

# Empire of Diamonds

By NORMAN GHINGER

A pebble, a child, and homely amusement. The pebble was the child's plaything; the child, as far as our information goes, was the offspring of a settler; the homely amusement was a trader's. But from these simple and unostentatious ingredients grew much that was not simple and much that was ostentatious. Kimberley! Kimberley, the largest and naturally best diamond country the world has ever known.

Early in 1867, a trader passing along a bank of the Orange river near Grahamstown, South Africa, stopped to watch a child at play. He became interested in the unusual pebble which was the child's toy. Whether he pocketed the pebble as a souvenir of a delightful experience, or obtained it on a pretext, as one might take candy from a baby, is of no moment. What is important is that when he reached Grahamstown the trader showed the plump pebble to a Dr. W. G. Atherstone who immediately identified it as a diamond. The pebble was sold for £500 and was displayed at the Paris Exposition of that year.

In the excitement following the discovery the child was forgotten. Historians left it nameless, but historians and economists did note that in 1867 the enormous new production fields of South Africa dealt a death blow to the Brazilian mines which had been the main producers since 1725. In still worse straits were the mines of India, in operation since 1638, according to our historians, and a hundred years earlier than that, according to the natives. And 1867 was only the beginning.

In 1870 diggers uncovered diamonds on the farms of Du Toits Pan, Bulfontein and Jagersfontein. A year later, better diamonds were found on the neighboring farms of Vooruitzeit at places named De Beers and Colesberg Kopje. The Colesberg Kopje was later renamed Kimberley after the then Secretary

of State for the Colonies, the First Earl of Kimberley. It was at his direction that the mines later were taken under the "protection" of Great Britain. The present city of Kimberley also was named in his honor when several boom mining camps combined to form a single community large enough to merit His Grace's name.

Land laws in the early days were quite lax and much power was left to a committee of diggers. This committee limited the size of claims to 31 feet square, with roadways allowing access to the river, for water was a prerequisite to digging operations since the gravel and sand from the pits were washed away in cradles fitted with screens of perforated metal, after which the precious concentrates were sorted by hand on wooden tables, a metal scraper being the only tool used.

As the digging went on each mine became progressively more difficult to operate and the holes assumed the shapes of huge vertical funnels descending to great depths. The roads giving access to the river water began to collapse as mine after mine honeycombed the digging grounds. In a few years open pit mining was impossible because of the interminable cave-ins resulting therefrom. Improved methods of tunneling or mining had to be used. This entailed expensive machinery and skilled labor of another sort. Consequently, many of the open pit miners were forced to sell out, although at a considerable profit. Better claims originally valued at £100 brought £4,000.

Among those attracted to the Kimberley fields were Cecil Rhodes, later founder of Rhodes' Scholarships, and Barney Barnato. Each in time came to "represent" two groups of financiers competing for control of the industry. The struggle lasted until 1889 when an amalgamation of interests ensued. Then the De Beers mine, under Rhodes, purchased the Kimberley mine for £5,338,650 and

operated under the name of De Beers Consolidated Mines, Ltd. Since this company now had virtual monopoly of the field, and hence of production, and since there was practically no industry in Kimberley independent of diamond mining, the town became largely dependent for employment on the goodwill of the De Beers Corp.

By 1906 modern machinery and methods produced a staggering amount of natural finer quality diamonds with a value of £5,000,000. This huge pool of supply permitted De Beers to control the market and thus eliminate any threats to complete monopoly represented by poorer fields elsewhere in the world. This advantage, plus the impetus given the industry by the then new American-style cutting of diamonds, enabled the company to prosper further. And it continued to grow to a peak production year (3,000,000 carats) in 1926. Between the years 1920 and 1940 the company earnings were £61,827,576 with a net of £30,734,606. A neat net of 49.7% for twenty years!

The De Beers Company has become the De Beers Consolidated Mines, Limited and Associated Companies. It is a lengthy and euphonious name and with good reason. In the span of fifty years, despite minor and major wars and depressions, the company has piled up this lush record:

From a private partnership consisting of a few fruit farms and mine fields comprising 180 acres within an area of three miles—hardly a pin point on the largest map—it has spread to a huge, many-tentacled syndicate with subsidiaries covering an area of 733,568 acres, with preemptive rights over diamond discoveries and sole prospecting privileges for minerals and precious stones in an additional 43,000 square miles. Almost the whole of South Africa!

