

# **Jewish Entrepreneurship in Salonica (1912-1921): An Overview<sup>1</sup>**

**By**

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## Introduction

During the European semi-colonial era in Ottoman Macedonia (1881-1912), Jewish entrepreneurs were figured among Salonica's most prominent entrepreneurs. These businessmen, while functioning as the elite segment of a 'middleman minority',<sup>2</sup> served as surrogates for the Ottoman entrepreneurial element, conspicuously missing from all levels of the city's commercial and industrial sectors. The new liberal Ottoman legal framework granted foreigners and non-Muslim minorities access to the new entrepreneurial opportunities resulting from the economic growth driven by regional as well as world markets. Simultaneously, the same trends stimulated demographic shifts among the Jewish minority, especially the immigration of Italian Jews, who generally arrived from Leghorn. These newcomers, in addition to the Ottoman Jews holding *berats*, constituted the privileged elite. With their linguistic and commercial skills, these Jews acted as industrialists as well as economic intermediaries in international trade. The Italian Jews became an integral part of the group's collective economic action. By utilizing their accumulated financial and human capital, this élite facilitated the entire Jewish community's adaptation to the workings and values of the modern Western market. This meant that Salonica's loyal Jewish labour force could now more readily respond to developing opportunities. Anti-Semitic incidents in Europe and the Ottoman Empire also helped revive solidarity between the local Jewish élites and Jewish speakers of Ladino, concentrated

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<sup>2</sup> For middleman minorities in colonial frameworks, see: Karl A. Yambert, 'Alien Traders and Ruling Elites: The Overseas Chinese in Southeast Asia and the Indians in East Africa', *Ethnic Groups* 3 (1981), pp. 173-98; Vincent Cable, 'The Asians of Kenya', in A.M. Rose and C.B. Rose (Eds.), *Minority Problems* (New York: Harper and Row, 1972), pp. 103-11; Parakash C. Jain, 'Towards Class Analysis of Race Relations - Overseas Indians in Colonial/Post-Colonial Societies', *Economic and Political Weekly*, 23 (1988), pp. 95-103; Neil O. Leighton, 'The Political Economy of a Stranger Population', in William A. Shack and Elliot Skinner (Eds.) *Strangers in African Society* (Berkeley: University of California Press, 1979), pp. 85-103; Stanley D. Eitzen, (1968). 'Two Minorities: The Jews of Poland and the Chinese of the Philippines'.. *Jewish Journal of Sociology*, X(2), pp. 221-240; 224-225. see also note 69.

in the city's centre. Together with their counterparts in other European states, who were often members of extended families, the Jews participated in tight social and commercial networks. Furthermore, with their privileged position as a loyal *millet*, Jewish entrepreneurs were uniquely positioned to fulfil functions going beyond the abilities or desires of the dominating Ottoman class.<sup>3</sup>

This paper examines Thessalonica's multi-ethnic business world in the period between the region's annexation to the Greek nation-state (1912) and the arrival of Greek refugees from Asia Minor (1923, known as the *Transfer*), before the emergence of the Greek demographic majority and ethnic unification. Applying methodological framework for the study of entrepreneurship of minorities in general, and of Jewish minorities in particular,<sup>4</sup> this study will examine the impact of the interplay between changes in a group's external environment (e.g., market conditions, state policy and competition between ethnic groups) and those occurring within its internal environment (e.g., socio-demographic profile and group cohesiveness) upon the group's entrepreneurial activity's. This includes the group's ability to mobilise group

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<sup>3</sup> For a quantitative analysis of the entrepreneurial activity of the Jewish middleman minority under European semi-colonialism in Ottoman Macedonia see: Orly C. Meron, (2005), 'Jewish Entrepreneurship in Salonica during the Last Decades of the Ottoman Regime in Macedonia (1881-1912),' in Colin Imber (Ed.) *Frontier of Ottoman Studies: State, Province, and the West*, Vol.1, London: I.B. Tauris Publishers, (hereinafter: Meron (2005) 'Jewish Entrepreneurship'), pp. 265-286.

<sup>4</sup> For the methodological framework of modern Jewish entrepreneurship until the World War II, see Simon Kuznets (1960). 'Economic Structure and Life of the Jews', in: L. Finkelstein (Ed.), *The Jews, Their History Culture and Religion*, Vol. II, New York: Harper & Brothers, pp.1597-1666. ;Arcadius Kahan (1972) 'Economic History – Modern Period', *Encyclopaedia Judaica*, Supplementary Entries, Jerusalem: Keter, pp. 1311-24; idem, (1986) 'Notes on Jewish Entrepreneurship in Tsarist Russia,' in R.W. Weiss (Ed.), *Essays in Jewish Social and Economic History*, Chicago and London: Chicago University Press, 82-100; Nachum Gross (Ed.) (1975), *Economic History of the Jews*, Jerusalem: Keter Publishing House; Yehuda Don (1990) 'Economic Behaviour of Jews in Central Europe before World War II' In: E. Aerts and F.M.L. Thompson (Eds.), *Ethnic Minority Groups in Town and Countryside and Their Effects on Economic Development (1850-1940)*, Leuven: Leuven University Press, 114-124.

resources (e.g., cheap ethnic credit resources; loyal ethnic labour) and also private resources for the conduct of business.<sup>5</sup>

The study of middleman minorities functioning in plural societies<sup>6</sup> undergoing transition from a patrimonial/colonial regime to an independent nation-state stresses the process intensified inter-ethnic competition.<sup>7</sup> Those minorities that had enjoyed a preferred status, went from “privileged insiders” to “ethnic outsiders.” At the same time, the new government – functioning as agents for the rising politically dominant national group – strove to reduce local market competition for the benefit of the dominant group by adopting, *inter alia*, a protectionist policy.<sup>8</sup> This attitude interfered with the minority members’ access to new entrepreneurial opportunities as well as their ability to preserve their old positions. As a result, they experienced shifts in their occupational structure in general and entrepreneurial activity in particular.

Based on two complete lists of firms operating in Salonica at two points of time, 1912 and 1921, in this paper I propose a macro-level overview of the dynamics observed within the entire range of Jewish business activity from a comparative inter-ethnic perspective. The quantitative analysis, complemented by qualitative research, will evaluate the transformations in the Jewish firms’ economic structure during the

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<sup>5</sup> For the methodology of ethnic entrepreneurship see: Howard Aldrich and Roger Waldinger ‘Ethnicity and Entrepreneurship’, *Annual Review of Sociology* 16 (1990), 111-35; R. Waldinger ‘The Two Sides of Ethnic Entrepreneurship’, *International Migration Review*, 7 (1993), pp. 692-701.

<sup>6</sup> The original concept of ‘plural society’ was formulated by Furnivall (1948) for societies observed in South Asia. According to a revised version presented by M. G. Smith (1960), a ‘plural society’ is a multi-ethnic society characterized by the existence of separate institutions (family, religion, etc.) for each ethnic segment but a common government for all ethnic segments. As a result, structural pluralism or cultural pluralism are merely different points on the continuum of societies have plural structures. For an exhaustive discussion see: R.A. Schermerhorn, (1970) *Comparative Ethnic Relations: A Framework for Theory and Research*, New York: Random House,, 122-58.

Adopting this concept, Braude and Lewis held that ‘The Ottoman Empire was a classic example of the plural society’. Benjamin Braude and Bernard Lewis,(1982) ‘Introduction’, in B. Braude and B. Lewis (Eds.) *Christians and Jews in the Ottoman Empire*, Vol. I, New York: Holmes & Meier Publishers, , 1.

<sup>7</sup> Michael Banton, *Racial and Ethnic Competition*. Cambridge: Cambridge University Press (hereinafter: Banton, 1983), 193-195.

<sup>8</sup> Karl W. Deutsch (1966<sup>2</sup>). *Nationalism and Social Communication*. Cambridge, MA and London: The M.I.T. Press, pp. 101-104,.

transitional phase between Salonica's status as one linchpin in the European semi-colonial Ottoman framework to part of the Greek nation-state during a period when the Greeks had yet to obtain a demographic majority. The empirical research will show that: (1) Political and economic transformations, in tandem with changes in the supply of local entrepreneurs, affected Jewish as well as Greek entrepreneurial activity in incorporated Salonica. While the Jewish entrepreneurial structure narrowed and became more concentrated, typical of a politically subordinated minority, the Greek entrepreneurial structure became broader and more dispersed, much like a dominant majority. (2) A trend developed according to which Jewish entrepreneurs abandoned branches they had formerly filled in their surrogate roles, in favour of the Greeks, the new dominant national majority. (3) The new Jewish specialisations were typical of those engaged in by minorities, such as small-scale trade in commodities.

