CHAPTER 2

From the Levant to the City of London: Mercantile Credit in the Greek International Commercial Networks of the Eighteenth and Nineteenth Centuries

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Mercantile credit in the international commercial networks formed by the Greeks was of great significance in carrying out the external trade of the Ottoman Empire in the eighteenth and nineteenth centuries. The Greeks, along with the Jews and Armenians, developed entrepreneurial networks that connected the Levant with the West, and elaborated a commercial know-how based on a system of communication and information about prices, production levels and the consumption of goods. The members successfully sustained a system of debit and credit accounts, which allowed the regular movement of cargoes to and fro, that is, the exchange of the agricultural products of the East for the industrial goods of Western Europe.

Expansion of trade brought gradual expansion of credit, something that became more evident in the nineteenth century. We shall examine the use of mercantile credit as it developed in the multi-ethnic, multi-cultural port cities of the Ottoman Empire as well as in relation to Western commercial practices and institutions.

Mercantile credit developed in the form of letters of exchange that were used as a means of payment in commercial transactions and a means of capital transfer and currency exchange, along with commercial and maritime loans. It was developed by merchants who created a financial structure that operated throughout the nineteenth century and was institutionalized in what was to be called merchant banking, in both the Levant and the City of London. We shall examine mercantile credit and transaction methods of Greek networks from their development in the Ottoman ports to their consolidation in the City of London in the second half of the nineteenth century.

Historically, transfer of wealth and granting of credit by documentary means developed in the Mediterranean; it was Levantine trade that brought these practices to the City of London. It is common knowledge that Lombards introduced the system of bills of exchange and documents of credit for financing overseas trade into England in the mid fifteenth century. Established as financiers in the City of London, in the famous Lombard Street, they were considered the forerunners of the City's prominence as a world financial centre. The word 'bank' probably originates from the Genoese financier's bench or *banco,* set up in the market place.

Quite sophisticated banking practices, such as endorsement and discount practices, were in use in pre-industrial European countries.[1] But it was the growth of overseas trade from the mid seventeenth century on, and the new order of time and distance, that revealed the full potential of the bill of exchange as a transferable means of payment. The bill was used firstly as an instrument for transferring trade debt due in one place to another, and secondly as an instrument of credit responding to a community's demand for money both for transactions and for speculative purposes.[2]

This paper has five parts. The first identifies the financial networks that developed from the external trade of the Ottoman Empire, following the path from the local, to the national, to the international. The second gives a brief insight into the small- and medium-scale businesses involved in the Ottoman trade and their access to the main financial centres of the Empire, which are presented in the third part. The fourth part takes us from the Levant to the City of London; there it becomes evident that the main Greek bankers from Constantinople collaborated closely with and even belonged to the same families as the London Greek merchant bankers. The last part examines a few case studies of 'Levantine' methods of bankruptcies and fraud. The term 'Levantine' has pejorative connotations and was usually used to describe devious or illegal dealings. Is this in line with the facts? Or is it just another Victorian verbal contrivance to reinforce Western European honesty as against Oriental endemic dishonesty?

Financial Networks in the Ottoman Empire

Demand for commercial credit in the Ottoman Empire acquired some significance in the seventeenth century and gained impetus in the eighteenth. It was the growth in commercial transactions that expanded credit activities. Money-lending was available along the trade routes, in the main cities and ports, but it involved individuals and did not include the use of bills of exchange, a major mechanism for the expansion of mercantile credit in Western Europe. The systematic use of bills of exchange in Ottoman lands did not start before the mid eighteenth century, when the practice was adopted by merchants handling the Empire's external trade and shipping from its main ports. These merchants were, from the Ottoman side, Ottoman Jews, Greeks and Armenians, and from the Western European side, French, Dutch, Austrian and English.

Mercantile credit followed the growth of commerce over land and sea from the Ottoman Empire to Western Europe. In the first three decades of the eighteenth century, commerce in the Balkan Peninsula saw impressive growth. Particularly after the Treaty of Belgrade (1739) and the achievement of international peace, there was a great stimulus to trade in South Eastern Europe. In the European part of the Ottoman Empire, Salonica, where the French and the British set up their consulates,

1 A. Teichova, G. Kurgan-Van Hentenryk and D. Ziegler (eds), *Banking, Trade and Industry. Europe, America and Asia from the thirteenth to the twentieth century* (Cambridge, 1997), pp. 1–3.

2 B.L. Anderson, 'Money and the structure of credit in the 18th century', *Business History*, 12, 2, 1970, pp. 85–101.

and Braşov in Transylvania, where the Habsburgs allowed the settlement of Ottoman subjects, became centres of international trade. For the next three decades, Ottoman, Serbian, Bulgarian and Greek subjects enjoyed fiscal privileges of lower taxation on their transactions in the lands of the Habsburg Empire. At that time an impressive 'Ottoman' diaspora took place, with tens of thousands of Greeks settling in Lvov, Leipzig, Vienna, Budapest and Trieste.[3]

On the Asiatic side, the centre of the Ottoman Empire's international trade and the destination of the main bulk of the famous caravans from Anatolia was the port of Smyrna, from where a large number of Western European consuls operated, from at least the sixteenth century. In 1784, 32 per cent of Ottoman exports were handled through Smyrna, 24 per cent from Greek ports, 23 per cent from Syrian ports, 13 per cent from Egypt and only 3 per cent from Constantinople.[4]

Greek overland and overseas commerce and shipping activities developed along the lines of Western European trade and shipping, and proved particularly effective in connecting the so-called Levant or Eastern Mediterranean and Black Sea markets to Western Europe in the eighteenth and nineteenth centuries.[5] It seems that international business has always required the existence of cultural minorities, and the European 'miracle' would surely never have taken place without entrepreneurial minorities.[6] It is now a commonplace that since the age of European expansion, European maritime trade has been linked to the establishment of foreign merchants in major ports, such as Antwerp, Amsterdam, London, Seville, Marseilles, Leghorn, Venice or Trieste, where the terms 'merchant community' and 'community of foreign merchants' were synonymous.[7] Foreign entrepreneurial minorities of 'Levantine' origin such as the Jews, the Armenians and the Greeks, were conspicuous in these places. One of the main characteristics of these merchant communities was the creation of financial networks within which they developed keen expertise in handling money and transmitting funds.

There are many parallels to be drawn among these diaspora entrepreneurial communities that co-existed under Ottoman rule, forming the main *millets* or religious communities of the Empire. All three diaspora communities were dispersed throughout the lands of the Ottoman Empire and had equally important communities in Western Europe. Jews from Western and Central Europe had moved to Eastern Europe and the Balkans as early as the sixteenth century. On the other hand, Jews were established and consolidated in cohesive cultural groups in the main European cities, notably in Prague, Frankfurt, Hamburg, Amsterdam, Mantua, Venice and

3 H. Inalcik and D. Quataert (eds), *An Economic History of the Ottoman Empire, 1300–1914* (Cambridge, 1992), pp. 699ff.

4 Ibid., p. 734.

5 See G. Harlaftis, *A History of Greek-owned Shipping from 1830 to the Present Day* (London, 1996), ch. 1.

6 A. Reid, 'Entrepreneurial Minorities, Nationalism and the State', in D. Chirot and A. Reid (eds), *Essential Outsiders. Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe* (Washington, 1997), p. 33.

7 F. Mauro, 'Merchant communities, 1350–1750', in J.D. Tracy (ed.), *The Rise of Merchant Empires. Long-distance Trade in the Early Modern World, 1350–1750* (Cambridge, 1990), p. 285.

Leghorn in the seventeenth century, which is considered the peak century of prosperity for European Jewry.[8]

In the eighteenth century, members of all three *millets* became deeply involved in external trade with Western Europe, and participated in an extensive financial network extending from Venice, Leghorn and Geneva to Vienna and Amsterdam.[9] Greeks scattered across the Balkans and Asia Minor, away from the Greek mainland, had also found access to Ottoman state mechanisms since the seventeenth century. By the mid nineteenth century a significant number of Greek merchants had become quite prosperous and formed part of the *haute bourgeoisie* in the main Ottoman cities. Some of them became leading bankers of Constantinople, lending to the Ottoman state, along with Armenians and Jews.[10] The activities of the Greeks went hand-in-hand with those of the Jews and Armenians, both inside and outside the Ottoman Empire. Jews and Armenians had also been involved, since at least the eighteenth century, in the financial administration of the Ottoman state, particularly in their capacity as customs officials, apart from their activities in internal and external trading and financial networks involved with commerce and money-lending.

Established in Eastern Anatolia and Syria by the nineteenth century, the Armenians were integrally involved in Ottoman public life.[11] Apart from trade and customs, they were also traditionally involved in the mint and industry of the Empire. In fact, the Armenians were among the main Ottoman financiers in the eighteenth century, providing short-term credit to members of the Ottoman government. These non-Muslim bankers – the *sarrafs* (money changers) of the time – were concerned mainly with the exchange of currencies and the granting of loans. There is evidence that before the middle of the nineteenth century these *sarrafs* were deeply involved in tax farming.[12] The rise of the orthodox Greek merchants since the eighteenth century, however, has been linked with a decline in the importance of Armenian traders in the Ottoman Empire. It seems that there was a large outflow of Armenians and Jews from Anatolia to Amsterdam during the last third of the eighteenth century, to take advantage of the privileges given by the Dutch, leaving the Greeks with a leading role in Ottoman trade.[13]

Apart from the above Ottoman subjects, Western European merchants were also engaged in Ottoman external trade. The French actually dominated the sea trade of the Levant throughout the eighteenth century. In the 1780s, the French were handling 50 per cent of European commerce with the Ottoman Empire, followed by the Dutch, who handled 15 per cent, and then by the Austrians, English, Venetians and so on.[14]

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8 J.I. Israel, *European Jewry in the Age of Mercantilism, 1550–1750* (Oxford, 1989), pp. 45–49.

