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An unexplored facet of international business in Greece: Foreign and diaspora shareholders in joint stock company start-ups, 1833-1920¹

Abstract

This article focuses on an unexplored aspect of the history of international business in Greece, the presence of international shareholders in Greek Joint stock company start-ups. Our main findings are that these investors participated in numerous such firms usually as minority shareholders in capital and/or knowledge intensive firms. Rarely did they opt for the exclusive international ownership of a joint stock company in Greece and the dividing line between foreign direct investment and foreign portfolio investment was not always clear. It is also the case that international capital inflow into the nascent corporate sector involved a mosaic of collaborating actors including not only the foreign but also the diasporic.

Keywords: Greece; Joint Stock Company; Start-up; International Shareholders; Diaspora; Business Strategy.

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Introduction

On the basis of a new dataset this article examines for the first time, the presence of international (namely, foreign and diaspora) shareholders in Joint stock company (or *Société Anonyme*) start-ups in Greece – a small, latecomer country born into debt and perennially subject to external financial dependence.²

The starting (1833) and the end points (1920) of this article constitute critical junctures in the historical trajectory of the Greek state. 1833 marks the opening of the reign of the country's first monarch, Otto, the young son of King Ludwig of Bavaria. Otto inaugurated a period of modernising, albeit autocratic rule. And 1920 represents, with the landing of the Greek army in Smyrna/Izmir, the high endpoint of Greek irredentism in the Near East. 1920 marks furthermore a significant milestone in Greek legal and business history namely, the introduction of a Company Act (Law 2190). Until that time the relevant law governing joint stock companies in Greece was derived from the Napoleonic Commercial Code of 1807 (Karavas 1930; Angelopoulos 1928; Franghiadis 2007).

The core questions we address are: 1) In which joint stock company (henceforth, JSC) start-ups were there at least one international shareholder (IS) within the shareholder base? 2) In what sectors and geographical locations were these start-ups based? 3) What were the features of the body of international shareholders and what was the business profile of the main players in this cohort? 4) What were the interlinkages between international investors in the nascent corporate sector and sovereign borrowing?

From this point onwards, the article is organised as follows. The next section provides a brief review of the literature. An outline of the external financial dependence of the Greek state is

² For why we define international as foreign and diaspora see in the text Section three.

given in the third section. We make a detailed description of our sources, data base construction and methodology in Section four. The fifth section presents the findings of our statistical analysis of the dataset. In section six we focus on biographical information on selected key international shareholders. Section seven explores interconnections between international investment in the nascent corporate sector and players involved in the raising of foreign loan capital for the state. In the conclusion we offer some thoughts on the wider implications of our research results.

The literature

Within the large and diverse historiographical output concerning the economy of Greece, international business and the rise of the joint stock company have traditionally been examined as separate strands of research with minimal overlap.³ On the first theme most research has focused on the macroeconomic and diplomatic aspects of sovereign borrowing, foreign debt accumulation and defaults (Stephanidis 1930; Pepelasis Minoglou 1995, 2002; Pandelakis 1995; Dertilis 2009). In parallel with this line of research, the topic of foreign investment in Greek business has been examined from the following angles. Anastasios Yiannitsis (1977) opened the way with his general survey on foreign direct investment (FDI) and more specialised research subsequently followed.

Among the pertinent works that stand out are the studies on the construction of railways (Papayiannakis 1982) and the Corinth Canal (Papayiannopoulou 1989) as well as the schemes for Electrification (Pandelakis 1991) and the drainage and development of the Lake Copais region (Melios 1987).

³ For recent efforts to combine both see: Foreman-Peck and Pepelasis (2013); Pepelasis and Varvaritis (2016).

Other scholars, such as Agriantonis (1986), have incorporated extensive references to foreign entrepreneurial pioneers and specifically their activities concerning Greece's industrialisation while several monographs have addressed the corresponding activities of a number of diaspora families involved in shipping and merchant banking (Dertilis 1989; Chatzioannou 2003; Agriantonis and Chatzioannou 1997; Harlaftis 1996; Kostis and Tsokopoulos 1988).

Foreign and diaspora investors have furthermore left us a number of memoirs and related writings such as the autobiographies of the diaspora merchants Andreas Syngros (Syngros 1998) and Dimitrios Vikelas (Vikelas 1997) and the British landowning family the Noels of Euboea (Noel-Baker 2000).

As for the rise of the joint stock company in Greece the literature on this theme is relatively small. This may be explained by the fact that historically, and indeed even today, the great majority of Greek firms are sole partnership or broader family firms that stand outside the corporate sector (Pepelasis 2011; Pepelasis and Protogerou 2016). The first relevant studies on the joint stock company appeared in the early twentieth century (Angelopoulos 1928; Karavas 1930) and encompassed a principally legalistic approach. More recent works have however focused their attention on related aspects such as for example the formation of industrial capital (Tsotsoros 1994), the long-term development of the Greek state (Dertilis 2009) and the networks active in the international investment in Greece in the interwar period (Pepelasis-Minoglou 2002a).

