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Jewish Entrepreneurship in Salonica during the Final Decades of the Ottoman Regime in Macedonia (1881-1912)

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Introduction

During the final decades of Ottoman rule in Macedonia the area experienced a boom of entrepreneurial activity. Several scholars including Paul Dumont,1 and Donald Quataert2 commented on the spectacular industrial and commercial development and its impact on the indigenous population. They emphasized the significant role of Jewish individuals, e.g. Allatini, Modiano and Mizrahi, in Salonica at the turn of twentieth century. Quataert, who documented and analysed the industrial development of the entire Empire,3 stated that Salonica was unique in the sense that its industrial promoters were Jews.4

The present study focuses on the economic activity of Jewish entrepreneurs at the close of the twentieth century. Adopting the methodological stance introduced by Simon Kuznets, we will focus not only on 'the exceptional individual case' but on the 'mass of small and medium business that determine the group function'.5 In order to assess Jewish entrepreneurial activity, I will examine the entrepreneurial activity of this group as a minority in the plural Ottoman society,6 from a comparative inter-ethnic perspective.7 According to a methodological framework for the study of entrepreneurship of minorities in general, and of Jewish minorities in particular, I assume that the magnitude and strategies of Jewish entrepreneurship in Salonica derived from the interaction between the group characteristics and the structure of available opportunities.8 The latter element includes market conditions and the ease of access to business opportunities and is highly dependent on the level of inter-ethnic competition and state policies (Section I). The first element includes the group's reaction to the changing conditions in Ottoman society and its ability to mobilize ethnic resources to promote its business interests (Section II).
The aim of this paper, which presents and interprets findings of an empirical study based on official Austro-Hungarian data, is to offer a quantitative analysis of the entire scope of Jewish business entrepreneurship from a comparative inter-ethnic perspective of the entrepreneurial activity of Ottoman Macedonia on the eve of the Greek annexation. The empirical study, based upon a complete list of firms operating in the province of Salonica, systematically illuminating the entrepreneurial patterns and strategies of the Jewish entrepreneurs as an integral part of the Jewish community. More specifically, this article demonstrates how the Jewish minority of Salonica became a surrogate for the Ottoman bourgeoisie during the semi-colonial phase of Ottoman Macedonia.

I: European Semi-Colonialism in Ottoman Macedonia: A New Opportunity Structure

The legal liberal reforms initiated by the Ottoman Empire not only removed the obstacles to capital accumulation faced by entrepreneurs, but also encouraged foreign investment in Ottoman territories. The enlightened Ottoman legislation provided equal legal status to foreigners and non-Muslims (1839, 1856, 1869, 1876). Reforms included protection of private assets of Ottoman subjects from arbitrary confiscation, cancellation of the prohibition on sale of realty to foreigners (1856), including consent to foreign ownership of realty (1867), and tax shields and benefits to foreigners stipulated in the Capitulation agreements, designed to encourage foreign investments in the infrastructure. The equalitarian legal framework thus granted foreigners and non-Muslim minorities access to new entrepreneurial opportunities.

The abolition of the trade monopolies of the Ottoman Empire and the establishment of free trade zones (1838) effectively transferred control of imports from the Ottoman authorities and guilds to European hands. The formation of the Ottoman Public Debt Administration (1881) laid the foundation for European semi-colonialism based on a division of authority between economic (European) and political legislative (Ottoman) spheres. The institutionalisation of the foreign financial sector led to substantial changes in the modes of production (e.g. new agricultural technologies), trade and consumerism, which in turn created new socio-economic conditions for the masses in Macedonia. Historians such as Stavrianos have observed that from 1878 onwards, concurrent with the incursion of European imperialism into the region, substantial changes in the socio-economic existence of Balkan citizens occurred.
Foreign investments in Macedonian infrastructure promoted the consolidation of a single ‘economic unit’, comprised of the city of Salonica and its hinterland area. Recurring fire damage in Salonica during the 1890s stimulated the city’s development as the Macedonian metropolis, both as an administrative capital and as a casern for Ottoman troops.

The present discussion is limited to the geographical boundaries of the Ottoman Salonica Province (vilayet), roughly the area of Greek Macedonia (from November 1912), identified as the historical geopolitical framework relevant to the transition from Ottoman Empire to modern economic units that are states. Economic growth, driven by both regional and world markets created new opportunities for entrepreneurs in this region, where the majority (87%) of the Macedonian Jewish population was concentrated.

II: The Jewish Minority: A Demotic Ethnic Community in Transformation

The new economic conditions and the new liberal legislation for the non-Muslims in the late nineteenth century impacted the demographic development of the entire Jewish minority and stimulated changes in its internal structure. Since the first half of the nineteenth century, the Salonican Jewish minority had been perceived as a deep-seated demotic ethnic-religious community of Ottoman Jews, impoverished and lacking modern education and skills. Within this larger community, however, a tiny, favoured Jewish elite comprised of both ‘foreign’ and Ottoman Jews holding berats, enjoyed privileged commercial conditions embodied in the Capitulations. This privileged elite acquired capital, as well as linguistic and commercial skills, as economic intermediaries in international trade in the Mediterranean.

