</sup> Issawi, *Economic History of Turkey*, p. 324; Pamuk, *The Ottoman Empire*, pp. 64–5; Clay, 'Western banking', p. 474; and Syngros, *Memoirs*, vol. 2, p. 31. See also Hines and Van Helten, 'Edgar Vincent', p. 36.

<sup>23</sup> Exertzoglou, Greek banking in Constantinople, pp. 312–25.



connections with the influential Rallis family.<sup>24</sup> Furthermore, BIO provided Greek banks with short-term foreign credit (see Section II). Moreover, BIO sought Greek bankers' collaboration when establishing Société générale de l'Empire ottomane in 1864. George Zarifis was appointed president of this new bank through which BIO was able to handle indirectly the provision of short-term advances to the Ottoman state that were not sanctioned by its statutes. Moreover, St. Rallis and Z. Stephanovik were on its board and C. Zographos played an active part in its management.<sup>25</sup> Four years later, in 1868, Société générale, Paris, took the opportunity – in view of the financial difficulties of its rival the Crédit Mobilier – to make inroads at Constantinople by founding with the Catholic Chiot B. Tubini a local subsidiary: Crédit général ottoman.

In sum, during the 1840s, a small group of Greek diaspora bankers attained a leading position within Constantinople that was to persist for some 40 years. Pursuing a dual strategy of continuity and change, its members maintained throughout this period their original private banking houses, while participating in the formation of société anonyme banks, initiated with the appearance of Western financial interests at Constantinople. In this respect, they were also in tune with the developments within the wider Greek diaspora banking community, whose most eminent members set up from the 1870s some large joint-stock banks at important financial centres outside the Ottoman empire.<sup>26</sup>

## II

Moving from the organisational framework of Greek bankers at Constantinople to their financial techniques, the questions that emerge are: what was their main attribute, and how did they differentiate themselves from the most important sarrafis? The sarrafis undertook principally four types of activities. First, they financed international trade and, through the use of 'dummy' bills, created credit.<sup>27</sup> Second, from the 1760s, they had organised in the West short-term 'personal' loans for the Sultans. Third, through their international networks, they secured foreign funds by drawing their own commercial bills on a merchant house/bank in Western Europe, a business that had been augmented from the eighteenth century by the local operation of the financial networks of Western European (largely French) traders in

<sup>24</sup> Chapman, *Rise of Merchant Banking*, p. 135.

<sup>25</sup> Hadziiossif, 'Banques grecques et banques europeens', p. 169; Du Velay, *Histoire Financière*, pp. 199–201; and Thobie, *Intérêts et Impérialisme*, pp. 89–91.

<sup>26</sup> Greek bankers of Constantinople participated in some of these new 'corporate' banks: S. Saul, *La France et L'Égypte de 1882 à 1914: Intérêts économiques et implications politiques* (Paris, 1997), p. 82; and Chapman, *The Rise of Merchant Banking*, pp. 134, 166.

<sup>27</sup> M. M. Çizakça, *A Comparative Evolution of Business Partnerships: The Islamic World and Europe, with Specific Reference to the Ottoman Archives* (Leiden, 1996), pp. 124–26, 169–78.

