Abstract: As controversial and sensitive as South African economic history was for the nation’s political transformation and identity in 1994, little research has dealt with specific institutional developments and foundations that continue to drive the post-apartheid South African economy. This paper establishes an account of the formation of the Johannesburg Stock Exchange and traces its developments up until the “Golden Boom” of 1889. Using previously neglected sources, the first part of the paper looks at why and how the JSE was established. In answering the questions, the study concludes a combination of legislative, speculative and technological factors that shifted the interest and profitability of South African gold mining shares from London back to the (still) independent South African Republic. The second part of the paper illustrates how regulation turned the informal marked into a formal stock exchange.

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Archival Codes

BWA- Barloworld Archives
BL- Brenthurst Library Archives
GH- Guildhall Library (London Metropolitan Archives)
JSEA- Johannesburg Stock Exchange Archives
SBA- Standard Bank of South Africa Archives
WHP- Wits Historical Papers

Note on Currency

The South African Rand was introduced as South Africa’s official currency in 1961, the same year South Africa left the Commonwealth and became a republic. Between 1825 and 1961 all of the territories making up modern South Africa used (and at times even issued) some denominations of the pound sterling (£). More importantly, between 1825 and December 1932, the pound sterling in circulation in South Africa operated on a *de facto* gold standard. All the territories in South Africa used the British pound sterling until the South African pound was introduced in 1921, equalling 20 shillings or 240 pence. The South African Republic (ZAR), the Boer state that in 1902 became the province of Transvaal, issued some of its own notes (ponds instead of pounds) from 1867 to 1902 and coins from 1892 to 1902. Unless stated otherwise, all the prices and wages in this paper are given in the pre-decimal denominations of £ s d (pounds, shillings and pence). Certain prices and wages are also given in guineas, even though the guinea coin had not been struck in Britain since 1799.

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3 1 guinea = 21 shillings = £1.05 in decimal currency
INTRODUCTION

Contrary to popular perception, African stock exchanges have proved to be some of the best performing and lucrative on the planet. Although their relative success has only recently been acknowledged as traders look for alternatives to the dominant forces of Wall Street and Paternoster Square, their history remains unexplored. Isolated studies have focused on the major development of African stock exchanges in the post-independence era, but the history of African stock exchanges during the first age of capital globalisation, between 1870 and WWI, remains largely unknown and underappreciated by scholars of African economic history.

Based on history, performance and international outreach, the stock exchange that stands out above them all is the Johannesburg Stock Exchange (JSE). Established in late 1887, the JSE is the financial institution that epitomises South Africa’s industrialisation, global economic engagement, colonialism, financial protectionism and political transformation. From its early beginnings in a canvas tent on the dusty gold fields of Johannesburg to the glance and glory of its current strategic location in Johannesburg’s new CBD, Sandton, the JSE has connected South Africa’s natural resource industries with international financial and human capital.

The political significance of this key institution of South African capitalism was reaffirmed when on 27 October 2011 the ANC Youth League organised the ‘March for Economic Freedom in Our Lifetime.’ Embodying the ANC Youth League demands for nationalisation of the mines and expropriation of white-owned land without compensation, the march targeted three strategic institutions: the Chamber of Mines, the Johannesburg Stock Exchange and the Union Buildings in Pretoria. The final memorandum of grievances was presented at the JSE amidst cheers of “down with white capital economy.”

Much has been written about the South African Republic’s “cauldron of capitalist development.” As the new and industrial society was moulded, the entire process was recorded in greatest detail, in the annals of industry, government commissions, municipal and state reports, and in numerous local, regional and international newspapers. What most primary sources indicate, is that with the discovery of gold on the Witwatersrand in 1886, never before in industrial history had a mineral discovery transformed the rural hinterland and shaped the economy of a country so suddenly and dramatically. Almost overnight Johannesburg turned from a mining town into one of the most dynamic and volatile cities in the world. Johannesburg experienced an instant explosion of industrial enterprise, with mining, construction and financial services dominating the early months of economic development. As quickly as the production of

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4 “The hottest frontier: Strategies for putting money to work in a fast-growing continent”. The Economist. 6 April 2013.
10 Van Onselen, Charles. 1982. p. 15
gold was able to take off, it would be the rise of multiple financial institutions and intermediaries that created the economic opportunities on which industry was built. Notwithstanding that modern liberal 'revisionist' studies of imperialism have reassessed the role of chartered companies, banks and the insurance sector in the metropolitan core and imperial periphery, no formal study has yet used a specific stock exchange to assess the economic, political and social relationships between metropolitan and peripheral financial capital. This gap in literature exists despite the fact that all of the stock exchanges established in the 19th century were formed either in Europe or by Europeans (and their direct descendants) in other parts of the world, such as in the USA, Canada, Australia, New Zealand, Egypt and South Africa. Even if the rise of many significant stock exchanges around the world in the middle and late 19th century can be contributed to the post-1870 restrained level of government borrowing, the low levels of public and private savings in emerging economies, and the relatively low capitalisation of banks, all of the exchanges were established for very different reasons and faced very different challenges.

More recently, sociologists have argued that the historical development of stock exchanges was linked, in the first place, to the growth of trade and industry, creating an upper layer of society with increasing financial surpluses, institutions that successfully attracted the surplus capital were the emerging national states of 19th century Europe, linking the development of efficient stock exchanges to growing inter-state financial competition. Using the study of the JSE as an alternative to the theory, this paper traces the establishment and development of the JSE, outlining the strategic socioeconomic links of the Exchange with local, regional, global and most notably, British imperial actors. Ultimately, the paper traces the JSE’s foundation, rise and interaction with Southern Africa’s gold mining revolution, in the process, asking and answering why and how the Exchange came into existence.

**JSE LITERATURE REVIEW**

The initial investigation was encouraged by, and based on, the lack of institutional and academic information on the history of the Johannesburg Stock Exchange. As important as the JSE is to facilitating the capital flows to and from the modern South African economy, even the JSE’s Financial Education Division and its official website show very little depth and substance on the history of the institution. Although the JSE’s official website, promotional pamphlets and monthly magazine, might suggest indifference about the Exchange’s history, the JSE has in the past endorsed studies of its institution. In this regard, there are only two monographs of very questionable academic quality

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12 The three most notable works for the study of British imperialism with liberal inclinations used in this research project are:
Platt, Desmond Christopher Martin. "Finance, trade, and politics in British foreign policy, 1815-1914." 1968
These two investigations are additionally overshadowed by the political rhetoric of apartheid capitalism, focusing on the JSE’s development and political influence in the years following the formation of the Union of South Africa in 1910. The early days of the institution are juxtaposed with the growth of Johannesburg as a city, and little or no institutional connections are made to the diamond and gold mining revolutions, South Africa’s young and booming financial service sector and most importantly, the South African War (1899-1901).

Even if not completely isolated in extensive historical investigations, South African stock and security trade has been investigated before. The one monograph that stands out as the best (and unfortunately only) reference book for the early history of stock markets in South Africa, is that of Eric Rosenthal. On ‘Change through the Years is still the only comprehensive investigation of South Africa’s long and much neglected history of stock dealing. Rosenthal, clearly the only authority on the history of South Africa’s stock markets and exchanges, was able to neatly summarize the genesis, development and growth of South Africa’s financial services from its early beginning in the Cape Colony right through to the first golden boom of 1888/9. With the JSE occupying the central role in his investigation, it is clear that he took inspiration from the only JSE-commissioned investigation into the history of the Exchange, to develop a chronological, empirical narrative on all formal and informal security markets in Southern Africa.