We precede the empirical study with a brief review of the transformations observed in the contemporary structure of economic opportunities (Chapter I) and the state's attitude toward Greek Jews during the period in question, including the changes that appeared within the Jews' internal socio-demographic framework (Chapter II). After presenting the data and methodology (Chapter III), we analyse the findings (Chapters IV-VII).

## **I. New Markets: European Military Markets within Greek Macedonia**

The geopolitical transformations experienced by Salonica following the region's annexation (1912) to the consolidating Greek nation-state created a new external framework for Jewish entrepreneurial activity. The changes observed the loss of 65% of Macedonian's mainland territory<sup>9</sup> together with Salonica's separation from its agricultural consumers and their produce (about 75%), which was targeted for both

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<sup>9</sup> K. Und K. Österreichisches Handelsmuseum, (Dezember, 1915) *Salonik, Topographisch - Statistische Übersichten*, Wien (hereinafter: *Austrian Report 1915*), p. 12 .

internal and export markets.<sup>10</sup> The economic unification of Salonica with the Greek nation-state, similar to the situation that arose in other nation-states, led to preliminary attempts to create a *protected national market*.

Among the methods adopted toward this end, we can list a system of customs duties aimed at closing the nation-state's economic borders by differentiating between Greek and foreign sources of goods. Introduction of these duties into Salonica, similar to other new Greek regions, suppressed the transit trade designated for the hinterland; it likewise undermined competitive advantages over Salonica's rivals in other emerging nation-states (e.g., Bulgaria's export port, Bourgas). Foreign traders considered the new 16.5% (*ad valorem*) import levies to be high in comparison to other Balkan states (14%) and certainly in comparison to those effective during the previous Ottoman regime (11%).<sup>11</sup> As a result, Salonica's port, the most important port operating in the Aegean Sea, ceased to operate as the sole port open to transit trade.<sup>12</sup> In these circumstances, we can readily understand the temporary slowdown felt in port activity (1914), that is, the 57% decline in the value of international trade and the 55% decline in the value of goods exported from the Ottoman period.<sup>13</sup>

Thanks to the Venizelos government's participation in the Allies during World War I, the city managed to return to its former status as a regional-Balkan metropolitan centre. The port served the Allied navies; the military hospitals established in Greek

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<sup>10</sup> Lefevre-Méaulle, H. (1916). *La Grèce économique et financière*. Paris: Librairie Félix Alcan (hereinafter: Lefevre-Méuelle 1916), p. 233.

<sup>11</sup> A uniform 15% *ad valorem* levy was imposed on all imported items, with an addition 1.5% that was transferred to city coffers. "Transit goods" that were exempt from the city tax (*Austrian Report*, 1915, 13) included 15 basic goods including coffee, flour, sugar, alcohol, machinery, iron, coal and salt, among others (see Lefevre-Méuelle, 1916, pp. 234-235).

<sup>12</sup> Chambre de Commerce et d'Industrie de Salonique (1922), *Annuaire Commercial*, (hereinafter: *Annuaire Commercial* 1922), pp. 90-92; Lefevre-Méuelle, 1916, pp. 235.

<sup>13</sup> Imports declined from an annual average of 120 million francs during Ottoman rule to 52 million francs by 1914 whereas exports declined from 35-40 million francs to 19 million francs in the same period. See: Lefevre-Méuelle, 1916, 234-238.

territory treated the war-wounded while the market provided the supplies need by Allied field units.<sup>14</sup>

The creation of a cosmopolitan "military market" displaying a western orientation provided a temporary alternative to the city's lost markets, whether located in the hinterland or in what were now enemy states (Germany, Austria, Balkan states, Russia and Turkey).<sup>15</sup> That is, the presence of the Allied armies in Salonica (1915-1918) aroused internal demand, with the military stimulating demand for provisions and other supplies (uniforms, coal, gasoline, gunpowder, etc.). Hence, despite the serious war-induced shortage of labour<sup>16</sup> and sources of energy for industry, significant growth was observed in Greek industry. These effects were especially prominent in Salonica, where the Allies procured huge quantities of food and textiles. Investment in local industry was accomplished by channelling capital allocations to the respective sectors, a process facilitated by the establishment of the Greek Bank of Industry (1918). Industrial growth therefore materialized independently, irrespective of the influence of protective tariffs. In this respect, we should note that despite attempts to consolidate a Greek protectionist state in the middle of this period (1917-1923), the internal turmoil prevented implementation of those policies prior to 1926.<sup>17</sup>

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<sup>14</sup> George Th. Mavrogordatos, (1983), *Stillborn Republic: Social Coalitions and Party Strategies in Greece, 1922-1936*, Berkeley and Los Angeles: University of California Press pp. 280-288 (hereinafter: Mavrogordatos, 1983); Mark Mazower (1991), *Greece and the Inter-War Economic Crisis*, Oxford: Clarendon Press. (hereinafter: Mazower, 1991), pp. 51-71; G. Th. Vafopoulos, (1993). "Dans la Guerre mondiale", pp.255-260 in G. Veinstein (Ed.) *Salonique, 1850-1918: La <ville des juifs> et le réveil des Balkans*. Paris: Éditions Autrement, pp. 256-257.

<sup>15</sup> HMSO (1920). [His Majesty's Stationery Office](1920). *Report on the Commercial and Industrial Situation of Greece for the Year 1919*. London. (hereinafter: HMSO, 1920), p. 30; D.J. Delivanis (1980), 'Thessaloniki on the Eve of World War I and Its Aftermath'. *Balkan Studies* 21(2), pp. 191–201 (hereinafter: Delivanis, 1980), pp. 195-196.

<sup>16</sup> However, the labour shortage indicates industry's growing strength.

<sup>17</sup> At the beginning of this period (1914), Venizelos granted tax reliefs within the "new territories" to prevent popular opposition to the new regime. During the war years, his government refrained from introducing fiscal reforms in Thessalonica – despite the need to finance the war effort – for the following reasons: (1) internal weaknesses following the national divisions within Greece (1915-1917); (2) fear of profiteering as a result of shortages (see: Mazower, 1991, pp. 56, 60-61).

The customs tax exemptions awarded to the Allied powers in return for financing the Greek war effort supported these market forces (France, for example, enjoyed these exemptions until mid 1918). As a result, individuals belonging to the Allies – including Jewish entrepreneurs holding French, Italian, Serbian, English, or even Belgian citizenship – enjoyed the same economic privileges while retaining their protection.<sup>18</sup>

Alternatively, the Allied forces' exposure to Greek crops in general (e.g., red currants) and to Macedonian crops in particular (tobacco), created demand for these products in their home countries. The US and the UK (1919) thus became the prime export markets for "new Greece's" agricultural goods, natural resources and semi-finished products.<sup>19</sup> In addition, the army's movements in the Macedonian arena stimulated regional infrastructure development. With French and British aid (1916), the Salonica-Athens railroad track, connecting the northern metropolis to the Greek capital, was completed, a project that facilitated Greek annexation of the region.<sup>20</sup> The intense presence of Allied forces also increased demand for transport and freight services as well as the loading and unloading of warships, which revived the port.<sup>21</sup> The subsequent euphoria motivated new entrepreneurial opportunities throughout World War I, at least until renewal of the military conflict in Asia Minor (1921-1922).<sup>22</sup>

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<sup>18</sup> Delivanis, 1980, p. 196.

<sup>19</sup> According to a report prepared by the British Consul, the US absorbed Macedonia's entire opium export harvest and 60% of Greek tobacco while the UK absorbed 25% of tobacco exports (see: HMSO, 1920, pp. 20-21).

<sup>20</sup> John R. Lampe and Marvin R. Jackson (1982), *Balkan Economic History 1550-1950: From Imperial Borderlands to Developing Nations*, Bloomington: Indiana University Press, (hereinafter: Lampe and Jackson, 1982), p. 347.

<sup>21</sup> HMSO, 1920.

<sup>22</sup> Lampe and Jackson, 1982, pp. 336-375.