## Phase I: 1840–62

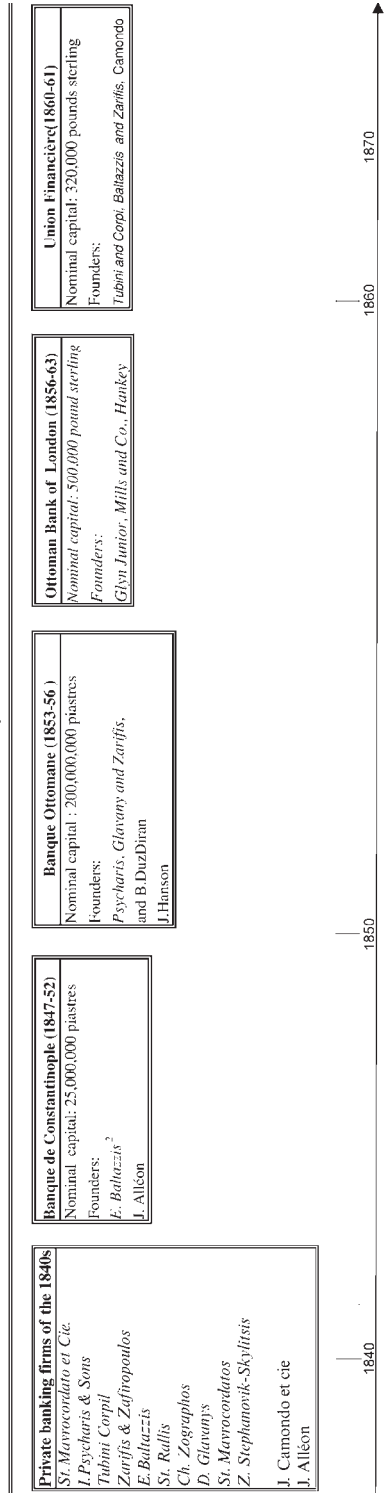


Figure 1. The evolution of banking in Constantinople

<sup>1</sup> This firm we find in the 1860s as *Tubini et Fils*

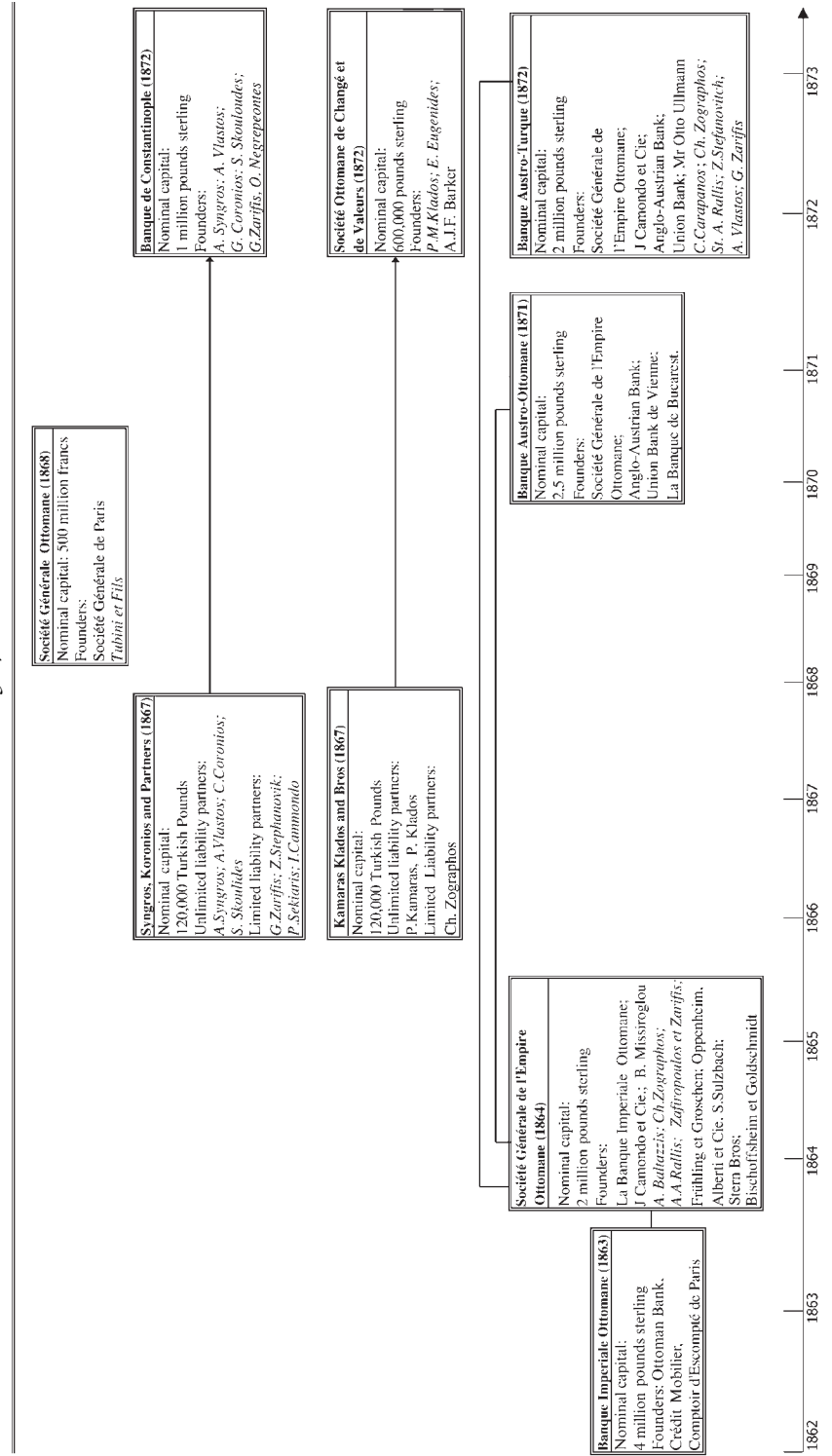
<sup>2</sup> Initially, Th. Baltazis

\* Italics denotes a Greek diaspora name



Figure 1 (continued)

Phase II: 1863–72



\* Italics denotes a Greek diaspora name

Compiled from A. Du Velay, *Histoire Financière de la Turquie* (Paris, 1903)

commercial bills.<sup>28</sup> Fourth, they were involved in the purchase and selling of foreign exchange, and speculated in futures transactions in gold and kaime paper money.<sup>29</sup>

Sarrafs' activities also included the provision of short-term credit to the government, and discounting sergi and havale. Sergi were notes of indebtedness issued by the Ministry of Military Affairs and other Ottoman government departments. Havale were assignments of future revenues by means of promissory notes, issued by the authorities of distant provinces on an ad hoc basis as they were not subject to budgetary control.<sup>30</sup> Through discounting of such receivables, sarrafs entangled themselves in the highly profitable farming of taxes (tithes) for a specific province for three to ten years.<sup>31</sup>

Greek bankers engaged in the last three types of activities and, in this respect, they were no more than glorified, large-scale sarrafs.<sup>32</sup> However, simultaneously in some ways, they were more advanced specimens of financiers, and played a key part in the Western financial penetration of Constantinople. This took two forms: floating foreign loans for the Ottoman state and establishing local banks (Figure 2).

The Ottoman foreign public debt's expansion, a result of ever-mounting budget deficits, attained massive dimensions between the first long-term foreign loan of 1854 and default in 1875.<sup>33</sup> The involvement of the Greek bankers was rather 'indirect'. On the one hand, they were shareholders in 'local' société anonyme banks that participated in some of these loans' flotations. On the other, they acted as intermediaries between the Ottoman state and foreign subscribers. Intermediation was a profitable business, involving commissions of 'between ten and twelve percent of the sums actually gathered'.<sup>34</sup>

More significantly, Greek bankers differentiated themselves in scope from sarrafs through their main activity becoming the provision of short-term advances to the Ottoman Treasury. This they organised in a more structured/sophisticated way. By

<sup>28</sup> The tax revenues of the provinces sent to Constantinople by the sarrafs would be exchanged with funds European merchants wanted to send from Constantinople to their associates in the provinces: E. Eldem, *French Trade in Istanbul in the Eighteenth Century* (Leiden, 1999), pp. 113–47, 174–202. See also Pamuk, *A Monetary History*, p. 170.

<sup>29</sup> Pamuk, *A Monetary History*, pp. 210–11; and Syngros, *Memoirs*, vol. 2, pp. 32–4.

<sup>30</sup> Syngros, *Memoirs*, vol. 2, pp. 178–9, 182–3.

<sup>31</sup> Pamuk, *The Ottoman Empire*, p. 87; C. Issawi (ed.), *Economic History of the Middle East* (Chicago, 1966), pp. 96, 98; idem, *Economic History of Turkey*, p. 340; Skouloudes Archive at the Gennadeion Library [hereafter SAGL]. File 25, 'Ottoman state Finances', Stephanos Skouloudes, c. 1876; D. C. Blaisdell, *European Financial Control in the Ottoman Empire* (New York, 1929), pp. 11–14; and Pamuk, *A Monetary History*, p. 84. The Ottoman state would usually pay Greek sarrafs through the fraudulent awarding of such tithes: Syngros, *Memoirs*, vol. 1, pp. 353–5; and vol. 2, pp. 68–71.