A comparison of official Ottoman data (1893, 1906) published by Karpat, indicates a 40% increase in the province’s Jewish population at the turn of the twentieth century, in contrast to a decline of about 7% in the total population of the province. The latter was due primarily to casualties of the military conflict in Macedonia and the emigration of peasants to the New World while the demographic growth of the Macedonian Jewish population was pronounced due to the compact nature of its historically urban spatial distribution. The mass of the Jewish population was concentrated in the central sub-district of Salonica, and became the dominant demographic ethnic component in the city. According to official data (1905/6), the Jewish element constituted the majority in the city (55%), larger than either the ruling Muslim segment (ca. 31%) or the Greek minority (ca. 13%).
Population growth was a response to the attraction the Macedonian metropolis held for Jewish immigrants, both Ottoman subjects and foreign citizens. The Jewish population of Salonica, similarly to other Jewish communities in Ottoman territories, was comprised of a numerically dominant, indigenous core, together with ‘recently arrived’ immigrants. The former included refugees from Ottoman areas lost to the Empire, especially the new national Balkan states, while the latter, usually from Italy, were attracted by the favourable economic conditions facilitated by the Capitulation regime. The Italian Jews became an integral part of the group’s collective economic action. This élite utilized their accumulated financial and human capital, to stimulate the adaptation of the entire Jewish community to modern Western civilization. Solidarity between Jewish local élites and their local masses, and also with their counterparts in other European states, was renewed as a result of a combination of events: the new economic opportunities, which required an injection of loyal local labour, on one hand and anti-Semitic incidents, both in Europe and the Ottoman Empire, which functioned as ‘reactive ethnic resources’ by regenerating solidarity, on the other hand. Jewish philanthropic associations, the most prominent being the Alliance Israélite Universelle, contributed to this growing sense of group identification by bolstering the weak community institutions with investments in education and welfare.

In this formative era of the new national states of the Balkans, the historical reputation of the Jewish community as a loyal religious millet was reinforced. The Jewish Ottoman citizens, lacking in political and territorial aspirations, became favourites of the Ottoman élites. The political behaviour of the Jewish community remained faithful and pro-Turkish, even in the brief period under the Young Turks’ régime. Thus, with its dominant demographic presence, its political loyalty and repository of suitable skills, the Jews were uniquely positioned to fulfil functions, which were beyond the abilities or desires of the demographically or politically Ottoman dominating class.

III: Data and Variables

The empirical study reported herein is based on an official, undisclosed, 200-page report (1915) in German, compiled and issued by the Museum of Commerce, by order of the Austro-Hungarian authorities. Since it was not issued or used for propaganda purposes, I assume that the report is not biased.

The data, derived primarily from previous Austrian Consular Reports (1904-14), have been thoroughly researched by scholars, including Donald Quataert, in relation to the industrialization in the
Empire at the turn of twentieth century. The list of firms operating in Salonica, which appears at the end of the report, apparently derived from *Annuaire Oriental 1913* (Ottoman year-book), however, has not been quantitatively analysed to date.

This list includes firms located in the city of Salonica and its surrounding countryside. Due the unsystematic recording of the data, recurring firms’ names caused statistical dependency in the original list. In order to generate an independent sample suitable for statistical analysis, I classified the firms by two variables:

1. ‘Ethnic origin’, based on a name criterion, following a method used by several scholars, including B. Lewis and C. Issawi. Categories were Jewish, Greek, Turkish and ‘others’. The latter included Slavic, European or anonymous firms as well as multi-ethnic partnerships. Attribution of ethnic origin by names, using onomastic methods, is supported by the fact that 96% of the firms were privately owned.

2. ‘Branch’ of economic activity, based on sub-divisions of the following sectors appearing in the Greek census (1928): industry, commerce, finance and brokerage. Each firm was attributed to a single branch, based on its primary activity. Thus, the list effectively provides a ‘natural sample’ composed of commercial and industrial enterprises for the final year of Ottoman rule in Salonica (1912) (see Appendix). The resulting frequency distribution by ‘ethnic origin’ and ‘branch’ supports an empirical, inter-ethnic comparative analysis of entrepreneurship.

