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**‘Entrepreneurs(hip) in the Nascent ‘Corporate Sector’ of Greece (1830-
1909):
Typology, Strategy and Economic Agency’
FIRST DRAFT**

INTRODUCTION

1. Definitions, Methodology and Preliminary Hypotheses

Although there is a growing recognition of the seminal role that entrepreneurship plays in economic development, entrepreneurial history in Greece, a latecomer country is still in its early days. In the national business and economic history literature most *direct references to entrepreneurship* are few in number and apospasmatic. With few exceptions (see for example; Vaxevanoglou, 1994; Foreman Peck and Pepelasis Minoglou, 2000) , they usually are found in studies which focus on: an individual business person or family or a specific firm, or a selected business sector -mostly banking, shipping or more rarely industry, or a specific city/region (Dritsas, 2003).

This study, is a first conceptual step towards a macroscopic analysis of the typology, strategy and economic agency of entrepreneurship in the emerging ‘corporate sector’ⁱ of nineteenth century Greece. Typology is examined from the perspective of the international discourse on the nature of entrepreneurship. By Strategy is meant tactics and method of entrepreneurial action. Economic agency is here perceived as the ability of entrepreneurship to bring about/and or influence (structural) change in business organization and the economy at large.

ⁱ Inverted commas are used because the corporate sector lacked an internal articulation and cohesiveness and it was small in terms of the number of enterprises it contained. From this point onwards in the text the inverted commas are dropped.

Following Foreman-Peck (2005), the forming of new companies/incorporation is perceived as an outcome of entrepreneurial initiatives. The analysis is based on a recently constructed data set compiled from the founding charters of the near total population of 311 joint stock company start ups in Greece between national independence in 1830 and 1909, a landmark year as a result of a major political upheaval –the military League uprising at Goudi- that solidified the consolidation of the national bourgeoisie. The primary material for the compilation of this data base consists of 1)all the legal decrees issued for the total of 311 joint stock company start-ups; 2) the total of 244 company founding charters published in the Greek Government Gazette; and 3) the 23 founding charters which have been found in manuscript form at the Archive of the Association of Notaries in Athens and Ermoupolis.

It is the first time a comprehensive historical quantitative compilation has been constructed which covers entrepreneurial activity in all branches of the Greek economy at a national level.¹ This exciting new data discloses an aspect of business reality that has remained unexplored so far: the discovery of incorporation as a hitherto unrecognized source of change; enabling entrepreneurship to better manage capital and risk and create a new set of opportunities. More specifically the main preliminary findings are :

First, although the corporate sector was small, company founders were instrumental in the introduction of new types of business activities rather than simply in a ‘scalar expansion of the economy.

Second, banks played a leadership role in incorporation and substituted for ‘authentic’ entrepreneurship.

Third, entrepreneurship as incorporation was embedded in existing conditions (the status quo) while simultaneously embodying economic agency .

Fourth, and related to economic agency is that in the nascent corporate sector entrepreneurship embodied characteristics of Kirznerian intermediation and Schumpeterian innovation.

The paper is organized as follows: It opens with a short commentary on the socio economic/business background of nineteenth century Greece. Part 1 discusses the makeup/synthesis of company founders. Entrepreneurial typology and strategy are the two interlocking themes which comprise Part II. An analysis of the internal and

external dimensions of entrepreneurial agency is made in Parts III and IV and Part V concludes.

2. A brief outline of economy, society (and non corporate)business in nineteenth century Greece

A core feature of economy and society in nineteenth century Greece was the manifestation of change within continuity. This was indeed a century of transformation at all levels: There was a gradual contraction in the relative size(s) of the subsistence economy and agriculture in GDP which coincided with a concomitant rise of the sphere of mercantile capitalism (Louri and Pepelasis Minoglou, 2002). Moreover, Greece made a transition from a backward ex-peripheral province of the Ottoman Empire to a modern nation state constructed in the image of the west. (Indicative of the desire of Greeks to model their country on the western prototype of the nation state is that during the early days of the War of Independence (1822) Greek leadership immediately espoused the Napoleonic Code which was formally implanted in 1835, i.e. three years after the formal formation of the Greek state (Angelopoulos, 1928)

Westernization, held an important position in public discourse and institutional change. However, it was not without friction. Throughout the nineteenth century there was a tug of war between the western modernizers and the traditionalists (Mouzelis, 1977; Vryonis, 1982; Sakellaropoulos, 1991). The first were largely diaspora Greeks and embourgeoisé' locals who espoused the introduction of the institution of private property and envisioned the building of a centralized/unified state in the 'image of the west'. The second were an amalgamation of social elements, largely local potentates who were in favor of customary law and a decentralized executive. They condoned inherited vestiges of the Ottoman past; such as for example the continuation of the division of the country by the system of toll stations the tithe tax system and the interconnected institution of tax farming, which was an important venue for rent-seeking. ²In addition to the clash between 'modernization' and tradition two other important manifestations of continuity in nineteenth century Greece were the prevalence of *οικογενειοκρατία* (familiocracy) and the low level of

capital accumulation. (Dertilis, 2005) Both of these factors had a direct impact on the every day life of business in Greece to which we now turn.

Right from the start it should be underlined that over the centuries business in Greece was identified with commercial activities and seafaring. It was also the case that the great majority of enterprises in nineteenth century Greece were small, if not tiny, single proprietorships or family commercial (in)formal partnerships. Among the latter most were general (i.e. unlimited liability) partnerships and although the limited liability partnerships existed they were rather limited in number. ³

At an aggregate level we are still very much in the dark regarding details in the non corporate segment of Greek business. Up to now no data base has been compiled on the basis of non corporate start-ups This is a herculean task which would require a large team of researchers as some information exists only at a regional level and is dispersed among different types of archival sources.