<sup>32</sup> *ibid.*, pp. 17–19.

<sup>33</sup> The total nominal value of the 16 loans issued was c. £200m. SAGL: File 25, The total foreign and local debt of the Ottoman Empire, memorandum, Stephanos Skouloudes, c. 1875/76 and 'Tableau des Valeurs Publiques Ottomanes Fonds d'Etat', *Imprimerie du Levant Times & Shipping Gazette*, c. 1876; Issawi, *Economic History of the Middle East*, pp. 100–1; Pamuk, *The Ottoman Empire*, pp. 55–7; and Inalcik and Quatert, *An Economic and Social History*, p. 972.

<sup>34</sup> Pamuk, *A Monetary History*, p. 213.

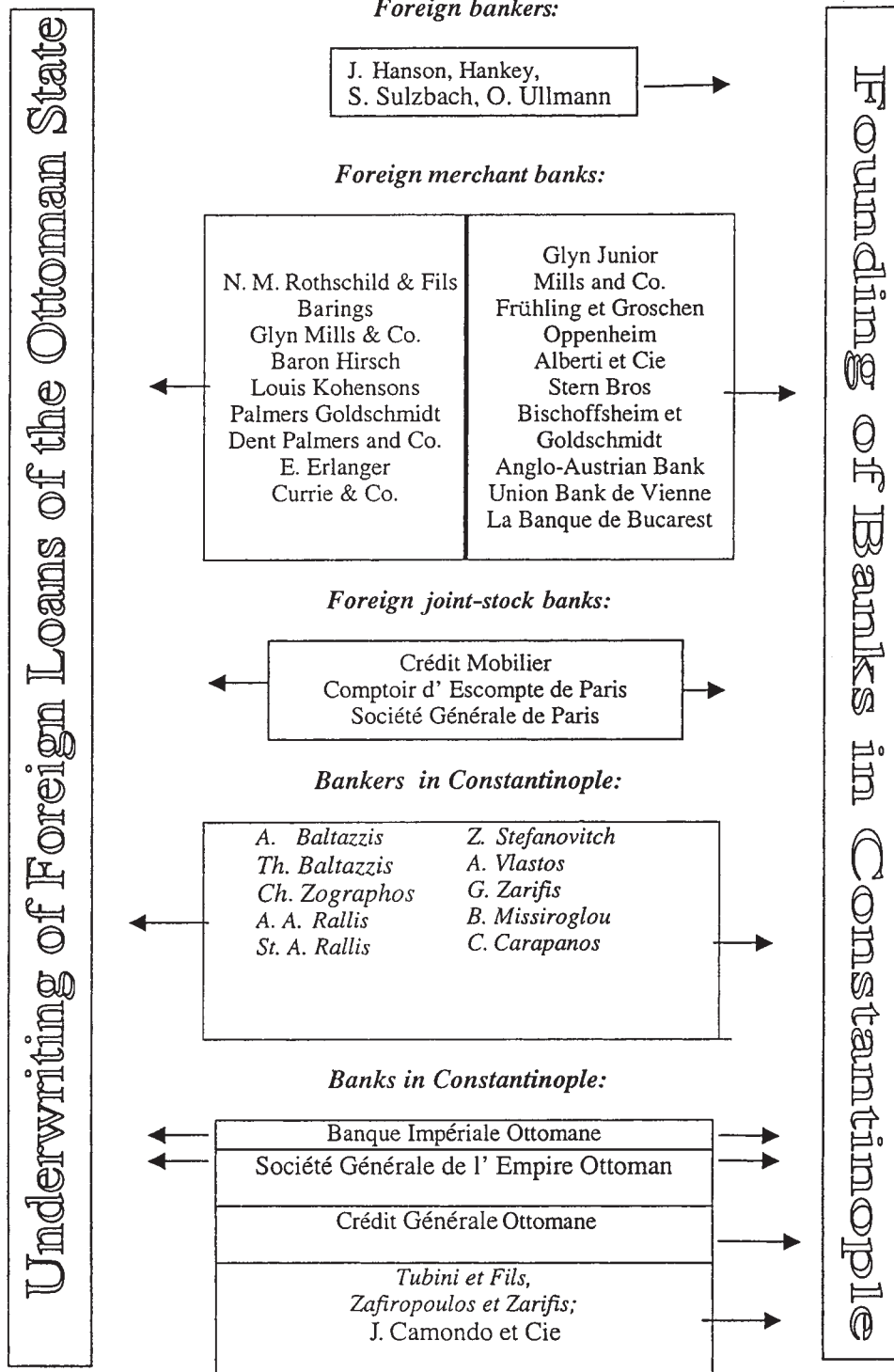


Figure 2. International finance in Constantinople, c. 1853–1875

internationalising – exporting and marketing abroad – the financial instruments (paper) of the internal debt, the funds they made available for financing the ‘ever expanding’ Ottoman internal public debt were far larger in scale than ever before.<sup>35</sup> The details were as follows.