What is however lacking in this literature is a quantitative approach embracing all economic sectors of the Greek corporate sector. The eradication of the latter gap is now the object of intense research of a special project at the Athens University of Economics and Business (henceforth AUEB) through the creation of comprehensive datasets derived from the charters

of JSC start-ups (1830-1929) and balance sheets (1927-1936). Various facets of the evolution of the joint stock company have been examined up to this point (as for example Pepelasis 2010a, 2011; Pepelasis and Aivalis 2014). But none has selectively addressed the issue of the participation of international investment in JSC start-ups. The most relevant to the theme of this article, and indeed based on the above AUEB project, has been a recent study which has documented the basic contours of Jewish founding shareholders (Pepelasis and Varvaritis 2016).

Turning to the area of international literature, there has been extensive historical research on both international business and the joint stock company. A considerable number of scholars have examined these themes concurrently often focusing their studies on the multinational corporation (Micklethwait and Wooldridge 2003; Langlois 2007; Jones 2007; Neal and Williamson 2015; Miravittles and Zhang 2016). Other topics addressed in the international literature that are relevant to the research presented in this article are international comparisons (Amatori and Colli 2011); the role of regulation in foreign investment (Chang 2004) the economics of information and the related networks of trust within commercial diasporas. In fact, the international literature has taken note of how, as a force, the Greek Diaspora enhanced globalization (Jones 2007; Godley 2006). That said, the particular niche examined in this article namely, international investment in the local corporate sector of a peripheral economy, does not figure prominently in the literature. Yet despite this lack of prominence it remains possible that this niche may, in the future, be integrated into the emerging and newer literature that approaches the study of international business in a more evolutionary and holistic manner (Miravittles and Zhang 2016).

A succinct historical outline of foreign borrowing by the state

The initial presence of international business in Greece may be dated from the period when the Greek state itself did not exist, but was in a process of formation and it was exclusively situated within the London-based International finance sector. During the nearly decade long rebellion against the Ottoman Empire (1821-1830), better known as the War of Independence, the Greek rebel leadership managed to raise a loan in London for the purposes of the war effort. The Greeks however defaulted on this loan in 1827 thereby setting a precedent that was repeated by the state on two further occasions in the same century, namely in the foreign debt defaults of 1843 and 1893 (Chatzioannou 2013; Lazaretou 2013; Pepelasis Minoglou 1995).

The repetitive pattern of heavy foreign borrowing followed by default directly affected Greece's overall economic position, thereby placing significant fetters on the ability of the state to borrow and implement economic policies of its own choosing.

In the case of the 1843 default, Greece was excluded from the international capital markets until 1879 while following the 1893 default an International Financial Commission (IFC) was imposed in 1898. This IFC supervised Greek monetary and fiscal policy and was imposed by a number of Greece's creditors following the latter's military defeat in a war with the Ottoman Empire (1897) and the resultant inability of Greece to pay a large war indemnity to the Porte.

Heavy foreign borrowing by the Greek state, (which had been temporarily halted in 1894) resumed unabated until the outbreak of the Balkan Wars (1912-3) (Pepelasis Minoglou 1995; Dertlis 2009). It is against this background of financial dependence and eventual external economic intervention in 1898 that the process of international participation in Greek

registered joint stock companies materialised.

Sources, data and methodology

This article makes use of one principle source namely, the founding charters of Greek joint stock companies established in the period 1833-1920. These charters include the following crucially significant information: company name and date of foundation, its place of registration and nominal capital, the names, places of residence (or registration in the case of company shareholders) and professions of its shareholders and finally the details of shareholder proxies and notaries.

Although initially drafted by one or more notaries these charters acquired their legal force through submission to the relevant authorities and subsequent approval and official publication, by way of royal or ministerial decree, in the Government Gazette of Greece. This process of submission and administrative ratification was inaugurated in 1836 with the foundation of Greece's first JSC the Patras-based marine insurance firm *Achaiki Asfalistikis Thalassoploias* or Marine Insurance Company of Achaia and was furthermore maintained, albeit with some variations, until the Company Act of 1920.

Taken as a whole, this collective body of charters allows us to document and analyse, diachronically and spatially, certain repeated patterns and themes. Among these are the quantity, sectoral and geographical dissemination of JSCs as well as the investment choices and/or strategies of each JSC's constituent shareholders.

Having set out above the nature and basic content of this article's main primary source one should also note its numerous weaknesses. Chief among these weaknesses are the evidentiary gaps. A considerable number of charters do not include details concerning the profession, residence (or registration in the case of legal entities) and indeed the individual nominal

capital of all of their shareholders while other charters do not list all their constituent shareholders. A case in point is the charter founding the *Ethniki Trapeza tis Ellados* or National Bank of Greece (1841). It lists for reasons presumably of state confidentiality the Greek government as holding 1,000 shares while ‘other shareholders’ hold the remaining 1,600. Furthermore some charters do not list any shareholders while other charters include groups of shareholders or syndicates. The existence of the latter groups further complicates our ability to clearly identify and classify consistently all those participating persons, whether legal or natural. As a consequence of the above limitations we do not have exact figures concerning both the number of shareholders and indeed the corresponding total capital of these shareholders. This also in turn affects our calculations and this factor should be kept in mind. As the missing information concerns mostly the number and value of shares, in our analysis we have not included any data on the nominal capital registered by international shareholders per JSC/IS. Instead in the analysis that follows reference is made to the total nominal capital of such start-ups.

Taken together the factors outlined immediately above do indeed endow our dataset with a certain unevenness and inconsistency. That said, it does still however provide a fairly large, but admittedly limited in parts, prism through which to study and analyse the broader economic phenomenon of company formation and entrepreneurship in Greece.

