Foundations of the Australian Monetary System 1788-1851

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Foundations of the Australian Monetary System 1788-1851

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Sydney

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1968
Preface

THE story of Australian money is peculiarly fascinating for it is possible to trace its development from the primitive beginnings in a penal colony with no initial monetary arrangements through to a fully fledged modern system. This has more than its individual interest, for the opportunity to study in detail an economy built up from its earliest beginnings should throw light on the general theory of economic development. That theory, in its various presentations, presupposes a fully developed economy, of a capitalist type, and neither of its two most impressive contributions (by Marx and Schumpeter) is an exception.

For the present study the year 1851 was chosen in advance as a halting point, as being the year of the separation of Victoria from New South Wales and of the discovery of gold, closely followed by the coming of responsible government. It has proved fully justified after the event, for, as the story will show, one finds development pausing in the late 'forties, different sections of the monetary system reflecting the temporary stability of the economy as a whole. In due course I hope to complete the study by tracing the development of later decades.

On many points of detail material is available for a fuller investigation, and at any time lost records of individual banks may turn up to correct and fill out the account given here, but even the most relentless researcher must stop. I have elected to give my version in full detail, partly to make it unnecessary for others to rediscover the facts, but mainly because my object has been to display a set of institutions coming into being and in operation, and, on first telling, that story requires detail. The chief defect of the present narrative, if an author may give reviewers a text, is that the threads of monetary development are imperfectly woven into the fabric of the growth of the Australian economy. The explanation lies in the inadequacy of the literature. It has been necessary to search out from original sources many matters not part of the present study, but essential for its writing: the emergence of a government treasury organization; the functioning of the commissariat; the growth and changing forms of external trade; the beginnings of joint-stock enterprise generally and in insurance and pastoral companies; some specialized aspects of British colonial policy; and others on which I have learned enough to know that I do not know enough to justify facile generalizations and “interpretations”. Interpretation I have in general sought to embody in the narrative rather than present it self-consciously apart.

Citations of secondary sources are mostly limited to correction of errors and then to those works whose authority and standing warrant the trouble. In particular, the frequency with which Fitzpatrick's mistakes are noted reflects my view that, while he is often inaccurate in his narrative and I cannot accept many of his interpretations, his two volumes are the most substantial economic history of Australia yet available. No doubt every researcher feels that he has found out how wrong everyone else is, but the literature in this field is so unreliable that a record of sources is especially necessary, and I have given detailed references to the
material.

My debts are so many that for most one general acknowledgment of inability to pay must suffice; to officers of libraries, state archives, government departments, and banks in all states I offer thanks for courtesy and ungrudging help. Some obligations must be specially mentioned. Mr A. R. Wiltshire of the Bank of Australasia obtained for my use, at the bank's expense, some 1,400 feet of microfilm covering the invaluable records of the London office. Direct access to the records of the Bank of New South Wales was not permitted but Mr R. F. Holder was empowered to supply extracts which he selected with discretion and understanding of my needs. (It is proper to note that no bank of all those who made records available has sought in any way to control my use of the material.) The Research Committee of the University of Sydney assisted the final stages of the work, while the interest of the Commonwealth Bank made publication possible. For permission to use revised versions of material appearing in articles I have to thank the editors of Historical Studies—Australia and New Zealand (two articles) and the Journal of the Royal Australian Historical Society. My publishers join me in gratitude to Miss Joyce Fisher for the skill and care she has devoted to preparing the manuscript and the index.

S. J. BUTLIN

THE writing of this book was completed twenty years ago. Since then little has been published on its central subject, other than my own account of British banking in Australia and New Zealand (Australia and New Zealand Bank, 1961) but a very great deal has appeared in the general field of Australian history. To take account in detail of this work would require extensive re-writing and it has seemed to me better to let the book stand as a work of its time. It has been reproduced by offset photo-lithography so that the reader has an exact reproduction of the original text.

London S. J. BUTLIN
May 1968
Note on Terminology and Abbreviations

H.R.A., Historical Records of Australia, followed by series number, volume number and page.
H.R.N.S.W., Historical Records of New South Wales.
V.P.N.S.W., Votes and Proceedings of the Legislative Council of New South Wales. Where this is followed by a year the reference is to a volume (the volumes are not continuously paged). A more precise date refers to minutes of proceedings of that date.

Tasmania is used on occasions although it is, in official use, anachronistic before 1853. But it was used in the period unofficially, and pedantic adherence to “Van Diemen's Land” gives an unnecessary air of remoteness.

Port Phillip District is used throughout not only because there is no justification for using Victoria before 1851 but also to serve as a constant reminder that the District was part of New South Wales for the period covered. The same was true under the name Moreton Bay District of what became Queensland in 1859.

Treasury bill is never used in its modern sense. Meaning bill of exchange drawn on the British Treasury it occurs in quotations and occasionally is used in the narrative.

Currency and Sterling between quotation marks are used in special contemporary senses explained briefly in Chapter 1 and more precisely in Chapter 3.

Bank names are often shortened to avoid repetition of long titles. No confusion can arise except in the case of the Commercial Bank of Tasmania and the Commercial Banking Company of Sydney. Wherever this is likely a geographical reference is added to the short title.

Commissary is not, strictly, correctly used after 1813 when the officer in charge of each colonial Commissariat became “Deputy Commissary General”. This title is abbreviated as D.-C.-G. but the old short title is occasionally used loosely.

Dollar if unqualified means the Spanish dollar. The various other dollars are distinguished either by context or qualifying phrase.

Bigge's Evidence. No complete printing of this is available. That printed in H.R.A., Series III, is cited as Tasmanian Evidence; while that in Series IV is called Judicial Evidence; the Bonwick MSS. copy in the Mitchell Library is described as Manuscript Evidence.
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Fig. 1 Commissariat Bill on the British Treasury, as issued (1825) under the “dollar system”. (Mitchell Library)

Fig. 2 Early printed note-forms (1806–9) All are in “sterling”; note that at this period broken amounts were inserted as occasion required. (Dixson Collection)

Fig. 3 Early printed note-forms (1806–9) All are in “sterling”; note that at this period broken amounts were inserted as occasion required. (Dixson Collection)

Fig. 4 Early printed note-forms (1806–9) All are in “sterling”; note that at this period broken amounts were inserted as occasion required. (Dixson Collection)
Fig. 5 Notes of Ann Mash (1812) Three different forms in use in a single year, the serial numbers of the first and third being the same. (Dixson Collection)

Fig. 6 Notes of Ann Mash (1812). (Dixson Collection)

Fig. 7 Notes of Ann Mash (1812). (Dixson Collection)

Fig. 8 John Hutchinson's 1813 issues of copper coin notes. Denominations of 1s. and 2s.6d. has been amended to read “currency”. The signature is consistently different from the printed name. (Mitchell Library)
Fig. 9 John Hutchinson's 1813 issues of copper coin notes. Denominations of 1s. and 2s.6d. has been amended to read “currency”. The signature is consistently different from the printed name. (Mitchell Library)

Fig. 10 Booklet of D'Arcy Wentworth's Police Notes (1813) Denominations of 2s. 6d. and 5s. were also printed (together) in similar booklets. The Latin on the left is a simple protection against forgery in an illiterate community. (Dixson Collection)

Fig. 11 Note printed on sheepskin (1824?) A permanence most issuers avoided. (Dixson Collection)

Fig. 12 A “sterling” note payable in dollars (1826) (Dixson Collection)
Fig. 13 Form of note for threepence (c. 1825) The same design was also used for notes for sixpence and one shilling. (Dixson Collection)

Fig. 14 Notes of a cabinet-maker, flour-miller, wine and spirit merchant (1823) The first is for ten shillings “payable in dollars at 5s. each”; the second is for one shilling “or one-fifth of a dollar”; the third is simply for “half-a-dollar”. The fractions do not imply cut coins of these amounts. (Dixson Collection)

Fig. 15 Notes of a cabinet-maker, flour-miller, wine and spirit merchant (1823) The first is for ten shillings “payable in dollars at 5s. each”; the second is for one shilling “or one-fifth of a dollar”; the third is simply for “half-a-dollar”. The fractions do not imply cut coins of these amounts. (Dixson Collection)

Fig. 16 Notes of a cabinet-maker, flour-miller, wine and spirit merchant (1823) The first is for ten shillings “payable in dollars at 5s. each”; the second is for one shilling “or one-fifth of a dollar”; the third is simply for “half-a-dollar”. The fractions do not imply cut coins of these amounts. (Dixson Collection)
Fig. 17 Notes of Lempriere & Co., Hobart (1823) Denominations of one and four dollars were also used. The clerk is C. Boucher, and the notes were printed in Sydney. (Mitchell Library)

Fig. 18 Notes of J. Weavell. (Dixson Collection)

Fig. 19 Notes of J. Weavell. (Dixson Collection)

Fig. 20 Note substitution of “currency” for “in Spanish dollars at 5s. each” as the result of abolition of the dollar “system”. Similar notes for 3d. exist. (Dixson Collection)
Fig. 21 Notes of F. Bradley (1824) Issue by the same man within a few days of such different forms illustrates the
diversity of note issues and difficulty of detecting forgery. *(Dixson Collection)*

Fig. 22 Notes of F. Bradley (1824) Issue by the same man within a few days of such different forms illustrates the
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Figs. 23 Conversion to “sterling” in 1826 Later notes of this firm were headed variously, e.g. “Waterloo Company”.
The dollar note indicates the increasing elaboration of note forms as banking emerged as a separate and relatively
permanent and large-scale activity. *(Dixson Collection)*
Fig. 24 Conversion to “sterling” in 1826 Later notes of this firm were headed variously, e.g. “Waterloo Company”. The dollar note indicates the increasing elaboration of note forms as banking emerged as a separate and relatively permanent and large-scale activity. (Dixson Collection)

Fig. 25 A country store note of 1836 Bungonia is modern Goulburn. (Dixson Collection)

Fig. 26 Royal Bank 5s. note issued in 1847 (Mitchell Library)

Fig. 27 Country “order” in typical standardized form (1851) i.e. printed amount, addressed to Sydney agent of station. (Mitchell Library)
Since these illustrations were prepared, the collection of the late Sir William Dixson has passed into the possession of the Mitchell Library. Coins are not illustrated since they are exhaustively covered by A. Andrews, *Australasian Tokens and Coins* (Sydney, 1921).

South-Eastern Australia to 1851
Foundations of the Australian Monetary System 1788–1851
Chapter 1 The Story in Brief

AUSTRALIAN economic history is the major part of all Australian history; from the beginning economic factors have dominated development in a way that should gladden the heart of any Marxist. What is true of any particular strand of economic growth—land settlement, labour relations and labour organization, immigration, secondary industry—is also true of each major stage in the development of the community as a whole: each is characterized by economic changes which conditioned political, social and cultural changes. On a less significant level it is also true, and more obviously, that the monetary organization varied and grew to fit each phase in the emergence and growth of Australian capitalism. The period covered by this study may be summarized as one in which a penal settlement was created containing within it the seeds of a capitalist development; in the first twenty years the seeds were germinating, it was becoming clear that Australia was not merely a gaol with an odd mixture of private enterprise but a society organized on two contradictory principles. For the next ten years or so (the governorship of Macquarie) the two were reconciled simply because private enterprise was sufficiently employed in feeding the gaol. But in that time were developments, notably the establishment of wool-growing and exploration which opened up new resources along with new horizons, from which followed in the 'twenties open conflict between the two principles—and the gaol lost. With the 'thirties Australia was a field for migration and for British investment; it was being developed in a capitalist way. That process entailed a boom which ended calamitously, but destroyed the gaol. The 'forties were a period of consolidation of victory: political (the New South Wales constitution of 1842) and economic (the 1847 land regulations).

At each stage monetary organization repeated in miniature the larger story, changing its structure and technique in consonance with the developing structure of the immature Australian capitalism. On the eve of the discovery of gold in 1851, Australia was fully organized as a capitalist community on the British model, with a monetary system diverging in details but in all its main principles faithful to its British pattern.

Study of the earliest quarter century of economic foundations, which is in some ways the most important of all just because it concerns foundations, has been bedevilled by the application of stereotype concepts. Rogers\(^1\) finds it to be “State Socialism”; Shann\(^2\) “the economic last ditch, communism”; Fitzpatrick, finding a Marxist contradiction, declares, “every Governor was required to maintain a prison and plant a peasantry, and . . .
this could not be done because of the development of a special local interest during the period of uncontrolled military rule 1793–95. There is the common economic contradiction of New South Wales from 1795 to 1821”.

Consideration of this last is a convenient way of examining the birth of the new economy. The importance of the special “local interest” may not merely be conceded but should be emphasized; the doubts must concern the tracing of this local interest to the brief episode of 1793–95. Fitzpatrick finds the “principal internal factor of difficulty” to be “the creation of an officers' monopoly of trade and production”. Examination of the basis of this “monopoly” yields more fruits than a rejection of the stress on 1793–95. There were virtually no others available to act as entrepreneurs in the settlement which could only survive and function if someone assumed that role. For the requirements were that they should be free, at least in the beginning; ex-convicts like Simeon Lord who met the other requirements were admitted for trade purposes later when time produced emancipists. They had to possess some capital and be worthy of credit and have a minimum of education and organizing ability. Officers and officials were the only group who qualified; not for years could there have been many free immigrants or ex-convicts to play the role, and when they did appear the “monopoly” broke down despite resistance.

The “monopoly” can only be so described with a loose use of words; some degree of combination was inevitable as a retort to the monopoly of the captain of the infrequent ship; in a small community vigorous competition never flourishes since it conflicts with good social relations; and in this case the traders were, if not all gentlemen, at least all officers together. The basis of that monopoly was that officers and officials received the lion's share of the land grants, assigned convict labour and opportunities of sale to the government to feed the convicts; the officers were more efficient than ex-convicts since they could afford to operate on a relatively large scale, were better educated and better equipped to discover the new techniques of farming required in the colony. They came, therefore, to get the larger part of foreign exchange in the form of bills on the Treasury because, in default of positive policy to the contrary, they were naturally the government's chief suppliers, and through these bills they “monopolized” imports. With the maximum allowance for lack of scruple, the use of official positions to secure privilege and destroy competitors, and to sabotage the policies of governors who sought to intervene, it is still not necessary to attribute the source of “monopoly” to a brief interlude of military government, although this strengthened the monopolists' position, gave them a flying start and selected the individuals
who should be favoured. Nor is it reasonable to expect that governors could break this position by fiat. They failed so long as officers were administering rules designed to destroy their own lucrative privileges; they were forced to compromise because food had to be produced; and they had in any case no alternative to turn to. When a new group of non-official capitalists appeared, officers and officials soon took second place.

That local interest groups dominated economic development is true, but except for the very first years they were not only officials. Wentworth, Macarthur, Piper and their colleagues were joined by free immigrants like Robert Campbell or the Blaxlands, or by ex-convicts such as Simeon Lord and Redfern. Such groups must have achieved dominance in the absence of persistent and consistent promotion of an alternative system. The claim that this was pursued in the form of a peasant economy rests on nothing more secure than instructions to governors. These appear to represent spur-of-the-moment thinking as to how to dispose of convicts who were freed, not a design for an economic system. There were two possibilities, that convicts should become free peasants or that they should become employees, and at a stage when free settlers were not considered the former was more obvious. Someone said: let them grow their own food on land provided by the Crown and look after themselves; and as is the way with departmental memoranda, phrases and ideas were perpetuated without thought or understanding. The test of how far the phrases meant policy is the action taken to implement them.

If a contradiction must be formulated it lies here. The British government planned a remote penal settlement, but thought about it in terms appropriate to a local gaol, except in the more obvious Robinson Crusoe-ish aspects. When necessity dictated arrangements for private and government imports on a commercial basis, or some other mode of organizing food supply than turning convicts into peasants, the growth of private enterprise was rarely restricted, usually permitted, and often promoted. Capitalist solutions, such as private production of food for sale; local proposals which were self-interested but offered immediate help, such as land grants to officers or assignment of convict labour for private profit; these were accepted by harassed governors or a British government embroiled in continental war without any consideration of the way they implied the emergence of a private enterprise economy which could only briefly be consistent with a gaol.

The monetary arrangements which grew up in this milieu reflected it accurately enough. In origin they were almost all ad hoc temporary makeshifts. Foreign coins, arriving haphazardly in trade or in officers' purses and convicts' pockets, acquired local acceptability and brief legal
recognition. But they did not suffice, and from the simple expedient of settling debts with promissory notes grew, in the first decade of the nineteenth century, the practice of regular issue by all and sundry of small notes, heterogeneous in form and often disreputable, defying spasmodic efforts of governors to enforce some minimum standards. The government store which initially had the multifarious but restricted functions of an army commissariat adapted to provide for a prison population, came to be the chief market for colonial produce which it paid for in the first instance with Store receipts which thus became a kind of generally circulating government note issue. They were especially attractive because regularly withdrawn in exchange for bills of exchange on the British Treasury, nearly the sole kind of money with which imports might be bought. The same need to procure from private sources local food for convicts led the store to become the colony's chief source of capital advances in the form of stock, equipment and rations. It became for a short period in effect and in functions the colony's bank.

Makeshifts and ad hoc expedients to provide for payments between government and individuals and amongst individuals thus merged into a pattern, conforming to the larger pattern of a gaol which depended on private enterprise for its food supply, and which steadily built up, in the form of a body of officials permitted to develop large private economic interests and a growing number of ex-prisoners, a private economy with its own needs to finance production, imports and trade. The core of the monetary system was the Commissariat store with its Treasury bill for public and private external payments, its Store receipt, its loans in kind; outside its range private local transactions were fulfilled by supplementing its Store receipts with barter and a variety of private note issues. Thus there came into being a dual monetary standard, "sterling" meaning any form of money roughly equal in value and acceptability to bills on the Treasury, and "currency" meaning forms of money of purely local acceptability and normally at a substantial discount in terms of "sterling". The failure of King, Bligh and Macquarie in turn to suppress or control "currency" was evidence of the vitality with which private enterprise was growing.

The second stage of economic growth coincides roughly with the governorship of Macquarie, 1810–21. It was the period which finally determined that the ultimate destiny of the colony of New South Wales and its Tasmanian appendage should be a free capitalist society, not a gaol. Had Macquarie been a different person—a Colonel George Arthur for example—the issue might have been delayed, but in fact the trends discernible by 1810 worked themselves out under Macquarie because they were consistent with his policy. Macquarie as governor thought in the
mould of a Scottish chieftain; his policy was to promote, by persuasion if possible, by authoritarian methods if necessary, and with as little interference as could be managed from the Colonial Office, the welfare of convicts and colonists as he saw it. That programme assumed in his emancipist policy the emergence of a free society, with the gaol of declining relative importance. On the economic front it involved schemes of what later generations were to call “development”, to serve the needs and promote the activities of a free economy.

So Macquarie became the great builder not only of ambitious public buildings but also of roads, local communications in the coastal area as well as the western artery across the mountains, the piercing of whose secret he had promoted. Once the mountains were crossed and a convict station established at Bathurst the way was open to the later pastoral expansion on the plains. Here, too, Macquarie fostered developments that were to lead to big things. He secured free export of wool to the English market and lent aid to the establishment of the industry in Van Diemen's Land by organizing the shipping of sheep there. Whatever may have been his later conflicts with Macarthur they did not affect his interest in the infant industry. Nor did his early coldness towards free immigrants imply hostility to private enterprise. Rather his interest in the “rehabilitation” of emancipists socially and economically pushed him more and more to favour capitalist development, and in so doing to promote the interests of the more wealthy, whether they were free settlers or emancipists.

The expansion of farming, whaling and wool-growing found its capitalists in Macarthurs, Marsdens, Wentworths, Blaxlands, Blaxcells and Lords, and its labour force in assigned convicts and emancipists whose numbers grew rapidly as the numbers transported rose. There was a steady rise in imports, reflecting the flow of capital from England, and if exports were still small, consisting, apart from wool and whale oil, of casual shipments of timber or coal, local entrepreneurs were freely talking of new and varied local industries and, significantly, seeking in local distilling a market for the grain which already threatened to exceed what the gaol would demand.

Macquarie arrived imbued with the idea that a rebellious colony must be firmly if tactfully disciplined, and accepting his instructions which permitted but did not encourage free settlers; to the end he did not free himself of the conviction that the growth of the colony as something over and above the gaol, ultimately to replace it, dictated that he should promote the interests of emancipists. In the monetary field, therefore, his first, radical, approach was a scheme for a government bank and, when it was firmly disapproved in England, he turned to vain efforts to regulate,
suppress or replace the multifarious and disreputable private note issues. He imported dollars and secured their retention in the colony by the simple and tried device of stamping them, as “holey” dollars, into a purely local over-valued coinage, exportable only for their lower-valued silver content. Repeatedly he sought by decree to limit private note issues and to ensure their being issued in terms of “sterling”.

When he failed, he returned to his original scheme and engineered the formation of the Bank of New South Wales in 1816–17. Quantitatively its operations made no great impact on the economy. Its note issue was small, never rivalling those of the Commissariat made at this period and, contemporary and later claims notwithstanding, making little impression on the private issues which suffered more from the Commissariat notes and the dollars which replaced them after 1822. Its loans were modest, and once a second bank appeared in Sydney it fell behind to a junior position from which it did not rise until well into the second half of the century.

But by other tests its creation was of the first importance. Macquarie chose to deal with the monetary question by entrusting its solution to a group of the wealthier entrepreneurs, just as after 1818 he restricted free settlers' land grants to those possessing £500 capital. It symbolized the acceptance of an economic development which was to be guided and controlled by a relatively few capitalists who would provide the labour market for the great majority of emancipists. It meant also that those same entrepreneurs were confident that the private economy had so far outgrown the gaol that a normal banking institution could succeed, and its modest success confirmed both their confidence and the line of growth of the economy.

The manner of Macquarie's going underlined the trend. For the reports of Bigge were hostile to Macquarie because he was swayed by those whose enmity towards the governor sprang from demands that their interests be served more fully and more rapidly in large-scale capitalist exploitation of the colony. The complete acceptance of his recommendations marked, definitely, British endorsement of the ultimate supersession of the gaol by the private economy. Thereafter events moved rapidly in the erection of a free society and a free economy.

The creation of a Legislative Council in 1823 and its extension in 1828; trial by jury; freedom of the press; large free immigration; the emergence of a coherent organized opposition to the local government; the separation of Van Diemen's Land and, under Governor Arthur, the growing concentration on it as the primary penal settlement—these marked the decline of the gaol as the primary purpose of British settlement.

Free immigration, much of it state-aided, grew rapidly and land grants
rose to high levels, leading in 1831 to easy British acquiescence in the Systematic Colonizers' doctrine of sale in place of grant; sheep (and cattle) multiplied in numbers and the appearance of the Australian Agricultural Company in 1826, with its southern rival the Van Diemen's Land Company, as the leaders of an inflow of British capital, was the signal for a shortlived pastoral boom which ended in financial crisis in 1826 and more prolonged depression from 1828 to 1830.

On the monetary front there were three main groups of events. For the last time the convict administration was able to make an important decision on monetary policy when, in 1822 under Governor Brisbane, the attempt was made to establish the Spanish dollar as the legal unit of account and the basic circulating coin. The effort was well on the way to success when in 1825 the British government imposed its general policy for the empire, newly-adopted as the corollary of British legislation for the gold standard, of a sterling-exchange standard, with British units of monetary accounting and the circulation of British coins. The full implementing of the policy was protracted, especially in Tasmania, but thus was born the pound Australian. The third important strand was the multiplication of banks: in New South Wales the Waterloo Company in 1822, the Bank of Australia in 1826; in Tasmania the Bank of Van Diemen's Land in 1823, the Tasmanian Bank in 1826, the Derwent and Cornwall Banks in 1828 and the Commercial Bank in 1829. All were small exclusive partnerships, adhering as cautiously to localized unit banking in the fields familiar to their English models as they were adventurous in their methods of exploiting those fields to the full. But all were note-issuers, and with them died at last, in the metropolitan centres but not in the country, miscellaneous issues by individuals and stores. In the country such issues were progressively pushed further and further outback as banks advanced, to be (virtually) eliminated only after a full century. What the Bank of New South Wales had heralded they made commonplace, “the ordinary banking business of deposit, discount and exchange”.

The lifting of depression after 1830 saw the stage set for the great pastoral boom of the next ten years. Financed in the main by a rising flood of British capital, there developed a wild scramble for land to occupy for a trivial licence fee and for sheep to depasture there. Official limits of settlement were swept aside as the squatters went west, south and north, and in ten years occupied half a continent. Tasmanian adventurers, disregarding government policy as to its reservation, forced the opening of the Port Phillip District. Behind the squatters the metropolitan bases for their advance grew; shops, wharves, merchants' warehouses multiplied. Labour and still more labour was sought by expanding and varying
schemes for assisted immigration, financed from the proceeds of land sales; and, significant of the chronic labour shortage, unions of workmen first became important. Wages and prices rose and a bourgeois urban culture flourished.

In Tasmania the limits of its exploitable land and the still powerful demands of the gaol turned energies into participation in the mainland boom. Within the island itself the decade was marked by mild ups and downs and no great boom, of which one consequence was the continued use of Spanish dollars and experiments in the legalizing of rupees and South American dollars. But on the mainland the boom continued. Western Australia, an unsuccessful experiment in company colonization in 1829, as a Crown colony shared remotely and mildly in the prosperity of the East. South Australia was born of the union of the moralizings of the Systematic Colonizers on the errors in the West and the anxiety of British investors to find yet other ways of profiting from the Australian boom.

The financial basis was British capital which created its own channels in new bank formations. The only important new colonial bank was the Commercial Banking Company of Sydney, for the colonists preferred to profit directly from wool rather than indirectly in the high interest rates. Of the colonial banks only the Derwent was enterprising enough to become an agent for distributing British capital. The Bank of Australasia, the Union Bank, the Bank of South Australia and three mortgage companies were the answer to the search by British investors for ways of transferring funds. Only as the boom reached its turbulent crest was there a flurry of colonial bank formations and projects and, like the parallel outburst of joint-stock companies for various purposes, they were unable to survive the inevitable crash.

There was more than a mere multiplication of banks; the banking system was transformed. In place of a few localized unit banks relying on capital for loanable funds, content with a restricted business and averse to serious competition, there were a number of large banks—all the important colonial banks had greatly expanded—engaged in aggressive competition. A scramble for deposits which had pushed deposit interest rates to high levels had established deposit-banking as the general practice. Competition for business as settlement spread had caused abandonment of unit for branch banking. The greater size, overseas links and more aggressive outlook of the English banks had produced a new pattern of power and interest in the banking field. One aspect was the rapid growth of a systematic foreign exchange market, primarily constituted by the English banks, outside and independent of the Commissariat.

The slump which followed, 1841–3, was as severe as the boom had been
extreme. Prices, wages, land values fell abruptly; land sales and capital import became negligible; assisted immigration was suspended; unemployment on a large scale appeared for the first time in Australian history; there was a great reckoning of debts and a painful and protracted clearing away of insolvencies. Through it all the output of wool continued to rise and the second half of the decade saw in the East a stable pastoral economy expanding still in more sober fashion. South Australia was exceptional in enjoying a boom in non-ferrous metal mining.

The impact of the slump on the banks was dramatic but episodic. All the banks suffered severe curtailment of business and for the first time Australians knew the meaning of bank failure as the Bank of Australia, the Port Phillip Bank and the Sydney Bank collapsed. But reduced business and fewer banks were not accompanied by any more basic changes in the nature or practice of the banking system. It continued to be what it had become, a semi-competitive system, accepting branch banking as its mode of expansion and otherwise closely modelled on the structure and practice of English banking and, like it, subject only to a minimum of legislative control. Even this control could have been escaped: on the one hand refusing government deposits or abandoning note issue would have brought freedom from publicity; on the other, in the only colony (New South Wales) which obeyed British instructions for mild conditions concerning capitalization, note issue and total loans, operation as a simple partnership would have brought freedom even from these. Nor did the slump produce any major change in currency. The final elimination of dollars in Tasmania in 1842 was followed in 1852 by extension to the colonies (by Order-in-Council) of British legal tender law, but neither was a major change.

It was, however, a far cry from 1788. The blank space of that year had been filled by a currency expressed in British units and closely linked with it in the well-developed exchange market. The banking system was, for its time, mature and sophisticated.


Chapter 2 “This Country has no Treasury” (1788–1803)

THE equipment of the First Fleet did not include money. It was a natural omission since the new colony was planned on the assumption that it would be populated by convicts who would prove self-supporting almost at once under a rather hazily planned kind of authoritarian economy. In a settlement in which what was required after the initial stores were exhausted would be produced by convicts working under detailed direction, and in which the distribution of that output would be determined by the same authority, the need for money for internal purposes was not apparent. The colony was to be a special kind of prison and prisons do not require a monetary system. So far as the pay of the military and civil officers was concerned, no one appears to have thought that any special arrangements other than normal army and navy routine were necessary.

Phillip was given only two directions for defraying the expenses of the settlement. En route he was to purchase wine, grain and livestock for which payment was to be made by bills drawn on the Lords of the Treasury.1 As a general guide on his expenditure his Commission declared that “Our will and pleasure is that all public monies which shall be raised be issued out by warrant from you and disposed of by you for the support of the Government or for such other purpose as shall be particularly directed and not otherwise.”2 Later governors who received the same instruction took over an established financial administration and received additional orders, but Phillip was given no other initial assistance and was presently to find his instructions inadequate because the limiting word “particularly” seemed to exclude, or at any rate not to include, payments which had to be made, and because the moneys which Phillip was to issue out and dispose of were retained in England. For some purposes they were more useful there and the bill of exchange drawn on London would serve, but such bills were clumsy instruments for executing petty payments 13,000 miles from England and Phillip had been given no petty cash and no instructions for such expenditure. The lack of a local cash revenue for purely local expenditure was Phillip's first monetary problem, and the expedients which he and succeeding governors adopted—government bills, Store receipts, the barter store—provided the framework for the earliest systematic monetary arrangements. The growth of a local market, partly with the government and partly outside the field of government finance, gave rise to private contributions to a monetary system which took the form of barter and the circulation of promissory notes together with some
incidental accessions of coin, developments which would have occurred in any case but which, in the event, grew up in intimate relation to government finance. The story of Australian money in the first fifteen years is the story of the introduction of forms of money and money-substitutes, conditioned primarily by the absence of a local Treasury and only secondarily by the emergence of a market economy.

**First Expedients**

**(a) Early Imports of Coin**

Some money presumably came in the First Fleet in the pockets of military and civil officers and men and of the convicts. Daley, the convict who pretended to discover gold in August 1788, sweated a guinea to provide local “colour”. As early as December of that first year Collins records that a convict died of starvation having continually sold his rations for money with the idea of purchasing a passage home to England. A few years later there is direct evidence of money brought in by convicts in the course of inquiries into events on convict transports, and much later still the accounts of the first Savings Bank, in which convicts' money was deposited compulsorily after 1819, show significant sums which were only that part of convicts' money which did not escape detection. It is probable that some successfully transferred to New South Wales the proceeds of the crimes for which they were convicted. So far as civil and military officers and other non-convicts are concerned, direct evidence of money imports is lacking but is scarcely necessary. The military may have contributed to the very early circulation of the Spanish dollar which was then the nearest approach to an international money and the currency of most British colonies.

A further source of currency was the ships that were presently calling with “investments” for sale. Whether these took away more coin than they left is beyond discovery. They sold only for money which was good in their estimation, English and foreign coins being taken, though to much smaller amounts than were government bills on the English Treasury or Navy Board, or paymaster's bills on the regimental agents in London. If these trading ships did not add to the amount of the colony's coinage they certainly gave it variety. From England, India, the United States of America they came, to leave behind them guineas, shillings, pence, Johannas, Spanish dollars, ducats, pagodas, rupees, Dutch guilders and perhaps other coins. Bank notes, Irish as well as English, were soon to be recorded. In the first four or five years, however, currency obtained in
these haphazard ways was of negligible amount and could play no significant part in the shaping of a monetary system. The drain of coin for imports was a constant complaint.\textsuperscript{10}

(b) Phillip's Bills and Dollars

The first monetary problem which confronted Phillip was the payment of carpenters and sawyers of the \textit{Sirius} and \textit{Supply} for work done ashore.\textsuperscript{11} Even this contingency had not been foreseen and the governor had to prescribe tentative rates of pay subject to approval.\textsuperscript{12} Phillip solved the problem by paying them with bills on the British Treasury, for drawing which he held a general authority, adding apologetically, “These small bills will give the Treasury some trouble, but this country has no Treasury.”\textsuperscript{13} Phillip may have been exceeding the letter of his Instructions but not the spirit of them; there is at no time any suggestion in the records that the home authorities did not intend him to have discretion in minor details of expenditure.\textsuperscript{14} In using this method of payment he was extending his general power to draw bills to cover an unforeseen item of expenditure.

Presently a similar problem was to arise. The officers of marines found that although the \textit{Supply} was going to Batavia in 1790 they could not seize the opportunity to buy the “many necessaries” of which they were in want because their private bills would not serve. So Phillip gave them a bill for £182 drawn on the Treasury to be repaid by deductions from their pay in England.\textsuperscript{15} Thus began the practice of meeting internal as well as external payments by bills on the British Treasury which soon developed into the colony's standard money, little used internally but the ultimate standard of reference for all other forms.

The case of the carpenters, however, initiated a new development. By November of 1788 Phillip was writing on their behalf to ask that money be sent out “as bills would be of little service to them in this part of the world”.\textsuperscript{16} The reasonableness of this request was obvious and a remittance of money was at once promised.\textsuperscript{17} Delays occurred and Phillip had to remind Nepean of the need and the promise.\textsuperscript{18} Eventually he was informed of a remittance to be sent for rewarding services “and other purposes” by the \textit{Kitty};\textsuperscript{19} this Phillip promised to expend “with the strictest economy”.\textsuperscript{20} Seven weeks behind the promise came the remittance. The \textit{Kitty} brought Spanish dollars amounting to 3,870 ounces.\textsuperscript{21} Assuming this to be troy measure and to refer to gross weight rather than the pure silver content, there should have been 4,466 dollars.\textsuperscript{22} Some of these may have been cut dollars, that is, halves, quarters or smaller fractions. Cutting was quite usual\textsuperscript{23} and the uniformity with which all official references are to ounces
of silver rather than tale of dollars suggests that a good many cut dollars were included.24

The supply of dollars was not long retained since they were too valuable in buying from ships. On the other hand, visiting ships also left behind a residuum of coin as change from Commissary's and Paymaster's bills. For instance, J. W.Lancashire claimed in 1799 to have bought a piece of calico valued at 12 dollars from a Lascar from a ship, paying with a £5 government bill and receiving in change two half-dollars, two rupees and a bill for £1 10s.25 Thus there would seem to have been always a small stock of dollars, rupees and other miscellaneous coins in the colony. Writing of January 1794 Collins describes convicts gambling for dollars.26 But they were always scarce. In 1803 King chose to pay 6s. per dollar for 500 dollars to be used in buying cattle “among the islands”, although the conventional valuation was 5s.27 Later in the same year King was able to buy 7,500 dollars at 5s. (for a bill on the Treasury) which were used in Commissariat purchases28 within the colony. But in 1806 King bluntly declared “Government has no dollars” and “few individuals . . . possess them”.29 The lack of dollars for internal use is indicated by the fact that there is no mention of them in the Sydney Gazette until six months after its commencement30 and the first advertisement offering to accept them in payment occurs five months later.31

After the first despatch of dollars to Phillip neither home nor colonial government made any effort to increase the supply of dollars for internal circulation, apart from King's isolated purchase of 7,500 in 1803. When, the following year, the commander of the privateer Policy offered to sell to King the fifteen chests of Spanish dollars valued at £20,000 which he had captured in the Dutch Swift, King refused.32 Again in 1806 he refused to buy dollars for the reason that the then current value was 6s.33

Thus, while the coinage available to the new colony may have been varied, it was completely inadequate to meet monetary needs. Barter and the promissory notes of government and individuals filled the gap.

A “Rum” Currency

(a) Barter

One of the most important articles of barter was rum, but its significance has been exaggerated and the manner of its use thereby obscured. Shann, for instance, says that for “twenty years or more . . . it remained the customary means of paying wages”,34 a statement which has been widely accepted35 although it is incredible that the most numerous section of the
population lived entirely on a diet of rum and equally incredible that rum should have been used quite so widely when other means of payment were available, less potable but more portable, less liquid but more convertible.36 The truth is that rum occupied a privileged position as an article of barter and for nearer forty than twenty years was a part of the wages received by a considerable section of the population. But it was never more than an article of barter, was the whole of wages only for particular individuals at certain times, and rarely changed hands more than a very few times. Its use in barter can be explained more reasonably than by an insatiable Australian thirst and an insatiable military greed.

Keeping spirits from the convicts was a problem which faced the governors from Phillip onwards, a problem whose solution was made impossible so long as the rum sellers, “those assassins of public liberty and destroyers of individual industry”, 37 were identical with the officers who were supposed to administer the “repeated orders” 38 against the practice. The position of the convicts in the early years, in relation to rum, contributes to an understanding of the place of rum in wages at a later date. Convict rations gave no place to petty luxuries which acquired a great importance as a means of relieving a dreary existence, and of which rum was the most desired but not the sole object of desire. Phillip makes it quite clear that rum was only one among many articles for which a convict would barter his rations, or even his clothes. Money was perhaps more highly prized, and tobacco only a little less, convict dealers establishing themselves to swap a bottle of rum for ten pounds of flour, and a pound of tobacco for thirty pounds of flour. 39 It is significant that Phillip offered a reward of thirty pounds of flour for the detection of anyone trading with a convict, 40 and that the charge against Lieut. Dawes was of selling not rum but sugar and pease to the convicts. 41 But there can be no doubt that rum was more highly desired than such minor luxuries. 42

When convicts became free or were assigned during the term of their sentences, much the same conditions applied. Employers of assigned servants or expirees or of the few free immigrants, alike found it necessary to provide rations, quarters and slop clothing and most of the early references to “wages” and payments for labour are to what was given in addition.

These labourers are such as have been convicts and whose time of transportation has expired. They then cease to be fed at the expense of Government, and employ themselves as they please. Some endeavour to procure a passage home to England; some become settlers, and others hire themselves out for labour. They demand an enormous price, seldom less than 4s. or 5s. a day. For such as have many in their employment it
becomes necessary to keep on hand large supplies of such articles as are most needed by these people, for shops there are none.\textsuperscript{43} Hunter, who complained that he could not prevent “every little hut” being used for retailing spirits, said: “Much work will be done by labourers, artificers and others for a small reward in this article, and (without any injury to health) which money could not purchase”.\textsuperscript{44} But this was not the whole of what was received by labourers, merely an additional inducement. Hunter went on to explain that tea, sugar and tobacco were also useful incentives, adding: “In the hire of artificers when wanted on the public account much expense would be saved, as well as more satisfaction given to the workmen, were we in possession of many of these little luxuries so much sought after”.\textsuperscript{45}

It is in this light that we should interpret such statements as Collins’ “more labour could be obtained for spirits than for any other mode of payment”,\textsuperscript{46} or the directions of King to Major Foveaux at Norfolk Island: “a quantity of spirits and wine are sent by the Commissary, which is to be at your disposal, in payment for such free people as you may judge necessary to employ”.\textsuperscript{47} Convicts who were obliged to work for a defined length of time for a prescribed and dull ration could be induced to work much better by the offer of luxuries such as rum. They could also be persuaded to work in their own time, “extra labour” as it was officially called.

The convicts after labouring six hours at the public works at the barracks, the formation of high roads, or burning bricks, are hired by the honest settler, or estates-men, during the other part of the day, to toil for wages; the pay is a mode of barter, and is given in rum— without which the dispirited, indolent convict cannot be excited to exertions—in sugar, and in tea, the necessaries and the luxuries of the infant society.\textsuperscript{48}

Collins in 1793 found that “while spirits were to be had, those who did any extra labour refused to be paid in money, or any other article than spirits”.\textsuperscript{49} In this sense, of a part of a wage in kind, and an inducement to extra exertions, rum was still widely used in paying “wages” in the early 1820's.

It is undoubtedly true that wages were occasionally paid entirely in rum but there is no reason to believe that these were more than isolated instances, and it is more accurate to look at the system of wage-payments as a whole. King's summary of Norfolk Island in 1796 is supported by much other evidence: The mode of paying for labour is various, and entirely depends upon the employers' circumstances; but is in general made by what arises from the grain or fresh pork put into the stores by settlers, etc., sometimes (but very rarely from its scarcity) in cash; and often by
equal labour or by produce.50

Money was rarely used because it was rarely available. The Rev. Richard Johnson's payments to the men he employed to build the first church seem to have been exceptional for the period. The total cost he estimated at £67 12s. 111/2d., of which £59 18s. was paid in dollars, all the men employed receiving some in this form, the timber carters, wattlers, plasterers, blacksmith, glazier and men who levelled the ground being paid entirely in dollars. The remaining £7 14s. 111/2d. was paid in kind—201/2 gallons spirits, 116 pounds flour, 183/4 pounds pork, 331/2 pounds beef, 3 pounds tobacco and 5 pounds tea.51

Wheat, as the staple crop of a number of settlers, was also used, as is testified by King in 1796, by Hunter in 179852 and by Bligh in 1809.53 In fact, in 1806 certain agricultural wages (piecerates) were fixed by proclamation and made payable either in “sterling” or in wheat at 10s. per bushel “at the option of the labourer”.54 The labourer who took more wheat than he would consume himself needed, of course, to sell or barter part of it and might be well fleeced in the process.55 Other means of paying wages would be adopted to suit the occasion. For a number of years the public executioner “had two people allowed to his farm for his services, he being a free man”.56 The only general rule is that wages were paid mainly in kind and rum was very often a highly desired part of such wages.

The importance of rum as a part of wages partly accounts for its use in barter for other things, although here, too, allowance must be made for the desire of the seller for rum to drink rather than to pay in wages, and for the cozening of the befuddled or those with low sales resistance. Boats for use on Sydney harbour cost five or six gallons in 1793,57 and from a very early date rum was bartered for settlers' crops,58 and for sheep and cattle.59 Rum was exchanged on occasions for almost anything, including the payment of duties on the import of spirits, although the evidence for this is not unequivocal until 1803.60

As in the case of wages, however, it should not be assumed that rum was anything more than the most conspicuous article of barter, or that it was universally accepted in exchange for all goods. Were that true, it would be reasonable to describe it as a substitute for money. Anything, however, might be used in barter and wheat had a place at least as important as that of rum; what was used depended entirely on the circumstances of each case, with no conventions as to some article of general acceptability. There is simply no evidence for the widely held view adopted by Coghlan:

It is not to be supposed that the payment in spirits was merely a form of drink traffic—much rum was undoubtedly consumed by its recipients, but the labourer paid the storekeeper in rum, and the storekeeper paid the
settler, and so the rum circulated—a veritable currency. 61

In the preparations for establishing the colony the nearest approach to realizing that there would be exchange and a need of money appears in “a scheme of Sir George Young” (the naval officer), where suggestions were made of articles which might be bartered in the islands for supplies. 62 Nothing came of this scheme although later pork was obtained from Tahiti by barter, 63 and later still the first settlements in North Australia were intended as trading posts at which Malay products might be obtained in barter, a hope which was disappointed. 64 Within the settlement, however, barter flourished inevitably. The market amongst the convicts has already been described, but a system of swaps was quite general. Thomas Muir could write to a friend in London in 1794:

When any money is transmitted, cause a considerable part of it to be laid out at the Cape, or at Rio Janeiro, in rum, tobacco, sugar, etc. etc., which are invaluable, and the only medium of exchange. We bought some rum at Oris for 18d. the gallon, and can sell it for 30 shillings. In a country like this, where money is really of no value, and rum everything, you must perceive the necessity of my having a supply by every vessel. For a goat I should pay in money £10 sterling; now, for less than eight gallons of spirits, at 18d. the gallon, I can make the same purchase. Tobacco at Rio sells for 3d. per pound, here at 3s. 6d. That too is an article to be considered. 65

Even the early bushrangers varied their diet by bartering kangaroo meat with settlers for grain and sugar. 66

Wheat was particularly widely used, sometimes in the form of flour. In 1790 the Parramatta bakery under government supervision exchanged “with every person bread for flour, on stipulated terms”. 67 In 1804 price of bread was fixed as “21/2 lb. wheat, or fourpence in money”. 68 Rent or freight might be paid in wheat, either alone or in combination, 69 as might wages, 70 or the price of almost any commodity as the advertisements of the Sydney Gazette testify from the first issue onwards. If the special position of rum is to be explained by an Australian thirst and the virtues of rum in inducing “extra” labour, that of wheat (and to a lesser extent meat) is due to the Commissariat demand for those commodities. What the Commissariat would buy was the source of Store receipts, the basic internal currency, of bills on the Treasury, which represented power to import, and of the right to purchase from the Commissariat itself. Wheat and meat, if they were of a quality that could be turned into the Commissariat store, were thus particularly acceptable commodities in private exchange. In the early years of the Sydney Gazette sellers specified “storeable wheat” in payment as often as money. King was therefore
giving legal sanction to an established practice by his General Order in 1801: “It is to be understood that wheat and all kinds of livestock is a legal tender for all debts contracted in this Colony, provided the price sued for does not exceed that given by Government when purchased from settlers or other private cultivators”. No one took the doctrine of legal tender seriously, but at this time the economic incentive to accept wheat did not raise the issue.