Greek bankers obtained from Western bankers three-month credits at three to five per cent (namely, at slightly above the market rate in Western Europe), in order that they could, in turn, provide short-term advances to the Ottoman Treasury at a nominal interest rate of 11 to 18 per cent. The Treasury, in return, would usually offer as security three-month government bills or *sergis* or *havale*.<sup>36</sup> This was not a direct payment as frequently this ‘paper’ was replaced by comparable fresh ‘paper’. The bankers neither retained these ‘forms of deferred payment’ nor used them to get involved extensively in tax farming (as had been the usual case with the larger *sarrafs*). Instead, being more internationalised, they transferred the paper abroad, offering it as security and, thereby, securing additional financial means for renewing their cycle of short-term lending to the permanently cash-strung Ottoman government.<sup>37</sup>

Specifically, Greek bankers of Constantinople would draw – on the basis of these guarantees – a three to six month bill on either a branch of their firm or that of an affiliated Greek diaspora merchant house/bank in London or Marseilles. The latter usually retained Ottoman internal public debt ‘paper’ until its maturity. However, sometimes the Greek banker/merchant in the West would endorse it and discounted it with *Crédit lyonnais*, or *Banque de France*, or *Comptoir national d’Escompte*, or *Bischoffsheim et Goldschmidt* or *Oppenheim*.<sup>38</sup> Probably, such large institutions would then directly negotiate the payment of this ‘internal debt paper’ with the *Porte*. Occasionally, as in 1860 (when the floating debt had reached £4m.), the markets in London, Marseilles and Paris were inundated with Ottoman ‘paper’ and the Sultan could not redeem it, leading to a crisis within the circle of affairs of Western-Ottoman banking.<sup>39</sup> From 1863, with BIO’s creation, Greek bankers could also draw some short-term funds, albeit at a higher rate of interest, directly from BIO.

To recapitulate, Greek bankers at Constantinople distinguished themselves in financial intermediation. Their main ‘contribution’ from the viewpoint of financial

<sup>35</sup> For estimates of the size of the internal Ottoman public debt, see: *Tableau General des Recettes et des Depenses de l’exercice 1er Mars 1874 à fin Fevrier 1875* (Paris, 1875); Eldem, *A History of the Ottoman Bank*, p. 75; Mandilara, ‘The Greek business community’, p. 298, and Du Velay, *Histoire Financière*, pp. 154–5.

<sup>36</sup> Eldem, *A History of the Ottoman Bank*, pp. 57, 73; and N. Valsamakis, ‘Speculative crisis in Constantinople’, *Oikonomike Epitheorisis* (Athens, 1874), p. 37 (in Greek).

<sup>37</sup> Inalcik and Quataert, *An Economic and Social History*, p. 208; and Xenos, *Depredations*, p. 115.

<sup>38</sup> J. Bouvier, *Le Crédit Lyonnais 1862–1882*, vol. 2 (Paris, 1962), p. 683; Mandilara, ‘The penetration of Greek entrepreneurial networks’, pp. 257–61; and Eldem, *A History of the Ottoman Bank*, p. 22, n. 22.

<sup>39</sup> Xenos, *Depredations*, pp. 113–15; Mandilara, ‘The Greek business community’, pp. 301, 316–18; and Blaisdell, *European Financial Control*, pp. 33–4.

techniques was that they internationalised the paper of the internal Ottoman public debt. 'Contribution' is in quotation marks because this mechanism had a dark side – it enhanced even further the size of the public debt and thus indirectly increased the Ottoman empire's dependence upon its foreign creditors. This financial activity was to become even riskier and cunningly ingenious following the rise of a small group of newcomer Greek bankers during the late 1860s.

### III

The inner core of Greek diaspora banking at Constantinople was widened abruptly between 1867 and 1870 to include six newcomers who had made substantial profits from the exceptional circumstances in foreign trade pertaining during the Crimean and American Civil wars.<sup>40</sup> They were: P. Kamaras, P. M. Klados, G. Koronios, S. Skouloudes, A. Syngros and A. Vlastos, who formed a varied group. Kamaras, Klados, Koronios and Syngros did not have privileged backgrounds, whereas Skouloudes and Vlastos were members of well-established diaspora mercantile dynasties, Vlastos being already a director of *Société générale de l'Empire ottomane*.<sup>41</sup>

The newcomers' formal debut in banking occurred in December 1867, when Koronios, Skouloudes, Syngros and Vlastos set up a financial brokerage house – Syngros, Koronios & Partners. Nine months later, the rival Kamaras Klados & Bros was founded. Both were limited partnerships of roughly the same size and, as was the case with inner core Greek bankers' private banking firms, their main objective was the provision of short-term advances to the Ottoman Treasury and discounting Ottoman government 'paper'.<sup>42</sup> Their meteoric rise within the Greek banking elite was the result of their introduction of a novel risky financial technique – the so-called Mandat method (see Section IV).

Both firms enjoyed support from members of the inner circle who, without risking their fortunes or their public image as 'conservative bankers' or their good names vis-à-vis the Ottoman Treasury, benefited indirectly from the Mandat method. As individuals, or through their private banking firms, they allocated large sums to the newcomers in order to play for them the 'Mandat Game', granting them in return one-eighth per cent commission.<sup>43</sup> Furthermore, some members of the inner circle were limited liability partners in the two new financial brokerage houses. It was then a general practice among well-established members of the international mercantile Greek diaspora to expand their activities by participating as limited liability partners in the partnerships of rising entrepreneurs.<sup>44</sup>

Andreas Syngros appears to have been the trendsetter among the newcomers. Starting off as an apprentice accountant at the age of 21, he became a partner in

<sup>40</sup> Exertzoglou, *Greek banking in Constantinople*, p. 312.

<sup>41</sup> Syngros, *Memoirs*, vol. 2, pp. 169, 201.

<sup>42</sup> *ibid.*, pp. 168, 196, 226; and Du Velay, *Histoire Financière de la Turquie*, p. 204.

<sup>43</sup> Syngros, *Memoirs*, vol. 2, pp. 179, 241, 262.

<sup>44</sup> Mandilara, 'The Greek business community', p. 174.