From two baby businesses—De Beers and Kimberley—whose only

enterprise was diamond mining, it has grown to a complex consolidation of the following seven companies: Weston, Du Toits Pan, Bulfontein, Koffyfontein, Ramfersdam, Peiser and Voorspoed mines. And it holds interest of its own in the following six subsidiaries and affiliates: The Premier (Transvaal) Diamond Mining Company, New Jagersfontein Mining and Exploration Company, Ltd., Consolidated Diamond Mines of South West Africa, Ltd. Cape Coast Exploration, Ltd., African Explosives and Industries, Ltd. The last-named firm is a producer of explosives and 50% De Beers owned. Another firm, the Diamond Corp., Ltd., was set up for the purpose of purchasing and distributing diamonds principally from the few outside producers still in the business.

De Beers is huge, geographically and financially, yet today the company employs only 855 whites and 902 natives. Control of the natural source of supply through its outright titles, titles to subsidiary-owned mines, preemptive rights in diamond fields, and other divers interests instrument this unsocial situation. With a total personnel of only 1757, its tight control methods allow it to produce 50% of the world's diamonds—frustrating desires on the part of millions for inexpensive diamonds and causing unemployment of thousands who are willing to meet those desires but who cannot for want of access to land.

Among the other interests mentioned above are The Diamond Producers Association (consisting of the Government of the Union of South Africa, the Administrator of South-west Africa, De Beers Consolidated Mines, Ltd. and all its diamond-producing subsidiaries and affiliates) and the Diamond Trading Company, Ltd. To control diamond production, the Association assigns quotas to each participant. In 1937 the Wesselton Mine produced 82 metric carats as its quota, the Bulfontein 224,642 metric carats, and Du Toits Pan Mine 499,307. In 1940 the production figures presented a different picture. Wesselton produced

328,226, Bulfontein 1,710 and De Toits Pan 630 carats.

The Diamond Trading Company, 50% De Beers owned, was formed to handle the marketing of diamonds and to synchronize sales with the production quotas of The Diamond Producers Association, apparently to prevent serious downhill trends in prices.

To the lay mind a fifty per cent control of production does not bespeak real monopoly, but when he realizes that the other companies producing diamonds are small and scattered over the face of the world and that their mines produce a quality of gem suitable for industrial purposes only, then this fifty per cent does become a virtual monopoly of diamonds mined for ostentation.

Thus we have English entrepreneurs under a Dutch name quoting present prices of \$125 to \$275 for a half carat round diamond which approximates one-sixth the size of an aspirin tablet! Should your desires increase beyond the carat size selling for \$325 to \$650, or even beyond the two carat weight which sells for

\$900 to \$2,000 and hit the three carat (aspirin) size, you will have to pay \$1,500 and up. Should your desire dictate fancy-shaped stones, they will cost you much more, the price, of course, as in all cases, being determined by considerations of purity, color and precision of cutting.

Perhaps diamonds and De Beers are not too important—those who purchase diamonds generally can afford them—but governmental connivance in establishing and perpetuating a privileged group is important. It deprives other people of rights and equity. If the De Beers outfit were to have its privileges revoked and the natural opportunities now solely theirs were thrown open to all, the ensuing competition would cause prices to drop and Julie O'Grady could have the same baubles as the Colonel's lady has now. Nor would those who want no diamonds be ignored, particularly the citizens of the Union of South Africa, who might institute the social collection of rent based upon land values and equitably wax prosperous in a free society.

### SO BLOWS THE WIND

The editors of THE DELPHI CITIZEN (Indiana) are happy about the tire shortage. It instruments their "Buy at Home" policy. They rhapsodize: "We are coming to the realization of a number of things—for one we do not need as much or as many as we thought we did and, for another, that what we do need has been right here in Delphi at our fingertips for less money."

Maybe the needs for merchandise of Delphi folk are always the same as their wants. Maybe the good people did have a streak of lunacy to travel great distances just to spend more money. We don't know. To quote further: "Who knows? Before we squelch the Japs and the Germans we may be tying the old gray mare to the lamp post and trading a dozen eggs for a yard of blue gingham."

We think it would be still cheaper to build a fence around our ancestral cave. There we could grind our own corn, kill our own clothes and trade eggs with our women folk only if we wanted a particularly nice smelling skunk-skin breechclout. REAL home trade is SO much cheaper and human NEEDS are SO small. Our great-great ... Grandpa proved that, and we're the evidence.

G. B. B.