## II. The Jewish Minority in Salonica: Political, Demographic and Spatial Transformations

The Greek incorporation impacted on the internal framework of Jewish life, too. The Greek government's attitude toward minorities found expression in its *Hellenisation* policy, which attempted to enforce cultural uniformity while actively discouraging the continuity of separate ethnic identities. Nevertheless, at least during the first five years of Greek rule in Salonica, the Jewish minority's civil rights as well as its unique religious culture were protected by the London (1913) agreement, which was reaffirmed in the Paris peace conference (1919).<sup>23</sup> By committing to the agreements, Venizelos had attempted to ensure the rights of the Greek Diasporas remaining outside the Greek state, primarily in Ottoman-held lands.<sup>24</sup>

Expropriation of Jewish-owned properties following the fire that decimated the city centre (1917) where masses of Jews had lived for decades, followed by formally denying of the former property owners the option to repurchase their properties, revealed the Greek government's inherently discriminatory policies. The resulting spatial redistribution of the Jewish population throughout the city was conducted according to socio-economic status: While well-to-do Jews re-acquired their plots at exorbitant prices in the reconstructed centre, working class and petty bourgeoisie Jews were relocated in eight enclaves in the city's geographic periphery.<sup>25</sup>

At the beginning of the Greek era (1913), the Jewish population of Salonica, numbered an estimated 61,439 (or 39%) out of a population of 157,889, was the

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<sup>23</sup> Molho, Rena (1988). "The Jewish Community of Salonica and its Incorporation into the Greek state (1912-1919)". *Middle Eastern Studies* 24(4), pp. 391-403, 394.

<sup>24</sup> Mavrogordatos, 1983, p. 257.

<sup>25</sup> A. Yerolympos (1993) 'La part du feu'. In G. Veinstein (ed.), *Salonique, 1850-1918: La ville des juifs et le réveil des Balkans*, Paris: Éditions Autrement, 261-270; Vilma Hastaoglou-Martinidis (1997), 'On the Jewish Community of Salonica after the Fire of 1917: An Unpublished Memoir and Other Documents from the Papers of Henry Morgenthau, Sr.' in: I. K. Hassiotis (ed.), *The Jewish Communities of Southeastern Europe from the Fifteenth Century to the End of World War II*, Thessaloniki: Institute for Balkan Studies, pp. 147-174.

dominant ethno-religious minority in the multi-ethnic city. The two other major ethnic components were the Turks (29.1%) and the Greeks (25.3%).<sup>26</sup> The exit of Italian Jews from Salonica following Italy's invasion (1911) of Ottoman Tripoli, a response to the Turkish government's threats of expulsion and confiscation of their property,<sup>27</sup> had no immediate affect on the overall size of the Jewish "Ottoman" (later "Greek") population in Salonica. After the short battle, many of these Italian families returned to Salonica where, now protected by Italy's membership in the Allies, they remained active in the military market throughout World War I,(see below). However, after the fateful fire in the ancient city centre (1917) where the majority of Jewish businesses had been concentrated, additional "foreign" Jewish entrepreneurs deserted the area while others left still later, with the departing Allied armies.<sup>28</sup> Nevertheless, as we shall see, because this exit of foreign Jews coincided with the entry of Jewish immigrants from the new Balkan states and other formerly Ottoman territories, the size of the Jewish population remained stable despite its relative decline in proportion, to 36% of total population (170,321, 1920).

At the same time, a continuous flow of Greek migrants from the new Balkan states and other formerly Ottoman territories, in addition to Crete and the rural regions surrounding the city,<sup>29</sup> spurred the growth of Salonica's Greek population, which eventually became its largest ethnic segment. In the meantime, the Turks and

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<sup>26</sup> Vassilis Dimitriadis (1983), 'The Population of Salonika and Its Greek Community in 1913', *Makedonika* 23: 88-116 (in Greek). According to this census: Bulgars (4%) and foreigners (3%). In the present study, Bulgars and foreigners are classified together within the category 'Others' (7%).

<sup>27</sup> For details regarding these events see: Mark Mazower (2004) *Salonica, City of Ghosts: Christians, Muslims and Jews 1430-1950*. London: Harper Collins.(hereinafter: Mazower, 2004), p.270.

<sup>28</sup> See for example: Edgar Morin (1989), *Vidal et les siens*, Paris: E'ditions du Seuil. (hereinafter: Morin, 1989), pp. 60-62.

<sup>29</sup> Delivanis, 1980, pp.198-199; John S. Koliopoulos and Thanos M. Veremis (2002) *Greece – The Modern sequel*, London: Hurst (hereinafter: Koliopoulos and Veremis, 2002), p.169.

Bulgarians declined in number as well as proportion.<sup>30</sup> The evolving demographic trends thus altered the ethnic composition of consumers in Salonica as well as its hinterland.

The empirical research enabled us to assess the impact of the internal demographic transformations upon Jewish entrepreneurial activity. In addition we could assess the influence of the spatial redistribution of the Jews on the group's internal cohesiveness, expressed *inter alia* in its ability to recruit the ethnic resources necessary for entrepreneurship.

### III. Data and Methodology

The inter-ethnic comparative research reported here was based on two lists of firms: the first derived from an official Austrian report (1915);<sup>31</sup> the second adapted from the *Annual Report* published by Salonica's Chamber of Commerce and Industry (1922).<sup>32</sup> The firms were classified according to two variables, the first being 'Ethnic Origin': Jewish, Greeks and Others. Since the resounding majority (96%) of all firms in the sample were privately owned (i.e., 673 out of 676 of the Jewish firms in 1921 were privately owned), identification of the ethnic origin of their owners was accomplished with onomastic methods, based on firm names. Firms that could not be classified

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<sup>30</sup> There is no population distribution by ethnicity available for Macedonia in general and for Thessalonica in particular. (See: A. A. Pallis, (1925) 'Racial migrations in the Balkans during the years 1912-24', *The Geographical Journal*, 66, pp. 315-331).

According to my calculations, based *inter alia* on the Greek census (1928), the Greek component estimated (1920) is about 46% out of the total population of 170,321. See: Orly C. Meron, 'The Demographic Development of the Jewish Population in Northern Greece (1893-1928' (forthcoming), and 50% of total population according to N.K. Moutsopoulos (1981), *Thessaloniki, 1900-1917*, Thessaloniki: M. Molho Publications, p. 55.

<sup>31</sup> K. und K. Österreichisches Handelsmuseum, Salonik, *Topographisch - Statistische Übersichten, Wien Dezember 1915* (II.41.821), (hereinafter: the *Austrian Report, 1915*). I would like to thank the Bibliothek des Österreichisches Staatarchivs for lending the document to Bar Ilan University. For the list for 1912, see Orly C. Meron (2005), 'Jewish Entrepreneurship in Salonica during the Last Decades of the Ottoman Regime in Macedonia (1881-1912),' in Colin Imber (ed.) *Frontiers of Ottoman Studies: State, Province, and the West*, Vol.1, London: I.B. Tauris, pp. 265-286 (hereinafter: Meron, 2005, 'Jewish Entrepreneurship').

<sup>32</sup> Chambre de Commerce et d'Industrie de Salonique (1922), *Annuaire Commercial*. (hereinafter: *Annuaire Commercial 1922*)

according to ethnic identity – e.g., hospitality services and hotels – were eliminated from the comparison.

The second variable for classification was ‘Economic Branch’ (15 branches in all). In order to construct a common database amenable to comparative research, I adopted the sector – specifically: industry, commerce, finance and brokerage – and branch categories appearing in the Greek census (1928). Only those branches that appeared in both lists were included in the sample (e.g., barbers, which appeared in the Austrian Report but not in the Chamber of Commerce report, were excluded). To avoid inter-dependence, each firm was assigned to a single branch, based on its primary activity. The resulting frequency distributions were calculated from these two independent samples consisting of 931 firms for 1912 and 1,301 firms for 1921.