Nevertheless, evidence from apostasmatik legal documents regarding the foundation of partnerships and the growing business history literature makes it possible to delineate the main contours of entrepreneurship in the non corporate sector. I would also like to propose that it is indeed possible to detect a general pattern of entrepreneurial behaviour.

Before analysing this phenomenon I would like to make a small digression to note that there is however one caveat: a rich mosaic of entrepreneurial behaviours seems to have existed alongside and/or in spite of a general pattern. (Asdrachas, 2008; Papageorgiou and Pepelasis Minoglou): These covered a wide spectrum along the continuum between the two most polar spaces: the subsistence/barter economy and the highly internationalized 'currant economy'. (Currants were the near exclusive export commodity of nineteenth century Greece; Franghadis, 2007) In between the two symbolic extremities lay an amalgamation of hybrids in which tradition and modernity intermingled in varying degrees. The multifacetedness of entrepreneurial behaviour was related partly to the diversity in the level of socio economic modernization among regions; and the low level of economic integration. (The latter being a function itself of the system of regional tolls, geology (many mountains); a poor system of transportation and last but not least of the fact that the impact of the Ottoman rule was not the same everywhere and in certain areas of Greece Western rule -Venetian/ Genoan or even British- had left a deep imprint).

Leaving this caveat aside it is clear that within the context of the rising family (mercantile) capitalism, the following common pattern emerged. The *ideal type* entrepreneur would be of a mercantile orientation and he drew inspiration from the Diaspora Greek way of doing business (Pepelasis Minoglou, 2005). It is important to note here that the core of the domestic entrepreneurial elite consisted of repatriated diaspora merchants or domestically established their relations/offsprings.

A tradition prevailed whereby, within the wider context of capital scarcity in nineteenth century Greece, risk was managed through short termism and dispersion of ownership. An entrepreneur would be involved in multiple short term commercial partnerships, some of which were renewable whereas others were set up only for one specific transaction/venture (Agriantonis and Chadzioannou, 1997; Chadzioannou, 2003). Moreover, although each large entrepreneur would be practically in full charge of a 'personal' firm, he deliberately sought not to have the exclusive ownership in his hands. Characteristically, even the wealthiest of shipowners did not have one hundred per cent ownership in any one of their ships (Polemis, 1991).

Among entrepreneurs there was a low division of labour and high degree of diversification. The ideal type business person was a well 'networked' merchant entrepreneur who would usually combine trade with other activities such as: shipping, money lending and other financial activities, landownership, more rarely some form of industrial activity and quite often tax leasing.⁴ Manufacturing firms usually maintained also commercial activities and pursued internal 'industrial' diversification. For example, an oil processing plant might double as a flour mill, a winery, a small metallurgy/iron mongery, or a generator of usually small amounts of electric power for the local community (Agriantonis, 1986). Finally, within this general context of multi diversification, as was the case in the period of foreign rule, entrepreneurs used the state machinery as a venue for wealth creation, by exploiting the 'rent seeking' advantages provided through tax leasing.

Tax leasing was not the sole mechanism making for porous boundaries between the worlds of business and politics. Entrepreneurship was not solely the prerogative of business persons. Information exists that (especially in the years following the war of independence), state officials (such as for example military officers) did not rely on their salaries alone for a living, but also turned to entrepreneurial activities. In addition, throughout the nineteenth century some prominent politicians or military officers such as for example Vassos Mavrovouniotis were also involved in business (at

some point in their career a least) and vice versa. (Papageoriou and Pepelasis Minoglou, 1988).

In a nutshell, the prevailing entrepreneurial spirit in Greece was characterised by a high degree of flexibility, short termism, a low division of labor and dependence on socio economic networks of trust. It was within this wider framework that incorporation was implanted in Greece.

Inevitably, many interesting questions emerge such as whether entrepreneurship in the nascent corporate sector resembled the ‘traditional/non corporate’ entrepreneurial model How did it interact with the latter ? Were the borders between the two worlds firmly defined or not? Were (corporate) company founders also involved in activities belonging to both spheres? The preliminary findings on these questions are reported below in: Parts I and II.2

Before embarking on our analysis of entrepreneurship as incorporation a few introductory remarks are necessary regarding the physiognomy of the emerging Greek corporate sector. This segment of the Greek business world was small in the sense that joint stock companies were few in numbers.. Nevertheless, the corporate sector was significant for four reasons: : It dominated the world of very big business firms.; all avant garde activities were located within the corporate sector; (its)‘market capitalization’ was rather high (See below: Part III.1); and its take-off phase, circa 1900s+ coincided with the so called ‘hidden economic miracle’ of the Greek economy. Behind these achievements stood our (entrepreneurial) Actors: The company founders The starting point of our analysis of entrepreneurship in the corporate sector is that of specifying the features of our entrepreneurial actors:company founders.

PART I: INCORPORATION AND COMPANY FOUNDERS:

We are still in the very early stages of (re)constructing the detailed features of the body of entrepreneurs who founded joint stock companies. Nevertheless, it is possible to make certain general comments as the charters of joints stock company start-ups as a whole began to include the names of founding shareholders from 1849 onwards. By 1909, the total number of registered names was circa 7,000. There were three categories of founding shareholders: natural personae; business firms; banks/banking groups.

Natural personae

They comprised, the first and largest group of company founders and were almost exclusively drawn from the country's elite. Members of the diaspora or relatives of theirs established in Greece were prominent among founding shareholders. Most stakeholders in joint stock company start-ups were already well established businessmen.

