**Session:** *Political economy and social issues in historical perspective*

**Migrants, State-Building and Ethnic Networks:**

**Discount Bank, 1936 – 1945 and the formation of Israeli Sephardic elites**

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As increasing dependence of the Greece’s economy on the Nazi economy through the 1934 clearing Agreements pushed Jewish entrepreneurs to emigrate from Greece. At the same time, favorable conditions for entrepreneurship in Mandatory Palestine including a good administration led by the British Mandate; foreign trade and financial liberalism; lowest rates of customs; a stable and fixed exchange rate of Palestine lira towards the pound (1: 1 with free exchange) and Minimal initial capital required for establish a financial institution, attracted Jewish entrepreneurs as Leon Recanati, to emigrate from Greece, to the growing banking sector in British Mandated Palestine.Recanati, equipped with early entrepreneurial experience in Thessaloniki, where he managed the *Fumaro* tobacco factory; and trust-based relations with both family relatives through class-endogamy as well as trust based relations with co-ethnic entrepreneurs who immigrated to Eretz Israel already during the mid1920s, assisted Recanati to both recruit the initial capital required for the registration of the Private Discount Bank on April 5, 1935 in Tel Aviv. The acquired trust from its very beginning guaranteed co-ethnic clientele of depositors came from among the new immigrants from Greece. Both bank officials and clients came from among these immigrants, and the bank even took care of its officials. Transnational contacts with co-ethnic capitalists mainly from Egypt, provided the bank increasing number of large-scale transactions. **(Transparency 1)** Thus, the bank could be considered ethnic = Sephardic bank.

Both Recanati's early experience and the loyalty of his clients - immigrants from his native country, Sefardic Jews from Greece, who recognized his public status prior to his immigration to Israel, president of the largest Jewish community in Greece - but especially his close ties with the Sefardic banking elite in Palestine and Egypt helped the new bank survive the crisis following the Italian-Abyssinian War in 1936, and even intensifying. A large loan received by Recanati from the manager of the Tel Aviv branch of Barclays Bank Joseph Hachmishvili, a member of the Sefardic Jewish community in Jerusalem, allowed the bank to reassure its customers and repay the deposits they required to cash (and deposit in foreign banks) due to panic for money.

The aim of this paper is to present preservation of the ethnic characteristics of Discount Bank over the next decade, following the death of its founder Leon Recanati in 1945. Simultaneously, the paper will uncover the signs of the new multi-ethnic directions that started in 1946, when Harry Recanati replaced his dead father in the Bank nanagement. As is customary in an ethnic venture, Recanati's eldest son was trained among the bank's walls, and among other things was a telephone assistant, filing files in the Bank's archives and then moving to the Department of Foreign Trade. This trend will be extended during the 1950s, when Harry Recanati’s brothers will enter the Bank management.

Based on private archival documents, including two notebooks where the shares’ buyers were registered, the paper will introduce an analysis of the ethnic origin of the bank shareholders following the raising capital for the bank in 1946. While using qualitative and quantitative methods, this paper would be especially helpful to study the phenomena of banking by migrants, or for migrants, throughout state-building phase.

Have processed the registered shareholders into two databases, one of the preferred shareholders by their ethnic origin and the other of ordinary shareholders by their ethnic origin. The analysis was also divided into two phases according to the type of the stocks: preferred stocks and regular stocks. While the first, which are the main component of the company's share capital, give their owners priority over the other shareholders in payment of a dividend at a predetermined rate, the latter, give their shareholders the right to vote at shareholders' meetings.

1. Analyzing the total 51 preferred stocks’ holders according their ethnic origin, reveals its continuing supportive co-ethnic networks during pre-state phase.

 Transparency 1

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| **network** | **total value in Lira**  | **% out of the total preferred stocks**  |
| Bank founders (officers incl.)  | 5710 | 31.1 |
| Diasporic network in Mediterranean basin | 8144 | 44.3 |
| migrants from Greece-Bulgaria private inv. | 2327 | 12.7 |
| Associations of Migrants from the Balkans | 1200 | 6.5 |
| Rural settlements of Greek-Bulgarian migrants  | 1003 | 5.5 |
| **Total** | **18384** | **100** |

The common ethnic network of the stockholders includes Migrant entrepreneurs from the “Judeo-Spanish speaking culture area”, whose origin places were distributed in the broader former Ottoman Macedonia territories/ Greek and Bulgaria territories, including Thessaloniki, Plovdiv, Ruse and even Sofia.