Our starting point in the construction of the new dataset of JSCs with international investors was the original body of JSC charters. This body contained 460 such charters. Upon a close examination of this body of data, and specifically the shareholders details contained within each charter, a selection was made of those JSC start-ups that included at least one

shareholder whose declared particulars displayed a connection to a foreign country or foreign legal entity.

One such feature was, in the case of legal persons a verifiably foreign or non-Greek surname, while in the case of legal persons it often was the place of company registration being outside of Greece or the JSC start-up being the Greek subsidiary of a foreign registered company. At this point we would like to go into some detail regarding what is meant by the abovementioned words ‘connection to a foreign country’. Due to the peculiarity of Greece, our body of international shareholders includes in addition to foreign investors (natural or legal persons), members of the globally present Greek mercantile diaspora residing outside Greece. We deemed it necessary to include members of this particular group within the rubric of ‘international shareholders’, because their livelihood was positioned in the global trade of bulk goods and shipping, and also because of their crucial participation in the issuing of foreign loans to the Greek government.

Thus, the basic criterion for selection was the presence, at the moment of a JSC’s creation, of a stated residential, registrational and/or personal factor connecting one or more shareholder(s) to the wider international community. Through the application of this criterion we were able to extract 119 JSC start-ups containing international investors that constitute the principle dataset of this article.

The process of examination and selection was completed through the use of a previous database containing all the particulars of shareholders in Greek JSC start-ups for the period 1833-1909. This database was created under the First EU funded Basic Research project at AUEB (For the first results from this data base see: Pepelasis Minoglou 2010). For the remaining period (1910-1920) no such analogous database existed and so the relevant

volumes of the Government Gazette were checked manually. In the course of checking these volumes initial guidance was provided by the work of Enta Angelopoulou (2003).

That said, in arriving at this dataset a certain number of JSC start-ups had to be excluded. These were 15 in total and the reason they were excluded is two-fold. The factual matrix of their shareholder base was such that of the often numerous shareholders whose surnames were foreign none could be securely verified as foreign to Greece and thus in such an eventuality the corresponding JSC was excluded.

In closing, we must note that in the next Section we analyse our collected data through two perspectives: The first takes as its unit of analysis JSC/II startups. The second perspective focuses on the characteristics of the body of international shareholders. In order to ‘weigh the significance’ of our findings on the presence of international business in the nascent corporate sector we also make comparisons with the aggregate figures provided for incorporation in the data bases used for the following studies: Pepelasis Minoglou (2010), Pepelasis (2011) and Pepelasis and Aivalis (2014).

Statistical analysis of the database

Part one: Mapping joint stock company (JSC) start-ups in which there was an international shareholder (IS)

Number of JSC/IS start-ups

Between 1833 and 1920 the total number of joint stock company start-ups with at least one international shareholder (henceforth, JSC/IS) was 119. This amounted to a little under one third of the total population of JSC births in Greece at the time. As Table 1 below demonstrates the number of births fluctuated over time and the two peak decades in the numbers of JSC/IS births were the 1860s/1870s and more significantly the 1910s. The first of

these two high waves began as a precursor to the incorporation boom of 1872-3, whereas the second coincided with the start of the take-off in JSC births in the country (Pepelasis and Aivalis 2014). How can this pattern be interpreted? Were international investors exceptionally sensitive to rising opportunities in Greece? Did they lead by example, influencing others (i.e. local Greeks) to engage in incorporation? Perhaps both processes were at work. It is not easy to interpret this pattern and assess how much foresight international shareholders had and to what extent they led the way, influencing local Greeks to engage in incorporation.

Table 1. Geographical Distribution by Decade of JSC/IS start-ups

| Decade | Number of JSC/IS Start-ups | Athens | Patras | Ermoupolis | Piraeus | Tinos | Argostoli | Thessaloniki | Corfu | Mitilini | Aegio | Neo Faliro | Constantinople | Paris |
|--------------|----------------------------|-----------|-----------|------------|-----------|----------|-----------|--------------|----------|----------|----------|------------|----------------|----------|
| 1840 | 1 | 1 | | | | | | | | | | | | |
| 1850 | 5 | 1 | 2 | 2 | | | | | | | | | | |
| 1860 | 19 | 2 | 7 | 7 | 2 | | 1 | | | | | | | |
| 1870 | 18 | 15 | 2 | | | 1 | | | | | | | | |
| 1880 | 9 | 6 | | | 1 | | | | | | | 1 | 1 | |
| 1890 | 8 | 4 | 1 | 1 | | | | | | 1 | | | | 1 |
| 1900 | 27 | 20 | 4 | | 2 | | | | | | | | | |
| 1910 | 38 | 26 | 1 | | 8 | | | 1 | 1 | | 1 | | | |
| Total | 119 | 72 | 15 | 10 | 13 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: Compiled from selected issues of the Greek Government Gazette (1833-1920)

Nominal capital of JSC/IS start-ups

The share of JSC/IS start-ups in the total nominal capital of all JSC start-ups founded in the period under review was 70 percent. Moreover, given that the mean nominal capital of JSC/IS start-ups was more than double the respective figure for the total population of JSC start-ups, it appears then that international investors showed a preference for participating in large start-ups.