Primarily, founding shareholders lived in the town/city in which the SA was registered. But, some were outsiders from other areas. For example in the port of Patras -the second largest base for incorporation throughout the nineteenth century- a significant amount of shareholders resided in the Ionian Islands or other areas of Greece such as for example as Hydra and Messologi. The presence of members of the diaspora (usually domiciled in Greece) was prominent among founding shareholders. Such cases for instance were: Theodore Vlastos, Andreas Syngros, Grigoris Kouppas, and Stephanos Franghiadis, Ioannis Pesmazoglou. There were also a very few Western European business men domiciled in Greece such as for example in Patras the German merchant Th. Hamburger.

What was the occupational makeup/ social origins of entrepreneurs?

In the first decades most shareholders who declared an occupation described themselves as merchants and or landowners.⁵ Let it be noted here some business persons would declare as an occupation landowner for reasons of status (gentrification a la greque?). Indeed in some cases entrepreneurs involved in the founding of more than one SA company would not always declare the same occupation. This was a reflection of the dual if not multiple functions/personae of entrepreneurs and the ease with which they would shift identities and roles, according to the needs of a specific conjuncture.

There was some regional diversity in the occupational basis of company founders. In the port of Ermoupolis (the largest base for incorporation before the 1870s) the proportion of merchants and captains/sailors was pronounced, whereas in Patras (the urban heartland of the Greece's main export crop: currants), landowners and politicians were over represented.

From circa 1870/1880 onwards –by which time the greater Athens area had become the main basis for incorporation among natural personae shareholders there was a growing presence of: professionals (lawyers, civil servants, professors, bankers) and

technocrats (engineers and chemists, some of whom were already industrialists). Often professionals/technocrats were scions of first generation entrepreneurs and some were even educated in Western universities where they acquired knowledge and organization.

Within these new occupational groups bankers came to play a preeminent role as founding shareholders. Notably, during the first decade of the twentieth century, nine out of the nineteen largest founding shareholders were bankers.

A constant characteristic throughout the period under study is that some founding shareholders belonged to the political or even legal and cultural/educational establishment. Indeed, in joint stock company start ups registered outside Athens (the latter being the near exclusive base of company registrations after 1870). there was the odd mayor, notary, teacher, doctor, lawyers, judges and other high ranking civil servants i.e figures who in local communities were respected and yielded socio-political power. Whereas, in Athenian start-ups the lists of founding shareholders included members of parliament and other public officials. This involvement of the socio-political elite in incorporation partly reflects the premanence of the low division of labour in Greece and also the entanglement of politics with big business.... and the dependence of the latter on the favours of the former. Moreover, it was the case that prominent businessmen would also turn to the political arena and seek office. Two notable exapmes are those of the diaspora bankers Andreas Syngros and Stephanos Skouloudes, the second of whom also briefly served as primeminister of Greece. (Syngros, 1998; Vovolinis, 1958)

A discussion of natural personae would be incomplete without a few words on female company founders. These mostly involved women who were acting basically in the interest of their families. Almost always female founding shareholders operated in consort with male relations and did not display much individual agency(Pepelasis Minoglou, 2007)

In way of conclusion of the analysis of company founders who were natural personae, I would like to offer a preliminary answer to the question of where /how company funders stood in relation to the two social groups which formed the nineteenth century Greek elite: i.e the westernizers and the traditionalists. It seems at this stage of research that though the first group had a stronger representation among company founders (especially through members of the diaspora and professional groups) that traditional social elements were also present. Thus, the body of company founders

exemplifies in its own peculiar way the intermingling of continuity and change within Greek society and economy and the development of hybrid forms of business organization within the corporate sector.

Thus, it is argued in this paper that although incorporation can be interpreted as an agent of change, it is also the case that it was embedded to some extent in the traditional world of business. (Pepelasis Minoglou, 2007)

Business firms

The second category of company founders consisted of some two hundred commercial firms organised as general or limited partnerships (and a very a few Greek registered SA companies). This category of company founder/entrepreneurial actor was especially prominent in Patras. Notably, out of the nineteen joint stock companies start-ups established in that city port during its heyday (as a birthplace of incorporation) between 1849 and 1870, twelve featured commercial partnerships among the founding shareholders.

Banks as Entrepreneurs

Business groups headed by banks formed the third category of founding shareholders. These institutional entrepreneurs which acted as substitutes for 'authentic'/'pure' entrepreneurship, basically appeared from 1870 onwards. Though far smaller in numbers than the other two aforementioned categories of company founders they were particularly successful at mobilizing capital and setting up the largest of all SA companies. Banking groups were an amalgamation of (local, diaspora and foreign bank(er)s; important industrial firms/industrialists; international contracting firms and some private SA companies involved in the provision of public goods and services.

In total for the period as a whole, seven foreign bank (all of which were intimately involved with the issuing of foreign loans for the Greek government) participated in the establishment of SA companies. These were: Société Générale de l'Empire Ottoman, Anglo-Foreign Banking Company Limited, the Discount Bank of Paris, Hambros, Société de Crédit Mobilier, Union Bank of Paris, and E. Erlanger & Bros. The banks however which were most prolific in the creation of SA companies were eight Greek banks, of which the three most active in order of importance were: The National Bank of Greece, The Bank of Athens and the Bank of Industrial Credit. All

three contained an important diaspora presence and had tight links with the international business community.