More surprising, and regrettably, the incredible wealth of literature on the economic and social history of Johannesburg and the Witwatersrand has ignored the history of the Exchange. Van Onselen’s highly-acclaimed two-volume study of the Social and Economic History of the Witwatersrand 1886-1914 has just about no mention of the Johannesburg Stock Exchange. Even detailed studies of the Chamber of Mines, an institution of immense controversy in South African historiography, fail to mention the establishment of the JSE despite the fact that up until 1891 the two institutions were managed by the same directors and housed in the same building. Although general studies of Johannesburg’s capitalist class have alluded to the Exchange, they fail to even suggest a reason for its formation and role in the economic development of the city.

The lack of specific literature on the history of South African stock exchanges is unfortunately contrasted by the growing amount of innovative research of older and far more capitalised stock exchanges. Michie, Davis and Neal in particular, have in recent years reviewed, revamped and re-established the study of stock exchanges as an uniform component in both economic and financial history. Their isolated and

Bryant, Margot. Taking Stock: Johannesburg Stock Exchange- the first 100 years. 1987
19 Klein, Harry. 1948.
comparative studies of the London, New York and Paris exchanges remain at the forefront of an expanding academic frontier.

Needless to say, this paper (and doctoral project) intends to fill the growing gap of historical research on the early days of Southern African stock markets. The institutional history of the JSE will show the local, regional and global connections in the context of new academic trends on institutional history, stock market regulation and institutional microstructures.

INVESTIGATION
The JSE was not the first stock exchange in South Africa, nor is it likely to be the last. The Dutch East India Company used its financial wizardry to introduce a number of financial institutions to the Cape Colony in the 18th century and trading securities at informal markets became a common occurrence in the merchant circles of the Cape. Following the discovery of diamonds in the late 1860s, South Africa became a full participant in the extended phase of global economic growth, trade and most importantly, capital inflows. The first extensive episode of formalised security trading took place in the early 1880s at the Kimberley Royal Stock Exchange and after the more significant discoveries (or rumours) of gold, at the Barberton Stock Exchange in the South African Republic. Although archival evidence on the dealings in Kimberley and Barberton is minimal to non-existent, a number of undervalued sources will be used to illuminate their history in a direct comparison with the trade of South African mining stocks in London.

Despite the proliferation of gold diggings in the South African Republic in the 1870s and early 1880s, the economy was largely agricultural. The importance and consequence of this economic reality is that initially with a low degree of local capital accumulation, hundreds of European diggers were far more interested in quick speculative gains that could be made from the buying and selling of small claims, than in labour (and later capital) intensive open-surface mining. Either way, if South African gold mining was ever to take off, large amounts of capital were needed quickly.

Between 1865 and WW I, Britain was the greatest exporter of (European) financial capital. It therefore comes as no surprise that London seemed like an obvious destination for most mining entrepreneurs in general and South African mining magnets in particular (see Table 1 below).


23 For detailed account of the early financial history of the Cape Colony and Natal see Rosenthal, Eric. On 'change through the Years; a History of Share Dealing in South Africa. 1968
26 Van Onselen, Charles. 1982. p. 3
Table 1: Nominal capitalization of limited liability companies listed on the official list of the London Stock Exchange. 1880-1913 (£ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Australia</th>
<th>South Africa</th>
<th>Africa (other)</th>
<th>USA</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>8.81</td>
<td>0.25</td>
<td>0.62</td>
<td>0.1</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>1881</td>
<td>13.1</td>
<td>0.45</td>
<td>2.1</td>
<td>0.3</td>
<td>3.18</td>
<td>0.23</td>
</tr>
<tr>
<td>1882</td>
<td>8.55</td>
<td>0.14</td>
<td>0.72</td>
<td>0.61</td>
<td>3.16</td>
<td>0.26</td>
</tr>
<tr>
<td>1883</td>
<td>11.28</td>
<td>-</td>
<td>1.12</td>
<td>0.02</td>
<td>3.74</td>
<td>0.73</td>
</tr>
<tr>
<td>1884</td>
<td>10.6</td>
<td>0.18</td>
<td>0.98</td>
<td>-</td>
<td>3.86</td>
<td>1.25</td>
</tr>
<tr>
<td>1885</td>
<td>10.57</td>
<td>0.13</td>
<td>3.07</td>
<td>0.16</td>
<td>2.54</td>
<td>1.75</td>
</tr>
<tr>
<td>1886</td>
<td>26.93</td>
<td>3.7</td>
<td>0.73</td>
<td>0.03</td>
<td>8.99</td>
<td>2.45</td>
</tr>
<tr>
<td>1887</td>
<td>30.52</td>
<td>7.86</td>
<td>4.4</td>
<td>0.32</td>
<td>9.89</td>
<td>2.4</td>
</tr>
<tr>
<td>1888</td>
<td>46.82</td>
<td>3.84</td>
<td>10.13</td>
<td>0.41</td>
<td>12.86</td>
<td>3.67</td>
</tr>
<tr>
<td>1889</td>
<td>37.91</td>
<td>2.36</td>
<td>14.47</td>
<td>2.17</td>
<td>5.54</td>
<td>3.84</td>
</tr>
<tr>
<td>1890</td>
<td>27.14</td>
<td>2.43</td>
<td>5.28</td>
<td>0.64</td>
<td>5.31</td>
<td>3.95</td>
</tr>
<tr>
<td>1891</td>
<td>15</td>
<td>1.56</td>
<td>2.22</td>
<td>1.54</td>
<td>3.21</td>
<td>2.57</td>
</tr>
<tr>
<td>1892</td>
<td>16.79</td>
<td>1.9</td>
<td>5.09</td>
<td>0.77</td>
<td>2.96</td>
<td>1.83</td>
</tr>
<tr>
<td>1893</td>
<td>11.96</td>
<td>0.84</td>
<td>2.8</td>
<td>1.59</td>
<td>2.71</td>
<td>0.91</td>
</tr>
<tr>
<td>1894</td>
<td>19.77</td>
<td>7.32</td>
<td>3.83</td>
<td>2.39</td>
<td>0.83</td>
<td>0.85</td>
</tr>
<tr>
<td>1895</td>
<td>103.85</td>
<td>40.87</td>
<td>27.59</td>
<td>18.49</td>
<td>3.9</td>
<td>1.56</td>
</tr>
<tr>
<td>1896</td>
<td>91.08</td>
<td>44.72</td>
<td>13.16</td>
<td>5.36</td>
<td>6.1</td>
<td>4.58</td>
</tr>
<tr>
<td>1897</td>
<td>58.04</td>
<td>25.03</td>
<td>4.34</td>
<td>3.46</td>
<td>5.2</td>
<td>11.64</td>
</tr>
<tr>
<td>1898</td>
<td>49.04</td>
<td>17.5</td>
<td>3.74</td>
<td>3.52</td>
<td>5.1</td>
<td>12.77</td>
</tr>
<tr>
<td>1899</td>
<td>61.08</td>
<td>20.3</td>
<td>2.03</td>
<td>1.72</td>
<td>10.3</td>
<td>6.17</td>
</tr>
<tr>
<td>Total</td>
<td>658.84</td>
<td>181.38</td>
<td>108.11</td>
<td>52.18</td>
<td>94.96</td>
<td>66.52</td>
</tr>
</tbody>
</table>


Between 1880 and 1890 British investment in mining companies operating abroad increased from around £9 million a year to £20 million.28 The majority of these investments were devoted to US, South African and Australian gold mining companies. Despite these three countries making up the majority of foreign mine registrations and official trade on the LSE’s Official List, it must be emphasized that there was little or no relationship between nominal capitalization and the actual capital subscribed and invested abroad.29 What however is clear, and very surprising, is that despite very little gold being mined in South Africa before 1887 (see Table 2), the amount of capital invested in South African mines was only second to that of the USA. In 1886, the year that significant deposits of gold were discovered in Johannesburg, the South African gold industry produced only 0.16% of the world’s gold output and was dwarfed by the mining sectors in the USA and Australia.30 If in the early 1880s gold production was so low (or basically non existent), how could investors justify their interest in South African gold mining stocks?

