

Currency in early settlement

The first few decades of Australian settlement were an interesting time. The landscape was not what was expected and the officers, settlers and convicts found Australia to be a harsh and unforgiving environment.

Establishing a stable and acceptable currency is an important part of any community and this was a challenge for the early settlement leaders. Read on to find out how this process happened in Australia.

What was being used as currency?

- Foreign currency

When the First Fleet arrived on Australian shores, the only currency on board was 300 pounds of English coinage (held by Captain Phillip) and a mix of other foreign currencies in the pockets and purses of officers, sailors and passengers. These included English guineas, shillings and pence, Dutch guilders, Indian rupees and Spanish reales.

Trying to use so many different currencies was very confusing. Their value was often related to their metal content, but arguments happened all the time when people didn't agree on a value.

The other problem with this currency, was that there wasn't a lot of these coins and they were often taken out of the colony by trading ships.

- Promissory notes

A promissory note is a signed document with a written promise that a specific amount will be paid to the person holding the note.

The colony tried to pay trading ships with promissory notes that promised the traders could exchange this for cash payment when they arrived in England. The traders often refused these notes as they wanted cash to buy goods on the return journey.

Promissory notes were an unreliable way to trade. They could be easily forged (fake ones could be made), people often argued about their value and some people used them to pay for goods even though they knew they didn't have the money to cover them. There is even the story of the owner of a hotel who was known to bake his promissory notes in the oven so that the paper would be brittle and they would fall apart before they could be claimed.



Examples of foreign currency.

- Rum

The use of rum as a currency began around 1790. Rum was brought into the colony and controlled by a small number of people who became very rich. The problem with rum as a currency was that many workers were paid in rum and, instead of using it to buy the goods and services they needed, they drank it.

The trade in rum grew and grew until it became the most popular form of currency. Major building construction (like the Sydney Hospital) was even paid for with rum!

- Proclamation coins

On 19th November 1800, Governor Phillip King made a proclamation that was designed to bring some currency stability to the colony. He set official values (in English pounds, shillings and pence) for many of the foreign currencies that were being used. This helped a little, but much of the colony's currency still left on trading ships and rum still remained very popular.

A better solution is needed – enter Governor Lachlan Macquarie

In 1810, Governor Lachlan Macquarie arrived. Unlike some of the earlier Governors, Governor Macquarie had a long-term vision for the colony. Rather than thinking that Australia was just a prison, he wanted it to be a strong and growing country.

One of Macquarie's first tasks was to deal with the increasing trade in rum, which was having a negative impact on the colony. Previous Governors had tried this, but failed, often because they just tried to ban the trade of rum, which made many rich people angry. Macquarie recognised that rum was only a small part of the colony's problems. He knew that he needed to establish an acceptable currency.

Instead of banning rum, Macquarie reduced the number of places that could sell it and made these places close on Sunday. He also decided to increase the supply of rum. This sounds like a strange way to end the problem, but when something is in large supply, its value decreases, so it wasn't worth as much as a currency.

Now that Governor Macquarie had dealt with the rum trade, he knew that he needed to find a replacement currency.

To find out what happened next, see the 'An innovative solution' fact sheet.



Governor Lachlan Macquarie
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