

# Alfred Beit – South Africa’s great friend and financial genius

Compiled by Geraldine Auerbach MBE, London, Updated February 2023

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## Part 1: Diamonds in Kimberley

### 1. Preface: Why write about Alfred Beit?



Many (or most) writers say that it was Rhodes alone who created the De Beers Consolidated Mines Ltd – or at most – some say it was two men who created the company that would rule an industry and an age. These two men they say are Cecil John Rhodes and Barney Barnato.

However, this book will show that behind Rhodes was Alfred Beit, his special associate and warm friend, who managed the process, working intimately together with Rhodes.

It was Beit who had the foresight and the business acumen, who devised the strategy and who concluded advantageous deals. Beit was trusted by those that mattered both on the diamond Fields in Kimberley, amongst the successful German and British entrepreneurs who were soon to become diamond and gold magnates, and also in Europe, amongst the major bankers and financial agents. It was Beit, who was willing to take risks for Rhodes’ benefit, that ultimately led to success for De Beers. And that success benefitted all its shareholders and investors, and also its ‘Life Governors’ such as Rhodes, Barnato and Beit himself.

I wanted to know more about Alfred Beit and finding no satisfactory book about him, I started reading what his contemporaries had said about him. What I found was so fascinating that I decided to compile their writings and create a volume about him myself.

Another reason for my interest in Beit is that in the 1950s my father bought Beit's original diamond office in Christian Street, near the Big Hole in Kimberley. Inside was still his original roll top desk and beautiful washstand. There were delft tiles around the fireplace and wooden panels on the walls. The desk and washstand and some of the tiles are now still in regular use by my brother and his family in Johannesburg. I wanted to share my findings about Beit with you.

Living as I do now in the 21<sup>st</sup> century, I am no advocate of ruthless capitalism, exploitation, and empire building as took place in the Victorian age. But we cannot unpick history. And from what I have found out, Alfred Beit was a person of high integrity, compassion, kindness and fairness, as well as being a brilliant and generous financier.

His benevolence and generosity were legendary. He gave away many large donations to strangers and good causes and supported his fellows who had fallen on hard times. He never turned anyone away empty handed. In his will, when he died in 1906 at the age of just 53 at his country home in Hertfordshire, he bequeathed large sums in Kimberley and other places in South Africa, in Britain and in Germany particularly for higher education, and funded a trust to establish rail and telecommunications networks in Rhodesia, to complete Rhodes intentions and dreams.

He believed that to succeed you had to bring others to prosperity with you. let us follow his story.

Geraldine Auerbach MBE, London February 2023

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### 3. What his contemporaries said about Beit:

**George Beet** (also born in 1853, the same year as Beit) who knew both Rhodes and Beit, in his book 'The Grand Old Days of the Diamond Fields' published in the 1930s, said: 'The romantic story of the amalgamation of the Kimberley mines has often been told, and full credit for the idea has always, of course, been due to Rhodes, but as yet, few people ever realise that the man who pulled the strings behind the scenes for thirteen years, the ceaseless worker and organiser of a series of grand coups was Alfred Beit, who was always smilingly ready to disavow all credit for them in favour of his friend Cecil.'

**Seymour Fort** who attempted a slight biography of Alfred Beit in the 1930s, points out how he, 'became that rather rare product, a self-made but really unselfish millionaire. ... Beit perhaps more than most men, brought into the business arena the qualities of fair play, generosity and friendship. He was a collaborator, but also a competitor and his strength and skill were such that the weaker inevitably fell before him.'

'Without Beit,' **General JC Smuts** wrote in the preface to Seymour Fort's 1930 biography of Beit, 'Rhodes might have been a mere political visionary bereft of power and of practical creation. As thus inseparably linked to the work and destiny of Rhodes, Beit becomes an historic figure of real importance and will be assured of reflected glory and immortality. His was a personality well worthy of permanent record and of kindly remembrance by the coming generations whom his life has benefitted.'

**Lionel Phillips**, who came to Kimberley from London to work first for JB Robinson, was noticed by Beit who later offered him employment in Johannesburg, said: 'Of all the men I had become acquainted with in Kimberley, none was more genial and kind, none more brilliant in capacity, more bold in enterprise or more genuinely respected and admired than Alfred Beit. His intelligence was keen and his power of decision as great as it was rapid.'

**In his autobiography *Some Reminiscences***, Phillips said 'it is hard now to appreciate the glamour of Rhodes. Rhodes' dreams of imperial destiny, his backstairs manoeuvres and social

manipulations, and his chasing after the will-o'-the-wisp of gold in Matabeleland were seen by his collaborators as magnificent and exciting adventures.' For the boyish and excitable Beit, making things happen for the great Rhodes was the stuff of dreams.

**Gardner Williams**, General Manager of De Beers Consolidated Mines says of the collaboration between Beit and Rhodes, 'The great initiative and business abilities of Mr Beit were heartily recognised by Rhodes ... Beit was largely instrumental in building up the diamond mining industries, and in bringing the dream of Rhodes into practical shape and on business lines.'

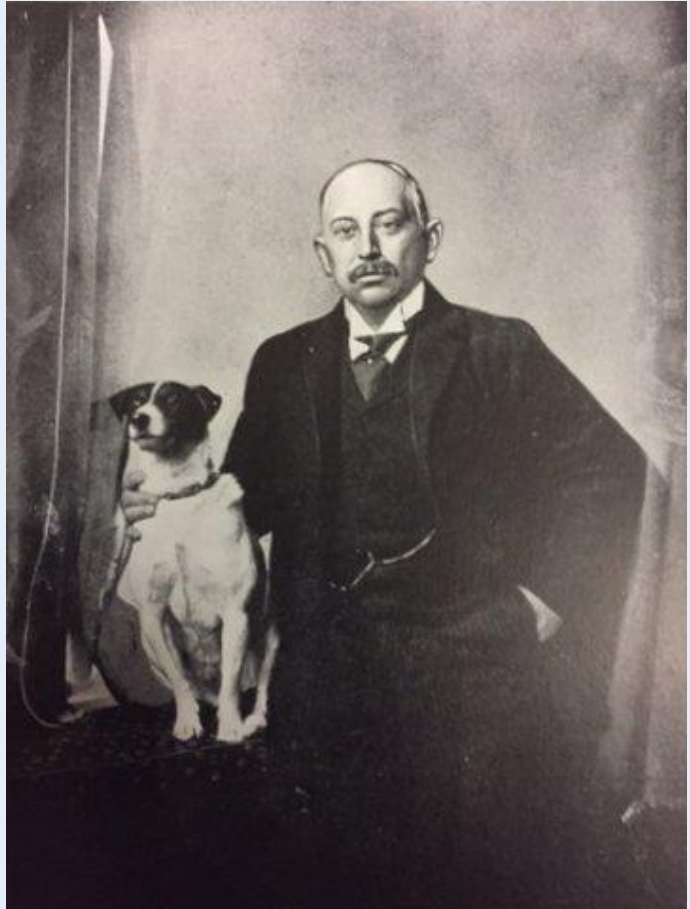
**Paul Emden** in his book 'The Randlords' published in London in 1935, said, 'Beit does not take the place in history which is his due. From the blinding light which Rhodes shed on all around him, some 'reflected glory and immortality' fell on Beit too – but Beit was himself so strong and so influential a personality, that he is entitled to a pedestal of his own. Only with Beit at his elbow did Rhodes find it possible to work the last financial details of his gigantic plan and to prepare for every emergency. Posterity, however, has passed this fact over and had taken no notice of the testimony of those who were close witnesses of this collaboration ... Beit's share has been allowed to fall into oblivion. Together with Rhodes and Barnato he was the founder of the diamond industry in Kimberley. He and his firm were responsible for the opening-up of the Rand goldfields and with Rhodes and Jameson he built up the Chartered Company with its vast expanse to the North. Thus, he assisted in the erection of three pillars of the British Empire. The pedestal of Alfred Beit here (Figure 0) can be seen flanking the doors of Imperial College in Prince Consort Road (on the other side is his partner Sir Julius Wernher). They were responsible for the initial funding of a college for mining engineering and science in London.

**Percy Fitzpatrick** – and some others who knew him very well actually thought of Beit as 'Christ-like!', something that they were almost embarrassed to say – but Beit stirred these feeling in them. Beit had indeed earned himself a rare reputation. He was a gentle, self-effacing, likeable (to some lovable) plutocrat; an exceptional being indeed to rise amongst the dust, dirt and diamonds of Kimberley. And after Rhodes' death, it was Beit and his own legacy that went on to deliver Rhodes' visions in the countries that bore his name.'

## 4. The Right Man, in the Right Place, at the Right Time!

**The Man – was Alfred Beit**, born in 1853, into a Jewish family in Hamburg. He was arguably the single most effective person in the transformation of Southern Africa from a sleepy dry agricultural backwater, into not one, but several modern industrial countries. But you would probably never know it – he hated publicity and preferred others to shine in the foreground.

He did not set out to be a rich or powerful man. He just loved to make things happen in the most effective way to benefit as many people as possible and he relished the work involved. He was popular and attracted business like a magnet. He had an enviable reputation for generosity, integrity and fair play. Nevertheless, when he died at the age of just 53, he was possibly one the wealthiest men in the world.



**The place – was Kimberley** in the desert in the middle of South Africa where this boyish, fun-loving, young German arrived at the age of 22 to deal in diamonds. Kimberley is where he joined the influential French Diamond company, J Porgès and Co and grew into a hugely successful organiser of and investor in mining companies as well a major diamond merchant – and became a great friend and colleague of Cecil John Rhodes.

**Figure 1: Alfred Beit at his home in Park Lane with his beloved pet terrier Jackie**

**The Time – was 1875** when Beit arrived, nearly a decade after diamonds had been discovered in such abundance, near the river and on the farms that became Kimberley. The day of the individual digger was over, and some strong organisation and control was urgently needed in order to make the extraction of them stable and profitable. And this, Beit, working with others, was ultimately destined to accomplish.

Hardly anyone knows the real Alfred Beit, or his role. He is not much mentioned by historians of the period or documented in books, and he himself preferred to be in the background and let others, like his much loved and admired friend Cecil Rhodes, and even the cunning JB Robinson take the limelight.

He was possibly the most successful financier, bringing European capital to South Africa, which was vital to ensure the success of the diamond fields around Kimberley and the deep gold mines of the Rand. He became a representative then partner of the powerful Parisian jeweller and diamond merchant, Jules Porgès, in Kimberley and the co-founder, with Wernher and Porgès of the most successful group of companies on the Rand – called Eckstein's, that came to be known and revered as 'The Corner House'. At the same time, he supported Rhodes in his dreams of British Empire building – of conquering the Transvaal as well as developing the lands to the north of the Transvaal. This extraordinary German, from a Jewish background, ended his days as a British subject. He was a South African legend with a powerful firm, Wernher, Beit & Co with its head office in London, and had built himself a home at 26 Park Lane. Alfred Beit died a bachelor, at his country house, Tewin Waters, in Hertfordshire in 1906, aged just 53. His mother was his chief mourner.

I am going to try to delve a little deeper into Alfred Beit and take us on the adventure that Beit so relished and into which he threw himself so wholeheartedly. I have researched the writings of his colleagues, contemporaries and commentators. In bringing together what they have written about Beit and his times, we are telling the story not only of the significance and personality of Beit himself, but also shining a light on the development of Kimberley, which includes many of the other noteworthy characters and activities that took place in those early days.

## 5. Beit's Guiding Spirit

Beit's guiding spirit was to develop the diamond and gold industries in the most beneficial way for all, and to bring his colleagues, and also, even his competitors, to prosperity with him. His protégé JB Taylor (later a partner in his firm) in his reminiscences *A Pioneer Looks Back* of 1939, said of his nature that 'Alfred Beit had the kindest, most generous, and loveable nature of any man that ever drew breath. One could not help loving the dear man, for he was so perfectly natural and human and had such a broad outlook on life. He was very generous in rewarding anyone who introduced profitable business to him: consequently, most people who had propositions to offer, came to him before going to anyone else. He never bore any malice and never said an uncharitable thing about anyone. In all his activities, he had a most unselfish disposition and also was always thoughtful for others. He never forgot a friend.' He concluded

that 'Beit was the best friend South Africa has ever had. He rendered more practical service to the country than any man I know of.'

One of the most spectacular coincidences of the time was that **Cecil John Rhodes**, also born in 1853, had also arrived on these, the richest diamond diggings ever found, at about the same time. The two men from very different backgrounds, were developing plans along the same lines – both having realised as others had too, that consolidation of the diamond interests was needed if the business was to remain viable and prosper. When they met, a great fire was ignited that lit up the whole of Southern Africa for generations to come.

Rhodes, the visionary, the driver, the charmer and the politician is usually the only one credited with achieving amalgamation of the Kimberley diamond mines. But it was only possible with the help of Beit, the brilliant financial planner, who had the right contacts in Europe, who grasped the possibilities, worked out the risks and the strategy, and who worked with Rhodes all the way – and who made all the deals that mattered. They made an invincible partnership.

Taylor says: 'There is no doubt that Beit fell completely under the spell of Cecil Rhodes who inspired him with the enthusiasm that urged them both to spend large sums of money in developing not only the diamond mines, but also the gold mines and the country which subsequently became Rhodesia; and although at that time, Germany was looking with envious eyes upon the enormous tract of country over which Rhodes openly declared that the British flag must fly, yet Beit abandoned his German nationality, became a British subject and an enthusiastic worker for the expansion of the British Empire.'

Taylor goes on to comment that 'considering how much Alfred Beit did for South Africa, it is surprising how little is known of his activities or of the man himself. 'The present generation does not appear to realise, though Beit's contemporaries knew it 30 years ago, that it was largely due to Beit's initiative and support, that Rhodes was able to amalgamate the Kimberley diamond properties, and create De Beers Consolidated Mines.'

In Part 2 of this saga, we will look at how it was Beit, who saw and grasped the opportunities opening up in 1884 in the early days of the newly discovered Transvaal goldfields (first in the Eastern Transvaal and then in 1886 on the Rand) even though he was involved in the intense battle in Kimberley to achieve the amalgamation of the diamond mines). It was Beit who funded and collaborated with one of the old rascals of the diamond world, JB Robinson, it was Beit who rescued him from financial ruin and funded Robinson as a partner to go and start purchasing what turned out to be very rich gold properties on the Rand. And it was Beit, who through his most important gold mining office – known as 'The Corner House' who set the standards for managing the gold industry.



Beit rose to be a pivotal player not only in South Africa, but on the world stage, conversing with the German Kaiser Wilhelm II, and members of the British government and other world leaders to try to achieve peace and prosperity. Yet Alfred Beit's name and his activities are not as well-known as the more flamboyant characters of Rhodes, Barnato, Kruger and Jameson. This was intentional. Beit was an intensely private man, with nervous mannerisms, eschewing publicity at all turns. He preferred others to reap where he had sown – and what was written about his character was often inaccurate.

Researching through the writings of his contemporaries, such as Sir Percy Fitzpatrick, JB Taylor, Lionel Phillips, JB Robinson, George Beet and biographies by Seymour Fort and the Hamburg University, and other sources such as Brian Roberts *Kimberley Turbulent City* and *The Diamond Magnates* – and for part 2, both Paul Emden's *The Randlords* of 1932 and Geoffrey Wheatcroft's book of the same name from 1985, I have tried to piece together a more rounded picture of the man who was Alfred Beit, his circumstances and what he achieved. But let us start at the beginning:

## 6. Alfred Beit's Family Background in Hamburg



Alfred Beit was born in Hamburg on 15 February 1853 into an extensive family of well-to-do Jewish industrialists, international traders and bankers. He was the eldest son and second of six children of Siegfried and Laura Beit, nee Hahn. His close relationship with his mother lasted throughout his short life and she was the chief mourner at his death.

**Figure 2: Mrs Laura Beit** b. Hahn (1824–1918) Beit's mother, Painted in later life by Leopold von Kalckreuth.

Jews had settled in Hamburg from the early 16<sup>th</sup> century. First it was the Sephardim fleeing Spain and Portugal who were welcomed for their trading skills and connections and contributed to the prosperity of the port city. They were the Jewish elite when Ashkenazi Jews (of central or eastern European background) started arriving from the Rhineland soon after 1600. These also progressed significantly to economic and social prosperity. Although Beit's early biographers liked to claim he had Sephardi origin, research has clearly shown that his ancestry was Ashkenazi

What is interesting in his family history is that in the 18<sup>th</sup> century the Beit family had obtained permission to establish a silver and gold separating and melting furnace in Hamburg. This became the leading establishment in the city refining precious metals and included minting coins and later also refining copper from Venezuela.

The family prospered with the sons showing initiative and scholarship and the daughters making marriages which brought social connections and money. Alfred's uncles and cousins were influential in the German chemical industry, the nitrate business, in printing inks, in coffee imports and in medicine and banking.

Alfred's father Siegfried Beit (1818–1881), went into the original family cloth business, later setting himself up on his own as an importer of French silk fabrics. Siegfried's marriage in 1850 to Laura Caroline Hahn (1824–1918), brought significant family connections to a wide network of wealthy and respected Jewish families of the Hamburg haute bourgeoisie. Laura had ten older siblings, eight of them sisters, whose own marriages created new family bonds with the Robinows and Lipperts, Goldschmidts, Dehns and Wolffsons as well as links to the Melchiors, Warburgs and Rées who were successful in banking, international trade and industry.

But even with this rich background of Jewish support, Siegfried and Laura Beit decided shortly after the birth of their first daughter (and perhaps significantly after the death of Siegfried's parents.) to become baptised. This is mentioned in the German biography in which they said this was possibly to give their children a less burdened life. The 1830s had seen violent riots against Jews. Even in Hamburg the law denied Jews access to certain occupations (for instance, to the craft guilds or the legal profession) and withheld rights granted to other citizens.

So Alfred was brought up as a Lutheran in an assimilated environment. But there is no doubt that his Jewish descent and his family connections underpinned and influenced his career and business activities. (And it is also possible that family intermarriages along the way, may have contributed to his poor health – many of the Beits died young, scarcely any of them reaching the age of sixty.)

**As a child, Alfred** was timid and did not excel at school. He had little self-confidence. After school his parents consulted with various relatives about what to do with him. They decided against higher education and rather to apprentice him to his uncles in Lippert & Co. (He later said that his family were the 'poor Beits' and could not afford University education for him.)

Already, since 1852, the Lippert's of Hamburg had established a flourishing business as wool importers from overseas, including from South Africa. David Lippert, (Alfred's uncle) the proprietor, had sent three of his sons to South Africa, Alfred's cousins Ludwig (1835–1918), Eduard (1844– 1925) and Wilhelm, who founded branches in Port Elizabeth, Cape Town and

Durban - and who were also to play major roles in the development of the country (not always to Alfred's benefit.)

As the wool trade was seasonal, they looked around for other opportunities. Around this time there were growing rumours in Hamburg of promising investment opportunities in the diamond trade, rumours which also came to the ears of Alfred's parents. They reckoned that it would be a good idea for Alfred – who had no clear direction in life yet – to learn something about diamonds so that he might be sent to South Africa too.

Family connections again played a role here, this time the Robinows. Through Laura's sister Pauline, it was arranged to have Alfred taken on by a well-known diamond dealer in Amsterdam. Alfred spent the next year, 1874, at a centre for the processing and trading in these precious stones.

## 7. 1875 Off to South Africa and the Diamond Fields

Having had some training, DJ Lippert and Co sent the twenty-two-year-old Alfred to the diamond fields in the summer of 1875 as an agent for the company. He was described as a good-looking young fellow with brown eyes, dark hair and whiskers. As he had nice manners and was always ready to do a good turn, he soon made friends both inside and outside his business.

There were already several young men from Germany at the scene. These included his cousins Henry Robinow and the Lippert boys, so he immediately felt he was amongst friends and family. Julius Wernher was another young German whom he met when he arrived. Wernher and Beit



became firm friends and later were to form the most successful business partnership. **Figure 3: Alfred Beit as a young man**

Wernher, born in 1850 in Darmstadt to a Lutheran family, (contrary to many writers who talk of him as a Jew). He had served as a cavalryman in the Franco-Prussian war of 1870–71. He was chosen at the age of 21 by the wealthy and esteemed French diamond dealer Jules Porgès, (of whom more anon) to go to South Africa in 1872 to assist Porgès' partner Charles Mege in setting up a branch of the firm of J Porgès & Cie – on the spot where the diamonds had been found in such abundance.



Alfred Beit (with newspaper) and Hermann Eckstein (with riding crop) with friends at the 'German Mess', Kimberley—early 'Eighties'

Having been there for some years, Wernher was already 'established' on the diamond fields and could show Alfred the ropes.

The many cultured, well-educated and astute young German bachelors who had arrived in Kimberley did very well and all became very influential, rich and powerful in the development of the diamond – and gold industries. They quickly established a Club (known as the Old German Mess) where they would gather to take meals together, to play dominoes and to socialise – and of course talk about and do business.

**Figure 4: Beit, with newspaper, outside the Old German Mess, Kimberley early 1880s**

They employed a good caterer and there were German papers and German beer and wine, and best of all, so Wernher said, there was a stove there, so they would be warm in the biting Kimberley winter cold. Julius Wernher says that when he joined the Mess, out of 21 members, he was the only Christian. Beit soon joined the Mess. He also moved in to Wernher's house where there were a few other German bachelors lodging. Wernher describes Beit at that time as 'A joyous lusty fellow of extraordinary goodness of heart and very great business ability, compared to whom we are Philistines.'