The list, which excludes peddlers and petty artisans, serves as a reliable source for analysing the significant economic activity in the urban business sector, in which the majority of Jewish labour was involved. According to a report by the *Union des Associations Israélites* delegation, which visited the city in January 1913, 23,955, of a total 24,385 Jewish workers were employed in commerce, industry and services (transportation).32

**IV: Economic Conditions and Firm Ethnicity**

The distribution of firms by branch (see Fig.1) points to a structure of economic opportunities, which emerged as a result of the legislative and economic developments accompanying the European semi-colonialism in Ottoman Macedonia.
Fig. 1: Distribution of Firms by Branch (N=931) (Salonica, 1912)

<table>
<thead>
<tr>
<th>No.</th>
<th>Branch</th>
<th>Number of Firms</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and beverages</td>
<td>100</td>
<td>10.7</td>
</tr>
<tr>
<td>2</td>
<td>Chemicals</td>
<td>28</td>
<td>3.0</td>
</tr>
<tr>
<td>3</td>
<td>Construction materials</td>
<td>49</td>
<td>5.3</td>
</tr>
<tr>
<td>4</td>
<td>Energy and public utilities</td>
<td>16</td>
<td>1.7</td>
</tr>
<tr>
<td>5</td>
<td>Metal</td>
<td>42</td>
<td>4.5</td>
</tr>
<tr>
<td>6</td>
<td>Wood</td>
<td>29</td>
<td>3.1</td>
</tr>
<tr>
<td>7</td>
<td>Hides, leather and footwear</td>
<td>57</td>
<td>6.1</td>
</tr>
<tr>
<td>8</td>
<td>Textiles</td>
<td>50</td>
<td>5.4</td>
</tr>
<tr>
<td>9</td>
<td>Clothing</td>
<td>98</td>
<td>10.5</td>
</tr>
<tr>
<td>10</td>
<td>Printing, paper and office equipment</td>
<td>52</td>
<td>5.6</td>
</tr>
<tr>
<td>11</td>
<td>Tobacco</td>
<td>18</td>
<td>1.9</td>
</tr>
<tr>
<td>12</td>
<td>Domestic wares and furniture</td>
<td>41</td>
<td>4.4</td>
</tr>
<tr>
<td>13</td>
<td>Trade in agricultural products (incl. grain)</td>
<td>135</td>
<td>14.5</td>
</tr>
<tr>
<td>14</td>
<td>General wholesale and retail</td>
<td>39</td>
<td>4.2</td>
</tr>
<tr>
<td>15</td>
<td>Finance and commission trade</td>
<td>177</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Total sum</td>
<td>931</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Adapted from the Appendix.

Specifically, we note the emergence of three types of opportunities:

1. A demand for primary exports from the district of Salonica to European states, including agricultural raw material (tobacco, opium and wool) and mining products, based on a budding world demand;
2. A demand for imported industrial products, including machinery (for agriculture, spinning and sewing); materials for industry (yarn for weaving, fabrics for clothing) and luxury products (jewellery, pharmaceutics), based on new domestic demand, and;
3. A demand for local craft ware and manufacturing products, including furniture, clothing, construction materials (bricks, cement, glass plates) and printing, also supported by domestic demand.

Segmentation of the firms by ‘ethnic origin’ (see Fig. 2) highlights the dominant share of the Jewish enterprises in the Salonican economy. The high percentage of Jewish enterprises (58%) compared with the small share of Turkish enterprises (8%), is basically explained by the different settlement types of the Salonican Jewish and Turkish populations. In contrast to the Turkish majority dispersed throughout the Macedonian countryside, the Jewish minority was concentrated in the Macedonian metropolis, consistent
with their ‘urban economic heritage’. This traditional preference necessitated by the Jewish communal lifestyle explains Jewish density in urban occupations (commerce and industry).

Fig.2: Firms by Ethnic Origin (N=931) (Salonica, 1912)

<table>
<thead>
<tr>
<th>Ethnic Origin</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewish</td>
<td>538</td>
<td>57.8</td>
</tr>
<tr>
<td>Greek</td>
<td>164</td>
<td>17.6</td>
</tr>
<tr>
<td>Turkish</td>
<td>76</td>
<td>8.2</td>
</tr>
<tr>
<td>Others</td>
<td>153</td>
<td>16.4</td>
</tr>
<tr>
<td>Total</td>
<td>931</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Adapted from the Appendix

V: Ethnic Representation in the Business Sector

As equal conditions are a necessity in order to quantify the ethnic distribution in business, I therefore calculated the representation of ethnic enterprises exclusively in proportion to the corresponding ethnic segments of the city population (that is, urban occupations among urban populations). This calculation is based on the Greek census (1913), conducted in the city by the Greek governor immediately following the invasion. Of all available data, this source reflects the smallest proportion (39%) of the Jewish element in the total population, i.e. 61,439 of the total population of 157,889 (see Fig. 3). The smallest value found for ‘Turkish’ in contrast to the highest value found for ‘others’ illuminates the economic nature of the prevailing semi-colonialism in the region. The absence of state initiative was the raison d’être for the intensive economic activity by foreign entrepreneurs, especially in establishing infrastructure for utilities where the lack of state involvement was especially prominent.