It is important, however, to realize that while many commodities might be bartered, reckoning was carried on in money terms. The evidence of Collins is quite clear on this point. “Spirits in exchange were estimated at from twelve to twenty shillings per gallon” in 1792, and exchanges of livestock between officers involved valuations in money. At the end of 1793 he recorded prices as “wheat per bushel, for cash, 10s.; wheat in payment of labour, 14s.; maize per bushel, for cash, 7s.; maize in payment for labour, 12s. 6d.; . . . flour of the country, for cash, 3d.; flour, for labour, 4d.”. When the first (convict) theatre was opened in January 1796 “a seat in their gallery . . . was to be procured for one shilling; and, as much flour, or as much meat or spirits, as the manager would take for that sum, was often paid at the gallery door”. Collins' evidence is supported by most of the recorded cases of barter, to a few of which reference has already been made in other contexts. To the general rule there were exceptions, as when King swapped government supplies of old corn for new season's crop at Norfolk Island, or recorded the price of threshing wheat in 1794 as ten pounds of wheat per bushel. Later King let the government brewery at Sydney for a rent of 200 gallons of beer a month and the salt works for a rent in salt. These illustrations are obviously special, since the commodities on each side of the bargains are closely related. There are many other instances of swaps where no prices are mentioned, but where it would seem that ratios of exchange were arrived at on the basis of money valuations. It is a safe generalization that anything might serve as a means of payment, but that, except in isolated cases, the reckoning scale was money, and almost always pounds, shillings and pence. For commodities such as wheat and meat it was the Commissariat which fixed the market price and thereby indirectly influenced the value of other goods taken in barter.

(b) Promissory Notes

Private promissory notes provided some sort of substitute for an internal currency, and were probably issued almost from the beginning of settlement although direct evidence is lacking. But the almost complete
lack of money made their use inevitable, and, with the example of the Commissariat to follow, everyone, Governor and Judge-Advocate as well as private and convict, settled his debts with promises. King might well complain of “the indiscriminate manner in which convicts and every other description of persons have circulated their promissory notes”.\textsuperscript{80} That was in 1800, when the practice was well established,\textsuperscript{81} when forgery was “a crime in too much practice here”.\textsuperscript{82} Imprisonment for petty debt held up public works to such an extent that Hunter prohibited imprisonment of government employees.\textsuperscript{83}

These promissory notes were written on any handy scrap of paper and accepted in the most casual manner. Samples which have survived indicate how roughly the notes were drawn, as do the forgeries which were recorded. In 1799, for instance, a convict clerk cut signatures off a number of letters and inserted promises to pay in the small space above the signature, and for a time successfully negotiated the notes.\textsuperscript{84} Dirty notes were accepted, as were torn ones pasted together,\textsuperscript{85} a fact which led unscrupulous persons to tear up a number of notes drawn by the same person and paste them together to make more than at first, without arousing suspicion in recipients.\textsuperscript{86} Even when individuals had printed forms stamped with their initials to ensure forgery of at least no other name, notes with these initials cut away were accepted in spite of the note itself advertising forgery.\textsuperscript{87} Notes once issued remained in circulation for great lengths of time\textsuperscript{88} and many were never presented. This in turn encouraged drawers to use ink that would fade.\textsuperscript{89}

Such notes were issued for very small amounts. Hyman says the smallest sum was threepence, although he quotes no instances; the smallest note he reproduces is for one shilling.\textsuperscript{90} This is also the earliest of his examples (1812) and throws little light on the state of affairs before 1800, since it was not until some years afterwards that there developed the practice of issuing notes for round amounts and as a business distinct from writing a promissory note for a particular payment. Bligh reported in 1807 that notes went as low as 2s. 6d.,\textsuperscript{91} and there may have been smaller. But in the early years promissory notes were characteristically issued in respect of, and for the precise amount of, a particular debt. Hence they were usually for broken amounts and, while nevertheless circulating, were clumsy. Convenience to the general public explains why the most disreputable “bankers” could later make a profitable business of the issue of notes of small amounts and for whole numbers of shillings.

Notes were generally drawn in terms of money (pounds, shillings and pence) but might specify a mode of payment not necessarily in money. A note of 1798 promises payment of “five pounds ten shillings in a
government bill”, while the introduction of copper coin led to the custom of promising payment in that despised currency. Notes payable in wheat or maize were also common but seem to have specified the value in money as well, although this does not appear to have been the invariable rule. At a later date (especially 1807) the practice of making notes payable in wheat or copper coin occasioned difficulties and litigation which belong to the next chapter.

Promissory notes circulated widely. For instance, the “Piper Papers” contain accounts of Captain Piper with D'Arcy Wentworth in 1804–5, and with Simeon Lord from 1803 to 1810, in which payments are recorded in the “orders” or notes of various people as well as in goods and Commissariat bills. Not unnaturally the acceptability of promissory notes depended on an estimate of their genuineness and of the worth of the drawer, and frequently they were accepted only at a discount. This was the foundation of the local idiomatic usage of “sterling” and “currency” and of the agio between them.

As a form of money, then, such notes were very inefficient but they served for lack of a better for many years. In 1800 King optimistically promised that “when a sufficient quantity of copper coin is received in the Colony, of which notice will be given, no private notes or goods will be allowed to circulate”. Two months earlier he had attempted to restrict the issue of worthless notes by ordering that written notes be withdrawn and replaced by ones on printed forms. The courts were not to admit the written notes as evidence nor to enforce their payment. The government had a monopoly of printing through its possession of the press on which later the first Sydney Gazettes were printed, and King sought to confine the necessary printed forms “to those alone whom the Governor may approve of”. King promised that “from the precaution that will be used [in the issue of forms], it is expected that no forgeries can be practised, and this mode of circulating private notes be attended with much public benefit”.

Unfortunately for King's good intentions no one took much notice of his order. Even the courts virtually ignored it and neither drawers, endorsers nor holders paid any attention in spite of its repetition by King in 1801. Occasionally individuals called in their written notes, but they were in no hurry to do so, substituting printed notes only when it suited their convenience. Not till 1803 did Simeon Lord call in his and announce his intention of issuing only printed notes. Edward Wills delayed till 1806, and Lord & Williams until 1810. There may have been others who at some date obeyed the order but the majority did not, contenting themselves with the comfortable interpretation that it was no longer an offence to forge a written promissory note, a doctrine which King failed to explode. He had
tackled an impossible task; notes on printed forms might be restricted to approved persons, but the issue of the proscribed written ones could not be prevented without a much more efficient system, administered by magistrates and other officials who did not have a direct personal interest in such notes. Written promissory notes, scraps of paper both literally and figuratively, remained to plague both Bligh and Macquarie and to outlive both.

**Government Finance**

(a) Commissary's Store Receipts and Bills of Exchange

The Commissariat was an *ad hoc* organization from the foundation of the colony until 1813. An official Commissary, competent to draw bills under the governor's directions, was recognized in Phillip's Instructions, and on arrival in Sydney, Miller, the first Commissary, managed the stores and supplies, arranging for their issue and replacement and drawing bills in payment, subject in all details to the direct control of the governor. This arrangement continued until 1813 when the Commissariat was reorganized as a branch of the army commissariat in London, a sub-department of the English Treasury. The change was made when Deputy Commissary-General Allan arrived, and thereafter the Commissariat was controlled by the Lords Commissioners of the Treasury whose instructions were superior to those which the governor might give in his capacity as Captain-General.

Until these changes, however, the governors directed the Commissary, dealing with each situation as it arose. There was no full and complete set of rules for procedure. Hunter found it necessary to give instructions as late as 1798 for the proper cancellation of Store receipts which had been exchanged for bills on the Treasury, and in 1802 Hobart called attention to the haphazard methods of reporting to London the bills drawn.

The practice of issuing bills for minor internal payments appears to have been dropped as soon as the new colony was producing supplies for the Commissary to buy for the maintenance of convicts and troops, because a more convenient procedure then presented itself and became customary. Lacking cash to pay, instead of a formal bill of exchange the Commissary gave a receipt universally known as a Store receipt, specifying the amount due and the nature of the goods supplied, on the understanding that it would presently be “consolidated”, that is, exchanged for a bill on London. These Store receipts became acceptable as internal currency, passing from hand to hand in exchange, usually ending in the possession of the officer-
merchants or masters of ships with “investments” for sale, by whom they were then presented for consolidation in large amounts. In this way the colonial government provided the first satisfactory money for internal circulation, as well as a supply of foreign exchange. The Store receipt continued to be of basic importance until the early 1820's and the bill on the Treasury even longer.\textsuperscript{107}

It is not clear how early this system developed. Not until the colony was producing some of its own supplies could it have commenced—1790 or 1791 at the earliest.\textsuperscript{108} By 1795, however, it was fully established, as Mrs Macarthur describes.\textsuperscript{109}

In payment for [grain] the Commissary issues a receipt, approved of by the Government; and these receipts pass current here as coin and are taken by masters of ships and adventurers who come to these parts with merchandise for sale. When any number of these have been accumulated in the hands of individuals they are returned to the Commissary, who gives a bill on the Treasury in England for them . . . Pigs are bought upon the same system, as would also sheep and cattle if their numbers would admit of their being killed.

A reduction in Commissariat purchases meant that sellers were unable to meet their debts to officers and other dealers since there was no significant market within the colony for local produce, apart from the Commissariat.\textsuperscript{110}

During the first ten years or so these receipts were nominally promissory notes, payable on demand, but by 1803 if not earlier they were expressed as receipts.\textsuperscript{111} So far as the sequence of events can be reconstructed, it would seem that Hunter, a few months after assuming the governorship, discovered that the receipts which storekeepers gave and which served merely as notations for the Commissary's promissory note (the Store receipt proper) were themselves being used as currency. He forbade the practice by an order of 15 June 1796 and required Store receipts to be approved and signed by him. The holder could bring them forward for consolidation “at any convenient time”.\textsuperscript{112} Later this cumbersome procedure was abandoned, a receipt rather than a promissory note being immediately issued, while consolidation was effected at specified times. It was not until 1800 that a minimum amount of £100 for consolidation was required.\textsuperscript{113}

This system was duplicated in each of the subsequent settlements in Norfolk Island, Tasmania and Port Phillip. The substore at Norfolk Island sometimes forwarded receipts to Sydney, sometimes drew bills on the Sydney Commissary, either of which was then exchangeable for bills on London.\textsuperscript{114} In Tasmania in addition to local issues of Store receipts retired by bills on Sydney there developed under Collins a degree of monetary
autonomy.\textsuperscript{115}

The conversion of Store receipts into bills appears to have been always at face value. In 1798 Commissary Palmer was instructed to advertise his intention to draw bills on England and to accept the most advantageous offer.\textsuperscript{116} This may have been an attempt to convert Store receipts at a discount, but such an interpretation is improbable. It seems more likely that it was an offer of bills for outright sale, and that its lapsing was due to the reluctance of colonists to use their scarce money, so precious for buying from ships, when they could obtain bills for Store receipts at face value. At any rate the offer lapsed and an open market in bills was not to reappear for over twenty years.

(b) Paymaster's Bills and Notes

The methods by which the military and civil officers and marines were paid before 1800 are not quite clear. After that date it is possible to reconstruct the mode of remuneration. In the beginning these payments, which were chargeable against special votes in England, appear to have been paid there to agents of the men concerned to whom was left the disposal of the money. Marines who came with the First Fleet do not appear to have been paid until they were repatriated or discharged on becoming settlers in December 1791,\textsuperscript{117} and even those who settled had to make their own arrangements for collecting the amounts due in England.\textsuperscript{118} Officers were treated in the same way and in the early days found it difficult to draw bills against their pay.\textsuperscript{119} Where, however, payments were due for services contracted for in the colony (as in the case of Phillip's carpenters) they were made either by bills or barter.

From this system, or lack of system, a change was made to one whereby non-commissioned officers and others received “paymaster's notes” which were exchanged for “paymaster's bills” and at a later date for hard cash. Officers were paid by paymaster's bills directly. This change over seems to have coincided with the replacement of the First Fleet marines by the specially recruited New South Wales Corps at the end of 1791. Little is heard of paymaster's notes until after 1800. Generally, however, “the committee of paymastership” would seem to have made a good thing out of them. Acting individually the paymaster of each company paid his men with promissory notes which were readily accepted as money. The officers, however, took care of their interests as merchants by advancing men their pay in goods at enhanced prices so that pay notes were only required for the balance. To the men this system was better than nothing, for they could hope to get a little real money by re-selling the goods.\textsuperscript{120} These notes
circulated in the same manner as Store receipts, being eventually consolidated by paymaster's bills on the regimental agents in London, in which manner also the officers themselves were paid. Visiting masters of ships preferred paymaster's to Commissary's bills since the former were paid on presentation and the latter after some delay.  

Civil officers were treated less kindly. By 1793 “the super-intendents and others in the employ of government not being able to receive their salaries in this country has long been a subject of representation and complaint”, since they were paid in England and, on drawing private bills, found them negotiable only at a stiff discount if at all. Grose, on his own initiative, tried to help them by using the money obtained from the sale of spirits purchased by the Commissary from the American ship Hope to meet these salaries, and requested that money should be remitted from time to time “as it will tend very much to the benefit of those people to receive their salaries in this country”. Soon afterwards developed the practice by which all salaries charged on United Kingdom estimates for New South Wales were paid locally by the Commissary drawing bills on the Treasury, a practice prohibited in 1800.  

Apart from Commissary's and Paymaster's bills the available foreign exchange was limited to the scanty coin and few private bills. Private bills could only be drawn by those who had credit balances in London, that is, mainly the military and civil officers, and the rare settlers who had left balances behind them. Judge-Advocate Atkins drew bills on London as early as 1797, although as has been seen, in earlier years ship-masters had been chary of taking individuals' bills. Gregory Blaxland was specially permitted to buy stock and other goods on settling, paying with private bills on London instead of by barter, he having arrived with a letter of credit on a London agent for £7,225, representing “bills and a mortgage bond left in his hands”, and there may have been a few similar cases earlier. One other piece of evidence of the use of private bills deserves quoting as a sample of commercial morality of the day. William Balmain wrote to D'Arcy Wentworth from London: “Beware of Cox's bills—Treasury ones are good, send as many of Cox's to pay merchants as you like, but none on private account”. After the prohibition in 1800 of the Commissary drawing salary bills on London, private bills increased, but before that date they are negligible, and after it unimportant until many years later the colony's exports assumed significant size.

(c) Copper Coin

When King was about to be appointed to succeed Hunter, before sailing
from England, he suggested that “a few tons of copper coin” might be sent out to circulate at “a greater value . . . than its intrinsic worth”, and found his scheme immediately accepted. The matter being referred to the Committee (of the Privy Council) on Trade and Plantations, £550 worth of pence was taken from a shipment intended for the Cape of Good Hope, and a promise given of £350 worth of halfpennies and £300 worth of farthings as soon as they could be coined. The pennies were forwarded to Hunter by the Porpoise with instructions to use them for public service payments and to “frame a suitable ordinance” to prevent their export. The £350 worth of halfpennies and £300 worth of farthings arrived over a year later in the Royal Admiral making a total of £1,200 worth of coin (face value).

King took the opportunity to proclaim local values “for all the specie legally circulating in this colony . . . at which they shall be considered and be a legal tender in all payments or transactions in this colony”. The copper coins were to circulate at twice their face value, and the export or import of more than five pounds of them (whether face or nominal value is not stated) was prohibited under penalty of forfeiture of the amount imported or exported and a fine of three times the amount. To prevent anyone accumulating large amounts, the offer of more than £5 in copper was not to be a legal tender.

In the same order the governor announced his intention of getting the new coin into circulation by using it in payment for Commissariat supplies. At first the locals were reluctant to accept the new coin, “having been so long accustomed to the convenience of government bills, and the worth of money so much depreciated that shillings and pence have never been considered of any value till lately”. A further reason was the cumbersomeness of large payments in such coin. The penny was the “cart-wheel” of George III, weighing an ounce, so that paper rolls of these coins were passed from hand to hand—the wise counting the number in a roll.

Gradually, however, the coin was issued. In spite of its being legal tender up to £5, creditors exercised the right of acceptance or rejection. The first number of the Sydney Gazette, for instance, advertises a cargo of goods from the Cape of Good Hope for which “to accommodate the inhabitants, copper coin will be received in small sums, and wheat receipts for the current quarter”. A year later Simeon Lord advertised that “he cannot take copper coin after the 1st day of March next for any part of Capt. Eastwick's investment imported in the Betsey”. This attitude was not due entirely to any special disapproval of copper coin; all sellers successfully asserted the right to prescribe what they would accept in payment at any time. Even the courts did not always insist on the law.

Apart from the inconveniences of size and weight, the public attitude to
copper was dictated by the attitude of the government itself. King refused to accept copper in exchange for bills on the Treasury, except at face value, that is, at half the local legal tender value,\textsuperscript{141} which meant that masters of ships would also refuse them since they could not, even if it were worth while, carry them away, and could not exchange them for bills. The Commissary was also directed to accept copper only “from those who have the Governor's permission for that mode of payment”,\textsuperscript{142} and at various times to accept only specified amounts, and for special purchases, the acceptance being dependent on government need for small change for such purposes as “paying the crews of the Colonial vessels”.\textsuperscript{143}

It is therefore understandable that little of the coin was exported, as Macquarie reported in 1812,\textsuperscript{144} but it is not so easy to explain why the device of a local token with a low metallic value was not extended to silver coin, and why, in fact, the “holey” dollar of Macquarie was not anticipated by an early revaluation of the Spanish dollar. King more than once urged the advantages of additional copper coin to be issued at the same local value,\textsuperscript{145} and explained the advantages of a silver coinage issued on the same basis. In asking for £2,000 worth more copper in May 1803 he suggested “a peculiar coin of the intrinsic value of sixpence, but to pass here for a shilling, to the amount of another £1,000”, but feared that it “might set the people at Birmingham to work”.\textsuperscript{146} Nothing, however, was done about silver coinage although King had asked in addition for 4,000 or 5,000 Spanish dollars, and had more than once complained of the difficulty of retaining any silver coin in a community so immediately dependent on imports.\textsuperscript{147} But he contented himself with thrusting the problem on to a home government harassed by more important affairs, and with proclaiming enhanced local values for the miscellaneous coins which came to Sydney in the giving of change, to leave soon after in buying imports. By his General Order of 19 November 1800 the coins listed and their local values were:\textsuperscript{148}

<table>
<thead>
<tr>
<th></th>
<th>£</th>
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<tbody>
<tr>
<td>A guinea</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>A half-Johanna</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>A gold mohur</td>
<td>1</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>A Spanish dollar</td>
<td>5</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>A Johanna</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>A ducat</td>
<td>9</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>A pagoda</td>
<td>8</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>A rupee</td>
<td>2</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>A Dutch guilder</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>An English shilling</td>
<td>1</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>
The fact that even these valuations—the shilling at 1s. 8d. for instance—did not prevent export, indicates why an experimental silver coinage had little chance of success whether King realized it or not. Sydney prices were increased correspondingly and ship-masters took coins at depreciated rates by selling goods at inflated prices. The over-valuation of the copper did not explain its retention; rather the not very potent threat of penalties for export, combined with the disadvantages of small value in large weight and the uselessness of export except to England meant that the small quantity of copper was neglected, preference going to more convenient coins of a wider acceptability.

In these circumstances any extensive stock of coin depended either on adequate penalties on export, which Macquarie was able to achieve for his “holey” dollars and dumps, or on the growth of local production. So long as the colony had a large adverse balance of payments from lack of exports, and settlers had to import almost all immediate necessities, so long did the colony stand in continuous danger of losing its coinage.

**(d) The Commissariat Store**

The Commissariat started as an organization to control the issue of stores and went on naturally to buy local supplies, thereby providing an internal currency and a supply of foreign exchange. It developed still further functions of monetary significance when it commenced to sell and lend goods of various kinds. It is a little difficult to allot credit for what was in any case an obvious invention. Lang attributes it to Bligh's fatherly concern for the small settler, although it was then ten years old. Fitzpatrick attributes it to King, giving inaccurate detail. The genesis of the idea must, however, be sought much earlier.

In the light of later developments it is appropriate to see the first beginnings in the despatch in July 1792 of “a certain quantity of port wine and tobacco, to be disposed of by the Governor for the time being to the civil and military officers, and to others, at prime cost, according to his discretion”. This was followed by the proposal of William Richards who offered in return for a grant of land to settle in New South Wales, “keeping a store at Port Jackson for supplying the officers and others with necessaries such as tea, sugar, soap, etc., as a return for the articles of the country”. Although this plan was not accepted, as the earliest formulation of the idea it may have contributed to Portland's decision in 1797.
Meanwhile Grose, before the arrival of the Bellona's spirits and tobacco, had taken the initiative and bought spirits from the American Hope, an action which Hunter was permitted to repeat, selling on the same terms as for the Bellona's cargo and using the proceeds either for salaries of civil officers or for the purchase of cattle.\textsuperscript{155}

Presumably developing out of these first steps a plan for a government store was discussed in the colony in 1796,\textsuperscript{156} while King, describing Norfolk Island in the same year, made two alternative proposals, one for a private monopoly under licence, the other for

Government sending a yearly assortment of such requisite articles as may be pointed out by the Governor as useful and necessary for the use of the inhabitants; to be consigned to the Commissary or storekeeper for the use of such officers and inhabitants as the Governor may approve of, in payment of articles of food supplied by individuals for the use of those victualled from the public stores, or for money in good bills on the paymaster of the corps or on England.\textsuperscript{157}

The next to come forward was Macarthur who asked to be supplied with “tools, clothes, nails, ironwork for buildings and the usual ration of salt meat” for assigned convicts, offering a future supply of grain, “valuing both what I receive and what I return at the English market prices”. His plan was rejected by Hunter, but only because the supplies were inadequate.\textsuperscript{158}

Possibly stimulated by Macarthur's persistence in asking for an extension of what the government was already doing on a small scale, Hunter sent to England a plan for a government barter store in a despatch which crossed Portland's instructions for such a store. Hunter's scheme was “to establish a public store for the retail sale of a variety of articles—such as clothing, hardware, tools of every kind, sugar, soap, tea, tobacco and, in short, every article which labouring people require . . . Payment might be made in such articles as the settler may raise—either grain or stock”. The chief advantages urged were a lowering of prices and prevention of profiteering.\textsuperscript{159} Portland was not at first so precise, and envisaged the settlers paying by “bestowing a certain portion of their labour on the lands cultivated for the Crown”,\textsuperscript{160} but a few months later was directing Hunter to charge the settler for “the provisions, clothing and implements of husbandry which he receives from the public store, for the convicts he employs”, and informed him of a shipment of goods for sale “to such individuals as you shall judge proper”, at prices, reckoned in money, but to be collected in “grain or livestock”, sufficient to cover freight.\textsuperscript{161}

The nominal price at which goods were to be retailed was not finally settled for some time. A year after these instructions Portland ordered an
addition to the cost price of “ten or fifteen per cent”, but after Hunter had urged that a margin of twenty-five per cent was necessary the governor (King by this time) was given instructions “for thirty per cent addition to be charged on perishable articles to indemnify government for freight, losses and issuing the same in small quantities”. The first shipments were specially arranged and were occasionally supplemented by governor's purchases on the spot, but by 1802 a regular annual supply of goods to be bartered or sold by the Commissary was arranged, the sale price to be fifty per cent above cost.

It would obviously be risky to impute motives for a system to the making of which so many diverse suggestions went. Hunter, as has been seen, made some reference to reducing prices and profiteering and he gave some approval to the settlers who exclaimed, “if settlers had articles to pay for labour in lieu of grain”. But this is scant evidence to support Fitzpatrick's interpretation of the Store as “a measure against monopoly”. The proximate monetary basis of the monopoly of the local market by the officers of the New South Wales Corps was access to foreign exchange—that is, to Store receipts and bills of exchange arising from the supply of grain, etc., to the Commissariat. In its turn this depended on ability to produce or purchase such “storeable” commodities—and it is to the engrossing of the best land and of the majority of the assigned convicts by the officers, and to the bias of the Commissariat in its purchases, that the monopolizing of import and resale must be attributed. Sales by the Commissariat in themselves would not alter that situation. Commissary John Palmer, whose only interest in this matter which touched him so closely would have been to understatement the extent to which officers monopolized the purchase of the Store's supplies, told the 1812 Committee on Transportation that the officers received “a larger proportion than anybody else” of the goods sent out for barter, which they retailed, or used in paying for labour, at prices that “were very extravagant”.

King, it is true, made two half-hearted attempts to make the Store work against officers' monopoly. He directed the Commissary to give preference to the grower rather than the reseller of supplies, an order which appears to have been neglected and which would, in any case, have done little to give any large section of the population a credit at the Store. He attempted, with little effect, to prevent those who bought at the Store retailing those goods, under penalty of losing the privilege of buying. It seems more accurate, therefore, to regard the Store's retail activities as the easy extension and generalization of established practice to remove technical inefficiencies in the market with no fundamental social significance. A scheme which Macarthur was prepared to support was hardly an attack on
the monopoly of the New South Wales Corps. To local settlers and
government it was just a convenience, while to the Colonial Office it
represented a way of reducing the cost of the colony. Instead of buying all
the colonial produce needed at high prices for bills on the Treasury, it
bought goods at English prices to barter at Sydney prices against grain and
meat at Sydney prices.

The Store soon found itself not only selling but lending. The beginnings
occurred before the practice of import for sale and expanded later
undesignedly. The first persons to settle were supplied with equipment for
which the later comers were required to give receipts undertaking
subsequent repayment. By 1796 Hunter found it necessary to insist on the
prior claim of the government for settlement of these debts. King tried to
prohibit the issue of articles from the Store (at Norfolk Island) without
prior payment but had to allow “indulgence to any family that may be
distressed until their crops are ripe, or stock in a marketable state”. The
officers, civil and military, were reluctant to pay at all, and had to be
convinced that times had changed and the days of free supply to the
officers were over. It was, however, inevitable that goods should be
issued, both from the ordinary stores and from the new supplies for barter,
deferring payment until the settler had grain or other produce to offer.
Between July 1801 and June 1804 one-third of the “Annual Supplies” were
disposed of on credit, as were half the “Extra Supplies” between
September 1800 and June 1804. Debts to the Crown in respect of such
goods rose steadily, to provide a problem for King, Bligh and Macquarie in
turn.

From lending of this type the government went on to formal, deliberate
loans in kind. In 1803 King lent salt beef to settlers with hogs, as an
inducement to preserve stock for breeding, the loan to be repaid a year later
in fresh pork, and at the same time arranged similar loans of flour
repayable in wheat a year later. A more elaborate scheme, which
Macquarie later stigmatized as “a bad practice . . . liable to many strong
objections”, provided for loans of cattle. The settler who had a plough
(the iron for which he might buy at the Store for wheat) might obtain oxen
by paying ten bushels of wheat a year for two years; he was then to buy the
animal outright for seventy bushels or return it. Cows were available on
similar terms which were widely accepted.

By this date, 1803, the sale of goods against a later deposit of settlers'
produce was an established practice. It remains to consider the method
by which the Store received payment for its sales and loans. The Store's
methods did not involve true barter since nearly all reckoning was in terms
of pounds, shillings and pence. The method by which the Store received
goods and added a percentage to the price has already been described. Correspondingly, what the Commissariat received in kind was valued in money, prices being declared from time to time. But the concrete things which were accepted varied, depending on what settlers had to offer and what the government required, and inducements in the form of preferential treatment were offered to debtors.

Instructions from England spoke mainly of payment in goods or money, with one reference to labour, but left detail to the governors. Hence the Commissariat declared from time to time what it would accept. Money was sometimes admitted, usually either to meet the needs of a section who could pay most easily that way, or because the government wanted cash for some purpose. Thus regimental bills were accepted from the officers at Norfolk Island in 1800 while in 1803 the Commissariat, needing £600 to pay the crews of some boats, offered to accept copper coin to this amount. But the main requirements of the Commissariat were food for the convicts and others “on the store”, and the continuous demand for grain and meat determined the colony's early production of wheat, maize and pork. There were frequent changes in the produce which the Store would accept. After 3 December 1800 debts to the Store might be paid in wheat or maize, but after 12 January 1801 maize was no longer acceptable but “animal food” and money, in addition to wheat, were. Preferential treatment was given to debtors to the government, and to officers, who were also considerable debtors. Such preference might take the form of acceptance of goods not taken from “cash” purchasers, or a higher valuation of goods taken from debtors. But occasionally debtors were threatened with lower prices.

When the activities of the Commissariat as they had developed by 1803 are surveyed as a whole, it is apparent that it was something more than an organization for administering supplies in a penal colony. It may reasonably be called Australia's first bank, a little peculiar perhaps in doing so much of its business in kind, but nevertheless a bank.

Store receipts constituted the colony's nearest approach to banknotes, from which they differed in being for broken amounts and in being issued in return for a deposit of local produce. Perhaps they are more reasonably compared with a transferable deposit receipt. The Commissariat provided the major part of the English sterling needed to purchase imports, other than those retailed by the Store itself, by the issue of bills of exchange on the Treasury in London. It made loans and kept accounts which may fairly be described as current accounts. Such accounts recorded deposits and withdrawals and might be overdrawn, and a credit balance might be transferred by the simple delivery of Store receipts. An excellent example
is the account of W. Sladden with the Van Diemen's Land Commissariat, covering the period from 22 November 1804 to 8 July 1806. Sladden turned into the Store pork and kangaroo meat valued at £507 19s., two “orders” on Lieutenant Lord for £25 9s. 6d. and “cash” for £208 15s. 6d. The Commissary paid £415 17s. “cash” in a form not stated but probably Store receipts or bills, and supplied rum and wine to the value of £176 1s. 8d. and £150 5s. 4d. worth of goods comprising soap, tape, blue, cloth, shoes, thread, pins, sugar, flour, buttons and cows.

When, therefore, in 1805 Sir Joseph Banks from afar in Soho prescribed “the establishment of a Government Bank of Exchange upon a principle somewhat similar to that of Amsterdam” he was a little behind the times. Starting from false premises, that “spirituous liquors are the real measure of property there, and the notes of individuals almost the only circulating medium” and that the over-valuation of the copper coin “has given an opportunity to the Birmingham coiners to exercise their ingenuity, who have already much increased the amount of these pieces in circulation”, Banks offers a confused plan for currency reform. His memorandum really contains more than one plan. The first is to call in the over-valued pennies, and reissue them at face value together with a special silver coinage of sixpences, shillings and half-crowns. This is followed by a different scheme, not very clearly distinguished, for a special decimal coinage with the farthing as the unit, and the coins of 20, 50 and 100 farthings. Immediately after this there is a reference to “if the dollar standard is assumed”, which goes on to discuss the proposed coins, leaving the reader in doubt whether a third plan is being proposed or not.

To this coinage he would add his Government Bank which would not issue notes but accept deposits transferable by cheque and payable in the proposed token coinage. Depositors might also be allowed to buy government bills on the Treasury.

The execution of this plan would at once establish an abundant circulating medium, effectually prevent the depreciation of paper money by restraining the excessive issue of it, check the circulation of the personal notes of individuals, soon reduce the money price of all articles to its natural level, and establish a depository of unquestionable security for monied property, a matter of no small importance in a colony chiefly peopled by dishonest persons . . .

Nothing came of this optimistic plan. Banks seems to have been very badly informed about the economic affairs of New South Wales and his proposals are completely out of touch with the practical problems confronting King in 1805. King would have found laughable Banks' simple plan for solving the rum problem — just prohibiting it. Nor was his
insistence on a coinage with a face value near its metal value so as not “to tempt the Birmingham artists to supply the Colony with counterfeits” any more realistic. The colony had its own artists capable of counterfeiting anything, while no “full-bodied” coin could long be retained in the country. To remain in circulation it would have to have a purely local value much above its metallic value. As for his bank, it already existed in the Commissariat, in a form which was much better adjusted to local economic problems than Banks’ idealized institution.

1 Phillip's Instructions, 25 April 1787, H.R.A., I, i, 10.

2 H.R.A., I, i, 7, Phillip’s second Commission, 2 April 1787. Subsequent governors were instructed in the same words: H.R.A., I, i, 518 (Hunter); I, iii, 389 (King); I, vi, 6–7 (Bligh); I, vii, 188 (Macquarie); I, x, 595 (Brisbane); I, xii, 105–6 (Darling); I, xvi, 843 (Bourke); I, xix, 299 (Gipps).

3 Hunter, Historical Journal of the Transactions at Port Jackson and Norfolk Island (1793), p. 86.

4 The English Colony in New South Wales (Collier ed.), pp. 40–1.

5 For instance in the inquiry into the conduct of Captain Dennott of the Brittania, evidence showed that convicts on board bought food and liquor from the stewards for money and also, before sailing, from vendors in bum boats. In the circumstances these transactions must have been for hard cash. Hunter to Portland, 6 July 1797, Enclosure 1, H.R.A., I, ii, 54, 56, 63.

6 For the use of the dollar in other colonies see Chalmers, History of Currency in the British Colonies (1893). Collins, op. cit., p. 128, writing as at September 1791, says: “The Spanish dollar was the current coin of the Colony, which some of the masters [of vessels] taking at 5s., others at 4s. 6d., the Governor in consideration of the officers having been obliged to receive it at 5s. sterling when given for bills in the settlement issued a proclamation fixing the currency of the Spanish dollar at that sum”.

7 Some of the earliest ships sold relatively large amounts of goods. Collins, op. cit., p. 162, records the departure in November 1792 of the Royal Admiral, after disposing of £3,600 worth and leaving £750 worth for subsequent sale. It was not until 18 November 1792 that Phillip received the dollars referred to below.

8 The coins mentioned were sufficiently common by 1800 for King to proclaim local values in £ s. d. King to Portland, 10 March 1801, Enclosure 10 (General Order of 1 November 1800), H.R.A., I, iii, 39.

9 Sydney Gazette, 26 June 1803.

10 E.g., John Black to his father, 8 September 1798, H.R.N.S.W., iii, 129; Collins, op. cit., p. 162 (1792); Hunter to Portland, 15 January 1800, H.R.A., I, ii, 437; John Blaxland to (Sir George Shee?), 16 October 1807, H.R.N.S.W., vi, 309.
11 Phillip to Nepean, 28 September 1788, *H.R.A.*, I, i, 86.


13 *Ibid.*, p. 86. The amount of bills for these purposes totalled £192 17s. 6d. by the end of September 1788. Some idea of the smallness of the bills can be obtained from *H.R.N.S.W.*, ii, 41 (copy of Treasury Account of Bills drawn . . . to 13 April 1793). The earliest identifiable amount for carpenters' work comprised more than one bill, the total being £8 2s.

14 Fitzpatrick, *British Imperialism and Australia* (1939), p. 141, writes: “The Colonial branch of the Home Department had doubtless been taken aback somewhat to learn that the Commissary at Sydney had been forced to issue his own notes; . . .” The misleading use of “notes” apart, there is no foundation for this statement; Phillip was empowered to draw bills although not specifically for wage payments. Later he was authorized to keep a “contingent account”. See Grenville to Phillip, 19 June 1789, and Phillip to Grenville, 14 July 1790, *H.R.A.*, I, i, 121, 189–190.

15 Phillip to Stephens, 12 April 1790, *H.R.A.*, I, i, 68. The enclosure shows that the highest amount for an individual was £40 for Second Lieut. Long.

16 Phillip to Nepean, 17 November 1788, *H.R.A.*, I, i, 104.

17 Nepean to Phillip, 20 June 1789, *H.R.A.*, I, i, 123.


20 Phillip to Dundas, 2 October 1792, *H.R.A.*, I, i, 375.


22 Since the standard weight of the Spanish dollar was 416 grains troy of which the pure silver content was 370 grains.

23 For instances in other colonies see Chalmers, *op. cit.* Hyman, *Account of the Coins, Coinages and Currency of Australasia* (1893), p. 62, doubts whether cut dollars ever circulated in Australia, but his only argument is that, as a collector, he had never met them. Direct evidence of their use is available, e.g., in King to Hobart, 20 December 1804, *H.R.A.*, I, v, 206; *Sydney Herald* 4 February 1833; and for the intervening period in the reports of robberies in the *Sydney Gazette*.

24 Shann, *Economic History of Australia*, p. 37, follows Coghlan, *Labour and Industry in Australia*, i, 67–8, in speaking of “a thousand pounds in English silver”, which appears to be a misreading of some of the precarious calculations of the sterling value of the dollars sent. Fitzpatrick, *op. cit.*, p. 141, accepts the widely quoted valuation of £1,001. I have been unable to locate the original author; it is given without authority by Hyman, *op. cit.*, p. 7, and by others as far back as O'Hara, *The History of New South Wales* (1817). The valuation appears to be based on some
contemporary English price of silver but such calculations have little meaning. For instance, as early as 1790, Collins (p. 128) records valuation of the dollar at 4s. 6d. and 5s. at the same time; other cases of fluctuating and conflicting exchange rates will be mentioned below.

25 Hunter to Portland, 21 February 1799, Enclosure 8, H.R.A., I, ii, 318. This was part of Lancashire's defence to a charge of forging the bill for £1 10s., but is none the less acceptable evidence here since a minority of the Court believed his story which must have had a certain plausibility.

26 Op. cit., pp. 209–10. The games were cribbage and all-fours, “and those who were not expert at these, instead of pence, tossed up for dollars”.

27 King to Hobart, 9 May 1803, H.R.A., I, iv, 121; Enclosure 12, ibid., 142. This is a rather questionable transaction since these documents show Commissary John Palmer buying the dollars from E. H. Palmer without complying with the governor's instruction to advertise for them. There is no advertisement in the Sydney Gazette and the whole business was completed in less than 36 hours from King's instructions. The price of 6s. conflicts with King's own legal tender order. It is quoted only as evidence of shortage of dollars.

28 King to Hobart, 24 October 1803 and 1 March 1804, H.R.A., I, iv, 417, 466; Sydney Gazette, 1, 29 January 1804.

29 King to Camden, 7 April 1806, Enclosure 5, H.R.A., I, v, 708.

30 In a report of a robbery, 28 August 1803.

31 5 February 1804 (Simeon Lord).


33 King to Camden, 7 April 1806, H.R.A., I, v, 708. Hyman, op. cit., p. 52, seems to be drawing on his imagination when he says “special efforts were sometimes made by the Governors to obtain amounts which, while of exceptional utility for the purposes of general currency, would also be a practical aid in ridding the colony of the fractional paper currency”.

34 Economic History of Australia, p. 22. Almost all of Shann's account of monetary development prior to 1850 is inaccurate. Cf. Ernest Scott, in Cambridge History of British Empire, vii (pt. 1), 100, “labourers were paid in liquor”; or Cramp, A Story of the Australian People, p. 116, “wages were paid in rum for owing to the shortage of money rum was used in the place of coin”.

35 E.g., Mills and Walker, Money, editions 1 to 5, corrected in edition 6.

36 Incidentally if wages had been paid mainly in rum, failing a consumption equal to the (rum) wages bill, there must have been either a large re-export or a continually increasing quantity in circulation—neither of which occurred.

37 King to Portland, 28 September 1800, enclosing King to Hunter, 24 June 1800,
38 Phillip to Grenville, 7 November 1791, H.R.A., I, i, 291; phrase also occurs in General Order of 11 February 1791, H.R.N.S.W., i, (pt. 2), 450.


40 In the General Order cited above.

41 Phillip to Grenville, 7 November 1791, loc. cit.

42 Phillip to Nepean, 18 November 1791, H.R.A., I, i, 308; King to Portland, 10 March 1801, Enclosure 10 (General Order 1 December 1800), H.R.A., I, iii, 45.

43 Mrs John Macarthur to Miss Kingdon, 1 September 1795, Early Records of the Macarthurs of Camden, pp. 50–1.

44 Hunter to Portland, 20 August 1796, H.R.A., I, i, 593.


48 Letter from Sydney, 14 September 1798, attributed to Rev. S. Marsden, H.R.N.S.W., iii, 486.


50 Condition of Norfolk Island, 18 October 1796, H.R.N.S.W., iii, 155–6.

51 Johnson to (Dundas), 3 September 1796, Enclosure, H.R.N.S.W., ii, 66.

52 Hunter to Portland, 2 March 1798, H.R.A., I, ii, 138, 139.

53 Bligh to Castlereagh, 10 June 1809, H.R.A., I, vii, 150.

54 Sydney Gazette, 7 December 1806. Cf. the case Sherwin v. McCarthy, reported ibid., 2 April 1803. McCarthy had agreed to reap and thresh Sherwin's wheat for half the crop.

55 See the protest of certain settlers enclosed in Hunter to Portland, 2 March 1798, H.R.A., I, ii, 138–9.

56 Returns of Labour at Sydney. H.R.N.S.W., iii, 339 (1797); 523 (1798), 752 (1799); iv, 282 (1800).

57 Collins, op. cit., p. 205 (end of 1793).

58 Hunter to Portland, 12 November 1796, Enclosure (General Order of 18 June 1796), H.R.A., I, i, 693; Letter of a Soldier from Sydney, 13 December 1794,
59 King to Portland, 1 March 1802, Enclosure 1, *H.R.A.*, I, iii, 428–9, referring to ewes given away by Phillip on his departure, bartered by recipients for rum.


61 *Labour and Industry in Australia*, i, 75.


63 King to Portland, 14 November 1801, *H.R.A.*, I, iii, 326–332. Curios were obtained from the aboriginals by barter (Tench, *Complete Account of the Settlement at Port Jackson* (1793), pp. 67, 68) but this is irrelevant.


67 Tench, *op. cit.*, p. 79 (November 1790).

68 King to Hobart, 14 August 1804, Enclosure (General Order of 28 April 1804), *H.R.A.*, I, v, 81.

69 King to Camden, 30 April 1805, *H.R.A.*, I, v, 453; *Sydney Gazette*, 4 November 1804, “The rent of the premises will be received one half in pork; one fourth in wheat and corn; and the remaining fourth in money”. For an example of freight in kind, mainly wheat, see King to Hobart, 20 December 1804, Enclosure 5, *H.R.A.*, I, v, 196.


71 King to Portland, 10 March 1801, Enclosure 10 (General Order of 7 January 1801), *H.R.A.*, I, iii, 46.

72 Collins, *op. cit.*, pp. 169, 208. Stock was imported by the officers in the First Fleet (Hunter, *op. cit.*, p. 31), including Phillip.