9 H. Inalcik et al., History, p. 729.

10 H. Exertzoglou, 'Greek Banking in Constantinople, 1850–1881' (Ph.D. thesis, King's College, London, 1986); and S. Pamuk, *Ottoman Empire and European Capitalism, 1820–1913. Trade, Investment and Production* (Cambridge, 1987).

11 M.K. Krikorian, *Armenians in the Service of the Ottoman Empire, 1860–1908* (London, 1977).

12 Exertzoglou, 'Banking', pp. 111–112.

13 Inalcik et al., *History*, p. 703.

14 T. Stoianovich, 'Pour un modèle du commerce du Levant: économie concurrentielle et économie de bazar 1500–1800', in T. Stoianovich, *Between East and West. The Balkan and*

The French, of course, used bills of exchange to make transfer payments; in the last decade of the eighteenth century, for example, the French merchant house Roux (1772–1789), in the financial circuit between France and Constantinople, is reported to have used them extensively.[15] The circulation of capital followed the route from East to West, so in 86.5 per cent of the cases the East is the drawer of these bills, indicating the safest way to make transfer payments from commercial ports of the Levant to ports in France.[16]

In order to form local networks of penetration into the markets of Anatolia, Western merchants employed Ottoman subjects, namely Greeks, Jews and Armenians, who proved to be the best advocates of Western capitalism in sales and purchases of cotton, silk or grain cargoes. In 1768, for example, three-quarters of all cargoes loaded from Smyrna to Amsterdam belonged to merchants hailing from these three *millets*. From 1730, the Dutch had given the same rights and advantages as those of their own subjects to the merchants of all three *millets* established in Smyrna, the main Ottoman export venue, thus opening the path to Amsterdam to Ottoman subjects.[17]

The spectacular increase of foreign trade in Smyrna, the premier port of the Empire, handling about one-third of seaborne trade, as well as in Salonica and other ports, meant increased circulation of letters of credit or bills of exchange in the Ottoman economy.[18] And extensive use of these forms of credit contributed to the gradual integration of the Ottoman economy into the European world economy. The bill of exchange offered the 'Levantine' merchant the same four advantages it had offered to the European merchant since the Middle Ages.[19] It was used: (a) as a means of payment for a commercial act, (b) as a means of moving capital between different places with different currencies, (c) as mercantile credit and (d) to earn profit from speculation on foreign exchange between different places.

It was recognized that the variable maturity and number of endorsements by various holders who may have handled them on their way to final payment made such bills of exchange important in enabling the formation of multiple financial networks.[20] The initial function of a bill of exchange was to further a merchant's internal and external transactions. Under no circumstances, however, did it replace

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Mediterranean Worlds, vol. 1 (New York, 1992), p. 64.

15 Also in S. Boubaker, 'Circulation of Bills of Exchange between Smyrna and Europe (1772–1789) as used by merchants from Marseilles', conference paper, Mediterranean Maritime History Network, Malta, 26–28 Apr. 2002.

16 E. Eldem, 'La circulation de la lettre de change entre la France et Constantinople au XVIII siècle', in H. Batu, J.L. Bacque-Grammont (eds), *L'Empire Ottoman, la République de Turquie et la France* (Istanbul, 1986), pp. 93–96.

17 Ibid., pp. 702–703.

18 Inalcik et al., History, p. 734.

19 J. Le Goff, *Marchands et Banquiers du Moyen Age* (Paris, 1980), p. 32; R. de Roover, *L'Evolution de la Lettre de Change, XIVe–XVIIe siècles* (Paris, 1953), Ch. Carriére et al., *Banque et capitalisme commercial. La lettre de change au XVIII siècle* (Marseilles, 1976); N.G. Svoronos, *Le Commerce de Salonique au XVIIIe siècle* (Paris, 1956), pp. 151, 344.

20 M. Courdurie, 'La circulation de la lettre de change au XVIIIe siècle. Les enseignements des années 1729 et 1789', in Ch. Carriére et al., *Banque et capitalisme commercial. La lettre de change au XVIIIe siècle* (Marseille, 1976), pp. 49–50.

currency; it simply eased the merchant's general short-term cash problem. It came, however, to be used as an instrument of credit to enhance his capital for transactions and speculative purposes. Within the framework of the complex game of final payments or the accumulation of bills of exchange for payment, lack of liquidity could bring the merchant to the verge of bankruptcy. Circulation of bills of exchange, discount facilities, drafts, currency exchange and other transactions were conducted in the ports of the Empire within a triadic system of trade, shipping and finance, in the circuits of the Greeks, Jews and Armenians that collaborated with each other and with Western European merchants in the carriage of trade between the Ottoman Empire and Western Europe.

A hierarchical order was in place in granting mercantile credit, following the known path from small to medium to large. In each *millet* there was a chain of three financial networks, at local, 'national' and international level. In the case of the Greeks we can distinguish the following four levels:

a. Small-scale local tradesmen and shopkeepers based in port cities and islands acted as intermediaries, as brokers/money-changers and as short-term maritime loan providers in local and Eastern Mediterranean trade.
b. Medium-sized local merchants were involved mainly in inter-Ottoman trade and partly in the international business of Ottoman external trade, chiefly with Western Europe. They depended on the previous group to maintain continuous flow of information and control of the local markets.
c. A group of dominant Greek merchants involved in Ottoman external trade was based in Constantinople and Smyrna from the mid nineteenth century. Apart from the traditional business of mercantile credit and exchange transactions, they were closely connected with the diaspora Greek commercial, maritime and financial group, and from the mid nineteenth century onwards became heavily involved in financing the Ottoman public debt as well as in forming the first joint-stock banks in Constantinople. They were part of what came to be called the 'Galata' bankers.
d. Big merchants, forming large, family-based, multinational companies, were involved in trade, shipping and finance, with extensive networks and branch offices in all main port cities from Eastern to Western Europe. They were involved exclusively in international trade from the Black Sea and the Eastern Mediterranean to Western Europe, and thus became an integral part of the contemporary international financial elite in Western Europe. They had close connections with or came from the same families as the previous group of Greek-Ottoman merchants but lived outside the boundaries of the Ottoman Empire, thus forming part of the Greek diaspora in Western Europe. The path from the Levant to the City of London followed the sea routes of trade and finance. From the mid nineteenth century, leading members of this group became merchant bankers in the City of London, participating also in joint-stock banks.

The hierarchy of financial networks from the local to the international level helps us understand the way each group of merchants/lenders handled its own circle of 'clients' by drawing on the capabilities of the next wider network, eventually gaining access to the higher echelon of finance in the main Ottoman financial centres and ultimately in Western Europe. This chain of credit was not hindered by any religious or national barriers and was available to members of all the *millets*. We have to note at this point, however, that this general pattern did not apply uniformly during the eighteenth and nineteenth centuries; obviously the last two levels of dominant and big merchants were more evident in the late nineteenth century, and not present in the eighteenth century.

The importance of the level of medium-sized merchants depended upon its relation to the higher strata of big merchants in the financial centres and its ability to exercise effective control over capital flow on the local market. This made the need for networks imperative. All networks used external credit. An essential characteristic of merchant networks is the circulation of credit within the network at rates generally lower than the market rate. The question of trust, an immaterial commodity and hard to define, arises at this point. The bond of trust is generally related to kinship, class/caste and community.[21] The most important point here is the correlation between the state or institutionalized credit system and the use of an informal network-based credit system. In the highly volatile economy of the Ottoman Empire, financial activities could not be separated from individuals. Mercantile credit and finance became the business of reputable local merchants, part of a commercial network that dealt with the West. In an era with few barriers to international capital mobility, business was all based on information, reputation and principal-agent relations that all led to minimizing of costs.

The 'Greek' system was similar to its 'Jewish' and 'Armenian' counterparts, where network-building was based on working with close relatives constituting informal business connections. The close-knit networks based on common culture, religion and ethnicity, the same factors as led Greeks to success in commerce and shipping, have been widely described in literature on merchant banking.[22]

Financial Business in the Levant: Small- and Medium-scale Merchants

The hierarchy of credit networks in the commercial and agricultural areas was much alike in the Ottoman world. The intermediary strata of merchant networks included small-scale bill brokers who discounted by means of short-term borrowing from the larger-scale merchants. Any religious or national barriers did not hinder borrowing and lending. Members of all *millets* could potentially be involved in these chains of credit. For example, up until 1858 Crete, with a mixture of the dominant Christian and Muslim elements, had a consolidated group of creditors consisting mostly of Muslim and foreign merchants from Chania and Herakleion. This group of creditors

21 This is largely assumed from different ethnic merchant networks, C. Markovits, *The Global World of Indian Merchants. Traders of Sind from Buchara to Panama* (Cambridge, 2000), p. 25.