Yet, one could divide these shareholders into 5 main ethnic networks:

1. The managers of Bank discount including its founders.
2. The Diaspora network in France and southern Mediterranean basin, who transnationally identified themselves as “The Mediterranean citizens”. This network included Jewish migrants from Balkan states, mainly, Greece and Bulgaria, who arrived into Egyptian growing cities mainly, Alexandria and Cairo but also migrants who arrived France. These Jewish immigrants, graduates of the AIU schools scattered through the Balkans, traded across the French-speaking Mediterranean, from France to Egypt and Sudan. The prominent investors were concentrated in Egypt, where reconnected with their co-ethnic business elites within the British space deployed in both Palestine and Egypt, between the two world wars. Among these Egyptian businessmen was Ovadia Mercado Salem, born in Salonica (1888) where he was a close friend to Leon Recanati, the late founder of Bank Discount. Following his emigration to Egypt in 1903 he started to work as an errand boy at Beinisch jewelry in Mousky, Cairo. Salem worked for Lloyds Bank before forming with Alfred Cohen and Alfred Perez his Société d'Avances Commerciales S.A.E in 1914. Soon enough Salem became also principal shareholder in the Chemla Department Stores (former Chemla Frères).
3. Sephardic private investors including veteran entrepreneurs, from both Tel Aviv (eg. Mugrabi owners of Cinema Mugrabbi and the capitalist Shlush families) and Jerusalem (eg. Menashe ElYashar, agency of the Copt-owned tobacco firm Maspero Frères, Cairo-based cigarette manufacturer.); Sephardic industrialists: Assis factory of the Bejerano family, of Bulgarian origin; The Manager of Grand Moulins de הטחנות הגדולות של ארץ ישראל בע"מ; Flour and Grain Trading Company Ltd.; Paldorit Cardboard Manufacturing Ltd. by Levi Brothers; As well as Sephardic professional elites as Marcel Bakish, [of Bulgarian origin] a Zionist activist leading the illegal immigration from the Balkans, engineer from Haifa; or the Tel Aviv dentist Eliahu BenForado.
4. Associations of Migrants from the Balkans: Aliyah Co-operative Credit and Savings Association Ltd.; Organization of Migrants from Corfu;
5. Associations for rural settlers: “LaSadeh” Association for Relief of Agricultural Settlers from Greece; Cooperative settlements included immigrants from the Balkans in varied relative parts: Kibbutz Ma’abarot; HaKotzer in Kfar Hittim; Moshav Zur Moshe. These owners expanded the mainly urban Sephardic network into the new rural institution supported sector.

To these groups was symbolically added 1 preferred stock belongs to the Nation-wide Institution: The Jewish Agency for Erets Israel, which officially provided the recently arrived ‘repatriated exiles’ migrants the initial institutional assistasnce.

1. Analyzing the total 132 regular stocks’ holders according their ethnic origin, reveals that beside its continuing supportive co-ethnic networks during pre-state phase, there is a growing prominent part of the new actors.
2. The founders of Bank discount including its senior staff. The bank's management seems to have ensured the following purchasers ordinary shares with the special status of founder:

משה קרסו, הוגה הרעיון לייסד "בנק ספרדי בשביל הלקוחות הספרדים" ויו"ר הדירקטוריון, הרי בנו של מייסד הבנק המנוח ליאון רקנטי, הסוחרים יעקב תג'ר יצחק ארדיטי, יוסף עוזיאל, ברוך פרדו, אברהם אסא, וחיים קרישפין והתעשיינים ליאון בז'רנו ומשה בז'רנו. (שלושת בניו הצעירים של ליאון רקנטי המנוח יעקב, רפאל ודניאל, סווגו כפקידי הבנק, אך לא קבלו מעמד של מייסד. אמם, מתילדה רקנטי, אלמנתו של המייסד ליאון רקנטי, סווגה כ"בעלת בית" - בעלים)

It seems that similar to foundation stocks, the share capital issued to managerial members of Bank Discount in exchange for their efforts in the initiative and promotion of the bank. These shareholders may be the controlling shareholders of the company even if he does not have a majority of capital.

1. Private urban investors of Sephardic origin includes Prominent figures of the Old Sephardi Yishuv as the Rishon LeTzion Rabbi Ben-Zion Hai Uziel; the chief Rabbi of Haifa, הרב נסים בנימין אוחנה ;the Mayor of Haifa Shabetai Levi; Avram ElMaleh, author and journalist; דוד ששון, האפוטרופוס של העיזבון של משפחת ולרו, הבנקאים מירושלים ; Eliahu ElYashar, manager of companies; Sephardic Business Elites from Tel Aviv and Haifa, including Menashe Mani and Mordechai Hasson, Sephardic, managers in Anglo-Palestine Bank Tel-Aviv; Haim Mevorah, the manager of bank Kupat Alia, Tel Aviv; Shlush family members of Tel Aviv; engineers, commercial agents, merchants, officials, lawyers etc.;
2. The above mentioned Associations of Migrants from the Balkans
3. The above-mentioned circle of Associations for rural settlers was widened as also included Moshav Beit Halevi, as well as kibbutzim Ramat HaShofet, Eyal Hagoshrim and Nahshonim.
4. Yet, about 15 per cent (or 2000 out of 13929 stocks, each stock=1Lira) out of the regular stocks were now held by the Jewish Agency for Erets Israel, the nation-wide formal institution of the Jewish population and the pre-state government of the Yishuv.