**Figure 5: Kimberley in 1875**

This is what Kimberley probably looked like at the time of Beit's arrival. Four mines had been 'rushed' by prospective claimholders pegging their claims and were actively working; the Kimberley and De Beers mines in the Kimberley area, and the Bultfontein and Dutoitspan mines in what became known as Beaconsfield. Tents were giving way to corrugated iron buildings. More than 50,000 people, most of them black, were crowded into what had been open veld not five years earlier. It was said that the smell could be picked up from far away.

The approaches to Kimberley were lined with the carcasses of exhausted pack animals, which had been left to rot where they had perished; the latrines were open ditches infested by flies; and, as water was scarce, taking a wash remained a luxury. It was as hot as an oven in summer, bitterly cold in winter, and swept by sandstorms. When it rained, the ever-present dust disappeared only to be transformed into mud. 'Camp fever' (dysentery) took hold with attacks of diarrhoea and killed large numbers of the diamond diggers. Everyone was plagued by flies and fleas. There were shortages of food, especially fruit and vegetables and even wood was hard to come by to make a fire. The land for miles around, was denuded of trees to sell the wood in Kimberley for the mines and for cooking.

Wernher wrote to his parents about the cacophony of sound – 'shouts, clanging metal, the rattle of the sifting cradles, creaking horse whims, braying mules, the chanting sing-song of the black workers. At night, there was no peace; the hideous howling of dogs was followed by the crowing of a thousand roosters!'



**Figure 6: Beit's first home in Wernher's house 1875**

Once on the diamond fields, Alfred's Amsterdam apprenticeship immediately paid off. From the very beginning he showed an uncanny aptitude for valuing and sorting diamonds. More than merely a knack of knowing what diamonds were worth, it was a flair for examining stones and an extraordinary memory. The story was often told later in Kimberley of how a shady dealer tried to sell an uncut diamond to Beit who recognised it as a stone that had passed through his hands several years before.

When I reached Kimberley' Beit said 'I found that very few people knew anything about diamonds; they bought and sold at haphazard and a great many of them really believed that the Cape diamonds were of an inferior quality. Of course, I saw at once that many Cape stones were as good as any in the world, and I saw, too, that the buyers protected themselves against their own ignorance by offering generally one tenth part of what each stone was worth in Europe. It was plain that if one had a little money there was a fortune to be made.' Beit went ahead and made his fortune. At first, as a diamond buyer for Lipperts, then on his own account, and by 1884 as a partner, and later as sole representative of the great Jules Porgès and Co.

To start with, he became a travelling diamond buyer – colloquially called a 'koppie-walloper', traipsing from digging to digging, buying the rough stones almost as soon as they were discovered. This gave him a good overview of where and how the best stones were being found and who and how they were finding them. Quite soon, he rigged up a canvas 'office' in town, to which diggers brought their discoveries.

Beit soon developed a reputation for generosity in offering fair prices. Because of his honesty and trustworthiness, everyone made a beeline for him. JB Taylor, who later worked in Beit's office and was trained by Beit to become a diamond-buyer for the firm, and gold broker in Johannesburg, points out that it was a great advantage to a diamond-buyer to have the first view of a parcel of diamonds. He says 'We brokers always gave Beit the first chance. Prospectors also always went to him first; so did option holders and others.' Thus, from the moment he arrived on the diamond fields aged only 22, the timid young man from Hamburg, grew enormously in confidence, gathered many life-long friends and admirers and began to show entirely new intellectual abilities. He rapidly became the leading diamond merchant in Kimberley.

Beit was especially popular with the diggers who had difficulty in finding silver coins to pay the weekly wages to their Black workers. To help them, every Saturday, Beit kept a large bag of coins open on the counter in his office. As each digger asked for change either for a sovereign, or for stones sold, Beit would simply say, 'Help yourself'. And leave the counting of the change to the digger. This unexpected gesture of trust on the part of this clever young German won their hearts and they responded by being scrupulously careful not to take a penny more than the exact change. Whatever little he may have lost in cash, it was more than gained in estimation and fellowship.

Seymour Fort, one of his colleagues and biographer in 1932 says 'His sincerity was so spontaneous and stamped upon his every action, both in the social and the business world, and drew all men to him – British and Dutch; rich and poor; great and small. Sincerity positively flowed from him. It expressed itself in the radiance of his smile that denied his unalert, dreamy too solid appearance and revealed the light-hearted spirit within – ever ready when occasion offered to cast responsibility aside and disport itself in an atmosphere of simple gaiety and joyousness.' (What a pity I have not discovered any photograph of Beit smiling.)

JB Taylor told Seymour Fort 'In 1881, when Beit had only a moderate capital, I was assisting him in his diamond business; and I then learned from him the value of generosity in business. Undoubtedly his generosity helped in the making of this fortune for he had always been so kind and considerate with the brokers and had so endeared himself to all classes of men that they would always go to him first with news of the latest discoveries or any useful information; and this in those days was of tremendous value. In return Beit never forgot any one of his friends. Any profitable business he shared liberally. Occasionally, of course, he made a mistake, but if his friends had lost by it, he invariably made it up to them next time. He would not allow an associate to suffer loss through him.

'He carried this policy so far that when his firm floated a company, it invariably found the share capital itself with his friends and colleagues becoming part of the endeavour. The firm never issued a prospectus asking for public subscription, and shares were never given to friends

unless the success of the concern was assured. Beit never refused help to a deserving cause. Everybody knew that they would never draw a blank by appealing to Beit, so he was a target shot at by many. (Not literally as he had almost no enemies). His judgement of men was positively uncanny.

Beit, when a young man, was full of boyish life and amused himself as was possible in those days. He was the soul of hospitality and delighted in partying and giving gifts to his guests as well as those he visited. He retained a child's appreciation for quite simple ordinary things. He was curiously fond of receiving trifling presents and greatly esteemed things like knitted vests or ties that were made for him, though he never wore them. At the few dance halls there, he chose the tallest ladies and ran around them in a comical way.

## **8. Beit's Rapid Progress in Kimberley**

Lippert & Co paid Alfred a salary of £15 a month. In view of the huge possibilities the country offered, a talented man like Beit was never going to be satisfied with this pay for long. Not many years later, in 1878 or 9, he left Lippert & Co for good to set up on his own as a diamond buyer, also buying claims and shares. Wernher, with whom he boarded, introduced him to his boss Jules Porgès and spotting his potential, Beit was invited to operate on joint account in a mutually beneficial way with Porgès and Co.

Beit's first major solo venture was not in diamonds though. He had spotted the scarcity of buildings and was confident that the place would continue to grow. So, he spent his earnings and the £1000 start-up money his family had given him to purchase a site, some corrugated iron and timber, and erected a dozen corrugated iron huts. He let 11 of these and took one himself as his office. The rental income alone came to £1,800 a month. Just a few years later, when the town had grown, and the area was needed for mining, he reportedly sold the site for the handsome sum of £260,000.

Beit took an intense personal interest in all his mining ventures. He was up at six every morning and rode (his large chestnut horse 'Captain') to the mines, to review the progress on his claims. He inspected the plant and talked with his managers and regulated expenditure. In this way, he acquired a knowledge of detail that was to stand him in good stead, both then and later, on the Rand. He understood what was happening and who was doing what, where – and gained knowledge of which areas of the mines were most productive, and the best practices in retrieving the diamonds and later gold.





**Figure 7: Labourers standing amid machinery for washing diamonds Kimberley, South Africa** In this picture above we see what it must have looked like from the outside of the mine:



**Figure 8** is what it was like inside the Kimberley mine in 1875

By 1875, within the 38 acres encompassing the outcrop area of the Kimberley Mine, there were hundreds of independent miners working in their separate claims as can be observed in this picture showing not only the web made by the numerous cables of the active individual rock hoists, but also the depth at which they were already working.

Only after visiting his mining operations did he take breakfast at the German Mess or the Kimberley Club (where he met with colleagues and serious work took place). Directly afterwards, he went to his office, where he remained until late in the evening, taking his dinner again in the Club, or the Mess. These clubs in Kimberley were not only places for dining, but for sharing and swapping the latest local and telegraphic news. It was also somewhere where the all-important share dealing took place, Beit was a big operator there, often on a considerable scale. Beit's day ended at about midnight.

Once a week, regularly, he wrote to his mother. Sadly, these letters are very disappointing to us. They mention only things to do with his mother and family at home in Germany but are strangely void of any account of his own work or life in his new surroundings. No descriptions are attempted, no mention of new friends or acquaintances (Rhodes is only mentioned once). His activities were of the most exciting nature, and amidst a cosmopolitan crowd of keen competitors, he was being regarded as a brilliant financier and a power to be reckoned with, yet the only references to his work activities are in phrases such as 'things are bad' or 'things are doing well,' or 'we have great schemes on.'

**The hallmarks of Beit's business operations** as we will see unfolding, were great organisational talent, clearly defined objectives and a nose for the possibilities and risks before him. He would always insist on assessing any situation on the evidence of his own eyes and mistrusted second-hand information.

He could reduce great complexity to its essentials and make it readily comprehensible. Taylor says, 'In business he was a genius, quick to grasp values and take advantage of opportunities. He had such a quick, clear vision that he always saw your point even before you had actually come to it; indeed, he had already made up his mind and often interrupting you halfway through to ask questions.'

Seymour Fort, Beit's colleague and subsequent biographer, finds it difficult to communicate the supreme financial ability of Beit, which he said was so superb that he can only conclude that he was a genius. He was amazed at the speed at which his mind worked. 'Almost at a glance' he says, 'Beit could explain and reduce to simple terms the complications of a balance sheet or a financial proposition. His mental process in dealing with figures was so rapid and accurate as to be regarded as phenomenal, even by those whose occupations demanded quickness of mental arithmetic.'

'Moreover', he continues, 'he always insisted on examining for himself all the different facts connected with any proposition in which he was concerned – and in the exercise of his thoroughness he would momentarily display an impetuosity that had all the disturbing force of a whirlwind. Books would be thrown aside, papers tossed into the air, witnesses summoned from

here there and everywhere, but directly all the facts had been gathered together, a solution was quickly arrived at and the whole atmosphere restored to summer morning calm.

‘It was in the exercise of his almost instantaneous grasp of complicated detail, in his power of lightening calculation and more especially in the range of his financial imagination, that his genius made itself felt.’ But there was more. ‘Beit was not only a financial genius. He understood people – and whatever the nature of the conundrum – a man’s character or motives, some business intricacy or matter of administration – Beit could by instinct arrive at the heart of any given mystery, and pluck it forth... the right clue out of a dozen competing levels was fastened upon by the intuition that sat behind that domed head.’ And Seymour says ‘I never heard of his being mistaken. ... and not only was it the wisest judgement as events would prove, but also the humanist and most tolerant as well.’



Having Beit as a lodger in his house and a firm friend, Julius Wernher, operating for Jules Porgès and Co, decided to invite Beit – who had such a good knowledge of diamonds, as we have seen, to work closely with Porgès’ firm, the firm supplying the capital and organising shipment of the stones. This was extremely successful and brought Beit in close touch with the famous firm, while he also was still free to operate on his own and buy his own claims in the various mines.

## 9. Jules Porgès (1839-1921) – the person behind it all

Let us look for a moment at Jules Porgès (1839-1921) and the significant role he played in South Africa. If anything, Porgès, diamond merchant and mining entrepreneur supreme, remains an even more shadowy figure than Beit. Yet he was the mighty force and was the backing and drive behind both Wernher and Beit. Hardly any chronicler does more than mention Porgès name, but nevertheless he was the pivotal figure in the diamond – and later gold endeavours.

He was born, Yehuda Porgès, in Vienna to a prominent Austro-Hungarian Jewish family. He was brought up in Prague, where his father was a master jeweller. During the 1860's, he settled in Paris, changed his name to Jules and quickly amassed a fortune as a diamond merchant. At the time of the Kimberley discoveries, Jules Porgès & Co, was already the greatest and wealthiest – and probably the most intelligent and foresighted – diamond firm in the world, with a large stake in the diamond-cutting trade of Amsterdam.

Porgès was quick to recognize that the output from the Kimberley mines in Griqualand West would transform the whole nature and scale of the world market in precious stones and hence in **1871**, he dispatched **Julius Wernher** together with Porgès partner, banker Charles Mege to Kimberley to buy diamonds 'on the spot' and act as his representative on the diamond fields. (He chose Wernher, a young German, as he said the French would not be suited to this job.)

**By 1875**, the yield from the Kimberley mines was so high, and the quality of the stones so impressive, that Porgès himself, reluctantly bid farewell to his sumptuous home in Paris and the things he loved – and set off to the diamond fields where he had to live in a hut of wood and iron.

When Porgès arrived, in **December 1876**, his presence was sensational, and he and Wernher got along famously. Porgès recognised that the future success lay not just in purchasing diamonds or even purchasing good claims – but in controlling the production and also the sale of diamonds. So, they set about developing companies to take over smaller claims and selling shares as well as buying the stones and began organising a syndicate of merchants in Europe.

Porgès and Co had substantial European financial backing and contacts. His brother Theodore was a partner in the private bank of Ephrussi and Porgès. In addition, Jules Porgès was related to the Paris banker Rudolphe Kann. Porgès thus came to play the key, complex, role in the diamond industry, as a producer, financier and merchant of diamonds, *extraordinaire*.

At first, their interests extended to all four of the principal mines (De Beers, Bultfontein, Dutoitspan, and Kimberley) but by 1879 Porgès had come to concentrate increasingly on the richest, the Kimberley mine. He spent £90,000 – a huge amount at the time, on buying claims in the Kimberley mine – ending up owning 10% of the whole mine. This drove up the price of claims steeply. It was Porgès who also decided to – and had the finance to invest in the newly invented and expensive steam haulage and diamond ore washing machines. Wernher wrote to his parents 'We have made a not inconsiderable extension to our business in buying claims, ie in buying part of a mine, and I have had rather a lot to do.'

**In April 1877** Porgès and Wernher set sail for Europe leaving Rube a young German clerk whom Porgès had brought out, to run the business with Mege and with Beit in close contact. In London, their important job was to set up a diamond merchants syndicate who would purchase all the Kimberley diamonds – an organisation that would be able to ration them and keep prices stable – and high. They also floated mining companies.

Wernher was full of extravagant praise for his employer: 'Mr Porgès really is an exception. Resplendent in his happiness, I drive with him in the Bois and am always being invited to dinner. At the theatre, I have the best seats. In short, I am the *Grand Seigneur*.' Wernher was back in Kimberley in November 1877 now as a partner and with instructions to look out for first class bargains.

## 10. Beit Formally Joins Porgès' company (and Julius Wernher) in 1880

In 1880, aware of the successful activity of this bright young man, Porgès offered Alfred, a permanent position in his significant, highly respected and well-heeled company. This was another turning point in Beit's life and fortunes. So, from 1880, the great friends, Wernher and Beit began formally working together at Porgès & Co. With Beit's perspicacity, and nose for an opportunity, not only did they buy a very significant amount of diamonds, and also a number of good claims in the Kimberley mine, but also soon became one of the leading firms that created companies which attracted other European investors into the South African mines. It was their new recruit Beit's task, in 1880, to identify potential in all these fields.

The personalities of Wernher and Beit complemented each another perfectly. They both had a reputation for honesty and integrity as well as great business acumen. Much less physically impressive than the tall, square-built Wernher, nevertheless it was the small but energetic Beit who by his generosity, quickness of coming to a decision and boyish personality, actually attracted the business and interacted with the public more effectively. In fact, in time Wernher



came to complain amusedly, that people thought that 'Wernher' was Beit's first name!

**Figure 9: Julius Wernher left, and Alfred Beit in the late 1890s**

Both were prudent businessmen, but Beit was the more speculative and creative, with greater initiative, whilst Wernher saw to it that all their

enterprises were placed on a firm financial basis with adequate reserves.

No crisis ever found Wernher unprepared. If prices slumped and the bottom fell out of the market, Wernher could sit ready with a huge cash balance prepared to take advantage of any business that might be on offer. When Beit made large purchases of shares at the wrong moment on occasions, Wernher would come to the rescue with the pluck to sell and cut a loss. Wernher often acted as valuable ballast to Beit's more meteoric spirit and enterprise, yet they worked together for years in complete unison. And in their combined effort they reached the highest pinnacle of fame in mining finance.

Later that same year, 1880, Porgès and Wernher returned to Europe leaving Beit in charge of the Firm in Kimberley.



**Figure 10: Jules Porgès with his wife**

Porgès was a man of great elegance and winning charm as well as a shrewd businessman. Fearing that the market would be flooded with South African diamonds, Porgès and Wernher quickly strengthened the syndicate in London, made up of the leading diamond merchants in London, Paris and Germany. Their aim was to buy up all Kimberley's diamonds. (Many of the merchants in this syndicate were also busy acquiring large stock holdings in the mines.) This buying syndicate was one key aspect of keeping the business profitable, even before the achievement of the amalgamation of all the mines under one control would regulate the production and thus selling of diamonds.

### **Porgès Retires from Active Business at the end of 1889**

After the successful amalgamation of the diamond interests, and in the midst of all the volatility with gold in the Transvaal, Porgès suddenly decided to retire from active business altogether (though he was only 53). Perhaps he felt he had achieved his main aims and made enough money. His residence in Paris was located on the Avenue Montaigne, where he housed an important art collection, focusing on Dutch masters such as Hals and van Dyck.

Maybe the unpredictability was too much for him to handle. (Certainly, Madame Porgès was eager for him to build a Palace for her to rival that of the French aristocracy.) By nature, he was cautious, perhaps a little timid of the enterprise and courage of his very able juniors who shortly afterwards took over the entire business. **Figure 11: The chateau that Porgès built** in Rochefort-en-Yvelines



Before leaving Kimberley, Porgès had merged their rich claims in the Kimberley mine with those of Lewis and Marks and founded the *Compagnie Française des Mines de Diamants du Cap* – (the French Company) which would later become very significant in the amalgamation process.



**Figure 12: Jules Porgès with his wife and daughter (seated)**

The handover to Wernher and Beit, was no gift though. Porgès took with him £750,000 in cash and a million pounds in shares with a further £500,000 to be paid to him over the next two years. The new company, Wernher, Beit & Co, was left with £1 million in cash, diamonds and investments, and about £2 million in shares and interests of a non-speculative nature.

Porgès shunned publicity (as did Wernher and Beit) yet it must be recognised that he had a profound influence on the

development not only on the diamond fields in Kimberley and the whole worldwide diamond industry, but later, also on the development of the goldfields and gold industry of the Transvaal Republic.

But despite his predominant position there were no announcements of Porgès' retirement, and no farewell speeches. South African history scarcely mentions him, and there is no biography or painted portrait of him. But it was Porgès the already established and very wealthy diamond magnate, behind both Julius Wernher and Alfred Beit who had provided or found the capital and set the strategy and work in motion. He had chosen his partners well - and with them achieved astounding success.

But let's leave Porgès saga and go back to the story of Beit and how the problems that arose in the diamond fields in the 1870s and 80s were eventually overcome by amalgamation in 1888-9.

## 11. Progress and early problems on the diamond fields 1871 to 1881

When first discovered from 1871, all the diamond mines around Kimberley first appeared as moderate rounded hillocks on the level plain, covered with grass and bush. This yellow friable ground, easy to dig and wash, was what the miners first encountered.

Over the decade 1871 to 1881 the fortunes of the Kimberley diamond industry see-sawed from euphoria to gloom. It was a constant struggle to make digging for diamonds a viable let alone profitable occupation. Originally, individual diggers staked their claims and started digging right next to each other. There were demarcated pathways, but as the 1,600 claimholders dug deeper, problems soon occurred on the borders of the claims. Pathways were undermined and collapsed; carts and wagons slid down.

After heavy rain, the lower claims were flooded and could not be worked. The situation became more and more hazardous and at any minute disaster could strike ruining the chances of further work – or fortune. These difficulties convinced most claim holders that only combinations among themselves could save the industry from ruin. Smaller amalgamations began and continued to take place. But at first, they were limited by laws to no more than ten claims for one person. Also working in an uncontrolled way, overproduction caused the price per carat to plummet, while the cost of mining continued to rise.



**Figures 13 and 14** These pictures taken in about 1873 or 1874, help us understand the size of the individual claims, the ladders, ropeways and workers and the difficulties in actually getting to your claim, and then getting the spoils out. You can see how individual

mining was beginning to be chaotic and dangerous. This was no place for those with a fear of heights. One can only speculate on how many men were injured or killed during excavations, but they must have been many and frequent.