22 For example, what Youssef Cassis writes about marriages, dynasties, networks of relations and social life is remarkably similar to those of Greek shipowners of the nineteenth and twentieth centuries. Cf. Y. Cassis, *City Bankers, 1890–1914* (Cambridge, 1994); and Harlaftis, *History*.

lent money to the agricultural populations of the island, Christian and Muslim alike, around the end of autumn, in association with the annual crop schedule. The farmers would borrow to cover farming activities associated with the olive harvest and the production of olive oil. They pledged to repay their debt (balance plus interest) by a deadline. On the other hand, the merchant would guarantee his loan with his agricultural production of olive oil; in other words, he was obliged to pre-sell his production at pre-determined prices although he did not yet know its value. Credit acts were sometimes indistinguishable from usury practices. Thus merchant profits were made both within the framework of agricultural production and within its circulation by trade.[23]

The financing of sponge fishing in the Eastern Aegean Sea followed very much the same track. Sponge fishing was the most profitable merchant enterprise for the average Smyrna commercial house, active in forecasting and supplying agricultural export commodities. These financial relations were mostly applicable to the finance of sponge fishing. The credit network for Kalymnos sponge fishing exhibited the same peculiar mechanism of payment in advance, thus controlling the collected product, which related to the traditional rural credit relations between commercial capital and agricultural production. Within the framework of this relation between commercial capital and agricultural production, the loan was paid off in kind, in accordance with the system of advance payment on future estimated production.[24]

In shipping, maritime loans were an integral part of the sailing-ship business. Maritime loans (bottomries) were necessary for preparing the ship for the next voyage; they were contracted really as working capital. In most cases, the captain/owner of the vessel needed money to supplement his own, in order to meet his obligations: the ship always needed repairs before the next trip, as well as new materials and equipment, food supplies and pre-payments for the crew. Maritime loans were short term, lasting as long as a round trip – which in the Mediterranean meant mostly up to six months – at very high interest. In the 1840s, for example, the interest rate varied between 2 per cent and 2.5 per cent monthly. The high rates were justified in order to cover the financial risk that maritime business entailed; maritime loans were not backed by any guarantee, and loss of the ship meant loss of the maritime loan. The loans were secured by signed agreements between lender and borrower; after the formation of the Greek state in 1830, agreements for loans were official documents signed in front of a notary. Loans were provided by merchants/bankers/financiers established in all main ports of the Levant.

Apart from maritime loans, shipping business had its own peculiarities. In the nineteenth century, the largest commercial and maritime centre of the Aegean was the island of Syros. A large number of Chiot merchants from the same families as were thriving in Constantinople, Smyrna and all the main Mediterranean ports, had settled there and established themselves as some of the most affluent financiers of

23 K. Kaliataki-Mertikopoulou, *Ellinikos alitrotismos kai othomanikes rithmisis, H periptosi tis Kritis, 1868–1877* (in Greek, Athens, 1989), pp. 83–85; P. Pizanias, 'Agrotiko pleonasma kai kikloforia tou emporikou kefaleou stin Ellada ton 19o eona', *Ta Historika*, 10, 1998, pp. 75–104.

24 Pizanias, 'Agrotiko', pp. 81–82.

the island. But the commonest type of ship finance for the purchase of a ship was the system of co-ownership, almost identical not only in Mediterranean countries but also in Northern Europe.[25]

For a merchant house active within the international merchant triangle of Smyrna – Syros – Trieste, transactions were conducted through drafts (*tratte*), that is, withdrawals of funds from abroad, and remittances (*rimesse*), in other words, transfers of funds to the merchant correspondent, always in the most profitable currency.[26] The dispersed family business was able to transfer payments through bills of exchange across various geographical regions. Exploiting the opportunities offered by the bill of exchange was part of everyday commercial activity, since the boundaries between pure merchant and pre-banking operations were almost always crossed. Although bill-of-exchange provisions in the Greek state reflected terms codified in the French Commercial Code, provisions usually conformed to the regulations of the place of issue.[27]

Bills of exchange in the Ottoman economy ran up against circulation difficulties, and cashing them sometimes proved impossible. The problems encountered by the early form of the bill of exchange in the Ottoman economy are well indicated by the 1823 example of two of its simpler forms, 'appunti'. In order to make a joint purchase of valonia from Aghios Efstratios, a tiny island in the Northeast Aegean, for shipping to Trieste, the Greek merchants, the Geroussi brothers, needed cash to buy the cargo; there were numerous prospective purchasers for the product afterwards. The Geroussis ran the risk of not having their advance payment. They were endorsees of two bills of exchange amounting to 2,100 and 2,000 florins respectively, with date of issue 8 December 1823, payable by Antonios M. Paximadis (the payee) at Trieste. They transferred these to Constantinos Glypipis (as second endorsee), the 'sopracarico' (owner/agent of cargo), and forwarded them to Markos Moughetis, their business associate in Smyrna. The aim was to sell the bills of exchange for gold Turkish currency or *thalers*, in order to supplement the sum needed to purchase the *valonia*. However, Markos Moughetis retorted that according to bill-of-exchange legislation anyone endorsing the bill of exchange should be its guarantor (that is, Constantinos Glypipis). Since he himself did not know Glypipis nor have any authorization from the payee (Antonios M. Paximadis), Moughetis refused to accept the bills. But since the capital was needed by the Geroussis at Syros, with whom he maintained commercial cooperation, Moughetis was willing to keep the bills and lend his own capital so that the Geroussis would not lack the advance payment for the cargo at Aghios Efstratios. The Geroussis were purchasing the valonia jointly with Paximadis, and all bills of exchange meant consigning goods against bills. In

25 There is ample documentary evidence of maritime loans before and after 1830 in the Greek archives, see Harlaftis, *History*, ch. 4, app. 4.7.

26 For the use of the bills of exchange, V. Thomas Dimitriou, *Scrittura Dopia* (in Greek, Vienna, 1794), p. 7; P. Charisis (1837), *Allilodiplografia* (in Greek, Vienna, 1837), pp. 35–36.

27 All merchant manuals of the eighteenth and nineteenth centuries include information regarding the use of bills of exchange. One of the first relevant books was G. Kalognomos, *Eghiridion peri sinallagmatikon kai diataktikon grammation. I anaptiksis ton peri afta arhon kai kanonon* (in Greek, Athens, 1841).

the event of Paximadis not accepting the bills of exchange drawn by the Geroussis, the latter would agree to keep the acorn cargo at a purchase price of 8¾ kurus. In the meantime, Markos Moughetis's refusal to accept and pay the bills of exchange left these bills in arrears for quite some time, as a claim on Paximadis.[28]

Nine years later in 1832, the Geroussi brothers had still to settle the financial problem with Moughetis, which caused them to write: '…that damn Paximadis who won't put an end to that long-standing dirty deal…'. Moughetis kept reminding them of their debt and demanding the money he had sent them. Since he was a Russian citizen, as was Constantinos Geroussi in Smyrna, with good connections to the Russian Consulate, he could possibly have caused the Geroussis considerable trouble. The whole issue was only solved by one Geroussi's visit to the authorities of Trieste. Since Paximadis had gone bankrupt in the meantime, his assets had all been relegated to the Borsa of Trieste. Sotiris Geroussi was able to track the Geroussi brothers' current account with Markos Moughetis in the years 1823 and 1824, and made sure that the appropriate sum of money was deposited in Moughetis's account, thereby finally resolving the financial dispute between Moughetis and Paximadis.

During this early period, the circulation of bills of exchange in Greek territories could only be safeguarded by the creditworthiness of both sides and through personal relationships. As the bill of exchange was becoming increasingly independent as a means of payment, solvent endorsements remained a problem, since bills of exchange passed through many hands. On the other hand, the bill of exchange was useful on the second level of commercial transactions. Bills of exchange were thus used on the first level as a means of transfer payment, and on a second level as trade credit, as a means to finance transactions. In this way the bill enhanced the purchasing power of the merchant. Cash was the indispensable means of exchange on the first level of transactions, between the producer and the local merchant. Since bills of exchange lacked any regularity in the years between 1826 and 1834, those handled by the Geroussis could be divided into two categories with respect to terms of payment: bills of exchange with two- to six-month terms and those with ten- to thirty-one-day terms (see Table 2.1). The first ones must have been used as promises for payment for merchandise. Initially two- to six-month bills of exchange were fewer than their ten- to thirty-one-day counterparts. In 1832, however, they doubled in number and in the following year trebled. We may assume that short-term, thirty-one day bills of exchange mainly facilitated needs for cash, since their disposal for payment for goods was in no way stated. The two- to six-month bills of exchange really provided extra capital for the Geroussis when they were in financial straits between 1832 and 1833.[29]

28 M. Ch. Chatziioannou, *Family strategy and commercial competition. The Geroussi merchant house in the nineteenth century* (Athens 2003).

29 The series of bills of exchange in the archive covers the period 1826–1834, including 559 bills, as well as notification letters attached to such bills, mostly sealed. In 1827, out of the total of two- to six-month bills of exchange, the purpose for the payment for purchases is stated by Sotitris Geroussi in Trieste in 13 instances. Merchant use is clearly stated for 28 of 53 bills in 1832. In 1833, 66 out of a total of 121 bills, and in 1834 13 out of 28, were marked for purchase of merchandise.

Table 2.1 Bills of Exchange in the Geroussi Archives (1826–1834)[30]

Term of payment	1826	1827	1828	1829	1830	1831	1832	1833	1834
10–31 days	12	40	5	31		20	30	36	
2–6 months	8	18	1	2	1	1	53	121	28

Source: M. Ch. Chatziioannou, *Family strategy*.

The Geroussis were part of the credit network of sale and purchase of bills in the early stages of the banking network of the Greek State during this period. At that stage, this merchant banking network seemed to revolve round the Athenian merchant house of Skouzes. Within four years, 1829–1833, the Geroussis dealt with 23 short-term, mostly one-month, bills of exchange, with an average value of 1,000 florins. These bills were endorsed by Skouzes to the Geroussi Brothers and would involve 'strong papers' to be paid by Baring Brothers, London's Hudson & Co., Rodocanachi & Co. in Leghorn or Gropius in Nauplion. Sotiris Geroussi would have the bills of exchange accepted or would negotiate their exchange in Trieste. It is obvious that a great number of the bills of exchange that went through the hands of the Skouzes were endorsed and circulated among the Greek merchants in Trieste. Bills of exchange due to be paid in London could most profitably be sent to the largest Greek commercial house in the City, Ralli Brothers.

Bills of exchange then took Greeks inevitably to London, the world's most powerful economic centre, as will be analysed in detail in the next section. The main domain of activity of merchant banks was generated by international merchant networks operating in the framework of European and overseas trade. In the City, merchants with small capital operated as commission merchants, canvassed the markets for clients and sought to increase their financial and credit potential by accepting and negotiating bills of exchange.