The peak decade in the total nominal capital of JSC/IS start-ups was the 1880s. This perhaps was not coincidental as 1879 marked the beginning of massive foreign borrowing by the Greek state and also the building of a national railway network (Pandelakis1995; Pepelasis Minoglou 1995). In fact, in 1881 the largest JSC start-up in the period under review was set up in Athens. This was the ‘*Trapeza Constantinoupoleos*’ (Bank of Constantinople) a branch of the ‘*Banque de Constantinople*’ (founded in the capital of the Ottoman Empire in 1847/52).

Between 1870 and 1910 the share of all JSC/IS start-ups in the total nominal capital of incorporation was larger than that of JSCs without an IS for the respective period. Thus, this ‘40 year high point’ was situated chronologically in the pre WWI upswing of international capital flows on a global level (Jones 2007).

Place of registration of JSC/IS start-ups

Between 1833 and 1920 the geography of registration for JSC/IS start-ups was rather narrow compared to what was the case for the total population of JSC births. In total, it was distributed among only fourteen cities, (two of which were outside Greece) and it was largely absent in small urban centres. Registration was also far more concentrated in Athens than what was the general case for incorporation. Initially, the ports of Patras (Greece’s main export port) and Ermoupolis (the centre of transit trade) were more popular than Athens, a status they both lost from the 1870s onwards. (See again Table 1)

Sectoral distribution of JSC/IS start-ups

For the period as a whole the bulk of JSC/IS start-ups was more or less evenly distributed among: insurance, large commerce, banking, industry, mining and shipping. Land transport

(railways) was also significant and in fact this was a sector in which all companies were of a JSC/IS type.

Compared to what was the case with the total population of JSC births, in our cohort there was a lower overall presence of insurance. In contrast, there was a higher involvement in: large commerce plus all the more capital and knowledge intensive sectors mentioned already in the previous paragraph.

However, in spite of this overall difference, the shifts in sectoral orientation of JSC/IS start-ups over the decades reflected more general trends within the nascent corporate sector. Notably, insurance nearly monopolised the interest of international investment up to 1870 and in banking and mining it peaked in the 1870s. International participation in railways peaked in the 1880s and in commerce, industry and shipping the 1910s were the high point.

Table 2. Sectoral Distribution by Decade of JSC/IS start-ups

| Decade | Number of JSCs Start-ups | Insurance | Commerce | Banks | Industry | Merchant Marine | Land Transport | Tourism | Construction | Other |
|--------------|--------------------------|-----------|-----------|-----------|-----------|-----------------|----------------|----------|--------------|----------|
| 1840 | 1 | | | 1 | | | | | | |
| 1850 | 5 | 3 | | | 1 | 1 | | | | |
| 1860 | 19 | 15 | 1 | 2 | | | | | | |
| 1870 | 18 | 2 | | 6 | 2 | 1 | | | | 1 |
| 1880 | 9 | | | 1 | 2 | 1 | 4 | | | 1 |
| 1890 | 5 | 1 | | 0 | 1 | 1 | 1 | | | |
| 1900 | 24 | | 6 | 3 | 2 | 4 | 1 | | 1 | 2 |
| 1910 | 38 | | 12 | 2 | 10 | 8 | | 1 | 1 | |
| Total | 119 | 21 | 19 | 15 | 18 | 16 | 6 | 1 | 2 | 4 |

Source: Compiled from selected issues of the Greek Government Gazette (1833-1920)

In sum, between 1833 and 1920 JSC/IS start-ups were significant in numbers and more capital intensive than the average JSC start-up at the time. Their geographical distribution was more concentrated in the larger cities and centres of incorporation; a reflection perhaps of a desire of international shareholders to minimise transaction costs and overcome

asymmetric information in a country which though born in the image of the West had an idiosyncratic institutional and cultural make up.

Part two: Mapping the body of international shareholders in the nascent corporate sector

Total number and composition in terms of legal identity

The total number of international investors in the nascent corporate sector amounted to only 375, namely 3.5% of the total body of shareholders in JSC start-ups and 10% of the total number of founders in JSC/IS in Greece in the period under review. Natural persons comprised the largest group among international shareholders. In the early decades, shareholders who were not natural persons were mostly merchant houses, whereas from 1870s onwards there was a growing presence in this category of banking, construction and industrial firms.

Table 3. Number of shareholders by decade: Total, and international subgroup (foreign+diaspora)