73 Collins, *op. cit.*, p. 207; cf. p. 208 on the high prices at which goods were reckoned in paying wages.

74 Ibid., p. 264.

75 Further clear illustrations will be found in the payment of liquor licence fees of £2 in meat, King to Hobart, 13 January 1805, Enclosure (General Order of 14 October 1804), *H.R.A.*, I, v, 275; Macarthur's purchase of government sheep at £2 a head payable in grain, King to Camden, 20 July 1805, *Ibid.*, 511, and elsewhere in *H.R.A.* and the *Sydney Gazette* advertisements.
76 King to Grose, 20 July 1794, Enclosure, *H.R.N.S.W.*, ii, 244.

77 King to Dundas, 5 November 1794, *H.R.N.S.W.*, ii, 262.


79 Tench, *op. cit.*, p. 135, may be referring to promissory notes when he quotes a request by Phillip in July 1791 that expirees leaving the colony should do so “free of all encumbrances of a public nature”.


81 The first official reference would appear to be in Hunter to Portland, 26 August 1796, *H.R.A.*, I, i, 609. In the “Piper Papers”, (Mitchell Library) vol. i there is a private note dated 1 July 1798.


85 E.g., *Sydney Gazette*, 13 January 1805: “Lost on Friday a £10 bill of John Palmer Esq. drawn in favour of Matthew Kearns, dated March 1803. It is a printed bill, very dirty, pasted together with a piece of paper on the back . . . Simeon Lord”.

86 See warning in *Sydney Gazette*, 11 June 1809.

87 *Sydney Gazette*, 1 December 1810.

88 Macarthur in December 1807 held a note drawn by Judge-Advocate Atkins on 4 February 1793, fifteen years earlier (Bligh to Castlereagh, 30 April 1808, *H.R.A.*, I, vi, 423). In 1805 some of Hunter's notes were still unpresented (*Sydney Gazette*, 20 January 1805). Hunter, on his departure, had given King a bill on the Treasury to cover these (Acting Governor) King to (Under Secretary) King, 12 October 1800, *H.R.A.*, I, ii, 687. There are many examples of notes circulating for three, four or five years.

89 See the whimsical complaint of “Mercator” in *Sydney Gazette*, 26 November 1809. This letter provides one of the earliest uses of “banker” to describe the issuer of promissory notes, the word being printed in italics as if it were then a neologism.

90 *Op. cit.*, p. 44.


92 From the note, dated 1 June 1798, by Thomas Mayner in favour of Charles Wood, preserved in “Piper Papers” (Mitchell Library), vol. i.

93 E.g., *Sydney Gazette*, 1 May 1803, advertises a lost note which promised “the
payment of £20 in storeable wheat and £5 in storeable maize”. In this and similar contexts “storeable” means “of a kind acceptable to the Commissariat”.

94 This is one instance of many.

95 King to Portland, 10 March 1807, Enclosure 10 (General Order of 19 November 1800), H.R.A., I, iii, 39.

96 King to Portland, 28 September 1800, Enclosure 5 (General Order of 1 October 1800), H.R.A., I, ii, 623. The confusion of dates appears in the original.

97 King to Portland, 1 March 1802, Enclosure 2 (General Order of 24 October 1801), H.R.A., I, iii, 465.

98 Sydney Gazette, 23 October 1803, 18 May 1806, 30 June 1810.


100 H.R.A., I, i, 10.

101 Later the Colonial Office required the governor's own signature (Long to Phillip, 14 July 1792, H.R.A., I, i, 364; Dundas to Hunter, 1 July 1794, ibid., 477). In practice the governors complied by countersigning bills.


104 This point was important in the conflict between Macquarie and D.-C.-G. Drennan.

105 Hunter to Portland, 10 January 1798, Enclosure 1, H.R.A., I, ii, 125.

106 Hobart to King, 30 August 1802, H.R.A., I, iii, 575. Hobart required a statement of number of bill, date, amount, name of payee, and details of service being paid for.

107 Government finance dominated the local foreign exchange market for forty years.

108 Collins, op. cit., records purchases of poultry from convicts in March 1790 but does not describe the method of payment.

109 Early Records of the Macarthurs of Camden, p. 50, Mrs John Macarthur to Miss Kingdon, 1 September 1795. Cf. H.R.N.S.W., iii, 729, John Black to his father, 8 September 1798, describing the system from the ship-master's point of view: “The farmers who raise corn, pork, etc., deliver it into the Government storehouses, and receive a promissory note for the amount of each delivery; these notes circulate till they fall into the hands of the officers and other traders (for an officer in this fifth division of the globe is nothing more than a dealer); these people pay them again to the captains and officers of the ships who bring investments, who carry these bills to
the Commissary who gives them bills upon the Treasury for the whole amount”. Cf. also Hunter to Portland, 25 May 1798 and 4 July 1799, H.R.A., I, ii, 150, 367; King to Hobart, 9 May 1803, H.R.A., I, iv, 120.

110 King to Hobart, 20 December 1804, H.R.A., I, v, 201. King's solution (p. 202) was to urge settlers to develop other industries, since no export market for grain and meat was available.

111 King to Hobart, 7 August 1803, Enclosure 7 (General Orders 16 and 28 March 1803), H.R.A., I, iv, 336, 337.


113 King to Portland, 28 September 1800, Enclosure 11 (Instructions to Commissary, undated), H.R.A., I, ii, 633.

114 Hunter to Portland, 10 January 1798, Enclosure 1, H.R.A., I, ii, 125. Compare with this period when bills or Store receipts were forwarded indifferently, the earlier reliance on bills on Sydney Commissary only; King to Grose, 20 July 1794, Enclosure (King's Instructions to Deputy Commissary Clarke at Norfolk Island, 3 April 1794), H.R.N.S.W., ii, 243.

115 See below.


118 Tench, op. cit., p. 156, refers to two brothers, seamen from the Sirius, one of whom returned to England to collect their wages which they proposed to use in setting up a farm.


120 Bligh to Castlereagh, 30 June 1808, H.R.A., I, vi, 583, describes the use of pay notes in this way at that date, but evidently similar practices occurred as soon as pay notes were first used.

121 John Black to his father, 8 September 1798, H.R.N.S.W., iii, 729. Black says Commissary's notes were paid “about six months after they are presented”. The usual tenor was 90 days after sight (Phillip to Grenville, 5 November 1791, H.R.A., I, i, 277).

122 Grose to Dundas, 30 May 1793, H.R.A., I, i, 433.

123 Ibid. For an account of the purchase of spirits from the Hope and its sale to the soldiers, see Grose to Dundas, 9 January and 16 February 1793, H.R.A., I, i, 414, 415. In the latter despatch Grose refers to the Commissary receiving £405 “cash” for spirits, but the word must be interpreted warily in the early records. In King to
Hobart, 9 May 1803, Enclosure 9 (Cashbook of Orphan Fund 9 August 1801 to 23 December 1802), the “cash” receipts include “241/2 yards black serge” valued at £1 16s. 41/2d. (H.R.A., I, iv, 102). Cf. similar confusing accounts in King to Sullivan, 15 March 1804, H.R.A., I, iv, 600 (where oil is “cash”).

124 Grose to Nepean, 31 May 1793, H.R.A., I, i, 439.

125 Portland to Governor of N.S.W., 19 March 1800, H.R.A., I, ii, 471; Long to King, 7 August 1800, ibid., 531.

126 Portland to Hunter, 30 August 1797, Enclosure 9 to Sub-enclosure 10, H.R.A., I, ii, 105; Hunter to Portland 25 July 1798, Enclosure 6, ibid., 190, refer to one of Atkins' bills for £13 2s. 2d.


128 Macquarie to Liverpool, 17 November 1812, Enclosures 1 and 2, H.R.A., I, vii, 563.

129 W. Balmain to D. Wentworth, 10 April 1802, “D'Arcy Wentworth Correspondence” (Mitchell Library), i, folio 89.

130 (Lieut-Governor) King to (Under-Secretary) King, 8 March 1799, H.R.N.S.W., iii, 641–2.

131 (Under-Secretary) King to Sir S. Cottrell, 14 March 1799, H.R.N.S.W., iii, 648; same, 29 April 1799, ibid., 657–8; (Under-Secretary) King to (Lieut-Governor) King, 8 May 1799, ibid., 671.


133 There is a very slight doubt as to the actual amount. King's General Order of 19 November 1800 (H.R.A., I, iii, 39–40) refers to copper coin by the Royal Admiral, but there is no mention of coin by this ship in Transport Commissioners to Hunter, 1 April 1800, H.R.A., I, ii, 483; or same, 9 May 1800, ibid., 508, (both despatches advising of stores on board); or in King to Portland, 30 November 1800, ibid., 697, announcing the ship's arrival. King to Hobart, 9 May 1803, H.R.A., I, iv, 123, says £1,200 was sent “in 1800”, repeated 20 December 1804, H.R.A., I, v, 206. It is reasonable to assume therefore that there was no deviation from the original plan. But Bligh to Windham, 31 October 1807, H.R.A., I, vi, 158, says, “Government have kindly allowed copper coin to the amount of two thousand five hundred pounds to be sent here, and it was thought proper to affix a double value to it, by which means it remains in circulation as five thousand”. There is no record of additional quantities being sent, and Liverpool to Macquarie, 5 May 1812, H.R.A., I, vii, 480, and Macquarie to Liverpool, 17 November 1812, ibid., 605–6, make it clear that the only shipments were while King was governor. The probable explanation is that Bligh made a mistake and doubled the amount twice. This evidence is recited in detail since Coghlan, Labour and Industry in Australia, i, 68, and Shann, Economic History of Australia, p. 37, both give Bligh's figure without comment. Both say the whole amount was in pennies.
134 King to Portland, 10 March 1801, Enclosure 10 (General Order, 19 November 1800), *H.R.A.*, I, iii, 39–40.

135 King to Portland, 21 August 1801, *H.R.A.*, I, iii, 151.

136 *Sydney Gazette*, 7 April 1805.


138 5 March 1803.

139 *Sydney Gazette*, 5 February 1804. For further illustrations see other advertisements, e.g., in issues of 24 April 1803, 28 July 1805, 28 September 1806. In the last Campbell & Co. refuse to accept copper coin for more than one-quarter of any purchase.

140 *Sydney Gazette*, 15 September 1810. One Mrs Muckall sued a debtor, having refused an offer of more than £5 in copper coin. This was treated as a good tender, apparently on the grounds of hardship to the debtor and the captiousness of the refusal.


144 Macquarie to Liverpool, 17 November 1812, *H.R.A.*, I, vii, 606. The low estimate of copper detracts from the force of the charge against the insurrectionary government that they conferred special favours by paying selected individuals in copper. See Palmer to Bligh, enclosed in Bligh to Castlereagh, 8 June 1809, *H.R.A.*, I, vii, 112.

145 King to Hobart, 9 May and 17 September 1803, and 1 March 1804, *H.R.A.*, I, iv, 123, 390–1, 508. The last curiously duplicates the wording of his original 1799 proposal.

146 King to Hobart, 9 May 1803, *H.R.A.*, I, iv, 123. Hunter to Portland, 10 November 1799, *H.R.A.*, I, ii, 394, had made a similar proposal for a token silver coinage. Collins, *op. cit.*, p. 432, under date November 1799 duplicates the wording of Hunter's despatch and may have been the author of the proposal.

147 King to Hobart, 7 August 1803, *H.R.A.*, I, iv, 356. Cf. same, 20 December 1804, *H.R.A.*, I, v, 206: “The fallacy of endeavouring to keep Spanish dollars or any sterling coin in circulation within the colony has long been proved, even when the former has been cut into eight or ten parts, as these coins are never seen after they are paid away.”
148 The Johanna was a Portuguese coin, the pagoda a gold coin from Southern India, the rupee was the Sicca rupee from Bengal, the mohur from either Bombay or Bengal or both (they differed in weight). The dollars were Spanish dollars, but minted in Mexico.

149 King to Hobart, 17 September 1803, *H.R.A.*, I, iv, 391, attributes the retention of copper to its “increased value”.

150 For the adjustment of prices to the kind of money see chapter 3.

151 J. D. Lang, *An Historical and Statistical Account of New South Wales* (1834), i, 92–3. He describes Bligh carefully inquiring into settlers' needs and, finding that “His Majesty's stores at that time contained almost every article that was required in a family”, arranging for barter at “a very moderate price”. The stores contained such goods for a very obvious reason. This is typical of the unreliability of Lang. Lang's account is substantially accepted by a number of later writers.

152 *British Imperialism and Australia*, p. 144. He gives as the motive, “a measure against monopoly”, and says grain was the acceptable currency in purchases.

153 Dundas to Phillip, 15 May 1792, *H.R.A.*, I, i, 355. Same, 14 July 1792, *ibid.*, 366, records the consignment by the *Bellona*.


155 Grose to Dundas, 9 January 1793, *H.R.A.*, I, i, 414; Dundas to Hunter 1 July 1794, *ibid.*, 47.


157 The Condition of Norfolk Island, 18 October 1796, *H.R.N.S.W.*, iii, 156. Note that King at this date did not object to monopoly.


159 Hunter to Portland, 10 June 1797, *H.R.A.*, I, ii, 19.


162 Portland to Hunter, 18 September 1798, *H.R.A.*, I, ii, 227; Hunter to Portland, 10 July 1799, *ibid.*, 372; Under-Secretary King to Governor of New South Wales, 23 September 1800, *ibid.*, 551.

163 See Portland to Hunter, 6 February 1798 (H.M.S. *Buffalo*), *H.R.A.*, I, ii, 127; Under-Secretary King to Governor of N.S.W., 23 September 1800 (*Earl Cornwallis*), *ibid.*, 551.

164 For instance, King to Portland, 28 September 1800, Enclosure 5 (General Orders), *H.R.A.*, I, ii, 623, purchase of tobacco from American ship *John Jay*. 
165 Portland to Treasury Commissioners, 29 May 1801, *H.R.A.*, I, iii, 103, gives directions for annual supply at a margin of thirty per cent; the orders for fifty per cent addition are in two despatches from Hobart to King, 30 January 1802, *ibid.*, 370, 373.

166 Hunter to Portland, 2 March 1798, Enclosure I, *H.R.A.*, I, ii, 139.


168 *Report &c.* Select Committee on Transportation, 1812, Evidence, p. 64; compare the charges of Maurice Margarot (one of the Scotch Martyrs), p. 53.


170 (P. G.) King to (John) King, 21 August 1801, Enclosure I (General Order of 20 June 1801), *H.R.A.*, I, iii, 256.


172 King to Portland, 27 June 1800, Enclosure 3 (Regulations for Government Store at Norfolk Island), *H.R.A.*, I, ii, 520.

173 (Acting Governor) King to (Under-Secretary) King, 18 October 1800, *H.R.A.*, I, ii, 688–9; King to Portland, 10 March 1801, Enclosure 10 (General Orders), *H.R.A.*, I, iii, 34.


175 King to Hobart, 14 August 1804, Enclosure 3, *H.R.A.*, I, v, 104, gives debts due to the Crown at 31 July 1804 as £10,396; King to Castlereagh, 11 December 1807, Enclosure 3, *ibid.*, 794, gives the debts at the following dates:

- 31 December 1801 £2,510
- 31 December 1802 3,234
- 31 December 1803 9,129
- 31 December 1804 £14,158
- 31 December 1805 10,758
- 12 August 1806 10,615

Not much weight should be attached to the absolute figures but the increase is striking.


177 Macquarie to Gordon, 12 June 1812, *H.R.A.*, III, 1, 720. His objections were to the loan, not to the sale of cattle, since he directed sales himself (e.g., Macquarie to Geils, 8 February 1812, *ibid.*, 463.

178 This was suggested by Hobart to King, 29 August 1802, *H.R.A.*, I, iii, 563.
179 King to Hobart, 7 August 1803, Enclosure 7 (General Orders of 7 May 1803), H.R.A., I, iv, 340. King to Hobart, 17 September 1803, ibid., 392, records wide adoption of the scheme. King to Paterson, 20 November 1805, H.R.A., III, i, 648–9 advised the extension of the plan to Tasmania, where its adoption was the occasion for Macquarie's strictures.

180 The Commissary's advertisement in Sydney Gazette, 3 July 1803, of goods for sale, “security to be given for payment in wheat, to be paid into the stores at Sydney between 1st February and 31st March 1804”, represents the typical procedure.

181 The insurrectionary government introduced reckoning in wheat, but this was an isolated episode. See the Commissariat Accounts in Early Records of the Macarthurs of Camden, pp. 154–60. Certain examples of true barter by the government are cited in the section on barter.

182 Portland to Hunter, 31 August 1797, H.R.A., I, ii, 108, directed valuation “at the market price”, but the Commissariat very nearly was the market and fixed the “market price”.

183 Portland to Hunter, 31 January 1797 (grain or labour), H.R.A., I, ii, 2; 31 August 1797 (grain or livestock), ibid., 110; 6 February 1798 (grain or livestock), ibid., 127; Under-Secretary King to Governor of N.S.W., 23 September 1800 (money, grain or meat), ibid., 551; Hobart to King, 30 January 1802, No. 2 (money or barter), iii, 373. The instructions were permissive rather than mandatory.


185 King to Hobart, 14 August 1804, Enclosure (General Order of 10 September 1803), H.R.A., I, v, 66. Store receipts were occasionally taken, see King to Hobart, 7 August 1803, Enclosure 7 (General Orders), H.R.A., I, iv, 336, 337.

186 As illustrations only see King to Portland, 10 March 1801 (several despatches), H.R.A., I, iii, 12, 13, 41, 46, 51–2; King to Hobart, 7 August 1803, H.R.A., I, iv, 330, 332, 335, 336, 337; Sydney Gazette, 18, 25 August 1805. Hence the “pipe” complained of by King to Hobart, 9 May 1803, H.R.A., I, iv, 168–9:

   “Horned cattle now may settlers take for grain,
   Save drawing bills, to Government a gain;
   And save th' expense of sending flour here,
   At eighteen pence a pound—so very dear.

   And those who swine per pound for sixpence put in store,
   Shall have what cows and calves and bulls, or more,
   Than will them thrice repay, provide the vouchers state
   To Ministers at Home, how much reduced is meat.”

   Evatt, Rum Rebellion, p. 317, note, quotes this without date, in a context relating to events five years afterwards.

187 King to Portland, 10 March 1801, Enclosure 10 (General Orders), H.R.A., I, iii,
41, 46. Cf. notices in *Sydney Gazette* of 18 August 1805 and 22 December 1805. At the earlier date debtors could pay in wheat or a restricted amount of maize; at the latter in wheat, barley, maize, pork or copper coin.

188 E.g., King to Hobart, 7 August 1803, Enclosure 7 (General Orders, 9 March 1803 for debtors, 16 March 1803 for officers), H.R.A., I, iv, 335, 336. At this date wheat was accepted from debtors and officers, but not from others; King to Hobart, 14 August 1804, Enclosure (General Orders, 3 March 1804), H.R.A., I, v, 78; wheat from debtors only.


190 E.g., General and Garrison Orders (in Tasmania), 29 February 1808, H.R.A., III, i, 563


192 “A project for supplying New South Wales with a circulating Medium” (dated 10 May 1805), “Banks Papers” (Mitchell Library), vol. iv. The entire document is reprinted, with very brief complimentary comment, in Mackaness, *Sir Joseph Banks*, section 10, where, however, there is no recognition of the inappropriateness of the project or of the extent of Banks' errors of fact. Apart from those noted above, Banks, who evidently did not read the advertisements in his *Sydney Gazette*, assumed there were no shops in Sydney and that governors had made no attempt to control the sale of liquor.

193 George Chalmers, to whom Banks submitted his plan, suggested empowering the bank to issue notes instead of paying deposits in token coins, “Banks Papers”, vol. iv.
Chapter 3 The Working of the System (1803–1810)

BY THE MIDDLE of King's governorship in 1803 the main lines of a monetary system had taken shape and from 1803 to 1816 its evolution was mainly determined by the growth of a private market economy and by the relatively ineffectual attempts of King, Bligh and Macquarie to regulate monetary transactions between private individuals. Government finance continued to be of great importance and the Commissariat remained as the core of the system, but no vital new developments were initiated from that side; the significant changes were the development of a commercial code relating to acceptable means of payment and legal tender, the full emergence of a “petty banking” system, and the growth of a dual monetary standard expressed in terms of “currency” and “sterling”.

Government Finance

(a) Foreign Exchange

Government bills on the British Treasury continued to provide the main means of paying for imports. The practice of barter by the Store reduced the amount for which it was necessary to draw, but this still remained large. At the end of 1807 King reported the total bills drawn during his administration as £87,478 and the total amount received for “Annual” and “Extra” Supplies, exclusive of that part for which settlers were still in debt, as £48,894. King's figures for bills are, however, unreliable and much too low, probably including only Commissary's bills for New South Wales exclusive of Norfolk Island and Tasmania. But for what they are worth they indicate the great importance of government bills in payment for imports and the extent to which government itself, through the Store, acted as importing agent.

The same system of bills of exchange on London was extended to Tasmania in 1803, Collins being empowered to draw such bills as Lieutenant-Governor “in Bass's Streights.” Until February 1811 the bills in respect of Tasmania were drawn direct on London but after that date were drawn by the Tasmanian Commissary on the Sydney Commissariat, there to be exchanged for bills on London, a practice which Macquarie enforced.

Collins, however, was expected to meet the pay of superintendents and overseers from the proceeds of goods sent to the Hobart Commissariat for barter, and finding this impossible, ventured to issue “Colonial notes”, at
some date between 4 March and 3 August 1804, for their salaries. He was induced to take this step by the inability of these officials to buy necessaries from ships and by the reflection that these notes of “not less than one pound sterling” would serve as a temporary substitute for the coin for which he asked. King, as Collins' superior, approved while expressing fears of forgery and Collins “had no longer any hesitation” in continuing and extending the practice, the more so since his request for coin was refused, apparently under the misapprehension that it was the pay of marines that was in question. For this Collins was directed to draw bills on the Paymaster of the Royal Marines. From paying salaries in these notes he went on to make loans to the officers so that they might purchase stock and other articles, and to buy kangaroo meat for his colonial notes. As a result these notes to some extent took the place in Tasmania of Store receipts, being issued and circulating in much the same way and being finally consolidated by bills on the Treasury in London, until Macquarie altered the system in 1810. But Store receipts were issued for most goods bought by the Store and the colonial notes seem to have been insignificant after 1809.

As has been explained earlier, the methods by which the men of the New South Wales Corps were paid before 1803 are obscure; after that date the precise details are uncertain but the main lines are clear enough. Until 1808 a paymaster for each company, and after that year one for the whole regiment, issued “pay notes” each month. These were small promissory notes which circulated in the same manner as Store receipts and were “consolidated” periodically for cash or bills on the regimental agents in London. This system appears to have been initiated very early and paymasters' bills were then especially attractive since they were payable at sight; and although after 1803 these bills were payable ninety days after sight, they were still more convenient than Commissariat bills. Until the end of 1805 consolidation occurred each month, but beginning in 1806 a quarterly period was substituted, although pay notes continued to be drawn monthly. In this manner payment of the troops added both to the internal circulation of “sterling” and to the supply of foreign exchange wherewith imports might be purchased.

The men were very much at the mercy of the officers; in fact it is certain that they received only part of their pay in this form, being compelled to accept goods from the trader-officers or payment in “currency” for a considerable part of their pay. It is clear enough that some pay notes, though issued, remained in the hands of the officers who could dispose of them at a premium for “currency” or use them in paying for imports. It was too much to expect that the gentlemen of the New South Wales Corps
would be over-scrupulous in paying their men when retention of the pay notes ensured their monopoly of one important supply of foreign exchange. As chief suppliers to the Commissariat store, as has been seen, they had a large share in the only other important source—Commissariat bills. Bligh's efforts to enforce the actual delivery of pay notes in full failed as completely as the rest of his monetary reforms.23

With the arrest of Bligh two changes were made. In November 1808 Foveaux ordered that men were to receive their pay or “their balances” in the notes of a single paymaster, the issue of notes by the company paymasters being abandoned.24 Somewhat earlier, in September, the paymasters began to advertise fairly regularly for coin in exchange for bills on the regimental agents. The amount involved was originally £1,400 and rose gradually to £1,700, an amount which was required each month.25 This practice continued even after the New South Wales Corps was replaced by the 73rd Regiment. That the cash was required to take up pay notes is fairly clear, since the call for cash was followed a few days later by an offer to consolidate paymasters' notes for either cash or bills,26 but the reason for the change is not clear. A possible explanation is that small holdings of notes were exchanged for cash and larger ones for bills. Whatever the explanation, the change made it possible for a wider range of individuals to obtain bills on London at a time when the insurrectionary government did not dare to draw on behalf of the Commissariat.

In New South Wales civil officers as well as military continued to receive their pay in England, whence they could obtain it only by drawing bills on their private agents in London. D'Arcy Wentworth, for instance, had an agent, Charles Cookney, who accepted and paid bills on his behalf, collected his pay, bought him goods and supervised the education of his sons.27 The officers had addressed a memorial to King complaining of the expense, risk and delay involved in employing private agents in London, but King's suggestion of reverting to the practice of the Commissary drawing bills for salaries drew no reply.28 On a few occasions salary bills seem to have been drawn by the Commissary in special circumstances,29 but the general rule that officers must draw their own bills applied until 1813 when salaries were again paid by the Commissary giving bills half-yearly.30 The bills of private individuals in general were not readily acceptable to ship-masters unless endorsed by someone well known. Hence the two ways by which most salaries were collected in New South Wales were to pay them to local importers for goods and to discount them with local merchants or others. By 1806 at the latest the second practice was well established. Robert Campbell took salary bills for goods and money in the colony, undertaking the collection of the bills from officers' London
agents at least as early as 1806. D'Arcy Wentworth acted as intermediary on a large scale. For a number of years William Redfern at Norfolk Island bought the bills of officials, remitted them to Wentworth in Sydney, whence they were remitted to William Balmain in London for collection.

But while the refusal to permit the Commissary at this period to give bills on the Treasury direct in payment of salaries forced the officials to this roundabout and expensive method of collection, it did not change the basic character of the supply of foreign exchange. Whether this took the form of Commissariat bills, paymasters' bills or private salary bills, the ultimate source was British government expenditure on the colony. Save for a trifling amount from negligible exports and a small import of private capital the only supply of foreign currency, and hence the only means of paying for imports, was this expenditure.

Private bills, other than for salaries, were very rare since they could only be drawn as a result of exports which were of no account or of private import of capital. Most of the few free immigrants in this period, however, appear to have transferred their capital in goods for sale in the colony. Some few private bills there were, but the frequency with which they were dishonoured in England and the problem of enforcing payment by the drawer, when the drawee proved too elusive for acceptance, made them unimportant as a means of paying for imports. Bills drawn in England on Sydney were even rarer but not entirely absent.

(b) Commissariat Store

Purchase by government of food for convicts was still the basic internal market. The Store receipt, copper coin and dollars in small quantities and barter, especially, as the government herds increased, barter of cattle, were to constitute for many years yet the methods by which the local administration disbursed money voted in England.

The issue of Store receipts in payment for goods supplied to the Commissariat and their internal circulation continued, interrupted not even partially or temporarily by the insurrectionary government's greater reliance on barter, especially of cattle. Some small quantities of copper coin returned periodically to the Store in payment for goods, but it was of little importance in such transactions. Between June 1801 and December 1803 of £9,120 worth of goods sold by the Store only £750 worth was paid for in copper. Of this amount £86 was received from civil officers, £42 from military officers and £621 from “settlers and others”. The value at which the Store accepted copper is not recorded. King had declined to accept it at the value at which he had issued it; but in 1812 Macquarie
reported that copper was “received into the public offices or exchanged for Government bills at the same rate at which it was originally issued”\textsuperscript{40} The small amounts received by the Store in these early years suggest that the change had not yet been made. In private transactions, however, copper was used, probably because of its convenience as small change.\textsuperscript{41}

Dollars were even rarer in purchases from the Commissariat and not very usual in private circulation. King in 1805 declaimed against “the usurious and ruinous traffic of dollars by the few who possess them to individuals at eight, nine and even ten shillings each”, and against “those who have accumulated dollars” to buy spirits, etc., from ships,\textsuperscript{42} much as Bligh darkly referred to dollars being “hoarded up for sinister purposes”.\textsuperscript{43} But in small quantities dollars continued in circulation as even Bligh admitted, being normally valued at five shillings.\textsuperscript{44}

With small receipts in copper or dollars the Commissariat continued to make its own payments primarily by the issue of Store receipts consolidated by bills of exchange and by barter. The accounts for the first quarter of 1804 are typical, showing £1,003 worth of grain purchased by the first method and £1,833 by barter from a total of £4,017.\textsuperscript{45} A similar state of affairs is shown by the accounts of Bligh's first year. Grain worth £16,200 was obtained, £10,027 for Store receipts and bills, £504 worth for livestock, £1,603 bartered against “Annual” and “Extra” Supplies, £2,228 received in payment of debts for earlier shipments of these supplies, £109 worth as toll on grain ground by the government mill and £25 swapped for salt.\textsuperscript{46}

The exchange of goods for grain and meat by the Commissariat has already been described and no more need be said than that it continued.\textsuperscript{47} The Store, however, developed a wide range of transactions in barter. In 1804 beer from the government brewery was sold for promissory notes promising payment, not of money, but of “wheat, barley, hops, casks or iron hoops”.\textsuperscript{48} Goods from the Store were used in paying for soldiers' extraroutine services, especially in Tasmania.\textsuperscript{49} Freight was often paid in kind\textsuperscript{50} and for a number of years goods sold in execution of judgments for debts might be disposed of similarly.\textsuperscript{51} The instruction to pay a year's profits from the sale of “Annual” Supplies to the Orphan Fund was obeyed by transferring goods and breeding stock.\textsuperscript{52}

The significant new development was that, as the government herds increased, livestock was increasingly given in exchange for settlers' grain and meat. The nascent capitalism of Australia was almost entirely the creation of government which provided the land by grants, the labour in the form of assigned convicts and the market in the Commissariat store. It facilitated the acquisition of equipment by its “Annual” and “Extra”
supplies of tools and other goods which were often available on credit. At every stage the lusty infant was carefully nursed. The latest support was the supply of stock.

The practice of outright barter of cattle, as well as loan on terms by which the settler might later buy, was initiated by King in the latter part of his administration. In 1804 he reported giving 37 cattle, 3 horses and 9 sheep for grain, while in Norfolk Island goats were exchanged for grain, “some of them being of the oldest and worst quality at rather a low rate”. Even more government stock was bartered in 1805, John Macarthur receiving “one hundred of the finest woolled ewes from government stock” for £2 a head payable in grain. Quite complicated transactions were carried out in stock. King accepted 182 pigs in payment for goods advanced to settlers, and sent a third of them to Tasmania to be consumed or bartered by the government there. Bligh continued barter as well as the regular hiring of cattle when he succeeded King.

**King's Efforts at Regulation**

King's later contributions to the monetary system were mainly confined to ineffectual attempts to regulate financial transactions between individuals. After his prohibition of written promissory notes he made no further efforts to control this type of circulation so that unchecked developments in his last years as governor handed on to Bligh and Macquarie problems arising from the drawing of promissory notes payable in wheat or copper coin and the existence of a dual standard of reckoning, “currency” and “sterling”.

**(a) Interest Rates**

In July 1804 King was stirred to action by the “much litigation and many vexatious suits at law” which he believed to be due to the “want of an established and fixed rate of interest” and by the “exorbitant demands” for interest made by creditors. He proceeded to issue an order restricting the rate of interest for the loan of either money or goods to 8 per cent per annum. It was intended to be a complete restriction, enforced by the same penalties as the English usury laws, “any custom or usage to the contrary notwithstanding”. But it was not observed. In litigation it was interpreted to apply only to cases where no interest was agreed upon in the contract. In 1811 in Loane v. Collins 12 per cent was awarded, as again in 1813 in Riley v. Kable. Those who feared that the order might be interpreted literally evaded specifying any interest, either deducting it from the amount
lent or adding it to the principal amount specified in the contract. Interest rates continued to be high, 8 per cent being at best the minimum rate on safe loans and with other rates ranging upwards to limits set by the borrower's need or the lender's conscience.

(b) Legal Tender

King was equally unsuccessful in attempting to enforce legal tender rules. His order declaring wheat and livestock legal tender was occasionally insisted upon in court decisions, but in general it was not questioned because these commodities, since they could be sold to the Commissariat, were widely accepted. In October 1804 the order prescribing legal tender values for coins was repeated. But contemporary ideas of the meaning of legal tender were extremely hazy as the evidence given before the Select Committee on Transportation in 1812 shows. Bligh, after declaring that “the legal tender was in dollars”, hovered between an interpretation of what was in general acceptable and what he would enforce in Court of Appeal. Commissary John Palmer said the legal tender was “grain receipts and copper coin”, evidently thinking of what was commonly accepted, while Judge-Advocate Bent said that, since there was a right of appeal to the King in Council in respect of debts over £300 “all debts above the sum of £300 are now looked upon as debts of honour”.

In practice commercial custom built up its own code which paid scant respect to governors' orders and a study of advertisements in the *Sydney Gazette* is illuminating. No notion of legal tender entered into current business procedure; it was the privilege of every seller to specify what he would receive. Money, in the sense of copper coin, dollars, Store receipts, paymaster's or government bills, was frequently specified, sometimes simply as “ready money”, sometimes in detail. At times the acceptability of types of money was narrowly circumscribed, only certain quantities of some kinds being wanted. Next to money in this sense came “storeable” wheat or meat at or below the price at which the Commissariat store would accept them. An 18-ton sloop was offered for storable wheat and for 50 acres of land “swine's flesh and grain will be taken in payment at the market price”. This practice of specifying acceptable means of payment continued to be the rule rather than the exception until 1814. From that year onward such advertisements became rarer although payment in kind was still widespread.

Wages may stand as a sample of other payments. These were still mainly in kind, with spirits of special importance. In 1804 Collins in Tasmania
forbade payment of spirits for the “extra labour” of convicts and others, but a year later, with King's approval, he allowed its use, “for the convicts when working for the public study only how little they shall perform, but when employed in their extra hours proportion their exertions to their recompense”. But in Tasmania as on the mainland, other goods were more usual, and the typical state of affairs is represented by Collins' General Order of 22 June 1804 in which money-rates of wages are prescribed for various types of work, payable in foodstuffs at fixed prices.

Bligh's Programme of Reform

Bligh did nothing to disturb the system of government finance which he had inherited. He continued the practice of government purchases by means of Store receipts and bills and barter of goods against grain turned into the Store, as well as of exchanging government cattle for grain. He approved of the use of copper coin and asked for a special silver coinage, to be 25 per cent over-valued. On the other hand, he attempted to suppress the use of rum in barter and to regulate the issue of private promissory notes.

(a) Barter of Spirits

Touring through the colony Bligh discovered how widespread was the practice of bartering spirits. In his General Order of 14 February 1807 he prohibited it, explaining that he “feels it his duty to put a total stop to this barter in future, and prohibit the exchange of spirits or other liquors for grain, animal food, labour, wearing apparel or any other commodity whatever, to all descriptions of persons in the Colony and its dependencies”. Six weeks later the order was published in Tasmania where it was added that “all officers, civil and military, are requested to be aiding and assisting in carrying the said order into execution according to the full meaning and intent thereof”. The Lieutenant-Governor's optimistic request was as quaint as his English, addressed as it was to the chief offenders.

(b) “Petty Banking”

More important financially was Bligh's attack on “currency”. To explain this involves going back somewhat earlier to trace certain developments in the issue of private promissory notes. The manner in which these notes were issued by all and sundry has already been described, but by the opening of the nineteenth century there were the beginnings of “petty
banking” as Macquarie called it, that is, of the issue of notes as a business in itself. This appears to have started with the officers, both in the issue of pay notes and of other private notes, but others joined in when they could.

A special idiomatic usage of the words “sterling” and “currency” grew up, based at first on a distinction between concrete media of exchange. In the early nineteenth century “sterling” very rarely means English money. Occasionally it means pounds, shillings and pence, as opposed to reckoning in, say, dollars or rupees. But in general it referred to Australian money, expressed in £ s. d. of a kind distinguished from “currency”. “Colonial currency”, which by an easy transition became simply “currency”, meant media of exchange having a purely local circulation and often of a very limited acceptability. Before 1810 it meant primarily copper coin, promissory notes and at times wheat. Under Macquarie it was perhaps more restricted, usually signifying promissory notes, while by the middle 1820's it had come to include dollars when these were reckoned as equivalent to 5s. John Palmer spoke, for example, of “grain, copper coin and other Colonial currency”, and Macquarie referred to private promissory notes as “base Colonial currency”.

These concrete forms of money were of little use except in internal transactions and there was no certainty that a seller or creditor would accept them. In the case of promissory notes there was always the risk of forgery or default and naturally such promissory notes were not treated as of a value equal to that of bills on the British Treasury or of forms of money, such as Store receipts, which could be exchanged for Treasury bills at face value. Thus there arose the practice of quoting prices which varied according to the form of payment. A tender of promissory notes or copper coin or other “currency” would be met by specifying a price in “currency” higher than that for “sterling” for which Treasury bills, paymasters' bills, Store receipts or Spanish dollars would be taken.

The premium on “sterling” varied from time to time and in any case depended upon the drawer of the particular promissory note. In 1809 a shopkeeper gave 4s. in the pound discount to those who would pay “sterling”, while another announced “the lowest prices fixed for consolidated money”, and a few weeks later 10 per cent discount was given on payments of government bills. Such notes as were offered would be taken at a value depending on the recipient's estimate of the worth of the drawer, and the frequency with which “approved currency” or “approved” or “good” notes were specified as acceptable indicates the selection of notes which sellers practised. This depreciated valuation in which notes circulated at less than face value and with uncertain acceptability was the subject of a petition to Bligh in August 1806 by a number of Hawkesbury
settlers who asked him to cause “payment to be made in such money or Government orders as will pass current in the purchase of every article of merchandise without drawback or discount”. Their resentment was intensified by the fact that drawers of “currency” notes made a deliberate practice of depreciation. Bligh claimed that drawers of notes demanded a premium of 25 to 40 per cent for converting their notes into “sterling”, a charge which was later confirmed by Macquarie.

It was to government and paymasters' bills, Store receipts and pay notes, coins other than copper coin and similar media of payment that the term “sterling” was applied. The primary implication was good reliable money (King even referred to the Spanish dollar as a “sterling coin” with a secondary reference to English money since the test of good money was its being equivalent, or nearly equivalent, to English money, a dual significance that has not yet quite disappeared. It was not, however, the material form of the money or its notation but its valuation which made it “sterling”.

In origin the “sterling”—“currency” distinction depended upon the different qualities of concrete forms of money but it followed inevitably from those differences. When a bill of exchange on the British Treasury, countersigned by the governor, circulated side by side with the dirty, scribbled promissory note of a convict, there had to be separate scales of reckoning to express the divergent valuations of such money. It was, therefore, futile for King or Bligh or Macquarie to proscribe “currency” reckoning until sufficient “sterling” had been provided to serve all monetary needs. When Macquarie explained that the Bank of New South Wales had to be created because he had abolished “currency”, his theory was as inaccurate as his statement of fact. “Currency” was not abolished and the Bank's notes did not fill the vacuum created, although they did help in the long process of extinguishing “currency”. Not until the thing itself was reduced to negligible amount, surviving only in country districts in “orders” for wages, did “currency” reckoning disappear. That was not until the 1830's, when bank notes and English coins were in common use and cheque payments an everyday experience.

A further complication facing Bligh was that the notes themselves commonly specified a particular mode of payment. Occasionally this might be “sterling”, but this could not ensure acceptance by everyone at face value, even though it might be enforceable in a court, a fact which Bligh overlooked when he thought it enough to require notes to specify payment in “sterling”. More usually, however, the mode of payment promised was “currency” simply or, in many cases, wheat or copper coin. The rawing of notes in terms of wheat was quite well established by Bligh's time, arising
from the inability of many small settlers to pay anything else and from the wide use of wheat itself as money. Notes promising payment in copper coin were less frequent but still common.

In November 1806 Bligh by General Order warned of his intention to outlaw “currency” and on 3 January 1807 he issued the promised proclamation. He began by declaring that all promissory notes, irrespective of the mode of payment specified, should be settled in money. From the issue of the proclamation all notes were to “be drawn payable in sterling money” and thereafter “all outstanding notes payable in copper coin or colonial currency shall or may be sued for as if the said term ‘Copper Coin’ or ‘Colonial Currency’ had not been expressed”. As an afterthought he added “The value of coins already established to be in full force”, which is of some importance not only as continuing King's order, but as indicating the wide scope of “sterling” in Bligh's mind. When his prohibition was extended to Tasmania in February 1808 “sterling” was “through the want of specie in this place . . . to be considered as Military and Colonial Notes”.

Little heed was paid to the ban. Bligh made the mistake, common to most of the early governors, of assuming that the intentions of an order were at once realized. He repeatedly said that he had abolished “currency”, although advertisements continued to offer to accept “Colonial Currency”, and in 1807 more direct evidence of his failure appeared. The Sydney Gazette in July described how “the extraordinary fluctuations that have taken place in the price of wheat since the flood in March 1806 have given rise to many litigations”. Disputes arose from the practice of drawing notes in terms of wheat which had risen from a “normal” level of 7s. 6d. per bushel to 30s. per bushel at this period. Creditors holding such notes were, according to the Gazette, generally insisting upon payment of the promised number of bushels and successfully enforcing payment in defiance of Bligh's proclamation. The Gazette's cure was an appeal to the text of that proclamation: “the orders admit not of misconstruction—the sterling value of the note when drawn in justice should be demanded, whatever be the mode of payment, and any excess upon that just demand is unquestionably an invasion of another's right.” The argument was disputed by a correspondent, “Oculist”, who claimed that a contract for wheat payment should be met in wheat, and asking whether the Gazette would maintain its attitude if the price of wheat fell. Many holders of wheat notes had taken the same point of view and enforced their “rights” as the Gazette complained.

The week following the Gazette's first article Bligh gave judgment in the appeal of Macarthur against the Court's decision that the wheat note signed
by Andrew Thompson and held by him was payable in money at the price of wheat existing when the note was drawn. Bligh upheld the Court but it does not appear that there was any serious decline in the use of wheat notes, although it is likely that for the next few months specific performance of promises to pay wheat was not insisted upon.

What further attack Bligh would have made on “currency” is a matter of speculation. The 1807 harvest was adequate and the wheat note problem faded away, while Bligh's arrest in January 1808 prevented any further efforts at enforcement of “sterling”. The next phase belonged to the military officers who governed during the interregnum and they took no action in relation to the practice of reckoning in “currency”.

**The Insurrectionary Government**

The interlude between the arrest of Bligh and the arrival of Macquarie at the end of 1809 made surprisingly little difference to monetary affairs. No doubt individuals seized the golden opportunity to enrich themselves and especially to obtain the coveted government cattle, but the technique of government finance remained basically unchanged. No new factors were introduced, simply the old machinery was operated in the interests of the military clique. In one direction the officers made a change: fear of consequences to their own pockets made them chary of drawing bills on the Treasury which might be repudiated. For some months no bills at all were drawn. “There is no money,” Captain Abbott wrote to King, “no government bills have been drawn since the Governor's arrest, except about £400,” and Bligh jeered: “It is said that the present rulers pride themselves much in not drawing bills on the Treasury, when the fact is no person will receive them.” Some bills were, however, drawn.