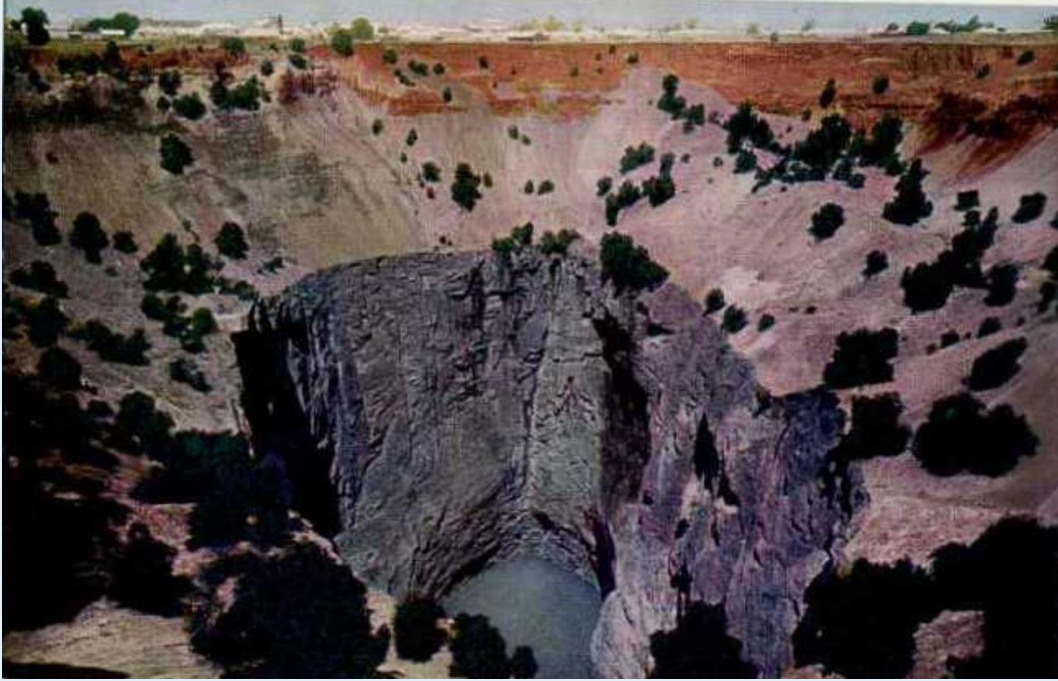
Diggers had no real idea where the diamonds that they found in the friable yellow ground really came from or how they were deposited there. What they found as they dug deeper was that the area of this soft yellow

ground reduced, and also the ground changed colour to blue and became much harder. To many claim holders this was a disaster and they left, convinced that the blue ground was 'the bottom' and the end of the matter.

Others like Wernher and Beit, Rhodes and Barnato soon realised or – learnt – that the blue ground (afterwards called Kimberlite) was actually the source of the diamonds that were forced to the surface in 'pipes'. Those that understood this and had the capital needed to continue in the new circumstances, bought up all the available claims that were over the pipes.

Diamonds were formed over 3 billion years ago deep within the Earth's crust (approximately 90 to 125 miles below the surface) under conditions of intense heat and pressure that cause carbon atoms to crystallise forming diamonds. In certain circumstances they are forced to the surface. The inner shape of a diamond pipe is like a funnel, the diameter of the mine getting smaller as it went down. When the diamondiferous molten rock rose to near the surface, it blew away a larger area of overlying rocks than it had been able to do further down. On reaching the surface, the molten mass naturally overflowed the rim of the hole it had made and spread to some distance beyond it.

You can see this clearly in the profile of the Big Hole below in Fig. 15, where the upper rocks have blown away to form a large cup space where the soft yellow ground was mined, and the beginning of the pipe where the blue ground was found. It was essential to have more elaborate tools and expensive equipment to retrieve the diamonds from the 'blue' – which Wernher, Beit & Co could afford to buy. For others, companies were formed, and shares offered to provide the finance for the equipment needed and to buy up the claims of smaller diggers who could no longer compete until only a small number of claimants remained.



**Figure 15: The Big Hole Kimberley c1940**

### **Claimholders reduce (to 12) by 1879 – then expand again by '81 (to 71)**

**Between 1872 and 1877** the number of claim holders in the Kimberley Mine had declined from 1,600 to only 300. Of these, 20 companies already owned more than half the mine (such as Lewis & Marks, the Paddon brothers, Barnato Brothers, JB Robinson and Jules Porgès with a quarter between them). Two years later, in **1879**, three quarters of the mine was in the hands of only 12 companies. These were companies created by and for the owners of claims, who exchanged their claims in return for shares in the company. Shares were not traded to the public. However, that soon changed, and by 1881 'share mania' engulfed the town.

Julius Wernher reported to his partners that during the first six months of 1881, a great inflated bubble of speculation took place. He said: 'The success of the French Company and flotations by other main groups suddenly produced a frantic scramble to form public companies by small claim holders, desperate for capital to offset their debts. A Stock Exchange, the first in South Africa, was established temporarily at 'Beit's Building'. When the boom began, there had been twelve companies in the Kimberley mine, but soon there were seventy-one, in which £8 million had nominally been invested. The whole of Kimberley took part in these flotations, doctors and lawyers, masters and servants, magistrates and illicit diamond buyers (IDBs). Regular work came to a stop, interest centred in the share market, life was lived at high pressure, and champagne flowed freely. It was Kimberley's heyday.' It was a heyday also for the swindler. The prices of shares rose to absurd heights and plunged dramatically when banks called in overdrafts. Inevitably many companies had to be liquidated, and there were bankruptcies. There were also suicides, one being a friend of the Wernher family.

## 12. Another problem – Illicit Diamond Buying (IDB)!

There was yet another big problem for the legitimate diamond hunters and financiers like Beit and his partners. Amongst the myriad of fortune seekers who had gravitated to the fields, there were those that preferred to take shortcuts. They did not have the finance to buy claims or shares, nor did they relish the hard work of digging or managing a team of diggers. Instead, they waited in dark corners for stones to come to them. Many of these, it seems in the literature, are alluded to as having thick Yiddish accents and coming from Whitechapel.

**Dr Hans Sauer**, who was instrumental in all major activities and worked with or for most of the major players in Kimberley and on the Rand, (especially Rhodes) in his wonderful book *Ex Africa* writes, on his return to Kimberley after thwarting a smallpox epidemic in the town: ‘Here the magic word ‘diamond’ had gathered men women and children of every race and colour under the sun.

‘Adventurers of the worst types of all races abounded, having come to the diamond field with the express purpose of taking a hand in the illicit diamond buying business, a remunerative calling, which was then rampant. It was estimated by the diamond mining companies that at least £3 million pounds worth of diamonds were stolen every year by their employees and sold by them to the Illicit Diamond Buyers.’

It was especially when the yellow ground ran out and the blue ground had to be left exposed to weather in the sun and rain for months, that a huge increase in IDB occurred. Many a diamond was simply picked up by members of the African gangs who were preparing the ground laid out on the “floors”, and swallowed, or put into the nose, ear, mouth or elsewhere without the overseer being any the wiser.

The blue ground, once deposited, remained on the floors without much manipulation, the sun and moisture having a wonderful effect upon it, with large pieces soon commencing to crumble. The ground was continually ploughed to assist in pulverization. Spans of mules were used in 1889 to draw the plough back and forth, but steam traction engines were ordered from Britain and America in early 1890. The length of time necessary for the ground to be exposed before it became sufficiently pulverized depended entirely upon the season and the amount of rain that had fallen. The blue ground from the Kimberley Mine became well pulverized in about three months during summer, while that from the De Beers mine took about 6 months. The longer the ground remained exposed the better it was for washing.

Many and harsh punitive measures were taken to try to stop the natives stealing. Eventually the Cape Government rebelled, saying it could not cope with the enormous number of convictions – both black and white.



DRYING FLOOR FOR BLUE GROUND, CENTRAL COMPANY, KIMBERLEY MINE.

**Figure 16: Drying floor for blue ground, Central Company, Kimberley mine**

The prisons were full and even work on the breakwater at Table Bay (the most popular punishment for the crime) could not absorb any more IDBs. As we know, one of the ways of controlling the stealing of diamonds was **compounding the native workers** for their entire stay. It may be interesting to note that the very first closed compound for black mineworkers was opened officially on Saturday 17 January 1885 by the French Company who were based at the Kimberley Mine. The company marched 110 blacks into the compound from which they were not to leave for six months. Barney Barnato's Kimberley Central Diamond Mining Company's compound for their black mineworkers opened on 27 April 1885.

The De Beers Mining Company only opened their Mine compound on the southern side of the De Beers Mine in 1886, although they did have a Convict Station built in 1884 to house 300 convicts and 25 guards in their mining area. Strictly speaking this station does not qualify as a compound as the inmates were prisoners 'on lease' to the De Beers Mining Company. Eventually Rhodes was to introduce his own 'illegal Diamond buyers' into his compounds to buy back at low prices, stones stolen from his mines – his thinking being that it was better to buy his own diamonds at a cheap price rather than lose them altogether to competition.

Sauer says: 'In 1883 the trapping system was in full swing and nearly every day someone was caught. Many of the trapped men belonged to the Jewish community, but by no means all. Men of every nation took part in the game.' The diamond police had to prove the buyer was in possession of the trap stones and that the seller had the money. If they managed that, the

punishment would be severe – 25 years working on the Cape Town breakwater. Sauer said, ‘One morning, one of the diamond trapping police asked me if I wanted to see some fun.’ He told him to keep his eye on a Cape Cart-and-four standing in the middle of the market square. He says ‘presently I saw a Jewish gentleman coming out of an hotel on the opposite side of the square. He was carrying a large overcoat and slowly strolling towards the cart. Suddenly a police whistle rent the air and at once, from around many corners darted the detectives. He was seized, handcuffed and searched. In the overcoat pocket was found a large packet containing about £200,000 worth of diamonds. He got 25 years’ hard labour – but had he reached the cart and whipped up the horses, he might have got away, as the Free State border was only three miles off, and once across he would have been safe.’ The proximity of the border was unfortunate for the diamond companies, as enormous numbers of the precious stones were smuggled into the neighbouring Boer Republic.

**Louis Cohen** – the illuminating, and oft quoted, chronicler of early Kimberley days, in his picturesque, fanciful and sometimes libellous, *Reminiscences of Kimberley*, describes the stolen diamond dealing scene from all points of view by saying that most writers have written from hearsay evidence, club chatter and prejudice – but he knows it how it is – from the inside. He says that ‘other writers’ sympathies would have been with the loudly proclaimed robbed, forgetting that a large percentage of these same innocents had themselves ennobled the profession of Illicit Diamond Buying, until becoming sufficiently rich, they turned honest, not because they were inclined that way, but because they desired to protect their property against a thieving and undesirable community, of which they themselves had been highly distinguished and successful associates’.

Cohen intimates, ‘if I liked, I could name names that would startle, but not shock you, for the matter is an unspoken truth from Petticoat Lane to Maida Vale, the two first stations before reaching Park Lane, that home of luxury whither so many South African millionaires came to work off their impiety, and which it must be confessed has become more Petticoaty than Parky.’ He goes on, ‘But it does not do to topple down established reputations.’ (Beit had the best reputation for fairness and integrity – as did his partner Wernher so I do not think at all, that Cohen is including them as participants in this story.)

Cohen described the process, that went through four stages. First the stone was stolen by the ‘raw and naked kaffir [a word at that time frequently used in referring to African labourers] (who was not infrequently paid with small gilt medals made in imitation of the British sovereign sterling and inscribed with silly words like ‘gone to Hannover’). Then the stone was sold to the well-dressed tout, usually a Cape boy, a native of St Helena [another name for a coloured or mixed-race person] who in turn passed it on to the eager debased white man, often an ignorant Polish [or Litvak] Jew, unable to read or write [English]. He in turn disposed of it with the greatest facility to one of the licenced diamond dealers who had such keen scents for bargains.’

‘Diamond licences in Kimberley were readily procurable, diamonds easily bought, and nobody bowed more obsequiously than the important buyer as a notorious IDB entered his office. Let it be understood that the respectable merchant was quite within his rights to deal with Fagan’s son; but all the same he knew perfectly well that the goods he was buying were stolen. And as the patronising customer would be leaving the office, the highly-delighted buyer would murmur a humble hope that Mr Grigstein would do him the honour of giving him another chance, as he was always so pleased to see him.’

‘Morally,’ says Cohen, ‘they were both thieves, with the difference that one took a risk and the other didn’t. Some of the ‘big’ diamond buyers too bought the stuff – at considerably under its value – without booking it, thereby chancing five- or six-years’ imprisonment; but it was a mountain to a house against a conviction. They would make the weights in their books tally by taking out the “bort” (a cheap kind of carbon) and substituting the good stones for it. A simple *modus operandi*, and almost impossible to detect. Besides, these men were hardly suspected, in many cases being clubgoers, shulgoers and churchgoers, and naturally loudest in their denunciations of the fallen ones, whom they themselves had encouraged and lured to their destruction.

Louis Cohen goes on to describe the characters of the special corps of detectives who were charged with stamping this out. One of their methods was trapping. On the whole, they were decent sorts, but one especially, Fry, was hated and feared. Cohen says of Fry; ‘A morose unfair man ... he had entered into his duties with a savagery and fervour, quite incompatible with justice.’ Cohen had seen how this man would laugh and glow with pride as some wretched soul, who had succumbed to the popular and prevailing temptation, was dragged amidst the tears and lamentations of his or her relatives to undergo years of torture.

He says, ‘It was the custom of the country. Nobody was ashamed of it, nobody got blamed for it, until the fallen one got “time”, then the others turned on him.’ He continues, ‘Scores of men, I see some in Austin Friars – too cowardly to risk their own skins by buying outright illicitly, would assiduously court the custom of those who were notoriously engaged in the traffic and solicit their patronage. At the local Kimberley hotels and pubs such as Harry Barnato’s London Hotel, every night Cohen would see deals made and diamonds change hands with murmurings of ‘it’s yours for fifty’ or suchlike.

He says, ‘IDB became the chief industry of Kimberley, an exhilarating game, taken all round, excitable, profitable, and not so very risky, unless the adventurer went about with his wits in his pockets. Cohen says ‘the temptations were always staring one in the face. And that if pressed, he himself would rather be an IDB than a prostitute in other ways. Many of the claimholders, he says, commenced their diamond field life as professors of the same art, and when after robbing the Dutchmen of their ground and diamonds, they themselves became mine holders they would

still indulge as they could then say that the stones they had, were found in their own claims (which was even possibly true of stones offered to them!)

Then Cohen philosophically conjures: 'I have not, and never had sympathy with the practice of IDB, and to defend it would be impossible, it was a crime. But really, if you come to look the matter squarely in the face, not such a serious one as first appears. ... it is nearly a harmless crime compared with the methods of thieving indulged in by South African diamond and gold company promoters, who threw their nets and caught in them, to their great glee, the widow, the orphan and shoals of the worlds unfortunates. There are thousands of once bright English homes today where laughter is no longer heard, fires flame not, meat roasts not so that – so that – what? Ah well, so that Melba and Caruso should tickle the ears of legalised plunderers whose artistic tastes are amply rewarded by seeing their names and photographs in newspapers.'

He ends up by saying: 'you can take it from one who knows, I have met a greater galaxy of South African rogues in Park Lane, and other fashionable London squares than ever I saw on the Cape Town breakwater, for I protest that I have known some good fellows sent to that infernal den of groans. .... But, reader, there is not such a great difference between Park Lane and the Breakwater. If you only knew, the same methods lead to either place; and only a bit of bad luck when you take the wrong turning, so it's a tossup whether you're a 'lag' or a magnate.'

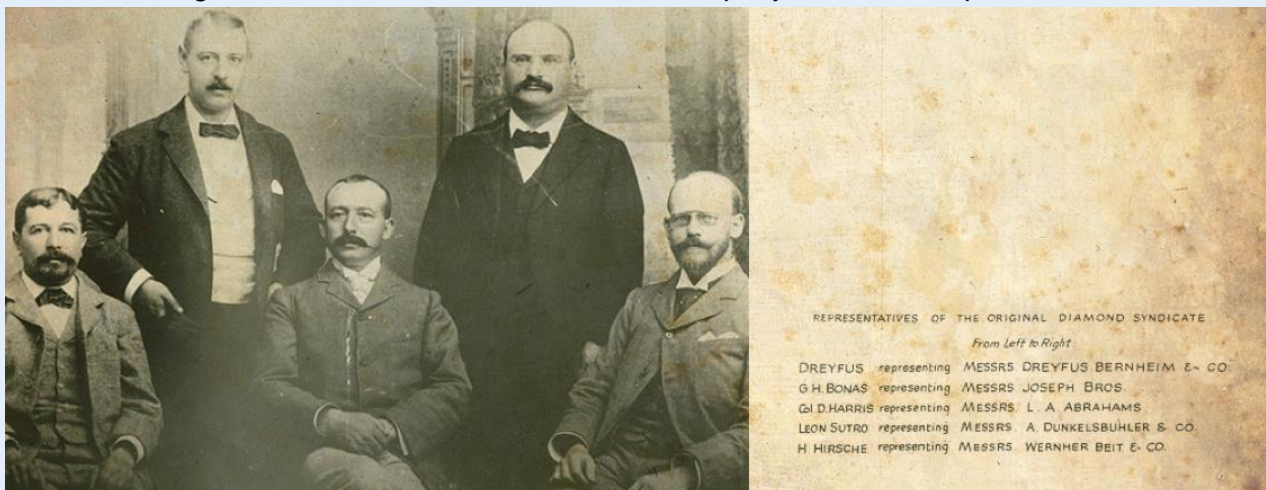
### **13. Wernher comes back to Kimberley 1882-84**

Wernher had been in London running the London office of Porgès & Co since 1880, at the newly built Holborn Viaduct, conveniently close to the diamond dealers of Hatton Garden. He had set up a mining company and a syndicate of diamond merchants to buy the entire output. He and Porgès felt that amidst the indescribable misery on the fields, where diggers were leaving in droves Wernher should be in Kimberley to assist Beit.

They had a lot at stake and needed to be sure that their investors were not disappointed. So, in December 1882 Wernher left for the Cape. During the fifteen months that he was in Kimberley, the firm operated successfully – buying claims in the old 'poor man's diggings' (Bultfontein and Dutoitspan mines) and also, significantly they invested heavily in Jagersfontein – a newly discovered mine in the Orange Free State which produced very good quality stones. This mine is curiously, hardly, if at all, mentioned by De Beers. – why did Rhodes ignore Jagersfontein, a rich and productive mine, nearby, when they fretted about all other new discoveries I wonder – maybe this was because his business associates Beit, Wernher and Porgès, had it sewn up to De Beers' and the syndicate's advantage?

While Wernher was in Kimberley, **Porgès** himself, who was back in Paris, had to travel back and forth to London, at least twice a month to deal with the business, 'returning after dealing with mail and shipments' (as there was no Channel Tunnel in those days').

**In 1884**, four years after Beit formally joined the famous firm, Wernher departed Kimberley for good, leaving Beit in sole charge. Wernher's responsibility now was to run the London office of J Porgès and Co in Holborn Viaduct. His job was to strengthen the London share-dealing business and look after the buyers' syndicate, to buy and sell all the diamonds from the South Africa mines. This London Diamond Syndicate was an informal arrangement and there were stormy arguments with Kimberley over prices, quality and profit sharing. But such a buying – and selling system was seen by the merchants as just as important for a stable and profitable industry as would be amalgamation of all the mines under one company to control output.



**Figure 17 The Original Diamond Syndicate**

The members of the original syndicate, were all Jewish European merchants as pictured below: Dreyfus representing Messrs Dreyfus Bernheim & Co, GH Bonas representing Joseph Bros; Col. D Harris representing LA Abrams (Barnatos); Leon Sutro representing Messrs A Dunkelsbhuler & Co; H Hirsche representing Messrs Porgès Wernher, Beit & Co

This picture of the members of the original diamond syndicate, was supplied to me by Charles Bonas, the great great-grandnephew of Gustave Henry Bonas. The firm is still in the diamond business in London today. It was Gustave Bonas, a Director of De Beers Consolidated Mines, who laid the foundation stone for the Kimberley Synagogue on 31 July 1901. De Beers, which had several Jewish directors, had donated the land in Memorial Road. Major benefactors to the building were Bonas, Harris and Rhodes, and many other residents of Kimberley.

A silver replica of the synagogue was made and presented to Bonas for his exceptional work on the project. Gustave Bonas also built for himself the stunning house no 10 Lodge Road, first



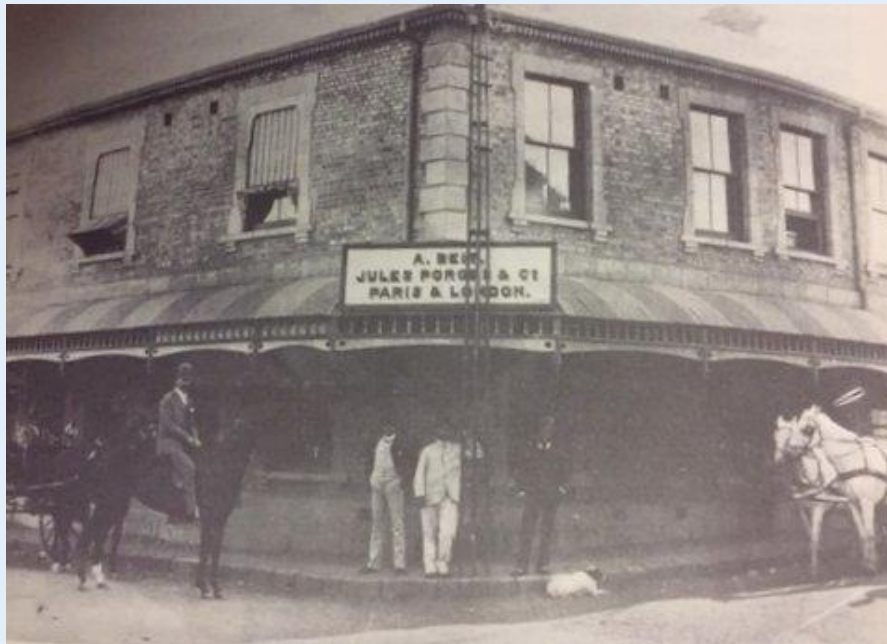
called Lilianville after his wife, and later called Dunluce when Department Store founder and owner John Orr bought the house.