Handling bills of exchange was a risky business in the first third of the nineteenth century, but 'strong papers' were particularly safe. In 1833, Sotiris Geroussi failed to negotiate two bills of exchange in Trieste, due in two months, with a value of 650 and 500 dollars respectively, payable in Philadelphia (United States) to the American Protestant missionary, renowned in Athens, John H. Hill (payee). The bills of exchange had been endorsed by Panayotis Skouzes in Athens, and on the same day by Manolis Geroussi in Syros. Bills of exchange to the order of the treasurer of the Protestant Mission were a prized item, and Emmanuel Tziakis from Chios had submitted tempting terms of payment to John H. Hill, to have them sent to Smyrna. Breaking the circle of his Chiot competitors, Panayotis Skouzes had managed to gain a negotiation advantage for these bills of exchange in Athens, having provided written letters of assurance that they would not end up in Smyrna. However, before being informed of the prohibitive action, Manolis Geroussi had sent the bills to

30 The unit of Geroussi archive bills serves as our source. Source: M. Ch. Chatziioannou, Family strategy.

Constantinos Geroussi in Smyrna. The Dutch merchant banker David van Lennep took measures to block all possible transactions on these bills, which were eventually sent to Trieste. Confident about these bills of exchange, Manolis Geroussi of Syros wrote to his brother Sotiris in Trieste: '… the U.S.A. must collapse before failure to pay these bills, drawn as they are by Missionaries, who have founded schools and invested heavily in all corners of Turkey and Greece'. Sotiris Geroussi could sell them in Trieste at a minor loss of 1 per cent, or else at Ralli Brothers in London, the heart of merchant-banking operations of the international commercial network of the Greeks at the time.[31] It becomes evident that 'strong papers' could be exploited in a wider merchant banking network. This is the reason why Sotiris Geroussi finally had the bills accepted and paid in London.

The organization of a financial and credit system around private financiers, such as the Chiot merchant-bankers based in Syros, who co-existed and competed with the newborn National Bank of Greece, started to change the economy. Generally, we may say that medium-scale merchants in the Levant fully combined trading with financial and credit operations, and in less favourable times banking became their main field of activity, with incidental speculation on the prices of bills of exchange. The commercial relations of each merchant house with a port city in the West determined the main Western European exchange currency used, usually the *florin* or the *thaler* (colonato, reggina). Finally, the brokerage commission of 1.4 per cent to 1.8 per cent withheld by the merchants on the transfer of bills of exchange could take the place of advance interest in this early period.

Greek Merchants and Bankers in Constantinople

Constantinople was the main financial centre of the Ottoman Empire – and of the entire Levant – during the eighteenth and nineteenth centuries.[32] In the first half of the nineteenth century, much of the Empire's internal debt was owed to a few dozen extremely wealthy *sarrafs*, or dealers in money, who were established in the Galata district of Constantinople. Known collectively as the Galata bankers, they were mostly of Armenian origin. During the 1850s, however, this particular group was challenged by wealthy Greeks involved in commerce rather than in money-changing and tax farming; by the 1870s Greeks had overtaken the Armenians and had a near monopoly of lending to the Sultan. They provided short-term (one or two years at the most) loans at high interest rates, about 12 per cent or sometimes 18 per cent. Direct links with foreign banking houses in London, Paris or Vienna were held by a number of merchant bankers, the most prominent of which were Baltazzi, Tubini, Zarifi and Abraham Camondo.[33]

Within the large Greek community of Constantinople there was a particularly powerful commercial group that kept close links with the main financial capitals

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31 Ibid.

32 E. Eldem, *French Trade in Istanbul in the Eighteenth Century* (Leiden, 1999); Eldem, 'Circulation', pp. 87–97.

33 C. Clay, *Gold for the Sultan. Western Bankers and Ottoman Finance, 1856–1881* (London, 2000), pp. 18–19.

of Europe. In the last decade of the eighteenth century, for example, the Greek merchant banker Stavros Ioannou, residing in Vienna, was importing currency to the Ottoman Empire, in the form of either coins or bills of exchange. Over three years (1790–1792), the house of Stavros Ioannou in Vienna, active in the cotton trade from Serres in Macedonia, imported 674,002 *kurus* to Constantinople, 434,133 *kurus* in the form of remittances (*rimesse*), 188,281 in the form of drafts (*tratte*) and only 51,588 as coin.[34]

Purely commercial activities, such as orders for merchandise, information on the prices of goods in the market, repayment of maritime loans and bills of exchange, went through the known Greek financial circuit in the Ottoman capital. A number of merchants formed the mainstay of the entrepreneurial network. Andreas Syngros, a merchant and prominent figure in the Greek financial milieu in Constantinople, furnishes us with invaluable information. The short-lived National Bank of Turkey established in 1858 was an 'Anglo-Greek' affair with Greek bankers of London and Galata along with English investors. In the 1850s and 1860s many schemes were developed for the formation of banks, in which a large number of Greek Galata bankers featured.[35]

Chiot merchant houses, part of the wider powerful Chiot network, were classed in Constantinople – just as in the City of London (presented in Table 2.2) – into first-rank and second-rank houses. According to this classification, the firm 'Negrepontis-Koronios', for example, belonged to the second rank. This lower ranking did not, however, stop George Koronios from forming, in 1864, another partnership with the more powerful bankers George Zarifi, Jean Camondo and Zannis Stefanovic Schilizzi, in order to participate in the financing of the Ottoman state and in parallel to be one of the founders of foreign banks in Constantinople.[36]

All Greek 'Galata' bankers were renowned in the Levant and represented a prime economic power in the Ottoman capital, negotiating private and state loans. Most were in close contact with the Sultan. Among the Greeks who were involved in the state loans were Zarifi, Baltazzi, Syngros, Skouloudis, Klados and Ralli; Zarifi and Zographos, for example, worked directly with Sultans Abdul-Hamid and Murad.[37]

34 A. Igglesi, 'H emporiki egkyklopaidia Ermes o kerdoos kai i diakinisi sinallagmatikon stin Konstantinoupoli', in: *O exo-ellenismos Konstantinoupoli kai Smirni 1800–1922*, Athens [no year], pp. 46–48 (in Greek).

35 Clay, *Gold*, pp. 45–6.

36 A. Syngros, *Memoirs*, vols. 1–3 (in Greek, Athens, 1908, republication of vol. 2b by A. Angelou and M.-C. Chatzioannou, Athens 1998), pp. 144–150.

37 The Byzantine city had been a financial centre for centuries, R. Mantran, *Constantinople dans la seconde moitié du XVIIe siècle* (Paris, 1962), p. 637. For the Greek bankers there: Exertzoglou, 'Banking'; H. Exertzoglou, *Prosarmostikotita kai politiki omogeniakon kefaleon. Ellines trapezites stin Konstantinoupoli, to katastima Zarifis Zafiropoulos, 1871–1881 (Adaptability and Policy of the Expatriate Capital in Constantinople, the House of Zarifis Zafiropoulos, 1871–1881* (in Greek, Athens, 1989). The Financial Brokerage Houses of the Greek bankers in Constantinople, formed by rival limited partnerships, provided cash to the Ottoman state through discounting the '*havale*' promissory notes at 60–70% of their value. The '*havale*' were the assignment of future revenues by means of promissory notes issued by the authorities. In exchange for this service, the Financial Brokerage Houses received from

George Zarifi was described as the 'Nestor of Turkish finance' and had emerged by the early 1870s as one of the two or three most important Galata Greeks. He was involved in the Société Générale de l'Empire Ottoman, in the Crédit austro-turque, the Banque de Constantinople, and the Banque Impériale Ottomane.[38] In 1912, of a total of forty bankers in Constantinople twelve were Greeks, twelve were Armenians and eight Jews.[39] These bankers were in direct contact with Western economic centres, and part of a developing world financial entrepreneurial web.

Greek Merchant Bankers in the City of London

The financial activities of the City of London might have developed from the needs of the domestic market, but its great wealth and growth to an international financial and banking centre resulted from its business in connection with overseas trade. The incredible expansion of trade following the Industrial Revolution, and the need for dealing with bills of exchange from all parts of the British Empire, led to the rise of merchant banks under various names: 'merchants', 'merchant bankers', 'accepting houses' or 'issuing houses'. Merchant bankers did not invest so much in British industry as in international trade.[40] A number of London's prominent merchant bankers were foreigners engaged in international trade who lived in enclave communities that did not integrate with the rest of British society.[41] The unprecedented boom in world trade during the nineteenth century brought to an end the monopoly of banking activities by the Bank of England; from the mid nineteenth century onwards the rise of the 'new banks', the joint-stock merchant banks, occurred, and it was in this institutional form that most of England's merchant bankers were absorbed.

Trade brought Greeks to the City of London in the second decade of the nineteenth century. They gathered around Finsbury Circus, in houses that they used initially as both offices and living quarters. Those who established themselves in the City were members of large mercantile families, forming an office/agency of the family trading company, which was operating branch offices/agencies from Odessa, through the Mediterranean and Western European ports, to London. They

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the Porte, at a high discount, higher-grade bonds of the Ottoman External Public Debt. In the 1870s, the financing of the Ottoman public purse – a means of brief credit – by the Greek bankers entered into crisis due to the financial crisis in Vienna and the suspension by the Ottoman public sector. See I.P. Minoglou, 'Ethnic Minority Groups in International Banking: Greek Diaspora Bankers of Constantinople and Ottoman State Finances c.1840–1881', *Financial History Review*, 9, 2 (2002), pp. 125–146.

38 Clay, *Gold*, p. 366.

39 Ch. Issawi, 'The Greeks in the Middle East', in Ch. Issawi, *Cross-Cultural Encounters and Conflicts* (Oxford, 1998), pp. 104–105.