With a reduced volume of bills the officers turned to other methods of financing the government which also offered more opportunities for private profit. Store receipts continued to be given and accepted and a considerable part of these was left to be redeemed by Macquarie. But the principal resource was an extension of barter. The exchange of goods from the Store against grain and meat helped somewhat. Paterson naively glossed over settlers' reluctance to take wheat receipts of doubtful validity by reporting that their chief reason for supplying grain to the Store was to enable them “to purchase goods from the investment sent here for barter”. Since wheat was necessary, payment of debts to the government was required in wheat and condemned stores were offered for the same commodity. At the same time favoured individuals were given goods on credit, involving debts Macquarie found it difficult to enforce.
to the rank were paid in “cattle, articles of investment, stores and copper coin”.105

It would be a mistake to accept the sweeping charges that the temporary government squandered stores in this manner. They did not hand on to Macquarie “a beggarly account of empty boxes”,106 since he was able to maintain barter for three years in spite of receiving no further government “investments”.107 As a source of revenue the goods in the Store were supplemented in other ways of which the most important was the barter of cattle. Johnston and Foveaux in turn announced their intention to continue this well established practice,108 although according to Bligh they sold large numbers to a few on credit whereas he had restricted barter to one or two head to each settler.109 Cattle were exchanged for Store receipts to obviate the necessity for bills on the Treasury,110 and the Deputy Commissary even received his travelling allowance in cattle.111 Another resource was the barter of timber cut by convicts for supplies of rice, the charter of a ship and other purposes.112 So completely was barter used that for a brief period the Commissariat accounts were kept in wheat, cattle being valued at 56 bushels each, and other goods, even maize and barley, being converted into wheat (2 bushels of maize equalled 1 bushel of wheat).113 But this was an isolated episode, most reckoning being in money.

For the officers it was a good racket while it lasted. They got the lion's share of the cattle,114 monopolized the right to obtain goods from the Store by barter,115 and, government bills being in short supply, took the major part of imports of spirits using paymasters' bills. Palmer claimed that they sold the spirits at £2 10s. to £3 per gallon for grain at 2s. 6d. to 3s. per bushel which they then sold to the Store at 5s. per bushel for cattle at £28 per head, a nominal profit, he estimated, of £23 19s. per cow.116 But again it is necessary to beware of exaggeration and not to accept wild statements such as Palmer's claim that the rebels made all their private payments, even freight on ships, in spirits.117 In fact there is no reason to believe that barter of spirits was much more common after than before Bligh's arrest. It was the complaint of the Hawkesbury settlers that the officers paid for everything, including labour, with promissory notes and goods drawn from the Store, whereas settlers had to pay wages in grain.118 Nor is it necessary to assume that the General Order of 26 February 1809, calling on the magistrates to prevent a revival of the barter of spirits for crops, was insincere.119

Private transactions were little modified by the insurrection. “Currency” continued unchecked, advertisements offering to accept “colonial currency”, wheat, dollars, Store receipts, copper coin or “good bills”.120 “Currency” was even accepted in payment of customs duties until it was
directed in July 1809 that “all duties arising from the importation of goods for sale shall be paid in money which can be consolidated, viz., in paymasters' bills, government receipts for meat or grain, or in cash”.121 Notes continued to be drawn in wheat,122 and promissory notes of all kinds were widely used as means of payment.123 In consequence sellers still distinguished the kinds of money which they would accept, giving preference to government Store receipts, paymasters' bills or wheat.124

The monetary system which Macquarie took over was thus not fundamentally different from what King left. Systematic government barter had been somewhat battered, private monetary arrangements were less subordinate to and dependent on government finance, and the business of issuing promissory notes had come to be more specialized, with petty bankers providing the larger part of the “currency” and everyone adding whatever little bit he could. But these were developments of trends already defined in 1803; it was still in all essentials the same monetary system. It was to be almost completely replaced by the end of Macquarie's administration.

1 From this point onwards these two words, when used between quotation marks, are employed in the special idiomatic sense explained below. Without quotation marks currency has its present meaning and sterling means English money.

2 See the reproof in Hobart to King, 30 November 1803, H.R.A., I, iv, 429.

3 King to Castlereagh, 11 December 1807. Total bills from figures given in Enclosure 2, H.R.A., I, v, 790–1; receipts from supplies, Enclosure 3, ibid., 794. The two figures should not be treated as exactly comparable since the latter is based on Sydney prices of goods retailed by the Commissariat.

4 The figures for 1800–1803 given in Enclosure 4, King to Hobart, 1 March 1804, H.R.A., I, iv, 472–4, differ from those given by King in 1807. A comprehensive total of all bills accepted in London “together with sundry small sums” according to the years in which bills were drawn, is given in Report &c. Select Committee on Transportation 1812, Appendix 37, p. 114, and the two sets of figures are given for comparison:

<table>
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<th>Year</th>
<th>1812 Committee</th>
<th>King 1807</th>
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<tr>
<td>1798</td>
<td>£26,937</td>
<td></td>
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<tr>
<td>1799</td>
<td>43,536</td>
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<td>1800</td>
<td>52,390</td>
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<td>1801</td>
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</tr>
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<td>32,383</td>
<td>20,875</td>
</tr>
</tbody>
</table>
Almost certainly the Committee's figures included paymasters' bills which King did not; that he excluded Norfolk Island and Tasmania is highly probable.

5 Hobart to King, 14 February 1803, enclosing Hobart's instructions to Collins, H.R.A., I, iv, 11.

6 Report &c. Select Committee on Transportation 1812, p. 79, Evidence of Lieut. Lord who was at Hobart February 1804 to February 1811. Macquarie to Murray, 15 June 1810, Enclosure 1, H.R.A., III, i, 444.


8 Collins to Hobart, 4 March 1804; Collins to Sullivan, 3 August 1804, H.R.A., III, i, 232, 262.

9 Collins to Sullivan, 3 August 1804, loc. cit.

10 Collins to King, 8 December 1804, H.R.A., III, i, 293; King to Hobart, 20 December 1804, H.R.A., I, v, 206.


12 From the Lady Barlow; the loans were to be repaid in two years. Collins to Hobart, 20 February 1805, H.R.A., III, i, 308.


14 The notes were for varying and probably sometimes broken amounts. Those issued to the officers in 1805 totalled £615 in notes for £10, £25, £40, £100. The whole was consolidated by a bill on the Treasury for £456, i.e., on this occasion they were treated as “currency” not “sterling”. Collins to Hobart, 20 February 1805, H.R.A., III, i, 311.

15 See the frequent references to Store receipts in General Orders, H.R.A., III, i, 522–68, and cf. Liverpool to Macquarie, 2 May 1812, Enclosure 5, Examination of Francis Shipman by Commissioners of Audit, H.R.A., I, vii, 471. Shipman declared that the Store receipt had “superseded the Colonial Notes”.

16 For payments being monthly: Bligh to Castlereagh, 30 June 1808, H.R.A., I, vi, 583; Sydney Gazette, 26 June 1808.

17 Advertisements offering to accept these notes occur in the Sydney Gazette, 24 April 1803, and thereafter are frequent during the next ten years. For consolidation, Sydney Gazette, 26 June 1803, and many subsequent notices by paymasters.

18 Notice by Committee of Paymastership, Sydney Gazette, 25 December 1803.
19“D'Arcy Wentworth—Supplementary” (Mitchell Library). C. Cookney to D. Wentworth, 1 August 1798, 13 April 1805, says Commissariat bills were held by the Treasury, on acceptance, until due, that is, the accepted bills could not be discounted.

20 Notices in Sydney Gazette; that of 19 October 1806 announces this as the regular practice in future. This notice is the only definite direct evidence that prior to this date either cash or a bill on London would be given for pay notes.

21 Bligh to Castlereagh, 30 June 1808, H.R.A., I, vi, 583; Report &c. Select Committee on Transportation 1812, Evidence of W. Richardson, p. 57.

22 Report &c. Select Committee on Transportation 1812, Evidence of Robert Campbell of receiving pay notes from officers, p. 68; Bligh (ibid., p. 43) gave the premium on paymasters' bills as 25 per cent; in the despatch cited in preceding footnote he gave the premium on pay notes as 15 per cent.

23 Report &c. Select Committee on Transportation 1812, Evidence, p. 57.

24 General Order of 20 November 1808, Sydney Gazette, 27 November 1808. Calls for the old paymasters' notes were published, ibid., 27 November (Captain Cummings); 5 December (Lieut. Draffen); 11 December (Lieut. Laycock). Apparently in anticipation of the order there was an earlier call-up, 18 September 1808.

25 The advertisement did not appear every month but was rarely omitted until 1810. The first occurs in Sydney Gazette, 11 September 1808.

26 See, e.g., Sydney Gazette, 19, 26 March; 17, 24 September; 10, 17 December 1809.

27“Wentworth Papers” (Mitchell Library). See particularly the volume “D'Arcy Wentworth—Supplementary”. Cookney was Wentworth's agent from 1794 to at least 1823.


29 E.g., King to Camden, 22 February 1806, H.R.A., I, v, 638, recording bill for £200 (Irish) for Acting-Surgeon Connellan at Norfolk Island; Paterson (Port Dalrymple) to Castlereagh, 25 January 1808, H.R.A., III, i, 679, reports a bill on London for £126 18s. 6d. for the hire of labourers.

30 Treasury Minute of 15 December 1812, published in Sydney Gazette, 6 November 1813.

31 Sydney Gazette, 19 February 1820, report of evidence, relating to 1806, in Mileham v. Campbell. Robert Campbell (senior) was one of the colony's most important merchants, coming from India in 1798 “on a mercantile speculation”. Report&c. Select Committee on Transportation 1812 (Campbell's Evidence).

32“Wentworth Papers” (Mitchell Library). Correspondence between Redfern, Balmain and Wentworth, examples of bills, etc. (Redfern and Wentworth were then,
as Balmain had been, official surgeons in the colony.) See, e.g., “D'Arcy Wentworth Correspondence”, 1785–1808, second and third of set of salary bills drawn by Surgeon Wilson; first of set drawn by William Smith (at Norfolk Island); and Redfern (Norfolk Island) to D. Wentworth, 16 (?) September 1807.

33 At one stage superintendents, etc., drew internal bills on the commissary for salaries but this was prohibited almost as soon as it began. *Sydney Gazette*, 8 April 1804.

34 Evidence for this becomes clearer in the years after 1815.


36 “D'Arcy Wentworth—Supplementary” (Mitchell Library), bill drawn by Charles Cookney on D. Wentworth for passage of his son to Sydney (26 March 1811); John Macarthur (London) to Mrs Macarthur, 16 December 1816; “the captain of the Morley declined taking my draft on you”, *Early Records of the Macarthurs of Camden*, p. 278. Even later W. C. Wentworth in London tried in vain to negotiate bills on his father. Letter to his father, 6(?) July 1819, “Letters from W. C. Wentworth” (Mitchell Library).

37 *Report &c. Select Committee on Transportation 1812, Evidence*, p. 23, Hunter: Settlers “had no market but that of Government; Government purchased from them what corn they wanted for the feeding of the convicts on the hands of the Crown”; p. 71, Robert Campbell estimated government demand for grain as 60 per cent of the total and increasing in relative importance.

38 See, e.g., typical advertisements offering to accept Store receipts in payment and of lost receipts in *Sydney Gazette*, 24 April 1803; 22 March 1807; 15 May 1808; 16 April 1809. Cf. also *Report &c. Select Committee on Transportation 1812, Evidence* of Bligh, p. 43; King to Hobart, 9 May 1803, *H.R.A.*, I, iv, 120.

39 King to Hobart, 1 March 1804, 4th despatch, Enclosure 3 (Commissariat Accounts), *H.R.A.*, I, iv, 534. For 1803 the proportion was even lower, £64 out of £4,667, *ibid.*, 533; for January-March 1804, £83 out of £4,017, King to Hobart, 16 April 1804, *H.R.A.*, I, iv, 630. In 1805 only £193 was received in copper, King to Camden, 15 March 1806, *H.R.A.*, I, v, 679.


41 See advertisements offering to accept, e.g., *Sydney Gazette*, 24 April 1803, 17 February, 28 July 1805, 5 June 1808. There does not appear to be any evidence of the disappearance of the coin alleged by Mann, *Present Picture of New South Wales* (1811), p. 45.

42 King to Camden, 15 March 1806, Enclosure 13, General Order of 24 December


44 In *Sydney Gazette* advertisements, e.g., 16 June 1805, 4 May, 27 July 1806, 21 January 1810. This is not conclusive evidence of the 5s. valuation since prices may have been increased correspondingly, but this seems unlikely since the typical form is that of the first cited: “Payments to be made in government and paymasters' bills, or dollars at 5s. each”.

45 King to Hobart, 16 April 1804, Enclosure 1, *H.R.A.*, I, iv, 630. £1,094 were paid with dollars, the remains of the 7,500 purchased by King in 1803.


47 The first advertisement by the Commissariat of goods available to be bartered against wheat, with prices in £ s. d., to appear in *Sydney Gazette*, 1 May 1803, is typical.


49 King to Hobart, 1 March 1804, *H.R.A.*, I, iv, 484, 485; Paterson (Port Dalrymple) to King, 8 January 1805: “I have allowed them one shilling per day and to be paid in articles out of the store. Sugar and grain are what they want most.” *H.R.A.*, III, i, 627. When stores were short Paterson gave orders on the Sydney store, Paterson to King, 18 January 1806, *H.R.A.*, III, i, 657.

50 E.g., *H.R.A.*, III, i, 206. Warrant, dated 19 October 1803, from King to Palmer, for freight of *Endeavour* to Tasmania: “Eight suits slops; ten gallons of spirits; fifty pounds of sugar; four oars; seven hogsheads; twelve musket flints.”

51 E.g., *Sydney Gazette*, 7 July 1805 (“storeable wheat at storehouse price”); 25 August 1805 (“storeable wheat, cash or pigs”).


54 King to Camden, 30 April 1805, Enclosure 2, Piper to King, 10 February 1805, *H.R.A.*, I, v, 328.


56 King to Hobart, 1 March 1804; to Sullivan 1 April 1804; to Hobart, 14 August 1804; to Hobart, 20 December 1804; *H.R.A.*, I, iv, 491, 605; v, 41, 178. Compare the transaction by which a privately owned mare in Tasmania was exchanged for four cows in New South Wales, King to Collins, 30 September 1804, *H.R.A.*, III, i, 84; and also Paterson to Castlereagh, 19 March 1809, *H.R.A.*, I, vii, 26.
57 Bligh to Windham, 7 February 1807; to Castlereagh, 31 August 1808; H.R.A., I, vi, 121, 609.

58 King to Hobart, 14 August 1804, H.R.A., I, v, 17 and Enclosure, General Order of 14 July 1804. The order was published in Sydney Gazette, 15 July 1804.

59 Sydney Gazette, 1 June 1833, reporting judgment of Mr Justice Burton in Macdonald v. Levey. Burton held that King's order was invalid, the English usury laws applying to New South Wales, and cited these and other examples from the Court records.

60 Report &c. Select Committee on Transportation 1812, Report p. 4.


62 Evidence, p. 43.

63 Ibid., p. 64.

64 Bent to Liverpool, 19 October 1811, printed as Appendix 19 to Report &c. Select Committee on Transportation 1812. Cf. Bligh's view that he could not prescribe a means of payment for such debts, Evidence, p. 43.

65 E.g., Sydney Gazette, 15 May 1803: “ready money will be expected in payment” (W. Moreton); 28 July 1805: “Government and Paymasters' bills; bills on civil and military officers and other approved bills and copper coin will be received in payment” (M. Hayes).

66 E.g., 8 February 1807, payment to be half in copper coin, half in paymasters' bills or dollars; 17 March 1810: “Payment is required on delivery of the goods in Government or Paymasters' bills or dollars at 5s. each, except the tobacco, for which copper coin or approved bills will be taken” (Bevan).

67 E.g., 3 July 1803; 22 January 1804.

68 27 May 1804; 2 December 1804.


72 See Bligh to Windham, 7 February 1807, H.R.A., I, vi, 121; 31 October 1807, Enclosure 4, ibid., 188; General Orders in Tasmania, e.g., 29 February 1808, H.R.A., III, i, 563.

73 Bligh to Windham, 31 October 1807, H.R.A., I, vi, 158. He proposed specially stamped shillings, to circulate as 1s. 3d.

74 Sydney Gazette, 15 February 1807.


77 Bond, *A Brief Account of the Colony of Port Jackson* (4th ed. 1806), p. 11, expresses the representative opinion that the officers were officially privileged: “The officers have the liberty of issuing bills from 1s. to £100, and seldom pay in specie; but in general such promissory notes, for all purchases which they make.” In fact, according to him, the Commissary acted as a clearing house, shipmasters who took officers' notes presenting them to the Commissary who arranged for the officer concerned to give a bill on London for them. But this is unsupported; Bond probably confused pay notes and private notes.

78 Bligh to Windham, 1 February 1807, Enclosure 4, Memorial of John Palmer, *H.R.A.*, I, vi, 103.


80 *Sydney Gazette*, 29 October 1809 (Benjamin Herring).

81 *Ibid.*, 26 November 1809 (Lane).


83 See for examples *Sydney Gazette*, 17 February 1805; 4 May 1806; and many other issues.

84 Bligh to Castlereagh, 30 June 1808, Enclosure 19, *H.R.A.*, I, vi, 569; *H.R.N.S.W.*, vi, 191; part of a copy of the address in “D'Arcy Wentworth Correspondence”, 1785–1808 (Mitchell Library) gives the date as 30 August 1806.


87 For an early example see *Sydney Gazette*, 20 April 1806.

88 The earliest reference appears to be in *Sydney Gazette*, 17 March 1805, to a note for “£20 payable in wheat”. Cf. *ibid.*, 31 March 1805, a note “for £2 12s. to be paid in maize”.

89 For an early reference, *Sydney Gazette*, 29 June 1806 (a note for £20 in copper coin).

90 General Order in *Sydney Gazette*, 2 November 1806, Proclamation dated 3 January in issue of 4 January 1807.


93 For an instance, followed by others, *Sydney Gazette*, 30 November 1806.
94 5 July 1807; enclosed in Johnston to Castlereagh, 11 April 1808, *H.R.A.*, I, vi, 324.

95 *Sydney Gazette*, 26 July 1807, letter from “Oculist” and reply by editor; rejoinder by “Oculist” in 2 August 1807. (After 30 August 1807 no *Gazette* was issued until 15 May 1808.)

96 Evidence of Macarthur at his trial, February 1808, *H.R.N.S.W.*, i, 485.

97 For an argument that Bligh's decision was good law see Evatt, *Rum Rebellion*, chap. XVIII, which, it may be noticed, assumes that King's order respecting wheat as legal tender was either invalid or had been repealed by implication by Bligh's proclamation.

98 Captain Abbott to ex-Governor King, 4 September 1808, *H.R.N.S.W.*, vi, 835.


100 Paterson to Castlereagh, 31 March 1810, *H.R.A.*, I, vii, 244–5, explains drawing of bills for period 7 November to 31 December 1809. The return given by Report &c. Select Committee on Transportation 1812, quoted above, shows a large volume of bills for 1808 and 1809, not all of which can have been paymasters' bills or bills drawn before Bligh's arrest.


102 *Sydney Gazette*, 5 December 1808.


104 In November 1812 he reported having ordered that they be paid “forthwith in money, kind or grain”. Macquarie to Liverpool, 17 November 1812, *H.R.A.*, I, vii, 599.


106 Lang, *An Historical and Statistical Account of New South Wales* (1834), i, 123.


110 *Sydney Gazette*, 5 December 1808; Commissariat Accounts in *Early Records of the Macarthurs of Camden*, pp. 154–160.

111 Foveaux to Castlereagh, 4 September 1808, *H.R.A.*, I, vi, 627, which also records that Johnston obtained 12,000 bushels of wheat and maize for cattle.
112 Paterson to Castlereagh, 23 March 1809 (purchase of rice), *H.R.A.*, I, vii, 30; Foveaux to Castlereagh, 20 February 1809 (charter of *City of Edinburgh*), *ibid.*, 4–5.


115 See, e.g., Settlers' Memorial to Castlereagh, 17 February 1809, enclosed in Bligh to Castlereagh, 10 June 1809, *H.R.A.*, I, vii, 150.


118 Bligh to Castlereagh, 10 June 1809, Enclosure G (Settlers' Memorial to Castlereagh), 17 February 1809, *H.R.A.*, I, vii, 150.

119 *Sydney Gazette*, 26 February 1809.

120 See, e.g., *Sydney Gazette*, 5, 26 June, 3, 24 July, 11 December, 1808; 1, 8 January, 16 April, 28 May 1809.

121 General Order of 23 July 1809, *Sydney Gazette*, 30 July 1809. Bligh had accepted promissory notes in payments to government, but these were presumably drawn in “sterling”. Bligh to Windham, 31 October 1807, Enclosures 9 and 10 (Accounts of Jail and Orphan Funds), *H.R.A.*, I, vi, 171, 173.

122 E.g., *Sydney Gazette*, 5 March 1809 (note for £84 payable in wheat); 22 October 1809 (note for 60 bushels of wheat).

123 E.g., *Sydney Gazette*, 12 June 1808 (22 notes, all in £ s. d., lost).

124 E.g., *Sydney Gazette*, 5 June 1808: “payment to be made in colonial currency”, “payment to be made in wheat or copper coin”. Cf. many other advertisements during the period.
Chapter 4 Colonial Currency
(1810–1817)

The arrival of Macquarie at the end of 1809 marked in monetary affairs, as in so many other directions, the beginning of a new stage of development. Looking back in 1822 over his handiwork he wrote: “I found the Colony barely emerging from infantile imbecility and suffering from various privations and disabilities; the country impenetrable 40 miles from Sydney; agriculture in a yet languishing state; commerce in its early dawn; revenue unknown; threatened by famine; distracted by faction; the public buildings in a state of dilapidation and mouldering to decay; the few roads and bridges formerly constructed rendered almost impassable; the population in general depressed by poverty; no public credit nor private confidence . . . The credit of the Colony was also very low when I arrived on account of the base paper currency which was then the only circulating medium, the lowest and most profligate persons issuing their notes of hand in payment of goods purchased without having the means of redeeming them when due. This terrified traders and prevented them from having any regular intercourse with Port Jackson . . .”

The exaggeration was pardonable for Macquarie had left his imprint everywhere, as clearly in the colony's monetary system as in his innumerable inscriptions in stone. The foundation of the Bank of New South Wales he regarded as his major financial achievement, “the saving of the Colony from ruin”, but he had also been concerned with the regulation and restriction of private promissory notes, had defended the Store receipt system from predatory Commissariat officers, had transferred government finance from a mainly barter to a mainly cash basis, adopted the “holey” dollar and created the first Savings Bank. If some of his achievement should be credited to the mere growth and development of the colony, he might still claim much for the results of his benevolent but autocratic administration.

Macquarie's Ideas on Banking

A number of diverse influences planted and fostered the idea of a government-aided bank in Macquarie's mind. To the specific suggestions of T. W. Plummer and Lord Caledon were added the association with his secretary, J. T. Campbell, and the impression created by the state of affairs in New South Wales in 1810 which was compounded of a sense of the
need for reform and a feeling that this should come by replacing the “petty bankers”, an impression which was confirmed by the failure of the governor's prohibitions of “currency” and by the success of more or less legal note issues by private individuals and firms and by government officials.

Plummer's plan was amongst some administrative suggestions which he sent to Macquarie before the latter sailed from England.\(^3\) He proposed a Colonial Distilling Company, the main purpose of which was to facilitate local production of spirits and thereby eliminate the constant drain of coin from the colony which Plummer assumed to be entirely due to imports of spirits, neglecting other imports. Since the colonists could not be prevented from drinking they should produce their own liquor. But a further advantage presented itself. Let the government “permit the issue of promissory or, more properly, Colonial bank notes, payable on demand, to the value of the stock of grain which by stipulation the Distillery Company must always have in store. Independently of the large capital otherwise embarked in this concern, the grain in depot would be an ample pledge for the paper in circulation and give it that general preference as a Colonial Currency over the mere promissory notes of private individuals . . .” The litigation and loss associated with excessive issues by men of straw would disappear as would notes drawn payable in wheat.

Macquarie adopted both ideas, for a distillery and for a bank, but separated them. He urged a distillery as providing a market for local grain and ensuring “the detention by that means of the greatest part of the money in the colony”,\(^4\) and throughout his term of office continued to insist on its desirability, perhaps because he saw in it a back-door route to his favourite plan for a bank. By the time he converted Bigge and could go ahead with a distillery,\(^5\) however, his bank had been attained by a more devious route.

The second suggestion for a bank came from Macquarie's call en route at Capetown where Lord Caledon had just completed the reorganization of the Lombard Bank and established a Discount Bank.\(^6\) At the time Macquarie recorded in his Memoranda nothing of any discussion on banking nor any mention of J. T. Campbell, but this means little since he dismisses his call in Capetown with a few sentences.\(^7\) There is no reason to doubt his later statement that a bank in New South Wales “was suggested to me and strongly recommended by Lord Caledon”.\(^8\) Caledon was so pleased with himself that it was just what he would have done. In any case Macquarie acquired at the Cape a reasonably accurate notion of how the bank there was organized and used it as the model for his first scheme.

Macquarie also carried with him from Capetown, as his official secretary, John Thomas Campbell who, according to Macquarie, “had been for some
years employed in various departments of the Bank of Ireland and had a principal part in the establishment and conduct of the Bank at the Cape of Good Hope”.\textsuperscript{9} Whether Macquarie or his secretary invented the fiction of Campbell's capacity as a banker or whether Campbell had been a banker is immaterial; the new secretary was out to make his way in the new world and ready to face any role.\textsuperscript{10} Whatever his banking experience really amounted to he was not likely to be backward in urging an institution which could bring profit and prestige to himself.

Less than three months after his arrival Macquarie foreshadowed his plan for a bank on the South African model, as a “remedy” to be “speedily applied to this growing evil” of private promissory notes. With some exaggeration he explained that there was “no other circulating medium in this colony than the notes of hand of private individuals”, which, as he fairly said, had “already been productive of infinite frauds, abuses and litigation”. He accordingly announced his intention to “strongly recommend the adoption here of the same system of banking and circulating medium as is now so successfully and beneficially pursued at the Cape of Good Hope”.\textsuperscript{11}

Six weeks later he propounded his plan for “The New South Wales Loan Bank” as a government institution “as nearly as possible on the same system and principles as the Government Loan Bank at the Cape of Good Hope”. There, he explained, the government issued notes by way of loan on the security of mortgages at 6 per cent per annum. Praising its beneficial effects he pointed out that in England the government borrowed on Exchequer bills at 5 per cent, so that the Cape government was 11 per cent better off. “It appears to me,” was his conclusion, “the most perfect model in all its parts that could be possibly adopted here.”\textsuperscript{12} In reiterating his request for authority to establish a bank, in October 1810, he was willing to accept any alternative form of bank which Liverpool might believe to be “better calculated to effect the desired object”.\textsuperscript{13}

His suggestion made, Macquarie turned meanwhile to other reforms. In 1812 in the midst of these efforts to control the “petty bankers” he was curtly informed that both the Colonial Office and the Committee of the Privy Council on Trade and Foreign Plantations saw “many objections to the establishment of a Bank in New South Wales” which were not specified.\textsuperscript{14} Macquarie regretfully accepted the refusal but was still quite convinced of the necessity of a bank; not for another four years, however, was he able to carry through his plan.

\textbf{Copper Coin and “Holey” Dollars}
At the same time as he made his first proposal for a bank Macquarie asked for £5,000 in copper to be issued at double value, as in King's time, to circulate in “the lower branches of trade” and relieve “the lower classes” of the need to accept depreciated promissory notes. Liverpool demurred, fearing that a premium of 100 per cent would cause a large private export of copper from England, and in spite of Macquarie's assurance that King's expedient had “answered very well”, nothing more was done in the matter.

Macquarie had meanwhile repeated by proclamation that copper was legal tender up to £5 and permitted the tender of copper to any amount in payment of bills which specified copper as the mode of payment. This latter concession arose out of litigation during May 1812 over the tender of copper in payment of copper coin bills. A year later, on the occasion of the issue of “holey” dollars, it was proclaimed that copper should be legal tender up to 1s. 3d. only after 30 September 1813. In spite of this official recognition of a right to specify copper coin it continued to rank as “currency” and both the coin itself and the bills drawn in terms of it remained at a discount in relation to “sterling”. Consequently when in 1816 Macquarie once again prohibited “currency” the meeting of “magistrates, gentlemen, settlers and merchants” which advised him on the necessary steps to introduce effectively “a sterling circulation in all payments, dealings and transactions” recommended the withdrawal of copper and its reissue at face value. Macquarie acted at once, requiring all copper coin to be exchanged between 7 December 1816 and 1 January 1817 for Store receipts or colonial (i.e., “holey”) dollars. The current valuation of copper took the penny as 11/2d., and the exchange was to be at this rate, confined to pence dated earlier than 1800. Thereafter they should be issued and circulate at face value. There was a delay of some months in extending the revised valuation to Tasmania where it appears to have taken effect after March 1817.

By way of consolation for the rejection of the plan for a bank, Liverpool promised a shipment from India of £10,000 in Spanish dollars, the shortage of specie in England making it impossible to send the coin from there. It took nine months to arrange the business with the East India Company but eventually Liverpool informed Macquarie that the dollars were on the way and urged him to take the necessary steps to prevent re-export. He believed American ships bound for China were chiefly responsible for taking dollars from the colony and wavered between a hope that trade between England and New South Wales “will henceforth be retained in its natural and proper channel”, thus obviating loss of coin, and a belief in the need to prohibit export of dollars which he half empowered Macquarie to do. Some
months later Bathurst authorized Macquarie to take over, in exchange for bills on the Treasury, coin or bullion which might be captured from American vessels by privateers in local waters. 23

By November 1812 Macquarie had received the “seasonable supply of specie”, 24 and proceeded to publish the “very strong Colonial Law” which he believed “absolutely necessary” to prevent export of dollars. 25 The device of the “holey” dollar was adapted from the practice of “cutting” coins which was very widespread at the period. 26 At least two other colonies used “ring” dollars before New South Wales—Dominica in 1798 and Trinidad in 1811. 27 The machine used in New South Wales was at first defective but eventually it was working, stamping out of the centre of each dollar a “dump” equal to about one-quarter of the coin and given a local valuation of 1s. 3d., leaving a “ring” valued at 5s. 28 The valuation of a coin, elsewhere reckoned at 5s., at 6s. 3d. was not intended to restrict export by over-valuing it; had that been all that was relied upon the expedient must have failed since “currency” prices would have been revised upwards to offset the new valuation, as they were. Macquarie spoke of it as “only 25 per cent” and explained that the addition being so small should prevent counterfeiting or import. 29 For retaining the coin in the colony he relied upon stiff penalties.

In July 1813 he issued his proclamation defining the conditions on which the new coins were to circulate. 30 They were to be paid out by the Commissary at their new values from 30 September and were to be legal tender for any amount, although parties might contract for other means of payment. Debts due to the Crown might be discharged in the new currency, the circulation of which was to be assisted by the prohibition of promissory notes for less than 2s. 6d., 31 and an undertaking to exchange the coins for bills on the Treasury. Anyone counterfeiting ring dollars or dumps was liable to seven years’ transportation, the same penalty as for melting down. (Jewellers were especially suspect, being required in addition to enter into a bond for £200 neither to melt nor to counterfeit.) To prevent export masters of ships were to enter into a bond of £200 not to carry the new coin away, while if nevertheless a captain sought to take it abroad he risked loss of his £200, the dollars and his ship, while every person concerned in such smuggling was liable to a fine of £200 plus double the value of the coin. These prohibitions, which proved successful, applied only to “holey” dollars and dumps; not till 1819 was there a general ban on the export of all silver and copper. 32

The new coin began to be used late in January 1814 and between then and August was steadily issued from the Commissariat. 33 Macquarie then found it necessary to amend his original plan for consolidation of the coin
for bills on the Treasury every two years. Originally he did not intend to
give even this privilege, but local protests changed his mind and he agreed
to accept the dollars at their local value for the bills. Immediately after the
expenditure of the first instalment by the Commissariat captains of ships
complained of the “inconvenience and difficulty” of the two-year period
and Macquarie “being anxious to remove all difficulties in the way of fair
open commerce” altered the interval to three months to be advertised in the
*Sydney Gazette*. No such advertisement appeared for over a year, and it
is probable in view of D.-C.-G. Allan’s record that no consolidations
occurred in the interval. In July 1815 Macquarie stepped in, stirred by
complaints of “inconvenience and unnecessary delay” in consolidating
dollars and ordered that thereafter colonial dollars should be consolidated
monthly.

In spite of the penalties for counterfeiting, many people took to making
their own rings and dumps and continued to do so until these coins had
disappeared—which was not till after 1830. Counterfeits might be either
of base metal or genuine Spanish dollars punched privately. The crude
manufacture of the rings also encouraged sweating. High hopes were
originally entertained for the new coinage. Macquarie expected it to
replace “currency notes of hand” and prematurely described them as “a
most useful and valuable circulating medium”. The *Sydney Gazette* hailed
the announcement of their issue with enthusiasm, anticipating that all
depreciation of “currency” would disappear, copper coin and promissory
notes circulate “at par” with “sterling” while worthless notes would not
circulate (since people would insist on the new coin), and the long shortage
of small change would be over.

But more far-reaching measures were required before “currency” would
vanish. Macquarie had effectively prevented export, but he could not
ensure that a mere 40,000 dollars would suffice for all payments other than
those made by Store receipts or Commissariat notes. Ring dollars and
dumps were too good for their purpose, since they were legal tender for
any amount and could buy bills on England, which was nearly as good as
being exportable. So they were treasured by those who could come by
them or held by the Bank of New South Wales as a reserve, so that
presently even the Commissariat found it difficult to maintain an adequate
supply for paying the troops. Not until the abolition of the “dollar system”
after 1825 were colonial dollars and dumps in really general circulation
and “currency” outlasted them into the early 'thirties.

**Barter**
Macquarie was instructed to investigate on arrival the desirability of continuing the shipping of goods for barter by the government Store. He found that there were “no regular supplies imported by private merchants sufficient to answer the demands of the inhabitants”, and prices of such imports were too high for the poor. Accordingly he opposed immediate abolition of government imports, “but by encouraging the free importation of all sorts of merchandise I am of opinion that in a few years the practice of sending out supplies on account of government might cease without prejudice to the Colony”.

Three years later he imposed a limit on barter by the Store, requiring that all applications by settlers should be accompanied by the Commissary's certificate “that such articles can be conveniently spared”. At the end of 1814, on the opening of the ports of Port Jackson, Hobart and Port Dalrymple to all imports Macquarie took the opportunity “for abolishing totally the bad custom of supplying settlers and other persons with various articles for payment from the King's Stores”. He explained that everyone could now be assured of supplies from private merchants, while government barter on credit had been found “from long experience to be extremely prejudicial to government, the collecting the debts being attended with great difficulty and many of them being never recovered at all”. The public were notified that henceforth they must look elsewhere for supplies since Macquarie intended to have the order “enforced and most strictly obeyed”. By this time it was relatively easy to deprive settlers of what had in the past been a convenient source of supply. Imports were increasing, as was the number of merchants doing business in the colony, while the growing expenditure of government meant a greater supply of money of a type acceptable to overseas suppliers. Delays in making goods available had occurred and the Store generally had come into disrepute during the insurrectionary period, while the Colonial Office sent Macquarie no new supplies during his first three years to make good the large reduction in stocks which then occurred. His decision was thus more one not to re-establish the system than to abandon it.

In the next few years further restrictions were imposed on government payments in kind. Supplying rations to Commissariat officers' families was abandoned in 1817, as also was the temporary victualling and other assistance to free settlers, while the commuting for money of the services of convicts assigned to subordinate civil officers and of the rations allowed to military as well as civil officers was foreshadowed. Government barter, however, by no means disappeared. Payments of wages and salaries partly in kind continued and the barter of goods by the Store was not wholly abandoned, especially at outlying settlements. The two important forms
of barter under Macquarie were cattle and rum.

Macquarie, as has been seen, objected to government loans of cattle, but he strongly favoured the sale of government cattle in exchange either for money or for goods or services. He directed such sales on eighteen months' credit with grain as the most acceptable mode of payment. In addition to these regular sales cattle were used as a means of government payment in a variety of other ways. Macquarie gave the Norfolk Island settlers who were transferred to Tasmania compensation mainly in cattle. The road from Launceston to Norfolk Plains cost the government one cow, and cattle were largely used to pay contractors on the Great Western road, while a windmill in Launceston cost four cows in 1818. Later Macquarie took a less favourable view of bartering cattle and proposed to abolish it, although it finally fell to Brisbane to do so.

In his early administration Macquarie made more use of rum in payment than did any other governor. He employed both direct barter of spirits and import preferences of which the best-known is the Sydney Hospital contract. In 1811 he made a contract for the erection of the hospital, the builders to receive the use of 20 working bullocks, the services of 20 male convicts, 80 oxen for slaughter and a monopoly of the import of spirits for three years (to a maximum of 45,000 gallons) with six months to pay duty on such imports. This monopoly was subject to the right of the government to import for its own use and since the “governor at that time was in the habit of employing people by contract and paying them partly in money and partly in spirits from the stores”, Commissariat officers imported large quantities. Eventually Macquarie yielded to the protests of the contractors, permitting them to import a further 15,000 gallons and extending their monopoly for a further six months.

Remissions of duty on spirits were also an occasional means of payment, but rum itself was much more commonly used. Macquarie reported in November 1812 “the only purchases I ever made on account of the Crown and which were paid for in spirits” as a small piece of ground and three houses. This was a blunt lie for he was paying in rum extensively. In March 1810 building labour was paid in rum and an official return shows that 1,641.5 gallons were bartered during 1812 for houses and fences, the building and repair of bridges and streets, for rent, and for keeping tool-bars. In 1813 the twelve-mile road to Liverpool cost 400 gallons. Macquarie paid no attention to Bathurst's instructions that payment in spirits was to be “at all times avoided however advantageous such a mode of sale may be”. In 1815 he reported reimbursing Judge-Advocate Bent, for building his own official residence, with 1,000 gallons of spirits and £300. Four tons of hay cost 25 gallons in 1817, while
payments of all kinds continued to be made in rum, the Police Fund borrowing 3,951 gallons for the purpose from the Commissariat in 1816.71

Paralleling barter by the government went private payments in kind. Spirits were still widely used for a variety of payments including wages,72 the purchase of cattle,73 and even of houses.74 But as in the earlier period anything might be accepted and money was more widely used. Tobacco was offered for sale in 1813, “payment to be made in pigs, wheat and maize”,75 and wheat was very widely accepted, especially in Tasmania.76 Cattle were also used.77 Nor was there any serious change in the methods of paying wages. A typical example may be quoted, relating to the latter part of 1816:

Mr Cox [at Bathurst] allowed me a quart of milk per day when I worked for him in making shoes for his men, but I had no milk when I did not work. I charged Mr Cox four shillings currency per pair for the shoes I made for him and he paid me at first in money. Afterwards he sent me to his clerk, one King at Clarendon. I received three bottles of spirits at 16 shillings per bottle, sixteen squares of leather at three shillings a square, tobacco at fifteen shillings per pound, and tea at £1 5s. I don't know what the current prices of these articles were.78

Privates of the 73rd Regiment were allowed to accept rural work for pay in either money or grain at rates fixed in money.79 What a labourer received depended very much on what his employer had to offer, and many resorted to giving their assigned convicts free time to cultivate land for themselves instead of paying the prescribed wages, a practice which Macquarie sought to prevent in 1814.80

**Petty Banking**

Macquarie justified his first bank plan by a description of the issuing of private promissory notes which deserves quotation in full:

The people have been in some degree forced on the expedient of issuing and receiving notes of hand to supply the place of real money, and this petty banking has thrown open a door to frauds and impositions of a most grievous nature to the country at large. The persons principally concerned in this nefarious practice are to be found amongst the lower orders of society, and not infrequently among the convicts themselves, such being the credulity of the people that the notes of hand issued by these wretches are taken and passed into as free a circulation as if guaranteed by the best securities. When a considerable quantity has been thus disposed of, the issuers either become actually insolvent, or declare themselves so, in order to defraud their unwary creditors. Injurious, however, as this system is to
the public, it cannot be totally laid aside until some other and better is substituted in its stead; at present the agricultural and commercial pursuits of the territory are much impeded and obstructed by the want of some adequately-secured circulating medium.  

Commissariat and military officers and former governors and judges, as well as settlers such as Gregory Blaxland, might object to being placed in “the lower orders of society”, but otherwise Macquarie's account is accurate, supported by all the available evidence. Everyone issued promissory notes as a matter of course, and as a matter of course these circulated; the petty bankers were those who issued notes not for specific payments, but as a business in itself. Typically, they were shopkeepers who made banking a department of their main business of trade, and note issue was the main part of banking for them. The easy acceptance of such notes has already been described, but is not easy to explain. Much can be attributed to the scarcity of other money, and to a belief in ability to detect worthless notes. Higher prices formed a sort of insurance premium for some loss on “currency” notes, while in such a small settlement many no doubt found themselves obliged to accept the notes of their neighbours if their own were to circulate, and others might take suspected notes secure in their ability to pass them on. Whatever the explanation, the fact remained, and Macquarie, like King and Bligh, sought to regulate what he could not replace and could not effectively prohibit until it was replaced.

In June 1810 he proceeded to proscribe written promissory notes for £5 and under and notes drawn payable in “currency”. The justification recited in the preamble was the frequency of forgery “to the subversion of common truth and justice, the prejudice of trade and credit and to the manifest injury of industrious individuals”, and the number of persons who issued promissory notes “without possessing any apparent means of paying the same”. Issuers were required to use printed forms and to specify “sterling”. Amounts unpaid three days after demand were recoverable by summary process, and fines and imprisonment were provided for breaches. Three months later he required that “all duties to be collected on spirits, goods, wares or other merchandise on entry at Sydney are to be paid either in sterling money, dollars at five shillings, storekeeper's receipts or paymaster's bills”. This should have been an important restriction since duties were largely paid in promissory notes. Soon afterwards the restriction was generalized to cover fees paid to public departments, the order adding that “none of the base Colonial Currency shall be received in payments to be made into any of the Offices”. In October 1813 a further restriction was imposed. No convict, even with a ticket of leave, was to issue promissory notes and any free person who negotiated such notes
knowingly was to be fined £20 for each note.\textsuperscript{89}

Macquarie, however, recognized that he could not afford to attack petty banking as such, but only “currency” issues. In 1813 he was prepared to defend issuers against the monopolistic “Commercial Society”,\textsuperscript{90} arguing that “from the peculiar circumstances of this Colony, the internal trade and interests of the same depend on the free circulation of the promissory notes of respectable traders, merchants and landholders and others”.\textsuperscript{91} Accordingly the bankers flourished, issuing promissory notes payable on demand,\textsuperscript{92} accepting deposits and making loans, including mortgage loans.\textsuperscript{93} The chief issuers appear to have been shopkeepers and Commissariat and military officers, but anyone who could issued notes,\textsuperscript{94} so that those in circulation ranged from the isolated note given for a particular debt to the regular issues of round-figure notes.

Macquarie was led to reconsider his position and to attack petty banking as such as a means of enforcing “sterling” in place of “currency” by the combined impression of a number of developments—the continued existence of “currency” notes, the activities of the Commercial Society, the fluctuations in the rate of exchange between “currency” and “sterling” and the use by Hogan and Allan of their official positions for fraudulent or near-fraudulent note-issues.

A number of these note issues by officers were regarded as normal parts of their official duties, the profits being a perquisite attaching to their posts. In this category fall the issues of pay notes and of private notes by paymasters. James Gordon, Naval Officer in Tasmania from May 1814 to August 1815, was officially permitted to issue such notes,\textsuperscript{95} while the notes issued by Captain Murray at Hobart from 1810 onwards appear also to have been approved.\textsuperscript{96} In December 1810 John Birch issued promissory notes for 2s. 6d. which were highly regarded because as Regimental Paymaster Birch was a reliable “banker”\textsuperscript{97} Three years later D'Arcy Wentworth as Treasurer of the Police Fund had Macquarie's permission to issue “small Police notes” to a limited amount, which he claimed never exceeded £500 and which do not appear to have circulated for other than a short period.\textsuperscript{98}

A number of officers, however, found the acceptability of their official notes too tempting and issued private notes purporting to be on government account. T. Walker, who was in charge of the Commissariat in Launceston in the latter part of Macquarie's administration, may have done so “by accident” as he claimed, since he issued few such notes,\textsuperscript{99} but there can be no such excuse for Hogan, while the case of Allan calls for extended discussion.