E. Vouros & Partners, one of Constantinople's largest mercantile houses. He cultivated close connections with Ottoman high officials, such as Sadik Pasha, Minister of Finance, who became a close personal friend.<sup>45</sup> Syngros's entrepreneurial path suggests that an important feature within this newcomer group was the combination in parallel of formal partnerships and informal free-lance deals, often of a commenda or an inan type.<sup>46</sup>

Some of their informal ventures were with Western European bankers, and Syngros describes two such lucrative cases. The first took place in 1862 when, on a visit to Paris, Herman Oppenheim (the near exclusive foreign loan contractor of the Egyptian state and royal family)<sup>47</sup> introduced Syngros to a venture which produced an exorbitant profit with no capital investment. He guaranteed Ff0.5m. for a loan that Bischoffsheim et Goldschmidt with Martin Aliberti was then advancing to Mustapha Fazil, the Khedive's brother. Without actually supplying any funds, Syngros made a quick profit of Ff0.1m.<sup>48</sup> In the case of the second deal, Syngros vaguely claims that, through the personal relationship he established in 1870 with Henry Bischoffsheim, he profited from participating in 'various financial combinations/tricks' connected with public flotations made by Bischoffsheim et Goldschmidt for funding American railways and Latin American states.<sup>49</sup> We are told that these speculative deals with Herman Oppenheim and Henry Bischoffsheim were 'simply gestures of friendship', presumably in return for favours in Ottoman finance in which they had already become well-known actors through their participation in the Société générale de l'Empire ottomane. It would be naïve to assume that only Syngros succeeded in striking such informal speculative deals with these two Parisian bankers since five members of the inner core were among the founders of the Société générale de l'Empire ottomane. Thus these two examples offered by Syngros are of wider significance, suggesting the extensive formation by the Greek banking diaspora of informal ties with important Western bankers. This development was to be all-important for the Mandat method's successful operation.

#### IV<sup>50</sup>

The Mandat method continued until the outbreak of the Franco-Prussian War in July 1870. It was more complex than the rather straightforward method of inter-

<sup>45</sup> In 1869 Syngros's 'House' was saved 'from financial ruin' due to the intervention of Sadik Pasha: Syngros, *Memoirs*, vol. 2, pp. 197–8.

<sup>46</sup> *ibid.*, vol. 1, pp. 214–18, 282; *ibid.*, vol. 2, pp. 9–12, 14, 23–33; Çizakça, *Comparative Evolution*, p. 22; and *idem*, 'Commercial letter written in 1770 from Chios', [Ellinika] *Symmeikta*, VII (1934), pp. 155–6 (in Greek).

<sup>47</sup> Landes, *Bankers and Pashas*, pp. 111–15.

<sup>48</sup> Syngros did not deposit any cash but promised that, if the so-called £3,292,800 Mustapha 1862 loan were not fully subscribed, he would be responsible for providing the sum he guaranteed: Syngros, *Memoirs*, vol. 2, pp. 60–2; and Issawi, *Economic History of Middle East*, p. 435.

<sup>49</sup> Syngros, *Memoirs*, vol. 2, pp. 303–4.

<sup>50</sup> I owe some of the comments of this section to Evangelos Mageirou, Athens University of Economics.

nationalisation of the Ottoman internal debt employed by the inner core. Times had changed as a result of the introduction from 1865 of the foreign bonds of the Ottoman public debt to the stock exchanges of London and Paris. The newcomers grabbed the opportunity that this provided. The method, which Syngros claims to have invented, was organised as follows. The newcomer financial brokerage house supplied much-needed cash to the Ottoman state through discounting *havale* promissory notes at 60 to 70 per cent of their face value. In exchange for this service, the house received at considerable discount from the Porte higher grade bonds of the Ottoman external public debt, which, because they were external (and well guaranteed), enjoyed a higher credit rating. Specifically, they comprised 1865 Consolidé loan bonds – made available from Sultan Abd-UI-Aziz's personal portfolio – and unsold bonds of the 1869 Pinard. Interlinkages were an important facet of these operations. The Pinard loan was contracted with Comptoir national d'Escompte, which allocated part of it to Société générale de l'Empire ottomane of which Vlastos – a sleeping partner in Syngros's financial brokerage firm – was a director.<sup>51</sup>

The newcomer financial brokerage house would then either pledge these Ottoman bonds in Paris and London, or realise them on the respective stock exchanges in order to raise cheap, short-term loans for discounting mandates. Mandats were five-, six- or nine-month Treasury bills issued by the Ottoman state and to be redeemed by BIO in London but not at their specific maturity dates, only whenever its branch had funds. The brokerage house discounted the Ottoman state's mandates at 12 per cent per annum and, eventually, as the financial situation became tighter, 18 per cent.<sup>52</sup> Thus, through this method, the house profited from an east-west interest-rate differential, while investing insignificant amounts of its own capital.

Had this capital regeneration procedure increased at every cycle, it would have led to an unlimited exposure. However, as Western creditors required larger margins than those obtained by the Ottoman state, there was a significant but finite expansion. It was equal to

$$1/(1 - m_O/m_E) \text{ of the initial capital,}$$

where  $m_O$  is the margin required for the Ottoman state, and  $m_E$  the margin required by bankers in Europe.

Usually, the high-grade foreign bonds deposited as security with foreign creditors would enable the newcomer bankers to borrow a sum equal to ten or 15 per cent below their market price and, thus, they would place a multiple of the original amount of their initial capital. Although Syngros described this method as the modernising feature that distinguished the new Greek elite from the 'conservative' inner core of Greek bankers, he confessed that 'we were no more than bloody

<sup>51</sup> Syngros, *Memoirs*, vol. 2, pp. 180, 201–5; and Issawi, *Economic History of the Middle East*, p. 100.

<sup>52</sup> While Syngros's claim that the issuing of these mandates was undertaken by BIO at his instigation may be far-fetched, this method coincided chronologically with the appearance of the newcomers on the scene: Syngros, *Memoirs*, vol. 2, pp. 179–81, 214.



usurers posing as bankers'. And correctly so since they were able to exploit to their advantage market imperfections, asymmetric information and the large cultural gap separating the 'rational capitalist' Western bankers from the 'irrational' (from an economic but not political viewpoint) Ottoman state machinery.<sup>53</sup>

Pointedly, all the other parties involved in Ottoman state finances also benefited from this process. Inner-core Greeks, BIO and Western financiers made profits, whereas the Ottoman state was able to expand and even reproduce through a foreign branch of BIO part of its floating debt on foreign soil – specifically within the heartland of nineteenth-century high finance: the City of London. It has to be remembered here that the newcomer houses, for a commission, would discount mandates on behalf of inner-core bankers for their pecuniary benefit. Moreover, the newcomer houses would also, in return for a commission, transfer some Treasury mandates to *Crédit lyonnais* – and maybe others – which then discounted this paper.