The results show an over-representation of ‘Jewish’ and ‘others’ in the Salonican business sector, in contrast to the under-representation of ‘Turkish’ and ‘Greek’ enterprises. The relatively high proportion of Jewish enterprises stemmed from the effective exclusion of Jews from public sector activities, as well as this minority’s preference for economic activity in the competitive private sector. Even after the establishment of the new bureaucracy, the politically dominant Turkish majority prevented the entry of Jews and other non-Muslim minorities into the ranks of the public sector. Moreover, the élites’ traditional inclination for government and the military resulted in an absence of a business tradition of their own. Finally, the delayed
development of a modern, public education system led to a shortage in Western business and linguistic skills, essential for the politically dominant masses' access to the newly emerging opportunities. In this lacuna, Jewish entrepreneurs were well-equipped to pervade the new niches, by virtue of their commercial skills, available labour and political loyalty. Greeks and Armenians, who served as consul dragomans and clerks, were rejected by the Ottomans due to their collective Russian patronage and nationalist aspirations, yet 'foreign' Jews, although no more than a minor element in the total Jewish population, enjoyed the confidence of both European interests which they even represented as consuls and of the Ottoman elites, owing to their affiliation to the mass of the loyal Jewish community. The loyalty of the local majority of the Jewish population to the Ottoman Empire and the absence of any local territorial aspirations of their own is highlighted by the lack of any official connection to the Central Zionist Organization prior to the Greek Occupation (1912). Thus, Ottoman Jews, as favoured co-
citizens and trustees of the old Ottoman elites, and ‘foreign’ Jews, as representatives of European economic semi-colonialism, cooperated in assuming a key role in the local economy. By virtue of its competitive advantages over the Ottoman majority and over other minorities, the Jewish community in the Macedonian metropolis was able to fulfil functions that the indigenous majority was unable or unwilling to provide.

Despite the increasingly intense political struggle in Macedonia during the last decades of the Ottoman régime, there is merit to the argument that the antithetical aims and aspirations of the various ethnic elements in Ottoman Macedonia promoted pragmatic ad hoc co-operation with the Jewish intermediaries in the rural region. For example, political rivalry between Greeks and Bulgarians, and between Greeks and Turks, on one hand, added to historically-rooted competition between Jewish traders and Greek rivals on the other side, enabled Jews to assume a role of intermediates for both Slavic peasants and Muslim large-estates (effendi) owners.

In addition to the business climate, influenced both by inter-ethnic relations as well as intra-ethnic relations, the ethnic demographic compositions of local consumer markets was a crucial factor for Jewish initiative activity. The demographic dominance of the Turkish element in rural Macedonia, in addition to the demographic superiority of the Jews in the Macedonian metropolis, ensured stable markets, both rural and urban, for Jewish commercial initiatives.

VI: Ethnic Entrepreneurial Concentration by Branch

Jewish enterprises were scattered in all 15 branches, highlighting the absence of concentration in any particular sector. In 14 out of the 15 branches, Jewish enterprises comprised no less than one half of the total industry enterprises; in 9 industries, the proportion of Jewish enterprises exceeded their proportion in the total sample (58%). In contrast, 30% of the 76 Turkish enterprises were concentrated in labour-intensive textiles, characteristically associated with minorities and immigrants.

The Entrepreneurial Concentration Index validates these findings. The values of this global index range from 0 (for total equal dispersion) to 1 (not including 1). The greater the index value, the greater the concentration of the group’s enterprises, i.e. dispersion in a small number of branches (see Fig.4). The lowest index of the Jewish group (0.111) shows that this ethnic group behaved as a minority, while the highest index (0.628) of the Turkish group, influenced by their high concentration in the ‘clothing’ branch, indicates an entrepreneurial pattern characteristic of minorities.
The ethnic distribution by branch contradicts the existence of an ethnic division of entrepreneurship, and demonstrates both vertical and lateral involvement of Jews in the city’s economy. Furthermore, the above findings support the argument that the interaction between the demographic size of the Jewish minority, its geographical concentration and its ‘economic heritage’ influence the extent of the minority’s distribution throughout the industries in the economy.

![Fig. 4: Entrepreneurial Concentration Index](image)

Source: See Fig.1

Note: Entrepreneurial Concentration Index = \[ ECI = \sum_{i=1}^{15} |I - I_i| \times W_i \]

\[ E_i = \frac{O_i}{E_1} \] when \( O_i \) = percentage of the enterprises in branch (i) out of the total sum of enterprises of a given ethnic group; \[ E_1 \] = percentage of the enterprises in branch (i) out of the total sum of enterprises in the whole sample. \( W_i \) = The relative portion \( (W_i < 1) \) of branch (i) in the whole sample \( (\Sigma W_i) \), when \( \Sigma W_i \) = Distribution of the firms of a given ethnic group (i) by branch (i). This index refers to the whole sample and assumes that the total number of firms is not distributed equally between the 15 branches. This index is the weighted average of the absolute representational disparity \( (1-I) \) in the various branches of a given ethnic group. An hierarchic version of this index was used in ethnic research focused on on Israeli society, conducted by sociologists including S.N. Eisenstadt and Moshe Lissak. The index was introduced by Yaacov Nahon. See: Yaacov Nahon, *Trends in the Occupational Status: The Ethnic Dimension 1958-1981*, (Jerusalem: The Jerusalem Institute for Israel Studies, 1984), (in Hebrew with an introduction in English).
VII: Jewish Areas of Specialty

Despite their overall dispersion in the economy, Jewish enterprises were found to dominate specific sub-branches. Those niches controlled by the Jews reflect their preference for entering the new, relatively high-growth sectors, which offered profitable opportunities for entrepreneurs (see Figure 1). For example, Jewish merchants were active in the export of opium, being a new commercial branch which emerged in response to world market forces, driven by the development of the pharmaceutical industry, especially morphine.