P. G. Hogan was in charge of the Hobart Commissariat as Allan's deputy
in Tasmania until 1816. His handling of Store receipts, in which he was later convicted of fraud, was the source of much complaint since he disregarded Macquarie's instructions to convert them monthly, delaying for three or six months.\textsuperscript{100} He overstepped the mark when he issued for private payments receipts and promissory notes bearing the government arms and his official signature. The evidence for this is conclusive, including his own admission.\textsuperscript{101} Macquarie followed Davey, the Lieutenant-Governor of Van Diemen's Land, in prohibiting such issues by all Commissariat officers, pointing out that the public have been erroneously led to consider these notes as issued for Government purposes, and consequently that Government was responsible for their payment, under which idea much injury may be sustained to the public; it being well known that such notes have been put into private circulation for private purposes, totally unconnected with and altogether foreign to the public service.\textsuperscript{102}

An examination of Hogan's activities brought him before a court martial which convicted him of various forms of fraud, including “having issued, given and circulated on his own private account, and to promote his own private interests and concerns”, promissory notes purporting to be government notes.\textsuperscript{103}

D.-C.-G. Allan, on his arrival in June 1813, sought and obtained Macquarie's permission to issue Commissariat notes instead of Store receipts on condition that they were exchanged every two months for bills on the Treasury, and were not issued beyond the estimated monthly expenses of the colony.\textsuperscript{104} Allan had been given instructions to overhaul the New South Wales Commissariat, but was reminded that local circumstances might call for special treatment and he was to submit to the governor's decision all proposed innovations; he was at no time authorized by the Commissary-in-Chief to issue notes.\textsuperscript{105} He seems, however, to have been unable to distinguish between these instructions and a direction to abolish Store receipts by substituting his own notes,\textsuperscript{106} although he later admitted that he had no authority from London for his note issue.\textsuperscript{107} He appears to have convinced Macquarie of his authorization, for the latter “expressed his desire that the then existing system should be continued”,\textsuperscript{108} but nevertheless gave his written approval for the change: “it meets with my entire concurrence and you have my full authority to adopt it”.\textsuperscript{109}

Macquarie's approval was based upon the fact that Store receipts were for broken amounts, usually relatively large, while Allan's notes for £1, £2, £5, and £10 would provide smaller units replacing “currency” notes. The use of such notes in paying for goods supplied to the government was expected to “put it in the power of the poorest persons to go to market with the ready penny, without the necessity of changing at any one place a receipt for the
full amount of such quantities of meat or grain as they may have furnished”. Store receipts were also a source of annoyance to the Commissariat, officers since they stayed in circulation for great lengths of time, partly because holders did not trouble to present them if they had come long distances with small amounts, partly because it was better to hold them if one had not enough to exchange for a bill on the Treasury, partly because they were too useful circulating as money. Again and again both before and after Allan's note issue orders were published, requiring holders to present receipts quarterly (later monthly). Payment in copper coin was threatened for stale receipts, and on the restoration of receipts in place of Allan's notes in 1815 those who held receipts more than six months old would receive no payment. Even this threat was inadequate for “receipts of very old date being still in circulation” was a cause of “inconvenience and delay” in making up accounts even in 1816.

From 24 July 1813 Allan made all Commissariat payments in his notes, although he did not at first adhere to the arrangements for consolidation, offering instead to give bills on London at par, for “sterling money” in amounts of not less than £100. It was not until March 1814 that he specifically offered to accept Commissariat notes for bills on the Treasury, although these had no doubt been accepted earlier as “sterling money”. He also neglected to supply notes to Tasmania, sending none at all to Launceston, and only £800 to Hobart, and that not till 1816, although this may have been a friendly arrangement not to compete with his subordinate, Hogan. Allan's mistake, however, was to yield to the temptation to use his official notes for private purposes, secure in the public conviction that they were backed by the government. Complaints of the impossibility of receiving payment for goods supplied to government at the out-stations led Macquarie to discover Allan's “various private speculations”. Advising Allan to call in and pay off his notes, he proceeded to order a reversion to the Store receipt system as from 24 April 1815, Store receipts to be consolidated every two months and to be void if not presented within six months.

The result was a run on Allan who was forced to meet his creditors persuading them, with a very doubtful balance sheet, of his solvency. Undaunted, Allan, even while the run was in progress, proposed a new plan by which all government payments over £100 would be made by the immediate issue of a bill on the Treasury and all smaller amounts by dollars, a plan which Macquarie rejected. The dollar payments involved the risk and cost of maintaining specie supplies at the out-stations, while the immediate issue of bills would deprive the colony of its currency in the form of Store receipts, the use of which Macquarie insisted should
continue. But Allan's course was run. Acting on Macquarie's report of his “having engaged in extensive farming and mercantile speculations”, the Treasury suspended him from office and instructed him to make up his accounts. After a good deal of delay Allan, whose conduct a subordinate described as “a compound of perfidy, hypocrisy and I may even add, dishonesty”, was relieved by a new Commissary who had even larger ideas of the privileges of the head of the Commissariat.

Exchange Rates

“Currency” yielded to Macquarie's ban no more than it had done to that of King or Bligh. References in Sydney Gazette advertisements to the acceptability of “currency” are as common as before 1810, specifying “prompt payment in good colonial currency”, or the proportions in which “currency” would be accepted. The accounts of D'Arcy Wentworth with Alexander Riley in 1815 are probably typical: they are double-columned for “sterling” and “currency” and the two types of transactions were separately balanced. Prices were reckoned in either “sterling” or “currency”, although mostly in “sterling” with a note that “currency” would be taken at a discount. Nor did notes payable in wheat and copper coin disappear. Reference to “copper coin bills” continued until the local pence were restored to their “sterling” valuation by the General Order of 7 December 1816. Wheat notes continued even longer, and written ones did not disappear. The circulation of the forbidden notes was facilitated by the failure of Judge-Advocate Bent to follow the proclamation against legal recognition of “currency”. So long as “currency” notes were admitted as evidence and could be sued for they were not likely to disappear, even were there no other reason for their hardihood. Both wheat and copper coin bills and other notes which simply specified “currency” circulated at a variable discount in relation to “sterling”, that is, government and paymasters' bills, Store receipts, dollars and other “sterling” coin, promissory notes issued in “sterling”, and the like.

A statement of “currency” expenditures by the contractors on the Sydney Hospital provides a list of the rates of exchange at which these were made which is of some interest since it is approximately confirmed by other evidence. The precise rates must not be pressed too far since there is evidence that these fluctuated and different rates might prevail at the same time, while two systems of reckoning, both in pounds, shillings and pence, meant that price adjustments could include “exchange”; but the rates quoted represent the rates at which well-known merchants were able to exchange “currency” in meeting “sterling” payments. Expressed as
premiums on “sterling” in “currency” they were:

<table>
<thead>
<tr>
<th>Premiums per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1811 30 September</td>
</tr>
<tr>
<td>31 December</td>
</tr>
<tr>
<td>1812 1st Quarter</td>
</tr>
<tr>
<td>2nd Quarter</td>
</tr>
<tr>
<td>3rd Quarter</td>
</tr>
<tr>
<td>4th Quarter</td>
</tr>
<tr>
<td>1813 1st Quarter</td>
</tr>
<tr>
<td>2nd Quarter</td>
</tr>
<tr>
<td>3rd Quarter</td>
</tr>
<tr>
<td>4th Quarter</td>
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<tr>
<td>1814 1st Quarter</td>
</tr>
<tr>
<td>2nd Quarter</td>
</tr>
<tr>
<td>3rd Quarter</td>
</tr>
<tr>
<td>4th Quarter</td>
</tr>
<tr>
<td>1815 1st Quarter</td>
</tr>
<tr>
<td>2nd Quarter</td>
</tr>
<tr>
<td>3rd Quarter</td>
</tr>
<tr>
<td>4th Quarter</td>
</tr>
</tbody>
</table>

These rates, it must be repeated, are not the rate of exchange but the average rates at which the contractors made their payments. At particular dates the rate in some specific transaction may have been higher or lower, but the order of size is representative and the general direction of movement conforms to all the other evidence.\(^{135}\)

The obvious explanations of the discount on “currency” may be adequate for the early years when “currency” was no more than a stop-gap, a substitute for money rather than a distinctively Australian money. There was always the risk of default or forgery, or of the issuer's refusal to fulfil his contract. Over-issue was a normal event and many “bankers” depended for their profit on the maximum depreciation in the interval between issue and redemption. These factors continued to operate so long as petty banking was important; they are the major reason for different exchange rates existing simultaneously and would justify some premium on “sterling”. But by Macquarie's time “currency” had become too regular and too widespread to be treated simply as an entertaining money-substitute; it must be regarded as a fully developed local money of which even the best issues were at a discount in terms of “sterling”. The pound “currency” was the pound Australian and its valuation in “sterling” calls for less superficial analysis of the relative supplies of “sterling” and “currency” in which the critical factors were the trade situation and the dependence of the colony on British government expenditure.
The ultimate source of payment for imports was, of course, bills of exchange payable overseas (almost entirely in London) and the small amounts of coin. Private bills of exchange were of very minor significance, arising either from exports or from English assets of immigrants. Most immigrants at this period transferred their capital in goods but a significant if small amount was imported in English notes or coin, or in dollars, while some individuals transferred by means of bills. Exports were still of very small dimensions, consisting mainly of sealskins, whale-oil, timber and small amounts of wool and coal. W. C. Wentworth, evidently writing of 1817, estimated the value of exports as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money expended by shipping not belonging to the colonial merchants</td>
<td>£12,000</td>
</tr>
<tr>
<td>Wool</td>
<td>£8,000</td>
</tr>
<tr>
<td>Various exports</td>
<td>£15,000</td>
</tr>
<tr>
<td>Money expended by foreign shipping</td>
<td>£3,000</td>
</tr>
<tr>
<td>Exports</td>
<td>£5,000</td>
</tr>
</tbody>
</table>

which gives a total of £43,000. To these he adds an item of “sundries”, probably representing mainly immigrants' capital not imported in goods, of £20,000 and £2,000 respectively. The resulting total of £65,000 cannot be treated as more than a rough indication of the order of size, but the result is plausible and hardly likely to be a serious underestimate. In these circumstances private bills could not pay for more than a small proportion of imports.

The major source of funds for imports continued to be government expenditure. A British Treasury return supplied to Bigge of expenditure in or upon New South Wales gives a total of £4 millions by the end of 1817. This figure includes the cost of transporting and equipping convicts and is thus slightly too large for the present purpose. But for the relevant years the figures give approximate results of some interest:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenditure (including (b))</th>
<th>Governor's and Commissary's Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1809</td>
<td>£124,637</td>
<td>£49,921</td>
</tr>
<tr>
<td>1810</td>
<td>178,700</td>
<td>78,805</td>
</tr>
<tr>
<td>1811</td>
<td>214,696</td>
<td>92,128</td>
</tr>
<tr>
<td>1812</td>
<td>185,548</td>
<td>91,019</td>
</tr>
<tr>
<td>1813</td>
<td>218,735</td>
<td>57,948</td>
</tr>
<tr>
<td>1814</td>
<td>225,086</td>
<td>74,174</td>
</tr>
<tr>
<td>1815</td>
<td>181,590</td>
<td>86,021</td>
</tr>
<tr>
<td>1816</td>
<td>216,291</td>
<td>109,118</td>
</tr>
<tr>
<td>1817</td>
<td>232,585</td>
<td>101,163</td>
</tr>
</tbody>
</table>

The main difference between the two sets of figures is not the cost of transportation but of the maintenance of civil, military and marine
establishments. Not all of this would be spent in New South Wales, but a large proportion would represent bills drawn by paymasters for the maintenance of troops and similar payments. From the beginning of 1814 bills for the salaries of civil officers were also included.\textsuperscript{140} If then, for the years in the table, the annual supply of sterling for import payments be taken as of the order of £250,000, this is probably near enough for the present purpose.\textsuperscript{141} Local “sterling” derived its character and valuation from its convertibility into sterling proper and comprised Store receipts, Allan's and similar notes, such promissory notes as were payable in “sterling”, copper coin and “holey” dollars.\textsuperscript{142} The rate at which “currency” exchanged for “sterling” is a measure of the smallness of the funds available to pay for imports in relation to the desire for them.

The inadequacy of current local production for export is a constant theme. “Nothing”, said Macarthur, “can give a good value to land but a good market for produce, and until the Colony can find some extensive export, land and cattle will sink in value together.”\textsuperscript{143} “Our chief, indeed almost only export is bills upon the Treasury.”\textsuperscript{144} And his wife echoed him: “The want of exports keeps us like beggars and depending on the expenditure of Great Britain.”\textsuperscript{145} Local production of foodstuffs was expanding rapidly,\textsuperscript{146} and colonists resented their dependence on the Commissariat for a market.\textsuperscript{147} “My God”, exclaimed George Johnston, “how much longer, Wentworth, is the value of our property in this distant Colony to be determined by the scratch of a pen? If it is the intention of Ministers merely to keep the country to answer the purpose of an immense gaol for the reception of the vilest of the vile, the sooner they declare it the better, in order that the respectable industrious part of the community may have an opportunity afforded them of disposing of what they possess here, and of seeking a country in which they may find some other security for it than the mere will and caprice of a Governor or Secretary of State.”\textsuperscript{148} But while there was general agreement on the need to develop export production, local ideas on how this might be achieved were not far-reaching. There were schemes for not very clearly defined assistance for wool, tobacco, hemp and other industries,\textsuperscript{149} and pleas for the removal of English duties on New South Wales products.\textsuperscript{150} But the same individuals were sometimes to be found advocating the removal of local import duties,\textsuperscript{151} and seeking to fence off importation from competitors by prohibiting imports on convict ships,\textsuperscript{152} and excluding aliens from trading in New South Wales.\textsuperscript{153} Beyond these ideas the colonists did not go; there was in particular no enthusiasm for a local tariff, since imports were felt to be quite inadequate and exports were desired as a means of international payment. A public meeting in Sydney in 1819 resolved “that a regular
demand does exist in this colony for British manufactures of nearly all
descriptions greater than the established mercantile houses here have
supplied or are likely to supply regularly; and that from the rapid increase
of our population this demand may be considered as yearly increasing”. 154
So long as this situation continued, with British expenditure, capital
imports and local exports insufficient to meet the desire for imports, so
long would “sterling” remain at a premium. It was scarce and hence its
“currency” price was high.

Two efforts were made in 1813 to fix a stable rate of exchange between
“currency” and “sterling”. The first must remain very obscure for lack of
adequate records; in broad outline, what occurred was that a group of
individuals arranged for the printing and restricted use of promissory note
forms which provided for amounts in “currency” which would be
redeemed in “sterling” at the rate of £1 5s. “currency” to £1 “sterling”, a
rate popularly described by calling them “25 per cent bills”. Who this
group were, and whether they were identical with the “Commercial
Society” who late in 1813 issued “50 per cent bills” is not altogether clear,
but that there were two separate issues is certain, and it is probable that the
second issue was by an enlarged group which included some at least of the
first.155 Although there is no direct evidence it is plausible to assume that
the occasion for this first combination was the disorganization of the
“sterling”—“currency” exchange between October 1812 and March 1813.
In the first month “sterling” usually at a premium of 20 per cent was
exchanging at a premium of 50 per cent, and continued to do so in spite of
the Court of Civil Jurisdiction ruling in favour of 20 per cent in cases
relating to copper coin bills.156 It was certainly early in 1813 that the first
issue of “25 per cent bills” was made, printed in blue ink from a hot
plate,157 but it failed to prevent a further appreciation of “sterling” to nearly
100 per cent premium.158

Presumably because of this failure, in October 1813 a second issue
appeared of “50 per cent bills” in denominations of 2s. 6d., 5s. and 10s.159
The “Commercial Society” comprised, according to Macquarie, “divers
victuallers, publicans and others” and according to another account
“gentlemen of the very first mercantile and agricultural property”,160 and
the agreement between them involved the issue to members of forms of
notes to be signed by the individual member. Each undertook not to accept
in payment promissory notes other than those issued by themselves and at
the agreed rate of exchange of 50 per cent premium on “sterling”.161

Macquarie issued two proclamations against the system. In the first his
grounds of objection were the “great confusion . . . introduced into all
private dealings and transactions” and the fact that “from the peculiar
circumstances of this Colony, the internal trade and interests of the same mainly depend on the free circulation of the promissory notes of respectable traders, merchants and landholders and others”. He prohibited all meetings of more than six persons without notice to the Provost-Marshal, who was to convene such meetings by public advertisement. All other meetings were to be illegal and might be broken up, while it was deemed “unlawful combination and confederacy” to refuse by agreement the promissory notes of any individual or to attempt by agreement to “influence and affect the rate of exchange between the bills or notes issued for the public service, and those issued by private individuals”. This prohibition failed in its immediate object but remaining unrepealed it operated as a general restraint on the right of freedom of meeting for many years afterwards. The obvious loophole for the Commercial Society was that the prohibition was not retrospective but applied from 8 December 1813.

Accordingly Macquarie issued a further proclamation, in which he recited the “embarrassment” caused by the Society's bills, declaring that “from its nature such rate of exchange is incapable of being permanently fixed” and that it was therefore “highly advisable that it should be left to the unbiased operations and influence of the various and temporary causes and circumstances by which it is or may be affected”. After 18 December 1813 the issue or negotiation of “currency” notes which directly or indirectly expressed a rate of exchange with “sterling” would be illegal. The blue-ink bills were not, however, eliminated so easily. The law was satisfied by the withdrawal of the specific mention of a rate of exchange and the bills continued to circulate. In October 1815 the form was again changed to require that at least £15 worth must be presented before “sterling” would be given but, in practice, the amount of “sterling” which was given was still £10, smaller amounts being exchanged for copper coin. But by 1816 although the association continued to function it had commenced to break down. The removal of a specified rate of exchange paved the way for breaches of the agreement and soon the temptation was irresistible. The forms were issued indiscriminately and while the fixed rate of exchange was observed the (relatively) safe quality of the notes made them highly attractive to holders and especially to importers who presented large amounts immediately they were issued as an easy way of acquiring “sterling” bills. Inevitably the premium on “sterling” rose and throughout 1816 was deliberately increased. Macquarie's prohibition of all “currency” notes in November 1816, although it failed ultimately, ended the activities of the association which by then was, like any other “petty banker”, trying to achieve the maximum possible depreciation of its notes.
“My Favourite Plan”

The necessity of doing something drastic about “currency” was forced on Macquarie's attention during the latter half of 1816. He had failed to eliminate the Commercial Society and “currency” continued to depreciate; in late July he was officially informed of Hogan's frauds; and in the third week of November Wylde reported to him the legal chaos created by his predecessor's, Bent's, non-observance of the law, and by the general failure to enforce “sterling”. Macquarie later put the entire blame on Bent for admitting “currency” notes in Court, insinuating that Bent himself was a prolific issuer. As a result the country was “over-flowing with the currency circulation” when Wylde arrived and to insist upon the law would have meant widespread bankruptcy. The fault was not entirely Bent's; Macquarie himself had condoned currency, for a significant proportion of his orders on the Police Fund were in “currency”, and he did not prevent Surveyor Meehan doing likewise. Wentworth as Treasurer of the Police Fund received tolls in “currency” in contravention of the order of 1811. In any case Macquarie must have shared the common knowledge that “currency” had not been destroyed. Bent may have been culpable but so was Macquarie, so were Meehan and Wentworth and every other official if neglect to attempt a well-nigh impossible task be culpable.

There is enough information to reconstruct the discussion between Judge-Advocate and governor, the governor explaining “his decided opinion that the colonial currency was altogether prejudicial to the true interests of the colony and that he had therefore ever been, though hitherto in vain, desirous of its abolition”. “He further stated that all his attempts had hitherto proved unsuccessful”, and no doubt complained of the bureaucratic blindness of Whitehall which refused him permission to establish the bank which he knew would solve all the difficulties since it would provide the essential “sterling” substitute for “currency” which could not “be totally laid aside until some other and better is substituted in its stead” Wylde probably suggested a further plea for a bank which, however, involved too much delay. So he developed an ingenious legal argument to prove that Macquarie was empowered by implication to give the bank a charter. That some such argument occurred at this stage is certain, for Macquarie was convinced and “seemed to act entirely upon my opinion as to his power”. At last the great plan for a bank could go forward and the governor proceeded on 19 November 1816 to take the first step with “almost momentary promptitude and boldness of decision”.

1 Macquarie (London) to Bathurst, 27 July 1822, H.R.A., I, x, 671–2, 675–6; compare his public address on the occasion of the reading of Brisbane's


5 *Sydney Gazette*, 6, 20 January 1821. Bigge approved of a distillery subject to its not commencing before January 1823.


7 Macquarie's Diary (Mitchell Library) similarly makes no reference whatever to the Bank of New South Wales, passing from 19 to 25 November 1816 without a gap.


10 Arndt, *op. cit.*, does not mention Campbell and in private correspondence informs me that he knows nothing of him. J. T. Campbell, who should not be confused with Robert Campbell junior, the savings banker, was at one time Colonial Secretary, Secretary to Court of Appeals, Registrar of Court of Vice-Admiralty, Provost-Marshal and a magistrate, as well as President of the Bank of New South Wales.


14 Liverpool to Macquarie, 26 July 1811, *H.R.A.*, I, vii, 365; and Enclosure 3, Secretary Fawkner to Under-Secretary Peel, on behalf of Committee of Privy Council, *ibid.*, 367.


17 *Sydney Gazette*. Issue of 23 May 1812 reports legal cases. Proclamation published 6 June 1812. Note reappearance of advertisements accepting copper coin bills, e.g., 19 September 1812.


19 Report of meeting and General Order both in *Sydney Gazette*, 7 December 1816.
20 *H.R.A.*, III, ii, 607; Memorandum by Macquarie directing that D.-A.-C.-G. Broughton at Hobart be informed of the change.


23 Bathurst to Macquarie, 16 November 1812, *H.R.A.*, I, vii, 557, referring to a despatch (not available) of 12 September 1812.


26 Chalmers, *op. cit.*, pp. 20–1, says in all British colonies except Canada. He discusses cut money in fifteen colonies.

27 Chalmers, pp. 74–5, 117.

28 Macquarie to Bathurst, 28 June 1813, *H.R.A.*, I, vii, 722–3, describes the manufacture. Subsequently the 5s. coins were officially known as ring, pierced or colonial dollars; “holey” was no doubt popularly applied to them at once, but did not get into print until the 'twenties; “dump” was applied officially from the beginning. “The dumps” came to be slang for cash, or for money in general. See, e.g., *Sydney Gazette*, 22 April, 3 May 1826.


31 The penalties provided explain why this was relatively successful; the issuer or negotiator of a promissory note of less than 2s. 6d. after 30 September 1813 was liable to three months' gaol as well as a fine of three times the amount of the note, to be paid to the informer.


33 Macquarie to Bathurst, 7 October 1814, Enclosure 12, *H.R.A.*, I, viii, 333, gives the following receipts of coin by the D.-C.-G., which would give a rough measure of the first circulation:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 January 1814</td>
<td>3,000</td>
</tr>
<tr>
<td>10 February</td>
<td>3,000</td>
</tr>
<tr>
<td>23 February</td>
<td>3,000</td>
</tr>
<tr>
<td>24 February</td>
<td>3,000</td>
</tr>
<tr>
<td>4 March</td>
<td>6,000</td>
</tr>
<tr>
<td>10 March</td>
<td>3,000</td>
</tr>
<tr>
<td>16 March</td>
<td>6,000</td>
</tr>
<tr>
<td>23 March</td>
<td>3,000</td>
</tr>
</tbody>
</table>
The other 911/4 represent wastage in manufacture, specimens remitted to England, etc.


36 *Sydney Gazette*, 22 April 1815.


38 For references to counterfeits see J. T. Campbell to D. Wentworth, 5 April 1819, enclosing D.-C.-G. Drennan to Macquarie, 3 April 1819, “D'Arcy Wentworth Correspondence”, 1817–20, (Mitchell Library); *Sydney Gazette*, 5 May 1821, 30 January 1823.


40 *Sydney Gazette*, 3 July 1813, i.e., the day Macquarie's proclamation appeared.


42 Castlereagh to Macquarie, 14 May 1809, *H.R.A.*, I, vii, 83, where “great doubt as to the policy” is expressed.


44 Macquarie to Bathurst, 28 June 1813, Enclosure (General Orders, No. 10), *H.R.A.*, I, vii, 784–5.

45 Macquarie to Bathurst, 24 March 1815, *H.R.A.*, I, viii, 464; Enclosure 2 (p. 470) is the public notice, dated 31 December 1814, declaring the ports open; Enclosure 4, General Order, 31 December 1814, (pp. 471–2) notifies the public of the change.

46 This applied particularly to debts incurred under earlier governors. Commissary Palmer was sent back to New South Wales in July 1811 to collect debts remaining since his term of office; Palmer to Treasury Commissioners, 24 March 1817, Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 16, pp. 1861–5. See the many letters to and from Palmer, Allan and Broughton in B.T. Box 14, for an account of his difficulties. On the problem of debts to Government see also Sorell to Macquarie, 14 July 1817, Macquarie to Sorell, 24 July 1817, *H.R.A.*, III, ii, 265, 270; and Bigge, Tasmanian Evidence (Hull), *H.R.A.*, III, iii, 298.
47 Macquarie to Davey, 25 January 1815, *H.R.A.*, III, ii, 72, extending the ban to Tasmania.

48 Broughton to Macquarie, 3 November 1812, Enclosure 2 in Macquarie to Liverpool, 9 November 1812, *H.R.A.*, I, viii, 536.


52 E.g., see Davey's Instructions (February 1819) to Geils at Port Dalrymple, urging him to reduce such transactions to a minimum. *H.R.A.*, III, ii, 441.


55 Macquarie to Davey, 10 September 1813, *H.R.A.*, III, ii, 41.


58 Macquarie to Bathurst, 31 August 1820, *H.R.A.*, I, x, 344; to Sorell, 8 March, 22 August, 13 October 1820, *H.R.A.*, III, iii, 8–9, 47–8, 61.


60 Macquarie to Liverpool, 18 October 1811, *H.R.A.*, I, vii, 384; Enclosure 7 (pp. 401–5) is a copy of the contract.


62 J. T. Campbell to Contractors, 10 February 1813; Contractors to Campbell, 12 February 1813; “Wentworth Papers”—Sydney Hospital (Mitchell Library). Copies of the voluminous correspondence on the Hospital Contract are preserved in this volume and in Bigge, *Manuscript Evidence* (Mitchell Library), mainly in B.T. Box 13.

63 E.g., Bigge, Tasmanian Evidence (statement of such remissions in Hobart, 1
January 1818 to 31 December 1819), *H.R.A.*, III, iii, 532; and cf. a remission disallowed, Macquarie to Davey, 31 July 1816, *H.R.A.*, III, ii, 153. See also Macquarie to Sorell, 3 June 1818, *ibid.*, 327.


65 Copy of agreements in *H.R.N.S.W.*, vii, 320.


71 Macquarie's Diary 1816–18 (Mitchell Library), 16 April, 7 May, 2 December 1816. The borrowed spirits were eventually paid for by the Police Fund in 1817. Police Fund Accounts in *Sydney Gazette*, 14 February 1818.


73 E.g., the Hospital Contractors' advertisement, *Sydney Gazette*, 21 March 1812.

74 E.g., *Sydney Gazette*, 19 October 1816.

75 *Sydney Gazette*, 1 May 1813.

76 E.g., *Van Diemen's Land Gazette*, No. 2, 21 May–4 June 1814: “Wheat with potatoes will be taken at store price”; No. 3, 4–18 June 1814: “payment on delivery of the goods in Store receipts, Military pay bills, wheat or other grain at Store price, and approved currency bills”; *Sydney Gazette*, 14 January 1815 (rent of farm payable in wheat); 29 November 1817 (various goods for sale); 11 April 1818 (salt at 10s. per 100 lb. in wheat or corn); 18 April, 16 May, 27 June 1818. Cf. also the many references in Bigge, Tasmanian Evidence, *H.R.A.*, III, iii, 246, 247, 253, 261, 310, 389, 437, etc.; *Hobart Town Gazette*, 29 June, 3 August, 5 October, 21 December 1816, 29 March 1817 and many later issues.

77 E.g., *Sydney Gazette*, 8 August 1818 (house, half of price in cattle). *Hobart Town Gazette*, 19 October 1816, tells a story of a man selling his wife for 50 ewes.

78 James Brackenridge, Bigge, *Manuscript Evidence* (Mitchell Library) B.T. Box 10, pp. 4061–2. There are many references to similar cases throughout this evidence and the Tasmanian Evidence printed in *H.R.A.*, III, iii, describing the situation in 1819–21.

79 *Sydney Gazette*, 19 May 1810 (General Order of 12 May).

80 Macquarie to Bathurst, 4 December 1817, Enclosure 5 (General Order of 10 September 1814), *H.R.A.*, I, ix, 516. The order appeared in *Sydney Gazette*, 17 September 1814.

82 Two other instances may be cited: in 1813 John Birch cautioned the public against accepting, as they were doing, halves of his pay notes, one with amounts in figures, the other with written amounts. *Sydney Gazette*, 25 December 1813; *Hobart Town Gazette*, 26 May 1821, warns of one-shilling notes “issued by some of the inhabitants” having the “one” cut out and a larger sum pasted in.

83 Widowson, *Present State of Van Diemen's Land* (1829), p. 44, offers this explanation.

84 Gregory Blaxland alleged that some employers made a regular practice of it. “They have also taken notes knowing they were of no value and paid them away to their labourers whilst they kept such as were safe.” Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 5, p. 2104.

85 *H.R.N.S.W.*, vii, 390–1; *Sydney Gazette*, 30 June 1810. The proclamation came into force on 15 July 1810 and was therefore reprinted in *Sydney Gazette*, 14 July 1810.


87 See, e.g., list of notes received from G. Blaxcell for duty on spirits from December 1811 to June 1815, Enclosure 3 in Macquarie to Bathurst, 3 June 1817, *H.R.A.*, I, ix, 423–4. Note the failure to enforce the order.

88 Macquarie to Liverpool, 28 October 1811, Enclosure I (General Orders), *H.R.A.*, I, vii, 450.

89 General Order of 9 October 1813, *Sydney Gazette* of same day.

90 See below, pp. 105–7.


92 When in 1815 W. J. Speed issued notes payable three months after date, the public resented it, and he advertised his willingness to treat them as payable on demand. *Sydney Gazette*, 16 September 1815.

93 These aspects of petty banking are discussed later, when the evidence is clearer.

94 There is no point in seeking to compile a list of petty bankers in such circumstances since the evidence is often inadequate to distinguish the casual drawer of promissory notes from the regular issuer, and the line in any case is thin.


96 Macquarie to Bathurst, 28 February 1816, *H.R.A.*, I, ix, 41; *Hobart Town Gazette*, 16 September 1820.
97 Sydney Gazette, 22 December 1810. The notes may have been pay notes, but the tone of the Gazette suggests not.


100 Bigge, Tasmanian Evidence, H.R.A., III, iii, 225–6 (Kemp); 347 (Belbin); Sydney Gazette, 27 July 1816.

101 See Bigge, Tasmanian Evidence, H.R.A., III, iii, 347, 348 (Belbin); 473 (Maum); 478 (Hogan); Macquarie to Davey, 31 July 1816, Enclosure, H.R.A., III, ii, 158; Sydney Gazette, 27 July 1816. A copy of one of Hogan's notes for £5 is reproduced in Macquarie to Wylde, 12 November 1817, Sub-enclosure 4, H.R.A., III, ii, 627.


105 Herries to Allan, 25 May 1812, Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 13, pp. 477–81.

106 His later reports to Herries are indignant at Macquarie's refusal to allow him to carry out his instructions as he interpreted them: e.g., Allan to Herries, 29 April 1815, ibid., Box 14, pp. 946–65.

107 Allan's replies to Bigge's questionnaire, 13 May 1822, ibid., Box 9, p. 3793.


109 Macquarie to Allan, 26 July 1813, ibid., Box 13, p. 636; cf. Allan's replies to questionnaire, Box 9, p. 3792.

110 Sydney Gazette, 3 July 1813. The same issue carried the proclamation on holey dollars. Bigge had no doubt that the notes did prove more convenient than Store receipts; see his confidential report on Allan, B.T. Box 28, p. 7147 (Mitchell Library).

111 Broughton in Bigge, Manuscript Evidence, B.T. Box 9, p. 3610.

112 Liverpool to Macquarie, 2 May 1812, Enclosure 5 (Examination of F. Shipman by Commissioners of Audit), H.R.A., I, vii, 471.
113 General Order of 23 June 1810, *Sydney Gazette*, 7 July 1810; repeated 15 September, 8 December 1810; 16 March, 22 June, 7 September, 21 December 1811.


115 Commissariat notices in *Sydney Gazette*, 16 March, 20 April 1816. For the parallel situation in Tasmania see the many references in General Orders printed in *H.R.A.*., III, i, 522–68; Bigge, Tasmanian Evidence, *H.R.A.*., III, iii, 349, 473, 477. Accounting delays were often very great. Alexander Riley was Acting Deputy Commissary at Port Dalrymple from July 1806 to December 1808. On 8 February 1825 the Audit office wrote from London to inform him that his accounts were cleared and he might claim his certified books as “even and acquit”. “Riley Papers” (Mitchell Library), i, folio 43.

116 *Sydney Gazette*, 24 July 1813.


118 *Ibid.*., 19 March 1814.


120 Macquarie to Bathurst, 23 June 1815, *H.R.A.*., I, viii, 543, 544, 545–6. *Sydney Gazette*, General Order of 25 March 1815. The consolidation of Store receipts monthly was ordered on 8 July 1815, *Sydney Gazette* of same date; holders to have the option of exchanging for colonial dollars.

121 Macquarie gave Allan three or four months' notice. Bigge, *Manuscript Evidence* (Mitchell Library), evidence of Broughton, B.T. Box 9, p. 3622; Broughton to Harrison, 12 January 1819, *ibid.*., Box 23, p. 4711. Broughton attributed the run to Allan telling his cronies of Macquarie's decision. In the first of these documents he estimated that at the date of publication of the order £10,000 of Allan's notes were still outstanding; in the second he puts it at £7,000–£8,000, Box 9, p. 3628; Box 23, p. 4711.

122 Macquarie to Bathurst, 1 April 1817, *H.R.A.*, I, ix, 250; and Enclosure 1, 253: Statement of Allan's assets and liabilities which shows his assets as £6,000 in the notes and bills of other individuals, and his liabilities as £4,817 of his own presented but unpaid. According to Broughton (*loc. cit.*, Box 23, p. 4711) his creditors reluctantly accepted promissory notes at six, twelve and eighteen months.

123 Macquarie to Bathurst, 23 June 1815, Enclosure 2, Allan to Macquarie, 7 April 1815; Enclosure 3, Macquarie to Allan, 12 April 1815, *H.R.A.*., I, viii, 549, 551–2.


125 3 November 1810.

126 E.g., 15 May 1813, one-third in “currency”.
127 “Wentworth Papers”—Treasury Orders (Mitchell Library), folio 103.

128 E.g., Sydney Gazette, 11 November 1815 (Wool wanted, 1s. 3d. “sterling” or 2s. “currency” per pound).

129 E.g., Sydney Gazette 1811 contains many references to the “usual discount”. Cf. Advertisements in May-June 1814. The form was often reversed, e.g., 8 September 1810: “A discount will be allowed for Paymaster's or Government bills”. Cf. on the high “currency” prices, Van Diemen's Land Gazette, 30 July—20 August 1814:

“When money was hard, I then did find
That times were very cheap and kind;
But now our money's soft 'tis a hard matter
T' invite a friend and fill a platter.”

130 For examples see Sydney Gazette, 19 September 1812, 18 September 1813.

131 See, e.g., Sydney Gazette, 7 July 1810, 20 June 1812, 25 July 1818, 27 March 1819; Hobart Town Gazette, 10 July 1819, 16 December 1820, 3 March 1821, 4 June 1824.

132 Hobart Town Gazette, 8 March 1817 (notes of T. A. Lascelles), 5 March 1824.

133 Macquarie's evidence on Bent (Macquarie to Bathurst, 29 March 1817, H.R.A., I, ix, 217) would, for reasons explained in Chapter 5 be suspect, were is not confirmed by Wylde to Goulburn, 17 November 1816, 31 March 1817, H.R.A., IV, i, 214, 234 and his evidence to Bigge, ibid., 785, and by the prevalence of “currency”.

134 “Wentworth Papers”—Sydney Hospital (Mitchell Library). The rates are described as “discount” but the almost universal idiom of the period was to speak of “discount” but to measure it as a premium. Thus for example “25 per cent discount” meant the exchange of 25s. “currency” for £1 “sterling”. For instance the return referred to shows £2,047 os. 6d. “currency” spent in the fourth quarter of 1813 (“rate of discount 25 per cent”) as equal to £1,637 12s. 5d. “sterling”.

135 For approximate confirmation see, e.g., Sydney Gazette, 27 July 1811 where prices are reduced by 20 per cent for “sterling”; 7 December 1811, where prices of 27s. “sterling” or 32s. 6d. “currency” are described as “the accustomed discount”; 27 February 1813, “the scarcity of sterling . . . and its consequent high price reduced the currency to little more than one-half its nominal value”; 16 July 1814, “currency” prices 33 1/3 per cent higher than “sterling”; 11 November 1815, “currency” prices 75 per cent higher. For the depreciation of “currency” in 1812–13, its recovery in 1814 and further depreciation in 1815, see the discussion of the Commercial Society below.

136 Statistical, Historical and Political Description of N.S.W. (1819), pp. 113, 156.

137 For an example of an 1816 private bill on London see “Wentworth Papers”—“D'Arcy Wentworth Correspondence”, 1809–16 (Mitchell Library), folio 173.

138 Dated 31 March 1819; Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 15, pp. 1511–13.
139 £3,749,281 on p. 1511, to which special items totalling £262,756 are added on pp. 1512–13. Part of one of the latter may have recurred annually for some years.

140 Sydney Gazette, 6 November 1813, Treasury Minute of 15 December 1812. Salaries for civil officers provided bills for £7,986 in 1814. See Macquarie's Warrants, Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 14, pp. 1162, 1164–5, 1166. The new system was very inconvenient to Tasmanian officials. All bills drawn in Tasmania were on Sydney (Macquarie to Murray, 15 June 1810, H.R.A., III, i, 444; to Sorell, 20 March 1817, H.R.A., III, ii, 484–6) where they were exchanged for bills on London. This meant a delay of some months before a Tasmanian official could remit to England. See the complaints in Bigge, Tasmanian Evidence, H.R.A., III, iii, 223, 261–2, 445, 534.

141 Even if the scantly statistics made an estimate of total imports possible, this would be inappropriate in including capital imports in goods.

142 It is possible that Macquarie's orders on the Police Fund enjoyed a limited circulation but this appears to have been very limited. They were accepted in payment of customs (Evidence of Piper, Naval Officer, in Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 9, p. 3919), but I have found only one endorsed and that for payment to the Bank of New South Wales in “Wentworth Papers”—Treasury Orders 1812–25 (Mitchell Library), Folio 207a. The condition of the large number of these orders in this volume indicates little handling. In Tasmania the circulation of Police Fund orders was prohibited by a General Order enforcing payment to the original payee only. Hobart Town Gazette, 14 November 1818. These orders would thus seem to have been only specialized cheques, generally not circulating.

143 John Macarthur to Mrs Macarthur, 8 December 1814, Early Records of Macarthurs, p. 247.

144 John Macarthur to Walter Davidson, 3 September 1818, ibid., p. 317.

145 Mrs Macarthur to Eliza, 21 September 1822, ibid., p. 375.

146 Return of area “under cultivation” (i.e., presumably any productive use) by Daniel Thurston, Clerk of General Musters, gives:

<table>
<thead>
<tr>
<th>Year</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>1810</td>
<td>95,637</td>
</tr>
<tr>
<td>1811</td>
<td>96,059</td>
</tr>
<tr>
<td>1812</td>
<td>—</td>
</tr>
<tr>
<td>1813</td>
<td>159,857</td>
</tr>
<tr>
<td>1814</td>
<td>192,057</td>
</tr>
<tr>
<td>1815</td>
<td>208,547</td>
</tr>
</tbody>
</table>

Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 12.

147 This frequently took the form of charges of bias and unfairness, and even dishonesty, in Commissariat purchases. See Bigge's Evidence for many such charges, many of which may have been justified.

148 George Johnston, jun., to W. C. Wentworth, 1 March 1819, “Wentworth
Papers”—Letters to W. C. Wentworth (Mitchell Library).

149 See, e.g., Bigge, *Manuscript Evidence* (Mitchell Library); B.T. Boxes 15 and 16 contain evidence relating to hemp and wine; Box 19 Eagar's evidence for wool and tobacco; Boxes 20 and 21 containing replies of magistrates to a questionnaire on the employment of convicts give similar vague suggestions.

150 See, e.g., *op. cit.*, B.T. Box 18, evidence of Fulton and Blaxland; Box 19, evidence of Eagar.

151 E.g., Eagar's evidence, *ibid.*, Box 19, pp. 3016–3128.


153 In the suit Eagar v. de Mestre, 15 September 1820, Eagar's plea for de Mestre's exclusion as an alien was rejected since (i) the Governor had not authorized Eagar's action, (ii) no such prohibition existed in other colonies, (iii) the alien merchants were “perfectly inoffensive”. Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 25, pp. 5619–23.

154 *Sydney Gazette*, 16 January 1819. The meeting asked for a distillery to reduce imports of spirits, permission for ships of 150 tons or more to trade (ships under 350 tons were excluded) to facilitate import, and removal of English duties to encourage exports.

155 The preceding paragraph, and the succeeding account, represent a tentative piecing together of a large number of scraps of information, some of which, such as shopkeepers' advertisements, is ambiguous. The more important references are given in the following footnotes; for the first group of issuers the primary authorities are: *Sydney Gazette*, 25 May 1816 (Letter from “An Observer”); 9 November 1816 (Letter from “Amicus” which identifies the two groups); Wentworth, *Statistical, Historical and Political Description of New South Wales*, p. 210, which also identifies the two groups.

156 *Sydney Gazette*, 10, 17, 24 October 1812; 27 February, 6 March 1813.


158 A rough figure based on advertisements quoting prices in both “currency” and “sterling”. See, e.g., *Sydney Gazette*, 19 June, 17 July 1813. In the month of August 1813 this test yields rates varying between 50 and 100 per cent premium.

159 For the date, October 1813: advertisements in *Sydney Gazette* at the time; Letter from “Amicus” in *Sydney Gazette*, 25 May 1816, and the controversy in that paper, November–December 1813. See also: *Sydney Gazette*, 6 November 1815 (Letter from “Scrutator”); 11 November (“Advocatus”); 18 November (“Scrutator”); 25 November (“Marcus”); 2 December (“Scrutator”).

160 Macquarie's proclamation of 27 November 1813, *Sydney Gazette* of same date; “Marcus” in *Sydney Gazette*, 25 November 1815. Wentworth, *op. cit.*, p. 210, describes them as “the richer class of the inhabitants”. The descriptions are not
inconsistent.


162 *Sydney Gazette*, 27 November 1813. This proclamation is the only authority for the name “Commercial Society”.


164 *Sydney Gazette*, 11 December 1813.