The first time an individual bank participated in the founding of a joint stock company was in 1856. This was the National Bank of Greece (NBG) which in the next decades sporadically participated in the foundation of some corporate firms. However, by the 1880s a new phenomenon arose: this was the appearance of a growing number of companies which were initiated and created by banking groups. Indeed, by the first decade of the twentieth century, one third of joint stock company start-ups were founded by groups formed exclusively/or led by bank(er)s. Hence, it may be argued that as was the case in other latecomer countries, banks assumed an entrepreneurial role in face of the 'inadequate spontaneous supply of entrepreneurs' and capital. Through their multiple cross investments in corporate companies these institutional 'entrepreneurs' dominated the most technologically advanced segment of the corporate sector: i) capital intensive industry; and ii) Railways and large physical infrastructure and public interest bodies. Banks were in a sense builders of organizations, which though privately owned at the time, were of a national public interest and some of which, along with their technical cadre, were eventually absorbed into the formal public sector/state machinery between 1913 and the end of the first half of the twentieth century.

The presence of banks in the nascent corporate system may have led after the 1870s to the preponderance of large private German type 'corporations', but simultaneously it was the case that the companies which were floated on the stock exchange (est 1876) were either banks or companies in which banks had a strong presence any way. This last observation perhaps suggests that the banking sector and the stock exchange were not two worlds apart, although the former basically defined the parameters of incorporation in Greece and not the latter.

In sum, there was a variety of company founders. They operated to some extent in interaction to one another but not always. Over time there seems to have been a partial shift from the predominance of natural personae to banks/ business groups, especially in the knowledge or high technology sectors. Here I would like to mention the following thesis concerning underdeveloped countries (Leff, 1979) which applies, with some caveats, to the Greek case: Business [internationalized banking] groups substituted for 'authentic' local entrepreneurship and mobilized scarce resources.

(For more on banks and financial entrepreneurship, see below: II.1 and Pepelasis Minoglou, 2009 forthcoming.)

PART II : ENTREPRENEURIAL TYPOLOGY AND STRATEGY

The analysis attempts to conceptualise the entrepreneurial typology and strategy that existed in the nascent corporate sector. It should from the start be underlined that it is possible to detect a general pattern in spite of the following caveat: incorporation lacked internal homogeneity; joint stock company start ups entailing firms of diverse scale and scope over time and among regions.

II.1 Entrepreneurial Typology

There is a long discourse on the subject of national typologies of entrepreneurs(hip). (Amatori, 20007; Cassis and Pepelasis Minoglou, 2005) In the Greek case, the nascent corporate sector is a good starting point for the construction of the national entrepreneurial typology for three reasons. Firstly, because of the wealth of quantifiable information compared to the non corporate sector. Secondly, the data on incorporation also provide indirect insights regarding the world of traditional business. Thirdly, and most importantly joint stock company start-ups occupied a fascinating space of Greek business as they lay at the interface of the introduction of a ‘modern’ form within a ‘pre modern economy’.

Up to now Nineteenth Century Greek entrepreneurship has been discussed mainly in the context of the non corporate sector. Within this context it has sometimes been ‘interpreted’ as an example of Kirznerian intermediation (Gekas and Hadziioannou, 2008; Pepelasis Minoglou, 2005). A factor which suggests that this may be the case is that. Greece during the period under study did not experience an industrial revolution and remained technologically dependent on the West. However, this may not be a correct line of reasoning as it overlooks the fact that nineteenth century Greece was not a static economy as underlined in the introduction of this paper. Indeed, the study of incorporation extends the frontiers of our perception of Greek entrepreneurship: It suggests that entrepreneurial initiatives encompassed not only

Kirznerian intermediation but also Schumpeterian innovation. ⁱⁱWhat do I mean here by the latter?

First, entrepreneurial initiatives in the nascent corporate sector enhanced and expanded the feature of flexibility in strategy already existing in traditional Greek business culture (See below Part II.1).

Second, incorporation was a new platform for technology transfer (which involved a process of creative adaptation and hence innovation) and institutional evolution. More specifically, entrepreneurial initiatives in the corporate sector introduced: more advanced organizational forms in business; played a key role in the process of state formation and expanded/deepened the country's infrastructure. ⁱⁱⁱThis paper on the basis of these attributes proposes that incorporation encompassed internal and external economic agency and played a key role in economic change. (See Below Part III)

This proposition has been formulated by drawing useful theoretical insights from: William Baumol (1990) Nathaneil Leff (1979) and Stavros Thomadakis(1998).

Baumol introduced the distinction/concept of productive entrepreneurship and economic agency. Leff and Thomadakis building on the notion of economic agency in the context of underdeveloped/backward economies. They demonstrate that in the latter early entrepreneurship (which may take the shape of group or collective action) has to create from nihil the 'prerequisite' institutions and infrastructure. In developing countries, early entrepreneurs are in a more difficult position compared to their counterparts in wealthy countries. Because of political cum institutional

ⁱⁱ Parenthetically, it should be noted that the mixture shifted over time, and Schumpeterian innovation became more present during the first industrialization efforts (c.1867-1874) and the 'economic miracle' of the 1900s. This theme and how Schumpeterian features intensified and decreased with changes in other aggregate conditions (as for example the shift from peace to war(s), inflation, the onslaught of external competition etc.) will be extended on in a future draft of the paper.

ⁱⁱⁱ The term infrastructure here encompasses both physical and non-material infrastructure: as for example monetization and the creation of a nationwide market economy. With regard to the latter, research has suggested the multifaceted significance of financial (r)evolution in nineteenth century Greece. (Dertilis, 2005; Franghiadis, 2007) and the key role of incorporation in this process (Pepelasis Minoglou, 2008).

backwardness in order to function they have to start from a near zero base and create on their own the institutions and infrastructure that were necessary for the expansion of entrepreneurship per se.