The Jewish specialties comprise three main groups, based on their economic activity type (see Fig. 5).

Fig. 5: ‘Jewish’ Sub-Branches (Salonica, 1912)

<table>
<thead>
<tr>
<th>Sub-branch</th>
<th>Total firms (N)</th>
<th>Jewish firms (N)</th>
<th>% Jewish Firms out of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain and flour</td>
<td>34</td>
<td>29</td>
<td>85.3</td>
</tr>
<tr>
<td>Banking</td>
<td>39</td>
<td>33</td>
<td>84.6</td>
</tr>
<tr>
<td>Silkworms &amp; cocoons</td>
<td>13</td>
<td>11</td>
<td>84.6</td>
</tr>
<tr>
<td>Opium</td>
<td>10</td>
<td>7</td>
<td>70</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>13</td>
<td>9</td>
<td>69.2</td>
</tr>
<tr>
<td>Watches &amp; valuable articles</td>
<td>19</td>
<td>17</td>
<td>89.5</td>
</tr>
<tr>
<td>Colonial commodities</td>
<td>47</td>
<td>38</td>
<td>80.9</td>
</tr>
<tr>
<td>Bones &amp; rags</td>
<td>5</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Cotton yarn (Trade)</td>
<td>7</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>Wood coal</td>
<td>8</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Glass, plates &amp; metals</td>
<td>17</td>
<td>16</td>
<td>94.5</td>
</tr>
<tr>
<td>Leather</td>
<td>8</td>
<td>7</td>
<td>87.5</td>
</tr>
<tr>
<td>Ropes &amp; jute sacks</td>
<td>15</td>
<td>12</td>
<td>80</td>
</tr>
<tr>
<td>Wool, yarn &amp; fabrics</td>
<td>14</td>
<td>10</td>
<td>71.4</td>
</tr>
</tbody>
</table>

Source: See Fig. 1

The first group includes finance, banking and the organization of primary exports. The absence of Ottoman banking and credit institutions able to finance the growing Macedonian economy, left this niche open for local and foreign non-Muslim elites, most of which were Jews (85%). Jewish banks, with capital accumulated from previous foreign trade activity, an ability to mobilize additional capital through networks of co-religionists or co-citizens in European states or the new Balkan states, and an economic tradition in banking and money lending, functioned as a source of
local credit. By virtue of their dominance in the finance sector, and the political support they enjoyed from the Ottoman elites, Jewish businessmen wielded an advantage over their Greek competitors, and supported the finance of large-scale trade. This included primary agricultural exports to European states and imports of semi-raw material and manufacturing products from Western states to Macedonia. Jewish merchants' ability to finance costs of storage, transportation and shipping and insurance, all necessary for supplying valuable agricultural products (e.g. opium, silk cocoon) to the Western monopolies, facilitated their vertical penetration into the entire chain of international commerce. In the nationalist Macedonian hinterland, fraught with terror, 'Ottoman' Jewish traders' mobility and access enabled them to serve as loyal, skilled middlemen between the rural cultivators and the officials of Public Debt Administration in Salonica Province. Business networks between co-religionists, which included both officials at the port of Salonica and intermediaries at ports of destination, ensured efficient handling of the vulnerable and expensive raw materials. Finally, favourable international connections ensured immediate profit realization by Salonican Jewish merchants from sales of raw materials to western industrialists.

The second group of Jewish specializations (see Fig. 5) includes wholesale distribution to retailers of 'colonial commodities' (sugar, coffee, rice), the main import to Salonica at the time. Jewish dominance in this field may be attributed to the economic heritage of those Jewish merchants of Spanish origin. Their traditional presence in this field was enhanced by their financing ability and by their international networks. Jewish domination in the sub-branch of 'watches and valuable articles', emphasized the strong preference of Jewish merchants to invest in portable valuables, reflecting the instability of their minority status. Further, the highest level of over-representation of Jewish enterprises is found in the entire sector of 'furniture and domestic appliances' which included the sub-branch 'watches and valuable articles'. This confirms the tendency of minorities to prefer trade in final consumer goods sold directly in competitive markets to individual consumers. In Salonica, especially, convenient market conditions prevailed in the city and country, compensating for the heavy competition with Greek traders.