## 14. Beit's Office in Christian Street

Beit's office representing Porgès and Co in Kimberley, was in a two-storey building in Christian Street. At the entrance a pane of obscured glass blocked the view into the interior. A spiral staircase led to the upper floor, where the sorting rooms were. There was a small lift for goods. The sorting rooms had particularly large windows so as to make the best use of the daylight for

sorting the raw diamonds.

They were inspected for their authenticity and quality, both visually and in basins with hydrofluoric acid.



**Figure 18: Beit's office in the Diamond Market Kimberley c 1888**

Beit's roll-top desk stood in a small separate room. My father, (Dr Noel

Kretzmar) found it still there many years later in the 1960s when he bought the building in Christian Street. It still had all its original features and fixtures of wood panelled offices, delft tiles, spiral staircase, and the roll top desk.)

My family in Johannesburg still retain Beit's roll-top desk and washstand and they are on display and in constant use. **Figures 19 20 and 21 Beit's Washstand and Roll Top Desk.**



Alfred Beit Part 1, Diamonds in Kimberley



**Figure 22: Part of a group of Kimberley financiers and claim holders outside Beit's office 1886.**

Above is picture I found in AP Cartwright's book, *The Corner House*. It's part of a wider picture of a group outside Beit's office in Kimberley in 1886. Clearly there is a special reason for this illustrious gathering of British and German financiers, amongst others, Alfred Beit, (allegedly second from left) Barney Barnato, Gustav Bonas, Ludwig Breitmeier, David Harris, Louis Wagner, Duggie Aaronson, Captain Bettleheim, G Taylor, (up the ladder) and Mr Parsons, the Town Clerk, (in the white pith helmet). I wonder what they could have been up to? Charles Bonas has the same picture from his father, and a sort of code as to who is who – but also does not know why they are thus assembled.

## 15. The Inevitable Necessary Solution – Amalgamation

But who could achieve this?

It had been obvious to all for some time, that control of the mines under one company would be necessary to keep production and prices stable and the industry profitable.

There had been several attempts at some sort of amalgamation from as far back 1875 and the Black Flag Rebellion when the diggers themselves had initiated a scheme, which English lawyers thwarted. Their next step was thwarted by JB Robinson. Attempts followed in 1881 and 1882 with international financiers and Cape politicians such as JX Merriman – this time thwarted by Rhodes who was not after an exchange of shares and mutual ownership – but rather under ownership by one single company – and that was to be the De Beers Company with him at the helm!

Rhodes was bent on achieving this – but how? He was very energetic and persuasive but there were so many vested interests. It would need skilful and diplomatic bargaining and business strategy – and lots of money – and he knew his own funds were tied up.

Beit, and his partners, supported by many of his powerful friends, the young Germans, who were all to become major players in the diamond stakes – many becoming millionaires, were also developing plans for creating just such a merger of the remaining companies, as they all knew that only further concentration in the mines could lead to long-term viability. This would reduce operating costs and achieve a much clearer price structure by eliminating competition. These young Germans retained their friendships and business partnerships, over time, moving together on to the goldfields of the Rand. Alfred Beit became their leader in business and gained their support and backing. He 'looked after them' and offered them shares on the ground floor in all his flotations.

## 16. Beit and Rhodes meet in 1879 or 80 and join forces to Amalgamate

**Cecil Rhodes** by 1879 had already entered politics. After Griqualand West had been incorporated in the Cape Colony, he had been elected a Member for Barkly West, and thus had a seat in the Legislative Assembly at Cape Town. He had espoused the most grandiose and almost mystic ideas about expanding the British Empire, which included not only enveloping the whole continent of Africa but the 'ultimate recovery of the United States of America'.

**Alfred Beit** had early recognised the necessity for amalgamation. Like many others he regarded the Kimberley Mine as the most important in any unification plan. Therefore, his initial efforts were directed towards acquiring large interests in that mine. He became a shareholder of most of the important Kimberley Mine companies, concentrating particularly on the Central Company,

which had in fact achieved its dominant position largely through his skilful manoeuvring. 'At first', said a member of the Central Company board, 'He worked through the board – but keeping himself in the background. Under his quiet influence, not only with Central, but with other Boards, the work of absorption into our company continued, until we nearly owned most of the mine.' But not everybody shared Beit's bold spirit. Other directors, including the head of the Central Company, Francis Baring Gould, took fright.

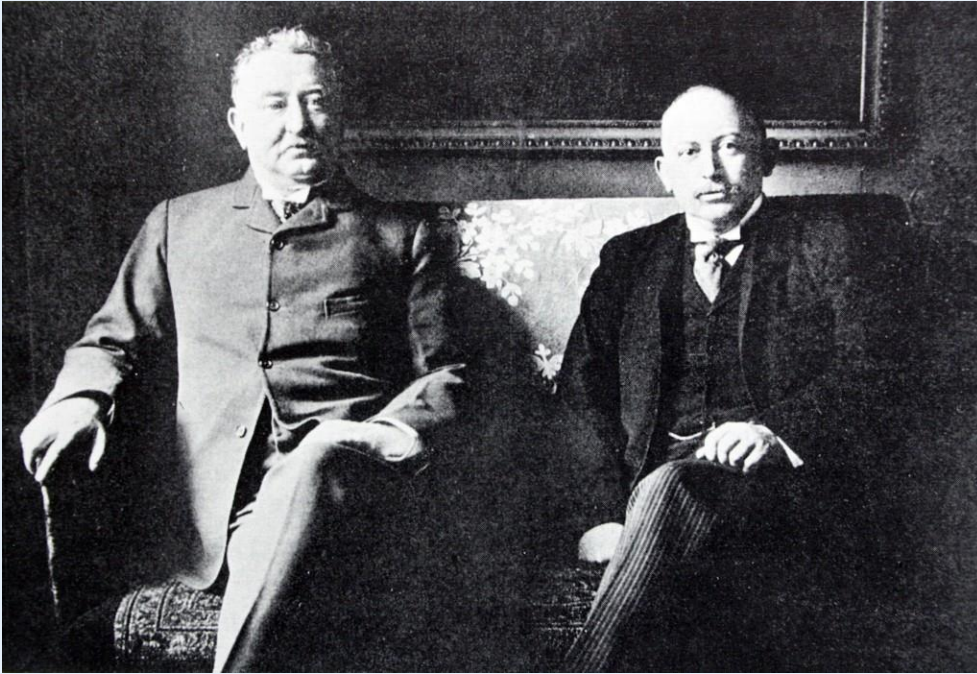
Beit's actions though did not go unnoticed. Rhodes at De Beers had watched the growth of Central and recognised Beit as a man to take seriously. And for Rhodes that meant coming to terms with him – by which he meant winning him over 'on the personal'. Nobody was more completely won over to Rhodes 'on the personal' than was Alfred Beit.

Beit and Rhodes would surely already have known of one another in Kimberley for some time, but they only formally met when introduced 1879 – or maybe 1880 by William P Taylor, a skilled and well-connected young man on the diamond fields, (a part time speculator and brother of JB Taylor, who was later to represent Beit on the Rand). The story goes that Rhodes, soon thereafter, appeared at Beit's office late one evening seeing Beit still at work. When asked by Rhodes whether he ever took a break, Beit is said to have answered 'not often', and when asked about what he intended to do in business, Beit gave the self-confident reply that he was working towards control of the entire diamond output in Kimberley before he was much older! Whereupon, Rhodes is said to have replied that he also had exactly that in mind and suggested that they should join hands in this endeavour. The two men were both 26 years old!

There were a few things they had in common. They both had clear vision and a strong will and great organisational talent. They both wanted to increase their wealth, not just for their own sake, but also for the good of others. But they were very different in almost every other way. Their background was completely different – Rhodes, protestant English; Beit, German of a Jewish family. They looked and acted very differently. Rhodes, was tall, broad and imposing. His piercing blue eyes in his energy-charged face were mesmerising. He was confident, emphatic and persuasive. He loved publicity. Beit on the other hand was unimposing, small with a round, balding head and protruding eyes. He loved being with friends and colleagues, but hated and eschewed being in the public limelight. He had nervous mannerisms, tugging at his collar, twisting his moustache and biting the corner of his handkerchief.

Beit had had no University education. Rhodes had, in 1873, enrolled for a degree at Oriel College Oxford, where he would return each year for his studies (believing that only graduates of Oxford University prospered in life.) At Oxford, his latent, but at that stage ill-formed, attachment to the cause of British imperialism was ignited by the inaugural lecture of John Ruskin which reinforced his own belief in the cause. This concept provided Rhodes with an over-arching purpose in life, from which he never strayed. And in all his endeavours to do this, Beit, his enamoured admirer, was to support him – through thick and thin.

From a practical point of view, it was clear to Beit and his German colleagues, that backing Rhodes, with his Oxford and British establishment contacts, his Cape political career and impressive personality, was the best way of achieving their aim of amalgamation and a stable diamond industry. They might probably have been financially capable of achieving this on their own, however, at a time when Britain and Germany were rivals for power in the world – it would have been politically impossible for the Germans to work in this way in a British colony.



**Figure 23: The Right Hon. Cecil John Rhodes and Alfred Beit in 1901**

Beit's partners, though not enamoured by Rhodes himself, recognised that Rhodes was the ideal leader to back in these stakes –

for a stable and profitable diamond industry.

From Rhodes perspective, he needed the support of the sophisticated Europeans with a large stake in the diamond industry, and who had business acumen and financial contacts.

What transpired though, was not only a fruitful business relationship, but there also developed a warm personal friendship between Rhodes and Beit – which on Beit's part, became almost blind devotion. Beit was completely captivated by Rhodes and under his spell from the moment they met. 'The explanation', Cartwright, says 'may have lain in Beit's shyness. It seems possible that he saw in Rhodes' grand manner, his expansiveness and his ability to persuade men to do what he wanted, the qualities that he himself lacked. He was proud to be recognised as Rhodes' intimate friend. And Rhodes recognised the financial opportunities and strategies that Beit and his associates could bring to the achievement of their mutual aims.

Dr Hans Sauer explains Rhodes' magnetic personality. He had realised, on his return from the Modder River where he had been tasked with setting up and running smallpox quarantine station, that it had been Rhodes who had organised this to protect the diamond workers from the disease. It was Rhodes who had got all the important players on-side to pay for it. It had cost £100,000 – but a small price to pay by those earning millions. Sauer on meeting Rhodes for the

first time said, 'even with the little knowledge I had of him, I felt that he had a remarkable power of attraction for his fellow-men, so that one became fond of him without exactly knowing why.'

## **17. Rhodes and Beit join forces to amalgamate all claims and companies in the four known Kimberley mines 1880 - 1889**

Working together on something they both passionately believed in, was exhilarating for both Rhodes and Beit. They were completely wrapped up in its achievement. They would be seen sitting together at the Club in profound conversation and walking together in deep discussion: Rhodes striding along, tall and moody-looking and the diminutive Beit scampering beside him, trying to keep up.

It was remarked on that Rhodes' and Beit's aims and strategies were so intuitively aligned that there was no need for argument and deliberation. The skills and talents of each dovetailed so perfectly and each had the most appropriate colleagues to call upon – Rhodes in politics in the Cape and in Britain – and Beit in finance in South Africa, France and Germany.

Seymour Fort, says that Beit was always more accessible than Rhodes, who was aloof and impatient – did not suffer fools and was not able to communicate with the common man, something that came so easily and naturally to Beit.

Fort went on to say that 'it is true that Rhodes compelled the minds of those around him, and even possibly the mind of his age, to gather round his Imperial purpose and become its protagonist; but of all those whom he thus inspired to co-operate with him, Beit was the greatest in ability, in loyalty and in character. He alone, amongst the other disciples, possessed the same quality of imagination and visionary power as Rhodes; and he alone could realise in its entirety the purpose of this idealism'. This alliance was always going to be invincible – yet amalgamation was neither straightforward nor easy.

### **Rhodes and Beit first unite all the companies in the De Beers Mine 1887**

Once Rhodes and Beit formed an alliance, things started to move. Brian Roberts in his book *Kimberley Turbulent City* says 'In Rhodes, Beit found a dynamic and purposeful hero. From the time of their first meeting Beit devoted his life to Rhodes' interests. Together they made a formidable team. Beit, the financial wizard who had significant connections in Europe was precisely the man needed to further Rhodes's grandiose schemes. They set the pace; but they were given a good run for their money.' As soon as there was a whiff of amalgamation in the air, insignificant claim owners and shareholders resisted the move and made it difficult by insisting on high prices

Although taking time out of this activity for his studies at Oxford, Rhodes had continued to run his South African business from England through his partner on the spot, Charles Dunnell Rudd.

Their strategy was to **focus first on the De Beers Mine**. Beit, by this time, had also already bought claims in De Beers mine and made a small investment in Rhodes' De Beers Mining Company. Rhodes and Beit were nearing the final stage of mopping up the remaining companies in De Beers, when Rhodes found himself baulked by Francis Oats, a rough-mannered Cornishman, in charge of the large and strategically placed Victoria Company.

Beit arranged a secret collaboration with his partner Julius Wernher in London for Porgès and Co to help Rhodes acquire shares in the Victoria Mining Company on the London Stock Exchange. At last, he was triumphantly able to announce victory over Oats, as the majority shareholder of 60 per cent. As a result, Rhodes's reliance on the financial brilliance of Beit became essential, and everyone was aware of this. 'Ask Little Alfred' was his standard reply (if a bit pejorative in my opinion) when Rhodes found himself faced with an abstruse problem. As well as a triumph for Rhodes, the Victoria deal was very profitable for the Porgès firm. Beit is said to have done well out of it too, and doubled his personal wealth.

Eventually, in May 1887, Rhodes and Beit had achieved what others had only dreamed of: **De Beers was the first mine in the area to come under the control of a single company** – the De Beers Mining Company. Rhodes made Beit a Director of De Beers, so they had a firm springboard to undertake to amalgamate all four (at the time) of the Kimberley mines. (De Beers, Kimberley, Bultfontein and Dutoitspan)

## **18. Now for the Kimberley Mine! Enter Barney Barnato**

The next project after consolidating the De Beers Mine in 1887, was to put their attention to the richest of the mines – the Kimberley Mine (The Big Hole).

Here their chief rival was **Barney Barnato**, a wealthy magnate and something of a genius himself with figures, strategy and at verbal negotiations over a deal. Rhodes may have collected all the companies and claims in De Beers mine – but Barney had been busy too and had collected most of the substantial claims in the Kimberley Mine.

Barnato was one of the most colourful people in Kimberley; much of his success lay in the fact that he was such a character and people simply enjoyed doing business with him. He was born into a poor Jewish family in London's East End.

He was short, noisy, brash, near-sighted, and quick-witted. While he was building a reputation for himself as a 'kopje-walloper' (one who travelled from claim to claim to buy stones from the diggers as they found them). He took up boxing gigs with Payne's Traveling Circus and other companies to subsidize his income.

## Figure 24: Barney Barnato

Barney was very proud of his boxing skills. He also acted a bit, including recitations from the works of Shakespeare. Some audience members were so amused by a 5'3 man with a cockney accent playing Othello or Hamlet that they would laugh out loud, and in one instance Barney jumped off stage, knocked the man out and returned to the stage to carry on with his performance. He yearned for the rewards of high social status – as much as he did wealth and power.



Barnato, who had walked from Cape Town beside an ox wagon in 1872, and whose capital was 40 boxes of stale cigars given to him by his uncle, rose rapidly in his diamond career. First, he bought from the diggers, and sold at the highest possible price (sealing all transactions with both parties taking a swig from a brandy bottle he carried around and/or with one of his cigars.) One plan that paid off for a short while, so it was said, was the purchase of an old mule from another kopje-walloper who was leaving South Africa. The mule followed the route of his previous owner, allowing for new locations and introductions to purchase newly found stones. He first collaborated with his brother and then set up a partnership with the writer Louis Cohen, who became one of the most colourful and most quoted chroniclers of Kimberley of the time.

His business dealings progressed, and it wasn't long before Barney too realised that there needed to be a central body controlling the output and price of diamonds. By 1876 Barney had purchased four rich claims at the Kimberly mine. It seemed a terrible time to make new purchases because most of the yellow ground was gone. Most claim holders believed that the diamonds were only scattered in yellow ground so when it started running out many gave up their claims and left the diggings. But Barney had listened to the geologist Dr Atherstone, who told him how diamonds were formed and pushed to the surface in pipes (as Beit had also found out in his research). Barney basically bet all his money on buying up claims and started to dig the blue soil (Kimberlite) below the yellow. At first few diamonds were found, and then they flowed freely. By the end of the year, they had sold £100 000 worth – a fortune at the time.



Year after year, Barnato purchased more claims and shares in companies in the Kimberley mine, until in 1887 he owned 40%. Of course, success brought notoriety – and people accused Barney of having dealt in stolen stones. He always denied this, and no charges were ever laid. In fact, there is a strong rumour that an illicit stone was once planted upon his firm, allegedly by Rhodes – who wanted at that stage to destroy him – working through JB Robinson, then the Mayor of Kimberley, and a secret employee. That episode resulted in Barney's nephew Jack Joel being arrested and potentially jailed. He left the country instead. Barney was aware that people were plotting against him in these ways.

Despite his youthful tomfoolery of walking into the Savoy Hotel in London on his hands etc, it cannot be overstated how much Barney would like to be taken seriously and accepted in local gentlemanly society. For many years, Barnato had tried, unsuccessfully, to join the Kimberley Club. He could never find a member willing to forward his name, let alone another willing to second such a nomination.

In the decade between 1877 and 1887, he had risen from being a small-time diamond trader with an initial capital of some £20 to the largest single holder of diamond shares in Kimberley, personally owning 40% of the Kimberley mine. Indeed, by 1887, his annual income was some £200 000, making him one of the wealthiest men in South Africa.

At the beginning of 1886, four powerful companies dominated Kimberley mine: Baring-Gould's Central Company which Beit had helped to create and of which Barney had a big stake, Porges' French Company, JB Robinson's Standard Company and Barnato Brothers.

Barnato embarked on an aggressive amalgamation drive in the Kimberley Mine to rival Rhodes' acquisitions in De Beers Mine. Roberts says, that by July 1887, Barnato had managed to buy up sufficient shares in the Standard and the Central Companies to persuade them to combine with his own – creating the powerful **Kimberley Central Mining Company** – which he celebrated in dramatic style with dynamite blasts near the Kimberley mine! This startled many – not least Rhodes. These dynamite shots were aimed right at the heart of his great vision.

But Rhodes was not there to hear them – he was already on his way to Europe for a counterblast.

## 19. The Battle for the French Company

Rhodes realised that only the **French Company** and a few bits and pieces stood in the way of Barnato's controlling the whole of the Kimberley mine. Both camps knew that the deciding factor as to who would control the mine would be the one **who could persuade the French Company** to sell its 90 rich claims in the Kimberley mine to them.

The 'siege' of the French company, which had claims cutting right across the Standard and Kimberley Central claims was about to begin, Barnato and Rhodes started bidding fiercely against each other for shares in the French Company.

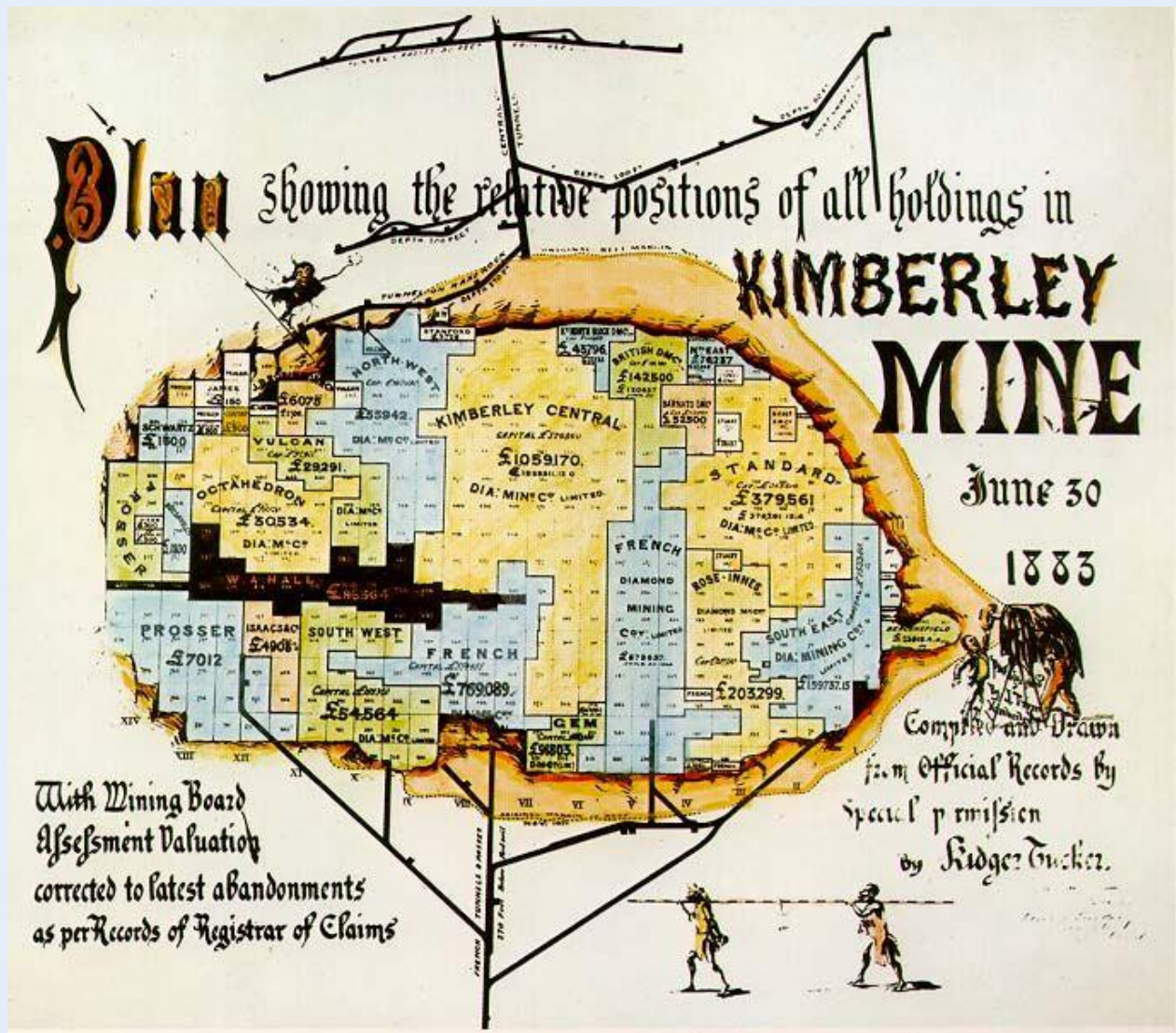


Figure 25: plan of claims in the Kimberley mine 1883

The price of the shares rose and rose. (The French company certainly benefitted greatly from the share buying battle – and remember, Beit was directly involved representing the French Co). It was an advantage to Rhodes that the French Company was represented by Wernher and Beit who were partners of Jules Porgès and presumably had shares in it.