| DECADE | Number of JSC/IS start-ups | Total Number of Shareholders | | | | | | Foreign Shareholders | | | | Diaspora Shareholders | | | | | |
|--------------|----------------------------|------------------------------|---------------|-----------|--------------------|--|------------------------------|----------------------|---------------|----------|--|--------------------------------------|-----------------|---------------|----------|--|---------------------------------------|
| | | Natural Persons | Legal Persons | | | Combination of Natural and Legal Persons | Total Number of Shareholders | Natural Persons | Legal Persons | | Combination of Natural and Legal Persons | Total Number of Foreign Shareholders | Natural Persons | Legal Persons | | Combination of Natural and Legal Persons | Total Number of Diaspora Shareholders |
| | | | Companies | Banks | State Institutions | | | | Companies | Banks | | | | Companies | Banks | | |
| 1840 | 1 | | | | | | | | | | | | | | | | |
| 1850 | 5 | 706 | 57 | 3 | 3 | 0 | 769 | 4 | 4 | 0 | 0 | 8 | 63 | 1 | 0 | 0 | 64 |
| 1860 | 19 | 1185 | 60 | 1 | 0 | 0 | 1246 | 21 | 2 | 0 | 0 | 23 | 21 | 0 | 0 | 0 | 21 |
| 1870 | 18 | 1127 | 53 | 10 | 2 | 2 | 1194 | 27 | 4 | 2 | 0 | 33 | 57 | 1 | 3 | 0 | 61 |
| 1880 | 9 | 106 | 1 | 17 | 0 | 0 | 124 | 9 | 1 | 3 | 0 | 13 | 19 | 2 | 3 | 0 | 24 |
| 1890 | 8 | 97 | 8 | 0 | 0 | 0 | 105 | 8 | 3 | 1 | 0 | 12 | 4 | 1 | 0 | 0 | 5 |
| 1900 | 27 | 75 | 13 | 4 | 0 | 0 | 92 | 24 | 5 | 2 | 0 | 31 | 15 | 0 | 0 | 0 | 15 |
| 1910 | 38 | 205 | 24 | 1 | 0 | 0 | 230 | 32 | 1 | 1 | 0 | 34 | 31 | 0 | 0 | 0 | 31 |
| Total | 119 | 3501 | 216 | 36 | 5 | 2 | 3756 | 125 | 20 | 9 | 0 | 154 | 210 | 5 | 6 | 0 | 221 |

Source: Compiled from selected issues of the Greek Government Gazette (1833-1920)

Occupation of international shareholders who were natural persons

Pre 1873 the main occupation of international shareholders were merchants. There was the odd banker or banking agent and landowner. From 1873 onwards bankers became a main occupational group among international investors. Also, there was a rise in the number of industrialists, engineers and the rare manager/professional. Post 1900 shipping agent/shipowners were an important force also in the international shareholding body.

Places of residence of international shareholders

The map of the residence of international investors incorporates an expansive geographical spectrum stretching from the eastern seaboard of North America across the numerous cities and ports of Europe's main continental powers to the Eastern Mediterranean and Black Sea littoral. This map includes, amongst others locales, Boston and New York in the United States and London, Liverpool and Manchester in the United Kingdom. On the Western European mainland it comprises Paris, Versailles, Marseille, Brussels, Braine-le-Comte (Belgium), Amsterdam, Berlin, Geneva while in the Black Sea region we have the Russian ports of Odessa and Rostov-on-Don and the cities of Braila, Bucharest, Galati/Galatz and Chisinau/Kishinev within the Romanian Principalities. The adjoining Mediterranean and Levant regions are represented by Rome, Livorno, Trieste, Malta, Alexandria, Tandah (Egypt), the Ottoman cities of Constantinople/Istanbul, Smyrna/Izmir, Beirut, Mytilene and Corfu within the British Protectorate of the Ionian Islands.

The most popular places of residence among foreign shareholders (who were not resident in Greece) were the two largest international financial centres of the time (and providers of substantial loan capital to the state), namely Paris and London (Stephanidis 1930) whereas

the founding shareholders who belonged to the mercantile diaspora were more widely dispersed.

International shareholders per JSC/IS start-up

Although it is not possible with accuracy to estimate the size of capital provided by international investors in JSC/IS start-ups, with some safety we have reached the conclusion that in two thirds of the JSC/IS firms, international investors held less than 2%- and more rarely 10%- of the total number of shares. In all likelihood this reflects the hesitance of international investors to do business on their own in Greece. As mentioned above in the text, they preferred to build collaborations with locals as a preemptive strategy in order to minimise possible frictions with the local environment-given the cultural barriers and the idiosyncratic legal framework- and to gain more easily access to information and the chambers of political and economic power.

From the early 1870s onwards the picture somewhat changed as thereafter, in some JSC/IS start-ups international shareholders held more substantial amounts of shares. The first exclusively internationally owned JSC/IS was the *Trapeza epi ton Kinton Pisteos*, The Bank of Credit for Moveable Property (1872). Ten more such cases followed thereafter. In chronological order they were as follows: *Trapeza Constantinoupoleos*, Bank of Constantinople (1881); *Ipposidrodromoi Athinon kai Perihoron*, Horsesdrawn Railways of Athens and the suburbs (1884); *Gallo-Elliniki Etaireia Kataskevis Ekriktikon Ylon kai Chimikon Proionton*, Franco-Hellenic Company for the Production of Explosives and Chemical Products (1893); *Etaireia Ellinikon Sidirodromon*, Hellenic Railways Company (1902); *Elliniki Etaireia Trohiodromon Athinon, Pireos kai Perihoron*, Hellenic Tramways Company for Athens, Piraeus and Suburbs, (1907); *Achaiki Atmoploia*, Shipping Company

of Achaia (1908); *Etaireia ton Metalleion Vani*, Mining Company of Vani (1908); *Anglo-Elliniki Atmoploia*, Anglo-Hellenic Shipping (1910); *Naftiki Anonymos Etaireia Laskaridis*, Laskaridis Shipping Co (1919); *Vrettano Elliniki Trapezitiki*, British Hellenic Banking Co (1919).

Foreign and diaspora shareholders: Collaborators or 'strangers'?

The number of JSC/IS startups in which international investor(s) were exclusively foreign was 51 whereas only in 28 JSC/IS companies, did international presence consist exclusively of diaspora Greeks. In 40 JSC/IS start-ups, both groups were concurrently present and this was not a coincidence, as often members of the diaspora operated as the middlemen and 'guarantors' for foreigners, given the high risks involved for them in investing in a young nation state which was untested and had a peculiar legacy combining remnants of Byzantine and Ottoman institutional elements (Dertilis 2009; Pepelasis Minoglou 1995).