In a nutshell, incorporation enhanced the frontiers of Greek entrepreneurship. It improved the ways in which entrepreneurs coped with and dispersed risk. Its two most prominent manifestations being: flexibility in entrepreneurial strategy and economic (entrepreneurial) agency in shaping institutional change on a number of fronts. Hence, on the basis of the Greek case the more general proposition which can be offered is that: *entrepreneurial initiatives in the nascent corporate sector acted as a new platform from which evolution will arise.*

II.2 Entrepreneurial Strategy: Flexibility as a Fourth Factor of Production?

Entrepreneurial strategy in the nascent corporate sector was characterised by a high degree of flexibility. This was manifested through high geographical mobility, versatility in scope, organizational plurality and relations of trust/entrepreneurial networks.

i. Geographical mobility was manifested in that the location of incorporation was sensitive to the general winds of ‘trade’: Incorporation was mainly located in the four largest commercial centers of the country: Athens, Ermoupolis, Patras and Ermoupolis. But, the geographical outlay did not remain static over time: it was highly flexible adjusting to the shifts in the inter spatial balance of economic power among these cities. Indeed, it may be argued that the shifts in the geographical distribution of incorporation was even more marked than the fluctuations in the business life of these four centres during the period under study. It may even be proposed that , although more research is needed, that incorporation acted as a barometer as a result of the fact that company founders were particularly sensitive to early signals of change in the fortunes of local business communities. (For details see: Pepelasis Minoglou, 2007)

ii. Versatility in scope was reflected in that over a quarter of joint stock company start-ups declared more than one activity. Internal diversification within single corporate enterprise was a mechanism for the reduction and management of

risk. It was also a mechanism for dealing with two paramount structural problems in nineteenth century Greece: capital shortage/contraint and the small size of the market. The existence of a low degree of specialization was not a novelty in Greek business. Indeed, as mentioned above. Within joint stock company start ups internal diversification did not follow one specific pattern although it was the case that most multipurpose firms were marine insurance companies which also provided some type(s) of financial services. Indeed, the provision of financial services was not unusual for commercial , shipping or industrial start-ups. Finally, in some instances manufacturing firms also pursued commercial activities and vice versa.

iii. Organizational pluarility. Entrepreneurs who were involved in the process of incorporation did not operate in an enclave. The following general pattern seems to have been established: Prominent entrepreneurs would use the joint stock company as a tool to expand their operations without deserting their preceeding partnership based firm(s). Sometimes they would formally involle their preexisting ‘traditional’ firms in the creation of a company in which they would also partipate as an individual.⁶ Most joint stock companies were new organizational entities, perhaps interlocking with non corporate firms but nevertheless, not simple outgrowths of preexisting partnerships. Only, towards the end of our period, a few elite businessmen in Athens made the full transition from the partnership form to the corporate form. Notable such examples were in industry (as for instance, Nikos Vlangalis) and in banking (as for instance, Ioannis Pesmatzoglou).

iv. Relations of Trust/Entrepreneurial networks. Although generally speaking the creators of (in)formal business firms in Greece were linked with ties of blood or ritual kinship, in the case of the founders of joint stock companies the situation was more complex. Corporate start-ups which took the shape of pure family firms were not in the majority. In most companies it was the case that the founders were a mixture of individuals who were: trusted collaborators, and/ or friends of the latter and/or related through blood ties or ritual kinship. In other words, the creators of a specific SA company would not all be family members, although it was usual for members of the same family to participate as founders in the same start-up(s). An indication of networking is also the fact that for nearly over one fourth of companies part of the

founding shareholders were represented through proxies, who were usually well established persons in business and or major shareholders.

The spatial dimensions of entrepreneurial networks involved in the founding of joint stock companies varied. Initially, networks largely had a local basis, such as for example being the case of the seamen who founded the first marine insurance joint stock companies in Ermoupolis. However, it appears that it was not uncommon for local networks to wider business networks. This was especially true in relation to the early large corporate companies such as Archangellos. As for banking groups during their post 1870 heyday it may be argued that they may have given a new meaning to networking: in that they added a. a more institutional, international and perhaps more political dimension to the world of business networks involved in the founding of corporate start-ups(Kostis and Tsokopoulos, 1988).

Another feature of entrepreneurial networks within the nascent corporate sector is that they did not involve exclusively individuals who had the same profession or main business activity. For example, merchant bankers or money lenders would interlink with landowners and merchants. In addition to the fact the founding of a joint stock company was often the product of a conjunctural collaboration within a specific network or even between different (sometimes antagonistic) networks.

Finally, there were cross investments. Already from the early days major shareholders usually participated in more than one start-up. As a rule these were individuals with a broad experience and parallel involvement in multiple (in) formal partnership based business ventures and their cross investments involved other local firms. It is notable that throughout the period under study entrepreneurship in the nascent corporate sector remained embedded in the traditional framework of network based business.

Attributes *i* to *iv* reveal that incorporation as entrepreneurial strategy partly mirrored entrepreneurial strategy in the non corporate sector and complied/ fitted into the status quo /existing conditions. It evolved as a complement to traditional business and not as an independent/autonomous enclave. However, it is also the case that entrepreneurship in the nascent corporate sector displayed a higher degree of flexibility and was less narrowly family based/focused. Hence, the strengths of entrepreneurial strategy consisted in its multifacetedness/multidiversity and in its power of creating businesses that had many uses, were more efficient in scanning opportunities, and were capable of turning in various directions, being easy to merge,

break up, grow or shrink, and able to act both as borrowers and lenders . In the last analysis it opened new paths both within business organizations (internal agency) and in the economy at large (external agency) and to this we now turn.