The clues to the newcomers' willingness to risk engaging large amounts in this capital regeneration procedure were the high profits involved and the prospect of joining the elite ranks of banking at Constantinople.<sup>54</sup> However, it is questionable whether the newcomer Greeks would have succeeded had their extensive networks within the inner-core and Western banking not allowed them, on the one hand, to transport bonds physically across long distances during an era when capital mobility was far from easy and, on the other, to engage regularly in attractive arbitrage activities in Ottoman bonds between Paris and London.

The Mandat method's profitability did not persist. Apparently, *ex ante* the newcomer bankers were unaware of the large quantified risk involved, and they discounted it. However, at least *ex post*, the newcomer Syngros admitted to the folly of the Mandat method and, along with Skouloudes, stressed the need for the rationalisation of Ottoman finances.<sup>55</sup> The Mandat method was only riskless so long as there was no fall in the price of foreign Ottoman bonds. But, with the outbreak of the Franco-Prussian War, there was a precipitous drop, and Parisian holders of newcomer financial brokerage houses' collateral panicked and started selling it. Syngros feared that the French would be on the losing side in the war with Prussia, and that the Ottoman bonds he had placed as collateral for short-term loans of Ff20m., obtained to discount mandates, would, indeed, be worthless if they remained on the Paris exchange. He purchased the bonds himself and found – through Edwards, a Levantine doctor turned financier based in Constantinople – the necessary financing, employing the same bonds as collateral but with the loan repaid on the London exchange, where the price of the bonds had not declined to the same extent. According to Syngros, two Ottoman officials – with the intervention of G. Zarifis – managed to obtain a permit to enter besieged Paris and physically transfer

<sup>53</sup> For this terminology see Landes, *Bankers and Pashas*, p. 62.

<sup>54</sup> Syngros, *Memoirs*, vol. 2, pp. 181, 214.

<sup>55</sup> *ibid.*, pp. 203–4, 291; and Thobie, *Intérêts et Impérialisme*, p. 88. In 1876, Skouloudes proposed the abolition of the *Tithes* and a plan for the conversion of existing loans into one uniform debt: Rose and Staniforth, *Turkish Debt*, pp. 8–9.

the bonds to London. Syngros then moved to London, where Bishoffsheim provided him with the required funds to refinance his exposure. The crisis brought about by the Franco-Prussian War revealed the high risks involved in the Mandat method. Clearly, the financial brokerage house of Syngros and its rival, Kamaras Klados & Bros, managed timely to disengage themselves and, by 1871, the Mandat method was a thing of the past.<sup>56</sup>

However, even if the newcomers had not faced this crisis, the hypothesis can be advanced that this method would have been abandoned anyway. First, by 1875/76, the pressure exerted by foreign creditors for the internal floating debt's rationalisation had become intense. Second, the liquidation by the newcomers of their two financial brokerage houses and their immediate replacement by two *société anonyme* banks coincided with their desertion of the new method. This allows us to argue that the new, more formal framework – which became more or less necessary as a result of the expansion in the scale of their operations and the increasing presence of Western competitors at Constantinople – did not allow for such speculative activities and risky openings. Thus circumstances forced the newcomer Greeks to restrain the internationalisation of the paper of the internal public debt – to the pre-Mandat method of expansion.

## V

During 1872/73 the number of *société anonyme* banks in Constantinople rose from six to over 16.<sup>57</sup> Among the most important new establishments were Banque austro-ottomane and Banque austro-turque – both of which reflected the attempt of Austrian capital, in the aftermath of the Franco-Prussian War to 'usurp' the power of the French in Constantinople. In spite of their large founding capitals, neither lasted long due to their involvement in the Vienna crash of 1873 (see Figure 1).<sup>58</sup>

The two *société anonyme* banks of the newcomer Greeks (which replaced their smaller in size financial brokerage houses in 1872), were Banque de Constantinople founded by Skouloudes, Syngros and Vlastos,<sup>59</sup> and Société ottoman de Change et de Valeurs set up by Kamaras, Klados and Koronios (who merged with the Anglo-Levantine A. J. F. Barker and the financial brokerage firm Eugénide et Cie.)<sup>60</sup> It is known that, among the inner-core bankers, Zarifis participated in Banque de Constantinople, but it is not mentioned whether the other (inner-core) limited

<sup>56</sup> Syngros, *Memoirs*, vol. 2, pp. 213–19, 226, 227, 257–64, 298.

<sup>57</sup> Du Velay, *Histoire Financière de la Turquie*, p. 205; Hadziiosif, 'Banques grecques et banques europeennes', p. 171; and Exertzoglou, *Adaptability and Policy of Expatriate Capital*, p. 27.

<sup>58</sup> Clay, 'Western banking and the Ottoman economy', p. 494.

<sup>59</sup> No connection existed with Banque de Constantinople, founded in 1847 and dissolved in 1852.

<sup>60</sup> Efstathios Eugenides can also be considered as a 'marginal' newcomer at the time of this merger: Du Velay, *Histoire Financière*, pp. 204–5; and Syngros, *Memoirs*, vol. 2, p. 174; vol. 3, pp. 3–6, 16, 18.

Table 1. *Short-term advances granted to the Ottoman state between November 1871 and March 1872\**

<i>Bank/financier</i>	<i>Amount in Turkish Lira</i>
Koronios	300,000
Klados**	100,000
Societe Générale de l'Empire Ottoman	1,400,000
Banque de Constantinople	1,807,000
Banque Austro-Ottomane	900,000
Banque Austro-Turque	400,000
Total for all Galata Banks	3,800,000

\*This table depicts how even the newcomer Greek bankers operated as lone rangers as well as through their private firms. Here, for example, we see how this was the case with Koronios who was a founder of the Banque de Constantinople. This table is, however, but an elliptical picture. Zarifis & Zafiroopoulos is surprisingly absent. But from an account of his, it is apparent that Zarifis participated in the granting of 2,300,000 pound sterling short-term loan raised by Greek bankers in Galata in 1873 so as to facilitate the Treasury to pay the coupons of loans expiring in 1873.

\*\*Klados was a founder of the Société Ottoman de Change et de Valeurs, the rival of the Banque de Constantinople.