Due to the lack of consistent financial data, the research did not differentiate between various types of firm assets. However, we assumed that since the critical mass of firms (96%) were characterized by private ownership – generally family firms – as reported by the Consul (1912) or, alternatively, registered with the city's Chamber of Commerce (1921), they were treated as if they were generally of similar size, small-medium scale. Therefore, according to the industry census (1920), 90% (or 2,312 out of 2,566) of the enterprises in city of Salonica were of small scale (1-5 employees) whereas 8% (or 201 out of 2,566) were of medium scale (6-25 employees). Only a tiny minority (2% or 53 out of 2,566) were of large scale (more than 25 employees).<sup>33</sup> These distributions, which excluded peddlers and petty artisans, enabled us to conduct an empirical, inter-ethnic comparative analysis of Salonica's entrepreneurial structure. This method complied with the Simon Kuznets approach, which focuses not only on

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<sup>33</sup> Grèce , Ministère de L'Economie Nationale - *Statistique Générale de la Grèce* (1927). *Recensement des Entreprises Industrielles Au 18 Décembre 1920.*, Vol. D. - *Nombre, personnel et force motrice des entreprises recensées en general*, Athènes: Imprimerie National, Table 9.

‘the exceptional individual case’ but mainly on the ‘mass of small and medium businesses that determine the group's function’.<sup>34</sup>

#### **IV. Shifts in the Entrepreneurial Structure of Opportunities**

The comparative distributions of the firms by branch (Table 1) point to the altered structure of entrepreneurial opportunities as it developed between 1912 and 1921. Declines in the scope of agricultural trade, the major exception being the continuing growth in the tobacco industry, resulted from reductions in the number of active producers. Simultaneously, the relatively mild reductions in textiles, wood, clothing, metal, domestic wares and furniture together with construction materials resulted from the geopolitical transformations initiated by Salonica’s annexation (1912) to the Greek nation-state. Taken together, these events induced contraction of Metropolitan Salonica’s rural consumer markets.

**Table 1: Distribution of Firms by Branch (Salonica, 1912-1921)**

Branch	1912 (%)	1921 (%)
Food and beverages	10.7	14.9
Chemicals	3.0	4.1
Construction materials	5.3	1.8
Energy and public utilities	1.7	1.2
Metal	4.5	2.2
Wood	3.1	1.2
Hides, leather and footwear	6.1	6.1
Textiles	5.4	3.8
Clothing	10.5	9.8
Printing, paper and office equipment	5.6	2.1
Tobacco	1.9	3.6
Domestic wares and furniture	4.4	3.3
Trade in agricultural products (incl. grain)	14.5	5.2
General wholesale and retail	4.2	9.1
Finance and commission trade	19.0	31.4
Total percentage	100.0	100.0
Total sum	931	1301

Source: Adapted from the Appendix.

<sup>34</sup> Kuznets, 1960, p. 1624.

In contrast, the increase (12.4%) in foreign trade ('finance and commission trade') can be partially explained by the fact that this category included energy merchants who had previously appeared in the 'energy and public utilities' branch (1912). More significantly, the increase is explained by the rising demand for imported goods in Salonica and its environs, stimulated by the market military that had sprung up in the city in addition to the Greek import duty exemptions. Tradesmen and farmers who had accumulated capital by catering for the military thus required additional financial services to expedite their growing demand for imported non-military goods, which entered the city through Salonica's port.<sup>35</sup> Hence, the annual report prepared by the director of Salonica's Chamber of Commerce indicates that in comparison to other Balkan commercial centres, which suffered during World War I, Salonica's commercial activities increased, a fact that compensated the city for its loss of the transit trade.<sup>36</sup> The military transport trade (1916-1918) was characterized by the high average tonnage associated with large military fleets whereas commercial transit trade was characterised by smaller ships. However, if we examine the activity in the port according to 1915-1920 data, we see that the total volume of trade did not return to the same level enjoyed prior to the war (Table 2). The Sofia-based correspondent of the *London Times* succinctly captured this trend in the title of an article he published on 27 September 1922 – "*Salonique en Decadence: Ruine d'un Grand Port*" – which reported on the slowdown in port activity observed during the military conflict in Asia Minor (1921-1922). This decline was long term and integral to Salonica's deteriorating regional economic influence. The data consequently question the

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<sup>35</sup> HMSO, 1920; Lampe and Jackson, 1982, pp. 347-348.

<sup>36</sup> *Annuaire Commercial* 1922, pp. 90-92.

efficacy of the attempts made by the director of Salonica's Chamber of Commerce to refute this article, done by labelling it a political provocation.<sup>37</sup>

**Table 2: Movement of international trade in the Port of Salonica (1915-1920)**

Year	Entries			Exits		
	No. of Vessels	Total Tonnage	Average Tonnage per Vessel	No. of Vessels	Total Tonnage	Average Tonnage per Vessel
1915	388	492,305	1268.8	368	517,679	1406.7
1916	62	113,196	1825.7	35	72,254	2064.4
1917	55	75,383	1370.6	27	40,774	1510.1
1918	69	47,923	694.5	19	18,530	975.3
1919	262	441,405	1684.8	241	359,526	1491.8
1920	281	472,117	1680.1	249	438,506	1761.1

Adapted from: *Annuaire Commercial*, 1922, pp. 92-94.

Note: Average tonnage per vessel was calculated as a ratio between the total cargo handled in the respective year and the number of vessels docking in that year.

The distribution of firms by branch (1921) does not indicate any meaningful industrial or technological development over the period, excluding the small group of importers of electrical products and photographic equipment (e.g., cameras), included in either the 'Metals' or 'Printing, paper and office equipment' branch, respectively (Table 1). This conclusion is supported by reports transmitted by the British Consul stationed in the city, which indicate that no industrial development occurred throughout the war years due to the dearth of energy and labour resources, which had been diverted to meet the military's demands.<sup>38</sup>

From the perspective of ethnic or minority economic behaviour, these geopolitically induced economic trends raise an important question regarding the Jewish economy in Salonica during the period in question: Did the transformations in external

<sup>37</sup> Translation: "Thessalonica in decline: the ruin of a grand port." *Annuaire Commercial*, p. 90.

<sup>38</sup> HMSO, 1920.

environmental conditions influence Jewish firm structure in the city even before the Greek population became its demographic majority? In search of a reply, we compare Salonica's two major groups of entrepreneurs: the Jews and the Greeks.

## V. Jewish Domination of Entrepreneurial Activity

Segmentation by ethnic origin demonstrates that the dominant share of Salonica's firms (1921) remained in Jewish hands throughout the period studied. However, the size of the Jewish entrepreneurs' share diminished at the same time the Greek share doubled.

**Table 3. Firms by Ethnic Origin (N=931) (Salonica, 1912-1921)**

Ethnic Origin	Firms (in percentages)	
	1912	1921
Jewish	57.8	52.0
Greek	17.6	36.6
Turkish	8.2	3.4
Others	16.4	8.1
Total percent	100	100
Total sum	931	1301

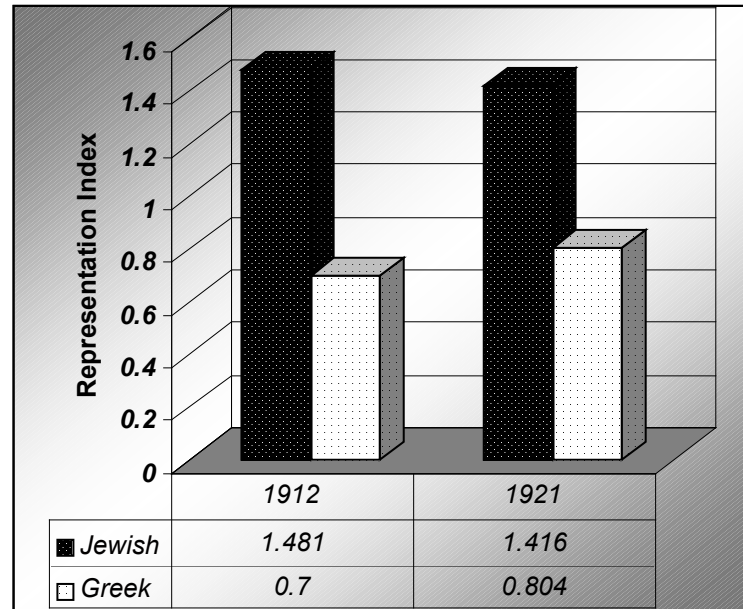
Source: Adapted from the Appendix.

Notes: 'Others' included Bulgarians, Armenians, foreigners as well as anonymous firms.