PART III : INCORPORATION AND INTERNAL AGENCY

Entrepreneurial Initiatives and Evolution in Internal Design/Architecture and Corporate Governance

The Greek historical experience supports the proposition that nascent phenomena, such as the birth of the corporate sector initially have a hybridic aspect. Purer and more definitive forms may rise through evolution.

In the case of Greece the first joint stock company start ups, with the notable exception of the National Bank of Greece (est. 1841) were similar in many ways to large partnership based companies. The Napoleonic Commercial code implanted in 1822/1935 was laconic. It left much leeway to company founders and ‘gaps’ in terms of the organizational design of companies. More specifically, company founders/shareholders were given little legal protection, proper audited accounts did not exist, and there was no strict uniformity. Joint stock company start ups resembled flat organizations with little separation between management and ownership and short term horizons. No minimum paid up capital was specified by law for the operation of an S.A. Each individual charter specified *in situ* the percentage of the total shares that had to be issued following the ratification of the charter.

Over time (circa 1870s/78+) there were signs of a gradual and ‘spontaneous’ move towards a more hierarchical form of business organizations Spontaneous because change was not imposed/initiated from above as the legal framework remained unaltered throughout the nineteenth century (a Company Act was introduced in 1920. What were the most important changes? : i. The designated life span of start-ups increased; ii. There was an increase in paid-up over nominal capital; iii. There was evidence of capital-deepening: i.e. a rise in nominal capital per firm and per

shareholder. And iv. There was a clearer separation in the property rights between ownership and management.^{iv}

The above and other changes were instigated by company founders in an *ad hoc* manner. The internal design/architecture of companies became more detailed; the number of statutes increased and company founders introduced some safeguarding prescriptions such as : the drawing of an annual balance sheet; the increase in the required percentage of issued shares deposited for the operation of a company to commence; the assignment to the board of directors of a clearly defined managerial role; the establishment of internal auditing systems; and the specification by the general assembly of payments made to the board of directors. At this stage it appears that these *ad hoc* changes were more pronounced in high technology' start-ups (mostly banking group based) which had tight ties with the diaspora and international business community. (Pepelasis Minoglou, 2008)

Evolution in internal architecture and corporate governance were interlinked. Indicatively, over time (circa 1870s/78+) there were : i) A shift in power relations between ownership and management; ii) Shareholders increased, at least potentially, their control over the Board of Directors and The Director; and iii) The Board of Directors became smaller in size, indicating a need for more efficient and tightly knit management teams; iv) The Director was less frequently named in the charters, but was chosen by the board members. iv) With increased frequency the charters allowed shareholders to audit the accounts and call extraordinary General Assemblies; v) Shareholder's voting power increased, as measured by the Hilt (2007) index, but it was shared between fewer larger, shareholders. (For more details see: Aivalis and Pepelasis Minoglou, 2008).

It appears that when the Company Act was introduced in 1920, it basically *ex post* formalised the evolutionary changes/adjustments that had already been introduced (from below, i.e.) through the entrepreneurial initiatives of company founders. Further research will hopefully be able to shed more light on the pattern of institutional evolution in Greece whereby the State has rushed to formally introduce a novel institution , but has afterwards shied away from initiating the required

^{iv} The reasons why this occurred at this date and the question of whether there were elements of outside fiat and pressure in the international community are discussed in detail in Pepelasis Minoglou (2008).

evolutionary adjustments for the institution to thrive in the national Greek context. (Apparently, this is a pattern which exists today and has been noted with regard to the introduction of computerization/information systems)

PART IV : INCORPORATION AND EXTERNAL AGENCY

Incorporation and the wider process of change in economy and society

The external agency of incorporation was manifest in the following areas: structural change in GDP; the mobilization of factor markets; the process of state formation; and collective action with strategic impact. The analysis that follows examines each of these manifestations of entrepreneurial agency separately and argues that entrepreneurial initiatives in the nascent corporate sector had (in)direct beneficial long term macro economic/social consequences.

IV. 1. Company births and trends in GDP

As already mentioned the time period under study was marked by important changes in the socio economic background of Greece. In 1830 when Greece won independence from the Ottoman Empire, it was an economically devastated land. In spite of the fact that Greeks have always been a seafaring people, the majority of the population laboured within the confines of the peasant subsistence economy. Exchange was basically by barter. Hoarding was widespread, there were no banks and a modern framework of individual property rights was lacking. By 1909, Greece was in some respects quite a different country. Its territory and population was significantly larger. The standard of living was higher and it had even developed a small industrial core. Mainly as a result of massive currant exports (1873-1896) and post 1879 foreign capital inflows Greece was a much more open economy. The relative contraction of the subsistence economy and the rise of a ‘mercantile’^v type of family capitalism intertwined with a significant expansion in monetization, the use of symbolic money and capital accumulation (Dertilis, 2005; Franghiadis, 2007; Kostelenos, 2007)

What was the contribution of entrepreneurial action in the nascent corporate sector to the economic transformation of Greece ? At first sight one might argue that it was marginal considering that the pace of incorporation (in terms of the number of joint

^v By mercantile here meaning that: commerce and short horizons predominated in business, and that there being a low division of labour, merchants were merchant-entrepreneurs and did not preoccupy themselves only with trade.

stock company start-ups) was low, marked by intense fluctuations and unevenly distributed over time. (Pepelasis Minoglou,2005).

Nevertheless, although the above observation is correct it is also the case that it is perhaps unfair and superficial. If we focus not on the number of start-ups but on the nominal capital and sectoral distribution of joint stock company start-ups the picture changes completely and it becomes immediately obvious that the nascent corporate sector was of large significance in the still young Greek economy.