Source: Exertzoglou, 'Greek banking in Constantinople', pp. 140–1; and Exertzoglou, *Adaptability and Policy of Expatriate Capital*, p. 42.

liability partners of the two financial brokerage houses participated in either of the newcomers' two new société anonyme banks (see Figure 1).<sup>61</sup>

The share flotations of the newcomers' banks to the public were undertaken by prestigious establishments. BIO privately placed in Constantinople 20 per cent of Banque de Constantinople's shares, while slightly less than half of the total were offered for public subscription in London through Bischoffsheim and Goldschmidt. This was one of the very first times that the shares of a private bank operating in the Ottoman empire were introduced on to the London Stock Exchange.<sup>62</sup> As for Société ottoman de Change et de Valeurs, its share flotation on the local market was undertaken by Crédit général ottoman.

Banque de Constantinople soon outdistanced its rival and became the 'favori' of the BIO, which in 1874 placed it as an intermediary in all of its dealings with the Ottoman Treasury.<sup>63</sup> This was a profitable activity even through the difficult years of the 1873–76 financial crisis in Constantinople (Table 1). Also, shortly after it was founded, Bank of Constantinople, through Zarifis and Zografos, participated in the

<sup>61</sup> *ibid.*, vol. 3, pp. 28–9.

<sup>62</sup> *ibid.*, pp. 3–7, 16, 18; Çizakça, *Comparative Evolution*, p. 57. For the first attempt to float the shares of a Turkish bank on Western European stock exchanges, see the affair of Bank of Turkey in 1857 – rival to Ottoman Bank project: Eldem, *A History of the Ottoman Bank*, p. 65.

<sup>63</sup> Clay, 'Western banking and the Ottoman economy', pp. 495–6.

Ottoman state's tobacco monopoly concession.<sup>64</sup> It was also among the founders of the *Compagnie des Eaux de Constantinople*, along with *Comptoir national d'Escompte*, *Société Générale de l'Empire ottomane*, BIO, Zarifis, Camondo and others.

For *Banque de Constantinople* and overall for Greek bankers, the years between 1876 and 1879 were characterised by a temporary revival of their powerful position despite the appearance of new competitors on the scene, such as the local subsidiary of *Crédit lyonnais* in 1875.<sup>65</sup> This was because, following the suspension in 1875 of payments by the Ottoman state on its £200m. debt, dependence on Greek bankers for funding became near exclusive up to 1879.<sup>66</sup> Their primacy was due to the 1875 convention, according to which BIO undertook to increase its advances to the government and act as *trésorier général*, being not fully applied. As a result of debt default, European financial markets and the powerful BIO refused to make new loans to the Porte. The one exception for BIO was in 1877, when it advanced along with Zarifis & Zafiropoulos and *Banque de Constantinople* a T£5.5m. loan to the Porte so that it could meet part of the expenses of the costly war with Russia, waged during 1877–78.<sup>67</sup>

A question that remains open is whether the newcomer bankers became as wealthy as the inner core. The information available does not permit a precise evaluation of the exact size of their banking and privateer operations. Nevertheless, the following tentative conclusion may be reached. Although by the end of the 1870s, *Banque de Constantinople* may have outdistanced even the *Société Générale de l'Empire ottomane*, the offspring of BIO, and may have rivalled Zarifis & Zafiropoulos, the then most important inner-core establishment, on the whole the newcomers' banking operations did not outdo in terms of scale those of the inner core. Pointedly, however, even as late as 1881, Zarifis & Zafiropoulos, with an annual turnover of T£2m., remained by far the largest Greek banking establishment in spite of its personal character.<sup>68</sup> It was thus by no coincidence that it participated in *Deutsche Bank's* local subsidiary.<sup>69</sup>

But, nevertheless, the importance of some newcomers as individuals cannot be overlooked. Foreign bondholders after the 1875 default relied in their initial negotiations with the Ottoman state on Skouloudes.<sup>70</sup> Pointedly, Andreas Vlastos in the

<sup>64</sup> Exertzoglou, *Some thoughts*, p. 25.

<sup>65</sup> Thobie, *Intérêts et Impérialisme*, pp. 92, 141; and Exertzoglou, *Adaptability and Policy*, p. 39.

<sup>66</sup> For the 1879 convention, see Du Velay, *Histoire Financière de la Turquie*, pp. 397–405; and Thobie, *Intérêts et Impérialisme*, p. 96.

<sup>67</sup> Exertzoglou, *Adaptability and Policy*, p. 77.

<sup>68</sup> Their assets were: *Banque de Constantinople*, T£1.7m.; *Société ottoman des Change et de Valeurs*, T£0.8m.; and *Société Générale de l'Empire ottoman*, T£1m.: Exertzoglou, *Some thoughts*, p. 5; and idem, *Adaptability and Policy*, pp. 25, 76–7, 86, 98–9.

<sup>69</sup> Issawi, *Economic History of the Middle East*, p. 21; Exertzoglou, *Adaptability and Policy*, p. 11; and idem, *Some thoughts*, p. 25.

<sup>70</sup> Rose and Staniforth, *Turkish Debt*, pp. 8–9, 45.

1880s became vice-president of the Comptoir national d'Escompte.<sup>71</sup> Furthermore, in the November 1879 Convention (regarding the repayment of the internal and external public debt), concluded between the Porte, BIO and more important bankers of Constantinople, out of the 12 signatories, seven were those of inner-core Greek bankers and three were newcomers.<sup>72</sup>

Ironically, only two years later, in 1881, the Greek bankers of Constantinople were in almost one stroke forced out of the arena of financing the Ottoman public debt. The empire adopted a limping gold standard,<sup>73</sup> and the Decree of Muharem installed a Western-controlled Public Debt Administration. Thereafter, the provision of short-term advances to the Treasury was drastically curtailed in size and became practically monopolised by BIO, which became the only 'significant financial institution in the capital'.<sup>74</sup> Furthermore, in 1885, the corrupt method of auctioning the collection of the *tithes* was basically abolished.<sup>75</sup>

Greek bankers and banks were well prepared to survive the changes of 1881. Since the early 1870s, some, such as Banque de Constantinople and Koronios, had made a partial move into financing public works within the Ottoman empire, and had extended their portfolio of foreign paper and pure banking activities outside the empire. There was a partial turn towards 'nationalisation' as Athens became one of their favoured areas,<sup>76</sup> where they specialised in financing the public debt and speculated on the nascent capital market.<sup>77</sup> The presence of Greek bankers and banks at Constantinople gradually faded away over the next decade. One year prior to the Constantinople crisis of 1895,<sup>78</sup> Banque de Constantinople was absorbed by Société ottoman de Change et de Valeurs, and the latter was itself liquidated in 1899.