40 Apart from the pioneering work on the subject, S. Chapman, *The Rise of Merchant Banking* (London, 1984), see Ph. Ziegler, *The Sixth Great Power: Barings 1769–1929* (Cork, 1988); L. Collins, K. Burk, *Morgan Grenfell 1838–1988: the Biography of a Merchant Bank* (Oxford, 1989); R. Roberts, *Schroders: Merchants and Bankers* (London, 1992.

41 R. Roberts, 'What's in a Name? Merchants, Merchant Bankers, Accepting Houses, Issuing Houses, Industrial Bankers and Investment Bankers', *Business History*, 35, 3 (1993), pp. 22–38.

traded with their own or with chartered ships, buying, selling and bartering goods in particular areas primarily on their own account. When a set of formal rules was devised, the Greeks got involved in commodity markets, particularly in the Baltic Coffee House in the 1820s; a number of Greek merchants were among its founding members.[42] Their involvement with shipping also introduced them to the insurance business, particularly Lloyd's of London. In order to accept bills drawn by houses other than their own, they formed 'merchant banks', serving the needs not only of their own business but also of their compatriots; in this way they contributed to the international movement of credit.

In his analysis of merchant banking, Stanley Chapman considers Greeks as one of the groups that, along with the 'heterodox group of British, German, and American merchants', formed the core of the City's merchant banking, especially from the 1820s to the 1870s, building up the 'unsullied business in acceptances'.[43] International trade was the origin of most of the firms which undertook merchant-banking activities from the eighteenth century onwards. Barings, for example, founded in London in 1763, started as wool merchants; Rothschilds, founded in 1808, as cotton goods merchants; Schroders, in 1818, as sugar merchants. The Ralli Brothers started as grain and cotton merchants. In fact the five Greek Ralli Brothers started their activities from Smyrna and Chios at about the same time that the five Jewish Rothschild Brothers inaugurated their own activities from the Frankfurt ghetto.

Chapman tried to identify two 'models' for the development of the transition from trade to finance.[44] One 'model' was that of the London Rothschilds, who abandoned trade for finance, and the other was that of Barings, continuing to combine trade with finance. As mentioned above, the Greeks were involved in a three-faceted form of business: trade, shipping and finance. Up to the end of the nineteenth century, mercantile families continued this system, each family specializing more in any two of the three economic activities, but rarely in one exclusively, and even more rarely exclusively in finance. When, a generation later, they lost ground to Jewish merchant houses in specific areas, such as Odessa in Southern Russia, where these Greek merchant houses mainly from Chios had had an early start during the 1820s to 1860s, they turned either to different geographical regions, as did the Ralli Brothers to America and India, or to shipping, like the Greek merchant houses of Ionian origin from the 1870s. All leading mercantile families, however, were involved in the extensive Greek entrepreneurial network that extended from the Levant to the West in both periods. The majority of the merchant banks in Britain combined their roles as general merchants, bankers and shipowners; very few, like the London Rothschilds, abandoned trade and shipping for finance. It was understood that the merchant business included banking activities, financial services being a traditional mercantile activity. In fact, specialization in banking was considered risky and undesirable in the 1860s, as we can see from the Barings reports on the Greek firms (see Table 2.2).

In the last third of the nineteenth century, joint-stock companies continued to develop alongside the activities of merchant bankers. Leading Greek merchants, as

42 Harlaftis, *History*, ch. 2.

43 Chapman, *Rise*, pp. 127 and 173.

44 Chapman, *Rise*, p. 126.

an integral part of the City, were involved in both activities. It is important to keep in mind that activities of the Greeks in the financial centre of the West, viz. London, were very much related to their actions in Constantinople, the corresponding financial centre of the Levant. Many leading Greek bankers in Constantinople and the City of London, such as Zarifi, Schilizzi and Ralli, came from the same families.

Table 2.2 lists all Greek firms active as merchants and bankers in England, and particularly the City of London, according to a report sent to Baring Bros in 1860. Greek firms were rated in four categories: from first to fourth-rate. There were nine top-class firms, all from the island of Chios and related to each other, and another eight second-rate merchants, while the remaining 55 were smaller firms, ranked third- and fourth-rate. All firms in the top two groups kept accounts in the Bank of England, at least since the 1840s, and relied on their reputation to serve the business of the rest of their compatriots either in London or in the various hubs of the Greek entrepreneurial network abroad. It was the leading firms in the Greek network that were part of the wider and internationalized commercial and financial network of the City of London, responsible for the credibility and smooth flow of goods from West to East. It was the same leading group that provided financial services for the rest of the group.[45] It seems that the Greeks followed the same hierarchy in the formation of financial networks in the Levant and in the City of London. There was a large number of small Greek firms and commission agents that discounted bills of exchange from the Levant. These could never have been exchanged, had it not been for the wealthy Greek merchants who would endorse them and pass them on to their bankers.[46] Liquidity of the bills of exchange depended on the banking network, which had endorsed them.[47] In this way their international banking system was to a large extent private yet cosmopolitan.

45 Chapman, *Rise*, p. 127.

46 Ibid, p. 82.

47 M. Flandreau, 'Does integration globalize? Elements of 19th century financial geography', in Ph. Cottrell and J. Reis (eds), *Finance and the Making of the Modern Capitalist World, 1750–1931*, Proceedings of the B9 session of the Twelfth International Economic History Congress, Madrid, August 1998.

Table 2.2 Greek merchants and bankers in the City of London, early 1860s

Ranking of Firms		*Origin*	*Reports by Baring Bros**
First rate			
1.	Alexiadi, Delta and Co	Chios	They are very good but have gone into banking affairs and are therefore not so well liked as before
2.	Argenti, Sechiari & Co	Chios	Capital at least 500,000 sterling pounds
3.	Franghiadi & Rodocanachi	Chios	Very prudent. Capital over 200,000 s.p.
4.	Ralli & Mavrojani	Chios	
5.	Ralli Bros	Chios	[About 1,800,00)]**
6.	Ralli A. & Co	Chios	
7.	Rodocanachi P.P. & Co	Chios	Capital 300,000
8.	Rodocanachi Sons & Co	Chios	
9.	Schilizzi & Co	Chios	
Second rate			
10.	Balli Xenophon	Smyrna	Clever, cautious and prudent but dabbles in banking. 2nd or 3rd rate
11.	Cassavetti Bros & Co	Thessaly	Good and safe. Capital 20–30,000. Deals in corn
12.	Ionides & Co	Related to Chiots	Very respectable, have about 30,000. Business not extensive
13.	Mavrovassily & Co		Good, not rich may have 50,000
14.	Schilizzi P. & Co (Liverpool)	Chios	Good. A ship owner
15.	Vagliano Bros	Ionian	Young house but very sound, say 2nd rate
16.	Zarifi Bros		Very clever and have large means but are altogether in finance
17.	Zizinia Bros	Chios	Excellent 2nd rate
Third rate			
18.	Acatos P.		
19.	Benda & Co, A. Berni, BelloBros		Failed from January 1861
20.	Blagomeno A.D. (Manchester)		Small
21.	Caralambi E.P.		Small has 5–10,000
22.	Copehilli A.M. & Co (Manchester)		Small but very safe
23.	Cuppa Bros	Ionian	Very weak
	Duca Paleologo & Co, Manchester		
24.	Eumorfopoulo A.G. Co, Manchester		
25.	Frangopulo, Bingham & Co	Chios	Respectable 3rd rate
26.	Gianacopulo & Cochilani, Liverpool		Small. Agents only
27.	J.P. Schilizzi Junior (Liverpool)	Chios	A ship owner agent. No means. Failed from 1861
28.	Lascaridi & Co	Cephalo-nia	Very honest and good but no strength, uncle not now a partner
29.	Mavrocordato M.F. & Co	Chios	Small but sound
30.	Pana Cremmidi & Co	Cephalo-nia	Small respectable. Capital 30,000
31.	Papayanni Bros (Liverpool)	Smyrna	
32.	Petrocochino & Co	Chios	Good
33.	Pezzali D.J.		Banker. Very small. Brought up with Ralli & Mavrojai, Capital 10,000
34.	Psichari A.	Chios	Banker
35.	Ralli & Psicha (Liverpool)	Chios	Small
36.	Ralli N.J. (Manchester)	Chios	35,000 out of Ralli Bros.
37.	Ralli P.T.	Chios	Senior. Dead
38.	Ralli T. sons & Co	Chios	Out of Ralli and Mavroyani, took 90,000 with him but has mixed himself up with banking business therefore cautious
39.	Rodocanachi D.E.	Chios	Brother in Leghorn is a partner. Property about 40,000
40.	Rodocanachi L. & Co	Chios	Large business. Moderate means. Too extended, failed January 1861
41.	Tamvaco M.		Fair. Have 50,000
42.	Zolas G.P. (Manchester)		No security
Fourth rate			
43.	A. Vicarino		
44.	Agiami Sciama & Co		
45.	Anagnostopoulos E. & Co		

46.	Capri Bros		Very little means, but no drafts of G. Lirundino and Co. of Alexandria may be considered very good
47.	Casella & Co		Very small
48.	Castelli Bros		Very small
49.	Cefala C.G.	Cephalo-nia	Small but very good. 4th rate as to means
50.	Couvelas M. & Co		Very small
51.	Fachiri A. & sons		4th rate speculative. Have some 20,000 s.p.
52.	Farra E.		
53.	Geroussi T.N.	Smyrna	Very small. Capital 5,000 s.p.
54.	Giovanovich G.		
55.	Hannides & Co		
56.	Lambichi Bros (Manchester)		
57.	Lutrachi M. & Co		Agents
58.	Mavrocordato J.M .& Co, Manchester	Chios	
59.	Nikolopulos & Chrissoveloni	Chios	Respectable
60.	Pappa D. & Co		Very small
61.	Potous & Co	Chios	Respectable. Capital 10–15,000
62.	Ralli P.C.	Chios	Has some 15,000. Son-in-law to Antonio Ralli of Ralli Bros
63.	Sangiorgi & Co		
64.	Schilizzi and Vuros	Chios	Failed July 1862
65.	Souvazoglu & Co (Manchester)		
66.	Theologo G. sons (Manchester)		
67.	Theologo P. & son (Manchester)		
68.	Vitalis E.		Very young respectable. Failed 1861
69.	Xenos S.	Smyrna	
70.	Zandiri E.		
71.	Ziffo sons & Co	Chios	Had 30,000 but have lost 10,000 within a few years
72.	Zizinia S.P. & Co	Chios	Very small. Capital 10,000. Failed 1861

* 1. Very good 2. Good 3. Moderate means 4. Not known
** Assessment by the Bank of England found in Chapman, *Rise*, p. 127.
Source: Baring Brothers Customer's Reference book, 'An assessment of the Greek firms operating in London in the beginning of the 1860s', in Catsiyannis, *Community*, pp. 422–424. For the origin of the families, see Harlaftis, *History*, Appendix 2.1.