166 In addition to the letters cited in the preceding footnote see Wentworth, *op. cit.*, p. 211.

167 Between 17th and 19th. Wylde arrived in October and the first recorded report by him is Wylde to (Under-Secretary) Goulburn, 17 November 1816, *H.R.A.*, IV, i, 215; his later report to Goulburn, 31 March 1817, *ibid.*, 234, speaks of his discovery “soon” after his arrival; this letter and his evidence before Bigge, *ibid.*, 785, imply that he reported to Macquarie about the date of the first letter. It could hardly have been earlier than 17 or 18 November since Macquarie acted with “almost momentary promptitude and boldness of decision” (Wylde to Goulburn, 31 March 1817, *H.R.A.*, IV, i, 215) in calling on the 19th a conference for 20 November 1816. Wylde's despatch of 17 November contains no hint of any proposed local action but suggests the need for “an additional quantity of specie”. The date which fits the material best is 18 November.


170 See Macquarie's Diary 1816–18 (Mitchell Library), 17 June, 19 October 1816 (this is the latest I have observed recorded anywhere). “Wentworth Papers”—Treasury Orders, 1812–25, contains a number of these orders, all in Macquarie's writing. See, e.g., 20 July 1815; 7 May; 17, 18 June 1816. Cf. orders in Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 14, pp. 1088–90 (January 1815 to 1820).


172 “Wentworth Papers”—“D'Arcy Wentworth Correspondence”, 1809–16 (Mitchell Library), Robert Dune to Wentworth, 12 August 1811, remitting Parramatta tolls of £12 5s. 6d. “currency”. For the order see above, p. 91.


176 “If the public feeling and circumstances of the time and project would have permitted of the delay I should have found satisfaction and relief in advising the Governor immediately in the first instance to refer the measure to His Majesty's Ministers”, Wylde to Goulburn, 31 March 1817, *H.R.A.*, IV, i, 235. Cf. Wylde to Goulburn, 17 November 1816, *ibid.*, 215, which urged that the Colonial Office take action, obviously written before the conference with Macquarie.


Chapter 5 “One of the Most Venerated Institutions of the Country”

The Founding of the Bank

MACQUARIE waited over four months after establishing the bank of New South Wales before reporting and justifying his action. He recited the evils of a petty banking system and the failure of his 1810 proclamation which he attributed to Bent's “irregular and inconsistent conduct”. When Wylde reported the legal position Macquarie published a new proclamation giving indemnity for all breaches of the old one but forbidding the issue of notes other than in “sterling” after 23 November 1816. The very success of the new attempt, according to Macquarie, was a source of acute temporary difficulty since the disappearance of “currency” notes while “sterling” was scarce left the colony without enough money. To meet this crisis the governor sought the advice of “a meeting of the magistrates, principal merchants and gentlemen of Sydney . . . at which my favourite measure of a bank was brought forward”. The meeting convinced Macquarie of the urgency with which a bank was needed “as the only means whereby the public distress could be fully averted” and accordingly he felt justified in lending his aid to the efforts of these public-spirited citizens. So the Bank of New South Wales was born.

This account is an artistic piece of fiction. The most obvious difficulty is one of dates: the meeting referred to took place on 22 November, following a preliminary conference on 20 November; the proclamation was issued on 23 November and could scarcely have produced results to be considered by the meeting the day before. In view of this it is hardly necessary to collate this despatch in detail with the available information, none of which is consistent with Macquarie's version, which was no doubt invented after the event to explain away his disregard of the Colonial Office order that he was not to set up a bank. But it is of some importance to realize that there is no other authority for this widely accepted explanation of the bank’s origin nor, in particular, for the disappearance of “currency” or the existence of a financial crisis to justify Macquarie. The sequence of events which led Macquarie to take the initiative has already been traced and provides an explanation consistent with the steps which he took to implement his plan.

Macquarie's first move, immediately following his interview with Wylde, was to call a select group of fourteen together for “a friendly consultation.
on a subject of much interest and importance in a commercial point of view” in the Judge-Advocate's rooms on 20 November 1816. There is no evidence of what took place but it is certain that the meeting promised to support the bank plan. The second move was the meeting on 22 November which Macquarie reported in his despatch, but it was hardly a public meeting. No general invitation appeared in the Sydney Gazette and the short notice excluded, apparently intentionally, those who were absent from Sydney. The function of the meeting was “to take, by the direction of His Excellency the Governor, into consideration what would be the consequences of an immediate sterling circulation”, and “the persons who signed the resolutions were such as the Governor or his secretary had selected as fit for so important a consideration”. The meeting was dutifully “desirous that a sterling circulation should take place in this Colony” and urged the need for “a Public Colonial Bank” for which certain broad rules were laid down.

It was the day after this meeting and a week before a report of it was published that Macquarie issued his proclamation dated 23 November 1816. After reciting the persistent desire of governors for “a circulation only of sterling legal currency and value” and the manner in which previous prohibitions had been “unwarily, incautiously and negligently infringed upon, disregarded and violated”, he went on to give an indemnity to all responsible and to preserve their rights as if the previous orders had not been issued. But from 23 November 1816 none but “sterling” notes were to be issued or negotiated, under penalty of forfeiting (to the informer) three times the value of the note, the penalty to be payable within three days of conviction. Two days later a supplementary proclamation followed, intended “to put an end to the custom of making sale of goods, or articles, or barter, or any dealings whatever, or payment or satisfaction for work, labour, fees or charges, or agreements for the same, but at and after the rate of sterling prices and charges”. All reckoning, except in terms of “sterling” was prohibited, under threat of penalties not prescribed. A few days afterwards another meeting “in consequence of the recent abolition of all Colonial currency” urged the scaling down of all “currency” contracts by one-third, since the general premium on “sterling” was believed to be 50 percent. A new scale of wages (piece-rates) was prescribed.

Without waiting to see the failure of these prohibitions of “currency” the sponsors of the bank pushed on with its organization. A further meeting on 29 November was followed by a public session on 5 December at which £5,000 was subscribed. A committee was appointed to frame rules and regulations which were approved in February when the first directors were elected. The directors formally solicited “a Charter of Incorporation
with the accustomed rights, privileges and immunities as a banking company”, a request which “was most graciously received”, as well it might be. On 22 March 1817 the charter was delivered and the bank announced that it would open for business on 8 April. “That Roll of Sheepskins, Tape and Sealing Wax Called their Charter”

The significance of the charter lay in the fact that it purported to give the coveted privilege of limited liability, obtainable only by Royal Charter or special act. There is no reason to doubt the view of Macquarie and Wylde that without such a guarantee the bank could not be formed. In fact it is tempting to infer that the first preliminary meeting told Macquarie that their support of his plan would depend upon such security for themselves.

The form of the charter, which incorporated the bank for seven years, was due to Wylde although specific details were not of his providing. Wylde had convinced Macquarie, “who seemed to act entirely upon my opinion as to his power”, by an argument that although there was no specific clause the governor's Instructions allowed him by implication to give charters of incorporation. Wylde's argument was that the bank was in the public interest and could only succeed with limited liability which could only be given by charter. A charter was not “contrary to the letter or spirit of any existing act of parliament, or in conflict with any of those principles upon which such charters in the Mother Country at least have been granted”. The governor had collected various revenues, “regulated the value of the circulating medium”, fixed rates of interest and determined other financial measures which had been approved at home and were therefore within his authority. Moreover, he was specifically empowered to erect boroughs and cities which necessitated the power of incorporation. Finally, Wylde had “the strongest confidence that His Majesty's government would not deny their sanction to a measure that came so much recommended both by the governor and the public opinion of the whole colony”.

Wylde, however, made it clear that this was inference and that the final authority rested with the British Government. Accordingly Macquarie asked for the approbation of the Prince Regent, and although this condition is not mentioned in the charter itself, that document was made dependent upon Macquarie's powers. The conditional nature of the protection granted gave rise to local doubts which were fostered by those petty bankers who feared the new competitor. Wylde reassured the subscribers in a public statement, the Sydney Gazette with a wealth of italics appealed to the dictionary meaning of “corporation” and refuted all doubters by quoting Adam Smith. The directors asserted their faith in the charter, being “solely actuated by a wish to do away those idle reports
which have gone abroad as to its being incomplete in the principal point of securing and exempting the subscribers from personal liabilities”, to which Macquarie added a sweeping assertion that “all legal authorities have agreed in declaring there was not even a possibility” of the charter being defective in this respect. Under this fusillade of assurances public doubts disappeared and the validity of the charter was never questioned in the local courts nor otherwise disputed locally for nearly ten years.

In England, however, the charter obtained a different reception. Bathurst referred it for legal advice as to whether Macquarie was empowered to grant such a charter, adding, significantly, a question “whether there is any power in the Crown to alter the conditions under which it has been granted”. The succinct reply, giving no reasons, was that Macquarie was not empowered to grant such a charter “and that it is therefore null and void”. In transmitting this opinion to Macquarie Bathurst made it clear that no chartered bank would be approved, adding that the charter “appeared to me to contain some provisions of so objectionable a nature that I cannot regret its want of legal validity”. He directed the governor to explain to the shareholders in the bank that they were in the same position as the members of any other partnership and, while permitting him to give it “a due degree of support” so long as it was “conducted upon sound principles”, he sternly forbade Macquarie “incurring any responsibility on account of it, or in any degree implicating the faith of the colonial government in its pecuniary transactions”.

Macquarie delayed replying as long as he could and then wrote a masterly despatch in which he deliberately misread these orders as a direction to abolish the bank. Expressing “much mortification” at Bathurst's attitude, he extolled the mythical achievements of the bank which ensured that “mercantile contracts and payments are as punctually observed and as promptly made as they could be among the most eminent merchants on the Royal Exchange”, and whose mortgage loans were exaggeratedly praised. He asserted, with doubtful accuracy, that “no one in this colony has been impressed with the idea that the bank was in any manner guaranteed by government”. A dismal picture of the sad state of the colony if the bank were dissolved, a state “little short of general bankruptcy”, he claimed justified a way out of his “embarrassing dilemma” by suspending action, and again asking that the charter be sanctioned. No reply was sent to this piece of sophistry for Bigge was already in the colony inquiring into its affairs and in particular into the operations of the bank. In his second Report he admitted the benefit derived from the bank and agreed that the limited liability protection had not been invoked, but he pointed out that the charter was invalid and that the bank could continue
without it. He therefore proposed that the charter should be quietly dropped when it expired on 12 February 1824. Bathurst endorsed this suggestion, instructing Brisbane accordingly.

But meanwhile the charter had been renewed in advance. Possibly in anticipation of Bigge's verdict the bank held meetings in March and July 1823 to consider renewal and in the latter month the Sydney Gazette announced that with "some trifling emendation or additionary clause", the extension of the charter had been granted. Formally it created a new bank in which the opportunity was taken to transfer to dollar reckoning, the old notes being called in, deposits transferred from the old to the new bank and new share certificates issued. When, therefore, Brisbane received his instructions he retorted brusquely and inaccurately "Charter renewed in 1824".

There the matter rested until in 1826 it was desired to amend the charter to permit of the absorption of the proposed "Sydney Bank". At this date the shareholders were still sure of the validity of their charter which they agreed to reprint and in March certain shareholders requisitioned a meeting to consider amendment of it to provide for increased capital at which Dr Douglas, W. C. Wentworth (a barrister) and Norton (a solicitor) insisted upon its validity. Wentworth's opinion "set the point at rest as to the legality of the charter", which had been described by the Sydney Gazette a week before as "no more than waste paper". A further meeting in April resolved to request the governor to vary the charter, increasing the number of shares from 300 to 1,000.

Accordingly a deputation waited on the governor. Darling had, however, received by this time a general instruction that he was to avoid the practice of erecting corporations, of which his predecessors had been guilty, and to obtain "express authority" for such action. When the deputation called upon him he raised the issue of the charter's validity and promised a written reply. On looking up files of despatches he discovered the facts of Brisbane's renewal before he received contrary instructions and consequently declined acceding to the bank's request until he had received authority from England. Bathurst's reply was curt. Darling was told that Macquarie had been informed that the charter was null and void, that its renewal by Brisbane was therefore equally invalid, and the bank was a mere partnership. No objection was raised to the bank obtaining more capital provided this was clearly understood.

In September 1827 the bank was informed of the verdict which was published with some misleading detail calculated to avoid any loss of confidence. The old bank was formally dissolved and reconstituted as a joint stock company in October. The completion of the change was
delayed by internecine strife and violent public debates about other matters
in the course of which the bank nearly came to an untimely end. At last,
however, in March 1828 an act was passed empowering the new bank to
sue and be sued in the name of its president, which, though it did little to
save the bank from its then perilous position, finally settled the question of
the charter. The preamble recited that the bank was “in contemplation of
law only a joint stock company” and that “it has been agreed by the
majority of the proprietors of old bank stock that the Charter of
Incorporation . . . shall cease to be acted upon after the 31st day of
December 1827”.

The charter was dead. But it had served its purpose better than
Macquarie, fighting his delaying action with the Colonial Office, could
have wished. Eleven years of supposed limited liability had carried the
bank through to a period when the public was prepared to support not
merely one but several banks with unlimited liability.

The Bank's Operations Before the Dollar System

The fate of the charter, however, was not foreseen in 1817 and the bank
was soon ready for business “for the general and customary purposes of
discount, loan and deposit”. The nominal capital was £20,000 (“sterling”) in £100 shares. Management was vested in a president and six other
directors, subject to the decisions of a general meeting which alone was
supposed to authorize the incurring of debts by the bank. Macquarie was
a little put out when it was decided that emancipists might not be directors,
since “persons who had been convicts had the chief wealth of the
colony”, a rule carried by the drafting committee which included three
emancipists, on the casting vote of Wylde. The exclusion, however,
appears to have been aimed at particular individuals, for Redfern, an
emancipist, was several times elected director and one of the directors,
Edward Riley, declared that it was generally believed that emancipists
might be directors.

Shares were transferable by endorsement and registration in the bank
books and should the capital later be increased existing shareholders were
to have the right of subscription in proportion to their then holding, a right
which they might sell, but for some years yet dealings in shares were
private sales. Subscriptions were adequate and with less than half the
shares sold the bank opened for business in Macquarie Place, Sydney,
having failed to obtain premises in George Street, on 8 April 1817.

Notes for 2s. 6d., 5s., 10s., £1 and £5 were provided for in the rules, and
were issued with the inscription: “Let us possess the public confidence so
long only as, by a faithful discharge of the honourable trust reposed in us, we may show ourselves worthy of it. Whenever any one man can say with truth the Bank has broken faith, be then our ruin, and ours only, the immediate consequence.” Small bank tokens were also issued. The volume of notes in circulation at certain dates was:

<table>
<thead>
<tr>
<th>Year</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1817 (date not given, but soon after opening)</td>
<td>5,608</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1818 1 January</td>
<td>11,552</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1819 1 January</td>
<td>7,187</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1820 31 December</td>
<td>5,902</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The £1 and £5 notes were most important, while the tokens were insignificant, circulation apparently never exceeding £30 in all, and seem to have been abandoned early. Figures for the next few years are unfortunately unavailable, but probably showed a regular rise to the $115,940 outstanding in December 1825. The decline during 1819 and 1820 was the joint result of the competitive note issue by D.-C.-G. Drennan which ceased in September 1820 and the defalcations of Cashier Williams and consequent run on the bank.

Williams appears to have gained nothing personally, but involved the bank in a loss of £6,000 by crediting his friends with amounts not deposited, or permitting over-drawing. He resigned in September 1820 and in December handed over certain bags supposed to cover the deficiency in his accounts. Rather strangely these were not opened until the end of January 1821 when they were found £12,100 short. The news leaked out and a run ensued which was stayed by the president in his capacity of Provost-Marshal undertaking to accept the bank's notes in official payments, and by some twenty merchants, most of them shareholders, advertising their willingness to take the notes, while the bank promised that all notes presented would be met in government bills, Store receipts or specie. There was no question of the bank being in peril for with only £5,902 outstanding in notes when the run began, the bank held £6,531 in coin, £16,111 in bills on the Treasury and £11,369 in Store receipts, while bills for £1,259 were due for payment in the next week. But if note issue was unimportant to the bank itself, so were the bank's notes to the community, contrary to one of the many baseless traditions of Australian history. Store receipts were still far more important, the bank itself holding, as was seen above, Store receipts to more than twice the value of its own note issue at the beginning of 1821. In 1819 Drennan's note issue of £49,200 was seven times that of the bank, while the petty bankers had by no means disappeared. There were fewer of them in the sense that a
definite demarcation between promissory notes drawn for particular payments and regularly issued “bank notes” had developed, but there is no evidence that the volume of these notes had declined. In Sydney in this period a number of issuers can be identified with certainty. The firm of Jones & Riley issued £1 notes, T. H. Hart notes in dollars, as did Robert Howe, editor of the Sydney Gazette. There were a number of others who continued note issue for many years after the establishment of the bank, as did the Waterloo Company which ran a bank as part of its manifold activities all through the 'twenties. Hobart petty bankers included Mary Hayes, T. A. Lascelles, Mrs Lord, Kemp & Co. (£1 notes), Henry Davis (2s. 6d. and 5s.), Austin & Earle and J. Brown (notes for 6d.). The list is not comprehensive and, as in New South Wales, petty bankers flourished for years after the Bank of New South Wales began. This is not surprising so far as Tasmania is concerned, for, as might be expected, the bank's notes, while accepted, did not circulate widely there.

The more important source of funds to the bank was deposits. These were receivable not only in coin but also in Store receipts or government bills, which were to be accepted in deposits without discount. When Drennan issued Commissariat notes, these also were accepted. Interest at 8 per cent per annum was payable only on fixed deposits requiring three months' notice of withdrawal; on all other deposits no interest was paid. With the isolated exception of the special Police Fund deposit in 1820, on which 5 per cent was payable, it does not appear that the bank paid interest on any deposits until forced to do so by the competition of the Commercial Banking Company in the early 'thirties. In 1818 the bank declined to pay cheques for less than £5, a rule which appears to have been enforced, for twenty-five years later it was generally believed that only cheques for £5 or over would be paid. The purpose was no doubt to encourage the use of the bank's notes.

The deposits of the bank, which were only £1,859 by the end of 1817, in December 1820 stood at £26,868 which included the special fixed deposit of £3,000 by the Police Fund and £2,900 from the Orphan Fund. Individual balances ranged from £1,723 belonging to Major Antill to 1s. 4d. for Thomas Wylde. Deposits would have been more important but for the surviving competition, not eliminated for many years, of merchants who accepted deposits. Until the balance of the Orphan Fund was transferred to the bank in 1818 it was deposited by Marsden, the Treasurer, with Jones & Riley who were prepared to pay 8 per cent interest to retain it. Most merchants appear to have been willing to accept deposits, allowing interest, and it is probable that many settlers maintained what were in effect current accounts with merchants, “overdrawing” by obtaining goods on credit and
building up a balance at harvest time by selling to the same merchants. “Orders” on Sydney shopkeepers were the means by which settlers out of Sydney made many of their payments. Convicts who brought money with them often made deposits with private individuals or firms and continued to do so contrary to regulations after the savings bank was opened because the merchants offered better terms. The first savings bank itself was based upon the same type of deposit for it simply provided for government supervision of deposits made with four individuals who were free to use the money as they chose.

The bank’s reserves against its deposit and note issue liabilities were held in coin, in Store receipts and government bills. The most important coin reserve was held in colonial dollars and dumps, valued by the bank at 5s. and 1s. 3d. respectively; the Spanish dollar was also important and copper negligible. Government bills and Store receipts were highly liquid since there was always a ready market for the former while the latter were normally treated as cash and had no more than a month to run before they were convertible into the government bills.

The most important source of profit to the bank was the discounting of bills of exchange which, with the coming of the bank, to a considerable extent took the place of promissory notes. The rules provided for mortgage loans and loans on the security of bullion or plate, but forbade loans on the security of bank stock and loans by way of overdraft, and limited loans to any individual or firm to £500. Securities discounted might include bills of exchange and promissory notes and other securities with not more than three months to run, with preference to two months' securities. One day a week was enough for the making of loans. The rule confining discounts to three months' bills appears to have been neglected for it was restated as if new in February 1818 when a further limit as to amount was introduced. Bills below £20 or above £500 would not be discounted. Renewals were frequent. In the beginning three names were required on bills or notes presented for discount but, this proving “inconvenient”, the number was reduced to two at the end of 1819.

Interest on loans by the bank was fixed by Macquarie at 10 per cent per annum. This was a breach with the universal rule that “colonial interest” meant 8 per cent, which, although higher rates existed, was traditional as a result of King’s order of 1804 as the standard interest on safe loans. The higher rate, which soon became the new colonial standard, was conceded by Macquarie because until this was granted in the charter there was “much difficulty to obtain subscribers”. He justified it by arguing that “the profits of trade [were] perfectly adequate to the bearing that advance or indeed a much greater”. The volume of discounts in the first four years
was: a total of 2,715 bills and notes valued at £299,621. At 31 December 1820 bills receivable held amounted to £19,405 compared with £5,693 at 31 December 1817.\(^9\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1817 (from 15 April)</td>
<td>147</td>
<td>£12,193</td>
</tr>
<tr>
<td>1818</td>
<td>784</td>
<td>81,673</td>
</tr>
<tr>
<td>1819</td>
<td>997</td>
<td>107,257</td>
</tr>
<tr>
<td>1820</td>
<td>787</td>
<td>98,498</td>
</tr>
</tbody>
</table>

Settlers who wished to borrow had before the foundation of the bank four ways open to them which in practice were not clearly distinguished and the legal force of which was uncertain. They might, like anyone else, issue promissory notes if these were acceptable. The commonest method was to receive goods from merchants on credit for which promissory notes were often given as security.\(^10\) Conditional assignments of crops were common although apparently without legal sanction.\(^11\) By the time the bank appeared this was common practice and appears to have merged with the second method.\(^12\) It came to be accepted procedure that a settler should obtain goods on credit from a merchant and then transfer his crop at harvest time to his creditor, often on unfavourable terms.\(^13\) Finally a settler might give a mortgage over his property as security for a loan. Such mortgages were of doubtful validity but nevertheless common\(^14\) and on occasions appear to have been quite informal, debtors unable to pay simply surrendering their property and at times remaining as tenants.\(^15\)

The bank was empowered to make loans on the security of mortgages\(^16\) and accordingly Macquarie provided that deeds of title to real estate should be registered since “many freeholders have frequent occasion to borrow money upon their estates”.\(^17\) Registration of mortgages began at the same time.\(^18\) Under the bank’s original rules mortgage loans were limited to twelve months and must not exceed in all one-fifth of “the actual bank capital”,\(^19\) but in July 1818 this was increased to permit loans on mortgages up to an amount equal to half the capital although loans were to be confined to property in towns.\(^20\) Macquarie declared that the bank’s mortgage loans had been “attended with the happiest results by enabling those persons to cultivate their land more effectually than their own limited means could possibly extend to”,\(^21\) while Bigge conceded that they had “afforded salutary aid”.\(^22\) But such loans could not be of very great importance while the restriction on their total amount continued. Moreover, individual loans were not large for the bank followed the custom amongst other lenders whose rule was “not above a dollar an acre”.\(^23\) The total amount so lent at 31 December 1817 was £1,381 and at 30 December 1820
It stood at £4,172. It is apparent that the importance of mortgage lending by the bank lay not in its amount but, as in so many other aspects of the bank's early operations, in the provision of systematic borrowing facilities as a model for later extensions.

The bank's dealings in foreign exchange were confined to being a retailer of Commissariat bills on London and a specialized type of forward trading which lasted only until the beginning of 1819. The bank accepted Store receipts as deposits (and reckoned them as cash) and when these fell due exchanged them for bills on the Treasury. These bills it then sold to those who held Store receipts which were not yet due for consolidation (which at this period occurred on the 24th of each month) and who wanted bills on London at once. For the service involved in this forward purchase of exchange the bank charged its customers a premium which was fixed from August 1817, when such dealings appear to have begun, until August 1818 on a scale from 1 to 2 per cent according to the maturity of the receipts. These rates were fixed on the advice of D'Arcy Wentworth whom the bank presently found was privately undercutting the institution of which he was a director, a type of practice which was to be a source of complaint for nearly thirty years. Consequently the bank's premium was reduced to 1 per cent and in February 1819 Store receipts were accepted for bills on the Treasury at par. During this period dollars were accepted for bills on the same terms.

Mindful of the reception of his plan for a government bank, Macquarie stopped short of government shareholding, “but I would certainly advise that, in the event of the bank being conducted for a year or two with discretion and success, that this government should either become a party in it or that it should at least make it the depository and medium of all government monies and payments”. Meanwhile he gave the organizers of the bank every assistance. He approved of his official secretary Campbell becoming president while the Lieut.-Governor, Molle, and Judge-Advocate, Wylde, took a prominent part in its formation. The official offices of the Judge-Advocate and the Colonial Secretary were open to receive subscriptions; and not only the preliminary conferences but all the business of the bank was transacted in the courtroom of the Judge-Advocate's chambers until the bank actually began trading on 8 April 1817. With government officials so actively participating, the Judge-Advocate presiding at meetings in his own courtroom and the Colonial Secretary president of a bank so obviously desired by Macquarie, it is little wonder that W. C. Wentworth listed it amongst government departments, after the police and coroners and before the government printer and the post office. No doubt only the attitude of the Colonial Office restrained
Macquarie from direct government participation.

As soon as the bank commenced to issue notes the ever-thoughtful governor helped their circulation by specifying these notes as the medium for payment for various pieces of property being sold by the government; customs duties were accepted in these notes and the accounts of the Police and Orphan Funds were kept at the bank, no interest being paid on these deposits. In 1820 Macquarie gave the bank yet further aid by ordering the deposit of the surplus of the Police Fund amounting to £3,000, the directors agreeing to pay 5 per cent interest for twelve months from the date of deposit in mid-1820. There is Macquarie's own statement that this was done by his orders. The shareholders, however, refused to sanction the agreement and Macquarie, his fears sharpened by the defalcations of Cashier Williams, requested the repayment of the money in accents which did not conceal his fear that it might not be forthcoming. All in all, Macquarie took no chances about the success of his bank.

**Drennan's Notes**

The most serious competitor of the bank in note issue was the new Commissary who replaced Allan, Frederick Drennan. He arrived in January 1819 and reported that his instructions, which had unfortunately been mislaid with part of his luggage on embarkation, were to abolish Store receipts as a means of payment, substituting his own notes, and to draw and negotiate bills on the Treasury without reference to the governor. With the exploits of Allan fresh in his mind it is no wonder that Macquarie “got into a violent rage” and “made use of such language as I decline repeating”. He suspected Drennan's good faith, for his complaint to the Treasury points out that the method of issue of these notes facilitated fraud by a dishonest Commissary, while the general order which he reluctantly published to implement the new system recited Drennan's report of his instructions in full and put them into force only until the Treasury should confirm them.

Nevertheless he yielded to Drennan's insistence on his instructions although he exacted certain conditions. The general order laid down that in future Store receipts were receipts only and were not transferable but were to be exchanged by the first holder for coin or the new notes which in turn might be exchanged for bills on the Treasury “at any time within the hours of office”. Macquarie's main condition was that Commissariat officers at the out-stations should be supplied with notes to convert the new Store receipts.

Trouble began almost at once through Drennan's neglect of this
undertaking which meant that settlers living outside Sydney who supplied out-stations had to travel to Sydney to obtain notes for their Store receipts, “a most intolerable grievance”. Drennan announced in May 1819 that notes would be available once a week at Parramatta, Windsor and Liverpool, but this did not help settlers elsewhere. From as far away as Bathurst they had to come to Sydney for payment. The result was serious, especially in Tasmania, for Store receipts, while they were negotiable, were a universally acceptable money whereas Drennan had made his notes available only in Sydney or nearby. In Tasmania the situation was especially acute because the withdrawal of negotiable Store receipts took place months before any notes were sent there to replace them. Sorell at once protested, pointing out that this not only deprived Tasmania of most of its basic money (he said 15/16ths) but also of the means of paying for imports since the new receipts could not be directly exchanged for bills. Accordingly he authorized the local Commissariat officials to continue issuing transferable receipts although convertibility was suspended until Macquarie should approve. Macquarie referred the matter to Drennan whose request for his permission to ship £10,000 direct to Sorell drew a blunt refusal to intervene in Tasmania until instructions had been received from England, and an insistence that the whole responsibility for transmitting notes must rest with Drennan. Sorell must not be made Drennan's agent. To make quite sure, Macquarie asked Sorell to refuse all co-operation and gave him “full authority” to continue Store receipts, a “prudent conduct” which had his full approbation. When Sorell reported that meanwhile he had ordered the issue of bills in exchange for Store receipts this also was approved.

Greatly relieved, Sorell continued the old system of transferable Store receipts convertible into bills. In September 1819 Drennan's notes began to arrive and the new system was introduced with Store receipts no longer transferable. Meanwhile events on the mainland had reached a crisis. Some £500 or £600 in 5s. and 10s. notes constituted the first issue and thefts of these led to their withdrawal in favour of notes for £10, £5, £2, £1. Theft and forgery of these next occurred because of the lax methods of issue and reissue. The Board of Investigation reported that “no entry is made in those books, or anywhere else, to whom each note is paid or from whom received. When the notes are returned in good preservation they are reissued, equally without entry; but when they are worn out they are destroyed so that it is impossible to know what notes are outstanding and what notes have come in, except at Van Diemen's Land.” Public gossip induced Bigge to propose a full inquiry into Drennan's administration, which Macquarie was not loth to order.
The report of the Board of Investigation gave Macquarie great satisfaction, a “very able and luminous Report” he called it. The first important fact it elicited was the nature of Drennan's instructions from the Treasury. The only instructions he had were very different from those he had alleged:

In conducting those duties you will be guided by the regular instructions of the Department and by any special instructions which may have been conveyed to your predecessor or which may hereafter be conveyed to you, and you will in no respect upon your authority only depart from these instructions; but should you consider any deviation therefrom to be necessary or expedient for the public service it will be your duty to represent the same to the Officer Commanding the Forces and to obtain his sanction thereto.

He was, moreover, to “implicitly obey” any instructions thus received even though they “may be inconsistent with the instructions received by you from this Board”. No wonder Drennan told Macquarie this letter had been mislaid.

Faced by this Drennan fell back upon a series of defences. First he invented an oral instruction from “Mr Hill of the Treasury . . . who stated his disapproval of the system of Store receipts and I think I said I would issue my own notes. Mr Hill made no reply to that.” Pressed, Drennan admitted he could not be positive that any such conversation ever took place and certainly Hill never authorized his note issue. His alternative defence was equally unfortunate, a claim that he could not understand the system of accounting used by his predecessor Allan. On his arrival Drennan stayed with Allan and was “scarcely to be seen on any occasion apart from him”. His notes were printed from the same plates that Allan had used and he appointed Allan's son Andrew a Commissariat clerk. In these circumstances an explanation of the accounting should have been obtainable; in any case “both Mr Allan's accounts and the manner in which the business of the department has been conducted under the old Store receipt system [seemed] perfectly intelligible to your Committee”.

The last feeble defence was an attack by Drennan on the Store receipt system as opening “a door to fraud and peculation”. With their discoveries of his lax administration fresh in mind the Board commented shortly: “the door to fraud and peculation seems to your Committee to have been actually taken off its hinges by Mr Drennan”.

The Board recommended that the old transferable Store receipt should be substituted for Drennan's notes. Macquarie was fully in accord although his enthusiasm for the Store receipt was partly reaction against Drennan's hated innovation. Anticipating the Report, Drennan called up his notes a
week earlier,157 and was thus fully prepared for Macquarie's direction that they should be withdrawn from 25 September 1820. In future all payments by the Commissariat were to be made in specie, Store receipts or bills on the Treasury, the last of which were to be issued only with the governor's countersignature. One variation on the old system was made. The new receipts were payable to “order” and not to bearer as a precaution against fraud.159

The maximum issue of Drennan's notes had been £49,200 of which £29,300 had been sent to Tasmania.160 The number in circulation at any time was, however, less by an amount which can only be guessed. The Board of Investigation was inclined to accept the estimate of one Rickards that in August 1820 notes outstanding were £10,000 in New South Wales and £20,000 in Tasmania.161 The withdrawal of such a large sum was not a simple matter and produced further difficulties in Tasmania. Sorell insisted upon delay until it should be clear that Store receipts would be exchangeable for coin or bills on the Treasury,162 and the final change-over was delayed until November 1820.163 Drennan's note issue was at an end.164

His adventure in banking was of some importance, not only in its immediate incidents, but in relations of the Commissariat and the Bank of New South Wales. Drennan was hostile to the bank from the start, attributing its establishment to unjustified rumours of Allan's insolvency,165 and declaring that it would not accept Store receipts.166 This latter charge was not very well founded for not only was the bank able to rebut it but Bigge pointed out that Store receipts were attractive to the bank as a profitable means of obtaining bills on the Treasury.167 His further charge, that the bank sought to embarrass him by hoarding dollars which it refused to exchange for his notes, had rather more substance, for in spite of the denials of the bank it was feeling Drennan's competition and was holding a large proportion, nearly a third, of the “holey” dollars and dumps, far beyond any reasonable reserve requirements.168 Macquarie was quite satisfied to accept the view of the Board of Investigation that specie, Store receipts and the bank's notes would serve for all Commissariat payments.169 Neither Bigge nor Brisbane, however, was so easily satisfied. Bigge, while not specifically basing his argument on the clash between Drennan and the bank, urged that “the introduction of a metallic local currency in the payments made from the commissariat department would diminish the chances of forgery, and would lead to an equally speedy and less complicated adjustment of the public accounts”.170 Independently Brisbane arrived at the same conclusion and, against the protests of the bank, introduced the “dollar system”.171
The Monetary System in 1822

Macquarie's estimate of the importance of the Bank of New South Wales has been followed too faithfully by later historians. He predicted in 1817 “more real benefit . . . to this colony than from any other public measure which has ever taken place in it” and he remained convinced of its great blessings. Bigge, on the other hand, conceded no more than that it had “added greatly to the facility of commercial transactions within the colony”, and that its notes “afforded a convenient circulating medium”. He considered its loans to be excessive, a point which cannot be assessed, and, urging quite rightly that the bank's privilege of charging 10 per cent interest had raised rates all round, proposed that a statutory maximum of 7 per cent should be introduced. “Currency” had not been superseded by the bank's notes and, as has been seen, the operations of the bank were on a small scale.

Its dividends in the first few years were by no means princely. They were:

<table>
<thead>
<tr>
<th>Period</th>
<th>Dividend (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1817—December 1818</td>
<td>12</td>
</tr>
<tr>
<td>August 1818—February 1819</td>
<td>12</td>
</tr>
<tr>
<td>February 1819—August 1819</td>
<td>12</td>
</tr>
<tr>
<td>August 1819—February 1820</td>
<td>18</td>
</tr>
<tr>
<td>February 1820—August 1820</td>
<td>12</td>
</tr>
<tr>
<td>August 1820—January 1821</td>
<td>12</td>
</tr>
</tbody>
</table>

These returns should be interpreted in the light of a current rate of interest on safe loans of 10 per cent and of business profits much higher. “No man in his senses would turn from sheep-shearing to bank sharing or relinquish the certain and enormous profits of the former for the comparatively minor advantages of the latter.”

The significance of the bank did not lie in any vital change in the monetary system which its coming made. It had no monopoly of the business of banking and was, in fact, the first bank only in the sense that it was the first institution exclusively concerned with banking. Even that specialization was more formal than substantial. Its shareholders and directors, instead of making banking a part of their own shopkeeping and other businesses, gave a part of their time to the bank's affairs. The importance of the bank cannot be attributed to any consequences of its foundation but is found rather in the fact that the colony had reached a degree of economic development in which it could support a specialized banking firm. When Macquarie arrived the colony was primarily a penal settlement; when he left it was clearly going through a rapid transition to a free-market capitalist economy. The foundation of the Bank of New South
Wales was a part of that process and the only phases which cannot be explained satisfactorily in those terms were the manner and precise date of its creation by Macquarie.

This view of the place of the bank in Australian economic history is confirmed by surveying the monetary system as it was at the beginning of 1822 when Bigge's Reports were being completed and Brisbane was about to introduce the dollar standard.

Dollars were coming into more common use. The bank itself held large numbers, prices were occasionally given in dollars, and rewards were frequently offered in Spanish dollars as a special attraction. On the other hand neither dollars nor Bank of New South Wales notes replaced payment in kind. Wool, cattle and other goods were extensively used. Wheat was taken in payment for goods, for freight, land, wages, rent, shoeing horses and, in fact, almost anything. Wages were still customarily paid in “property” which included rum, but also by “orders” on merchants. Payment in kind was soon to decline, persisting in the late 'twenties and early 'thirties in country districts but not, as a general rule, in more densely populated areas. For a brief space, nevertheless, it expanded until the large-scale introduction of dollars curtailed payments other than in money. The new impetus to barter was itself the result of the growth of the economy and the widening of the internal market from its narrow dependence on the Commissariat's demand for grain and meat. As a result dealers and shopkeepers were prepared to take other kinds of goods in payment, since they could be passed on now that there were many other final buyers besides the Commissariat. Many stores were prepared to accept “all kinds of colonial produce at market prices”. Probably most firms in Sydney and Hobart did so; one can identify with certainty John Blaxland, John Dickson, S. Lord, P. Garrigan and Daniel Cooper in Sydney, and Raine & Deane in Hobart. Many other firms continued to specify particular commodities as acceptable, while the Australian Brewery in Sydney offered beer in exchange for “lard and salt, kangaroo skins, houses and eggs, grain and hemp, cattle and seashells, sheep and fish oil, horses and sawn timber, cedar logs and pigs, pork and shingles, flax and poultry, tobacco and wattle-bark, cheese and wood, candles and laths, fuel and soap, shoes and coals, hides and Spanish dollars, etc., etc., etc.”

Nevertheless, the use of money was increasing in relative importance, more especially in government finance. Some salaries were still paid wholly or partly in kind and minor services were largely remunerated in goods, particularly in Tasmania. On the whole, however, government finance had been converted to a mainly monetary basis by the end of Macquarie's administration. In 1822, on the surface, both private and
public finance were still based on the makeshifts of a primitive penal settlement, but the seeds of the rapid development of the 'twenties were already germinating. The next fifteen years were to see a double change of monetary standard, first to the Spanish dollar and then to a sterling-exchange standard; the multiplication of banks and the extension of banking with the appearance of branch and country banks, overdrafts and interest on deposits; the emergence of a market in foreign exchange independent of government finance; the development of specialized financial services such as organized dealing in shares and bill-broking; and the first financial crisis and depression of the new capitalist economy.

1 Sydney Gazette, 8 February 1826. The Bank of New South Wales “will, in ages to come, be fondly looked up to as one of the most venerated institutions of the country”.


3 The essential information and references are given below.

4 Macquarie's despatch is taken at face value by Shann, op. cit., chapter IV; Fitzpatrick, pp. 211–2; and by the Bank itself. See Bank of New South Wales Circular, 23 August 1937, p. 20: “... its founders, who at a period of crisis in the history of the infant settlement on the shores of Port Jackson came together and resolved out of their private resources to found an institution to provide urgently needed financial services”. 


6 Wylde in Bigge, Judicial Evidence, H.R.A., IV, i, 786.

7 Report of meeting in Sydney Gazette, 30 November 1816. Note the phrase “what would be . . . ” and compare Edward Riley's approval of the Bank “taking into consideration that the currency issued by the Colonists was to be abolished”. Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 9, p. 3890 and Wylde to Goulburn, 31 March 1817, H.R.A., IV, i, 234: “I did not hesitate readily to lend myself, though not in my direct course of duty, to those proceedings and conference with the merchants and others of this place, which at length terminated in general public resolutions for the immediate substitution of a sterling for Colonial value in all negotiable instruments, an average reduction in the price of all labour and articles of trade and dealing, a sterling consideration in all agreements and bargains, and in the establishment of a Colonial Bank, upon a funded subscription capital, on which indeed all the other parts of the system were universally acknowledged to depend.”

8 Wylde to Bigge, Judicial Evidence, H.R.A., IV, i, 786. The signatories were:

9 Report of meeting in Sydney Gazette, 30 November 1816.

10 Sydney Gazette, 23 November 1816, which carried no report of the meeting.

11 Sydney Gazette, 30 November 1816; Minutes, 22 November 1816.

12 Sydney Gazette, 7 December 1816. This is the meeting which proposed the reissue of copper coin at face value. The new scale of wages was the only document relating to the bank which was reprinted in Tasmania, Hobart Town Gazette, 18 January 1817, in which the first direct mention of the bank does not occur until 17 April 1819.

13 There are two references to this meeting in Sydney Gazette, 7 December 1816, but nothing to indicate what happened. No report in Minutes.

14 Sydney Gazette, 7 December 1816. Minutes, 5 December 1816.

15 At a meeting on 18 December 1816. Sydney Gazette, 14, 21 December 1816.


18 Sydney Gazette, 22 March, 5 April 1817.

19 Ibid., 22 March 1826 (Letter from “Andrew Freeport”).

20 The charter is Enclosure 2 in Macquarie to Bathurst, 29 March 1817, H.R.A., I, ix, 222–7. See particularly p. 224 where shareholders’ liability is limited to the value of shares held.


23 Reference in preceding footnote.

24 Wylde's outline of the opinion he expressed to the meeting of 22 November 1816, in Bigge, Judicial Evidence, H.R.A., IV, i, 786–7. A briefer version is in Wylde to Goulburn, 31 March 1817, H.R.A., IV, i, 235. Cf. Wylde's speech to meeting of 5 December, reported Sydney Gazette, 7 December 1816. The opinion was based on
Macquarie's Commission and Instructions, apparently in ignorance of the prohibition of the earlier plan for a bank.


27 Bigge, *Judicial Evidence, H.R.A.*, IV, i, 786, 787; *Sydney Gazette*, 19 April, 17 May 1817.

28 *Sydney Gazette*, 7 December 1816.


32 Bathurst to Attorney and Solicitor-General, 6 August 1818; Shepherd and Gifford to Bathurst, 13 October 1818; *H.R.A.*, IV, i, 314–15, 320.


36 Bathurst to Brisbane, 31 July 1823 (enclosing Bigge's second and third reports), *H.R.A.*, I, xi, 100.

37 *Sydney Gazette*, 20 February, 19 June, 24 July 1823.


39 Brisbane to Bathurst, 14 May 1825, *H.R.A.*, I, xi, 586. Darling to Bathurst, 5 May 1826, *H.R.A.*, I, xii, 268, says the renewed charter was dated 11 October 1823. *Sydney Gazette*, 21 November 1827, says the renewal was “against the pressing advice of Major Goulburn”.

40 *Sydney Gazette*, 26 January 1826. The bank also claimed the services of a military sentry as the privilege of a chartered bank, *Australian*, 15 November 1826.

41 *Sydney Gazette*, 1 March 1826.

42 Report of meeting in *Sydney Gazette*, 22 March 1826; Wentworth cited J. T. Campbell as his authority, using phrases from Wylde's opinion given above.

43 11 March 1826.

44 *Sydney Gazette*, 22 April 1826.
45 Bathurst to Darling, 14 July 1825, *H.R.A.*, I, xii, 19.

46 *Sydney Gazette*, 29 April 1826.

47 Darling to Bathurst, 5 May 1826, *H.R.A.*, I, xii, 268–9. Fitzpatrick, *op. cit.*, p. 336, seems to have missed Bathurst's instructions to Darling and reads into this refusal motives which do not appear to have had any part in it.

48 Bathurst to Darling, 1 December 1826, *H.R.A.*, I, xii, 703.

49 *Sydney Gazette*, 10, 12 September 1827. The latter issue makes the decision public saying that the directors themselves referred the issue to England; emphasizing that as a partnership the bank's assets are increased and winding up by lying nobly: “The Home Government is quite pleased at the success and stability of the bank and expresses the most fervent hopes that its prosperity will keep pace with the true interests of the colony.” In fact Bathurst included some caustic comments on the mismanagement of the bank.