Rhodes made the next move. Using Beit's connections, he secured the promise of a loan of £750,000 from a syndicate of French and German financiers in exchange for a block of De Beers' shares

Rhodes was a rich man, but his money was tied up in assets that he could not afford to give up. **Rhodes, was going to need a large loan.** Beit would fix it. Beit's influence and contacts became paramount for Rhodes. He was able not only to persuade **Porgès** that the Rhodes' plan

was important to back, but also through Porgès, Beit was able to provide, an introduction to Nathaniel de Rothschild in London, head of Europe's wealthiest financial house and an active speculator in diamond shares. This meeting between Rhodes and Rothschilds was endorsed by Gardner Williams, an American mining engineer well known to the Rothschilds, whom Rhodes had hired in May 1887 as the General Manager of De Beers. (Rothschild was already very interested in mining propositions in South Africa and on the lookout for good prospects.)

Rhodes and Gardner Williams, hastily set off for London in July 1887. Williams had at Rhodes' request, already compiled a full report on the diamond industry, stressing the advantages of amalgamation under Rhodes. The meeting with Rothschild in London went well. Rhodes succeeded in charming, or at least convincing, Lord Rothschild, who apparently said: 'Well, Mr Rhodes, you go to Paris and see what you can do in reference to the purchase of the French Company's property, and in the meantime, I shall see if I can raise the million pounds that you desire.' (Rothschild looked to make a profit of at least £100,000 on the deal.)

Beit's partner, Jules Porgès, in Paris had already been convinced by Beit that amalgamation of the mines under Rhodes would be a sound financial move. Therefore, he recommended to his fellow directors that Rhodes' offer of £1,400,000 for the remaining shares in the company be accepted. Rhodes, confident that with Beit's help he could raise the balance, was delighted. Two days later, in Paris, a deal for acquiring the French Company appeared to be virtually complete, and Rhodes' London representative, Philipson-Stow, gleefully said to him: 'We have the Kimberley crowd by the throat' (meaning Barnato?)

However – not quite so! The sale was only provisional and had to be confirmed at a meeting of Shareholders. Suspecting what Rhodes might be up to, Barney had acquired a substantial interest in the French Company. When he heard of Rhodes' proposed offer he lost no time in countering it and topped Rhodes' bid for the remaining shares, by £300,000. He told the meeting of shareholders in an impassioned speech that the Central Company would pay £1,700,000 in cash for the French Company. This together with the shares he held, would put him in a very strong position.

But, as Brian Roberts, author of *The Diamond Magnates*, and *Kimberley Turbulent City*, says, 'it was not quite strong enough'. The French company told Barnato that the directors had made a provisional agreement, and that he, like other shareholders, would have to abide by it. Barney was not prepared to do any such thing. On 21 September, he called a meeting of all the Kimberley Shareholders, at which he told them of the better offer and with a wealth of facts and figures convinced them that selling to Rhodes for a smaller amount would not be in their interests.

Cecil Rhodes was getting stiff opposition and was quick to scent danger. On his return to Kimberley he went straight to meet with Barney to try to persuade him not bid against them as Rhodes said, he would always bid more as 'we shall have it in the end'.

Barnato was not impressed. As Roberts says, 'why should he have been? He knew the difficulty that Rhodes was having in raising purchase money. Both knew that Kimberley Central was just as valuable as De Beers.' Rhodes was wise enough, however, not to top Barnato's bid.

Instead of bidding higher, Rhodes graciously bowed out of the race – at least that is what he appeared to do! Much to everyone's surprise, not least Barney's, Rhodes agreed to hand over the French Company.

### **Rhodes made Barney Barnato an offer that sounded like an amazing deal.**

If Barney agreed to let De Beers buy the remaining shares in the French Company unhindered, for the £1,400,000 they had offered, then Rhodes would immediately sell all the De Beers' shares in the French Company to Barnato for just £300,000 in cash, (the amount that Barney had originally overbid Rhodes) and the rest would be paid in shares in Kimberley Central!

Barney was thrilled, and believing he had been the victor, quickly agreed. The deal was closed. Roberts goes on, 'Barney should have known Rhodes better. He should have known that Rhodes and Beit would not act without a calculated motive. He soon discovered what that motive was. By seeming to give in to Barnato, Rhodes had achieved something he had long been angling for: he had gained a firm foothold in the Kimberley mine. He would have one fifth of the shareholding in Kimberley Central. Now he was in a position to block Barnato's moves in the Kimberley mine, while Barnato was powerless to act against him in De Beers.'

Rhodes subsequently liked to boast of his genius in pulling off the deal: But the real architect behind the deal was of course, Alfred Beit.

### **Kimberley Mine v De Beers Mine**

In any amalgamation, the controlling interest in one mine would have to yield to the controlling interest in another. Who could hold out longest? The gloves were off and now the battle between the two mines started, this time it was to buy shares in Kimberley Central, which, since it had combined with the French Company was even more valuable – and very expensive. Now both Barnato and Rhodes used tactics Rhodes had used before and both speedily increased production in their mines, causing yet another disastrous depression in the price of diamonds, against ever increasing costs and share prices.

**It was touch and go and could have ended in disaster** – for either – or both of them.

The whole future of the diamond industry depended on success in controlling all the mines and therefor the output of diamonds on to the market. But who would have that control, and what would they do with it?

In February 1888 Beit and Rhodes held a council of war in Cape Town. Rhodes argued, if only we had the pluck to undertake it, we must succeed. Beit agreed. Barnato was not giving in and both continued their buying spree despite the price of diamonds not even covering the cost of production.

Rhodes realised that to get a majority shareholding in the Kimberley mine would cost dearly – at least two or three million. To Rhodes's concerns about how to finance this new phase of the enterprise, Beit is said to have answered: 'We will get the money if we can only buy the shares.' Beit himself put up £250,000 with no strings attached. The rest Beit obtained from international financiers including Jules Porgès, the Rothschilds of Paris and London, and Rudolf Kahn, the head of a powerful financial house in France.

A host of legends later circulated about their struggle. Rhodes himself relished such tales. Certainly, there were protracted disputes over the valuation of their properties. The shares were oscillating up and down and there were moments of sheer panic on either side. Rhodes still did not have a majority holding. 'Thus' said Julius Wernher 'the balance of power lay in the hands of Messrs Barnato'.

While the disputes continued, speculators drove share prices in Central and De Beers ever higher. By March 1888, the market value of the mines had soared to nearly £23 million. De Beers' shares worth £3.10s in January 1885 reached £47. It was getting out of hand. They both realised this. It was now time for a charm offensive. Rhodes made overtures of friendship to Barnato – but Barney remained obdurate.

Barnato Brothers were rich and had major properties in all the mines, but they were *personae non gratae* with the other large mine-owners. They saw that if they became part of the consolidated company, they would lose control of their properties and be simply shareholders with no control of the direction of the company. Hans Sauer who knew them both intimately says: 'After some hesitation, Rhodes offered Barney a seat as a Director of the Board of the new company when formed. Much to his surprise, Barney refused a directorship and declined to come into the scheme'. On Rhodes inquiring the reasons for his obstinacy, Barney explained that a 'Director' did not go far enough because the boards of joint stock companies were in part renewable every year at the Annual General Meeting and he felt certain that he would not be re-elected when his turn came. Sauer continues: 'This view of his was undoubtedly correct, and Rhodes had to admit it.'

The answer that Rhodes ultimately came up with (possibly with Beit's help) that clinched the deal, was offering Barney a 'Life Governorship' that would end only with death. This was not just an honorary position, but one that carried a large amount of shared profit of the company. Barney accepted this solution plus other offers of respect and friendship from Rhodes and thus **finally Barney Barnato agreed to throw his lot in behind Rhodes.**

**It's interesting for us to consider the dynamics of the feelings** between these major players. Beit clearly loved and even idolised Rhodes. Rhodes admired and got on well with 'Little Alfred' whom he relied upon. There was a warm bond between them. Rhodes was not liked by Wernher whom Beit had to convince to follow Rhodes' plans, but Wernher only did so because they made business sense. Porgès was no special friend of Rhodes and had nothing to do with Barnato – but followed Beit's judgement as to how to succeed in the amalgamation as he was so heavily involved in the diamond industry. Barnato, admired and respected Beit. Beit neither admired nor even liked Barnato. Rhodes first tried to destroy Barnato but then decided, for business reasons, that he needed to make friends with him to achieve his aims of amalgamation under De Beers. At first Barnato was suspicious of Rhodes and hated him, but later became a keen disciple of Rhodes, proud to be his business partner, and became a key player and supporter in De Beers Consolidated Mines Limited.

## **20. The background of the Jews who came to South Africa 1870 – 1920**

Porgès, Beit and Barnato were from a Jewish background, Rhodes and Wernher not. It would be worth taking a moment to consider **the situation of Jews who came to South Africa at that time.** Geoffrey Wheatcroft in *The Randlords*, published in 1985, comments that the story of European Jews in the three or four generations between emancipation and catastrophe is extraordinary. He explains that England saw only a small part of the episode: in the 1870s the key players in Kimberley from London; eg the Isaacs (Barnato) Joel, and Harris family members grew up poor, but not poverty stricken, in a society that was escaping from the Ghetto. They belonged to a community of fewer than 50,000 **Jews in England** who had not been harassed or restricted (by continental standards). There were no constraints placed on their progress and Disraeli (born a Jew) could become Prime Minister and another Jew, Sir George Jessel (to whom Barney Barnato claimed to be related) became Master of the Rolls in 1873. Lionel Phillips who later joined Wernher, Beit & Co came from a slightly higher rung on the social ladder, being the son of a modestly well-off merchant. None of them had higher education, and what they had was old fashioned, they said they were taught more Hebrew than English. But they were free to travel and seized the opportunity.

Wheatcroft goes on to explain that in the 1870s, the great mass of Jews still lived in **Eastern Europe** – in Galicia, Hungary, Romania but most of all in the Russian Pale of Settlement, the

Baltic States of Lithuania and Latvia and in Poland. Here they were still unemancipated spiritually as well as physically, living in their own communities, the *shtetl*, dealing with gentile society for commercial purposes, but severely segregated from it both by choice and design. They practiced their own religion, managed their own administrative and legal affairs and maintained their own cultural traditions. They wore distinctive dress and spoke their own language – Yiddish. They were severely restricted in where they could live and what they were allowed to do for a living and often persecuted. It was a society sustained by a strong sense of community which changed little up to the time that many managed to migrate out of it between the 1880s and 1920s – and then it was destroyed in the Holocaust. Those Eastern European Jews form the majority of those now living in South Africa, in Britain and America. Most South African Jews came from Lithuania or Latvia.

By contrast, the earlier Jews who came to Kimberley in the 1870s and were to become magnates, such as Alfred Beit, Adolf Goerz, Eduart Lippert, Sigismund Neumann, George Albu, Max Michaelis, as well as various brothers and cousins were German Jews. The situation of Jews in Europe, West of the Elbe, was very different to that of their brethren in the East. The nineteenth century saw the process of emancipation well underway. It had begun before the French Revolution in the 1780s, when Joseph II of Austria freed the Jews. The French Revolution accelerated the process. The ghetto was opened and not closed again.

In this new Western Europe, Jews were highly educated, rich in languages, and were soon ascending giddy heights, they excelled, not only in commercial, intellectual and artistic life – but also in public life. This was an ascent which reached its pinnacle in Vienna at the turn of the 20<sup>th</sup> century. Karl Marx wrote: ‘The Philosophers have only interpreted the world in various ways; the point is to change it.’ In fact, as Marx wrote the words, he and fellow Jews (Freud, Herzl, Rothschilds; Disraeli) were starting to change the world, and in some ways, to run it.

And yet, revolutionary liberalism went hand in hand with nationalism and Jews who were the first to benefit from the overthrow of the old customs, were to find that the new nationalism was a worse enemy than prescriptive injustice. This became steadily clear in Germany throughout the 19<sup>th</sup> Century as hatred of Jews became more widespread, outspoken and dangerous. The great financial crash of 1873 which began on the Vienna Bourse took place just as the young magnates-to-be were moving towards the diamond-fields. A good few of those who had grown rich before the slump were Jews, like the ‘Railway King’ Strousberg, and the collapse led to a new wave of anti-Jewish feeling.

The German Jews who went to Kimberley were well aware of this. They were not persecuted as they might have been several generations earlier and as they would have been two generations later, but a good many of them knew what it meant to suffer on account of the racial feeling of *Judenhetz* (social ostracism and hatred of Jews). They could not guess what the future held in their own country – nor the twist in which they would stimulate Jew-hatred in England.

‘What happened in South Africa’ Wheatcroft says ‘was a small part of the effervescence of Jewish genius. Their rise to positions of eminence in the fields of science, culture, arts and business as well as all fields of public life, was an astonishing phenomenon, across the western world, comparable with other collective explosions of genius – Periclean Athens, Rome at the end of the republic, Quattrocento Tuscany; Elizabethan England – but more impressive and stranger than any of those. And Jews whose genius expressed itself in the art of finance were the objects of particular hostility; not only Strousberg, but also Bismarck’s banker Bleichroder, the Sassoons, Guggenheims, Rothschilds. In France Jew-hating was to culminate in the Dreyfus affair.’

And so too in South Africa. Wheatcroft shows that there also, the Jews were accompanied or even preceded by the usual generalisations. The stereotype of the ‘boer-verneukers’ (those who took advantage of or swindled the credulous Boers) the ‘kopje-walloper’ who walked from clam to claim, buying newly dug stones or the Illicit Diamond Buyer was ‘a Jew from Whitechapel or Poland’. Such attributions are found in early memoirs and in many fictional descriptions. There was certainly an influx of Jews from London and Eastern Europe before and especially after 1881 when new persecutions started in Eastern Europe. However, despite popular beliefs, most Jews in Kimberley were not light-fingered kopje-wallopers. By 1873 there was a settled community in Kimberley which established a congregation and in 1876 opened a synagogue for worship. And in contrast to another fable, only a few became millionaires; there were far more losers than winners on the fields.

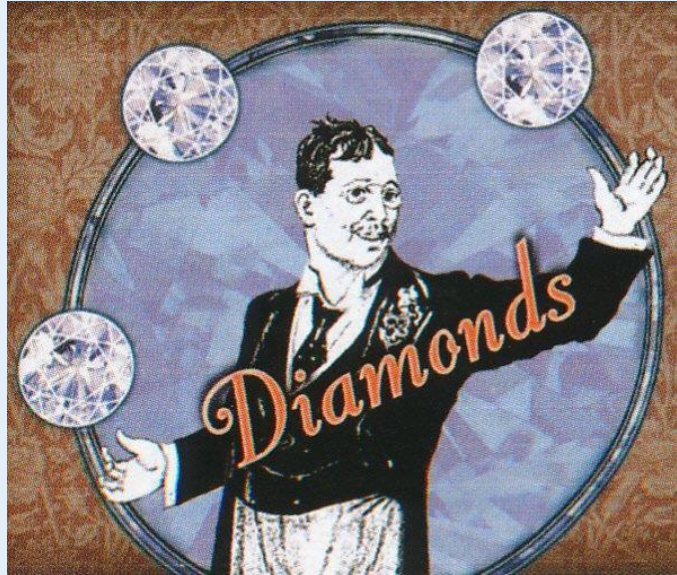
## **21. Getting to Barnato – ‘on the personal’**

It is understood that, during the final stage of negotiations, Rhodes offered Barney Barnato all sorts of emoluments to encourage him to abandon his own scheme of amalgamation, which centred around Kimberley Central Mining Company, and to throw in his lot behind Rhodes and De Beers. Besides offering him riches as the major shareholder of the new De Beers Consolidated Mines, Rhodes, as we have seen, also offered him a perpetual fortune as one of ‘life governors’ of that company, which he said would soon be “worth as much as the whole of the rest of Africa’. And to sweeten the deal even further, Rhodes also promised to ensure that Barney would be elected to the Cape Legislative Assembly and, perhaps most importantly, Rhodes promised to help Barnato secure membership of the Kimberley Club, adding: ‘I propose to make a gentleman of you.’

It was noticed in Kimberley that Rhodes had become increasingly friendly with Barnato. They met for drinks; Rhodes entertained Barnato daily at the Kimberley Club for lunch, despite the disdain with which other members regarded him and his flashy habits.



Barnato could not ignore such generous and respectful inducements and was proud to be seen as an important associate of the mighty Rhodes. Barney increased his own fortune vastly pre-amalgamation, buying and selling shares, whichever was most lucrative – and Rhodes, borrowing heavily, increased his holding in the Kimberley Central from one fifth to a majority of three fifths. Only at that stage, in March 1888, when Rhodes/Beit had a majority, did Barnato agree to give up his shareholding in Central in exchange for gaining the largest shareholding in De Beers.



**Figure 26: Drawing of Barney Barnato**

There was still the matter of agreeing the De Beers Trust Deeds. The amalgamation was not as far as Rhodes was concerned, merely a business venture. He saw it as a means to accomplish his political ambitions. The new company was to provide the money he needed to pursue his vision – of all Africa united under the British flag! Barney, on the other hand, wanted none of that. He objected to such grandiose notions and argued in favour of restricting the terms of the company's Trust Deed to business activity. This difference of opinion was a main feature of the battle.

The story goes that eventually, after weeks of negotiating, there was a long day and night of deliberation, starting at the Club and continuing at the sprawling, corrugated iron roofed, cottage that Rhodes shared with Dr Leander Starr Jameson. The combatants were, Barney and his right-hand man, his nephew Woolf Joel on the one side, against Beit and Rhodes on the other. The four of them argued all night becoming tired and irritable – but neither side gave in. Rhodes produced facts, figures and maps and used all his persuasive powers on Barnato, impressing him with the possibility of the fabulous wealth to be gained from exploiting other parts of Africa.

'Aren't those just dreams of the future?' asked Woolf Joel. 'Dreams don't pay dividends.' 'No, my friend,' replied Rhodes, 'they're not dreams, they're plans. There's a difference.'

## **22. Amalgamation at last! 1888 – and a legal upset!**

Eventually by early morning, weary and bleary-eyed, Barney Barnato agreed to give up the Kimberley Central shares in exchange for De Beers shares and that the new company's profits

could be used for British imperialistic expansion. Barney is reported as saying: 'You have queer ideas. Some people have a fancy for *this* thing and some for *that*. You have a fancy for making an Empire. You want the means to go north if possible. Well, I suppose we must give it to you.' Rhodes got his way.

Barnato is also reputed also to have said afterwards, 'The worst of Rhodes is that when you have been with him for half an hour, you not only agree with him, but you come to believe that you have always held his opinion ....You can't resist, you must be with him!'

And so, the future of not only the international diamond industry – but of nearly half a continent was decided early one morning, in a dusty corrugated iron house in Kimberley, a town not yet 20 years old, by four men – none older than 35!

Amalgamation certainly saved the profitability of the diamond industry. But not everybody was happy. There were mud slides and rockfalls in the two smaller mines and a disastrous fire in De Beers Mine. Unemployment was huge as Bultfontein and Dutoitspan mines were closed after amalgamation because of the falls and to stem the overproduction of stones. Economic depression engulfed the town. Rhodes and Barnato were burnt in effigy by angry Kimberley mobs. Eventually, Kimberley settled down to a stable, less exciting and romantic town, revolving around one axis, the moving spirit, the generous employer and the universal benefactor – De Beers. But almost all of the wealth of the diamond industry was sucked straight out to rich investors in Britain and Europe.