To a certain extent, the nascent corporate sector in this respect mirrored what was happening in the realm of sovereign borrowing (Pandelakis 1995). It is known from the relevant literature that the diaspora, due to its the key position in the large western financial centres of the epoch, acted as a handmaiden and collaborator to foreign banks as underwriters.

The practice of shareholding by one international investor in more than one JSC start-up

In our dataset thirty six international investors were present in more than one JSC start-up.

This amounted to approximately one tenth of the total body of international shareholders.

Through the construction of a tree graph (too large to include in the article) the activities of these thirty six international founding shareholders in the nascent corporate sector were analysed. Based on this analysis our major observations are: There were two banks among them, Erlanger & Co and the Bank of Constantinople, and one partnership, Fels & Co. (See

Section 6). The others were natural persons among whom twenty-two were members of the diaspora. A ‘multiple’ international investor would have varying degrees of participation in each of the JSC in which he/it would be present and would usually make his consecutive investments within the time space of around six years. At an aggregate level there were three waves in the phenomenon of multiple investments. In the first wave (1856-1866) the focus was mainly on marine insurance. In the second (1872-3) it was on banking and in the third (1882-1909) on railways and shipping.

Biographical material on major international shareholders

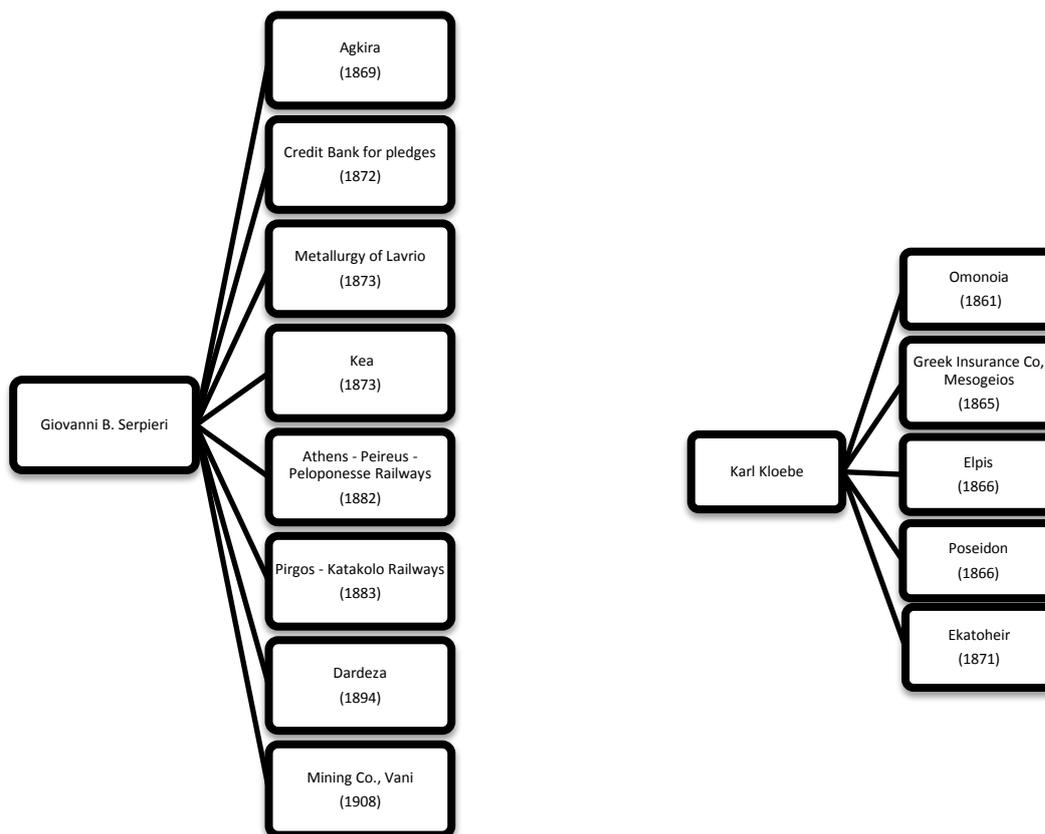
In what follows some basic factual data are provided for seven top shareholders for whom we were able to find biographical and historical references: Giovanni Serpieri, Karl Kloebe, *Fels & Co*, Theodor Hamburger, *Emile Erlanger & Co*, François Theophile Feraldi and Andreas Syngros.