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30 Van Onselen Charles. 1982. p. 1
Table: 2. South African Gold Production. 1884-1890

<table>
<thead>
<tr>
<th>Year</th>
<th>Ounces</th>
<th>Kilograms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1884</td>
<td>2,918</td>
<td>91</td>
</tr>
<tr>
<td>1885</td>
<td>1,737</td>
<td>54</td>
</tr>
<tr>
<td>1886</td>
<td>10,032</td>
<td>312</td>
</tr>
<tr>
<td>1887</td>
<td>48,940</td>
<td>1,522</td>
</tr>
<tr>
<td>1888</td>
<td>524,986</td>
<td>16,800</td>
</tr>
<tr>
<td>1889</td>
<td>279,600</td>
<td>8,693</td>
</tr>
<tr>
<td>1890</td>
<td>430,800</td>
<td>13,394</td>
</tr>
</tbody>
</table>


The early and mid 1880s (even before any large deposits of gold were discovered) saw a number of significant South African mines listings on the London Stock Exchange. These company registrations, and the relatively large amount of capital they were able to raise for what in the early 1880s was still anything but a capital-intensive industry, suggest that financial speculation rather than gold production would dominate the rise of gold mining in South Africa.

Table: 3. South African Gold Companies on LSE. 1882-1887

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Nominal Capital</th>
<th>Share price* on 2 Sep 1887</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 1882</td>
<td>Transvaal Gold and Land</td>
<td>£300 000</td>
<td>7s 0d</td>
</tr>
<tr>
<td>June 1883</td>
<td>Balkis Consolidated</td>
<td>£500 000</td>
<td>4s 6d</td>
</tr>
<tr>
<td>July 1883</td>
<td>Spitzkop (Lydenburg)</td>
<td>£200 000</td>
<td>3s 6d</td>
</tr>
<tr>
<td>December 1883</td>
<td>New Lisbon-Berlyn</td>
<td>£750 000</td>
<td>3s 6d</td>
</tr>
<tr>
<td>January 1885</td>
<td>Barrett Gold</td>
<td>£240 000</td>
<td>2s 6d</td>
</tr>
<tr>
<td>March 1886</td>
<td>Graskop Gold and Stores</td>
<td>£100 000</td>
<td>5s 0d</td>
</tr>
<tr>
<td>September 1886</td>
<td>Pilgrim’s Rest</td>
<td>£100 000</td>
<td>-</td>
</tr>
<tr>
<td>December 1886</td>
<td>Northern Transvaal</td>
<td>£65 000</td>
<td>-</td>
</tr>
<tr>
<td>January 1887</td>
<td>Rae (Transvaal)</td>
<td>£75 000</td>
<td>5s 0d</td>
</tr>
<tr>
<td>February 1887</td>
<td>Oceana (Transvaal)</td>
<td>£150 000</td>
<td>-</td>
</tr>
<tr>
<td>February 1887</td>
<td>Gold Fields of Africa</td>
<td>£250 000</td>
<td>-</td>
</tr>
<tr>
<td>April 1887</td>
<td>Joe’s Luck and Bon Accord</td>
<td>£60 000</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: The Statist. Colonial Office. 3 September 1887. p. 260
* all of the above companies were listed with an allotment of £1 shares

The above table is just a cross-section of the major South African gold mining listings on the official list London Stock Exchange, but what quickly becomes clear is that if South African companies could raise such great sums of capital in London, was there really a need for a stock exchange with a primary capital market in South Africa? With very little gold being produced before 1887 and little or no evidence that the districts in which the South African owned and British financed mines had any constituents necessary for successful operation,31 were South African mines in London pawns in a stock market scam or the pioneers of a new era of South African gold mining domination? The rest of this investigation attempts to identify, in a synthetic and concise way, the major reasons behind the development of the Johannesburg Stock Exchange.

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GOLD SHARES AND THE LURE OF LONDON

In 1886 the most significant reef deposits were discovered on the range of hills known as the Witwatersrand,\textsuperscript{32} changing the course of Southern African history. The richest deposits of gold were located very close to the surface in the vicinity of a 65km reef,\textsuperscript{33} in what very quickly became known as Johannesburg. Although no place in South Africa heard the news of gold with greater eagerness than Kimberley,\textsuperscript{34} South Africa’s young gold industry would at first be tested on the stock markets of London.

When looking at the gold discoveries on the Witwatersrand, they came at a time when the world was adjusting to a monetary system based on the gold standard. The gold standard's career as a global monetary guarantor was launched by the new united German Empire’s step to adopt a gold currency over silver in 1871, quickly followed by Sweden in 1874, Holland in 1875, France and Spain in 1876, Russia in 1893, India in 1898 and the United States in 1900.\textsuperscript{35} Gold was to provide greater price and exchange stability as a result of closer integration with the world financial centres.\textsuperscript{36}

This flurry of gold and the rising demand for base and precious metals, spurred European investors to take greater interest in overseas mining investments.\textsuperscript{37} Although nominal capitalisation of the foreign mining sector on the LSE grew extensively throughout the early 1880s, the phenomenon was largely based on the trading dynamics of an extensive London secondary stock market, rather than that of a formalised stock exchange.\textsuperscript{38} It was only at the end of the 19th century that the London Stock Exchange exercised a virtual monopoly on the trading of securities in London.\textsuperscript{39} Before that, it was very common, and well encouraged, in the broker community to conduct business outside the LSE in Shorter’s Court, Hatton Garden and a few coffee houses, where just as in the case of the American railway market, the extensive use of telegraph links and other technological innovations promoted efficient knowledge of foreign markets and was a transaction cost-minimizing alternative to the LSE.\textsuperscript{40}

At the beginning of the 1880s an increasing number of large gold mining companies converted to the joint form and combined that with an issue of stocks and shares to the (largely) London-based investing public.\textsuperscript{41} This was mainly as a result of the immense growth in the amount of different shares offered on the LSE, fuelled by the popularity and marketability of stocks on the Official List. At any time only around 10% of all quoted securities could command a ready market as long as the brokers had a realistic outlook over the trending stocks.\textsuperscript{42}

In order to grasp at its definition, a crucial market distinction needs to be made between stocks on the Official List of the LSE and 'over the counter' stocks which were readily available throughout London and most larger cities in Britain. If only looking at the Official List, the entire mining and plantation sector made up only 2.5% of all quoted

\textsuperscript{32}Witwatersrand (Dutch: White water's ridge) refers to the low-lying hills in today's Gauteng province. The name was also often used to denote greater Johannesburg, where to core of the South African gold mining industry took place.

\textsuperscript{33}Ross, Robert. *A Concise History of South Africa* (2nd Ed.). 2008. p. 71


\textsuperscript{37}Van Helten J. J. 1990. p. 160

\textsuperscript{38}See: Michie, R. C. 1999. pp. 16-35

\textsuperscript{39}Neal, Larry, and Lance Davis. 2006. p. 280

\textsuperscript{40}Michie, R. C. 1999. pp. 78-79

\textsuperscript{41}Michie, R. C. 1999. pp. 92-97

\textsuperscript{42}Michie, R. C. 1999. p. 95
securities in 1853 and only 1.2% of official trade in 1913.⁴³ The Official List was a relatively small section of London's security trade, but unfortunately for historians, it remains the only well-documented and quantifiable sector of the LSE. Although the LSE was always willing to accommodate new types and sectors of securities, the Official List was the best control mechanism the Committee of the Exchange had in place to determine, restrict or even prohibit trade in particular stocks on the floor.⁴⁴

The Economist stated the Official List was developed according to the importance of the security to the public, which was in turn driven by demand, and even more so, speculation.⁴⁵ Even though the self-regulated practices of the LSE were put to test on numerous occasions throughout the late-19th century, members were not willing to compromise on the minimal requirements for a quotation on the Official List.⁴⁶