### A legal upset to amalgamation!

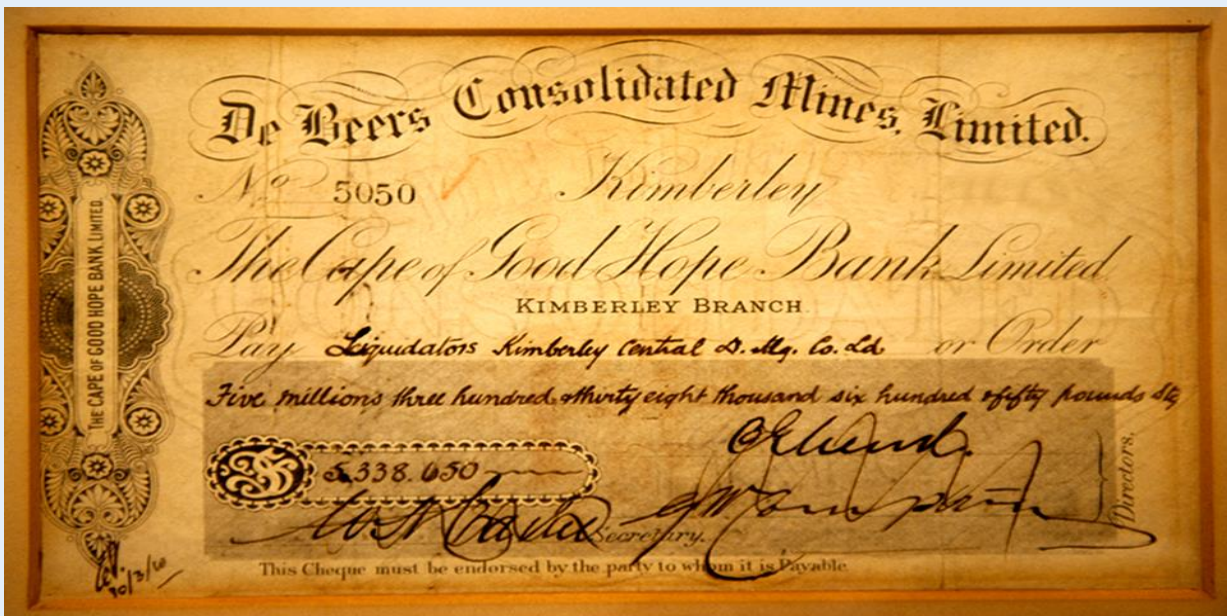


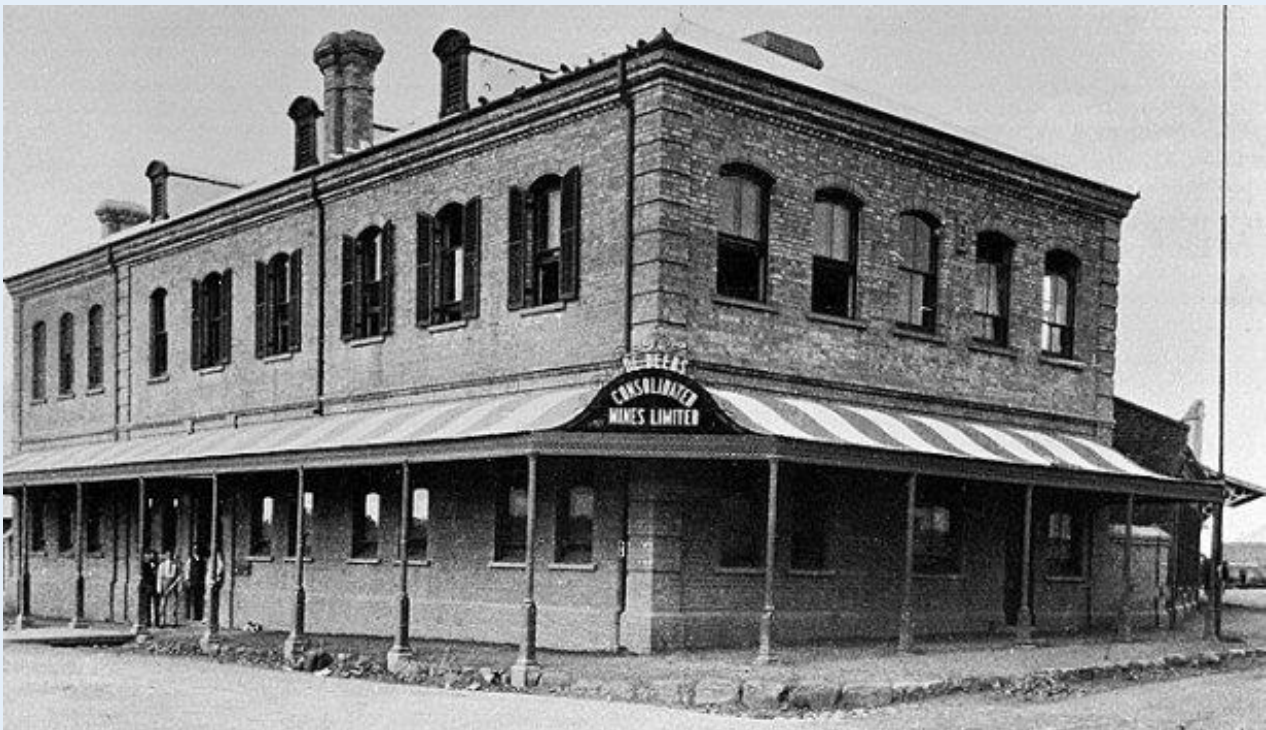
Figure 27: The De Beers' cheque for £5,338,650

There was almost a legal upset to amalgamation! Several minor shareholders in Barnato's Kimberley Central Company were not in favour of the planned amalgamation and tried to halt the

merger in court, explaining that a merger could only happen with two similar companies, and Rhodes' company's aims were clearly very different. The court found in favour of the shareholders. But the Chief Justice also hinted at a possible solution. To work around the ruling, Barnato and Rhodes, who already controlled most of the shares in Kimberley Central, and who both wanted to amalgamate, were able to voluntarily liquidate the Kimberley Central Company. De Beers Consolidated Mines, Limited, then purchased all the assets – writing the largest cheque ever written up to that time – and for quite a long time after for **£5,338,650**.

## 23. De Beers Consolidated Mines Ltd and Rhodes' speech

The new amalgamated concern was called De Beers Consolidated Mines Ltd – with Rhodes as its Chairman. It was incorporated in March 1888 with a modest capital of £100,000 worth of shares at £5 each. The trust deeds, drawn up later gave, Rhodes all he wanted. His victory was complete. He was however always ready to acknowledge that it was mainly due to the skilful and steadfast support of Alfred Beit who was able to persuade the Rothschilds in London and the French and German financiers of the value of the property. His contemporaries knew this too, but to later generations Beit's self-effacing preference and readiness to heap the credit on his friend Rhodes, allowed another story to surface.



**Figure 28: First Headquarters of De Beers Consolidated Mines, Stockdale Street.**

The new company's assets were considerable. It owned the whole of the De Beer's mine, three-fifths of the shares in the Kimberley mine and a controlling interest in both Bultfontein and

Dutoitspan. Barnato had the largest amount, nearly 7,000 shares in the new company; Rhodes, 4,000. Rhodes called on the remaining shareholders to surrender and join the company and triumphantly proclaimed his determination to make De Beers ‘the richest, the greatest, and the most powerful company the world has ever seen’.

Rhodes needed to offer rich and continuous rewards to the key investors who helped create De Beers Consolidated. To this end he had invented the role of ‘Life Governors’ for himself and Beit as well as Barnato and those that had built up the original major companies in Kimberley Mine Phillipson-Stow and Baring-Gould. They would each be entitled to a share of the net profits after distribution of a 36% dividend. He justified this huge remuneration, against protests, by saying that in affairs of this magnitude you needed ‘four or five men to whom you make it worth their while to devote a great portion of their time to it, not men who would be wanting to take quick profits but who would be in it for the long haul.’ (We can see Beit’s philosophy shining through here of bringing others as partners to prosperity alongside you.)

The first annual general meeting of De Beers Consolidated Mines was held on 31 March 1888. In a remarkable speech to the shareholders, Rhodes outlined the struggle and the result. He spoke without notes for hours and held his audience enraptured. Towards the end, he referred to the ‘poorer mines’ Dutoitspan and Bultfontein. He said that De Beers intended to make them fair offers ‘which they would be advised to accept’ (which of course they ultimately did).

At the close of that memorable meeting, Rhodes proposed a vote of thanks to Beit, stating that ‘they owed the firm he represented £250,000 which Mr Beit had paid out of his own pocket for Central Shares, though he declined to charge either commission or interest’.

Beit then, as ever a man of few words, replied that when he saw the necessity and desirability of getting that control of the Kimberley mine, he put his whole heart into it – and after a while, it got to be a matter of sport, and then he went into it still more heartily!



**Figure 29. De Beers Consolidated Mines headquarters in Stockdale Street with added Balcony and colonnade on the left – more or less as it still is today! (2022)**

**Rhodes' Speech on Amalgamation**

Rhodes was a mesmerising and persuasive speaker, though his voice was excitable and a bit squeaky. As part of his speech on amalgamation, Rhodes said: 'Gentlemen, in putting this resolution to the meeting I might state that when I said to you last year we had completed amalgamation in De Beer's Mine we really thought that we might rest from our labours. We had the whole of De Beers Mine under our control; there were a few interests left, but we felt so perfectly sure that we should obtain them that we said to you, the shareholders of the De Beer's Company: "The De Beer's Mine is amalgamated, and our labours are done."

'We had what we believed to be the best paying mine of all the diamond mines – we firmly believed this, other statements to the contrary notwithstanding – and we felt as your Board that we were perfectly satisfied with the result of our labours. But a change came over our scene. We obtained new managers and new engineers, who pointed out to us...that by a system of underground working there was practically no limit to our production...we felt we were only just beginning diamond mining again...the same engineers who told us this, also informed us that Kimberley Mine could yield the same result, could put out almost the same number of loads. It was a simple question of sinking shafts, continuing tiers of galleries, one under the other – what might be called constructing one house under the other – and the capacity of the output was practically unlimited...

What had we to face? One of two things: either an arrangement with Kimberley Mine, or the control of Kimberley Mine; otherwise so far as I was concerned, I should have sold my shares and gone home...we approached the controlling powers in Kimberley Mine in every possible way that you could conceive. I valued De Beer's Mine at a great deal higher than they valued it; but I was willing to give way in everything, to accept market rates in order that we might obtain an amalgamation which meant control, which meant the saving of our industry. Gentlemen, I was met simply with smiles and the most obdurate statements...

'You know the story of my getting on board the steamer at Cape Town, going home, and buying the French Company within twenty-four hours, and the excitement caused thereby. But it was only the beginning of the matter. When we had bought, and placed a value on the French company, immediately the controlling spirits of Kimberley Mine declared it was worth more, and competed against us. The process had to be gone over again, and someone had to hurry across the water and once more deal with the same facts. But to make a long story short, by fair discussion – and I may say so, whatever outsiders may contend, by fair discussion I was able to

settle with the Kimberley company in so far as the French Company was concerned, and the settlement finally obtained by me was in a great measure due to the action of Mr Barnato.

But I only succeeded by the following arguments: I told them, you can go and offer £300 000 more for the French than we can do, but we will offer another £300 000 on that; you can go on and bid for the benefit of the French shareholders ad infinitum, because (I said to them) we shall have it in the end, as we consider it is of vital importance that we should obtain the control of the Kimberley Mine.

‘All we possessed was a fifth, but a fifth is a beginning; and after a good deal of consideration, in which, I must say, Mr Beit of Jules Porgès & Company was of the most material assistance, we decided one morning that we would buy a sufficient number of Kimberley Centrals to give us control. That was a big undertaking and meant two or three millions of money. But we said, “If only we have the pluck to undertake it we must succeed. Don’t let us go to the shareholders. If we fail they can only make us personally liable!” I said at first, “Where’s the money to come from?” But Mr Beit just said, “Oh, we will get the money if we can only buy the shares.”’

And of course, it was Beit who got the money. He roped in Porgès and he in turn contacted Rodolphe Kahn, head of a powerful finance house in France and he, with the Rothschilds of Paris and London provided the bulk of the money. (Beit himself put in £250,000 as Rhodes mentioned, with no strings attached.)

‘...Gentlemen,’ Rhodes continued, ‘in your speculations in De Beer’s shares, you do not know the risks you have been through. It was not until we decided to buy a controlling interest in Kimberley Mine that we were safe. Well, Mr Barnato settled the matter at last. He yielded finally...(and) settlement gave us control of the Kimberley Mine...our ambition is to make this company, the richest, the greatest, and the most powerful company the world has ever seen.’

This speech, which runs to some 9000 words, was, like most of his speeches, not written, but spoken as it came into his head. At the end of the meeting the shareholders, who had accepted the amalgamation, voted £10 000 to Rhodes, and £5000 to the other Directors, but Rhodes refused, saying in his declining the proposal, that the shareholders should thank one man – Alfred Beit.

### **Beit, Remembering Rhodes’ Speech in 1901**

A few years later, in 1901 Beit went on a pioneering trip to Mashonaland, the territory to the north of the Transvaal which Rhodes had ‘declared’ as his own for the British crown, to examine the area (for minerals). Beit called upon Percy Fitzpatrick, the young but very experienced transport rider and great organiser of trips in those kind of terrains, to manage his expedition.

Rhodes had also invited a party headed by Lord Randolph Churchill – the potential next British Prime Minister – to see the riches of the country for himself . (Fitzpatrick was later to become Beit's employee and then partner in Eckstein and Co, 'The Corner House', in Johannesburg).

During this trip, Beit had ample opportunity to reminisce with Fitzpatrick over the campfires on the long trek. One of his favourite topics was to go over the wonder of this particular speech of Rhodes. Fitzpatrick says that jogging along one day he asked Alfred Beit a question about a well-known orator he was reading about. Fitzpatrick says; 'To my utter amazement, Beit's answer was: 'The best speaker I have ever heard is Cecil Rhodes.' At the time, Fitzpatrick had hardly met Rhodes, but had read all his speeches, and whilst being a believer in him and his ideas, he had regarded him as anything but a good speaker; he said, 'in fact, I confessed at once that I was extremely bored by his dogmatism and unbearable repetitions. Beit was extremely amused by the warmth of my criticism, and simply bubbled with laughter saying: "Wait till you know him, then you will understand." He explained that he was not talking about oratory or style but what he meant was that Rhodes was the most *convincing* speaker he had ever listened to. "Time after time I have known him to talk his audience round and convince them; but I think the most wonderful example was at the time when the consolidation of the diamond mines was completed, and De Beers was formed.'" He spent most of the rest of the journey enlarging to Fitzpatrick on this subject of Rhodes and how emphatically he was able to win all the shareholders of De Beers to his own way of thinking.

What Beit showed was, that the long process of amalgamation was not only a great financial and political achievement, but also an exciting romantic adventure packed full of dramatic ups and downs, nail-biting reversals and advances and huge financial risks, of which the outer world knew nothing – and of which the results were not certain. It had not simply been a battle between Rhodes and Barnato – but had all the twists and turns of a thriller. The adoption of the De Beers Trust Deeds by the shareholders was by no means a formality or a forgone conclusion, as Fitzpatrick had imagined. Beit gave him 'numberless details to show how vitally important it was that Rhodes won over, not just Barnato, but all the shareholders so that they became thoroughly convinced and carried the amalgamation by an overwhelming majority.'

## **24. After the Speech**

Beit described the effect of this particular Rhodes' speech upon himself, he, knowing everything that had happened, better than anyone. He was nevertheless fascinated by the story as Rhodes unfolded it to the shareholders, as a child absorbed in a fairy tale. Step by step Rhodes swept him along as though he had never heard the story before, and when he reached his conclusion, the enthusiasm was tremendous, and even those whose views had been gravely in doubt, and who had definitely refused to commit themselves, became as demonstrative and enthusiastic as

any. The vote was passed in a tumult of applause and Rhodes himself was mobbed and overwhelmed by enthusiastic shareholders.'

Beit went on to say, 'You know, he does not like scenes like this. He does not show his feelings much, people often misunderstand him because he seems so casual and indifferent, even gruff and rude, but I knew quite well that he was feeling that occasion far more than many of those who gave way to demonstration. He shook hands with enthusiasts when obliged to do so, but tried to dodge it and shoulder his way through the crowd. He was not at all uncivil, but clearly wished to avoid demonstration or be looked up on as a hero.'

What Rhodes did do, to wind down from that enormous high and show his feelings, was to seek out his trusted friend and collaborator, Alfred Beit, and leave the room rapidly with him. He set off down 'Pan Road at a great pace and with purpose (Beit struggling with his short legs to keep up) all the way to the De Beers Compound where his natives (Black mine workers) were accommodated! Beit said: 'He never stopped; never spoke; never looked up once until we got to the gate. Of course, he was recognised at once and admitted and the moment we were inside some of the natives saw him and gave a shout of greeting to the Great Inkosi, for they all knew him, he was a frequent visitor to the compound, and they loved and trusted him. Then for the first time he turned to me and said: "Got any money on you?" '

Beit continued: 'Now I had thought that the day would wind up with a little celebration and probably a game of poker, so I had brought from the office a little chamois-leather bag containing fifty sovereigns. I produced this and began to untie the bag, but he just reached out with his left hand and took the bag from me. By this time hundreds of natives were flocking up to greet him. I will never forget the look on his face; the indulgent kindly smile, as a parent regarding his children. He tipped the bag over and poured a few sovereigns into his right hand and scattered them widely amongst the crowd. Of course, there was tumultuous excitement and laughter at what they regarded as the indulgent fancy of their great father, and when the lucky ones found that the coins were sovereigns, there was the wildest excitement'. Rhodes repeated the action until the bag was empty. He then lost interest and dropped the empty bag at Beit's feet; then turned round and walked out without another word.

Fitzpatrick asked Beit if he had ever been reimbursed! Beit laughed affectionately and said he never thought of it again and was quite certain that it had passed completely from his mind. And said, 'But that was nothing; it was worth that and much more to witness the incident.'

The walk back to the Kimberley Club was of the same character, Rhodes striding silently along, until halfway there, he turned to face Beit and said, 'And tonight they will talk it all over with their wives and tomorrow they will sell like hell!' To Fitzpatrick's query as to whether they did, Beit



laughed heartily and confirmed this saying: 'Things happened exactly as Rhodes had foreseen; his judgement of men, and even women in these matters was amazing.'

Fitzpatrick countered that Rhodes had convinced them that share prices would rise – and actually, prices immediately fell. So, it could not have been such a good judgement. He reported that, 'Beit, more amused than ever, shook with laughter and said: "Yes, yes, but it carried the meeting and we secured the amalgamation." And sure enough, after the immediate market reaction righted itself, and the diamond interests got to work, Rhodes' most optimistic forecasts were more than justified.

When Percy Fitzpatrick asked Beit how he dealt with Rhodes's increasingly rude and overbearing manner and said 'you must have found him difficult at times', Beit snapped back instantly: 'Not at all; Never! It is true that you have to know him, but when you know him he is perfectly splendid. Some people take offence at his manner. Sometimes he is rude and sounds dictatorial, but that only means he is very much in earnest and hates to waste time. He does not suffer fools gladly; but then one cannot do that and do the enormous amount of work that he's got on hand. But in all the big things he is wonderful, and he is one of the most generous and kind-hearted of men. I have found him the best in the world to work with, and I think he is satisfied (with me) too. We get along splendidly.'

Fitzpatrick said, 'There can be no doubt whatever that Beit was Rhodes financial genius, and without him the great creations which are credited to Rhodes would not have been accomplished. But there was more than that; there was a strong personal affection and almost passionate devotion on Beit's part that enabled these two very different characters to act as one.'

Percy Fitzpatrick also describes Beit's tribute to another side of Rhodes character thus: 'In those days it was a common practice amongst prominent businessmen in Kimberley and afterwards in Johannesburg, to meet at the different Clubs for the morning drink or refresher. Rhodes and Beit who did much of their business at the Club and in the streets, as well as in their own offices, met regularly at this hour to 'split a small bottle'. One day when the crisis caused by the rumour of withdrawal of a major funder in the amalgamation, was most acute, they were standing at the bar of the club when Rhodes called to the steward: 'Gosch, have you got any Promissory Note forms?' As though they were part of the equipment of the Club, Gosch asked how many were wanted and Rhodes answered: 'half a dozen'

Percy continued: 'They were halfway through their drink when Rhodes took the forms, went over to a writing table, signed them in blank, folded them rather clumsily and came back offering them to Beit. He said: "you have staked everything on the success of this in backing me. I do not know how it will end now that these people have gone back on us, but I want you to take these. They are signed in blank. Whatever I have got is yours to back you if you need it". Beit instantly

and hotly refused, but Rhodes was very much in earnest and ended by crumpling the notes up and stuffing them into Beit's coat pocket and walking off.'

'That's the sort of man he is, and you can understand how satisfactory if it to deal with him' Beit added laughingly: 'That was four years ago. Of course, I never used them and never needed them; he has never referred to it since and when I came through Kimberley a few weeks ago I found them in an old despatch box and burnt them. I do not even know if he remembers the incident; but I shall never forget it.'

Beit, on this journey in 1901, through what would become Rhodesia, would reminisce with Percy Fitzpatrick on the vicissitudes of the amalgamation process. He explained how certain non-important individuals, as inevitably happens in this sort of situation, puff themselves up and hold out for higher prices than their market value. It was this spirit that at many times and in many cases, made amalgamation appear unattainable. It was this difficulty that caused endless trouble to Rhodes and Beit and their immediate allies. A notable example of this was Barney Barnato.

