



The Diamond Ring

Diamonds are intrinsically worthless.

Former De Beers Chmn. Nicky Oppenheimer

NATION: DE BEERS

FOUNDED: 1888

FOUNDER: Cecil Rhodes

CAPITAL: London, England

GDP: \$6.6 billion (revenues, 2022)

CLAIM TO FAME: World's largest
diamond producer and wholesaler

Milestones in De Beers' Sparkling History:

1869: A shepherd discovers a 83.5-carat diamond stone on the banks of the Orange River near Hopetown, South Africa, igniting a prospecting rush in the area, later renamed Kimberley. A neighboring farmer acquires the stone from the shepherd in exchange for 20 sheep, 10 oxen, and a horse, and quickly resells it to a local diamond trading house for about \$2 million in today's dollars.

1871: Dutch brothers Diederik and Johannes de Beer are forced to sell their Kimberley farm to merchant Alfred Ebden for about \$1 million in today's dollars. The farm would become the site of the Big Hole diamond mine, yielding 3.3 million *tons* of diamonds.

1874: Englishman Cecil Rhodes starts renting steam-powered pumps to miners in Kimberley, and not long after begins purchasing claims in the mines themselves.

1888: Securing funding from the Rothschild family, Rhodes's British South Africa Co. merges with another large firm to form De Beers Consolidated Mines. Realizing the need to perpetuate the illusion that diamonds are scarce (which they aren't) De Beers gradually takes control of all aspects of the world diamond trade, from mining and processing through retail sales.

1896: Rhodes informs shareholders that the only risk to De Beers' monopoly is the sudden discovery of new mines, which "will work recklessly to the detriment of us all."

1899: With the Second Boer War threatening mining operations, Rhodes convinces the British government to divert military resources away from the war effort toward providing security for De Beers' mines.

1902: Cecil Rhodes dies. During his tenure as chairman, Rhodes is responsible for the death of hundreds of thousands of black South Africans, and the enslavement and incarceration of millions more. (In one afternoon alone—equipped with modern English machine guns—De Beers' private mercenary army slaughtered 5,000 people.)

1905: The largest rough diamond ever discovered, the 'Cullinan' diamond, is found near Pretoria, but the mine owner refuses to join the De Beers cartel, instead selling the diamond to the Oppenheimer Brothers.

1917: With financial assistance from J. P. Morgan, Ernest Oppenheimer founds the Anglo American Corporation, posing the first real challenge to De Beers' monopoly.

1929: Ernest Oppenheimer wrests full control of De Beers. As prices fall in the Depression, De Beers stockpiles diamonds in order to artificially restrict supply. Then, as prices recover, De Beers threatens to flood the market with diamonds, putting independent producers who refuse to join the De Beers cartel out of business.

1938: In order to persuade customers in the U.S. (De Beers' largest market) to buy more diamonds, advertising agency N.W. Ayers creates an advertising campaign associating diamonds with marriage, positioning them as "an integral part of romantic courtship." By the 1970s, De Beers' U.S. diamond sales will grow a hundred-fold to \$2.1 billion.

1947: N.W. Ayers copywriter Francis Gerety creates the memorable slogan, 'A Diamond is Forever' —named in 1999 by *Advertising Age* as the most successful advertising slogan of the 20th century.

Promoting the false belief that diamonds cannot be destroyed, De Beers successfully dissuades diamond buyers from ever selling their stones, preventing development of a resale market which could threaten prices.

1960s: De Beers duplicates its successful U.S. marketing campaign in Japan, creating a billion dollar market in a country where traditional marriage customs had previously remained unchanged for hundreds of years.

1999: Facing increasing negative publicity about diamond mining fuelling civil war in Africa, De Beers announces it will stop buying 'conflict' or 'blood' diamonds. The strategy benefits the company by restricting global supply and raising the value of De Beers' purportedly untainted gems.

2008: De Beers is fined \$295 million for conspiring with General Electric to fix the price of industrial diamonds.

2011: Facing a fragmented market and increasing competition from new Russian, Australian, and Canadian diamond mines, the Oppenheimers sell their 40% stake in De Beers to Anglo American for \$5.1 billion. The following year, Anglo American will effectively gain full control of De Beers.

2018: After a decade vehemently disparaging and refusing to sell synthetic diamonds, De Beers capitulates, introducing a line of lab-grown diamonds under the *Lightbox* brand, with discounts of up to 90% off the price of natural stones. Critics say the company risks cannibalizing its business model in an effort to gain a 'diamond grip' on the synthetics market, comparable to its once-invincible control of the market for natural stones. ■