The rules for listing on the Official List were neatly summarised by Melsheim in 1879 and illustrate a number of fundamental points that need to be considered for all listing on the Official List.⁴⁷

The Committee will order the quotation of a new company in the official list, provided that the company is of bona fide character, and of sufficient magnitude and importance; that the requirements of the preceding rule have been complied with, and that the prospectus has been publicly advertised, and agrees substantially with the Act of Parliament, or the articles of association, and in the case of limited companies contains the memorandum of association; that it provides for the issue of not less than one-half of the nominal capital, and for the payment of ten per cent upon the amount subscribed and sets forth the arrangement for raising the capital, whether by shares fully or partly paid up, with the amounts of each respectively, and also states the amount paid, or be paid, in money or otherwise to concessionnaires, owners of property, or others on the formation of the company, or to contractors for works to be executed, and the number of shares, if any, proposed to be conditionally allotted; that two-thirds of the whole nominal capital proposed to be issued have been applied for and unconditionally allotted to the public (shares reserved or granted in lieu of money payments to concessionnaires, owners of property, or others not being considered to form part of such public allotment); that the articles of association restrain the directors from employing the funds of the company in the purchase of its own shares; and that a member of the Stock Exchange is authorised by the company to give full information as to the formation of the undertaking, and to give full information as to the formation of the undertaking, and be able to furnish the Committee with all particulars they may require.

...and most importantly for foreign companies wanting to list,

Foreign companies partly subscribed for and allotted in this country, shall not, unless under special circumstances, be allowed a quotation in the official list, until they have been officially quoted in the country to which they belong.

It must here be stated that the above set of rules was not intended to drive away ‘small’ and ‘miscellaneous’ companies away from the Exchange. By refusing to grant a quotation the Stock Exchange was not denying that security a market, even on the floor itself.⁴⁸ What was however being denied was access to the world’s most recognised stock exchange and the possible marketing premiums for shares that went with it.

⁴³ Michie, R. C. 1999. p. 93
⁴⁴ Michie, R. C. 1999 p. 87
⁴⁵ Quoted in Michie, R. C. 1999. p. 95
⁴⁶ see Van Helten J. J. 1990. p. 166
⁴⁸ Michie, R. C. 1999. p. 87
The Official List was in many ways the dividing factor for South African gold mines wanting to list at the LSE. By studying the records of the *Investors Monthly Manual* for the years 1880-1885\(^{49}\) one can quickly conclude that very few mining companies were even able to make it onto the Official List. Although a number of British mining companies were able to register, Australian and South African stocks only made short appearances at very irregular intervals.

South African companies in particular found it extremely difficult to meet the LSE’s requirement of the public subscription of two-thirds of the issued capital and would regularly resort to dubious accounting practices by presenting two different sets of accounts with their listing applications.\(^{50}\) This was further illustrated by the fact that most mining prospectors would obtain mining rights by allotting very large proportions of the issued shares to the vendors of the mining plots. In such cases, “a quotation could never be obtained since according to the LSE rules, it is a *sine qua non* that not less than two-thirds of the capital must have been absolutely taken up by the (British) public.”\(^{51}\) This also goes to prove that South African mining investors were so short on capital that they were not even in the position to purchase the mining plots they would later ‘market’ as mining companies in London. With no start-up capital, no gold and very complicated mining land rights in the Transvaal,\(^{52}\) South African companies could only, at best, try ‘their luck’ in London.

Despite London being the most capitalised market, it was not the only European market interested in mining stocks. For most South African-based entrepreneurs, Paris seemed like a natural second choice. Despite the *Banque de Paris et des Pays-Bas (Paribas)* loosing out to Rhodes during the 1881/1882 diamond company amalgamation battles,\(^{53}\) Paris was still the diamond centre of the world and very interested in capital developments in Southern Africa.\(^{54}\) Throughout the 1880s the interest rates in Paris were the lowest in the world,\(^{55}\) and French investors were well aware they would get far greater returns on foreign stocks than domestic investments in fixed assets. Foreign securities showed an average return of 4.2% per annum (in the 1880s) and more importantly in the case of South African securities, they promised even higher returns, quick profits and an opportunity to ‘invest’ in share speculation on a very large scale.\(^{56}\) There were multiple opportunities for quick speculative gains in Paris, but due to a growing informal *coulisse*, and stock market jobbers who were used by South African (and other non-European) mines to play upon the speculative tendencies of the French *rentier*, South African securities were banned from the official

\(^{49}\) see Financial History of the Year. *Investors Monthly Manual*. 12 December 1880  
*Investors Monthly Manual*. 31 December 1881  
*Investors Monthly Manual*. 31 December 1883  
*Investors Monthly Manual*. 31 December 1884  
*Investors Monthly Manual*. 31 December 1885

\(^{50}\) Van Helten J. J. 1990. p. 166

\(^{51}\) Mining Companies and Vendor’s Shares. The Economist. 8 December 1888. p. 1541


\(^{56}\) Van Helten, Jean Jacques. 1985. p. 251
Bourse de Paris ‘parquet’ well into the early 1890s. In addition, the Boerse de Paris, as an organisation operating under civil law, required the consul of the home country of the foreign corporation to swear that it was a legally constituted corporation in the home country.

The constant search for capital had very little to do with the (still) small scale of gold production in South Africa, but as already illustrated in the introduction, a number of South African mines were able to register on the Official List in London. The Official Report Book of the LSE, reporting on applications for quotations on the Official List or for a special settling day, documents a number of South African companies attempting and succeeding in registering on the Official List. Although Kimberley companies such as the Kimberley Waterworks Company and the Anglo African Diamond Mining Company were able to successfully apply for listing in 1881, gold mining companies were put under far greater scrutiny.

The complicated and lengthy procedure is well illustrated in the company file of the Oceana Transvaal Land Company. Despite being incorporated in Britain and the South African Republic in November 1886 and successfully applying for listing on the LSE for an initial allotment in February 1887, Henry Burdett, the secretary of the Share and Loan Department of the LSE, only allowed the application for listing to pass fully on 14 May 1889. Between November 1886 and May 1889 the company submitted three applications, using both British and South African prospectuses, official translations of the incorporation at the Transvaal Chamber of Commerce, declarations and endorsements from various members of the board of directors and extensive collections of company financial reports.

The case of Rhodes’ Gold Fields of South Africa was even more complicated and proved just to what extent LSE listing requirements were a risk (and eventually a reward) for South African gold mines. Although Rhodes was able to allocate 100 000 shares in London in February 1887 and in 25 000 shares in South Africa in August 1887 to the public, in the process dispelling doubts on the genuineness of the Witwatersrand, the company did not feature on the Official List until November 1888. The application file shows a number of legal documents justifying the company’s name change from Gold Fields of Africa, a series of British prospectuses (and a letter by Charles Rudd explaining the reasons for the “lost prospectuses from South Africa”), a long sequence of letters from Burdett stressing the need to send additional applications confirming share allocations in South Africa and a number of official LSE documents explaining why the company was not yet granted a place on the Official List. The reasons for prolonging the granting of the application, personally signed by Henry Burdett on 30 October 1888, can be summarised as follows: lack of certificate of incorporation, lack of share certificates of public allotments in London, lack of certificates from company’s London bankers, no evidence of statutory declaration from

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57 Van Helten, Jean Jacques. 1985. p. 253
see also Rosenthal, Eric. 1968. p. 180
60 GHL. Company Files. 22B/343. Oceana Transvaal Land Company.
61 GHL. Company Files. 14B/27. Gold Fields of South Africa.
the Joint Stock Registry.\textsuperscript{63} Although only a portion of these documents was promptly submitted and Gold Fields was on the Official List the next month, the episode illustrated that even for a company with the best connections to capital houses and financial networks in London and South Africa, listing on the LSE was a complicated, lengthy and bureaucratic process, deliberately enforced to discourage suspicious commercial undertakings which could endanger the financial credibility of the LSE and the City of London as a whole.