Indeed, the proxy for market capitalization: namely the total assets (nominal capital) of joint stock company start ups as a percentage of non agricultural GDP it construes that it amounted to almost 10% throughout the period under study (Aivalis Minoglou, 2008). Moreover, from the very first, incorporation was situated at the avant garde margin of the national economy. To coin Leff (1979) once again: incorporation entailed “entry into new activities rather than simply a scalar expansion of the economy” .

The sectoral distribution of nineteenth century joint stock company start-ups did not mirror the composition of Gross Domestic Product (GDP). Incorporation was nearly absent in agriculture, the largest sector in the economy. This is not peculiar either from a global perspective or from a national one, as Greece lacked a landed ‘gentry’. Industry, which at its maximum point (1909) represented no more than 15 per cent of GDP, accounted for 30 per cent of the total population of start-ups between 1830 and 1909. Greek industry was not large, but it was growing fastly as it started from a zero base. ⁷ The lion’s share of industrial joint stock company start-ups were in mining and the few enclaves of knowledge/capital intensive industries (metallurgy, mechanical engineering, electricity production and chemical fertilizers) all branches in which foreign participation/ and or know how were significant. The more low technology areas of food and textiles, which accounted for the bulk of manufacturing in Greece at the time, were not as popular among (corporate) company founders.

Services, the second largest and fastest^{vi} growing sector of the nineteenth century Greek economy, accounted for the vast majority of joint stock company start-ups. ⁸ There was a marked divergence in the composition of the service sector between the nascent corporate sector and GDP. Marine insurance, a miniscule branch of activity in the national economy but of cutting edge significance for shipping, accounted for

^{vi} It is a matter of contention following the revisionary work of Kostelenos (2007) whether services were the first or second fastest growing sector of the economy.

the largest number of service sector company start ups. The financial sector was small in Greece, but the National Bank of Greece, the other mixed banks involved in the printing of bank notes and all of the large banks belonged to the corporate sector. Indeed more than one in ten joint stock company start-ups was a bank.

Although commerce and shipping made up the bulk of services in the national economy, only one in five service sector joint stock company start-ups was located in either one of these two branches. Apparently, in the case of shipping, incorporation appeared exclusively in the technologically advanced emerging area of steam shipping. Incorporation was also the exclusive form of business organization in the emerging capital/knowledge intensive branches which promoted the common good/welfare. (See below Part IV.3.) Before concluding this section it should be noted that the data for nominal capital reveal the existence of an even larger weight of incorporation at the avant garde margin of the economy.

IV. 2. Entrepreneurship and the mobilization of factor markets

This is the area which in a future version of the paper more work will be done. At this stage in way of a preliminary comment I would like to note that in nineteenth century Greece entrepreneurial initiatives in the corporate sector opened new channels for factor mobilization. Capital, know how and skilled labour were scarce goods in Greece and the nascent corporate sector had a higher capacity to overcome capital market imperfections and to mobilize specialised labour which was required for the expansion of physical infrastructure.

IV. 3 Entrepreneurship and the processes of state formation.

In the international literature incorporation is usually discussed within the context of the evolution of modern business and managerial capitalism (Boyce and Ville, 2002). However, historically incorporation as a process has not been isolated from society and politics. The Greek case, in the period under study, is such an example. Let us begin first with the process of state formation and the transition from a pre modern to a modern state. How did incorporation help in this process? It did so basically in two ways.

First, by enhancing monetization, the spread of the use of symbolic money and the formation of a national market economy (Thomadakis,1985). When Greece became a nation state it was a quasi subsistence economy: it had no bank, no national currency

and the market as an institution was very underdeveloped. It is well known that there can be no state without a national currency and a bank to print currency (Kostis,2005). Company founders in the nascent corporate sector played a paramount role in the creation of a national currency, the spread of monetization and the use of symbolic (fiat money). They brought about what can be perhaps labelled as a ‘financial revolution’ at the centre of which stood: the National Bank of Greece (est. 1841) and a complex web of formal and informal banking/financial institutions.⁹ (This story is described in detail in Pepelasis Minoglou, forthcoming, 2009).

Second, all of the entrepreneurial initiatives that served the public interest and which demanded large (foreign/banking) capital outlays and high know how were located in the nascent corporate sector. The most prominent example is the construction of a national railway system under state initiative (1882-1910) (Papayiannakis, 1982). The latter project served not only the formation of an integrated national economy but also the process of administrative centralization; both of which were centrepieces of the process of nation state building in the image of the west. In addition, the Corinth Canal, the urban gas and electricity facilities, the Currant Board, State Monopolies and the National Storage Company were all SA companies.)

IV.4 Collective Action and Social Entrepreneurship

The largest number of grass root organizations were mutual assistance societies, and associations of professional groups most of which were organised at the regional level. Their existence can be interpreted as an indication of : on the one hand the strength of long tradition of the Ottoman based tradition of esnafs and on the other of a growing need of ‘defensive’ collectivization within the petty bourgeoisie (partly as a result of the threats posed to them by the quickening in the spread of big business in Greece from the 1870s onwards).