## VI

This paper has analysed the organisational composition and financial techniques of Greek diaspora banking during its golden era at Constantinople. It has shown that at the specific time and place the term 'indigenous capital' came to be identified with Greek capital. It has also demonstrated that Greek diaspora banking had a flexible business organisation, whereby banking was a mixture of the activities of

<sup>71</sup> Syngros, *Memoirs*, vol. 3, p. 152.

<sup>72</sup> Thobie, *Intérêts et Impérialisme*, p. 96.

<sup>73</sup> Pamuk, *A Monetary History*, ch. 13.

<sup>74</sup> Clay, 'The Imperial Ottoman Bank', pp. 142, 146; and Thobie, *Intérêts et Impérialisme*, pp. 85, 86.

<sup>75</sup> Issawi, *Economic History of Turkey*, p. 353.

<sup>76</sup> For the wider shift from cosmopolitanism to nationalism at the later part of the 19th century, see C. A. Jones, *International Business in the Nineteenth Century* (Brighton, 1987), ch. 3.

<sup>77</sup> T. Anastassopoulos, *Inheritance of Andreas Syngros* (Athens, 1907), pp. 35–7 (in Greek); G. Dertilis, *The Banking Affair (1871–1873)* (Athens, 1980) (in Greek); Syngros, *Memoirs*, vol. 3, pp. 26–257; Hadzioussif, 'Banques grecques et banques europeens', pp. 180–4; C. Costis and V. Tsokopoulos, *Banks in Greece 1898–1928* (Athens, 1988) (in Greek); and Exertzoglou, Greek banking in Constantinople, pp. 211–13.

<sup>78</sup> Eldem, *A History of the Ottoman Bank*, p. 177.

men (bankers) and formal institutions (banks). Furthermore, this paper has shed new light on the relatively unknown territory of informal and formal network arrangements, whereby Greek bankers were engulfed into the cosmopolitan world of nineteenth-century high finance.<sup>79</sup> It has also been argued that within the cultural context of the eastern Mediterranean and the specific historical era, Greek bankers were 'innovative'. They enacted a transition from the use of commercial bills of exchange to the internationalisation of internal government paper as a means to expand capital inflow into the Ottoman empire.

While it is largely true that 'the history of Ottoman Banking is the history of the BIO',<sup>80</sup> this paper has highlighted how for the period between 1857/63 to 1881 in parallel with the penetration of Western joint-stock banking in Ottoman provinces, there was at Constantinople also a time lag of a few decades between the first direct appearance of Western banking and the point whereby it became the near-exclusive financial factor in the local economy.<sup>81</sup>

Greek bankers during their heyday were collectively a hybrid specimen, part sarraf, part bankers; part arbitrageurs, taking advantage of market imperfections; and part 'greedy' speculators. The accusations raised during the 1850s by *The Times* and Nassau Senior against local bankers in Constantinople – that they regulated the price of money 'to their own convenience' and made fortunes out of the Ottoman empire's spoils – well applied to Greek bankers.<sup>82</sup> But, the whole truth was more complex. First, some Greek bankers, albeit ex post (i.e. after 1875), advocated the need for the rationalisation of Ottoman finances. Second, internationalisation, speculation in the paper of the internal Ottoman public debt (particularly the mandates) and the potentially unlimited expansion of the exposure of newcomers' financial brokerage houses to the Western European financial market were all fuelled by Western collaborators – even BIO itself. This suggests that in nineteenth-century international finance the dividing line between the world of 'rational capitalism' and the 'irrational capitalism' of the eastern Mediterranean was not all that clear-cut. Indeed, it may be argued that the peak of Greek banking in Constantinople between 1840 and 1881 demonstrates that, during this interim phase, there was a grey area where both worlds meshed, sharing even 'common assumptions and values'. Not only did Western financiers turn a blind eye before 1875/76 towards the rather risky financial methods of the Greeks regarding the internationalisation of the paper of the internal Ottoman public debt, but also some actually benefited from this process.

In way of a final comment, it may be argued that the evidence in this paper

<sup>79</sup> For the highly integrated and cosmopolitan world of international trade and finance in the mid-19th century, see Jones, *International Business in the Nineteenth Century*, intro. and chs 1 and 2.

<sup>80</sup> Landes, *Bankers and Pashas*, p. 62.

<sup>81</sup> Clay, 'Western banking and the Ottoman economy', p. 504. See also idem, *Gold for the Sultan: Western Bankers and Ottoman Finance, 1856–1881* (London, 2000).

<sup>82</sup> *The Times* (11 Mar. 1856); Eldem, *A History of Ottoman Bank*, p. 99; and Blasidell, *European Financial Control*, pp. 1, 10.

supports the well-known argument that the evolution of financial instruments in an underdeveloped fiscal system opens the way for informal intermediation, speculative entrepreneurial activities and what may be described as ‘unproductive entrepreneurship’. Nevertheless, the financial techniques of Greek bankers can be acknowledged as marks of an ingenious entrepreneurial spirit. This was demonstrated at first by the marketing of the paper of the Ottoman internal public debt abroad by inner core bankers and, from 1867, by the ‘discovery’ of the Mandat method, whereby the newcomers initiated a regeneration process of the internal debt on foreign soil. Further research can look in more detail into: the issue of ‘unproductive entrepreneurship’; the operation of corruption; how Westerners got involved in the discounting of the havale and mandats; and the extent to which the Greek diaspora bankers were rooted in the Ottoman system and belonged to Constantinople.