These changes in the firms' ethnic structure can be explained by the ethno-demographic transformations witnessed in Macedonia, but particularly in Salonica. However, did these changes in ethnic group representation indicate any clear trends regarding the transfer of Salonica's private sector commercial and industrial entrepreneurship from Jewish to Greek hands? And did this occur prior to the transformation of the Greek population into the city's absolute demographic majority in the wake of the Transfer? In order to explore this issue, representation indices for

the city's main ethnic groups – Jews and Greeks – among its entrepreneurs were compared with the groups' size relative to the metropolitan population (see Figure 1).

**Fig.1 Ethnic Representation Indices in the Business Sector**



Source: Adapted from Table 3.

Notes: Ethnic Representation Index =  $ERI = E_j / P_j$

When  $E_j$  = percentage of the total sum of the enterprises of a given ethnic group (j) out of the total sum of enterprises constituting the sample.  $P_j$  = percentage of the given ethnic group (j) out of the total city population.

For population data by ethnic group, see note 30.,

The ERI value is greater than 0.

Calculation of an ethnic group's entrepreneurial representation, reflected in the correlation between the percentage of the ethnic group's firms within the firm sample and the same group's percentage within the general population, confirms the other findings. Despite the loss of their capital and goods during the fire, the over-representation of Jewish businessmen among Salonica's entrepreneurs continued. This finding confirms that a proportion of Salonica's well-to-do Jewish entrepreneurs did relocate in the city's reconstructed commercial centre.

It likewise appears that the emigration of Italian Jews holding European citizenship, who comprised the main component of the Jewish entrepreneurial elite in Salonica<sup>39</sup> - precipitated the decline in the number of Jewish entrepreneurs. Moreover, the entry of Jews from the surrounding Balkan States into the city did not compensate for the loss of the city's Italian Jewry.

Indeed, this exit, which began in 1911, during the Italian-Turkish war over Tripoli, continued during the Greek incorporation. The abolition of the Ottoman Capitulations; the replacement of Ottoman tariffs by Greek tariffs and the contraction of hinterland markets following Salonica's incorporation (1912) drove Italian entrepreneurs to seek greener fields. Although the majority returned to those Western countries (e.g. France, Italy),<sup>40</sup> where they held citizenship, some reached Turkey, particularly Constantinople.<sup>41</sup> They were not the only foreigners to leave, with the exodus accelerating after the 1917 fire and the later departure of Allied forces (about 1919).

Indeed, the diminishing under-representation of the Greek segment demonstrates that although the Greeks enlarged their share in the city's population and their proportion in the business sector, Jewish entrepreneurs continued to dominate the sector. Moreover, since our calculations are based on minimal estimates of the proportion of Salonica's Greek population (46%), the Greek representation index is optimal.<sup>42</sup>

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<sup>39</sup>Orly C. Meron, (2005), 'Sub-ethnicity and Elites: Jewish Italian Professionals and Entrepreneurs in Salonica (1881-1912)', *Zakhor. Rivista di Storia degli Ebrei d'Italia*, VIII, pp. 177-220 (hereinafter: Meron, 2005, 'Sub-ethnicity and Elites').

<sup>40</sup> See: Morin, 1989.

<sup>41</sup> On the emigration of upper-class Jews to Turkey after the Greek incorporation see:; Joseph Nehama (1989), 'The Jews of Salonika and the Rest of Greece under Hellenic Rule: The Death of a Great Community' in: R.D. Barnett and M. Schwab (Eds.), *The Western Sephardim*, Grendon: Northants, pp. 243-282, 244. According the genealogical research conducted by Mario Modiano (2000-2004), *Hamehune Modillano – the Genealogical Story of the Modiano Family from ~ 1570 to Our Days*, Athens, p. 23, Italian Jews (e.g., Menachem Modiano) avoided confiscation and expulsion during the Italy-Turkey war (1911) by renouncing their Italian nationality in favour of Turkish citizenship. After the incorporation, these Jews left to Constantinople.

<sup>42</sup> See above, note 30.

However, these findings also hint at the economic behaviour displayed by the Greeks once they became the dominant majority. They dispersed into all the economic sectors, avoiding concentration in Industry and Commerce. The enlarged Greek population included policemen, gendarmes, judges and lawyers, especially brought to the city from the Peloponnesus and Crete; they occupied the positions in Salonica's public administration vacated by the withdrawing Turkish officials.<sup>43</sup> In addition, Greek immigrants of rural origin coming from Ottoman provinces either freed by the Greeks or remaining under Serbian, Bulgarian or Ottoman rule, flowed to the city - Greek Macedonia's administrative centre - in search of the profitable jobs now available in the developing services sectors as well as Commerce and industry.<sup>44</sup>

These events point to the normal economic development of the Greek majority, which should be compared with the reinforcement of the minority economic characteristics exhibited by the Jewish segment of the city. These represent features of a demographic minority when compared to the majority in the emerging Greek nation-state. According to Kuznets: "If the economic structure of a country's total population is 'normal', then almost by definition, the economic structure of a small and permanent minority must be abnormal. Otherwise the minority will not long survive as a distinctive group."<sup>45</sup>

However, did the branch structure of Greek entrepreneurship obtain a majority-group coloration when compared with the branch structure of the minority Jews? In order to respond to these questions, we next examine the transformations undergone by Jewish and Greek entrepreneurship.

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<sup>43</sup> See: Mavrogordatos, 1983, pp. 280-282; Mazower, 2004, p. 302.

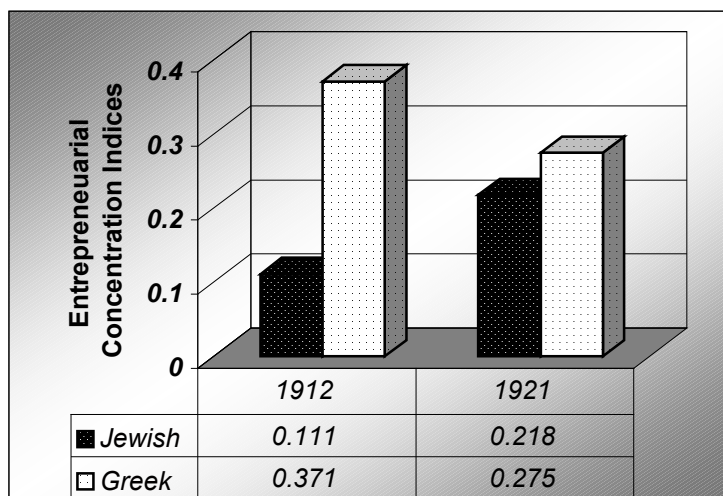
<sup>44</sup> Delivanis, 1980, pp. 198-199.

<sup>45</sup> Kuznets, 1960, p.1601.

## VI. Jewish-Owned Firm Structure vs. Greek-Owned Firm Structure

In the second stage of the analysis, the structural concentration of Jewish firms was measured and compared with that of Greek firms at two points in time: 1912 (the eve of the Greek Era) and 1921 (one year before the Greek defeat in Asia Minor, the event that led to the Transfer). We found that Jewish firms remained distributed among all 15 branches between the two dates (see Appendix). Although the distribution of Jewish firms continued to be broader than that of Greek firms, the differences between them were no longer as significant. Moreover, when viewed along the dimension of time, the increasing structural concentration of Jewish firms becomes evident. In addition, the branches enjoying Greek participation gradually came to represent the region's primary economy, as Fig. 2 shows.

**Fig.2: Entrepreneurial Concentration Index by Ethnic Origin (Salonica, 1912-1921)**



Source: Adapted from the Appendix.

Notes: Entrepreneurial Concentration Index =  $ECI_j = \sum_{i=1}^{15} |1 - I_{ij}| * W_i$

$I_{ij} = O_{ij} / E_i$  when  $O_{ij}$  = percentage of the enterprises in branch (i) out of the total sum of enterprises of a given ethnic group (j);  $E_i$  = percentage of the enterprises in branch (i) out of the total sum of enterprises in the entire sample.  $W_i$  = relative portion ( $W_i < 1$ ) of branch (i) in the entire sample ( $\sum \sum A_{ij}$ ), when  $\sum A_{ij}$  = distribution of the firms of a given ethnic group (j) by branch (i). This index refers to the entire sample and assumes that the total number of firms is not distributed equally between the 15 branches. This index thus represents the weighted average of the absolute representational disparity (1-I) of a given ethnic group in the various branches. A hierarchic version of this index was used in the ethnic research

focusing on Israeli society conducted by sociologists including S.N. Eisenstadt and Moshe Lissak. The index was introduced by Yaacov Nahon. See: Yaacov Nahon, *Trends in Occupational Status: The Ethnic Dimension 1958-1981* (Jerusalem: The Jerusalem Institute for Israel Studies, 1984) (in Hebrew with an introduction in English).