The second type of organizations were entities that resulted from the collective action of the business elite which went one step further than mutual assistance societies in that they also attempted to create arrangements with strategic impact Here I am specifically referring not simply to the creation of multiple Chambers of Commerce and Professional Associations since the 1880s but to the founding in 1905 of the ‘Company of ‘Shopping Outlets’ for Greek Products’ by a group of industrialists in Athens and Pireaus. The purpose of this joint stock company was the setting up of shopping outlets abroad for the promotion of the sale of Greek manufactured goods

abroad. Two details are of symbolic value: First, two years later, it was at the headquarters of this company that the founding charter of the Greek Association of Industrialists and handicrafts(men)was signed. Second, in the same year and on the eve of the massive demonstration in the center of Athens in support of the August 15 uprising of the Military League, (the so called peaceful bourgeois revolution of Greece or the ‘Goudi uprisal’) a Panhellenic Union of Professional Associations was created which approved the goals of the ‘Military League’. (Varvagiannis,1923)

The phenomenon whereby incorporation acted as a medium for the spread of collective action perhaps suggests the existence of an incipient type of non business/‘social’ entrepreneurship, which after the period under study, was autonomised from the nascent corporate sector and took a more formalised shape with the passing of a special legal framework(Law 181) for such associations in 1914. In brief, to paraphrase Thomadakis (1998): entrepreneurial initiatives in the nascent corporate sector were “*a venue for collective initiatives important for the ‘catching up of Greece a latecomer country’*”.

CONCLUSION

It has ben shown that entrepreneurial initiatives in the corporate sector did not operate in an enclave. Incorporation was embedded in Greek society and economy. Nevertheless, it was different as it embodied a ‘higher level’ of entrepreneurship than what was the case in the traditional world of Greek business.

This paper has argued that entrepreneurship as incorporation was characterised by high flexibility and dispersion of risk. It was an important tool/instrument for managing capital and risk better The entrepreneurial typology which emerged was capable of supporting economic change and enabling the liberation of entrepreneurial energies that were suppressed by earlier forms of business organization. To paraphrase once more Nathaniel Leff (1979) : *incorporation “drove innovation in organizational design and corporate governance; introduced new types of business activities rather than simply embodying a ‘scalar expansion of the economy’*”.

The analyis has also shown that there was some evolution in the entrepreneurial typology. Over time, internal agency became more pronounced (1870s+). External agency (with the exception of collective action) was evident from the start as

incorporation was placed at the modernizing margin of the economy and was important for economic growth.^{vii}

It may be argued here that incorporation reacted/responded positively to the changing needs of economy and society and that simultaneously it acted as a force of change itself. The dialectic between entrepreneurship, economy and society were complex and need to be further explored.

The other central propositions of this paper are that :

Entrepreneurship in the nascent corporate sector was a 'key' factor in explaining expansion of public sphere;

Banks and companies affiliated with banking/business groups were in the forefront of the evolution in agency.

Finally, I here also argue that perhaps nineteenth century Greek case was similar to twentieth century underdeveloped countries in that both differ from developed/rich countries in that their entrepreneurs do not operate in an already well developed institutional/infrastructural environment.

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^{vii} The crucial factors which provoked the post 1870 enhancement of internal agency have not been analysed in this version of the paper. They can be summarised as being: the increase in diaspora (banking) capital in Greece; The trauma of the 1872/3 speculative bubble in mining; Outside pressure especially following the opening in 1879 of the Greek economy to cross border capital flows. It is also a matter of contention how exactly the aforementioned factors and the rise of big business affected collective action in the nascent corporate sector.

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¹ A first effort in this direction is Foreman-Peck and Pepelasis Minoglou (2000)

² However, both of these vestiges of the past were detrimental for entrepreneurship and indeed economic development. The first acted as an obstacle to the formation of a national market and the second dampened the incentive for innovation on the part of the landowning class.

³ A preliminary investigation at the State Archive of Ermoupolis for the years 1865, 1875, 1882, 1886, 1888, 1887, 1890, 1893, 1894, 1895 suggests that this was the case, at the time when Ermoupolis was the leading maritime (and industrial) centre of the Aegean Sea.

⁴ However, what needs to be clarified by further research is the degree to which in the non corporate sector entrepreneurs attained diversification through their simultaneous involvement in multiple single purpose enterprises and/ or through the participation in one or more enterprises, each of which would be involved in multiple business activities.) But, this is an issue which belongs also to the sphere of the history of business organization (See Pepelasis Minoglou, 2008).

⁵ But, many who declared their occupation as landowners were in substance city dwelling merchant/ money lenders or repatriated diaspora entrepreneurs in disguise with large rural properties, who either for reasons of status or in order to downplay their business activities declared themselves as landowners. However it should be noted that 'authentic' landowners were a mixed group: some were merchant landowners as for example in the currant growing areas of the north western peloponese and some were ex ottoman installed potentates (old tzakia). Ofcourse over time this groups became smaller. Also it should be mentioned that following the war of independence some military officers became medium size landowners)

⁶ Sometimes, in a specific joint stock company start-up a business person would have a dual involvement. Directly, as an individual shareholder and indirectly as a member in a partnership (firm) or a bank which was also a shareholder in the same start-up.

⁷ Slightly over half of these industrial start-ups however were in mining.

⁸ And indeed, if we classify the sectoral distribution of joint stock company start-ups not on the basis of the number of start-ups but on the basis of the

nominal capital of start-ups shows that –with the exception of the 1850s- the share of services was even higher.

⁹ Financial entrepreneurship within the nascent corporate sector was polymorphous and was manifested through the creation of banks and non bank financial institutions. By the latter meaning non banks that provided financial services. In fact, one in three joint stock company start ups was a financial enterprise. Non-bank financial joint stock company start-ups operated in complementarity to formal banks and they offered a variety of financial services (basically discounts and deposits). They came under a variety of shapes: insurance firms; commercial or construction companies; mutual assistance societies. There were also two brokerage joint stock company start-ups and one public benefit company established under state tutelage.