Once on the Official List, such a privilege and opportunity would open up another set of share trading problems. The main problems with listing South African shares on the LSE or trading in South African shares were later summarised in 26 January 1889 edition of \textit{the Statist}.\textsuperscript{64} It was noted that the high amount of capital invested in the South African shares would need “extensive” diggings of gold to give investors a yield that would encourage even the humblest of dividends being paid out. The lack of rationality behind the investments made by the brokers who knew just about nothing of the properties and even less about where in South Africa they were situated, illustrated that the share market was not driven by the capital needs and operational outcomes of the mines (even less so than in the case of diamond shares), but the speculative dynamics of all London exchanges and the influential figures who were able to market South African stocks. In addition, the large number of traders on the London Stock Exchange also made it very difficult to reach collusive agreements.\textsuperscript{65} Even though the large amount of traders ensured that there was no shortage of capital flowing into the Exchange for various deals, niches such as the South African mining shares were controlled by the dealers who were willing to drive the market with ready available capital.\textsuperscript{66}

The reality of speculative trades on mining properties was that the properties were underfinanced, non-existent or even both, was revealed in \textit{the Statist}. It was stated that despite the geologically confirmed riches of gold and the complementary generous supplies of coal and free-flowing water, only a selected few locally-registered companies were able to make a small profit. Those working with British capital were dismal failures.\textsuperscript{67} A number of South African companies were discussed in the report, but the situation of most British-listed, South African gold mining companies mirrored the story of the Balkis Company. “The Balkis Company, after four years’ work, and after spending a large amount of money, has yet practically to commence the business for which the company was originally formed- that of developing the gold-bearing properties it required.”\textsuperscript{68}

The \textit{Statist}’s message was loud and clear: London listed South African gold mining companies were production failures and only South African-based, owned and managed companies were able to yield any profits. In the \textit{Financial History} for 1887, the Investors Monthly Manual stated that despite much speculation in diamond mining shares, South African gold mines were unable to attract any significant market attention, and speculative investors were far more interested in the copper market,

\begin{flushright}
\textsuperscript{63} GHL. Company Files. 14B/27. Gold Fields of South Africa. Henry Burdett to Gold Fields of South Africa. 30 October 1888.
\textsuperscript{64} This of course was a very cautious report given during the height of the 1888/9 gold share boom. See \textit{Transvaal Gold Companies} in \textit{The Statist}. Colonial Office. 26 January 1889. pp. 103-105
\textsuperscript{66} Michie, R. C. 1999. p. 95-106
\textsuperscript{67} See: \textit{Transvaal Mining} in \textit{The Statist}. Colonial Office. 3 September 1887. pp. 258-260
\textsuperscript{68} \textit{Transvaal Mining} in \textit{The Statist}. Colonial Office. 3 September 1887. p. 259
\end{flushright}
largely owing to the operations of a French syndicate." With the exception of the hype around the listing of Rhodes's Gold Fields of South Africa on 22 February 1887, pessimistic newspaper reports followed and by 1888, as reported by the Economist, despite a number of trades at Hatton Garden, the speculation in South African mining shares on the LSE had practically died out.

Although it is difficult to evaluate to what extent the market conditions on the LSE posed a challenge to South African mining, it is relatively safe to conclude that South African mines were exposed to the volatile trading and mercy of London brokers, jobbers and market proprietors, making the search for capital in London a constant gamble. In addition, and most importantly, the rigorous standards and requirements of the Official List were a major barrier to entry on London's most lucrative stock exchange. What the London experienced proved for many South African companies, is that although investors were willing to speculate in the short run, an industry with no productive outlook was still not conducive to European stock market exposure. In addition, if only South African-managed and based mines were able to actually produce gold, the immediate future of the mining industry was to depend on domestic sources of financial capital.

OPENING

Undeterred by the uncertain financial situation, Rhodes made the first serious attempt to establish an organised stock exchange in Johannesburg when he published a prospectus of the Witwatersrand Club and Exchange Company in the first issue of the Diggers' News, the Rand's earliest newspaper, on 24 February 1887. The capital of the proposed Exchange was £ 3 500 in debentures of £1. The prospectus stressed that the large sums of capital invested in the gold fields have made clear the need for a "central spot of mutual information, disposal of stock, and for other gold mining business." In spite backing from Alfred Beit, the Kimberley and Barberton financier Hermann Eckstein, and the Barberton stock market expertise of James Taylor, the still very narrow securities market proved that the stock exchange project was over-ambitious and attracted absolutely no interest.

As much as the transfer of knowledge from Kimberley had already helped to establish security trading in Johannesburg, it was the decline of the stock exchange in Barberton that brought a further wave of experienced operators and brokers to Johannesburg. After a visit to Johannesburg in May 1887, the Standard Bank General Manager from the Cape Colony reported on seeing a small town of 3 000 people, with new foundations of many buildings and a hive of financial activity that to him could hardly be justified as no gold in any quantity had yet been produced.

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69 Investors Monthly Manual. 31 December 1887. p. 575
71 South African Gold Shares. The Economist. 24 November 1888. p. 1476
72 Klein, Harry. 1948. p. 11
74 The Barlow World Archives show a whole series of telegrams in which Taylor encourages and pushes Beit to to sell all his holdings in the Baberton district. The collection also shows a number of telegram exchanges between Beit and Eckstein in which Beit encourages Eckstein to sell his portfolio as the mini boom and informal trade were not promising any returns or dividends. See BWA Archives. W.B. (J.P) Vol. 3. Incoming correspondences 1886-1889. Late 1888 telegrams. September-December 1888.
75 Rosenthal, Eric. 1968. p. 141
76 Rosenthal, Eric. 1968. p. 141
77 Henry, J. A. 1963. p. 94
Despite the financial dominance of “Kimberley men” such as Barnato, Rhodes, Beit and Eckstein, the honour of successfully establishing the first stock exchange in Johannesburg went to a rather unknown and even less experienced gold pioneer, Benjamin M. Woollan. Very little archival evidence exists on the incorporation of the Exchange and Chambers Company, except that Woollan, a very ambitious young Londoner managed not only to successfully acquire a building site on the corner of Commissioner Street and Simmonds Street, but unlike Rhodes, was able to quickly raise £ 5000 in nominal capital.\(^{78}\) Although the surprisingly successful initiative rose out the dust without the help of the Kimberley financial elite, the inclusion of James Taylor on the original list of directors does trace financial expertise, South African stock exchange knowledge and European capital back to Rhodes, who was, incidentally, never offered a seat on the board of directors.

From the little evidence that the JSE has presented about the securities trade in the canvas tent in the Ferreira Camp, “in the latter half of 1887 the growing weight of share speculation on the Rand, and poor telegraphic and postal communication with (exchanges in) Kimberley and Pietermaritzburg, made it imperative that a stock exchange be instituted in Johannesburg.”\(^{79}\) 8 November 1887 was the official opening of the new institution on the corner of Simmonds and Commissioner Street, but until the builders were able to complete their work, the tent-styled informal trade continued with many transactions at bar counters, make-shift offices and in the open air.\(^{80}\)

By the end of the 1887 the Exchange’s infrastructure was in place and the Stock Exchange would soon become the preferred destination for trade in securities and land, which by then was extensively practiced in most Johannesburg bars, taverns and shops. In spite of the fact that the early networks of miners, bankers and traders were able to use the small concentration of brokerage services to develop a speculative share market, there was no telephone or telegraph connection with the rest of South Africa. The first telephone lines were installed before 1887, but would not operate until 1894.\(^{81}\) This late installation of telephone connections, which were readily available at the time, does suggest certain intended structural limitations. Foreign financiers were accustomed to reliable communication connections and the still basic urban infrastructure in Johannesburg was not suitable for large and quick transactions facilitated by cheap telegraph and telephones as was already common in Paris and London by the 1880s.\(^{82}\) Despite the telegraph department being opened in April 1887, the offices were overwhelmed with business in the small iron building and financial representatives were eventually forced to deliver their messages to the telegraph offices in Pretoria, which could handle a much larger load.\(^{83}\) The communication problem was even more severe due to a lack of qualified administrative personal in the South African Republic.