The values of the Entrepreneurial Concentration Index range from 0 to 1, 0 for total equal dispersion and 1 for total concentration. The higher the index, the greater is the concentration, meaning ethnic participation in a small number of branches.

The statistical analysis of the empirical data demonstrates that during 1912-1922, Jewish entrepreneurial distribution by branch narrowed whereas the spread of Greek entrepreneurs broadened.

## **VI. Transformations in Old Jewish Sub-Branches**

We now turn to the third stage of the research, a discussion meant to respond to the questions: Did the above transformations induce shifts in ethnic entrepreneurial specialisations? Which 'Jewish' sub-branches were retained and which abandoned? Did these events cause new 'Jewish' or 'Greek' sub-branches to be created? Before beginning, we note that the term '*ethnic sub-branch*', as used here, refers to an economic sub-branch in which at least 70% of the firms are owned by members of a given ethnic group.

The research focused on the three main groups of 'Jewish' sub-branches identified in the 1912 firm sample. These groups demonstrate the business strategies adopted by Jewish entrepreneurs once they faced the new ethnic competition materializing in the emerging national economy.

**Table 4: Transformations in ‘Jewish’ sub-branches, Salonica, 1912-1922**

Sub-branch	1912		% of Jewish firms out of the total	1921		
	Total firms (N)	Jewish firms (N)		Total firms (N)	% of Jewish firms out of the total	
Grain and flour	34	29	85.3	26	15	57.7
Banking	39	33	84.6	16	7	43.8
Silkworms & cocoons	13	11	84.6	4	3	75.0
Opium	10	7	70	2	2	100.0
Pharmaceutics	13	9	69.2	15	10	66.7
Watches & valuable articles	19	17	89.5	30	26	86.7
Colonial commodities	47	38	80.9	112	51	45.5
Bones & rags	5	5	100	1	1	100.0
Cotton yarn (trade)	7	7	100	16	14	87.5
Wood coal	8	8	100	0	0	00
Glass, plates & metals	17	16	94.5	21	14	66.7
Leather	8	7	87.5	24	15	62.5
Ropes & jute sacks	15	12	80	16	9	56.3
Wool, yarn & fabrics	14	10	71.4	5	3	60.0

Source: For: 1912: O.C. Meron, 2005, ‘Jewish Entrepreneurship’, Fig.2; for 1921: Adapted from Chambre de Commerce et d’Industrie de Salonique (1922) *Annuaire Commercial.*, pp.303 – 345.

Notes: T= total sum of firms in a given sub-branch

J= total sum of Jewish firms in a given sub-branch

J (percent)= percentage of Jewish firms out of the total sum of firms in a given sub-branch

#### **a. Finance, banking and organization of primary exports**

Jewish entrepreneurs continued to control the export of cash crops (opium and silkworm cocoons) to industries located in the core states, but they ceased to control local banking or the grain and flour sectors.

At the beginning of the discussion on the transformation of Jewish banking, we must stress that Jewish entrepreneurs involved in banking and credit activity were highly professional and that Jewish banking was considered a relatively stable sub-branch

even when it suffered from the consequences of the economic and political fluctuations (1906-1907; 1911) that appeared in advance of the Greek incorporation.<sup>46</sup> However, the decline in Jewish capital began with the gradual emigration of foreign (i.e., Italian) Jews, such as the *Allatini* family of the *Banque de Salonique*, who had previously controlled local banking.<sup>47</sup> This trend was initiated during the Balkan Wars (1912-1913), when Jewish banks collapsed due to defaults by Moslem lenders from the hinterland, the majority of whom were not Greek citizens.<sup>48</sup> Other sources of the shortage in Jewish capital were the damages incurred by the previously mentioned fire in the city's centre (1917), as attested to by the director of Salonica's Chamber of Commerce and Industry:<sup>49</sup>

*“Un Grand nombre de ses commerçant augmentèrent considérablement leurs capitaux, plusieurs s'enrichirent, et si le malecontreux incendie ne survenait pas, dont les victimes furent nombreuses, Salonique aurait attiré la jalousie de ses ennemies”*

As might be anticipated on the basis of the diverse states of wealth and citizenship, Jewish entrepreneurs responded to the catastrophic fire (1917) in various ways. Those who could, particularly the Italian Jews, emigrated to their country of citizenship.<sup>50</sup> Another wave of foreign Jewish businessmen exited shortly after the departure of the Allied forces because their privileges ceased. Because they held foreign passports,

<sup>46</sup> E.A. Hekimoglou (1997), 'The Jewish Bourgeoisie in Thessaloniki, 1906-1911' in: *The Jewish Communities of Southeastern Europe*, I.K. Hassiotis (Ed.), *The Jewish Communities of Southeastern Europe from the Fifteenth Century to the End of World War II*, Thessaloniki: Institute for Balkan Studies, pp. 175-184.

<sup>47</sup> Austrian Report 1915.

<sup>48</sup> Molho 1988,

<sup>49</sup> In free translation: Numerous merchants accumulated a significant amount of wealth and even became rich [during World War I–O.M.]. If it hadn't been for the great fire, many of the victims being Jewish merchants, Thessalonica would have been the envy of its enemies. *Annuaire Commercial 1922* p. 94.

<sup>50</sup> For more on the emigration of Jewish bankers from Salonica to Paris, where they re-established their banks see: Aelion, 1997. For more on the emigration of Italian Jewish families (Isaac Shaki, Benusilio, Beraha, Ezratty, Gattegno, Haim) from Thessalonica to Naples in October 1917, following the fire, see: Samuele Varsano (1997), 'Des Juifs de Salonique a Naples (1917-1940): un Temoignage' In: E. Carasso (Ed.), *Les voix de la memoire*, Tarascon, pp. 95-102.

they were able to transfer their capital abroad before Greece could apply foreign currency controls in the early 1920s (see below). These Jewish cosmopolitan elites were apparently able to anticipate the unfavourable repercussions of the contracting hinterland markets in addition to the discrimination the Greek nationalist administration would eventually impose in favour of their ethnic kinsman.<sup>51</sup>

Despite the growing solidarity between local and international Jews, stimulated by their efforts to rehabilitate the Jews seriously hurt by the fire, these feelings were translated solely into philanthropic acts. No substantial funds were transferred to revive the economic activity based on Jewish entrepreneurship. Excluding the Jews holding foreign passports who were able to move their capital and themselves out of the country, a lesser affluent segment of entrepreneurs remained with of a significantly growing number of poor. A letter (1924) written to the American Consul, Henry Morgenthau, summarizes the situation

For the **well to do** of the Jewish population of Salonica, who have always accepted heavy sacrifices in favour of the community and its institutions, are themselves absorbed in very serious economic problems. That which formed **the rich class** of our population has to a large extent emigrated as a consequence of the fire of 1917 or the economical situation of the town.<sup>52</sup>

With the reduced financial power of the Jewish entrepreneurs, Salonica's banking niche ceased to be 'Jewish'.

Simultaneously with the exit of Jewish capital, private Greek capital in Salonica grew. This trend, like that experienced in the rest of Greece, resulted from the private accumulation of capital during the war but also from the rising rate of remittances

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<sup>51</sup> D.J. Delivanis (1980), 'Thessaloniki on the Eve of World War I and Its Aftermath', *Balkan Studies* 21(2), pp.191–201.