The duel between Rhodes and Barnato has been described in dramatic terms. Who would be the matador and administer the fatal thrust? And historians like to make out that Rhodes 'won the battle' against Barnato. That Barnato was the loser. But it was not really like that. Barney was the winner in many ways. He the one who came out best financially. Historian Turrell, (a hundred years later in 1988) points out that in 1888, it was Barnato, not Rhodes, who 'laughed all the way to the bank. Through a series of manoeuvres and take-overs Barnato – once unable to "tell a diamond from a glass eye" – was now the wealthiest shareholder on the diamond fields. There was indeed a struggle with Rhodes, due to Barnato's commanding position in the Central Company, managed by the less flamboyant but exceedingly stubborn Francis Baring-Gould, who was essential to either side for victory.

Turrell tries to make the point that the De Beers directors deliberately fostered the story about the share struggle going on to the bitter to the end, in order to conceal from shareholders their huge debts to the bank and the extent to which Barnato had been 'sweetened.' 'The real draw for Barnato, to fall in beside Rhodes,' Turrell says, 'was not about the Club, or the Legislative Assembly' – as he says that Barnato could have won the nomination and election without Rhodes, but it was the sound business fact that he would not only be the major shareholder, but was also entitled to draw a perpetual income as a Life-Governor of the new De Beers Consolidated.

I don't agree. I think that Barney would clearly have liked to have the mines under his own control and had the funds and will to put up the fight. But he was eventually won over by business considerations but also – worn down – by Rhodes, 'on the personal'. In our story we see how Barney held out to get the good deal to compensate him for his high position in

Kimberley mine, but also that the personal favours from Rhodes meant a lot to him. For someone who had to battle Barney's social impediments, being seen as a friend and partner of the colossus, Rhodes was something he valued. He became a loyal and devoted colleague.

Five Life-Governors were originally provided for in the Deeds. After a dividend of 36 per cent to shareholders (it was to have been 30%, but Lord Rothschild objected), the rest of the profits would be divided between them. Only four Life-Governors were appointed, Rhodes, Barnato, Beit and Philipson-Stow. Stow was reluctant – but agreed. By rights the fifth Life-Governor should have been Baring-Gould, but there was bad feeling between him and Rhodes and he had declined – on principle. Rhodes of course also became Chairman of De Beers Consolidated. Later Julius Wernher, already a Director, also became a Life Governor.

The powers that Life Governors possessed were formidable. They were able to operate in almost every way as if there were no shareholders. When challenged at so rich a package, Rhodes said: (taking a leaf out of Beit's book) 'It was essential to have wealthy men as Life-Governors as they would plan for the long term and not merely be interested in short-term profits.'

It is commonly known that Barney Barnato, very wealthy, very resolute and resourceful, and extremely clever in his own line, had no social status and thus Rhodes' help to be elected to Parliament and to the Kimberley Club were described many times as illustrating the questionable methods which characterise Rhodes. Beit explained to Percy Fitzpatrick that Rhodes never denied or discussed the matter; he simply did not regard it as a question of high morality, but as one of practical business. Rhodes said, 'Barney wants to be a member of Parliament and of the Kimberley Club; God knows why; but if he wants it, let him have it' [indeed as Barney had said about Rhodes's fancies for empire building, before agreeing]. 'It is surely a small thing compared with the success of amalgamation.'

And Fitzpatrick goes on to say 'And it could be claimed for Rhodes that in this special recognition of Barnato and in the appointment of him to the De Beers Board and other things, he showed a worldly wisdom greatly to the benefit of the shareholders whom he represented, as was made abundantly clear afterwards by Barnato's consistent and hearty cooperation after the amalgamation, when Barney became one of Rhodes' most enthusiastic and powerful supporters.

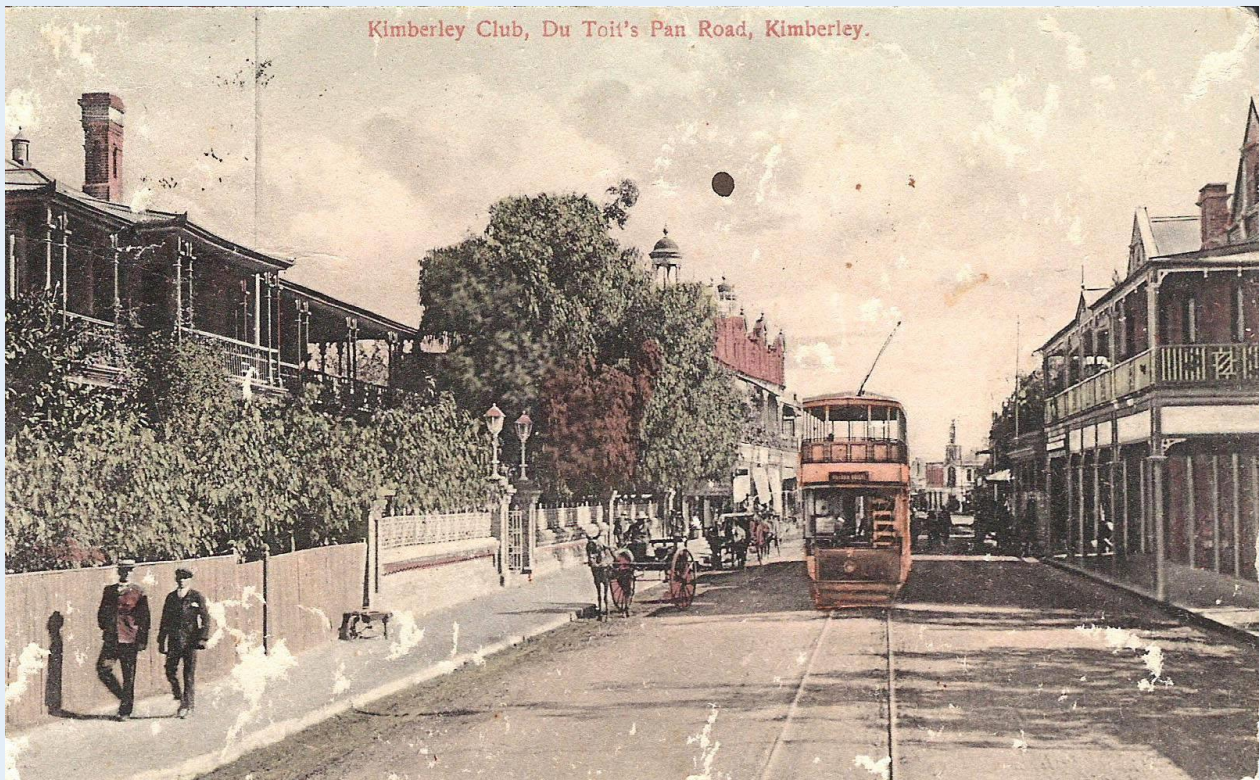
'In a field' says Percy Fitzpatrick 'which was seemingly purely materialistic and normally marked by methods of pettiness, selfishness and trickiness', the deal which Beit and Rhodes brought about with Barnato, and the subsequent amalgamation of the Kimberley mines was regarded as an amazing triumph. The stakes were high, but 'no pettiness, selfishness or injustice disfigured it'. Those who knew it all, recognised the qualities of the successful general (which Beit and

Rhodes together represented) of long vision, careful preparation, patience and recognition of and respect for of the key position, before the attempt to seize it.'

Within a few months, Barnato had assumed his position as one of the Life Governors and was also elected to the Cape legislature in November of that year. From the start, he was much esteemed and liked in parliament (though the Press pilloried and criticised him). His speeches were always amusing, witty, and never boring. (He was an ardent patriot and in the days following the Jameson Raid, he behaved exceedingly well, which is more than can be said of all the other mining lords, the majority members of the Kimberley Club.) However, Rhodes found it rather more difficult to fulfil his promise of securing Barnato membership of the Kimberley Club.

## 25. The Kimberley Club

The Kimberley Club was founded in 1881 by Cecil John Rhodes and the top men in the diamond industry. Many historic decisions have been made on the 'stoep' at the Club, affecting not only Kimberley, but Southern and Central Africa. It was said that there were more millionaires per square foot at the Kimberley Club than anywhere else on earth



**Figure 30: The Kimberley Club in about 1907 (on the left)**

From its very establishment, it was an exclusive highly vetted gentlemen's club. Membership was limited to just 250 men. Like many other enterprises in the town, it was a venture launched as a joint-stock company, by a group of seventy-four well-known citizens, each of whom pledged to take one debenture share of £100. Among the shareholders were Rhodes, Rudd, Robinson, Jameson and Dr Matthews.

When the double-storeyed building was completed in 1882, it was judged impressive: The lifestyle of Kimberley's magnates, was greatly enhanced by its opening. 'It beats anything of the kind I was ever in,' wrote Rhodes' friend, the young Neville Pickering. 'We have our dinners and dances - one finds oneself in evening dress every night. It's ruination to health and pocket. And then our Club is such perfection. Electric bells wherever you like to touch. Velvet pile and Turkey carpets to walk upon and then one loses oneself in a luxurious lounge.'

Rhodes and Beit were often seen at the Club together, sharing a customary drink to start the day; their favourite tippie was Black Velvet, a mixture of champagne and stout. 'Ah,' Rhodes would proclaim, 'it makes a man of you!' They played poker there, albeit badly.

Membership was much desired by the men of ascending wealth and power as it revealed, to a certain degree, one's respectability and standing within Kimberley's diamond society. However, not all men of wealth and power were deemed worthy enough to be part of that exclusive circle. One such man was Barney Barnato. (It was not about blocking Jews, as many Jews were members of the Club.)

And so, as part of the deal for Barnato to give up all his Central shares in return for De Beers, Rhodes, it is said, promised to secure Barnato a membership to the exclusive Kimberley Club. He did this knowing that this would be attractive to Barnato who had struggled to become a member.

For three years, Rhodes tried to nominate Barnato for membership of the exclusive club but could never find another member willing to second the nomination. It would be some four years later, in 1892, that Rhodes finally managed to convince another member to second the nomination and Barnato was admitted into that exclusive gentlemen's circle.

While the Kimberley Club is still a members' club, the public is today able to share in the luxury and opulence of that bygone era as the building was recently turned into a four-star boutique hotel. Guests may dine in the original dining room and partake of a refreshment in the bar that was frequented by such men as Rhodes, Beit and Barnato, Dr Leander Starr Jameson, Gardner Williams and Randolph Churchill, as well as the British royal family and the Oppenheimer family.

## 26. The Diamond Syndicate

Despite this huge work to achieve amalgamation of the production of diamonds under one management, Rhodes and his immediate colleagues had all realised that just controlling the production and output was actually not enough to stabilise the diamond industry and secure success for the future! A further condition was required, and the necessary complement, would be the purchase of the entire output from the producers, so as to be able to ration out the diamonds in such quantities and at such times as the world's diamantaires could absorb them and keep the prices high.

We have already mentioned that a diamond buying Syndicate was established in the early 1880s by Porgès and Wernher. Now it became all important to make this official and binding. The group of merchants in London to which Rhodes wanted in 1889, after amalgamation, to contract to buy De Beers' entire production of diamonds was made up of ten firms and all were owned by Jewish merchants: Wernher, Beit & Company, Barnato Brothers, Mosenthal Sons & Company, A. Dunkelsbuhler, Joseph Brothers, I. Cohen & Company, Martin Lilienfeld & Company, F. F. Gervers, S. Neumann, and Feldheimer & Company. Many of these firms were interconnected by marriage and family ties. Many were old cronies operating from the Old German Mess in Kimberley, as shareholders in the mines as well as diamond merchants.

It is interesting to note here that one of the merchants who took the lead in arranging the deal with Cecil Rhodes was Dunkelsbuhler. This firm brought into its London company a sixteen-year-old apprentice from Friedberg, Germany. His name was Ernest Oppenheimer, and he would, in time, complete the diamond business model.

## 27. Jews and the Diamond Business

The fact that Jewish companies completely dominated the distribution of diamonds at the end of the nineteenth century was not particularly surprising. For a thousand years, diamonds had been almost entirely a Jewish business.

Until the early part of the eighteenth century, the entire world's supply of diamonds came from India. The caravans that brought them across Arabia traded these rare stones to Jewish traders in Aden and Cairo for gold and silver. The traders then resold them to Jewish merchants in Venice, Antwerp, and Frankfurt. It was a natural enterprise for the Jews scattered throughout central Europe: Since they were moneylenders, they had to concern themselves with assessing, repairing, and selling gems that had been offered to them as collateral for loans. They also had

close connections with the Jewish trading centres in the Ottoman Empire through which all the Indian diamonds passed.

The cutting and polishing of diamonds, moreover, was one of the few crafts that Jews were permitted to participate in by the medieval guilds in Europe. For most Jews, there was no choice in those days: If they wanted to have a vocation, it had to be either gem-polishing or money lending. In either case, they dealt with diamonds.

Everyone involved realised that such firm control of buying was needed and desirable to keep supply in line with the highest price available. But, the vested interests of each major diamond merchant firm, (who were also big shareholders in De Beers) were so great, and the principal players wanted the ability to produce and sell when they wanted to. So, who was going to be brave enough to make this a binding commitment. Unless they could all agree to something that would restrain them, it would not work. But who had the authority that everyone would abide by, to do this?

Of course, you could guess this – it was Rhodes! (But, we know that Rhodes took no steps of this magnitude and scale without advice from his financial genius Alfred Beit. Remember Porgès and Wernher had already formed an informal buying syndicate as far back as 1880?)

## **28. 'How the Christian beat the Jews!'**

This is how it happened, as told with much mirth and appreciation to Percy Fitzpatrick by one of the key diamond dealers involved (and also a member of the original syndicate), Colonel David Harris. Harris was an associate of Rhodes and a representative of Barnato Brothers, to whom he was related. Harris, a Jew of course, was popular, broadminded, public spirited and a great raconteur. He prefaced his story to Fitzpatrick saying: 'D'l ever tell you about how the Christian beat the Jews?' instead of waiting for an answer he roared with laughter and plunged straight into his narrative.

Rhodes knew that he was dealing with powerful individuals, representing leading firms, who were all part of the amalgamation controlling production and cutting costs, but were also rivals in buying and selling diamonds. Any one of them would not be averse to having an advantage over the others, so some strong and binding incentive was needed.

The story goes like this: The major diamond merchants were summoned to meet in the Boardroom of De Beers. Rhodes immediately started by saying that as the Chairman, he was going to represent the interests of the shareholders. (Of course, most of them were the biggest shareholders as well as the most important buyers and sellers) so they realised they had a big stake, but they had no idea what Rhodes had up his sleeve.



**Figure 31. Rough diamond sorting**

Down one side of the boardroom was a long teak trough, the bottom of which was 12 inches wide and the sides about two inches high. Over the whole length of the trough of many feet, there were laid sheets of white paper, exactly fitting the floor of the trough and slightly overlapping as roof tiles. On this paper were arranged methodically the entire production of the mines. They were laid out in what the diamond dealers would regard as a logical sequence. The various little piles represented collections or classes into which the diamonds had been carefully sorted. Everything was arranged to give the best and easiest opportunities for the potential buyers to inspect the stones and estimate their value. Sorting diamonds like this, into the numerous classes and grades according to their size, colour, shape, cleavages, estimates of how they will turn out when cut etc, was expert work requiring lots of time and effort and the gathering appreciated that this had all been expertly done for them.

David Harris, who knew everyone there intimately, and knew the diamond industry and its characters inside out, chuckled as he told the story and there must have been many asides that he shared, that Fitzpatrick sadly did not relate in his book *South African Memories*— of how everyone reacted – many, experienced as they were, being very nervous.

Harris said to Fitzpatrick: ‘Rhodes then explained to them, very frankly and in his usual practical way, what his proposal was, namely: that they should first have time to inspect the stones, decide on their value and talk amongst themselves. What Rhodes required, was a cash offer for the whole lot, made on behalf of all those present. They could agree amongst themselves as to the proportions they would take and as to how payment would be made, but he alone, acting for the shareholders, would decide whether their offer was adequate and if it was not adequate, he would decline at once. Then he left the room.’

Harris says that there was considerable unease at Rhodes alone being the arbiter, as seen by the expressions on their faces, but they did not argue, as they knew that his attitude was not only justified but was absolutely necessary. They did some pecking and hedging and eventually decided on a price, which Harris says they realised was a first stab at it – and may not be accepted. He continued:

‘Rhodes was sent for and re-joined the meeting. With no delay, he was very direct, almost curt in bringing them at once to the crux – the price. No doubt his manner impressed everyone. The figure was barely mentioned when he said shortly “No gentlemen, it is not enough. I know the value as well as you do.” And turning to Brink, who had sorted the diamonds, he said: “Put ‘em back. That is not good enough!”



‘However, someone, probably one who knew what was in Rhodes mind, asked what value he placed on them and Rhodes gave the figure. – which was at least £100,000 or even £150,000 above the original offer. There was an appalled silence and some groans of despair, but Rhodes walked out without another word. The discussion was renewed. However, within a few moments they had all agreed to Rhodes terms – the price, the contract with guarantees and the payment and delivery the following morning. They realised that this still left them a good profit to be made and the fact that the diamonds were already so well sorted was a big saving to them in time – maybe weeks – as well as money.’

Rhodes could not bind them to hold the diamonds and not flood the market, but he impressed upon them – what they already well understood themselves – that in their own interests it would not be a good idea to put so many diamonds on the market at once. Harris says, ‘We were all free and also all were rivals in the market and no one believed that everybody would exercise the restraint or comply with Rhodes wishes; after all, you know – business is business. I dare say every one of us had an idea of making safe at any rate by getting rid of a fair proportion of what we were buying. So, we all agreed to what he said. There was a little chaff amongst ourselves of Rhodes idealistic touch, but to many of us there was time to sort it out. We reckoned that this agreement which he spoke about would take a long time to draft and finalise in all its legal details and copy’

‘The first real jump we got was when Rhodes turned to his trusty officer and said coolly, “Brink, bring the agreements” ‘. Harris continued ‘We simply gaped. Brink produced the various copies completed by lawyers. Every essential just as he had explained it, was clearly expressed. Most remarkable of all the exact price was stated – Rhodes’ price – and it gave one an extremely queer feeling to realise that he must have done this with his lawyers properly engrossed and the price fixed, at least a day before the meeting. ‘The agreements were duly signed, the lawyers present to complete it and then Rhodes said casually: “alright, you will get the stones tomorrow when payment is made, here in the De Beers office. Come along Brink, put them away”.

‘For the moment, everyone was happy. Then Rhodes, strolling across the room, spoke to Brink from the head of the long trough where the diamonds lay grouped on their white paper. And as Rhodes told Brink to put them away, he raised the head of the teak trough and shot the whole lot into a wooden bucket strategically placed at the open end. He did it with a most casual movement – not saying a word to anyone and strolled out of the room seemingly quite unconscious of what he had just done!’

‘Believe me’ said Harris, ‘the faces of our people were a treat, and as soon as Rhodes back was turned, there broke out a babel as each one realised some fresh result of Rhodes action. The whole work of the sorting was wiped out in a second - with the result that for 6 or 8 months the entire output was kept off the market as surely as if it would have been if locked up in De Beers safe. Then at the finish, Harris said, ‘The position was relieved by the calm remark of one of our

most prominent men “How the Christian beat the Jews!” and there was such a roar of laughter as you would only get from a gathering of Jews, who after all *can* enjoy a story at their own expense. ‘And mind you’ said Harris, ‘Rhodes was perfectly right. Our stones were locked up, but when we could sell them we realised a much better price than we could possibly have done at the time. His judgement was completely justified.’ This was yet another instance of Rhodes farsightedness and of his determined and authoritative action when such was called for.

So, in 1890, this was how, after amalgamation, the new London Diamond Syndicate was formed which bought up the entire annual production of De Beers for mutual benefit and by mutual agreement, as a sort of balancing reservoir which could pay for, receive and hold diamonds for a period if the demand and supply did not mutually balance.

This syndicate was the foundation on which Ernest Oppenheimer created the ‘Diamond Corporation’, which later became the ‘Central Selling Organization’.

## 29. The Wesselton Mine Discovered 1890

Only two years after the formation of De Beers Consolidated Mines, in September 1890, a new crisis hit De Beers. It was the discovery of yet another diamond pipe only four miles from Kimberley. This confirmed one of the biggest fears of De Beers Directors like Beit – that more mines would be discovered and destroy their monopoly.

It was named the Wesselton Mine after the Boer farmer, Wessels, who had originally owned the site. Wesselton mine was as large as any of the other mines in Kimberley. And hundreds of thousands of men must have passed over it, many prospecting for diamonds, and still for 20 years it remained unknown, in spite of its proximity to the other great mines that were being actively worked. It seemed to be a divine answer to the misery of the poor whites of Kimberley, who had been thrown out of jobs when Rhodes took over Dutoitspan and Bultfontein mines. However, Rhodes was determined that it should **not** be proclaimed a public digging, which would mean the end of the De Beers’ monopoly.