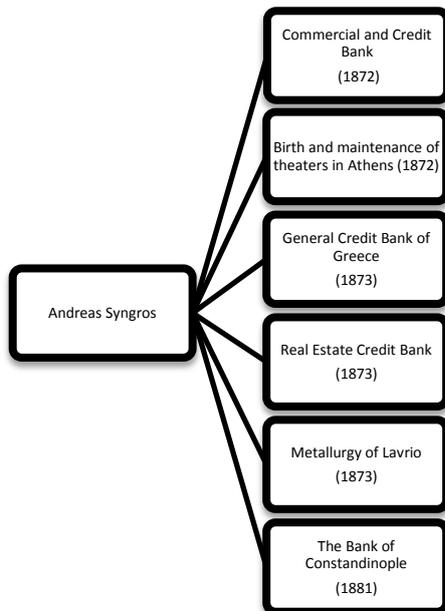
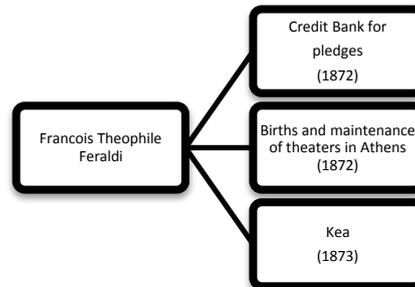
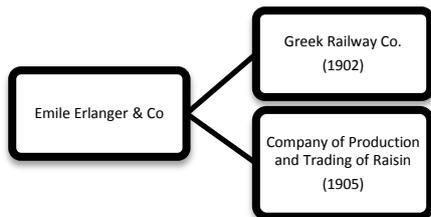
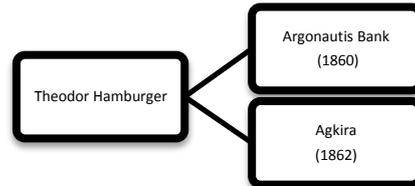
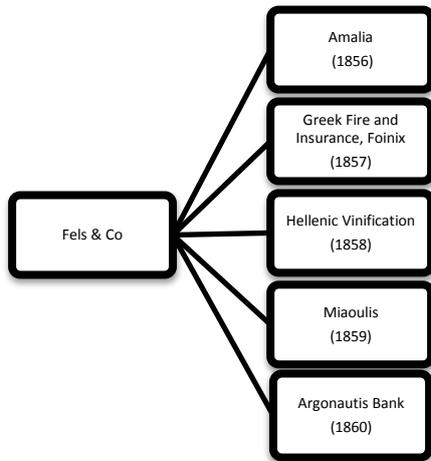
The Rimini-born engineer and entrepreneur Giovanni Battista Serpieri made his name (and indeed the fortune of his family) in mining. Having discovered in 1863 the ancient mines of Laurium north west of Athens he acquired exploratory and exploitation rights in consortium with a French firm *Roux et Cie* of Marseilles (Grange 1994, I 453-454).

These mines yielded a considerable amount of lead and silver but there were also at the centre of a major domestic political question in Greece, the *Lavreotika* or the Laurium Affair. We find Serpieri investing in eight JSCs between 1869 and 1908, only three of which were in mining the remainder concerned maritime insurance, banking and railway construction. Serpieri’s name would remain basically connected to the Laurium mines in the public eye and the business activities of Giovanni Serpieri were continued by his son Ferdinand (Grange 1994, I 453).

Like Serpieri, Karl (or Charles) Kloebe established himself in Greece at some point in the mid 19th century and specifically in Syros where he was involved in the trade in emery mined in the neighbouring island of Naxos (Mackroth 1930, 68). He also served as Consul for a number of foreign powers including Prussia, Norway and Sweden (Almanach 1857, 2219-2220). Kloebe invested in five JSC start-ups in the 1860s and 1870s, four of which were maritime insurance companies while the fifth was a printing and typographical business.

Figure 1. Multiple Investments of the major seven shareholders





Fels & Co is another important example of FDI in mid-19th century especially because of this firm's direct links to larger and continental-wide concerns. Two separate sources link Fels & Co with the firm of German-English merchant house of Cornelius Souchay (Roth 2001, 59) and Genoese firm of F. Gruber & Co (Mackroth 1930, 68-69) both of which were involved in the trade in English-made cotton textiles. Martin Fels initially founded his firm in Corfu in 1845 as a branch of Gruber but subsequently established it as Fels & Co. The firm in turn opened a branch in Patras. It dealt not only in manufactured goods but was also heavily involved in trading in the basic commodities of Ionian and adjacent Greek territory, that is olive oil and currants. Given Fels & Co's concentration in the import/export sector it should not be surprising that of the five JSC start-ups in which it invested four were involved in maritime loans and insurance and only in local wine production.

Theodor Hamburger was directly related to Fels & Co being the director of its branch in Patras and responsible for the firm's trade in the main export commodity of this port, the Corinthian raisin or currant. The Patras branch was founded in 1855 and although initially led by the Swiss merchant Hamburger he together with others (and in his later years with his sons) would go on to establish other businesses within the same export trade as well as the related wine production sector. Hamburger invested in two JSC start-ups, both of which were involved in the maritime insurance business.

Although the links between the family of the Frankfurt banker Raphael Erlanger date from at least the 1860s (Schönhärl 2013, 121) it was only in the early twentieth century (Grunwald 1977, 207) that the family firm *Emile Erlanger & Co* invested heavily in Greece. It is at this time Erlanger appears as a shareholder in two JSC start-ups. So we thus find Erlanger investing together with Baron George de Reuter and the French civil engineering firm

Société de construction des Batignolles (Park-Barjot 2005, 355-356) in the *Elliniki Etaria Sidirodromon* or Hellenic Railways Company, a JSC created to construct a railway line linking Piraeus to the Turkish border. Furthermore we find Erlanger investing in another JSC directly related to Greece's most important export commodity, the currant. The JSC *Pronomouchios Etairia pros prostasian tis paragogis kai tou emporiou tis stafidos* or Privileged Company for the protection of the production and trade in currants was established, as its name suggests, for the protection of the currant trade and this investment Erlanger shared with a number of other important players such as the 'rising star' (Schönhärl 2013, 121) of domestic Greek banking the *Bank of Athens* and the French *Banque de l'Union Parisienne*.