With an average of 500 telegrams a day in early 1888, most of them connected to the Stock Exchange and with only 5 operators working at a time,\(^{84}\) the bottleneck became so great that various alternative schemes were implemented to overcome technological limitations. As massive delays became the norm, it often became more

\(^{78}\) Klein, Henry. 1948. p. 13
\(^{79}\) Klein, Henry. 1948. p. 13
\(^{80}\) Rosenthal, Eric. 1968. pp. 143-144
\(^{81}\) Rosenthal, Eric. 1970. p. 188
\(^{82}\) See: Michie, R. C. 1999. pp. 119-120
\(^{83}\) Rosenthal, Eric. 1970 p. 171
\(^{84}\) Rosenthal, Eric. 1968. pp. 155-156
efficient to ride to Pretoria and receive the telegrams there. Many of the banks even used the services of private couriers to collect and send their telegraphs in Bloemfontein as the facilities in Johannesburg and Pretoria could not be relied on for consistent commercial operations.\textsuperscript{85} This lack of communication technology isolated the Johannesburg financial community from the information-exchanging dynamics that by the late 1880s became common tools of financial markets in Europe and North America, creating a closed system of market dynamics, open only to the outside for capital accumulation. The technological gap could have also made arbitrage difficult as the combination of the ability to communicate between one separate financial centre and another, and the existence of already well established financial networks created a very narrow stream of information.\textsuperscript{86}

\textbf{EARLY GROWTH OPPORTUNITIES}

The opening of the Exchange prompted many banks to open their branches in the South African Republic. The Standard Bank of South Africa had already opened its first Johannesburg branch (a small tent with a piece of paper indicating the opening hours) in October \textsuperscript{87} and additional banks soon followed as small prospectors searched desperately for easy capital before the big financial houses from Kimberley and the Cape bought out all the claims. Towards the end of 1887, the Johannesburg and Cape Town management of the Standard Bank was convinced that Johannesburg had become, and will continue to grow, as the “banking centre of Southern Africa.”\textsuperscript{88} Even with the Standard Bank taking the greater majority of business, the Natal Bank, the Cape of Good Hope Bank and the Bank of Africa opened their doors (or tent flaps) before the end of the year. All of the banks were soon doing “brisk business,”\textsuperscript{89} showing confidence and foresight in actively developing the financial infrastructure of a town still not being able to prove its weight in gold.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
Bank & No. of branches \\
\hline
Standard Bank  & 12 \\
Bank of Africa  & 3 \\
Cape of Good Hope Bank & 4 \\
Natal Bank & 5 \\
\hline
\end{tabular}
\caption{Banking sector of the South African Republic at the end of 1889}
\end{table}

The Exchange quickly became the most prominent address of the young commercial centre. By the beginning of 1888, the JSE was already the firm focal point of the young financial industry. Primitive trading conditions improved somewhat when the original, single-storey building was opened for business.\textsuperscript{90} The simple and yet ornate design of the building at the corner of Commissioner Street and Simmonds Street on which construction began in the second half of 1887, had several entrances and a long row of windows with ledges and arches, making it the most modern and functional commercial

\textsuperscript{85} Rosenthal, Eric. 1968. pp. 155-156
\textsuperscript{86} See: Michie, R. C. 1999. pp. 120-125 for technological impact on arbitrage
\textsuperscript{87} Henry, James A. 1963. pp. 91-3
\textsuperscript{88} SBA. GMO 3/1/21 (8 August 1887: p. 616)
\textsuperscript{89} SBA. GMO 3/1/21 (8 August 1887: p. 616)
\textsuperscript{90} Klein, Harry. 1948. p. 31
The interior of the building was said to be "plain but effective." The greatest praise however, was reserved for the excellent and beautifully-fitted bar, presided over by one of the founding members, Rosenthal, and staffed by team of experienced Indian waiters from Kenya, all dressed in white three-piece suits.

On 16 January 1888, the large construction team moved out of the building and the first Johannesburg Stock Exchange was ready for occupation. That same morning, amid loud cheering, the District Surgeon and founding member, Dr. Hans Sauer, opened the new Exchange premises for share trade. In a long, whisky-fuelled speech, Sauer informed the audience that there were already more than 100 members of the Exchange, and made sure to emphasise (to the many present members of the Cape Parliament) that despite Cape Town's numerous attempts to establish a similar exchange, "Johannesburg had succeeded where the old colonial capital had failed."

After taking over from Sauer, the founder and chairman, Benjamin M. Woollan, described the different classes of members - dealers, jobbers and brokers - urging all prospective buyers to be mindful of the value of an honest broker. For the layman's benefit, Woollan explained that to grow a lucrative portfolio as a buyer required considerable means, hence the great number of transactions required the employment of middlemen whose pay, according to the original rules of the Stock Exchange, "is not excessive when the precarious nature of incomes in dull times and under keen competition is considered." Woollan, who moved to Johannesburg in early 1887 after a number of years working on the London Stock Exchange, and witnessed the hype and failure of the early months of informal share trading in the mining camp, was more than aware of dubious trading practices that would soon dominate the development of the JSE. After another few toast and load cheers, at precisely 11 am, daily trade had begun in the new building.

With the new building fully functional, the Exchange was ready for business and its first significant share boom. The timing could not have been since just over a week earlier the leading Johannesburg daily, the Star, reported of a significant collapse in South African gold shares in London due to the unexpected Bank of England interest hikes in August and September of the previous year. Despite only a few questionable quantitative sources confirming the decrease in British capital being sent to the gold mines of South Africa in late 1887 and early 1888, the relative slump in London certainly created an incentive for local share traders to make the most of the growing hype around significant gold production gains of the infant mining industry.

As stated by the manager of the Pretoria branch of the Standard Bank,

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91 Rosenthal, Eric. 1968: p. 144
92 Rosenthal, Eric. 1968: p. 144
94 Rosenthal, Eric. 1968: pp. 146-8
95 Rosenthal, Eric. 1968: pp. 146-8
97 Utter collapse of London Market. The Star. 8 January 1888. p. 5
"Great development has taken place in the Gold Mining Industry, and although the result has been disappointing, yet I feel convinced, before the close of the next six months when most of the of the Companies will be in working order, the output of gold will be sufficient to return a fair dividend upon the capital invested."99

Although it is very difficult to assert if, or to what extent the temporary decline in investments in London contributed to the rapid development of the JSE, along with the collapse of the Barberton Stock Exchange and the general optimism about the future of South African gold mining, the small circle of investors were quick to seize the opportunity. As confirmed by Rhodes's and Beit's chief broker James Taylor, the few brokers already in Johannesburg,100 desperate to take advantage of the collapse of the Barberton Stock Exchange, were presented with a unique opportunity to drive the development of the gold mining industry with local capital.101

When for the first time in February 1888 the Witwatersrand produced 10 000 ounces of gold in the month, the whole stock exchange building, the area “Between the Chains” and the neighbouring block were all decorated with celebration flags and extra supplies of whisky and champagne were delivered to Johannesburg’s bars and restaurants.102 The early theories that the gold deposits were only shallow had been disproved and the main reef had been struck at initial depths of five hundred feet.103 Nevertheless, despite a significant shift in the production capacity of the mines (the output of gold for the period 1885-1889 was 130 000 fine ounces),104 most of the early mines operating in Johannesburg possessed very little equipment and probably even less mining staff. It would take much confidence and even more speculation by the brokers to convince the financial community that despite the minimal industrial activity, the share market was ready for a boom.