50 *Sydney Gazette*, 21 September, 12 October 1827. W. C. Wentworth, as usual on the winning side, had changed his opinion and was given credit for having warned the bank that the charter “was not worth a straw” (issue of 12 October). In the issue of 21 November 1827 it is alleged that he expressed this view “immediately on his arrival in the colony”.

51 See Chapter 7.

52 9 Geo. IV, No. 3, introduced 19 March; third reading on 31 March, after examination of bank president and unspecified amendments. *V.P.N.S.W.*, 1828, pp. 43–4. Royal approval transmitted by Murray to Darling, 26 September 1829, *H.R.A.*, I, xv, 179.

53 No. 5 of Rules and Regulations, Enclosure 3 in Macquarie to Bathurst, 29 March 1817, *H.R.A.*, I, ix, 228 ff. References to numbered rules given subsequently are to these.

54 Rule 2. The first draft rules provided for £50 shares, *Sydney Gazette*, 7 December 1816. These were printed in issue of 30 November 1816 with blank spaces for share values.

55 Rules 6–17, 42. The original draft rules gave no vote to holders of one share; those finally adopted made voting power dependent on number of shares, with a maximum of five votes to the holder of ten shares.


59 Rule 18.

60 Rule 49 which was not thought to empower the bank to increase its capital while
the charter was believed valid.

61 The first call of 25 per cent yielded £1,500, implying a subscribed capital of £6,000. First balance sheet, as at 31 December 1817, facsimile in *Beginnings of Government in Australia* (Parliamentary Library Committee, 1913). The whole capital was called in four instalments, *Sydney Gazette*, 22 March, 7 June, 29 November 1817, 31 January 1818, and by the date of the second available balance sheet, 31 December 1820, £12,600 had been paid up. Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 27, p. 6286.

62 *Sydney Gazette*, 15 February; 5, 12 April 1817.

63 Rule 28.

64 Two years later was substituted: “Whilst we discharge our smaller engagements in the silver and copper specie of the colony, we will, with equal promptitude, pay the greater either in dollars, Store receipts or bills on the Treasury. This is our pledge to the public and we will redeem it. Our faith shall be inviolate; and no man shall say with truth the bank has not deserved the good opinion of the public.”

65 Statistics from Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 27, p. 6290 and first balance sheet, reprinted in *Views of the Premises of the Bank of New South Wales* (facsimile also in *Beginnings of Government in Australia*, 1913). Unless otherwise stated, statistics in this section are from these sources. (*Views of the Premises* is cited in some publications as *Photographs of the Premises*. The first title appears on the spine of the book, the second on the title page.) The “tokens” were printed, the original order being for 8,000 at 1s., 6,000 at 1s. 6d. and 4,000 at 2s. “Minutes”, 22 March 1817.

66 *Sydney Gazette*, 26 January 1826.


68 *Sydney Gazette*, 3, 10 February 1821.


70 E.g., Coghlan, *Labour and Industry in Australia*, i, 81, “The bank immediately won public confidence and very soon the evils of an unstable paper currency disappeared, as the notes of the bank were everywhere received and the promissory notes of private persons speedily withdrawn from private circulation”; or Mackaness, *Sir Joseph Banks*, p. 132, “By 1819 the paper of the Bank of New South Wales had become the principal circulating medium of the colony.”

71 As a result the former were rarely payable on demand as frequent advertisements of lost notes in *Sydney Gazette* and *Hobart Town Gazette* indicate.

72 *Sydney Gazette*, 28 August 1819, 10 June 1820. They kept a general store.


75 For the Waterloo Company see below.

76 These names are taken from *Hobart Town Gazette* only; in order, see 27 July 1816; 29 March 1817; 22 January 1820; 14 April, 22 September 1821; 17 August 1822; 30 November 1822; 4 January 1823. Bent, the printer, offered forms to “those gentlemen who are disposed to issue promissory notes”, 14 April 1821. Cf. D.-A.-C.-G. Hull to Bigge, 7 December 1820, *H.R.A.*, III, iii, 692. A number of other names can be found, together with reproductions of notes, in Hyman, *Account of Coins, Coinages and Currency of Australasia*; P. J. Marks, “History of Paper Currency in Australia”, *J.R.A.H.S.*, vol. v, Part III; J. Reynolds, “Notes on the Currency of Early Tasmania 1803–25”, *Papers and Proceedings, Royal Society of Tasmania*, 1925. These studies which relate to Tasmania as well as to the mainland are primarily collectors' descriptions.


79 Sub-enclosure 40 to the same report, *loc. cit.*, 436, 437, 438.

80 This is inferential from the absence of any evidence of interest on deposits in the incomplete bank accounts or otherwise and from the discussion of “Scotch Banking” throughout the 'twenties.

81 Bank notice in *Sydney Gazette*, 6 June 1818, to take effect on 15 June; an exception was made “where they are for balances of accounts”.

82 E.g., evidence before Select Committee on Masters' and Servants' Act, 1845, evidence of H. Macdermott, *V.P.N.S.W.*, 1845.


84 Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 8, pp. 3361, 3400 (evidence of Rev. W. Cowper); Box 16, p. 2140 (Orphan Commissioners to Marsden, 14 February 1818, directing transfer to Bank); Box 25, pp. 5545–6 (Wylde); Box 26, p. 5866 (Cowper to Bigge, 24 January 1821, recording transfer of £2,700 in February and £200 in August 1818).

85 For instances see *Sydney Gazette*, 7 July 1821, 11 November 1824. For this system of accounts with merchants the evidence is clear a few years later, e.g., in Petition of Traders, Shopkeepers and Inhabitants of Sydney, *V.P.N.S.W.*, 1 August 1832.

86 Printed *Address* on Savings Bank by Barron Field, 5 June 1819, p. 1; Bigge, *Report on State of Colony of New South Wales*, pp. 16–17; and *Manuscript Evidence* (Mitchell Library), B.T. Box 24, p. 4998, Box 26, pp. 4795–6; see later account of the first savings bank.
87 F. Williams to J. T. Campbell, 19 July 1820, B.T. Box 23, p. 4796, reports that “the undermentioned specie is all that is now in the Bank”:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial dollars</td>
<td>£4,170.00</td>
</tr>
<tr>
<td>Spanish dollars</td>
<td>1,750.00</td>
</tr>
<tr>
<td>Dumps</td>
<td>368.15</td>
</tr>
<tr>
<td>Coppers</td>
<td>12.95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£6,301.45</strong></td>
</tr>
</tbody>
</table>

At 26 January 1821 the total was little different at £6,531.

88 On the novelty of internal bills in place of promissory notes see letter from “Monitor”, *Sydney Gazette*, 22 January 1824.

89 Rule 36. Loans on security of bullion were not to exceed nine months and the sale of unredeemed pledges was the only trading in goods permitted the bank (Rule 47).

90 Rules 40, 43, 39. The prohibition on overdrawing and the limit on loans were not observed, nor was Rule 46 by which an officer of the bank was to have no other business. See below.

91 Rule 33.

92 *Sydney Gazette*, 12 April 1817, lays down the formalities required and appoints Tuesdays for business.

93 *Sydney Gazette*, 21 February 1818. Bills with less than fourteen days to run were also excluded.


95 Requisition for 1819 meeting in *Sydney Gazette*, 6 November 1819; Board Minutes of 15 April 1817 and 17 November 1819, B.T. Box 27, p. 6283 (Mitchell Library).


99 Ibid., p. 6286; *Beginnings of Government in Australia*.

100 Advertisements calling on the drawers of notes held by merchants are common, in *Sydney Gazette* and *Hobart Town Gazette*, and frequently mention settlers specifically. Cf. Bigge, Tasmanian Evidence (Deputy Judge-Advocate Abbott), *H.R.A.*, III, iii, 259 ff.

101 For a very early example in 1800 see “Riley Papers” (Mitchell Library), ii, folio


Rules 34, 35.


Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 17, p. 2319 gives these figures of registered mortgages:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Amount Secured</th>
</tr>
</thead>
<tbody>
<tr>
<td>1817 (from 25 January)</td>
<td>63</td>
<td>(£)11,861</td>
</tr>
<tr>
<td>1818</td>
<td>71</td>
<td>7,844</td>
</tr>
<tr>
<td>1819</td>
<td>35</td>
<td>10,753</td>
</tr>
<tr>
<td>1820 (to 24 June)</td>
<td>10</td>
<td>3,592</td>
</tr>
</tbody>
</table>

“Actual” probably means “subscribed” capital.

*Sydney Gazette*, 1 August 1818 (decision at meeting on 15 July).

Macquarie to Bathurst, 1 September 1820, *H.R.A.*, I, x, 348.

Report on Agriculture and Trade in New South Wales, p. 66. Bigge curiously adds that they had “not much exceeded the inconsiderable amount of £4,000”.


The procedure is shown in the Board Minute of 18 August 1818 in “Bank of New South Wales Papers” (Mitchell Library): the customer endorsed his receipts to the bank and gave an order to the bank and gave an order to the Commissary directing payment to the bank.

Bigge to Wentworth, 25 January 1821, *Manuscript Evidence* (Mitchell Library),
B.T. Box 26, p. 5893; Wentworth to Bigge, 26 January 1821, “D’Arcy Wentworth Correspondence” 1821–27 (Mitchell Library): “When I accepted the situation of a bank director it was not made a stipulation with me that I was to be precluded from using my own money in any way I might deem proper”.

117 The rates were:

(a) 19 August 1817–25 August 1818
Receipts due in 1 to 7 days 1 per cent
Receipts due in 8 to 14 days 11/2 per cent
Receipts due in 15 to 22 days 13/4 per cent
Receipts due in over 23 days 2 per cent
(b) 25 August 1818—February 1819
Irrespective of period 1 per cent
(c) After February 1819

No premium (Store receipts were not issued for some months). Sub-enclosure 40 in Macquarie to Bathurst, 15 March 1821, H.R.A., I, x, 436–7.

118 Macquarie to Bathurst, 29 March 1817, H.R.A., I, ix, 220.

119 Notices and advertisements in Sydney Gazette, 30 November, 14 December 1816; 25 January, 1, 8 February, 1 March, 5 April 1817.

120 Of the first seven directors four were government officials (Campbell, D. Wentworth, W. Redfern, A. Riley, replaced in March 1817 by W. Gore, another official); Thomas Wylde was the son of the judge; the others were John Harris and Robert Jenkins.


122 Sydney Gazette, 3, 10 May, 27 September, 25 October 1817.

123 Bigge, Report on Agriculture and Trade, pp. 65, 84. The two funds comprised the whole local Treasury accounts but not the Commissariat Chest. The deposit of the Orphan Fund was on the initiative of the Trustees, Macquarie giving no formal instructions, Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 25, p. 5543 (Wylde).

124 Receipt dated 29 June 1820 in “D’Arcy Wentworth Correspondence”, 1817–20 (Mitchell Library). See also Bigge, Report on Agriculture and Trade in New South Wales, pp. 65, 86, where the date of deposit is given as May. In Police Fund Accounts, Sydney Gazette, 11 November 1820, the deposit is recorded in the September quarter’s accounts.


126 In the letter cited in the preceding footnote. The bank paid the interest for at


128 Drennan to Harrison, 6 March 1819, Bigge, *Manuscript Evidence* (Mitchell Library), B.T. Box 18, p. 2483.


130 General Order of 8 February 1819, *Sydney Gazette*, 13 February 1819; *Hobart Town Gazette*, 3 April 1819.


132 Macquarie to Commissioners of Treasury, 24 March 1819, *H.R.A.*, I, x, 104.

133 *Sydney Gazette*, 1 May 1819.

134 Report of Board of Investigation, *H.R.A.*, I, x, 418, records 75 such settlers receiving payment in Sydney between 3 May 1819 and 24 June 1820, a number which must be interpreted in the light of the sparse settlement; the Bathurst storekeeper reported that suppliers did not bother to call for receipts until they happened to be coming to Sydney, *ibid.*, 420.

135 Notes were first sent in September 1819, Bigge, Tasmanian Evidence, *H.R.A.*, III, iii, 305 (evidence of Hull, Commissary at Hobart), 440 (T. Walker, Launceston); the withdrawal of Store receipts was ordered in *Hobart Town Gazette*, 3 April 1819.


137 Macquarie to Treasury Commissioners, 12 June 1819; Enclosures 4, Drennan to Macquarie, 24 April 1819; 5, Macquarie to Drennan, 26 April 1819; *H.R.A.*, I, x, 155, 158, 158–60; and Macquarie to Sorell, 15 May 1819, *H.R.A.*, III, ii, 396–7.

138 Sorell to Macquarie, 22 May 1819; Macquarie to Sorell, 17 August 1819; *H.R.A.*, III, ii, 401, 406.


140 The notes were received, £4,200 in September, £11,200 in November and £13,500 in December. Hull's evidence to Bigge, *H.R.A.*, III, iii, 305. Hull forwarded £11,606 of these from Hobart to Port Dalrymple.

141 *Sydney Gazette*, 9, 16 October 1819; Report of Board of Investigation, *H.R.A.*, I, x, 421.

143 Bigge to Macquarie, 16 June 1820 (Mitchell Library), B.T. Box 23, pp. 4423–6. The Committee set up comprised Judge-Advocate Wylde, Judge Field and J.T. Campbell. Bigge and his secretary assisted but did not sign the report because Bigge's instructions forbade his revealing the results of any inquiries he made in New South Wales but he agreed “entirely” with it. Bigge's confidential report on Drennan (Mitchell Library) B.T. Box 28, p. 7139.

144 The feeling between Macquarie and Drennan is illustrated by Macquarie's reference to his “insolence and impertinence” (Macquarie to Sorell, 13 October 1820, *H.R.A.*, III, iii, 65), and Drennan's “General Macquarie would go any length to ruin me”, or “I find it my unhappy lot to be in continual hot water . . . General Macquarie must have taken leave of his senses” (Drennan to Harrison, 15 March, 3 April 1819 (Mitchell Library), B.T. Box 18, pp. 2510, 2549). Immediately after this Drennan was court-martialled for disrespect to Macquarie (Antill to Drennan, 7, 9 April 1819, *ibid.*, pp. 2559, 2564). During his arrest his deputy, Cordeaux, continued the issue of notes, using his own signature (*ibid.*, Box 10, 4138).


146 This would cover Macquarie's prohibition of note issue by Commissariat officials.

147 I.e., Macquarie as Captain-General.


150 See references in previous note.

151 Macquarie to Commissioners of Treasury, 24 March 1819, *H.R.A.*, I, x, 103, 109. Andrew Allan, whom Drennan described as “the only efficient clerk employed in the department in this colony” (Drennan to Harrison, 10 April 1819, (Mitchell Library), B.T. Box 18, p. 2567), was presently facing trial for bribery. Macquarie to Commissioners of Treasury, 12 June 1819, *H.R.A.*, I, x, 154. The papers on his trial are in B.T. Boxes 18, 19 (Mitchell Library).


157 *Sydney Gazette*, 26 August 1820. Notes were to be met in dollars or bills on the Treasury.
158 General order of 19 September 1820, *Sydney Gazette*, 23 September 1820. The instruction to Drennan is in J. T. Campbell to Drennan, 19 September 1820 (Mitchell Library), B.T. Box 24, pp. 5126–7, which says Drennan had agreed to this date.
160 These were issued between 24 January and 24 December 1819, 1,000 of £1; 1,600 of £2; 2,200 of £5 and 3,400 of £10. Report of Board of Investigation, *H.R.A.*, I, x, 421; return by Drennan, B.T. Box 18, p. 2440 (Mitchell Library).
161 Report, *H.R.A.*, I, x, 421. Drennan's figures of £5,000 and £7,000 were rejected.
163 The orders of 19 September and 9 October were published in *Hobart Town Gazette*, 4 November 1820, which also contains notice requiring presentation of all Drennan's notes by 8 December. Store receipts were to be used from 24 November. There was a run on the local Commissariat at once, Hull to T.H. Scott, 8 December 1820, *H.R.A.*, III, iii, 694–5.
164 Drennan himself, having failed to explain a deficiency of over £6,000 in his accounts, was sent to England under arrest “as an extensive public defaulter” and subsequently dismissed the service. Brisbane to Bathurst, 6 April 1822, *H.R.A.*, I, x, 629; to Lushington, 20 March 1823, *ibid.*, xi, 58; *Sydney Gazette*, 1 October 1827. Material available locally does not connect this with his note issue.
166 Drennan to Macquarie, 5 February 1819, *H.R.A.*, I, x, III.
169 *H.R.A.*, I, x, 431. The Board's rejection of all Drennan's charges against the bank must be taken along with the fact that all three members were shareholders and one the president of the bank.
171 The origins of the dollar “system” are more fully discussed below.
172 Macquarie to Bathurst, 29 March 1817, H.R.A., I, ix, 221.
173 Macquarie to Bathurst, 1 September 1820, 27 July 1822, H.R.A., I, x, 347–9, 676.
174 Report on Agriculture and Trade in New South Wales, pp. 65, 66.
175 Ibid., pp. 66, 67.
176 Bigge, Manuscript Evidence (Mitchell Library) and Tasmanian Evidence, H.R.A., III, iii, contain many references; see also Sydney Gazette advertisements 1817 and following years.
177 See Appendix.
178 Australian, 2 March 1826.
179 E.g., Sydney Gazette, 19 June 1819, 23 December 1820.
180 E.g., Sydney Gazette, 25 December 1819, 25 March, 10 June, 8 July 1820. After mid-1820 these and similar references to dollars become more frequent.
181 E.g., Sydney Gazette, 27 February 1823 (advertisements by A. B. Spark; J. Grant; Aspinall, Browne & Co.); Hobart Town Gazette, 11 January 1823 (Deane).
182 E.g., Sydney Gazette, 6 February 1819 (for a farm), 25 October 1822; Hobart Town Gazette, 11 March 1820.
183 Examples of the exchanges cited and others can be found in Sydney Gazette, 8 February, 22 March 1822; Hobart Town Gazette, 29 March 1817 and almost every issue for the next seven or eight years; Bigge, Tasmanian Evidence, H.R.A., III, iii, 246, 247, 253, 310, 446. Note D.-A.-C.-G. Hull to Bigge, 7 September 1820, ibid., 680: “every person who . . . receives [wheat] as money”.
184 On the continued use of “property” see Bigge, Tasmanian Evidence, H.R.A., III, iii, 219, 225, 232, 247–8, 438; Manuscript Evidence, B.T. Box 5, pp. 1910–11, 2284. For spirits, see Tasmanian Evidence, loc. cit., 225, 393, 401, 402, 438, 451, 917; Manuscript Evidence, B.T. Box 5, p. 2193, Box 10, p. 3977. For the use of “orders” see Tasmanian Evidence, 310, 351.
185 See, in order, Sydney Gazette, 4 November, 18 November 1820, 29 March, 17 May, 31 May 1822, and also 9 December 1820, 25 October 1822.
186 Hobart Town Gazette, 2 September 1820, 5 July 1823.
187 E.g., Sydney Gazette, 12 April 1822, 6 December 1822; Hobart Town Gazette, 3 March 1821, 4 January 1823.
188 Sydney Gazette, 21 October 1824. This was one of the first business ventures of Daniel Cooper, whose nephew, Sir Daniel, was first Speaker of the New South
Wales Parliament.


190 See some scores of examples, mainly relating to 1818 and 1819 listed in *H.R.A.*, III, iii, 809–13, 819–20. E.g., Mary Shadwell, a hospital nurse, received 1 lb. tea, 6 lb. sugar, 6 lb. soap as “wages for one month”; Lieut. Leroux for his services as coroner received wheat and meat; Joseph Hopkins for blacksmith's work 191/2 lb. sugar.

191 A number of documents are preserved in “Wentworth Papers”—Treasury Orders 1812–25 (Mitchell Library); in “Auditor-General's Office Papers” (Mitchell Library). Accounts for the Police Funds appeared regularly in *Sydney Gazette* and less regularly in *Hobart Town Gazette*. Both papers also published customs collections and accounts of the Orphan Funds. Bigge's Evidence contains a mass of detail on the operations of the Commissariat. Most of this is scattered, but see particularly B.T. Boxes 10, 22, 23 (Mitchell Library).
Chapter 6 The Dollar Standard

The Question of the Standard

THE INTRODUCTION of the “dollar system” in 1822 meant the partial substitution of a full dollar standard, involving not merely the use of dollars for most cash transactions but government and private accounting in dollar terms and a near approach to the establishment of the dollar in place of “sterling” as the colony's standard money. British policy, however, decreed late in 1825 the removal of the uncompleted structure and the immediate institution of a sterling-exchange standard with a fixed rate of exchange, which was followed by the abolition of reckoning in either dollars or “currency” and the elimination—long delayed in Tasmania—of foreign coins from circulation. The story is that of the final firm establishment of the pound Australian.

The “dollar system” appears to have been due to a variety of motives, the disentangling of which is not made easier by charges of malice and corruption. The moving spirit was not Brisbane, who was “too accustomed to look at the moon through a telescope to have much pleasure in looking at the earth through any other medium”, but the Colonial Secretary, Major Goulburn. Brisbane officially endorsed the policy, with a public tribute to the Spanish dollar:

that invaluable coin, which has for centuries been disseminating its benefits over every other portion of the earth . . . a coin which from the extension of its circulation over every part of the commercial globe may justly be defined as the money of the world. Like the air we breathe, unlimited in the extent of the blessings which it showers over all mankind; like the ocean that surrounds our continent, a grand circulating medium assisting to waft to every part of the world the various products of her diversified climates. Driven, indeed, from the United Kingdom by her monies of sterling denomination it still however maintains all its pre-eminence in every one of her colonies. Confined in its advantages to no faith, kindred or government, I refer you . . . to those sterling benefits it has for ages been bestowing on the British and Protestant North American Colonies; on the French and Papal Canadas; on Mohammedan India; and on the whole world.

But it is doubtful whether Brisbane fully understood what was occurring. He made no report on the new system until six or seven months after its introduction and then did little more than forward copies of complaints. As late as 1825 he does not appear to have realized the extent to which the
colony had been transferred to a dollar standard. He complained of the Commissariat officials acting without his consent in the import of dollars, but it was the advice of the same officials he solicited and followed on currency affairs. There is no reason to doubt the testimony of J. D. Lang, the merchant Alexander Berry, the Colonial Times and the Sydney Monitor that Major Goulburn and Deputy Commissary-General Wemyss were responsible for the new system being “rather curiously foisted upon” the colony.

Berry's charges against Goulburn appear to represent the opinion of the mercantile community. To Berry, Goulburn's motive for the change was compounded of hatred of Macquarie's policy of enforcing “sterling”, antagonism to the Bank of New South Wales, muddled ideas on money and a “job” between Goulburn and Admiral Sir Henry Blackwood of India. It is distinctly probable that these had some part in the decision although the desire to reduce governmental expenses, to provide the colony with a coinage, to avoid a repetition of Commissariat note issues such as those by Drennan in 1819–21, and an honest belief in the virtues of a dollar currency were also significant.

Berry's story of Blackwood's shipping dollars from India by the Nimrod to be bought by Brisbane on Goulburn's advice at 5s. each, and of his clandestine arrangements for collecting the bills on the Treasury with which he was paid, is without direct support, but is full of circumstantial detail and is made plausible by the tone of current references to the Nimrod shipment, and by the fact that the full operation of a dollar standard does not appear to have been intended at first. Similarly, there is no proof that Goulburn and Macquarie “mutually hated and despised one another” and that as a result Goulburn was determined to abolish “sterling” in favour of “currency” and thereby ruin the Bank of New South Wales whose assets were mainly “sterling” securities. But there was an atmosphere of distrust and suspicion in the relations between the Commissariat and the Bank which had appeared in the Drennan episode and was not to disappear for some time. Moreover, Macquarie's “sterling” policy meant that Bank of New South Wales notes ranked as equal in value to bills on the Treasury and in a sense this opportunity to convert notes into bills at par was a subsidy to the bank, ensuring the circulation of its notes as “sterling” rather than as “currency”. In what one might call the Commissariat view, the Bank was increasing its discounts rashly and issuing an excessive quantity of notes. Combined with the high exchange rate between local money and bills on the Treasury this constituted a bounty on imports, the increase of which, from other causes, would in any case necessitate a devaluation of local money. The introduction of dollars would thus achieve a number of
objects. The bank would be compelled to be more cautious if there were a high sterling price for silver which would be needed for reserve purposes; government expenditure would be reduced since it would pay in “currency” rather than in “sterling”; the bounty on imports would be removed and excessive imports discouraged by a depreciation of 20 per cent in the exchange value of bank notes which was believed to represent their true value.11

It seems clear enough that the bank was getting into deep water by this time, fully embarked on the course which in 1826 nearly brought its dissolution. Nor was public opinion always favourable to its activities.12 Berry himself admitted the glut of imported goods: “it appears as if the good people of England had anticipated the progress of the colony by twenty years”.13 In these circumstances a policy which was not free of suspicion as to the motives behind its particular details, even though the basic purpose and its theoretical justification may have been reasonable, might well appear in the eyes of merchants, whose ability to discount bills at the bank was reduced at the same time as the cost of imports was increased by the devaluation, to be intended to ruin the bank.14

(a) First Phase: Dollars in Circulation

Whatever the precise intentions behind the change, the first move was a large-scale importation of dollars in the first months of 1822. The amount is uncertain. In 1826 it was reported as about $400,000, but there is no indication of what period this estimate covered, nor of whether it included private imports.15 Current comment assumed about $70,000 by the Nimrod and $14,000 by the Almorah as the first shipments.16 But private imports also occurred which Brisbane refused to restrict,17 and the amount introduced by the Commissariat is unknown; in any case it seems that the Commissariat did not so much import dollars as provide a market for those who did.18 No announcement of the government's intentions was made, dollars being paid out as equivalent to five shillings and accepted by the colonists because this was the conventional valuation, and it was assumed that they might be exchanged for bills on the Treasury at the same rate. When, however, it became known that the Commissariat would take them as 4s. 2d. only, the estimated bullion value in sterling, a storm broke. Indignation was aimed partly at the failure to inform the public, partly at what was considered as sharp practice on the part of government. The Bank of New South Wales refused to accept dollars “until a specific value is fixed thereto by the proper authorities”,19 and protested to Brisbane.20 Their argument was that the recent influx of dollars meant that the old
conventional valuation of 5s. could not be maintained except by government decree. But the Commissariat would accept dollars as 4s. 2d. sterling so that in effect the government was reducing the amount it paid for goods by giving the same nominal price in a depreciated currency. In so doing it had introduced confusion into private reckoning, exposed the bank to a loss of 10d. on very dollar which it held as reserve and treated those selling to government unfairly.

The response took the form of two concessions. By the General Order of 10 May 1822 all colonial duties and quit-rents might be paid in Spanish dollars at 5s. each, and from the end of the month wheat bought by the government was taken at a price of $2 per bushel instead of the old 10s. This concession was merely nominal since while suppliers were no longer misled as to the nominal price, the Commissariat paid for wheat in dollars only.

Up till June 1822 government policy had achieved four things. The Spanish dollar had been devalued from 5s. “sterling” to an uncertain value of about 4s. 2d. “sterling” and 5s. “currency”. Large numbers of dollars had been introduced as a basic coinage and the dual system of reckoning in “sterling” and “currency” was given a new lease of life. The cost of government supplies was reduced by paying in “currency” (i.e., dollars at 5s.) prices which had previously been “sterling”, a reduction which was effective because government was the dominating buyer.

Public opinion as reflected in the columns of the *Sydney Gazette* fairly saw the issue as a choice of monetary standards. One group, represented by individual correspondents and by the signatories to an address from the “Inhabitants, Landholders, Merchants and Free Colonists”, objected strongly to the new policy. Substantially the opposition complained of the injustice of payment in “a foreign coin of doubtful and fluctuating value” which recipients could not rely on paying back to the government, of the risk that contracts in “sterling” made before the new system would be literally enforced, of the necessity to reduce wages if the new-devalued dollar were to be current, of the difficulties of remitting overseas, and of the risk of an influx of dollars. Instead of being “perpetually confused with the useless calculations of the science of exchanges” they wanted a sterling-exchange standard with a fixed rate of exchange and a British coinage.

The government champions hid their identities under the names of “Mercator” and “Subscriber”. The latter was a complete propagandist for what has been called the Commissariat view but “Mercator” went rather deeper. He admitted the confusion caused by the existence of two standards and two systems of reckoning and conceded the force of most of
the arguments of the opposition, but pointed out that maintenance of the old “sterling” value of the dollar was impossible since it was a standing invitation to import dollars. He argued for a recognition of the fact that whatever its denomination local money would vary in “sterling” value according to the balance of payments and an artificially increased valuation would limit exports and inflate imports. If parity with sterling was desired it would be necessary to import British coin and ensure its retention. Otherwise either the Spanish dollar should specifically be the standard or there should be a strictly local coinage which might be attained most simply by stamping the dollars already in use. In effect his argument ascribed the defects of which opponents of the government complained to the failure to establish a full local standard.

(b) Second Phase: The Dollar as Unit of Account

There is no evidence that government policy was influenced by “Mercator's” views, but after meeting criticism by a temporary stabilization of the “sterling” value of the dollar the government proceeded systematically to introduce a dollar standard and to cut the local monetary system free from a fixed parity with sterling. The concession took the form of a General Order of 6 June 1822 by which the Commissariat would temporarily sell bills on the Treasury at a premium of 21/2 per cent, accepting dollars at 5s.29 In a sense this reversed almost completely the devaluation of the dollar but it was specifically made temporary and was quickly followed by other measures.

Three weeks later Macquarie's two proclamations of 23 and 25 November 1816, enforcing the circulation of “sterling”, were rescinded,30 thus leaving all individuals free to make contracts, issue notes and draw bills in terms of “currency”, dollars or other money. In July “holey” dollars were called up at 5s. during a period of six weeks.31 In November “dumps” were called up in exchange for bills on the Treasury or sterling money at Is. 3d. per “dump” provided they were presented within six weeks. Thereafter they were to be re-issued as quarter-dollars.32 Following on this revaluation of “holey” dollars and “dumps” the public were warned of the government's intention to adopt a full dollar standard by notices that, on the expiry of this latter period, no bills, Store receipts, etc., in “sterling” would be recognized by Commissariat officers.33

Meanwhile in November 1822 the stabilized exchange rate was abandoned in favour of a rate determined by competitive tender. Tenderers were to offer Spanish dollars reckoned, for convenience only, at 5s., indicating a percentage premium which they were willing to pay.34 In April
1823 “holey” dollars and “dumps” were accepted on similar terms.35 “Holey” dollars whose re-issue had been overlooked were returned to circulation as three-quarter dollars.36

The next step was a General Order of 5 February 182337 by which in future the public accounts were to be kept in terms of dollars, salaries paid to officials in dollars (at four shillings per dollar), copper pence were to be treated as cent coins at one cent per halfpenny and colonial dues were to be paid in dollars, reckoned in sterling according to the maximum rate of the last tender for bills on the Treasury. The last somewhat clumsy provision was necessitated by the fact that customs and some other charges were fixed in £ s. d. by the British parliament.

This, the second phase of the dollar system, was completed by provision for the negotiability of dollar securities. The repeal of Macquarie's proclamations had removed the legal ban on them but it was doubtful whether they were negotiable instruments. Both in New South Wales and in Tasmania the issue was publicly raised,38 and settled by the first act of the New South Wales Legislative Council,39 which declared that dollar bills and notes should be transferable and negotiable “as if they had been drawn payable in money of the realm”.

The completion of the legal framework did not, however, mean the full and smooth operation of a dollar standard. Moreover, an important reversal of policy was made in 1825, the dollar being reckoned in all government transactions at 4s. 4d., probably because convenience required some defined rate when so many receipts and payments were fixed in £ s. d. and could not be modified by the local authorities. It is possible, too, that the parliamentary discussions in England on the future of the Empire monetary systems induced the New South Wales authorities to prepare for the change, the broad lines of which they could forecast.40 The transition was in any case simplified by rating the dollar at 4s. 4d. before any instructions to that effect were received. Prior to this last change, however, knowledge of English plans encouraged local policy instead of restricting it because Bathurst had given qualified approval to the dollar system.41 At the time the only details of the new procedure which had reached England were Brisbane's report of early complaints and these conveyed only the fact of the Commissariat paying for supplies in dollars at 5s., which was approved, provided tenders were advertised for. This had already been done.42

A number of valuations of the dollar existed for government transactions until June 1825. In payments to the general public the dollar was reckoned at 5s. But it was paid to the troops as equal to 4s. 8d.43 and to salaried officials as 4s.44 Some rate had to be fixed upon for these payments which
were prescribed in sterling and could not be altered in New South Wales. Since the dollar was believed locally at this time to have a bullion value of 4s. 2d. sterling, in effect the officers were overpaid and the troops underpaid. In payments to the government some rate had to be prescribed for a number of payments for the same reason. The rule adopted in the General Order of 5 February 1823 by which the value of the dollar in payments to government should be the value determined by the last tenders for bills on the Treasury did not apply universally. The Provost-Marshal in Sydney, receiving court fees fixed in sterling, counted the Spanish dollar as 4s. and the “holey” dollar as 2s. 10d. The same practice was followed in Tasmania. In January 1825 the complexity of reckoning was increased by the proclamation of certain excises which might be paid in shillings, or in dollars at 5s. The counting of the dollar as 5s. in tenders for bills on the Treasury was less confusing, but over the whole field the various values made for complexity and dispute. This was accentuated by variations in the private rating of the dollar. During the months of 1822 when the Commissariat accepted the dollar as 5s. with a discount of 21/2 per cent so did a number of private sellers. Some offered the deceptive valuation of 5s. 6d., making an upward adjustment of prices, but the general rule was to accept the dollar as 5s. and to price goods in “currency” in terms of £ s. d. The Bank of New South Wales was reported to accept the dollar as 4s. 2d. in August 1822 and as 4s. in February 1823, while bank salaries (which were expressed in £ s. d.) were paid in dollars at 4s. from 1822 until the irate shareholders discovered that their profits were thus being reduced and insisted on a return to “the old system”. Under these conditions people continued to think in terms of pounds rather than dollars and it was necessary to specify a valuation for the dollar in all contracts.

In September 1824 Brisbane referred the matter to a Board of Commissariat officers, directing them to fix a rate on the dollar for all government transactions. The Board found that “the intrinsic value of the pure silver contained in the Spanish dollar is 4s. 3.79d. and . . . allowing a deviation to save the trouble of calculating with a complicated fraction, say 4s. 4d. would be a fair ratio for converting sterling into currency”. Presumably the basis for this calculation was a sterling price of silver of 5s. 2d. per standard ounce which had been, but was no longer, the English mint price. There was, in fact, no permanent sterling equivalent of the dollar but fortunately the English Treasury made a parallel calculation and ordered the same valuation when a sterling-exchange standard was imposed in 1826. The Board, however, pointed out that the major governmental revenues arose from ad valorem duties and the necessity for a rating of the dollar would disappear if values were assessed in dollars.
In a further Report\textsuperscript{55} the Board urged that in commuting rations to government employees rates should be fixed in Spanish dollars.

Brisbane took no immediate action but in April 1825 referred to England a scheme for stipulating “that the payment of all taxes as well as the salaries of public servants and other engagements shall be made on the part of government in dollars \textit{eo nomine} without reference to any value; and in those cases where it may be necessary to express sterling money, to specify that the dollar shall be taken nominally at five shillings”. He suggested a local token coinage of fractions of a dollar.\textsuperscript{56} The British plan for an Imperial sterling area made consideration unnecessary.\textsuperscript{57}

\textbf{(c) Third Phase: Retreat}

Brisbane did not wait for this reply. Within three months, presumably because unofficial news made the new Imperial policy clear, he had decided upon the general adoption of the 4s. 4d. valuation and implemented it after a further reference to the Board of officers, who were required to make up a scale of salaries to fit the new valuation, including “all salaries and allowances whatsoever”.\textsuperscript{58} In May 1825 it was directed that all payments to government which were specified in sterling would be receivable in dollars at 4s. 4d. which “has been fixed upon with reference to the general average exchange paid for the Spanish dollar in the negotiation of government bills for a considerable time past”.\textsuperscript{59} This did not affect the purely conventional 5s. valuation for tenders for bills on the Treasury.\textsuperscript{60} Payments by government of amounts expressed in sterling were after June 1825 to be made in dollars at the same rate of 4s. 4d. Salaries were specifically mentioned.\textsuperscript{61} In this final\textsuperscript{62} provision for the legal framework of the dollar system was the recognition that the government had failed to establish a dollar standard. Even had this development not been followed immediately by the receipt of instructions for a sterling-exchange standard, the most that would have been achieved was a continuation of the situation that existed in the closing months of 1825 and was to last for at least five years: the widespread circulation of Spanish dollars valued in £ s. d. in terms of which most reckoning was made, with the complication that some accounting was in terms of dollars and a dual scale of values in “sterling” and in “currency” was prolonged.

Government accounting was very incompletely transferred to a dollar basis. In New South Wales the Colonial Fund and Naval Officer's Accounts were given in dollars in 1823,\textsuperscript{63} although there was some delay in Tasmania where the Colonial Fund does not appear to have adopted dollar reckoning.\textsuperscript{64} Most revenue was received in dollars,\textsuperscript{65} but even then dollar
reckoning was mainly a formal compliance with the order of 5 February 1823. Most items of revenue and expenditure were reckoned in pounds and converted into dollars for the final accounts. Land prices or rewards were occasionally reckoned in dollars but in general government accounting continued to be in pounds. Fines and penalties were in dollars. Land prices were mainly in pounds, as were customs duties and many salary payments fixed in England. Court fees, tolls and other government wages and salaries determined locally were also reckoned in dollars. Even the Commissariat, which professed to price wheat in dollars, continued to accept tenders in terms of shillings and pence throughout the whole period of the dollar system. Occasionally reckoning was mixed, and it is impossible to resist the conclusion that in government finance the pound, not the dollar, remained the basic unit of account.

The situation in private finance was parallel. The Bank of New South Wales adopted some reckoning in dollars very early. Cheques in dollars were met as early as April 1822, and by the beginning of 1823 at latest it had dollar notes in circulation. Its refusal to accept dollars was shortlived and from July 1822 these were being taken. On the occasion of the renewal of the charter in 1823 the bank accounts were converted into dollars. Notes in £ s. d. were called up and deposits were receivable as dollars only from July 1823, reckoning 4s. 2d. “sterling” as one dollar. Dollar notes for 1, 3, 5, 10, 20 and 50 dollars were then issued. Even so the transfer to dollars was not quite complete, the capital of the bank being still in pounds, and dividends were sometimes given in pounds per share. Store receipts in pounds were also accepted as deposits. The Bank of Van Diemen’s Land was in a similar position, and other note issuers followed suit, issuing notes in dollars. The Waterloo Company’s first issue, in June 1822, was of notes for 1, 2, 4 and 20 dollars. But while there were a number of such “bankers”, it is significant that regular issues of “small notes” for 3d., 6d. or 1s. continued, providing small change for a system in which the basic reckoning was in pounds. Store receipts in pounds were also accepted as deposits.

These dollar note issues may be regarded as complementary to the use of dollar coin and did not mean that private finance was on a dollar basis. Promissory notes were often drawn specifically in dollars but probably more often in pounds. Prices were very rarely quoted in dollars, but almost always in pounds; the Sydney Gazette’s market reports were in £ s. d. throughout the whole episode. Occasionally prices were advertised in both £ s. d. and dollars, just as the Bank of New South Wales declared a dividend of “£9 5s. currency or thirty-seven Spanish dollars”. Other
reckoning directly in dollars was unimportant, consisting of such as the offer of rewards or prizes. But the fact that private contracts in pounds would be settled in dollars, dollar notes or cheques on dollar deposits meant that a rating for the dollar had to be specified. A typical form of promissory note was for “£16 15s. in Spanish dollars at 5s. each”, and a typical contract was that by which Cooper & Levey bought a share in the Waterloo Company for “four thousand seven hundred pounds in Spanish dollars at five shillings each”. With no exceptions worthy of mention, the rate used for accounting in such cases was 5s. per dollar and in the long run the significance of this proved to be the perpetuation of the dual “sterling”—“currency” system of reckoning, with the difference that now “currency” normally meant dollars reckoned as 5s. A good example is W. C. Wentworth's office accounts at the time of the substitution of a sterling-exchange standard, receipts from August 1825 to July 1826 being entered as £ s. d. in columns headed “currency”, but totalled as “in Spanish dollars at 5s. each”. In a large number of cases advertised prices in £ s. d. were accompanied by a note of willingness to accept dollars at 5s. so that these prices too were in “currency”.

To the end, therefore, a dollar standard was not established. The dollar and dollar notes were widespread as means of payment but the unit of account was the pound, sometimes the pound “sterling”, but usually the pound “currency”, a state of affairs which may be traced to a number of factors. Because certain government receipts such as customs duties, and some payments, notably salaries, were fixed in sterling by the English authorities a rate of exchange for the dollar had to be prescribed in these cases. This need not have been permanent and even had it been so this would not have mattered if the public had been willing to reckon in dollars. But the population as a whole was familiar with accounting in pounds, while the only sections who were accustomed to other monetary units had special reasons for thinking in English terms. Most officials were paid salaries from England and Commissariat officials had to use accounts to be forwarded to England; the mercantile community was primarily engaged in dealing with goods imported from England. To this public reluctance to adopt dollar reckoning the local government itself contributed by accepting tenders in terms of pounds and fixing fees, tolls and the like in the same unit, and by unnecessarily fixing a value in shillings on the dollar when tendered for bills on the Treasury.

“A Fixed and Uniform Medium of Exchange”

By the beginning of 1825 the British Treasury had reached definite
conclusions on the need for “introducing a fixed and uniform medium of exchange for all transactions connected with the public service, in the place of the various fluctuating and anomalous currencies which have been created under the pressure of temporary emergency, or with views of local and peculiar expediency, in many of these colonies and possessions during the war, and which have been productive of much private and public inconvenience”. Moreover, the coin most widely used, the Spanish dollar, was scarcer and the troops were justifiably complaining of being paid dollars at rates which effectively reduced their pay. The appropriate remedy was held to be the circulation of British silver and copper coin, provided it was convertible on demand into British gold coin through the medium of Commissariat bills. The seignorage on these coins would restrict export to a foreign country and the right to exchange such coin for a bill on the Treasury would eliminate any return of coin to England itself. The proposal was thus for a sterling-exchange standard with British coins in local circulation.

To effect this the Treasury proposed two main steps. Supplies of coin were to be shipped to the various colonies; and after arrival such coin was to be exchangeable for bills on the Treasury at the fixed rate of £103 of coin for a bill of £100, this rate being based upon an estimate of “the expense and risk” of re-export of coin to Britain. Recognizing, however, that sufficient supplies of coin could not be provided all at once, and that Commissariat expenditure might exceed the amount of bills which colonists would buy at the fixed rate, the Treasury provided for a restricted use of foreign coins. When British coin for Commissariat payments was insufficient, Spanish dollars might be disbursed, “invariably” at 4s. 4d., and other foreign silver coins at rates proportionate to their silver content. In obtaining these the Commissariat was to sell bills by tender at the highest rate obtainable; and it was to limit the need to resort to such coins by reserving the option to pay contractors by either British coin or Treasury bills at the fixed rate. At the same time all existing contracts were to be left undisturbed. An Order-in-Council gave legal force to the valuation of the Spanish dollar at 4s. 4d., and in addition prescribed that British copper should be legal tender up to one shilling.

Before any direct instructions in these terms reached New South Wales the content of these documents had become public knowledge, and certain preliminary measures were taken. Duties were made payable in Spanish dollars at 4s. 4d. instead of the 5s. rate ordered in May, and the Commissariat announced its intention to receive and pay the dollar at 4s. 4d. from 25 December 1825 in New South Wales, and from 25 March 1826 in Tasmania. The colonists were thus prepared for the
implementing of the specific orders a few weeks later. Bathurst's instructions,\textsuperscript{109} enclosing the Order-in-Council and Treasury Minute, did little more than stress the essential points and call upon Brisbane to execute them. As it happened, however, the arrival of this despatch coincided with the replacement of Brisbane by Darling as governor of New South Wales,\textsuperscript{110} and the separation of Tasmania.\textsuperscript{111} The consequence was that the instructions were interpreted in divergent senses in the two colonies and the elimination of the dollar system achieved by different routes.