<sup>52</sup> Hastaoglou–Martinidis, 1997, p. 164.

received from Greek immigrants working in the West. These remittances increased from £1.7 million (1914) to £14.8 million (1919) to £22.6 million (1920).<sup>53</sup>

At the same time, the Greek elites began to assert the Greek economy's superiority in the region. As a first step, The National Bank of Greece, which represented Athenian the interests, established a local branch in Salonica immediately after the city's annexation to Greece (1913).<sup>54</sup> Since Greeks perceived Jewish bankers as cornerstones of the banking industry, Jewish bank officials took part in its management.<sup>55</sup> Second, a syndicate of Greek commercial banks was formed in accordance with the Law of the Syndicate of Banks (enacted and put into force on 29 May 1921). At the same time, the well-known 'Consortium' was established to stop speculation given the fluctuating foreign exchange rate. However, as the sole institutions having the right to determine the drachma's exchange rate or participate in foreign currency exchange, the syndicate's banks – including the National Bank, which served as a central Bank and actually underwrote the Greek military's expenses – increased their profits by more than five times, primarily by taking advantage of speculation in the foreign exchange rate against the drachma.<sup>56</sup> Hence, by means of this syndicate, the Greek commercial banks were able to control competition for the benefit of the dominant elite but at the expense of importers, exporters and foreign merchants. Consider this complaint, voiced by a British informant (1922):

Merchants who wished to order goods from abroad or to pay for goods which had already arrived were obliged to apply to the consortium for permission to

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<sup>53</sup> Mazower, 1991, p. 56.

<sup>54</sup> Sfika Angeliki-Theodosiou (1990), 'The Founding of the Branch of the National Bank of Greek in Thessaloniki and the Greek-Bulgarian Relations (1912-1913)', *Makedonika* (1989-1990), pp. 63-77 (in Greek).

<sup>55</sup> See: Austrian Report, 1915, pp. 127-130.

<sup>56</sup> DOT [Department of Overseas Trade] (1922), *Report on the Industrial and Economic Situation in Greece to April 1922*, London.: His Majesty's Stationery Office, pp. 6-9; Mazower, 1991, pp. 65-71; Stavros Theophanides (1991). 'The Economic Development of Greek Macedonia after 1912', in: M.B. Sakellariou (Ed.), *Macedonia - 4000 Years of Greek History and Civilization*, Athens: Ekdotike Athenon, pp.509-527, 512.

purchase foreign exchange to remit abroad...It was often the case that the consortium's banks did not dispose of sufficient exchange to meet the requirements of commerce.”<sup>57</sup>

Although the new instructions for commercial activities were published by the Chamber of Commerce of Salonica in its *Annuaire Commercial* (1922), we can assume that the list of firms published in the same report had not yet influenced the published firms list. Nevertheless, this step may hint at who would bear the burden of foreign trade policy. The emigration of the Italian elite was therefore justified in retrospect.

A similar process characterized the loss of Jewish control in the grain and flour industry following the massive entry of Greek entrepreneurs into this sector. For instance, the Allatini family's sale of its shares in *The Commercial and Industrial Company of Salonica Ltd.* – this family owned the most advanced flour mill in the region – to Greek entrepreneurs (1921)<sup>58</sup> symbolizes the transfer of control in this vital sector from Jewish merchants to the new dominant Greek elites. This transition of ownership coincided with the Greek nation-state's promotion of agricultural self-sufficiency. At the same time it hinted at the future Greek government's interventionist policy, which would support wheat production by means of protective tariffs and domestic price supports. Aspirations for self-sufficiency in cereals were by-products of the suffering induced by the Allied blockade in 1916-1917, an event that clarified the meaning of heavy reliance on imported staples. At the same time, the land redistribution that began in 1917 created a large new class of small holders. In

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<sup>57</sup>In addition, the Import Duty was increased in July 1921. See: DOT, 1922, p. 7.

<sup>58</sup>Anna Mourghianni-Estela, (1996) 'Salonique années '20: Le déclin.' *Sephardica*, vol. 1, pp. 595-602; 595.

payment of their support, Venizelos introduced protectionist policies.<sup>59</sup> Moreover, the increasing numbers of Greek growers gradually made the complicated networks of Jewish middlemen who had bridged between growers and Ottoman estate holders throughout the Macedonian hinterland<sup>60</sup> rather obsolete.

#### **b. Import and Wholesale Distribution of Luxury Goods (Watches and Valuables such as Jewellery and Crystals) and Pharmaceuticals**

Jewish entrepreneurs were able to retain if not strengthen their economic power in this branch due to the absence of competitors as well as substitutes having the financial capacity to respond to growing local demand. The sector's increasing control by Jewish merchants also indicates the strong preference of Jewish merchants to invest in portable goods, a preference reflecting the instability of their economic status as members of a minority. However, we can simultaneously observe the decline of Jewish control of the import and distribution of colonial goods, Salonica's main imports. This sector, which focused on basic commodities (sugar, rice, tea, etc.), was easily affected by demographic changes in the city's protected ethnic markets.

The great increase in the number of Greek consumers therefore spurred creation of a new Greek niche to replace the existing Jewish niche. Coupled with the re-distribution of Jewish consumers throughout neighbourhoods lying in the city's outskirts, the gradual entry of New Greeks into the city strengthened the position of Greek vendors in their historical competition with Jewish merchants. The rise in colonial goods trading cooperatives, from one in 1912 (apparently initiated by Jewish merchants although open to vendors belonging to other ethnic groups) to five in 1921, four of which were closed to non-Greek merchants,<sup>61</sup> confirms that the Jewish trade in

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<sup>59</sup> For the development of the self-sufficiency in cereals policy in Greece before the 1929 slump see: Mazower, 1991, pp. 88-91.

<sup>60</sup> See: Meron, 2005, 'Jewish Entrepreneurship'

<sup>61</sup> *Salonica Mother City of Israel*, (1967) Tel Aviv: Saloniki Research Centre, p. 236 (in Hebrew)

colonial commodities, although still viable, was limited to the protected Jewish ethnic consumer market. The goals of the Greek consumer cooperatives were, in essence, to improve the competitive strength of firms owned by the politically dominant Greek population.<sup>62</sup>

### **c. Trade in Semi-Raw Materials**

An excellent example of the emerging Jewish concentration in commercial niches, coupled with their reduced representation in the industrial branches, is the continuity of Jewish control of commerce in cotton yarn. During the closing days of the Ottoman Empire, Jewish-owned spinning mills in the city began to close due to their inability to compete with Greek-owned mills, located in the hinterland. After the annexation, the Greek-owned mills organized into a cartel (1913) and extended their control over cotton production through purchase of the sole Jewish cotton-spinning mill in Salonica that had remained operating following the 1917 fire.<sup>63</sup> Jewish urban entrepreneurs subsequently deepened their preference for manufacturing cotton socks in small plants, based on imported cotton yarn. Exploitation of their international affiliations was more appropriate for the acquisition of imported high-quality semi-raw materials than for making large long-term capital investments; it also supported profit maximization. Continued Jewish control of the import of semi-raw materials during the Greek era thus indicates the Jews' growing preference for importing semi-raw inputs that were integrated into production only at its final stages, proximate to dealings with traders and end-users. It appears that attempts made by Venizelos to legally prohibit the import of production-targeted cotton – ginned, unginned, cotton thread (straight or twisted) and coloured cotton materials (ginghams, drills, etc.) – or,

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<sup>62</sup> For more on consumer cooperatives in nation-states see: Deutsch, 1966, pp. 47-55.

<sup>63</sup> Donald Quataert (1995), 'The workers of Salonica, 1850-1912' in D. Quataert and E.J. Zürcher (Eds.), *Workers and the Working class in the Ottoman Empire and the Turkish Republic 1839-1950*, London and New York: Tauris Academic Studies, pp. 59-74, 171-173, 63; Mourghianni-Estela (1996), p. 595.

alternatively to impose protective tariffs on these products (1919) was meant to protect Salonica's Greek importers from their Jewish competitors. Under such circumstances, it is quite likely that Venizelos' capitulation to the importers' protests, which led to the cancellation of the law after a few short months,<sup>64</sup> derived primarily from his need to gain Jewish electoral support for the 1920 elections.<sup>65</sup>

Decreasing representation (1912-1921) of Jewish firms in established Jewish niches – wool yarn and fabrics, jute, rope and sacks as well as leather – nevertheless hints at decreasing involvement in manufacturing. The existence of separate Jewish and Greek professional unions for tailors and footwear manufacturers indicates that production of these basic commodities remained part of the Jewish protected ethnic consumer market. This market not only met the minority's unique ethnic preferences and needs but, perhaps more importantly, it responded to the exacerbating inter-ethnic competition between Jewish and Greek craftsmen.