BARNATOS JOHANNESBURG STOCK EXCHANGE

After much hesitation and consultation with Kimberley business rivals, the first signs of a possible boom were also when Barney Barnato transferred his business operations from Kimberley to Johannesburg. Having just fought and won a critical election that returned him to the Legislative Assembly of the Cape Parliament as the senior representative for Kimberley, Barnato quickly made his way to what he called the “financial Gibraltar of South Africa.”105 Arriving in Johannesburg on 22 November 1888, Barnato was able to make news headlines just three weeks later.106 According to Eckstein “[...]he fought with Lilienfield in the Exchange. We sent both him and Lilienfield letters of apology to sign, which he refused to do. Pending his apology we have forbidden him entrance to the Exchange.”107

Barnato did eventually make mends with the JSE and became a member on 15 January 1889. The official Members Roll books show that by the time Barnato made the official move to Johannesburg, most of his Kimberley rivals, such as Hermann and Fred Eckstein, George Farrar, Julius Jeppe, Edward Lippert and Sigismund Neumann, had

99 SBA. GMO 3/1/22 . 6 February 1888. p. 330
100 Most of these early brokers come to Johannesburg from Barberton.
101 This was mentioned by Taylor in a number letters to Rhodes and Beit. See : BWA Archives. W.B. (J.P) Vol. 3. Incoming correpsonudes 1886-1889. Late 1888 telegrams. September-December 1888
103 Klein, Harry. 1948: p. 31
105 Cartwright, Alan Patrick. 1965. p. 86
107 Quoted in : Cartwright, Alan Patrick. 1965. p. 86
already become members of the Stock Exchange. Seeing the rent-seeking potential of the new Exchange, Barnato quickly set about taking physical control of it. To make up for his late arrival on the Rand, Barnato invited his brother Henry, and cousins Solomon (Solly) Barnato Joel and Jack Barnato Joel to join him on the JSE.\footnote{He would become Chairman of the JSE in 1896}

Within a few months the Barnato’s (together with the Joel’s) had established the Barnato Bank, Johannesburg Estate Company, Johannesburg Consolidated Investment Company and the Johannesburg Waterworks and Exploration Company.\footnote{See: Joel family. In : Wills, Walter H. “The Anglo-African Who’s Who.” London: L. Upcott Gill (1907)} After a few months of membership, Barnato quickly assessed that irrespective of market conditions, the Johannesburg Stock Exchange and Chambers Company would be able to make significant profits through the receipt of entrance fees, subscriptions, company listing fees, rents and the charges from hearing various trading disputes.\footnote{Cartwright, Alan Patrick. 1965. p. 86} Although very little is known about the exact sequence of events, by March 1889 Barnato was able to acquire the share control of the Exchange and Chambers Company, and became the \textit{de facto} owner/proprietor of the Exchange.\footnote{Bryant, Margot. 1987: p. 13}

Within this rapidly-growing commercial empire, the Barnato’s most important company linked to the Exchange was the Estate Company. In March 1889 Barnato established the Johannesburg Estate Company with the main objective of managing the Johannesburg Stock Exchange building and adjacent properties in the young town centre. Once in full control, it did not take Barnato long to realise that the JSE was the perfect rent-seeking institution. This \textit{modus operandi} was already evident at the first recorded meeting of the Estate Company on 21 March 1889 and can be summarised as follows:\footnote{Bryant, Margot. 1987: p. 13}

1. That a committee for the enlargement of the Exchange is to be established.
2. That for the present the Exchange con admit no more members.
3. That new applications may be received when the temporary are completed and that the entrance fee shall be fifty guineas.
4. That from 1 April 1889 visitors shall be charged five guineas for the month.
5. That from 1 April 1889 the subscription for all members shall be six guineas per quarter.
6. That Directors of the Company have free entrance to the Exchange with full privileges of membership.
7. That the meetings of the board take place weekly at 2.30.
8. That the Standard Bank be appointed the bank of the company.

A further meeting was held on 8 April and the fee structure was once again amended.

\textit{All entrance fees and subscriptions will continue to be imposed and be collected by the Company who undertake that for the period of five years from 1 April 1889 the entrance fee for new members shall not exceed fifty guineas, the quarterly subscription of £6. 6. 0 and visitors monthly fee of £5. 5. 5, except with the consent of the Committee, and who undertake further that up to 31 December 1889 all persons who were members of the Exchange on 1 April 1889 shall be admitted on payments of a quarterly subscription of £ 3. 3. 0 only.}\footnote{BL. Minutes of the Board of the Johannesburg Estate Company. 21 March 1889. Point 8a in: BL. Minutes of the Board of the Johannesburg Estate Company. 8 April 1889.}
The Board of Directors, represented by Barnato’s cousin Woolf Joel, Harry Caldecott, James Leonard, Henry Rogers and James Taylor, allowed Barnato to consolidate his power with great ease and just about no internal opposition. With power came confidence and soon enough the Exchange became too small for Barnato’s great ambitions. Even at this early stage, Barnato was convinced that the original Stock Exchange hall was totally inadequate for the several hundred members and their clerks who were operating at the time. Barnato immediately insisted that the fees were to be doubled to six guines under the pretext that the increase was due to extra funds needed for the expansion of the Exchange building (See Table 5).

Above all, Barnato was instrumental in opening the doors of the Exchange to a wide cross-section of the general public. Despite the official stop on new memberships, Barnato created a special “dealer” membership to enable potential operators to transact business in the Exchange. These special temporary members would become full members once the new building would be ready for business. Additionally, and most importantly for the young Exchange, as opposed to London’s strict separation of banking and stockbroking, Barnato allowed bank managers and representatives of all local newspapers access to full membership. It was estimated by the Committee of the Exchange, that under the strict leadership of Barnato, some 700 new members were introduced to the Exchange during the year of 1889.

Graphic 1: JSE Membership. 1887-1899

Sources: Own calculations from JSE Members Roll Books 1889-1899.
Rosenthal, Eric. On ‘change through the Years; a History of Share Dealing in South Africa. 1968

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115 All members of the Board were members of the Exchange before the Johannesburg Estate Company was formed.
116 Klein, Harry. 1948. p. 24
117 Rosenthal, Eric. 1968: p. 163
118 BL. Minutes of the Board of the Johannesburg Estate Company. 8 April 1889.
See also Klein, Harry. 1948. p. 31
119 See Klein, Harry. pp. 24-5
### Table 5: JSE Membership Fees. 1887-1893

<table>
<thead>
<tr>
<th>Date</th>
<th>Member’s Quarterly</th>
<th>Partner/Clerk Quarterly</th>
<th>Visitor’s Monthly</th>
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<tbody>
<tr>
<td>December 1887</td>
<td>£ 0. 10. 6</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>March 1889</td>
<td>£ 1. 1. 0</td>
<td>£ 1.1.0</td>
<td>£ 1. 1. 0</td>
</tr>
<tr>
<td>April 1889</td>
<td>£ 3. 3. 0</td>
<td>£ 1.1.0</td>
<td>£ 3. 3. 0</td>
</tr>
<tr>
<td>January 1890</td>
<td>£ 6. 6. 0</td>
<td>£ 3.3.0</td>
<td>£ 5. 5. 0</td>
</tr>
<tr>
<td>May 1893</td>
<td>£ 6. 6. 0</td>
<td>£ 3.3.0</td>
<td>£ 6. 6. 0</td>
</tr>
</tbody>
</table>


Barnato’s new policies galvanised the brokers of the Exchange against him. Barnato’s explanation, that the new funds were needed for the expansion of the Exchange’s building, was rejected by the influential broker Colonel R.A Bettington, who rallied a group of brokers against the Committee of the Exchange by protesting against “the unjustifiable policy of making us (the brokers) pay in advance for work that has not even been started.”