In his analysis of City bankers after 1880, Youssef Cassis stresses that two main groups deserve particular attention amongst the various religious and ethnic minorities involved with banking and finance: Protestants and, especially, Jews, who 'both comprised key components of banking and financial elites and their contribution to the mobilization of capital was essential to the growth of the international economy'. He does not mention at all the other dominant religious and ethnic minority, the Greeks, who also played an important role in the City of London throughout the nineteenth century.[48] This is because Greeks, though important in banking activities in the second third of the nineteenth century, did not form banking dynasties in England. From their triadic business – 'trade, shipping and finance' – they specialized into shipping; we can only speculate the extent to which this was a matter of choice or need. They thus formed shipowning dynasties that were consolidated in the early twentieth century and have lasted to the present day.

48 Y. Cassis, 'Finance, elites and the rise of modern capitalism', in Ph. Cottrell and J. Reis (eds), *Finance and the Making of the Modern Capitalist World, 1750–1931*, Proceedings of the B9 session of the Twelfth International Economic History Congress, Madrid, August 1998. See also Y. Cassis, *City Bankers 1880–1914* (Cambridge, 1994).

Since so little information on nineteenth-century Greek merchant bankers exists in English literature, we thought it might be illuminating to provide brief profiles of the top ten leading firms, namely Argenti, Sechiari, Franghiadi, Rodocanachi, Ralli, Schilizzi, Cassavetti, Ionides, Zarifi, and Vagliano Bros. We will start with the first six families, all from the island of Chios, then continue with the group from Constantinople, Ionides, Cassavetti, and Zarifi, and conclude with the Vagliano Brothers from the island of Cephalonia.

The Ralli family is by far the most important in the second third of the nineteenth century. The 'Zeus' of the Greek community in London for at least 40 years was Pandias S. Rallis, who, along with his four brothers, Stratis (in Manchester), Avgoustis (in Marseilles), Tomazis (in Constantinople) and Zannis (in Odessa), formed the strongest and best-known Greek Merchant House of that era, Ralli Brothers. In the nineteenth century, Ralli Brothers fully combined trade and shipping and consolidated the sea-trade between East and West, in which Greek shipping developed. Greek culture, island ties and strict familial hierarchy lay at the heart of their international commercial network. The Greek firm of Ralli brothers was an international trading house that operated for almost 150 years, with interests extending from New York to Russia, India and Japan, and a commercial bank in the City of London.[49] In 1860 it was listed among the largest companies in the City, with an estimated wealth of over one million pounds sterling at a time when the wealth of Baring Bros was estimated at two million pounds sterling and that of the Rothschilds at eight million pounds. We are not going to say more about the Ralli family than that they were related to all the Chiot merchants trading in London. It has been estimated that there were at least 66 members of the Ralli family related by first-degree kinship working in overseas branches not only of Ralli Brothers but also in other companies of the large family; eight companies under the Ralli name appear in Table 2.2.[50] The son of Avgousti, Stephen Avgousti Ralli (1829–1902), successor of Pandia, was the second generation of the Ralli Brothers in London. A well-educated young man brought up in Marseilles, he was summoned to London in 1851, at the age of 22, to assist his uncle Pandias, whom he succeeded in 1865. He was the one to bring Ralli Brothers to its greatest fame, by abandoning the Black Sea market and expanding to New York, Calcutta and Bombay.

Ambrosio Leoni Argenti (1804–1871) was the man behind the firm 'Argenti, Sechiari & Co.'. First cousin to Pandias Ralli – his mother Marouko Sekiari was sister to the mother of the famous Ralli Bros, Julia Sechiari – he was one of the

49 Some of the most valuable archives on the early period of the Ralli firm are since 1984 to be found in the Guildhall Library; Sir Godfrey Ralli donated what was left of the archives in the basement of the offices of the company still in Finsbury Circus, after the bombardment of the building during the Second World War. All documents are in Greek. For more on the Rallis see Harlaftis, *History*, ch. 2. See also *History and Activities of the Ralli Trading Group Commodity Merchants for 160 years*, The International Trading Division of the Bowater Organization 1979, and K. Vourkatioti, 'Anglo-Indian Sea-Trade and Greek Commercial Enterprises in the Second Half of the Nineteenth Century', *International Journal of Maritime History*, 11, 1 (1999), pp. 117–148.

50 Harlaftis, *History*, app. 2.2; T. Catsiyannis, *The Greek Community of London* (London, 1993), pp. 69–104.

'pillars' of the Greek community in London. After the destruction of Chios by the Ottomans in 1822, he went with his mother to Marseilles, where he stayed for some years with his uncles. A well-travelled man who had visited the various centres of Europe for business purposes, he lived sometime before 1839 in Vienna, where he met his bride-to-be, a Scaramanga daughter. Immediately after their marriage, he settled for good in London, where he opened the firm with offices at 43 Finsbury Circus. His three sons continued its commercial and financial business in the last third of the century.[51]

The leading figures of the Rodocanachi family established in London were two first cousins: Peter Pandia Rodocanachi (1831–1899) and Michael Emmanuel Rodocanachi (1821–1901). Their fathers and uncles had established family firms in Leghorn (Pandias Rodocanachi, 1786–1846), Marseilles (Emmanuel Rodocanachi, 1789–1855) and Odessa. Theodoros Pandia Rodocanachi (1797–1882) went to Odessa to set up a branch office, but surpassed initial expectations and established one of the largest commercial houses of the city. In an attempt to expand business westwards, Pandias and Emmanuel each sent a son to London, to run the new firm; Peter Pandia Rodocanachi and Michael Emmanuel Rodocanachi opened the 'Rodocanachi Bros Merchants' and soon became among the top-rank merchants in the City. Through their own and their children's marriages, they were related to the Sechiari, Petrocochino, Zarifi and, of course, the Ralli families. In 1860 Peter Pandia Rodocanachi founded 'P.P. Rodocanachi', while Michael Emmanuel Rodocanachi founded the 'Imperial Bank'.[52] Michael's son, Emmanuel Michael Rodocanachi (1855–1932), expanded his father's business in trade and banking, and became director of the Imperial Bank, remaining in place even after it was acquired by the London Joint Stock Bank in 1893.[53]

Emmanuel Franghiadi went to London in 1827 and established the company 'Franghiadi Brothers, Merchants' at 18 Finsbury Circus. A friend of Pandias Rallis, he was joined by his nephew – the son of his brother – Stephen Z. Franghiadi. Stephen was established in Manchester, to deal in textile exports like other Greeks, while Emmanuel ran the London office. His marriage to Marigo Rodocanachi secured the existing commercial interests with the Chiots in London, once again through ties of kinship. Other Franghiadi were resident in the Black Sea, members of the family network.[54]

The Schilizzi family, which until the 1820s traded from Chios, Smyrna and Constantinople under the name of Schilizzi & Co, expanded after the destruction of Chios. It was the sons of Hadzi-Stephanis Schilizzi (1757–1814), John Steph. Schilizzi (1805–1892) and Zannis Stephanovic Schilizzi (1806–1886) who brought the Schilizzi House to the top. John was initially established in Leghorn, where with John Vafiadaki he formed the Schilizzi & Vafiadaki Co; exporting Black Sea grain to the West. Zannis was established in Constantinople, in 1825, and initiated an incredible expansion of the house in the region: he opened branch offices in Trebizond, in Tauris, and became one

51 Ibid, pp. 157–180.

52 Catsiyannis, *Community*, pp. 189–238; V. Kardasis, *Diaspora Merchants in the Black Sea. The Greeks in Southern Russia, 1775–1861* (Lanham, 2001), pp. 156–158.