All these individuals and associations were also partners in “Banim LeGevulam” company that was established in May 1944 by the late Leon Recanati with the presidential of Rabbi Uziel. This company aimed to support Sephardic recently arrived migrants to British mandated Palestine not only to be absorbed into the rural settlement sector but even to attract the old Sephardic urban population to the agricultural settlement in the *moshavim*. Based on unification of the prestige Kadima Club of the Sephardic Tel Aviv elites, and the rural/ agricultural associations for the recently arrived Sephardic migrants mainly from Greece and Bulgaria (the Ladino cultural-area) together with the Jewish Agency, that provided loans, they assisted the above-mentioned settlements to absorb those co-ethnic migrants.

Leon Recanati the late founder of Bank Discount not only renewed internal cohesion among the Sephardic elites, but also pave the way to reduce the needs to rely on the co-ethnic on one way, and strengthened the bank support and provided its financial future even after his death, on the other.

Transparency 2

לעדכן

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| Network | Total value in Lira  | % out of the total ordinary stocks |
| Bank founders (incl. officers)  | 4813 | 34.6 |
| Associations | 2050 | 14.7 |
| Private investors of Sephardic origin  | 1711 | 12.3 |
| Migrant Organizations | 2010 | 14.4 |
| Rural settlements of Greek migrants  | 3345 | 24.0 |
|  |  |  |
| **Total** | **13929** | **100** |

The findings of the empirical study show during this transitional period of the mid-1940s, the senior and preferred parts of the Bank leadership still leaning on the solid foundation of the transnational Sephardic ethnic network. A decade after its establishment, and although the death of its founder and leader Leon Recanati, the bank expanded its ethnic-base support essential in facilitating the accessibility of formal credit sources essential for socio-economic integration of their co-ethnics.

Yet, these findings point out to the efforts of its senior management, including the young generation, to expand the diversity of the ethnic networks of ordinary/regular stockholders in the bank from its diasporic co-ethnic elites as well as "recently arrived" Sephardic migrant elites, to also include non-Sephardic indigenous political elites belong to the pre-state institutional system. It seems that the growing acknowledgement among the second generation of the bank’ founder, that although the bank might be spawned with the support of the ethnic networks, led to aware it needed to become part of the mainstream to grow.

Although connecting to the local cooperative agricultural institutions was done through kibbutzim and Moshavim that included immigrants from Greece and Bulgaria, the common cultural-area for Ladino speakers. Yet Attempt to expand the ethnic network base to nation-wide political institutions seemed successful, as the Jewish Agency became a significant shareholder of the regular stocks. This process indicate that both the chairman of the Bank, Moshe Carasso, who was already a veteran immigrant, and the next generation [of the bank's founder] represented by Harry Recanati, were in 1946, more integrated into the Yishuv life. Consequently they aspire to decrease relying on the co-ethnics for enlarging the ethnic entrepreneurs’ networks. Such Mixed embeddedness or use of multi-ethnic networks by immigrant/ethnic entrepreneurs seemed the best way to broaden the opportunity structures for such entrepreneurs and consolidated the establishment of the Sephardic entrepreneurial elites in the future state of Israel.

Even a decade after its founding, in 1946, the bank's management has demonstrated their ability to recruit capital from their co-ethnic members through the Mediterranean network on the one hand, and co-ethnic migrant members of the spatial nation-wide on the other. The first connected to the entrepreneurial network close connected to the founder, Recanati, while the second connected to the Israeli establishment through co-ethnic immigrants. Both defined the establishing Sephardic elites that make the bank the third in size in the newborn State of Israel, and the largest private bank until 1983.

While Leon Recanati the founder created a private bank to finance mainly Sephardic entrepreneurs, Harry Recanati of the young generation and later his brothers, broadened the ethnic-based private bank, while designing and recruiting it for the benefit of the national project, without nationalizing it.

This is a familiar strategy of Economic Governance suited to what Arie Krempf call “a regime of market nationalism” that is different from a liberal market economy regime.