The next day Bettington found the Exchange doors closed to him due to “ungentlemanly conduct,” but was fully reinstated on 8 April.

Further minor compromises were not enough to satisfy the brokers, who insisted on another meeting with Barnato. During the 5 April meeting the Estate met with the Committee of Members and the Brokers’ Association to draw up the final memorandum on the division of power within the Exchange. The final document stated:

1. The Committee of Management to be elected by ballot. Such elections to be entirely in the hands of the members of the Exchange with the Board of the Estate Company having no right of nomination or interference as a Board, but its members (if members of the Exchange) shall be eligible for election.
2. Such Committee is to have the entire control of the internal affairs of the Exchange and the appointment of a secretary.
3. That a certain sum to be hereafter agreed upon sufficient to cover the expenses of secretary and servants shall be paid by the Estate Company to the Committee of Management.
4. The entrance fee and quarterly subscriptions and visiting member’s fees shall be imposed and collected by the Estate Company.
5. That the Committee of Management shall not have the right of levying any fees on members of the Exchange without the consent of the Estate Company except fees for hearing cases.
6. That members of the Exchange shall have the right of entrance and use of the exchange and necessary offices for the term of five years. Such offices to comprise of the new building, the Exchange Hall, a suitable Board Room, Secretary’s Office, Reading Room and the preference of renting about 75 brokers offices to be erected within the Exchange.

Just as in London in, the separation of ownership from operation of the stock exchange was a fundamental factor in influencing the further development of the Exchange. The significant increase in the amount of memberships was a typical management strategy to compensate for poor revenue during financial slumps.

The young London broker, Edward Kennedy, who arrived in Johannesburg in June 1889, wrote an excellent account of the early power dynamics between the Estate,

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120 Rosenthal, Eric. 1968: p. 163
121 BL. *Minutes of the Board of the Johannesburg Estate Company*. 8 April 1889
122 BL. *Minutes of the Board of the Johannesburg Estate Company*. 5 April 1889
the management and the members. According to him, the ‘open-door’ policy of the Estate was no hidden secret and would eventually contribute to a significant conflict between the members and the proprietors.

“The Stock Exchange is the property of the Johannesburg Estate Co., who fix the amount of entrance fee and subscription, but applications for admission come from a committee elected by the members. It will be readily seen that the more members there are the better it is for the Estate Company, and it is not by any means their desire to place difficulties in the way of membership.”

Soon after Barnato was able to pacify the first wave of attacks against his plans for the Exchange, work begun on the Barnato Buildings in Commissioner Street, which were to house the new Exchange (a block away from Eckstein’s offices) and the Chamber of Mines. On 7 April a special meeting was held by the Directors of the Estate to consider plans for the new building. Once again Barnato was able to force his will on the Board of Directors and demanded that an extra Board Room be build along with a Banquet Room that would only be reserved for use by the Estate. An even more bizarre demand was that “the W.C’s should not be in the building, but that an endeavour should be made to obtain land in the vicinity (of the Exchange).”

By the end of May 1889 construction on the new Barnato Buildings was well underway. Barnato’s cousin Solly employed the best architects from the Cape to design the complex of buildings that was to contain the Stock Exchange Hall, 100 office suites and an extensive covered market. Barnato promised that the new building would be the finest in Johannesburg. Writing towards the end of 1889, a local reporter Dennis Edwards, provided a comprehensive description of the building’s design and Johannesburg’s changing landscape. The creation of a new global financial centre was nearly complete.

Johannesburg cannot boast of many public buildings, but the New Exchange, which will cost some £70 000, will be worthy of the Rand and of all the large business in stocks and shares. The external frontage is not quite completed, but we give a description which might prove interesting.

The principal entrance is in Commissioner Street, to which it has a total frontage of 207 feet. Its depth is about 100 feet, running down Simmonds Street and Fraser Street, from both of which there will be entrances. Those from Commissioner Street and Simmonds Street will be provided with porches and handsome vestibules.

The Exchange Hall is the innermost recess of this tenement of shops and offices. It is rectangular, and measures 98 feet by 45 feet, and is 56 feet high. It will have a gallery supported by 20 columns. The gallery will be 10 feet wide, and elaborately fitted with turned balustrades. It is to be disconnected from the offices, and will be a used exclusively for Exchange business. Its windows will be stained glass. On the ground floor there will be 35 offices, seven to eight feet square, for the convenience of brokers. These will all open directly into the Exchange Hall. At the west end of the Hall there will be a commodious bar and refreshment room, with spacious cellarage. At the back of the bar will be the lavatories, etc. The floors and wells of these will be laid with tiles, and the latest improvements will be adopted.

The entrance halls will be handsomely decorated with barrel-arched ceilings, panelled and divided by artistic stained-glass screens. The Hall will be surrounded by dome-shaped cupola, which will provide ample light by day; and it is intended to use electricity for illumination by night. Patent glass roof-lights will be provided in two bays on each side of the cupola. The floor of the Hall and of the bar, brokers’ offices, and refreshment rooms will be laid with oak parquet flooring.

124 Cartwright, Alan Patrick. 1965. p. 86
125 BL. Minutes of the Board of the Johannesburg Estate Company. 7 April 1889.
126 BL. Minutes of the Board of the Johannesburg Estate Company. 7 April 1889.
CONCLUSION
The last quarter of the 19th century ushered in a structural change that would determine the socio-economic dichotomy of South Africa till this day. The rise of the Johannesburg Stock Exchange complements and enhances the exceptionalism of South Africa's painful history, creating a capital market that would drive the engine of economic development and political disposition.

This paper developed a descriptive narrative of the connections between the rise of South Africa's first mineral revolution and its financial institutions. The study expands on the limited research about the origins of the JSE, intended to promote the debate on the origins of domestic and global sources of capital employed in the South African mineral revolution. As important as the JSE was and still is to the South African gold industry, the paper seeks to promote further engagement with South African institutional history in local and global perspective.

This primary investigation has been able to conclude that the rise of the JSE was no exceptional institutional project, but clearly one that was made unique in its legislative conduct and connections with regional, local and global economic actors. As conducive as the London Stock Exchange was to the build-up of the initial capital stock employed in South African gold mining, it was the JSE where deregulation and limited barriers of entry created the optimal corporate organisation for a quick and excessive financial boom. In answering the question on the need for the establishing of the JSE, the study concludes a combination of legislative, speculative and technological factors that shifted the interest and profitability of South African gold mining shares from London back to the source of the gold mania, the main reef in Johannesburg, deep in the (still) independent South African Republic.

As much as the narrative stresses the rise of gold and its financial components, this is clearly a story of Johannesburg, a city that grew out of the gold dust and with its galvanising powers, was able to create a new industry, a new economy and empower a young state. The growth of Johannesburg's capitalist society would progressively detach the city's economy and politics from Pretoria, creating a narrow system of political alliances and imperial loyalty.

Despite the multiple connections between economic, financial and demographic growth, the case of powerful individuals has been stressed the most. The friends and enemies of Kimberley's diamond industry transferred their capital, networks and political ambitions to Johannesburg, playing out their speculative games and financial scams on non-British territory. The shift of these Kimberley connections added to the expertise of London-trained brokers and bankers that by 1889 turned Johannesburg into a financial powerhouse with the highest concentration of stockbrokers in the world.128 The men who would maximise their Kimberley-past with the help of London expertise and capital to determine the financial future of Johannesburg were Barnato, Rhodes, Wernher and Beit. Their financial foresight, greed and quest for power was reflected in most institutional undertakings of the early years of Johannesburg, with the Johannesburg Stock Exchange being the biggest prize of the 1880s.

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