

An innovative solution

In the early 1800s, Governor Lachlan Macquarie was faced with the task of finding a solution to the currency situation in New South Wales.

He tried several approaches only to have them rejected. In October 1810, he suggested the founding of a bank. Rejected! At the same time, he asked for copper coins to replace the trade in rum and promissory notes. Rejected! He would have liked some silver coins from England, but these were in short supply, so that idea didn't work either. What was he to do?

Macquarie came up with a plan to import (bring in to the colony) some of the most common silver coins in the world at that time: Spanish dollars (also known as pieces of eight).

In 1812, the 'Samarang' arrived in Port Jackson with 40,000 Spanish dollars on board. This must have been an exciting day for Governor Macquarie, but he still had the problem of keeping the currency in the colony. One of the biggest problems with currency at this time was that it was used to pay trading ships and so sailed out of the colony – never to be seen again!



Spanish dollar

In his own words, this is what Governor Macquarie decided:

'Having decided it essentially necessary to adopt every possible precaution to prevent this Useful Supply of Dollars from being Exported, or Carried out of the Colony, I gave immediate Direction for Constructing a Machine here for the purpose of Stamping, Milling and Cutting a piece out of the Center of each Dollar, previous to my circulating this Specie in the Colony. Intending that each Dollar, and the small piece Cut out of the Center of each, should have the Value thereof, respectively, and the Name of the Colony stamped on it. The Value I determined on giving to the Dollar was Five Shillings Sterling, and fifteen pence to the small piece Cut out of the Center of each Dollar.'

So what does this mean?

Macquarie wanted to keep the currency here in Australia, so he had to make sure it was unique and wouldn't be of use anywhere else. He had a machine built that could be used to stamp the middle piece out of each Spanish dollar, producing two pieces: a donut shaped piece and a middle, round piece. These became known as the Colonial dollar (the donut-shaped piece) and the 'dump' (the middle piece). The Colonial dollar was also known as the 'holey dollar'.

This was an ingenious idea as it not only made the currency unique, it doubled the number of coins. It also made Macquarie a lot of money. He originally paid four shillings and nine pence for each dollar, but the new value made the pieces worth six shillings and three pence.

Keeping the new currency in the colony

Now that the amount of currency in the colony was increased, Macquarie had to make sure it didn't leave on trading ships. To do this, he changed the coins even more to make them the first uniquely Australian coins.

Macquarie employed the services of a man named William Henshall to help make the new coins. Henshall had an interesting history. In 1805 he was tried for currency forgery (making fake coins and bank notes) in England and was sent to New South Wales for seven years as his punishment.

Before he was arrested, Henshall produced very high quality fake coins, so when Governor Macquarie was looking for someone to stamp the new coins, he chose Henshall. By this time, Henshall had finished his seven year sentence and it is not clear how Macquarie knew about his special 'skills' but it was probably from word of mouth.

What did the new coins look like?

The holey dollar

The holey dollar was donut-shaped and stamped around the inner rim. One side had the words 'New South Wales' and the date '1813' while the other side had a spray of leaves and the words 'Five Shillings'.

Due to the coins originally being Spanish, many of them also had Carolus III, Carolus III or Ferdinand VII stamped on them.



Holey dollar

The dump

The dump was about the same size as our five cent coin.

After it was punched out of the dollar it was re-struck with a crown surrounded by the words 'New South Wales' and the date '1813' on one side. The other side had the words 'fifteen pence' across the centre.



Dump

Well done, Governor Macquarie, but here comes Governor Brisbane!

Macquarie's changes in the colony had a positive impact. The new currency, his policies about the rum trade and many other factors meant that the colony started to move forward and become what he had imagined.

The holey dollar and dump were the most common currency until 1823 when the new Governor, (Thomas Brisbane) tried to establish a decimal 'dollar' standard of currency (instead of the British standard of pounds, shillings and pence). He recalled (took back) all the holey dollars and dumps and re-issued them (gave them back) at a lower value. He also allowed Spanish dollars to be used again.

Governor Brisbane's experiment of trying to use a decimal 'dollar' standard didn't last very long though. In 1825, the English Parliament passed an act stating that only English coins could be used in the colony. The holey dollar and dump slowly disappeared!