The third group of Jewish specializations (see Fig 5) reflects Jewish control of trade in semi-raw materials and highlights the nature of Jewish manufacturing vis-à-vis Greek competition in Salonica Province (where local industry was comprised of light, metal industries, primarily, mechanical repair, blacksmith and ironsmith). At the end of the Ottoman era in Salonica, Jewish
manufacturers showed a strong preference for importing semi-raw manufacturing inputs, limiting integration of production to the final stage of the process, close to both the traders and the end consumers. For example, Jewish merchants in the flourishing cotton industry controlled 100% of “trade in [imported] cotton yarn,” while Greek entrepreneurs dominated (78%) “cotton spinning and weaving.” Failure of the technologically obsolete Jewish spinning mills in the city in face of countryside-based Greek competition diverted Jewish urban entrepreneurs to the manufacture of cotton socks based on imported cotton yarn in small plants. Thus, Jewish entrepreneurs shifted competition from production of industrial inputs towards production of finished garments for the individual consumer, competing with clothing producers in European states rather than with Greek locals, who benefited from low production costs. This was the optimal solution, which maximized profits by exploiting favorable international affiliations to obtain imported high quality semi-raw materials, in lieu of intense long-term capital investments. Costs were reduced through a combination of imported, refined cotton threads produced in Italy, England and Austria, by new technology not yet introduced in Salonica, and the utilization of an inexpensive, local, co-ethnic labor force. As a result, the locally produced imitations satisfied local taste at a cheaper price, and sold side by side with imported original products.

In-depth analysis of the detailed activity in the significantly ‘Jewish’ niches reveals intra-dependency within those sub-branches and interdependency between them. For example, Jewish control in ‘grain and flour’ involved both importation of wheat flour and grain from Romania, Serbia, Bulgaria and Russia for local consumption, and the exportation of low quality local grain, including flour, to Albania and Ottoman markets. ‘Foreign’ and Ottoman Jews holding berats financed the wholesale purchase, transport and storage of the grain. They engaged sub-intermediate Ottoman Jews, who had the linguistic skills and the contacts necessary to communicate personally and developed trust with Ottoman estate holders and their managers throughout the Macedonian hinterland. Jewish entrepreneurs’ vertical control of the grain and flour industry included milling, wholesale distribution of wheat flour to retailers and control of raw materials for the food industry. This also explains Jewish involvement in the production of macaroni, bakery and beer brewing.

The vertical integration strategy appears to be confirmed by the prevalence of family firms, the ‘ethnic mode of production’, and may be explained by the formation of family cartels e.g. the Allatini concern, which embraced extensive businesses through marital
relationships with the Fernandez, Mizrahi and Torres families. In addition, Jewish intra-dependency deepened owing to increasing competition between Jewish traders and artisans with their Greek rivals.

The vertical integration of the Jewish participation in these industries also demonstrates the dependence of the industrialist consumers in European states upon the Jewish middlemen. For example, the 'opium' sub-industry included 'export of opium' to America, Germany, Austria and Italy, through the 'import of pharmaceutics and photographic materials'. Their vertical connections were vital in supporting the commercial chain, from the purchase of raw materials to the distribution of end products in the Macedonian market. This dependency was described by a teacher of the Alliance Israélite Universelle (1909):

No significant business can be carried out without one of these brokers [in Salonica] as an intermediary agent. It happens that almost all of these brokers are Jews. They are rather well-off; often they advance funds to the merchants and they almost always act as guarantors for their clients in their dealings with the large commercial enterprises. Even the banks sometimes grant credit to the merchants only because of the recommendation and the guarantee of the brokers.

VIII: Conclusion

The present paper illustrates how Jewish entrepreneurship stimulated and bolstered industrial and commercial growth in semi-colonial Ottoman Macedonia during the final decades of the Ottoman rule, at the end of the nineteenth century and beginning of the twentieth century. Excluding European companies, which developed public infrastructure projects as substitutes for the Ottoman state, Jewish firms filled the lacuna of entrepreneurship in the diminished middle class of the dominant population. Similar to other minorities in colonial regions, including the Chinese in South-East Asia at the turn of nineteenth – twentieth century; the Pakistanis and Indians in East Africa; the Lebanese in West Africa prior to the 1960s; Jewish entrepreneurs offered a viable economic alternative, primarily to the Ottoman petite bourgeoisie, but no less to entrepreneurs who developed large-scale businesses. These entrepreneurs functioned as a bridging population, mediating between Macedonian cultivators and European industrialists. Jewish entrepreneurs made an essential economic contribution through their remarkable bi-directional mode of entrepreneurship, engaging in primary exports to the Western states (mining products and agriculture cash crops), as well as in the
distribution of European imported manufactured products to local Macedonian consumers.\textsuperscript{67} The empirical study, based on a list of business firms, enabled a systematic trace of the entrepreneurial behaviour of the Jewish minority from a comparative inter-ethnic perspective. The entrepreneurial strategies adopted by the Jewish group were influenced by both the political and economic system in which they operated, as well as the internal community structure. The combination of the inherent characteristics of the Jewish Salonican population; the new profitable opportunities created in semi-colonial Ottoman Macedonia; Ottoman state policy and the inter-ethnic competition explain the entrepreneurship strategies adopted by the Jewish minority during the last decades of Ottoman rule over Macedonia. Ottoman anxiety in face of impending Greek domination through local Greek co-religionists worked in the Jewish minority's favour. Their privileged position as a loyal millet facilitated their access to the new opportunities. With their newly adapted skills, they were instrumental in establishing and developing economic relationships linking the interdependent regions.