The case of French engineer, banker and shipping entrepreneur François Théophile Feraldi is like that Giovanni Serpieri of particular interest because it further illustrates the example of a foreign investor who establishes himself in Greece. Feraldi appears to have arrived in Greece during the ill-fated Presidency of Count Ioannis Kapodistrias in the late 1820s. Like Martin Fels and Carl Kloebe he was the representative of a number of foreign powers, namely Sardinia and the Saxony (Strong 1842, 131), but more importantly he was able to secure very early in the life of the young Greek state (1834) a concession (Government Gazette Greece 1834, No 21) for a number of steam ship routes connecting Greek ports to Malta, Livorno, Trieste, Canea and Marseilles. It is not clear how long this concession lasted but by 1853 he was still residing in Greece and was acting as the representative of the French steam ship company *Messageries Maritimes*. He is now mostly remembered for his visionary plans (Papanikolaou-Kristensen 1995, 58) to construct a railway connection between Athens and Piraeus and to build a large central market in Athens. This sense of civic duty is perhaps

present in his choice to invest in a JSC whose principle aim was to build a public theatre in Athens. His investment in two other JSCs reflect the general diversified investment patterns of foreigners in Greece, one company involved in banking and another in mining.

Andreas Syngros is one of the major figures of 19th century Greek and specifically Chiot merchant bankers of Constantinople (Syngros 1998; Pepelasis-Minoglou 2002). Having been born into modestly well-off family he was able to rise quickly to become of the major Greek financiers of the Galata district of Constantinople having made a considerable fortune in trading in Ottoman public debt (Dertlis 1989, 15-17). He owned a controlling interest in the Bank of Constantinople but as the market Ottoman public debt market began to change in the late 1860s he moved to Greece and his investments in six JSCs (four of which were Banks) reflected perhaps a desire to take a significant share of the domestic Greek banking sector. The other JSCs were a mining corporation and a public benefit company.

In a nutshell, major international shareholders were a mixed lot, but the common/combined outcome of their investment strategies was the enhancement of the market economy and the expansion of export commodities, shipping and finance.

Linking international investment in JSC start-ups and Sovereign borrowing

The process of international investment in JSCs did not operate in a vacuum. As described in Section two above there was a heavy dependence of the Greek state on foreign borrowing and apparently as we observe there was an absence of firm boundaries between this sphere and international presence in the nascent corporate sector:

Firstly, from our analysis of the database we observe that some key players were present in both spheres. The banker Andreas Syngros, and six international banks involved in setting up syndicates for issuing foreign loans for the Greek government in the large financial centres

of the epoch were also founding shareholders in JSC/IS start-ups. Notably, these banks were: *Emile Erlanger & Co.*, *Hambro*, *Comptoir d'Escompte De Paris*, *Banque de l'Union Parisienne*, the *Ionian Bank*, and the headquarters of the *Banque de Constantinople* (in which Syngros was coincidentally a stakeholder) (Pepelasis Minoglou 2002a). Syngros and these banks seemed to have a preference for investing in large JSCs which had a public benefit character - such as the *Etaireia Diaheiriseos ton Monopolion*, the Company for the Management of the Monopolies- or in railways banking, mining and industry.

Secondly, some of the JSC/IS banks, after their start-up phase would participate in the issuing of a tranche of the foreign loans raised for the Greek government. In this small latter category were the: National Bank of Greece (which as already mentioned was founded in 1841); The *Geniki Pistoriki Trapeza Ellados* General Credit Bank of Greece and the *Trapeza Viomihanikis Pisteos* Bank of Industrial Credit of Greece, both of which were established in 1873.

Thirdly, a further interlinkage between the two spheres was that a few JSC/IS start-ups, once they were established were beneficiaries of funds provided to them through sovereign borrowing on the international capital market an important case in point being railways (Papayiannakis 1982).

Conclusion: some further implications of our research

In conclusion our main findings are:

-The involvement of international investors in the Greek corporate sector began in 1841, became more intense two decades later (at a time of financial embargo for the state on the international capital market) and it reached its maximum level in the 1910s (in spite of the collapse of the international financial system with the outbreak of WWI).

-International shareholding was dispersed among a fairly large number of firms most of which were large and in sectors which were capital/knowledge intensive and strengthened Greece's ties to the international market.

-International shareholding in the nascent corporate sector was a mosaic- involving actors with varying characteristics and interconnections among themselves and the international economy. In addition there was some overlap between shareholding in the nascent corporate sector and the foreign borrowing of the Greek state. The deciphering of the possible interactions, collaborations, possible antagonisms amongst this larger whole is a challenge for future researchers.

-The Greek mercantile diaspora acted as a unifying cultural force within the body of international shareholders enhancing the exchange of information, ties and joint ventures between foreigners and local Greeks.

This article we believe has wider implications for the historical study of the investment strategy of international business in receiving (host) countries and in particular those that have large diasporas such as Israel, Lebanon and China. Finally, we would like to argue that this case study is also of wider interest to business scholars today given the increasing fluidity and deconstruction of hierarchies in the global economy and the rise in cultural interactions.

Primary Source: Selected issues of the *Φύλλον Εφημερίδος της Κυβερνήσεως*, Greek Government Gazette 1833-1920.

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