

Final Research Report

The making of the Johannesburg Stock Exchange, 1887-1899

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The research grant from the History Project provided me with a wonderful opportunity to further my archival research in and around Johannesburg, South Africa. The generous funding enabled intensive visits to a number of archival depositories and special library collections. More importantly, the grant facilitated the completion of the initial project plan and the publication of the article, *From Diamonds to Gold: The making of the Johannesburg Stock Exchange, 1880-1889*, forthcoming in the *Journal of Southern African Studies* in August 2016.

Stock exchanges, primarily London, and from 1887 Johannesburg, would be where financial and human capital would determine the economic and political future of South Africa. As stated by Cain and Hopkins, the new mining frontier of South Africa was populated by entrepreneurs whose business activities were distant from the gentlemanly norms and conduct of Victorian Britain, forcing British foreign policy to shift away from cultural idealism and towards political realism.¹ The two main strategies adopted from the 1880s would make use of British finance to further Britain's influence in the South African Republic, and colonial agents, above all Rhodes, to isolate Kruger's Republic within its frontiers.² Although not 'gentlemanly',³ the capitalist developments in Johannesburg would, just as in London, use the stock exchange to manipulate local, regional and imperial politics of the late 19th century.

This project provided a historical assessment of the Johannesburg Stock Exchange's foundation, rise and interaction with Southern Africa's gold mining revolution, in the process, investigating why and how the Exchange came into existence. Using original documentation from the JSE and its landlord, the Johannesburg Estate Company, the study juxtaposed recent accounts of the London Stock Exchange, contradicting them with South African financial developments in the last quarter of the 19th century, concluding an intentional deregulation of stock exchange listing requirements that led to the establishment of the JSE. Additionally, the

¹ Cain, Peter J., and Anthony G. Hopkins. *British Imperialism: 1688-2000*. Pearson Education. 2002. p. 322

² Cain, Peter J., and Anthony G. Hopkins. *British Imperialism: 1688-2000*. Pearson Education. 2002. p. 322

³ See: Cain, Peter J., and Anthony G. Hopkins. "Gentlemanly capitalism and British expansion overseas II: new imperialism, 1850-1945." *The Economic History Review* 40.1 (1987): 1-26.

project documented the Exchange's organisational evolution by quantifying and qualifying trends in membership numbers up until the end of the first "Golden Boom" of in 1890.

The early institutional growth of the Exchange can be seen as a balancing of organisational power between the Johannesburg Estate Company and the members. Internal opposition from members, brokers and the General Committee would eventually isolate the influence of the Estate Company, creating a stable, and yet fragile, organisational structure. Additionally, the division between ownership and operations facilitated the emergence of regulatory sub-committees, investigating disputes and controversies over the rights and obligations of members. By 1890 the Exchange was not only the financial institution behind Johannesburg's early economic boom and bust, but increasingly a political organisation shaping the corporate identity of the gold industry.

In answering the question on the need for the establishment of the JSE, the study concludes a combination of legislative, speculative and technological factors that shifted the interest and focus 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. Additionally, the project documented the growth and development of the social organisation on the JSE, showing how the divisions in ownership, labour and decision-making were regulated. The growth of Johannesburg's capitalist society progressively detached the city's economy and politics from Pretoria, creating a diverging system of political alliances and loyalty.

As important as the JSE was and still is to the South African and sub-Saharan African mineral industry, the project seeks to promote further engagement with South African institutional history in local, regional and global context. The archival evidence in this investigation demonstrates the close personal alliances, inter-institutional discrepancies and legislative framework of the Johannesburg Stock Exchange in an isolated institutional case study. It is to be hoped, therefore, that this article will promote further debate on the origins of the JSE and of domestic and global sources of capital employed in South Africa's mineral revolution.

The project is by no means an exhaustive account of the economic and financial foundations of the JSE. Given the significant methodological challenges associated with quantifying the performance of any 19th century stock exchange, it was not the objective of this study to even suggest how much financial capital was raised in Johannesburg or how the Exchange fared against established European or North American bourses. The aim here was to address the significant lacuna in South African financial historiography and promote a reassessment of South Africa's financial institutions during the "first age of financial globalization."