Indeed, 'wood coal', a category present from the 1912 list, is absent from the 1921 list. However, the election of a Jewish president and Jewish secretary to head the Association of Wood Coal Merchants (1921),<sup>66</sup> and the fact that Jewish firms were highly represented (7 out of 12 firms) in the 'wood for construction' sub-branch, indicates continuing Jewish control of the lumber market, which included the wood coal trade. The constantly expanding demand for wood coal to fuel the railroads that transported arms and other supplies to the Allied forces during the First World War<sup>67</sup> continued to be filled by local Jewish merchants, including those holding European

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<sup>64</sup> HMSO, 1920, pp. 13-14.

<sup>65</sup> Venizelos supported the tobacco workers for similar reasons; see: Joshua Starr (1945), 'The Socialist Federation of Saloniki,' *Jewish Social Studies*, vol. VII, pp. 323-336, 331-332; E. Avdela (1998), 'Class, Ethnicity and Gender in Post-Ottoman Thessaloniki: The Great Tobacco Strike of 1914', in: B. Melman (ed), *Borderlines, Gender and Identities in War and Peace, 1870-1930*, New York: Routledge, pp. 421-438, 432.

<sup>66</sup> *Annuaire Commercial* 1922, p. xx.

<sup>67</sup> HMSO 1920, p. 12.

citizenship. As a result, the sub-branch continued to be "Jewish" even after the Allied departure. Similarly, the concentration of Jewish merchants in the import and distribution of construction materials continued in response to the rising demand for these materials after the 1917 fire.

Yet, the only Jewish niche meaningful strengthened in the semi-raw material sector was commerce in waste products (i.e., bones and rags), by-products of the textile and tanning industries. This finding indicates the minority's increasing efficiency, expressed in the creation a subsidiary source of income having minimum costs.

## VII. New Jewish and Greek Sub-branches

**Table 5. : New Jewish Sub-Branches (Salonica, 1921)**

	Total	Jewish	% Jewish out of Total
Commodities trade	118	95	80.5
Vegetables, fruits, oil	23	17	73.9
Office & photographic equipment	7	7	100
Wax	1	1	100
Oilcloth	3	3	100
Electric articles	8	7	87.5
Furniture & home equipment	13	9	69.2

An analysis of the new 'Jewish' sub-branches that emerged after Salonica's annexation to the Greek nation-state, together with their comparison with the Greek niches that concurrently developed in the city, confirms the trends described herein. The new Jewish niches were indeed characterized by trade in commodities, ranging from the import and distribution of new technologies to trade in wax for the manufacturer of candles to the supply of finished products to the local market. This concentration again demonstrated the previously mentioned preference of Jewish entrepreneurs to trade in finished products sold directly to individual consumers in the

open competitive market, considered 'blind' to discrimination, in the context of emerging nation-states.

Adopting both horizontal and vertical integration strategies, Jewish firms such as the Shalom commercial network exported opium and saffron to industrialists in the core states while importing and distributed pharmaceuticals, electrical products and photographic equipment to Salonica's contracted market.<sup>68</sup> Their international connections proved to be vital for the chain's continued viability.

In contrast, Greek entrepreneurs took control of local manufacturing: spinning and weaving, tanning, machinery as well as baked goods and sweets (Table 6). Excluding the sweets manufacturing, these sub-branches were linked to the processing of raw materials, sizeable and long-term capital investments and relatively large-scale plants. These characteristics are typical of the economic behaviour of dominant populations.

**Table 6: Greek Sub-Branches (Salonica 1921)**

Sub-branch	T	G	% G out of T
Cotton yarn (spinning and weaving)	10	9	90
Bakery and sweets	24	18	75
Tannery: furs and skins	7	6	85.7
Machines	4	4	100.0

## Conclusion

Similarly to trends observed in post-colonial environments, Salonica's transition from membership in the Ottoman Empire to incorporation into the Greek nation-state stimulated changes in the Jewish entrepreneurial structure, which narrowed and became more concentrated. The new spatial distribution of the Jewish minority helped sustain some of the established Jewish consumer sub-branches within the protected Jewish market. At the same time, Jewish branches rooted in international Jewish relational networks were able to sustain themselves and even add new sub-branches, such as the import of new technologies and office supplies. Like other middleman

<sup>68</sup> *Annuaire Commercial* 1922.

minorities in societies undergoing decolonisation,<sup>69</sup> the Jews ceased to function as surrogates for a marginal ruling (in this case Ottoman) bourgeoisie and vacated economic sectors that represented the core of the developing National Economy. The latter gradually came to be occupied by the majority in the emerging ethnic nation-state. In the present case, this group entailed Greek entrepreneurs even before the Greeks became Salonica's demographic majority.

Even if we were unable to provide unequivocal empirical proof, we can be fairly confident in assuming, given the data provided, that the weakening of the Italian Jewish entrepreneurial foundations in Macedonia's capital depleted the total capital held by the remaining Jewish entrepreneurs. This depletion forced a shift in sub-branches, to those not requiring major capital investments but, rather, the small- to medium-sized investments characterizing minority enterprises.

The empirical findings offer some theoretical insights pertaining to the vital connection between the institutional context in which ethnic entrepreneurship takes place and the strategies adopted by minority entrepreneurs to survive. While the preferred status enjoyed by Jewish entrepreneurs in the semi-colonial period had enabled them to operate in the formal sector<sup>70</sup> and to form coalitions with the ruling elites, emergence of the (in this case) Greek nation-state transformed the old coalitions. The crucial coalition between the former Ottoman regime and the Jewish elites was now replaced by a coalition between the New Greek regime and its national elites. Under such circumstances, market failures jeopardize minorities, who seek to become more efficient while being active in economic branches typical of the

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<sup>69</sup> Edna Bonacich (1973), 'A Theory of Middlemen Minorities', *American Sociological Review* 38 (October), pp. 583-594.

<sup>70</sup> Entrepreneurial and occupational activity in the formal sector is characterized by entry barriers, large-scale entrepreneurial activity, imported technology, capital-intensive investment, corporate ownership and markets protected by means of government-controlled quotas and trade concessions. See: Gerald Meier (1984), *Leading Issues in Economic Development*, New York and Oxford: Oxford University Press, pp. 183-190.

informal sector, i.e., sectors characterized by easy entry, family-based entrepreneurship, small enterprises, skills acquired outside the formal educational system and competitive markets that are neither regulated nor subsidized by the state.<sup>71</sup>

These findings are also compatible with the entrepreneurial patterns attributed to Jewish minorities within nation-states characterized by majority–minority relationships, especially those observed by S. Kuznets<sup>72</sup> as well as Arcadius Kahan,<sup>73</sup> who focused on the Jewish populations of Central and Eastern Europe. In this case, we can assume that these trends intensified after the population transfers, events that would invite further changes in Greek national policy toward the Jewish minority.

#### **Appendix: Jewish and Greek Firms (Salonica, 1912, 1921)**

Branch	1912			1921		
	Jewish	Greek	Total	Jewish	Greek	Total
Food and beverages	61	27	100	80	104	194
Chemicals	17	5	28	25	24	53
Construction materials	31	11	49	15	6	24
Energy and public utilities	8	1	16	5	6	16
Metal	15	5	42	11	15	29
Wood	20	5	29	8	4	15
Hides, leather and footwear	28	18	57	43	30	79
Textiles	34	8	50	29	16	50
Clothing	48	10	98	72	32	128
Printing, paper and office equipment	26	8	52	19	8	27
Tobacco	10	2	18	12	25	47
Domestic wares and furniture	30	3	41	35	5	43
Trade in agriculture products (incl. grain)	77	34	135	44	24	68
General wholesale and retail	24	2	39	96	13	119
Finance and commission trade	109	25	177	182	164	409
Number of firms per ethnic group	538	164	931	676	476	1301

Adapted from: *Austrian Report* 1915, pp.138-84. (for 1912); *Annuaire Commercial* 1922, pp. 303-345 (for 1921).

Note: Total = Number of firms in a given branch (including ‘Others’).

<sup>71</sup> See: Meier, *ibid*, pp. 183-190.

<sup>72</sup> Simon Kuznets (1960). 'Economic Structure and Life of the Jews', in: L. Finkelstein (Ed.), *The Jews, Their History Culture and Religion*, Vol. II, New York: Harper & Brothers, pp.1597-1666.

<sup>73</sup> Arcadius Kahan (1986), "The Impact of Industrialization in Tsarist Russia on the Socioeconomic Conditions of the Jewish Population", in: R. W. Weiss (Ed.), *Essays in Jewish Social and Economic History*, Chicago and London: The University of Chicago Press.