53 Cassis, *City Bankers*, p. 193.

54 Catsiyannis, *Community*, pp. 120–126.

of the leading merchants in Georgia trading British manufactured goods, particularly textiles from Manchester. The expansion of business was so large that within a decade the structure of the firm changed: in 1837 John moved from Leghorn to London and established the firm's branch office. He became involved in ownership of large sailing ships that were based in Liverpool. Zannis, on the other hand, in Constantinople, became one of the most renowned capitalists in the Levant. He eventually closed down all agencies in the southeast Black Sea ports and opened a major Black Sea branch office in Odessa, while in 1845 the Schilizzi were the first to open a Chiot firm in Calcutta, India; the Rallis opened their firm in 1851. Zannis eventually went into merchant banking, and became one of the powerful Galata bankers that lent to the Sultan. Zannis' sons took over the business; John (1840–1908) continued the family business in London and expanded into banking activities, while the other two sons, Paul (1842–1901) and Dimitrios (1839–1893), after having lived in London and in Paris, were called by their father to Constantinople for needs of the family business, where they remained; Dimitrios invested also in steamships.[55]

At the antipodes of the Chiots came another family that acquired fame and status equal to the Ralli, known today mainly because of its art collection, which it donated to the Victoria and Albert Museum: the Ionides.[56] The Ionides hailed from Constantinople. Constantine Ikpliktsis-Ionides (1775–1852) was a successful Constantinopolitan merchant involved in the textile trade in the first two decades of the nineteenth century. When the War of Greek Independence broke out in 1821, he emigrated to London, riding the wave of other Greek merchants who traded with England from the Levant. There, his son Alexander changed the name Ikpliktsis to the much easier 'Ionides'. The family firm in London appears in the 1827 directories, and from 1834 under the name of 'Ionidis & Co. Turkey Merchants'. Constantine's second son, Alexander (1810–1890), became the head of the family and a successful businessman, very wisely choosing a Chiot bride in London. Dimitrios Cassavetti, one of the first-rate merchants (see Table 2.2), married Alexander's sister, Efterpi, while G.P. Lascaridi (see Table 2.2) married yet another sister, Katherine. With members of the family in Manchester and in Constantinople, the Ionides continued to be involved, like their father, in the textile trade between Great Britain and the Ottoman Empire. However, following the trend of the time, they began to turn to merchant banking. According to the available information, Alexander Ionides became Director of the Bank of London, which was badly affected in the crisis of 1857, where he is reported to have lost 20,000 pounds sterling.[57]

The Zarifi house traded grain from the Black Sea but also got involved with merchant banking in Constantinople, London and Marseilles. At the time this was still regarded as a risky business, as the comments in the Barings' Report (Table 2.2) reveal: 'Very clever and have large means but are altogether in finance.' In London,

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55 Ibid. pp. 239–304.

56 The collection that was bequeathed was gathered by Constantine Ionidis Jr. (1833–1990), the son of Alexander, who was sent by the family to manage the firm's branch in Constantinople and later became involved in merchant banking and was established in London, Catsiyannis, *Community*, pp. 130–156.

57 Catisiyannis, *Community*, pp. 130–156.

Michael I. Zarifi (1819–1891) was well-established and active in both business and the Greek community.[58] Another scion of the family, Alexander I. Zarifi, born in 1812, was established in Odessa; this branch of the Zarifi family never stopped trading in grain and investing in ships. The eldest brother, George I. Zarifi, was founder of the firm 'Zafeiropoulos and Zarifi', the head office of which was in Constantinople; this shifted from trade to specialize in banking and broking, and was counted among Constantinople's largest bankers.[59]

We conclude with the Vagliano Brothers, the family firm that succeeded the Ralli Brothers in the leadership of the Greek entrepreneurial network between the Levant and Western Europe, in the last third of the nineteenth century. The Vagliano Brothers were the largest Greek grain merchants and shipowners in the last third of the nineteenth century.[60] Possibly no other Greek family combined to such an extent all three aspects of business: trade, shipping and finance. The eldest brother, Maris Vagliano, left his native Cephalonia in the early 1820s, as a seaman on an Ionian sailing ship, and disembarked at Taganrog in the Sea of Azov, where he settled himself for life and was fully engaged in exporting grain. He was joined shortly by his brothers Andreas, who was eventually sent to Marseilles, and Panaghis. They were owners of more than 20 sailing vessels before the 1860s and are known to have exploited the Crimean War to enhance their business, by illegally transporting grain exports from the Azov to Constantinople, earning exorbitant profits. In 1858 Panaghi Vagliano was sent to England, to open a branch in London to represent not only his own interests but also those of other Danubian Greek grain merchants. He gained access to the Baltic Exchange fairly easily, and in the 1860s went a step further than his contemporaries, establishing the first shipping office in London, which dealt exclusively with Greek shipping. This office, which served as a model for other Greek shipping offices in London in the twentieth century, was for forty years the main link between Greek shipping and the London maritime market. Thus, the Vagliano brothers became wealthy and famous by working as shipping agents for their compatriots. Throughout their entrepreneurial lives the Vaglianos owned and operated the largest Greek-owned fleet. From 1870 to 1905, the Vaglianos always possessed between thirteen and twenty-one vessels, accounting for more than 10 per cent of the Greek-owned fleet each year.

Greek historians are mostly unaware of the fact that the Vaglianos were also known in the City as merchant bankers.[61] It seems that the Vagliano office carried out the usual business of international merchants and functioned as an accepting house/merchant bank for their compatriots in the Levant. In London, as the sources reveal, the Vaglianos kept accounts with the Bank of England for many years.[62] Their transactions assumed great proportions for a sustained period of time, according to *The Banker's Magazine* reports. In 1886, for example, 4,000 payments were made by the Bank of England on Vagliano accounts, with a value of £3,500,000 in this one year. Through a court

58 Catsiyannis, *Community*, p. 353.

59 Kardasis, *Merchants*, p. 163; Exertzoglou, *Prosarmostikotita*.

60 See Harlaftis, *History*, ch. 3.

61 B.B. Turner, *Chronicles of the Bank of England* (London, 1897), pp. 256–263.

62 Turner, *Chronicles*, pp. 256–263, 'Bank of England v. Vagliano Brothers', *The Banker's Magazine*, 1890, p. 1156.

case, 'The Vagliano case', which we shall examine in the next section, extraordinary transaction details are presented, which reveal the way Greek and non-Greek merchant bankers operated from inside. But let us look at the course of the transactions that took place in order for a bill of exchange to be accepted and paid.

Vagliano had a large number of correspondents in various parts of the world, who drew bills on his name from time to time, sometimes consigning goods against bills and sometimes making direct remittances in money. The bills of exchange were ordinarily drawn in sets of two, one headed 'solely for acceptance', the other, intended for negotiation, bearing the endorsements of the various holders through whose hands it might have passed. The correspondents were in the habit of advising Vagliano in writing of their having drawn upon him, providing in each instance the particulars of the draft. These letters of advice, mostly in Greek but also in Italian and in Turkish, were generally handed over to specific employees in the Vagliano office, responsible for dealing with foreign correspondents, and then placed before Vagliano himself. As soon as he had inspected them, they were brought back to the clerks' office and endorsed in writing by one or other of the correspondence clerks, following a summary in English of their content. The letters were then handed to a clerk, whose duty was to enter the particulars in a book called the 'bills payable book' and if payable-on-sight in a book called the 'bills due book'.

Some time after the letter of advice from the correspondents had reached the Vagliano's office, the bills would reach the hands of the London agents and payees, by whom those headed 'for acceptance only' would be brought to the Vagliano's office for acceptance, and there dropped into a box at the door marked 'for bills only'. At 4 p.m. every day, this box was cleared by the clerk who kept the 'bills payable book'. He would then check all the particulars between letters of advice and bills of exchange, and, if they were in order, would stamp across them 'Accepted, payable at the Bank of England' and add in writing the number, date of acceptance, and date due. They were then taken to Vagliano and accepted by him. Vagliano went through ten to fifteen bills a day. Having been signed, they were ready to be given up to those who called for and described them; there was a habit of entering in the bill book the name of the agent who had left the bill and was about to collect it. After being paid at the bank, the bills were then returned, at intervals of about a week, with a pass-book, which indicated by number the payments that had been made. The firm's treasurer then checked the bills against the pass-book and the entries in his cash-book, in order to verify that the bills entered by him and subsequently paid on certain days, had in fact been paid. The bills were then packed in stacks, labelled, and filed, the pass-book being balanced semi-annually.[63]

All offices of Greek merchant houses worked on a similar basis; that is, according to the rules, code of behaviour and laws of the British financial system and the City of London. The transformation of Levantine businessmen into respected Western-type capitalists was a sine qua non for their establishment in the heart of the nineteenth-century financial capital.[64]

63 'Bank of England', *The Banker's Magazine*.

64 See also M. Ch. Chatziioannou, 'The Emergence of a Business Culture in the Modern Greek State', in Proceedings of the Third European Business History Association (EBHA)

'Levantine Methods' in the 'Craft' of Bankruptcy and Fraud

The notions of 'speculation' and corruption, known as the 'devious Levantine' methods of transactions, developed against a religious and cultural background. According to Western European standards, business ethics in the Ottoman world struck a balance between speculation and corruption. The survival and consolidation of the Greeks in world markets was dependent on finding the fine line between both worlds, through flexibility and adjustment. Their establishment and consolidation from the Levant to the City of London was a long and difficult process.

We have already indicated that Greek mercantile networks were gradually set up in the area of the Mediterranean, Northern Europe and the Black Sea, based on a family organization and common local origin, serving at the same time Dutch, French and British trade. We know that in the 1770s half of the Dutch trade in Smyrna was handled by Greeks from Chios. The centre of Dutch diplomacy in the Ottoman Empire was the Embassy of Holland at Constantinople, and the Smyrna Dutch consulate office was under its direct jurisdiction. It was through following the trade from Smyrna to Amsterdam that the first Greek merchant community was established in Amsterdam. Members of the Mavrogordato family from Chios settled in Amsterdam in the 1750s, while by the 1770s members of the Chiot families Korais, Pringos and Courmoulis, established in Smyrna, had opened branch offices in Amsterdam, trading cotton and silk for Dutch cloth and spices. It seems that this export trade from Smyrna, along with the shift of activity from Amsterdam to Trieste at the end of the eighteenth century, helped create the international network of the diaspora Greek merchants, who started to consolidate in all main port cities of Southern, Central and Northern Europe.

For example, in the period 1770–1775, the Chiot network of Ioannis Avgerinos (Smyrna), Dim. Kourmoulis (Venice), Loukas Calvokoressis (Constantinople), Lorentzos, Pantelis Scaramangas and Dim. Mavrogordato was established. Soon after, a new company was formed by Dim. Mavrogordato Lorentzos Scaramangas, Ioannis Avgerinos and Dim. Kourmoulis, with capital of 28,000 piastres, equivalent to 36,400 florins. The main finance problem of similar firms is that they had big turnovers not always financed by capital of their own. The expansion of Greek trade was based on low profits, which enabled the Greeks to undercut the prices of their competitors. They gained enough income because of large turnovers. In order to keep up large trading activities with small capital, they had to borrow enormous sums of money against high rates of interest. When turnover slowed down, due to political or economic crisis or wartime, the burden of the interest on the borrowed money could be so heavy that the small capital of the merchant could disappear. This would definitely lead to bankruptcy.