European semi-colonialism in Ottoman Macedonia offered a haven for Jewish entrepreneurs. In the vast world market, stateless Jewish middlemen exploited their cohesive international network and functioned as 'Israélites du Levant'.\textsuperscript{68} However, the transition to an autarchic national economy highlighted their civil inferiority. Decolonization processes culminating in the annexation of the Salonican province (1912) into the Greek national state, signified the extreme transition to Balkanisation, that is, separate, non-cooperative national economies, ultimately preventing the realization of mutual advantages. These geopolitical changes would have an adverse affect on the Salonica Jewish minority, which henceforth relinquished its unique role in the Salonican economy.
Appendix

Firms (N=931) in Salonica (1912) by Ethnic Origin (4) and by Branch (15)

<table>
<thead>
<tr>
<th>Branch</th>
<th>Ethnic origin of firms in a given branch</th>
<th>Total sum of firms in branch</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jewish</td>
<td>Greek</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>61</td>
<td>27</td>
</tr>
<tr>
<td>Chemicals</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>Construction materials</td>
<td>31</td>
<td>11</td>
</tr>
<tr>
<td>Energy and public utilities</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Metal</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Wood</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Hides, leather and footwear</td>
<td>28</td>
<td>18</td>
</tr>
<tr>
<td>Textiles</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>Clothing</td>
<td>48</td>
<td>10</td>
</tr>
<tr>
<td>Printing, paper and office equipment</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>Tobacco</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Domestic wares and furniture</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>Trade in agricultural products</td>
<td>77</td>
<td>34</td>
</tr>
<tr>
<td>General wholesale and retail</td>
<td>24</td>
<td>2</td>
</tr>
<tr>
<td>Finance and commission trade</td>
<td>109</td>
<td>25</td>
</tr>
<tr>
<td>Total number of firms per an ethnic group</td>
<td>538</td>
<td>164</td>
</tr>
</tbody>
</table>

Source: Adapted from Austrian Report, 1915, pp. 138-84.
Notes

1. Paul Dumont, 'The social structure of the Jewish Community of Salonica at the End of the Nineteenth Century', *Southeastern Europe* 5 (2) (1979), 33-72.
6. The original concept of a 'plural society' was formulated by Furnivall (1948) for societies observed in South Asia. According to a refined version presented by M. G. Smith (1960) the 'plural society' is a multi-ethnic society characterized by the existence of separate institutions (family, religion etc.) for various ethnic segments and a common government for all ethnic segments. As a result, structural pluralism or cultural pluralism are merely different points on the continuum of societies with plural structures. For an exhaustive discussion, R.A. Schermerhorn, *Comparative Ethnic Relations: A Framework for Theory and Research* (New York: Random House, 1970), 122-58.


13 The 'semi-colonial situation' characterised by the absence of direct European political control, e.g. Thailand, from the middle of the nineteenth century until 1932 (establishment of the modern state), is a typical example of a semi-colonial situation. See Gary G. Hamilton and Tony Waters, 'Ethnicity and Capitalist Development: The Changing Role of the Chinese in Thailand', in Daniel Chirot and Anthony Reid (eds.), Essential Outsiders - Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe (Seattle and London: Washington University Press, 1997), 258-84.


16 According to the Ottoman census, which was completed in 1893, the total number of Jews in the Salonica Province was 42,714. My calculations are based on the data published by Kemal H. Karpat, Ottoman Population, 1830-1914: Demographic and Social Characteristics (Wisconsin: Wisconsin University Press, 1985), Tab I.8A, 133-7; 140-1; 144-5.


22 Anastassiadou, *Salonique, 1830-1912*, 95.


26 On the distinction between 'orthodox' and 'reactive' components in 'ethnic resources', see Ivan Light, 'Immigrant and Ethnic Enterprise in North America', *Ethnic and Racial Studies* 7 (2)(April, 1984), 195-216.


29 See above note 9.

30 See above note 3.


33 The census data was first published by Vassilis Dimitriadis, 'The Population of Salonica and its Greek Community in 1913', *Makedonika* 23 (1983), 88-116 (in Greek). According to the census, distribution was as follows: Jews (39%); Greeks (25%); Turks (29%); Bulgars (4%) and foreigners (3%). In the present study, Bulgars and foreigners are classified within a single category of 'others' (7%).