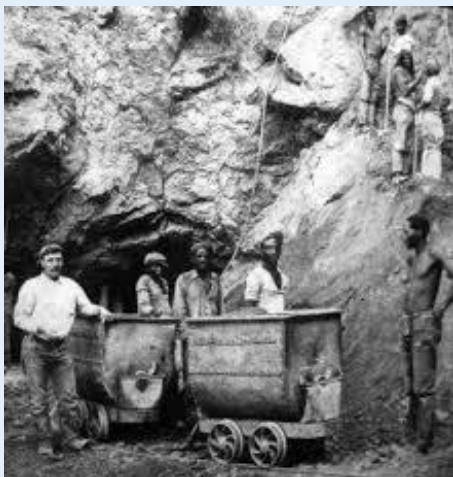
But Wesselton Mine **was** rushed by diggers, in 1891 despite common knowledge that one, Henry Ward, owned the mineral rights to the new discovery, as well as that negotiations were underway between Ward and De Beers. The diggers of Kimberley and Beaconsfield were most unhappy about the state of affairs. With both the Dutoitspan and Bultfontein mines temporarily closed there were many hundreds of diggers out of work, and these diggers, after several private and public meetings, undertook to have the Wesselton Mine declared a ‘public diggings’.

Part of their planning in this regard was to rush the site, which they did in a mass of several hundreds, on Thursday 5 February 1891 and, reminiscent of the rushes some twenty years

before, laid claim to the land, some 400 claims being pegged. They even petitioned the Government to proclaim the land as a public digging. However, they did not get away with this brave attempt and a court decision upheld the agreement Ward had with the farm owner Wessels, as well as the subsequent agreement between Ward and De Beers Consolidated Mines. In fact, it became quite a legal problem as the portion of the farm upon which the diamond mine had been found was not in the Cape Colony, which had different laws to “ownership” of diamonds discovered on farms. The Orange Free State law was that diamonds discovered belonged to the farmer – the landowner, not the digger.

**Barney Barnato** threw an interesting light on Rhodes methods and influence when describing the negotiations for the De Beers acquisition of Wesselton. Bearing in mind Barney was given to vivacious narratives and absurd exaggeration – this is what he said: ‘The Wesselton mine had been the talk of Kimberley for a long time and of course we (De Beers) had discussed it from our point of view several times.

When Rhodes brought up the proposition that we should acquire this mine, not a single one of the Directors agreed with him. He was looking far ahead to obtain control of the output. Whilst we all shared that aim, this seemed to be going too far. ...‘Some of the questions were how long, for instance, would this mine last? Rhodes countered with suggestions that a new independent mine would only mean a fall in the price of diamonds, and De Beers would have to restrict its operations, with more men out of work. A foreign syndicate could move in, which would mean ‘ruin and disorder’. ‘So, Rhodes forced the issue and brought it up before the full board. We wondered why he had invited such a rebuff’.



**Figs 32 and 33: Mining at Wesselton**

‘There were at least a dozen shareholders present. Rhodes, as Chairman, sat at the head of the table and said that he wanted our guidance. He knew that we were not in favour of his views, but he would like to talk it over and submit it to our judgement after we had considered the facts. It was a very long meeting; he made a very good case; but, dash it all, there was not a man at the table who did not know more about mining than he did; .... He did not try pressure or coercion

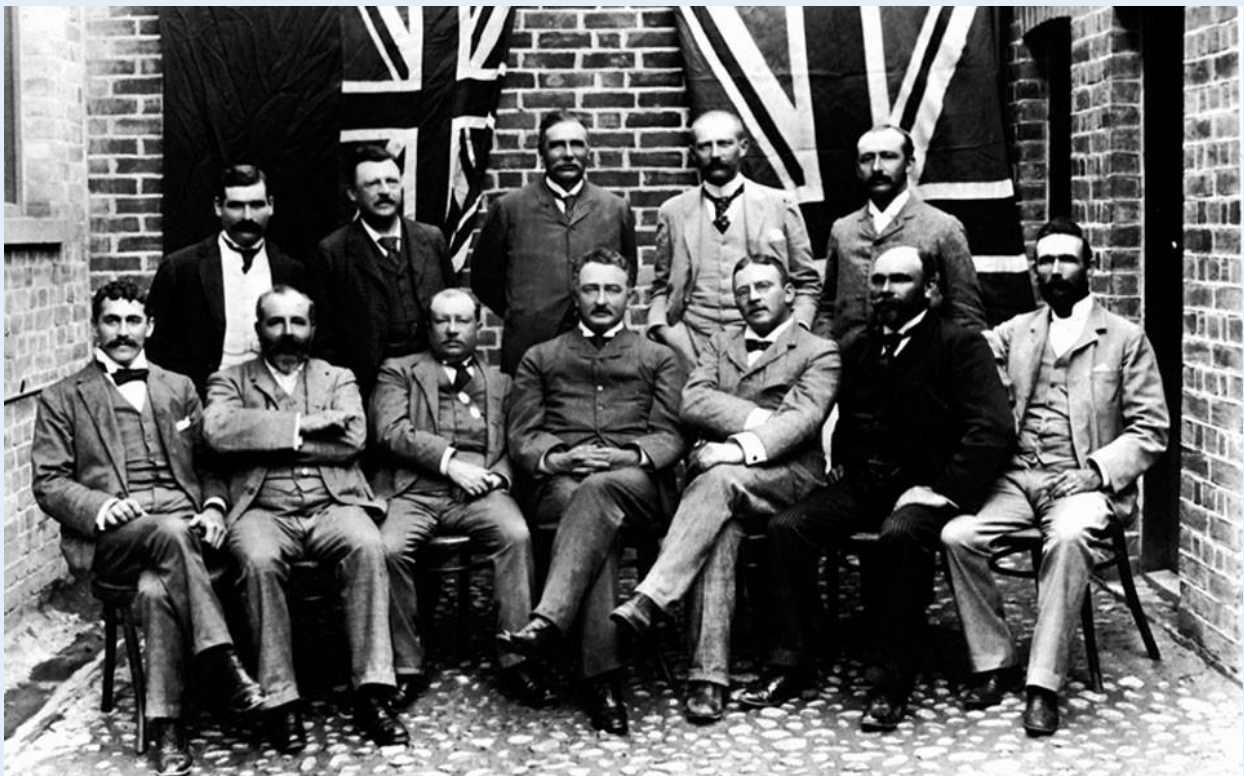
but was very reasonable and patient. Scores of times, till one was almost bored by it, he would say “Gentlemen, you know much more about this part of the business than I do, and I want your advice and guidance, for it is a very important decision to take.”

That was about the position when we adjourned for luncheon to resume later on. Up to that time I give you my word that there was not a single one who had not spoken positively against the proposal. But he sat there patiently waiting for us to be converted or to give way, and by gosh we did! The proposal was accepted unanimously; and what a jolly good thing it was too, as it turned out; he was quite right!’ (Remember, Barney by this time had become a fully-fledged disciple and supporter of Rhodes and said that when you have been with him for half an hour, you not only agree with him, but you come to believe that you have always held his opinion!’)

Once negotiations started for purchase there were angry demonstrations in protest against De Beers. But by December, after various jugglings, and Rhodes’ persuasion, the mine was safely under the control of De Beers. Not unexpectedly, we read in Julius Wernher’s ‘Notes’ that ‘the Firm (Porgès & Co, with Wernher and Beit as the operative partners) was largely instrumental in bringing about the various deals for this operation too’.

### 30. Safeguarding De Beers

For a time, De Beers managed a 90 percent share of global diamond output. After almost 20 turbulent years (1868 – 1888) diamond mining in Kimberley ceased to be an adventure and became a stable less romantic industry.



### Figure 34: Directors of De Beers Consolidated Mines in 1893

(Apart from the administrators, plus Oats and Rhodes, they were all British and German Jews) Standing: 1. E Bernheim 2. William Craven (Sec) 3. Gardner F. Williams (GM) 4. Ludwig Breitmeyer 5. Lt Col. David Harris.

Seated: 1. Woolf Joel 2. Charles Nind 3. Harry Mosenthal 4. Cecil Rhodes 5. Barney Barnato 6. Francis Oates 7. George Compton

Hans Sauer reports being present in December 1895, at Groote Schuur in Cape Town - the house that Rhodes built and left to the nation as the home of the Prime Minister) with Rhodes and Beit, at the time of the Jameson Raid (in which they were heavily in the plot). They were getting more and more nervous as the time of the proposed uprising and revolution approached. Rhodes asked Sauer to take them across to Muizenberg in the horse and cart to cool off in the bracing air. There they reviewed the position of the great De Beers Consolidated Mining company.

He says 'They discussed how they, acting for the Company, had bought many farms in Griqualand West where diamonds might be found and closed them against prospectors; how through Wernher, Beit & Co they had obtained control of Jagersfontein. (Ah ha! – I had wondered how De Beers had dealt this this mine over the border in the Orange Free State, from which some of the best stones came). Beit spoke of how, on the establishment of the country called Rhodesia, Rhodes had reserved the diamond rights to the Chartered Company – which had passed on this right to De Beers; how the company had abundant capital and large outside resources; how large were the dividends being paid and how high was the price of De Beers stock, etc. Finally, they congratulated themselves that they had done everything that was humanly possible to place the De Beers Company beyond the slings and arrows of outrageous fortune so that it was an investment of the first order. 'Beit' he said, 'was particularly pleased, as Rhodes recounted all the good thing they had obtained for the company, rubbing his hands and gently murmuring "perfect, perfect" when Rhodes suddenly remarked "But there is one bad fault." Beit jumped in his seat as if he had been shot, and asked in an agitated manner: "What is it, Rhodes, what is it?" Rhodes quietly replied: "They may find other mines equally good." '

This remark was more than prophetic. A few years later the Premier Mine near Pretoria was found. Hans Sauer maintains that this discovery was the direct cause of the death of Alfred Beit. After its discovery, the Premier mine was considered by the 'experts' sent by De Beers to examine the mine to be merely diamond bearing alluvial deposits or wash, rather than a pipe like the Kimberley mines, and consequently of little importance as a competitor in diamond production. This glaring mistake by Frances Oats and others, prevented De Beers buying the control at a reasonable price. Not long after, De Beers had to pay an enormous sum for it.

Before this control was obtained, Alfred Beit, on a trip to South Africa and Rhodesia in 1903, went to see for himself (as was his wont) what things looked like at the Premier Mine. It was a hot day. He was given a big meal before being taken down into the huge open workings. Beit was amazed at their size, seeing at once that the mine was a true pipe. The firm of Wernher, Beit & Co and their faithful colleagues and shareholders, had at that time a large amount of capital invested in De Beers, and Beit felt great responsibility. Sauer maintains that the sight of this rival mine gave Beit such a shock that he dropped down in a fit of apoplexy – in reality he had a stroke of some kind. Dr Jameson was quickly by his side and took him back to London much improved. But Beit never fully recovered, and died a few years afterwards (1906) Sauer believes, as a result of this setback.

In the early 20<sup>th</sup> century, there were many more discoveries in Africa that De Beers had to contend with one by one to maintain their monopoly. Large diamondiferous alluvial deposits were located on the Lichtenberg division of the Western Transvaal, and a vast alluvial field was found on the seashore of the German Southwest African Province. There were also rich discoveries in Angola, Nigeria, the Gold Coast, Belgian Congo and elsewhere. Then the precious stones discovered in the gravels of Namaqualand were exceptionally rich and of fine quality. The diamonds here – and on the actual sea-shore, were so numerous and easy to pick up that they might easily have become valueless. The Namaqualand area was taken over by the South African government and boarded up with fences and barbed wire and patrolled by police.

These gravels are probably the result of numerous pipes dotted all over the Kalahari. Nevertheless, De Beers Consolidated Mines held the fort and remained dominant in the field.

### **31. Alfred Beit Remembered in Kimberley**

Alfred Beit spent most of his 14 years or so that he was in South Africa, in Kimberley. From the time he arrived from Germany in 1875 until amalgamation in 1888 he was hard at work setting the diamond industry on a sound financial footing. He was renowned for his hospitality and loved partying with friends.



Alfred Beit (bottom front), Lionel Phillips (fifth from bottom) and J.B. Taylor 1109 at Kimberley. (Mr & Mrs Owen Hunt)

This amazing 'towering' photo (left) comes from Lionel Phillips' memoirs. Beit is at the bottom with one of his pet terriers. Lionel Phillips is 5<sup>th</sup> from the bottom and JB Taylor at the top. Mr and Mrs Owen Hunt (whoever they are) are also in the picture.

**Figure 35: Alfred Beit and friends at a party in Kimberley.**

Alfred Beit left a large sum of money to the City of Kimberley for the Alfred Beit Memorial fund. This was further subscribed to by Beit's partner Wernher, his brother Sir Otto and by De Beers. It was later supplemented by the bequest of Bernard Klisser of the major portion of his estate of about £45,000. The fund which is known as the Alfred Beit and Klisser Bequest, still functions for the benefit of the needy of the city.

In 1912 the Alfred Beit Memorial Committee approached the Library Committee requesting permission to lease a small portion of the library grounds for the purpose of erecting a bronze bust of Alfred Beit great benefactor to the city. This was agreed and the bust was made by Henry Pegram RA. It nestles in the shade of the gardens of the Kimberley Public (now the Africana Library) a building for which he was one of the original donors in the 1880s.



**Figure 36 Alfred Beit's bust in the gardens of the Kimberley Africana Library:**

His name is also attached to the Boarding house of the Kimberley Girls' High School 'Beit House'. I actually spent a term boarding at Beit House, when my parents went 'overseas'. It was my own wish – maybe having read too many Enid Blyton's boarding school stories. However, I enjoyed my short stay there, but I had no idea then, why it was called 'Beit House'.

Beit House is a large double storeyed Victorian property and consists of a main bay and 2 projecting bays at either side. The building was designed as a hostel possibly by Kimberley architect, Timlin and named after Alfred Beit. The school was built in 1906 so it might have been about that time or shortly after.



**Figure 37 Beit House , the boarding house for Kimberley Girls' High School**

I have not ascertained where Beit actually lived in Kimberley. I wondered whether it was Beit House. Maybe in looking at Bonas's house, Lillianville, Beit House might have been an appropriate house for Beit. But it was only built much later, certainly well after Beit's death. It was built for the purpose of a boarding school for girls and opened in 1909.



## 32. Beit and the Cecil John Rhodes' Memorial in Kimberley

Both Jameson and Beit were Executors of Cecil Rhodes' Will. When Rhodes died in Muizenberg in March 1902, they were both in London. They set sail together for South Africa soon after, in August 1902, to investigate Rhodes' many concerns. It was their strong sense of friendship, both for each other and for Rhodes, that inspired their work. Jameson regarded himself as Rhodes's political heir, and as he had done so much for Rhodes, Beit, took the role of Rhodes financial heir and was prepared to back Jameson financially – as he had backed Rhodes.

One of their first concerns was to establish appropriate memorials to Rhodes. Memorial committees had been set up in Cape Town and Kimberley and Beit spent hours straightening out their problems and coordinating their activities.

In Kimberley, having collected all the money needed for an equestrian statue, they did not have a place to put it. Sir Lewis Michell, who was in charge, rejected the spot offered by De Beers and had identified a spot nearer where Rhodes and Jameson had lived. 'Beit' said Michell 'replied simply that he would look into it. Usually, this sort of statement amounted to nothing. Not so with Beit. The next morning, he went with Michell to the desired spot. He approved of it, went to the owners and bought it at a high figure, and then handed it over to the committee.'



The desired position for the statue was the site of the original synagogue, on ground originally donated by the South African Exploration Company, of which the Jews, Hond and the Lilienfeld brothers were Directors. At the time the Jewish Community were about to consecrate the new grand synagogue in Memorial Road on land that had been donated by De Beers. Beit paid the community handsomely for this old site – so a

win-win all round!

**Figure 38: Rhodes equestrian statue, situated on the plot where the first synagogue in Kimberley had been.**

### 33. Conclusion: Alfred Beit's Legacy

In telling the story of Alfred Beit, I feel we have been transported back to the early days of Kimberley and to the struggle to make diamonds keep their value and be worth the expense of extracting from tons and tons of earth – and be put on a solid footing that has lasted for nearly 140 years!

We have looked at the relationships between the three main players, Cecil Rhodes, Alfred Beit and Barney Barnato. We have seen their efforts separately and together to take control of the Diamond industry. All three had been born between 1851 and 1853 and each arrived on the diamond fields in the early 1870s, barely 20 years old and with hardly anything but their wits. They created and lived through tumultuous times. They achieved a great deal and became very wealthy. Scarcely fifty years later all three were dead.

Neither Beit nor Rhodes wanted to accumulate wealth for their own personal grandeur. Rhodes had his dreams of opening up the lands to the north for the British Empire to be funded by his diamond enterprise. Beit provided the funds and strategy to make Rhodes dreams come true both during his own lifetime and after his death by setting up the Beit Trust that created roads, railways, bridges and telegraphs in the Rhodesias. For himself, Beit wanted no more than to look after his mother and family. He gave away a great deal of his wealth to good causes dealing with health and particularly higher education in Africa, Germany and England.

In 1905 Beit founded a chair of colonial history at the University of Oxford, (which is now the *Beit Chair of the History of the British Commonwealth*.) In 1906 he made a donation of two million German Marks to create a University in Hamburg. He was generous with funds to higher learning in South Africa with donations to the University of Cape Town and Rhodes University and also to start a University in Johannesburg.

#### Imperial College, London

Most significant perhaps amongst his higher education interests was his active involvement, political as well as financial with the social reformers, Sidney and Beatrice Webb. Together with his mining partner, Sir Julius Wernher). At the Webb's instigation added to by King Edward VII, they were persuaded to provide the foundational funding for the creation of a new university college in London dedicated to the teaching of science and technology. This Institution was to become the prestigious **Imperial College**, to which Beit left £50,000 in cash and De Beers shares, valued at the testator's death at £84,843 15s.





**Fig 39 Imperial College School of Mines entrance, Prince Consort Road London, with Julius Wernher on the left and Alfred Beit on the right and Fig 40: A closeup of Beit's bust (above)**

In recognition of Wernher and Beit's bequests the Royal School of Mines, a faculty of Imperial College, erected a large memorial to Wernher and Beit flanking the entrance to its building on Prince Consort Road. Also, the Imperial College Hall of Residence was named 'Beit Hall' after him.

In the wake (or 'woke') of calls to remove Rhodes' statue from Oriol College Oxford and similar actions, in October 2021, Imperial College

released the report of their 'History Group', who had been charged with examining 'the history of the College through its links to the British Empire'. They were to report on 'the current understanding and reception of the College's legacy and heritage in the context of its present-day mission.' The most striking recommendations of their report were negative ones: to eliminate or depose their two main founders, the eminent biologist T H Huxley and the mining magnate Alfred Beit by removing their names and statues from buildings and archiving the famous terracotta bust of Huxley.

I was touched to be contacted by Professor Stephen Warren, who is an astronomer in the Department of Physics at Imperial College. He had the responsibility to respond to these recommendations. He was dismayed, as was the Beit family which has continued to support the College. He had discovered my story about Alfred Beit on the internet. He was pleased to see the positive light and high esteem in which Beit was held at the time. We had correspondence on Beit. He also consulted Geoffrey Wheatcroft who wrote about Beit in '*The Randlords*'. I hope that what I have researched and written has contributed in some way to the reprieve for Beit and Huxley. Professor Stephen Warren says that this reprieve is significant because it must be one of the very few proposed cancellations of historical figures at a UK university that has been overturned. I firmly believe that one cannot unpick history. Ironically the Imperial College

'History Group' did not mention any thoughts about changing the name of the prestigious University college!

Beit's credo was that for individual success in business, one needed reliable partners and the ability to cooperate: He said, 'You cannot expect to make money unless others make it with you' and 'To do anything big you must also be careful that others will prosper with you'. So maybe even more honour and praise for Beit and his influence on Rhodes is due.

In Alfred Beit Part 2 – the Transvaal and Rhodesia and his life in London, we will discover the part that Alfred Beit played in opening up and setting the gold industry on a solid and reliable footing, and in the process making his next fortune. Then we will read about Beit's efforts, after his dear friend an idol Cecil Rhodes' death in March 1902, (two months before the end of the Boer War) as an executor of Rhodes' Will and through the Beit Trust – to make Rhodes dreams come true.

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This monograph on Alfred Beit has been researched and compiled starting in 2015, by me, Geraldine Auerbach MBE, London. I wanted to know more about him. I felt that there did not exist a document that brought all writings about Beit together in one place. I have tried to reveal the personality of Alfred Beit as far as is possible. And I have shown the pivotal part he played in the development of the diamond and (in Part 2) the gold industries, and by so doing, a significant role in the whole industrial development of Southern Africa. I hope my efforts in reading contemporary and historical writings and gathering all the information in one place have gone some way to give a fuller picture of this loveable and brilliant personality, of his life and times and the extraordinary part he played in them.

### **34. These are some of my sources for Alfred Beit Parts 1 and 2:**

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Albrecht Henning ***Alfred Beit The Hamburg Diamond King*** (2006) [http://hup.sub.uni-hamburg.de/volltexte/2012/127/pdf/HamburgUP\\_MfW09\\_Beit\\_EN.pdf](http://hup.sub.uni-hamburg.de/volltexte/2012/127/pdf/HamburgUP_MfW09_Beit_EN.pdf) This was commissioned

by Hamburg University this century and goes into elaborate detail about his family background for several generations.

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James Benjamin Taylor ***A Pioneer Looks Back*** Mayflower Press, 1939

William P Taylor ***African Treasures, sixty years among diamonds and gold.*** John Long, Ltd, London 1932

Raleigh Trevelyan ***Grand Dukes and Diamonds*** 1991 The biography of Beit's partner Julius Wernher by Raleigh Trevelyan throws a little light on Beit and his work: some chapters can be read online here [Wernher book](#)

Robert V Turrell Parts of an article ***Capital and labour on the diamond fields 1871 – 1890***  
[Turrell Article](#)

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