The main reason for many of the Greek bankruptcies in the eighteenth century was the overburdening of interest rates on a low-ebb trade. Greek firms obtained money in order to finance their big turnovers by borrowing either from the free market in the Ottoman Empire, at high rates, or from Europe, which was less expensive but difficult to access. A common method was for European merchants

Conference 'Business and Society', 24–26 September 1999, Rotterdam, 2000.

to send merchandise to the Ottoman Empire, to be paid for 3–6 months later. Another method was to circulate bills of exchange. For example, Calvokoressis in Constantinople had to pay a debt there but had no cash. He paid his creditor with a bill of exchange he drew on Corais in Amsterdam. The creditor sent the bill of exchange to a correspondent in Amsterdam, who tried to get his money from Corais. Corais, in his turn, paid him with a bill of exchange for the amount, which was to be discounted on Courmoulis in Venice. The new bill of exchange was sent to another merchant in Venice, who in his turn got a bill of exchange for the amount and the discount on Calvokoressis, who at last paid his debt. Many merchants fell victims to this game and there were several bankruptcies in Amsterdam in 1773. Because when one member of the circle got too many bills of exchange at once, he would be unable to pay, other merchants would refuse his bills of exchange, and bankruptcy would be inevitable, as in the Avgerinos case in 1784.[65]

In the nineteenth century successive bankruptcies kept shaking up the markets. Merchant bankruptcy was not unknown in Greek trading circles in the Trieste market. The Geroussi accused the Chiot merchants of devious practices in their bankruptcies. In 1834 the rumour spread in Syros that Stamatis A. Rodocanachi in Vienna was on his way to declare bankruptcy. Shortly thereafter, Theodoros Rallis in Syros spread the news that Stamatis A. Rodocanachis 'did not fall' in Vienna.[66] The big Chiot merchants' enormous financial outlays, with increased risk, were the primary source of fear for medium-scale traders.

A few years later, in 1837, another Chiot merchant house, Agelastos, Vouros & Co., went bankrupt for 120,000 florins, in Trieste. According to the evidence of Trieste merchants, the rest of the Chiots could not lend him a helping hand, since all their capital was in Constantinople, in the hands of the Vouros associate. Furthermore, neither had any prestige in the financial circle, since they had gone bankrupt before. With the mercantile conflict between the Smyrniot Geroussi and the Chiots, the Trieste market never really recovered from the 1837 crisis. As late as 1841, the market had not managed to get back on its feet after all the bankruptcies, being strapped for cash and merchant credit and credibility.[67]

The late 1850s, after the upheaval in trade and the extensive speculation brought by the Crimean War, were years of deep crisis and chain bankruptcies, this time in the City of London. In February 1857, for example, six failures were reported, four of which concerned Greek merchants: C. Franghiadi & Sons, Vouros Bros, Sinanides & Co., and J. Basilio.[68] The commercial crisis had an effect in the Stock Exchange and the banking sector, where many companies collapsed, among them the long-established firm of Overend Gurney & Co, which almost monopolized the Lombard street discount transactions. The failure of Overend brought the destruction of the

65 B.J. Slot, 'Commercial activities of Corais in Amsterdam', O Eranistis, 16 (1980), pp. 64–68. Various information was also drawn from the D. Courmoulis archive in the Algemeen Rijksarchief, The Hague, f. 1.02.20.

66 Chatziioannou, *Family Strategy*.

67 Ibid.

68 M. Evans, *The History of the Commercial Crisis 1857–58 and the Stock Exchange Panic of 1859* (London, 1859), pp. 172–173.

Greek merchant Stephanos Xenos and many others.[69] The Bank of England had a close connection with the discount market, since an important source of income was the discounting of various sorts of paper, including private individuals' promissory notes. The decades 1860–1880 witnessed the internationalization of the discount market for the Bank of England. In the same period, Overend Gurney & Co. had a turbulent affair with the Bank, till 1866, when the firm shut down, creating a huge shock in the City.[70]

The history of merchant bankruptcy, as we can see in passing from diverse examples, is directly connected to the social and financial side effects. Bankruptcies in nineteenth-century French merchant society could serve as an example to be avoided for the multitude of upwardly mobile merchants, thus keeping the financial hierarchy in place.[71] The rest of the merchants were by means of the bankruptcies on the receiving end of repressive action, intentional or not. Regardless of the benefits reaped by such financial practices, the merchant house itself suffered the consequences of a demeaning embargo. The chain reactions from the bankruptcy domino effect spread fear, distrust and insolvency. Bankruptcy in itself dealt a blow to the entire system of personal relations, the foundations of merchant transactions.

Fraud has always been another curse of the honest merchant. The worst came to the worst when 'Levantine' methods were used against their own compatriots. The famous *Bank of England vs. Vagliano Brothers* case, which sent shock waves through the City, revealed a masterly forgery. During the nine months between February and October 1887, a 30-year-old clerk at the Vagliano office in London, named Anthony Isidoros Glykas, was able to take away illegally the amount of £70,000 by forging bills of exchange and all the endorsements on them. Vagliano employed a considerable number of clerks at his London office. Anthony Isidoros Glykas was engaged in May 1882 and, along with another clerk, was in charge of the firm's foreign correspondence, enjoying the absolute confidence of the Vaglianos during the whole period of his employment, for they had no reason whatsoever to suspect his integrity. Glykas speculated enormously on the Stock Exchange, and had to meet his consequent obligations. By a series of elaborate and ingenious frauds between February and August 1887, he obtained Vagliano's acceptance to forty-three forged bills for which he received payment.

Thoroughly acquainted with the routine of the office, Glykas was in charge of the correspondence with Russian residents, among them George Vucina, an Odessa merchant and banker who had collaborated with the Vaglianos for 29 years. Vucina drew bills of exchange on Vagliano; Glyka decided to forge a bill for Petridi, a

69 X[enos] Stephanos, *Depredations or: Overend, Gurney and Co, and the Greek and Oriental Steam Navigation Company* (London, 1869).

70 R. Roberts, 'The Bank of England and the City', in R. Roberts and D. Kynaston, *The Bank of England. Money, Power and Influence 1694–1994* (Oxford, 1995), pp. 155–160. The international character of the Bank in the following years of the twentieth century is analysed by P.L. Cottrell, 'The Bank of England in its International Setting, 1918–1972', in R. Roberts and D. Kynaston, *The Bank of England. Money, Power and Influence 1694–1994* (Oxford, 1995), pp. 83–139.

71 For an analysis of a series of French bankruptcies between 1817–1874 see J.C. Martin, 'Le commerçant, la faillite et l'historien', *Annales E.S.C.*, 35, 6 (1980), pp. 1251–1268.

merchant in Constantinople. He then forged a letter of advice from Vucina to Vagliano, with the particulars of the draft. As we have already explained, these letters of advice, which were mostly in Greek, were opened by two clerks in the Vagliano office in charge of the foreign correspondence; one of them was Glykas. Glykas made the English summary of the letter of advice, the bill of exchange would be endorsed by Vagliano, and then the particulars were entered in the 'bills payable book'. Subsequently, Glykas stamped upon the face of the bill the name 'F. Pasqua and Son', indicating the London firm that would collect the accepted bills. The accepted bills were paid into the Bank of England, where the Vaglianos kept their account.

After Glykas was found out, he pleaded guilty and was sentenced to ten years' imprisonment on forgery counts. The Vaglianos filed lawsuits against the Bank of England for recovery of their money, on grounds of negligence on the part of the Bank, which had paid large sums of money over the counter without advising them. This case rumbled the bedrock under the credit system throughout financial circles in the City, since it challenged the very liability incurred by the Bank in paying customer acceptances. The Vaglianos won this case at the Court of Appeal, in 1889, but lost in the House of Lords, in 1890, causing consternation in banking circles.

'It was the signature of Vagliano that turned the bills into mercantile instruments', it was said in the House of Lords on 17 June 1890.[72] The handwriting of Vagliano warranted the authenticity of the drawer's signature. Therefore, Vagliano was the only person who was finally responsible for issuing these bills as commercial instruments, with no value of any kind prior to signature. By his signature Vagliano also warranted the existence of a payee, and that the bills were properly endorsed. At the head of the list of such bills was the following:

> To the cashiers of the Bank of England. Gentlemen, – Herewith we beg to hand you our list of acceptances falling due next month and made payable with you, which be good enough to pay at maturity and debit our account. Yours truly, Vagliano Brothers.

It was contended on the other side that this meant: 'Pay at maturity if properly endorsed.' The Attorney General asserted that the bills were not properly endorsed, since they were forged. However, the Vaglianos lost their case and the Bank of England won. Within this process, however, of the fifteen judges who heard the case, nine ruled in favour of the Vaglianos. 'While the plaintiff therefore has the somewhat poor consolation of thinking that on each point three-fifths of the judges were in favour, the Bank has the more material satisfaction of finding that its view was finally upheld.'[73]

It seems that after they lost their case in the House of Lords, and were excluded by the Bank of England, the Vaglianos concentrated their activities in shipping. The 1890s were the period for the transition from sail to steam and the Vaglianos pioneered in private shipping finance: they granted loans at 7–8 per cent interest for the purchase of steamships if the borrower provided half the necessary amount in cash and put up the ship as collateral. Some of the largest twentieth-century Greek

72 'Bank of England', *The Banker's Magazine*, p. 1161.

73 *The Banker's Magazine*, 1891, p. 617.