34 For example, 'Electricity, Gas and Water', a sub-branch of 'Energy and Public Utilities' (branch no. 4, Figure 1), was exclusively comprised of European firms.


37 2.8% of the entire Salonian Jewish population (1914). See Risal (pseudonym of Joseph Neshama), La ville noyée, Salonique (Paris: Perrin et Cie, 1917), 255.

38 Jews, Greeks and Armenians served as Dragomans and High Secretaries in the consular representations of the following states: Austro-Hungary, Germany, Persia, Britain, France, Belgium, Italy, Spain, Portugal, Denmark and U.S.A. Austrian Report, 1915, 194-8.


41 For contemporary testimony, Leon Sciaky, Farewell to Salonica.

42 According to the official data published by Karpat, at the beginning of the era (1893) the Greek component in Salonica village contained only (28%) compared to the Turkish (45%) and the Bulgarian (22%) elements. In 1906 these proportions changed but the majority was still Turks (45%) compared with Greeks (31%) and Bulgarians (17%). Adapted from Karpat, Ottoman Population, Tab I.8.A, 134-7; 1906/7: 1.16.A., 166-7.


44 For similar conclusions on Jewish minorities, see above notes 7, 8, 44.

45 On the increasing demand in opium used in the developing pharmaceutical industry (morphine) in USA, Germany and France, see General Report on the Industrial and Economic Situation in Greece,1923, London: His Majesty’s Stationery Office. Opium exports (1912) totalled 7,500,000 FF, i.e. half of the tobacco export value of 16,800,000 FF. See Austrian Report, 1915, 78. The total value of silkworm cocoon exports from Salonica reached 3,400,000 FF, a quarter of the tobacco exports. See Austrian Report, 1915, 79.


47 For examples of Jewish networks including co-religionists from Salonica, London, and Sarajevo see Edgar Morin, Vida et les tiss, 52-3. Correspondences
between Salonican Jewish firms and their representatives scattered abroad are found in archives such as 'Central Archives for the History of the Jewish People' in Jerusalem.

49 The primary Jewish financial institution Banque de Salonique was established (1888) by Alfarini brothers in cooperation with the Austrian Länderbank and the French Comptoir d'Escompte. See Austrian Report, 1915, 127.


51 Total value (1913) of sugar from Hungary, 2,691,026 FF, ranks it as the highest value import. Rice from Hungary totalled 318,682 FF and coffee, 355,652 FF. Austrian Report 25.


54 Yehuda Don, 'Economic Behaviour of Jews', 121-3.

55 According to the sample 7 out of 9 cotton spinning and weaving mills were Greek.

56 Production costs in the city's mills exceeded competitors' costs in the countryside, due the following reasons: 1. Energy costs, especially coal, compared to hydro-energy in interior Macedonia; 2. Higher land values in the city; 3. Higher labour costs (1913) in the city, which were as much as three times higher than labour costs in the countryside, especially as a result of the booming tobacco industry; and; 4. The mills in the countryside added lines of productions (grinding flour, weaving cotton) that increased their incomes. See Quataert, 'The workers of Salonica', 64.

57 Imported cotton-yarn was valued at (1913) 912,403 FF, and ranked third in value of imports, after sugar and flour. (Austrian Report 1915, 85)

58 See, for example, Quataert, 'The workers of Salonica', 63.

59 On the degeneration of the çiftlik, that contained the granaries of the Salonica province, which left little surplus in quality and quantity, see John R. Lampe & Marvin R. Jackson, Balkan Economic History 1550-1930: From Imperial Borderslands to Developing Nations (Bloomington: Indiana University Press, 1982), 280-4. The export (1912) of cereals from Salonica to England, Germany, Austro-Hungary and France, Greece and Asiatic Turkey was valued at (1912) 3,300,000 FF (Austrian Report, 1915, 78). The export of flour from Salonica (1912) to Albania and Turkey was valued at (1912) 1,200,000 FF (Austrian Report, 1915, 82-3). Import of flour (1913) was valued at 1,394,941 FF and became the second largest import after sugar (Austrian Report, 1915, 85).

60 See, for example, Leon Sciaky, Farewell to Salonica.

61 In Salonica, as in other Ottoman towns, most of the flour mills were owned by grain merchants. See Quataert, Ottoman Manufacturing, 189.
The brewing industry developed after transfer of control (1881) to the PDA. See in Stanford J. Shaw, ‘The Nineteenth-Century Ottoman Tax Reforms and Revenue System’, International Journal of Middle East Studies 6 (1975), 443.


Austrian Report, 1915, 78.

From the letter of the teacher M. Benghiat, Salonica, 1 December 1909, cited in Aron Rodrigue, Images of Sephardi, 235.


For similar conclusion, Issawi, ‘The Transformation of the Economic Position of the Millets’.

See Edgar Morin, Vidal et les siens, 88; 114.