New South Wales Abandons the Dollar

Abolition of the dollar system involved three steps, apart from the introduction of a fixed price for bills on the Treasury: elimination of dollar accounting, of “currency” reckoning, and of the dollar itself. On 17 December 1825 £30,000 of the promised silver coin arrived\textsuperscript{112} in crowns, half-crowns, shillings and sixpences.\textsuperscript{113} Accordingly Darling advertised the Order-in-Council and Treasury circular and, by General Order,\textsuperscript{114} declared the manner of their local application. Bills on the British Treasury would be sold at £103 of British coin for a £100 bill, this being the minimum amount; dollars would be received and paid in all government transactions as 4s. 4d. “sterling” and the Sicca rupee as 2s. 1d.; and government accounts were to be kept in “sterling”, all these changes taking effect on 1 January 1826.

The initial reaction to these measures was slight. Generally the change appears to have been welcomed and the Gazette's dutiful aspirations\textsuperscript{115} shared by the colonists:

Our medium will no longer be of mutable and fluctuating value; it will be fixed; the same tomorrow as today, next quarter as this quarter, next year as this year. The value of property will consequently be steadier. The premium of 3 per cent being little more than nominal, we may be said to have a sterling medium. Our accounts will no longer be liable to complexity, but will be much simplified; the time and patience now consumed in calculations of premiums and fractions of premiums will be saved. Our pecuniary transactions with the Mother Country will be simple and more definite.

By the time the general order was published most dollar prices, tested by sampling Sydney Gazette advertisements, had disappeared. But the dollar continued to circulate as 5s. “currency” and most prices were in those terms, while the government's willingness to accept dollars and rupees at fixed “sterling” rates kept their values stable, as did payment for supplies and acceptance in sales of other than Treasury bills at the same rates by the
Commissariat. The accounts of the Bank of New South Wales continued to be mainly in dollars: dollar bills were discounted, dollar deposits were retained and “sterling” deposits newly opened could be operated upon in “sterling” or dollars (at 4s. 4d.). In February 1826 notes in pounds were first re-issued, but the bank’s own accounts were still in dollars, dividends were declared in dollars, and a new issue of dollar notes was made. Private accounting was thus in a muddle, involving two scales of reckoning in pounds and two corresponding values for the dollar, as well as reckoning in dollars simply, with “currency” accounting predominant. Rupees, which had appeared in numbers at the end of 1825, were 2s. Id. “sterling” and 2s. 6d. “currency”, and at least one petty banker, Barnett Levey, issued rupee notes. Few, even of its own members, paid attention to the Chamber of Commerce's recommendation to adopt “sterling” reckoning and treat the dollar as bullion of fluctuating value. There was a hint of worse confusion to come when a forger of a note for dollars was acquitted on the plea that dollars were not money in New South Wales.

In July 1826 Darling put “an extinguisher on the hopes of the currency mongers” with the Currency Act which he explained as designed to promote the circulation of British money. This had been hampered by a number of factors. The banks continued to issue small notes, the Bank of New South Wales having re-issued five-shilling ones in May, and British coin was hoarded by them because it was the only means of buying bills on the Treasury. For the same reason all individuals with payments to make to government paid dollars so that the government disbursed British coin, receiving only dollars, while the British money went direct to the Commissariat for bills on the Treasury, not passing into general circulation. Accordingly, Darling argued, bank notes under £1 should be prohibited and dollars reduced to bullion status, when “the necessity, which everyone will feel, when dollars are considered only as bullion, to possess change, will keep the British coin in circulation. Those who have bank notes in their possession and have occasion for smaller sums or change, will demand from the bank coin in exchange for their notes so that the banks will find it impossible to hoard or retain the coin.”

The act repealed the Dollar Act (5 Geo. IV, No. 1) and went on to provide that, where any future contract should specify Spanish dollars “as money”, they should be taken as legally equivalent to 4s. 4d. “sterling”. This might have created a double monetary standard by setting a fixed legal ratio between the dollar and “sterling” but such was avoided by a proviso that contracts might specify dollars “as merchandise”, which left the way open for the “currency” valuation of 5s. Notes or any other negotiable securities under the value of 20s. were prohibited, and copper
coins were made legal tender up to one shilling. The New South Wales act thus differed from the Tasmanian in not prohibiting dollar securities and in not making the dollar legal tender, merely providing a value for interpreting contracts. On the other hand, the continued government acceptance at 4s. 4d. “sterling” stabilized its value. Darling had also expressed the view that “government should require the payment of all dues and debts to the public being made in money of sterling denomination”, and during 1826 this was temporarily adopted. “Sterling money”, said the Gazette “is beginning to show itself in current transactions. Others, beside merchants, are at length gratified with the privilege of handling the British coin.”

Meanwhile one unintended result of the arrival of British coin was a large export of dollars. Having this British coin, the Commissariat was temporarily in no need of drawing bills which could only be demanded by those who had British coin. This coin was paid out to the troops and to government suppliers, but some time elapsed before it could come into the hands of those who needed bills. In addition to short-term hoarding by prospective bill-buyers, administrative necessity required that the Military Chest and local Treasury should hold substantial average amounts. Moreover, British coin was dispersed more widely than the dollar as a result of paying troops and government employees in the interior in British silver; it thus replaced not so much dollars as private paper issues, especially “orders”. A change of currency, if it were not to involve disturbance, would need to be achieved by relating the rate of injection of the new to the rate of withdrawal of the old. In this case the withdrawal of dollars was much more rapid than the supply of British coin. Lacking bills, Merchants shipped dollars, $30,000 by the Triton and $25,000 by the Caudry as early as February 1826. Those who could get bills were able to resell them for dollars (at 5s.) at 27 per cent premium and holders of British coin could get a dollar plus 9 per cent for every 4s. 4d. Brisbane “with his accustomed consideration” for the “urgent demand of the merchants” ordered all civil salaries to be paid in the British coin, but this was of little avail. Two ships alone carried away $100,000 in May and “every vessel that has lately left port has gone off with more or less dollars”. Even “a rage for drawing private bills on the Mother Country” failed to fill the gap and the Gazette announced dolefully “the quantity of silver specie is reduced to a mere sound . . . we may consider there's an end to dollars as our circulating medium”.

Here was the proximate cause of the 1826 crisis which centred around the embarrassments of the Bank of New South Wales. These were only a dollar crisis on a superficial view and in the present connection the
principal relevant point is that one condition imposed by the governor in making aid available was that the bank should return to “sterling” accounting. Only bills in pounds were discountable after June 1826, its dollar notes were later withdrawn and replaced by notes in pounds, while, after some hesitation, the bank adopted the government valuation of the dollar as 4s. 4d. “sterling”. In September all accounts were transferred to a “sterling” basis. The example was followed by the Waterloo Company and other firms, some of whom also adopted 4s. 4d. “sterling” as the basis for pricing. But the typical accounting was still in “currency”, co-ordinated with an acceptance of the dollar as 5s.

The next step taken by the government concerned “holey” dollars and dumps. Their status had been left in doubt until in October 1826 the Commissariat commenced accepting and paying “holey” dollars as 3s. 3d. which fixed the general “sterling” valuation. In September 1828 these Macquarie coins were called up in exchange for Treasury bills at the fixed rates of 3s. 3d. and 1s. 1d. respectively, in pursuit of Darling's desire “to get rid of the dollar”.

But this general objective could not be achieved so long as the government itself underpinned the system by accepting dollars as 4s. 4d. These continued to be the commonest coin in circulation. A few people still quoted prices in dollars, the courts occasionally imposed dollar fines, while most sellers charged “currency” prices, a number specified the dollar as acceptable as 5s., and some advertised “currency for cash, sterling if booked” Wages were almost universally “currency”. The Australian might well complain of “hesitating delays, half-measures, subversion of all order in dealings, and in accounts, vexatious intricacies in merchants' books”.

By August 1829 when £55,000 in British coin had been imported since 1825 by the government and another £20,000 was expected, the time was deemed ripe for the next major step. It was ordered that from 15 August 1829 no foreign coins should be received in official payments and that the call-up of “holey” dollars and dumps would finally terminate on 30 September. Two months later the colonists learned the reason, the expected arrival of £20,000 in British coin, and the dollar fell to 4s. “sterling”, the rupee to 2s. “currency”. The fall was inevitable in any case once the government refused acceptance, for a local merchant had had shipped to him by a client in India sixteen chests of dollars and rupees with instructions to convert into sterling. Finding direct exchange unprofitable he hit on the idea of discounting bills in terms of “sterling” at less than the rate charged by the banks. The sudden injection of such large sums of coins which the government had just refused to receive was followed, on
the news of the impending British shipment, by an abrupt fall in value.164

There followed a battle of public meetings and a spate of newspaper arguments. The Chamber of Commerce reiterated its 1826 view that dollars and rupees should have no fixed local values, but a public meeting of shopkeepers three days later declared for a valuation of the dollar at 4s. 2d., the rupee at 1s. 9d. and the dump at 1s. 01/2d. “sterling”, pledging themselves to reduce their “currency” prices 15 per cent to ensure which a watching committee of fifteen was set up.166 But many shopkeepers adhered to the 5s. “currency” value;167 others reduced the rate at which they took the dollar, while maintaining the old nominal prices.168 An anonymous advertiser summoned a meeting to proclaim dual values for the dollar and rupee, the shopkeepers re-assembled and re-asserted their policy, while the Chamber of Commerce had a change of heart, voting for the dollar at 5s.170

The reason for this last reversal was the reaction of wage-earners to being paid the old wages in the now depreciated dollar, the compositors of the *Australian* opening the campaign with one of the first strikes recorded in the colony.171 Against this threat all factions united. The Chamber of Commerce urged employers to pay men dollars at 5s. and supply them with goods at “currency” prices; the shopkeepers, while clinging tenaciously to their 4s. 2d. valuation, agreed on the necessity to lower prices proportionately and avoid any increase in wages,172 the *Gazette*, which had clamoured for the abolition of “currency”, declared173 that “on no principle of equity can the labouring classes feel themselves entitled to demand a pound sterling in wages for every four dollars they had previously received.”174 The workers continued to organize and won higher wages,175 while the public debate ran hotter, the contestants ranging themselves either for a 5s. valuation of the dollar or recognition of it only as a foreign coin of fluctuating value.176 In the midst of the dispute the governor republished all the despatches, proclamations, acts and orders relating to the introduction of “sterling”, and the colonists accepted the hint, the more willingly because it had been realized that in Tasmania and Mauritius dollars were still worth 4s. 4d. “sterling”.178 In Sydney 4s. 2d. became the predominant valuation although some shops still accepted the dollar as 5s. “currency”, but “currency” reckoning, while it did not disappear for a while, declined rapidly.179 The rupee, having fallen to 1s. 9d. and even 1s. 6d., had disappeared to Tasmania where it was legal tender for 2s. 1d.180

The newly stabilized value for the dollar was shortlived. In August 1830 a conference of merchants resolved to accept it at 4s. only, which remained the valuation during the half-dozen years the coin continued to circulate.182 With much grumbling the colonists acquiesced in the new
status of the dollar. Before the collapse of the 5s. valuation, while the
government still accepted the dollar and maintained the only important
exchange rate fixed, adjustment to changes in the balance of payments
appears to have come mainly via local prices; after 1829, with the general
adoption of “sterling” accounting, changes in the value of silver abroad
affected the local price of the dollar directly and led to its export as the
volume of commodity imports to be paid for grew. The dollar had come to
rank locally as bullion, with a fluctuating price, and was exported
whenever the need for remittance made it profitable to send it to countries
which maintained a fixed value, particularly Mauritius and Tasmania. “The
dollars, holey dollars and dumps are making their exit fast.”

The process was assisted by the steady inflow of British coin, mainly as
the result of private import of capital, particularly after the advent of the
Bank of Australasia. By 1835 the Bluebook reported that dollars “are but
very few now in the colony”, and in 1836 it did not record them at all.

Meanwhile the last necessary legal provision had been made in 1832 by
enacting that all the old acts and orders imposing fines and penalties in
dollars should be construed as if they specified sterling money at 4s. 4d.
per dollar. The banks had refused to accept dollars at all in 1830, and
notes and bills in terms of dollars disappeared in the same year since they
were no longer acceptable for discount, while the government policy of
paying all officials in country districts in British coin eliminated the dollar
there. Final export of the dollar was delayed by Bourke's fear of a
shortage of coin in the Commissariat which, by 1832, was finding
difficulty in selling its bills at 11/2 per cent premium, because other
means of remittance could be obtained more cheaply. Accordingly he
intervened, ordering the retention of dollars which the Commissariat had
been instructed to ship to England. But the risk did not appear and, by
1834, Bourke was arranging for their disposal to merchants trading with
China at 4s. 4d. each. Thereafter the dollar was merely a casual alien
visitor, leaving behind it nothing more than “the Spanish” as current slang
for ready cash, as “the dumps” had been in the 'twenties.

Transfer to Sterling in Tasmania

From the beginning of 1826 the story of monetary developments in
Tasmania is different in many respects from that of New South Wales,
partly because of differences of interpretation of the new British policy,
partly because shipments of English coin were much smaller. In
compliance with the Treasury instructions a government order declared
that from 1 April 1826 all government receipts and payments would be
reckoned in “sterling”, Spanish dollars being received and paid as 4s. 4d. and Calcutta or Sicca rupees as 2s. 1d. This difference from New South Wales may have been due to the fact that only small amounts of British coin had been received.\textsuperscript{194}

The transfer of private accounting to pounds, shillings and pence was accomplished fairly easily. The \textit{Hobart Town Gazette} market prices soon ceased to be quoted in “currency”\textsuperscript{195} while the Bank of Van Diemen's Land announced that it would express all accounts in “sterling” after 1 July.\textsuperscript{196} In making this decision effective it announced that dollars would be treated as 4s. 4d. but no dollar securities would be dealt in, although depositors might choose to have their accounts kept in either dollars or “sterling”.\textsuperscript{197} Others, however, did not realize the way the law would be amended. Eight issuers of small notes summoned a meeting to consider the results of these changes by the bank and to devise methods of preventing forgery of notes for a shilling and sixpence.\textsuperscript{198} It was resolved\textsuperscript{199} that from a date to be fixed all merchants should take the dollar as 4s. 4d. Since small notes were deemed to be still “unavoidably necessary” a committee was appointed to report on the subject, and it invited public suggestions. No further details are available and it is possible that the government's intention to prohibit small notes became known, for many such notes were gradually withdrawn in the next few weeks.\textsuperscript{200} The Tasmanian Bank, opening at the beginning of August, issued notes for four dollars,\textsuperscript{201} while the reversion to English reckoning stimulated the private manufacture of one-fifth dollars passing as a shilling.\textsuperscript{202} Meanwhile the \textit{Colonial Times} attacked the government's policy as set forth in the March proclamation. The bullion value of silver, it was argued, was sure to fluctuate and unnecessary import and export of dollars would be the result. Accordingly it was urged that the dollar should carry no fixed local value but (together with dollar notes) should pass at the exchange of the day. To ensure a local coinage, not liable to export, some dollars should be stamped and these should have a fixed local valuation,\textsuperscript{203} a proposal which the \textit{Times} reiterated was the cure for the endless confusion of a “currency” and a “sterling” standard existing side by side and both reckoned in pounds, shillings and pence.\textsuperscript{204} It was in these circumstances that Arthur appointed a committee of three to consider “the policy of allowing promissory notes for small sums to be issued by the Bank of Van Diemen's Land or by individuals”, and “the minimum amount of British money required to be maintained as the circulating medium of the colony, with a view to its general substitution for Spanish dollars”.\textsuperscript{205} These terms of reference imply that someone had thought out the problem to the point of seeing that the Spanish dollar could not simply be banished without providing a substitute, and that an increase in private notes for
small sums was likely.

The committee reported within a week. The first question it answered by declaring that small notes had been “productive of great injury and inconvenience to the lower classes, owing to the occasional insolvency of the issuers and the numerous forgeries”. The issue of any such notes below 20s. should be prohibited, although limited issues might be authorized temporarily since the available coin was inadequate. The second problem involved an estimate of the need for coin. £10,000 in British silver had been received in November 1825 and £8,000 had been issued by the end of July 1826. The committee believed that a total of £30,000 was needed and that, when all dollars had been exported, £5,000 a year would be lost in remittances overseas. Accordingly it proposed obtaining an immediate £20,000 in British coin, to be supplemented by an annual import of £5,000 by government. As a minor measure it was desirable to prohibit note issues except in terms of “sterling”.

The Committee's recommendations for legislation were adopted. The Sterling Money Act of 1826 repealed the old New South Wales Act (5 Geo. IV, No. 1) so far as it applied to Tasmania, except in respect of notes issued before 9 October 1826. It recited the expediency of a “sterling” circulation and reckoning, the need to forbid notes under £1, the common use of the dollar as five shillings “currency” and the shortage of British silver in Tasmania. In future, therefore, all negotiable instruments were to be drawn in “sterling”, and those in terms of dollars were to be void. British copper coin was to be legal tender for amounts up to one shilling. All notes, cheques, orders and the like for sums less than £1 were prohibited under penalties ranging from £5 to £20 for each offence. In all cases, including government duties and legal penalties, where amounts were expressed in the former “nominal or current money” one dollar or 4s. 4d. “sterling” was to be taken as equivalent to five shillings “currency”. But in view of the scarcity of coin the Spanish dollar was declared to be money and a legal tender at fixed rates. One dollar should equal 4s. 4d. “sterling” and proportionately for fractions.

The Tasmanian Bank replaced its dollar notes at once, issuing one-pound notes, as did Barnes and T. C. Simpson, “petty bankers” of Launceston. The Bank of Van Diemen's Land was not so prompt, meeting its notes by paying dollars at 4s. 4d. each, but by the end of November it had recalled its outstanding dollar notes. Small notes of other issuers seem to have been withdrawn very rapidly. Indeed, the change was so rapid that for a short while the depressed conditions of the colony were accentuated. Prices had to be readjusted downwards, and this did not happen smoothly; while the sudden withdrawal of paper money was
momentarily deflationary. The only independent newspaper, the *Colonial Times*, abruptly changed its views. Whereas it had rejoiced that “the good old English system of pounds, shillings and pence”\(^{215}\) should replace the “pernicious erection of the dollar system”,\(^{216}\) and explained the depression as being due to a period of overtrading followed by inevitable restriction of bank loans,\(^{217}\) it now\(^{218}\) asserted that “never was any proceeding attended with more ruinous or lamentable consequences than the assumption of a sterling circulation in this colony at a time when it was struggling with its own difficulties.”\(^{219}\)

This was, of course, far too simple an explanation of the slump, the immediate causes of which were fairly stated by Arthur: “During the year 1826 the commerce of the Colony suffered a considerable check, the natural consequence of two successive bad harvests. The change from colonial currency to sterling payments, the annihilation of small paper money and the enormous rate of interest demanded by capitalists threw the agriculturists and consumers generally back upon their own resources and compelled the community to circumscribe their expenses, particularly in imported articles of luxury.”\(^{220}\) In any case, in Tasmania conditions were far less acute than on the mainland. There were, for example, no banking crises; in fact the period saw the opening of a new bank, the Tasmanian, to be followed by the Derwent and the Cornwall in 1828 and the Commercial Bank in 1829. Their note issues remedied any shortage of cash, except for small change, and the success of these ventures is evidence of the fugitive nature of the slump. By contrast, after the Bank of Australia, formed before the change of monetary standard was effective, New South Wales produced only the unimportant and disreputable Bank of Newcastle until 1834.

Within a very short time private reckoning in dollars had disappeared. Newspaper advertisements and other references to prices mentioned dollars very rarely after 1830 although (as in New South Wales) rewards continued to be offered specifically in dollars,\(^{221}\) and even these soon disappeared. Because the dollar had a legal value in “sterling” and was freely accepted by government there was no transfer to the pound “currency” as happened in New South Wales. But, while the unit of account became the pound “sterling” almost invariably, Spanish dollars and other coins continued to circulate. Besides English coins and Spanish dollars there were rupees and doubloons,\(^{222}\) ducats,\(^{223}\) French and South American coins and Austrian dollars\(^{224}\) and Mexican dollars.\(^{225}\)

New supplies of these coins were derived from New South Wales and other countries, particularly India. When the rupee fell in value in Sydney the Tasmanian press took little notice. The *Courier*\(^{226}\) reported the Sydney
disputes on the subject and congratulated the mainlanders on having “so much money to contend about”; the *Colonial Times* anticipated that the depreciation of the rupee in Sydney would increase Tasmanian exports thither. But the Treasurer foresaw trouble and forbade officials to accept rupees in payments to government. Rupees presently were pouring into Tasmania, which maintained a valuation of 2s. 1d. against 1s. 9d. in Sydney, until the *Courier* estimated they were half the coin in circulation. Local legal tender values counted for little, the banks and many others declining to accept these coins as more than 1s. 9d. and in some cases even 1s. 6d. It was commonly believed that this depreciation was deliberately induced so that rupees sent from Sydney were spent in Hobart at 1s. 9d., taken back again at 1s. 6d., then re-shipped to Sydney where they were valued at 1s. 9d. or to Mauritius where they were worth 2s. 1d. Because large amounts were in fact remitted to Mauritius bank loans were restricted and private discount rates jumped upwards. Accordingly local merchants combined to accept the rupee as 1s. 9d. and the *Courier* could soon report that the 1s. 9d. valuation had been “completely re-established”. In doing so it urged the advantages of a stable local value for rupees in encouraging retired Anglo-Indians to settle in Tasmania. Remittances of capital by these and other residents in India were soon contributing to the colony's supply of coin, but in Spanish dollars, not in rupees. The effect of the episode, and the Treasury's unreppeled order against accepting rupees, made them for some years of minor importance.

The circulation of foreign coins and especially the dollar was promoted by the limited circulation of British coin. It had been the intention of the British Treasury that this should “get into general circulation and gradually supersede the circulation of dollars and other foreign coins”, but this purpose was defeated because British silver was the only means of buying bills on the Treasury. The banks, therefore, hoarded British coin. They offered a premium on deposits of British coin equal to the rate on bills on the Treasury; exchanged notes and dollars for British coin at 1 per cent premium; and, as a concession, agreed to cash country cheques for as low as £2 in order to reduce the demand for coin. Bank-notes and cheques were met in dollars (at 4s. 4d. each), both the Derwent Bank and the Bank of Van Diemen's Land claiming that only the holder of government cheques could insist on payment in British coin. “You will pay all cheques”, wrote Swanston to the Derwent's Launceston agent, “in notes of the Derwent Bank, or in dollars, or in notes of the other banks, in case of having no other notes, but never in British currency.”

The Commissariat assisted the banks. It occasionally accepted dollars but
never for bills\textsuperscript{245} and commonly made its own payments in dollars, British coin and bills on the Treasury\textsuperscript{246}. There was in fact “a sort of trickery or management”\textsuperscript{247} between the Commissariat, the Treasury and the banks, particularly the Derwent, a friendly understanding by which the supply of bills on the British Treasury was mainly reserved for the banks who then resold at a profit. A large part of the supply of British coin thus circulated only through two channels—from the banks to the Commissariat in exchange for bills and back to the banks as a government deposit.

In New South Wales this problem did not arise acutely because of the larger government imports of British coin and the growing capital import in the form of coin. Tasmania's difficulties, however, were accentuated in the early 'thirties by an adverse balance of payments, and a consequent drain of specie. Recorded merchandise trade showed a large increase in imports:\textsuperscript{248}

\begin{center}
\begin{tabular}{|c|c|c|}
\hline
Imports & Exports \\
1829 £272,189 & £127,184 \\
1830 255,298 & 145,980 \\
1831 298,774 & 141,745 \\
1832 392,666 & 157,906 \\
1833 352,894 & 152,967 \\
1834 476,617 & 203,522 \\
\hline
\end{tabular}
\end{center}

The widening gap between imports and exports was no doubt partly due to capital import but the export of specie indicates clearly that “invisible” items did not account for the whole divergence. In June 1832 bills on England were at 5 per cent premium\textsuperscript{249} and specie began to be exported until, so the \textit{Courier} claimed, no English money was left in circulation at all.\textsuperscript{250} The banks were forced to curtail loans and the causes of the “crisis”, the balance of payments and remedies, became subjects of vigorous discussion. Plans, of unspecified nature, for reducing imports and promoting exports, were called for;\textsuperscript{251} laws against usury were demanded;\textsuperscript{252} the banks were attacked for restricting loans;\textsuperscript{253} the government was blamed for locking up money in the Treasury and in the Commissariat Chest;\textsuperscript{254} “absentee capitalists” and the “gigantic unmerciful grasp” of the Van Diemen's Land Company were held to be the villains.\textsuperscript{255}

A plan for retaining dollars by cutting them received scant attention;\textsuperscript{256} as did a plan by John Dunn for a national bank; a scheme, originating with J. T. Gellibrand, for a government mortgage bank, which should borrow in London; and another for a special issue of government bonds.\textsuperscript{257} All of these, except the first, had one common theme—the simple solution of compensating a loss of money by an increase in money. Without some co-
ordinated control of imports the only effect would have been a temporary deferring of the restriction of imports which was being enforced by the contraction of bank lending.

More success attended the move by a large group of Hobart merchants and bankers who, in August 1834, petitioned for the legalizing of other foreign coins than the Spanish dollar. By chance this was presented a few weeks before the receipt of despatches concerning the British Treasury policy in relation to South American and similar dollars. The Treasury, having verified that South American dollars were not inferior in weight and fineness to the Spanish dollar, directed Arthur to provide by proclamation that these should be legal tender on a par with Spanish dollars and should be received and paid in all government transactions. Arthur promptly declared by proclamation that, from 1 December 1834, “all dollars whatsoever of the several South American states will be received and issued in this colony in the departments of the Commissariat and colonial Treasury and shall otherwise pass current as money” at the value of 4s. 4d. But he went further, and established a committee to investigate whether the Sicca rupee and United States dollar should be legalized.

The Committee's evidence consisted of a collection of opinions, eleven for and two against legalizing rupees, and the majority opinion was accepted, the report favouring legalizing the Sicca rupee at a local valuation of 2s. on two grounds. First there was a deficiency of British coin, because it was mainly held by the banks and the Commissariat. Second, legalizing the rupee would promote trade with India. United States dollars were rejected since the Committee did not expect trade with that country to develop. The governor adopted these recommendations and introduced the Sicca Rupee bill, which had a rapid passage. It was a simple measure declaring the Sicca rupee legal tender in Tasmania as 2s.

The relief, however, was only temporary and early in 1836 the old difficulties recurred in new forms. After February bills on the Treasury were sold in Sydney at par while in Hobart they were at 11/2 per cent premium. Accordingly the Bank of Australasia shipped large amounts of British coin to Sydney to take advantage of the more favourable rate. The result was to leave the Commissariat and the colonial Treasury short of coin, forcing them to pay contractors with bills on the Treasury. Paid at 11/2 per cent premium these could only be cashed at the banks at par. As an emergency measure bills were issued at par, and the Commissariat directed to pay contractors cash only, while a committee was appointed to inquire “into the present state of the currency of the colony, and whether any derangement of the circulating medium has taken place of
such a nature as to call for the interference of the legislature”.275

The committee found the Bank of Australasia to be the source of the trouble, while conceding that others too were exporting coin.276 More important than the export of British coin to Sydney was the fact that the bank had eliminated the Commissariat from the bill market by selling its own bills at par for rupees and dollars. The Commissariat had thus been forced to restrict specie payments to amounts under £100, giving bills for larger sums. These, paid at par since 18 June, had become an important part of the colony's currency, circulating at a discount. To protect the holders and to save contractors from loss, as well as to replace the coin exported, the committee proposed to make bills on the British Treasury legal tender.277

Momentarily the government accepted this plan and passed the Treasury Bill act,278 which for two years empowered the governor to issue a proclamation making bills on the Treasury legal tender for a period of six months. But second thoughts prevailed and no proclamation appears ever to have been issued.279 For this the Colonial Treasurer seems to have been responsible, in spite of his having been chairman of the committee, for he took the initiative in suggesting the plan in fact adopted of directing the Commissariat to sell bills for all legally circulating coins.280 Before the act was through the Council the Commissariat had announced its willingness to sell at par and for any coins which were local legal tender, not only bills on the British Treasury but also bills on the Sydney Commissariat, thus eliminating any need for specie exports to Sydney.281 This was a fortunate decision, for at the same time Glenelg was circularizing colonial governors directing them to hold for royal sanction all legislation “relating to the local currency and circulating medium; or to the rates at which coins should pass current, or be a legal tender, or to the circulation of promissory notes, or other paper, either by the local government or by any corporate bodies, or by individuals”.282 The disallowance of the Sicca Rupee act followed automatically and the local Treasury agreed to buy in Sicca rupees at 2s. for one month.283 But the practice of selling bills for “current legalized coin” and of making Commissariat payments in the same way continued.284

But difficulties were not at an end. During 1838 the Union Bank transferred capital to Tasmania in Mexican dollars, paying them out at 4s. 4d. and later refusing them in deposit, while the Derwent Bank found itself embarrassed by deposits of coins which it had taken at 4s. 4d. and could not pay out at that rate.285 Pressure from that bank286 led Franklin to forget his answer to Glenelg's instructions concerning currency legislation,287 and an act was passed to remedy an apparent defect in the dollar proclamation
of 1834 which had not specifically mentioned Mexico, by placing Mexican dollars on the same footing as the Spanish dollar. A new difficulty arose two years later with the appearance of some Mexican dollars inferior in weight and fineness to the Spanish dollar. Lawrence, Launceston manager of the Bank of Australasia, took the opportunity to move for the repeal of all the dollar legislation. Instead, an amending act restricted the previous act to dollars of the same silver content as the Spanish.  

The final legislative move was stimulated by protests, sharpened by the conditions of depression in 1842, against the banks which, to bring bills on the Treasury, met their notes in dollars while hoarding British coin. It was therefore deemed expedient that dollars of any kind “should no longer circulate under the sanction of the law at any fixed rate”, and that, while they might still circulate, they should not be legal tender. In a single short measure all previous legislation making dollars of any kind legal tender was swept away.

The dollar, however, did not disappear at once. Franklin instructed the Treasury to buy up all dollars offered at 4s. 4d. until 1 November 1842, and both it and private firms were able to dispose of such dollars, mainly to those trading with China. After that date the banks agreed between themselves dollars should be accepted as 4s. only. Nevertheless some dollars remained at 4s. together with the survivors of Macquarie's “holey” dollars at 3s. and dumps at 1s., rupees at 1s. 6d.; in 1847 French five and one franc pieces made a fleeting appearance. In September 1848 the banks declined to accept any of these coins except dollars but for some days the exception was not realized, and the episode finally destroyed the acceptability of dollars. By 1849 the Bluebook could report that only British coins were in circulation; the last remains of the dollar system had been interred.

1 Alexander Berry (Sydney) to a friend in London, 10 January 1823 (Mitchell Library, unbound MSS.).

2 Sydney Gazette, 30 August 1822, reply to petition presented on 21 August.

3 Brisbane to Bathurst, 2 September 1822, enclosing memorial from Bank of New South Wales, etc., H.R.A., I, x, 730 ff.


5 E.g., in the case of the Almorah, which was seized for infringement of the East India Company's rights. See Brisbane to Bathurst, 4 March 1825, 24 March 1825, H.R.A., I, xi, 530, 538, 556.

6 Instances are cited below in the relevant contexts.
7 Lang, *op. cit.*, (1834) vol. i, p. 160; Berry in a number of letters (in Mitchell Library) which are referred to below; *Colonial Times*, 23 June 1826; *Monitor*, 1 September 1826, 21 February 1828; 27 December 1828; 26 June 1830. Phrase quoted is from the last. In view of the current level of newspaper debate the *Monitor's* repeated specific statement would have been attacked had it not been generally accepted as true.

8 Berry to a friend in London, 10 January 1823 (Mitchell Library), repeated in Berry to Naylor & Co. of Rio Janeiro, 10 January (?) 1823 and other letters in this collection.

9 See, e.g., *Sydney Gazette*, 14 June, 19 July 1822.

10 Berry to a friend, 10 January 1823; to Naylor & Co., 10 January 1832 (Mitchell Library).

11 This is the argument of Brisbane's reply to local protests in *Sydney Gazette*, 30 August 1822. Substantially the same argument appears in a letter from “A Subscriber” in the issues of 14, 28 June 1822. “Subscriber” wrote a number of letters about this period and was almost certainly a Commissariat official.

12 See the many letters on currency in *Sydney Gazette*, 1822–3.

13 Berry to T. R. Davison, 28 November 1822 (Mitchell Library). Current trade practice was to ship goods to Australian agents in anticipation of demand, more frequently than in response to definite orders.

14 Berry also wrote of Goulburn that he was not “a man of business, a qualification very necessary for such an office. Apparently aware of this he seems latterly to have attempted to qualify himself for his situation by reading the works of Adam Smith, Ricardo and other writers on Political Economy. This unfortunately seems only to have filled his mind with crude and illdigested theories upon which he has boldly determined to govern the country.” Letter to a friend 10 January 1823 (Mitchell Library).


16 The figures vary somewhat. See *Sydney Gazette*, 14 June, 19 July 1822. This was not the *Almorah* shipment which caused trouble with the East India Company.

17 *Sydney Gazette*, 30 August 1822. In May 1822 the Bank of New South Wales assumed that most of the recent imports were non-government, Memorial enclosed in Brisbane to Bathurst, 2 September 1822, *H.R.A.*, I, x, 731. Cf. Jacob to Goulburn, 9 May 1823, enclosed in Brisbane to Bathurst, 3 September 1823, *H.R.A.*, I, xi, 131, which refers to 1821–2 imports of dollars “skilfully (for their individual interest) introduced by invalids from India, settlers from England and Scotland, speculators from England, India and China”. That is, dollars were a suitable means of transferring capital to New South Wales even before the “system” because the local 5s. valuation made it profitable.
18 Chalmers, *History of Currency in the British Colonies*, p. 246 accepts the figure of $400,000 as does Fitzpatrick, *British Imperialism and Australia*, p. 326. But this is far too high for the initial period, for which only scraps of evidence exist. The House of Commons ordered a return for imports of dollars in the years 1821–3 but was fobbed off with a hair-splitting denial that any imports had been made by the colonial government which would be true only if events had been substantially as Berry charged. *Accounts and Papers*, 1824, vol. xvi, p. 493. Wemyss to Brisbane 20 June 1822 (“Colonial Secretary In-Letters,” Mitchell Library, Bundle 17, No. 8), gives the amount then in the Commissariat as $60,000. Murray to Goulburn, 22 February 1823 (*ibid.*, Bundle 19, No. 17), estimated the total amount in the country as $200,000. When $106,000 were imported by the *Almorah* in 1825, without Brisbane's knowledge, the implications of the relevant documents were (a) that the Commissariat had not previously imported dollars, but bought those offered by the importers (again supporting Berry) and (b) that this particular shipment was abnormally large. For the case of the *Almorah* dollars see Brisbane to Merchants of Sydney, 14 September 1824, and Brisbane to Wemyss, 13 March 1825, “Governor's Letter-book,” 1823–5, pp. 57, 82–4 (Mitchell Library); Brisbane to Bathurst, 4, 24 March 1825, *H.R.A.*, I, xi, 530, 556; Bathurst to Darling, 30 December 1825, *H.R.A.*, I, xii, 130; Memorial of Merchants of Sydney, undated (September 1824), “Colonial Secretary In-Letters”, Bundle 22, No. 65 (Mitchell Library). The last gave the amount then in the Bank of New South Wales as $100,000. Dollars were exported as a means of remittance, as well as imported—$90,000 in February 1822. Murray to Goulburn, 22 February 1823, “Colonial Secretary In-Letters”, Bundle 19, No. 17 (Mitchell Library). Murray calculated that the export point was when dollars at 5s. in exchange for Treasury bills were at a discount of 17½ per cent and suggested a maximum discount of 15 per cent to prevent export. This does not appear to have been adopted and would have been ineffective unless the Commissariat had been prepared to meet tenders at that rate without limit. It is possible that the total of gross government and private imports reached $400,000 in the first stages, but there is apparently no evidence for attributing any particular figure to Commissariat initiative.


21 *Sydney Gazette*, 10 May 1822.

22 General order in *Sydney Gazette*, 31 May 1822. The current price of the time was 8s. 93/4d. “sterling”, but this represented an adjustment from the old price of 10s. which was now being paid by government as two dollars, i.e., government had forced the “sterling” price down.

23 *Sydney Gazette*, 7 June 1822, Letter from “An Old Settler of the Middle Class”.

24 Most people accepted 4s. 2d. as the “sterling” valuation but some sellers attached a “currency” value of 5s. 6d. covered by appropriate price changes. See, e.g., *Sydney Gazette*, 10 May 1822 (Harper).
25 This was the source of saving in expenditure, not the premium on Treasury bills which emerged, to which Brisbane attributed the economy. Brisbane to Bathurst, 24 March 1825, *H.R.A.*, *I*, *xi*, 556.

26 Letters from “Democritus”, 24, 31 May, 7, 14 June, 5 July; “An Old Emigrant Settler”, 31 May, 20 September; “An Old Settler of the Middle Class”, 7 June, 26 July. In the later months these correspondents were side-tracked into defence of the policy of the Bank of New South Wales.


28 Letters from “Mercator” 17 May, 19 July, 6 September; “Subscriber” 7, 14, 28 June, 2, 9 August, 13 September; supported by “A Convert to the Metallic System”, 13 September and “A Colonist”, 27 September 1822. The last named was Lieut R. L. Murray according to his letter to Goulburn, 22 February 1823, “Colonial Secretary In-Letters”, Bundle 19, No. 17 (Mitchell Library).

29 *Sydney Gazette*, 7 June 1822; *Hobart Town Gazette*, 29 June 1822. This is the first indication of the implementing of the dollar system in Tasmania. Bills on Sydney were to be sold in Hobart on the same terms.

30 *Sydney Gazette*, 28 June 1822; *Hobart Town Gazette*, 27 July 1822. Chalmers, *op.cit.*, p.247, curiously explains this as “to put a stop to all barter in the colony”.

31 *Sydney Gazette*, 26 July 1822; *Hobart Town Gazette*, 10 August 1822. In New South Wales the six weeks period expired on 5 September and in Tasmania on 21 September.

32 *Sydney Gazette*, 15 November 1822; *Hobart Town Gazette*, 14 December 1822. The period expired in New South Wales on 26 December 1822 and in Hobart on 25 January 1823. Fitzpatrick, p. 327, follows Chalmers, p. 247, in giving the period as six months. The error, due to a misprint corrected in *Sydney Gazette*, 22 November 1822, is of some significance since the abolition of “sterling” payments by the Commissariat was made to coincide. The reason for withdrawing dumps was that at a valuation of Is. 3d. they were profitable to counterfeit. Wemyss to Brisbane, 7 November 1822, “Colonial Secretary In-Letters”, Bundle 17, No. 8 (Mitchell Library).

33 *Sydney Gazette*, 29 November 1822; *Hobart Town Gazette*, 14 December 1822, 11 January 1823.

34 *Sydney Gazette*, 15 November 1822; *Hobart Town Gazette*, 28 December 1822. The first allotment of bills in Sydney was at 8 to 10 per cent premium. *Sydney Gazette*, 22 November 1822. Prior to that tenderers simply offered dollars by number. For a number of tenders in July 1822 see “Colonial Secretary In-Letters”, Bundle 16, No. 52 (Mitchell Library).

35 *Sydney Gazette*, 3 April 1823; *Hobart Town Gazette*, 17 May 1823.
36 Sydney Gazette, 2 January 1823, order not republished in Tasmania to which, however, it specifically applied. The “holey” dollars numbered 34,058 and weighed on the average 1/11/4ths of a Spanish dollar. The ratio adopted was suggested by Wemyss. See Report of Commissariat Board on “Holed” Dollars, 5 November 1822, and Wemyss to Brisbane, 7 November 1822, “Colonial Secretary In-Letters”, Bundle 17, No. 8, (Mitchell Library).

37 Sydney Gazette, 6 February 1823; Hobart Town Gazette, 15 March 1823.


39 5 Geo. IV, No. I, passed 28 September 1824. The preamble said it was to “improve the security” of dollar bills and notes.

40 Brisbane to Bathurst, 9 February 1825, H.R.A., I, xi, 518, speaks of having “long delayed” stabilizing the dollar because of his knowledge of the debates. The local press gave scraps of reports (the earliest appears to be Hobart Town Gazette, 26 March 1824) and by the end of 1824 was confident that the “dollar system” was doomed. See, e.g., Australian, 9 December 1824, 12 May, 4 August 1825; Hobart Town Gazette, 29 October 1824, 6 May, 29 July 1825; Colonial Times, 30 September 1825.

41 Bathurst to Brisbane, 31 March 1823, H.R.A., I, xi, 73.

42 By General Order of 27 November 1822.

43 Sorell to Arthur, 22 May 1824, H.R.A., III, iii, 138; A. Berry to a friend, 10 January 1823 (Mitchell Library). Berry says an attempt was made to pay the soldiers dollars at 5s. which they refused to accept. Sorell (above) and Arthur (to Horton 23 October 1824, H.R.A., III, iv, 226) were willing to admit the usefulness of dollars as a currency and as a unit of account but were very critical of the divergent official valuations and of other aspects of Sydney policy not essentially related to the use of the dollar—the restriction of imports by the premium on sterling and the lowering of the prices of supplies to government—which they felt bore especially hard on Tasmania.

44 By General Order of 5 February 1823.

45 Sydney Gazette, 13 March 1823.

46 Hobart Town Gazette, 8, 15 April 1825; Sorell to Arthur, 22 May 1824, H.R.A., III, iii, 138.
47 Sydney Gazette, 20 January 1825; Hobart Town Gazette, 11 February 1825.

48 For examples see Sydney Gazette, 21 June, 23 August, 13 December 1822.

49 For examples, Sydney Gazette, 10 May, 7 June 1822. Cf. Hobart Town Gazette, 17 May 1823.

50 As a few from many instances see Sydney Gazette, 5, 26 July 1822, 6 February, 20 March, 3 April, 16 October 1823; Hobart Town Gazette, 2 November 1822, and many issues after March 1823.

51 Sydney Gazette, 9 August 1822, 27 February 1823.

52 Sydney Gazette, 14, 21 April 1825. Bank profits were 50 per cent for the half year and the inflation of salaries was injudiciously given as a reason why they were not greater.

53 The terms of reference, in a letter dated 13 September, are recited in the Board's Report of 21 September, printed as Enclosure 3 in Brisbane to Horton, 16 June 1825, H.R.A., I, xi, 668–9. The Report indicates that the Board had earlier considered other currency matters and may have been responsible for the Act 5 Geo. IV, No. 1.

54 The Report adds a proposal for taking English coins and colonial dollars as fractions of the Spanish dollar which had already been done.

55 Loc. cit., 669, dated 20 December 1824.


58 “Governor's Letter Book” 1823–5 (Mitchell Library), pp. 119–20, Brisbane to Goulburn, 24 April 1825. The rate of 4s. 4d. in paying salaries was also to be adopted in Tasmania.

59 Sydney Gazette, 5 May 1825. On reprinting on 12 May the notice was given date of 24 April, the same as the reference of salary payments to the Board of officers, which would explain why only payments to government were included. This date is repeated in Sydney Gazette, 30 June 1825.

At 4s. 4d. sterling per dollar the local valuation of 5s. “currency” represented a premium of 15.38 per cent. The explanation of the rate quoted above, which diverges from that of the Board's Report, need not be taken seriously in view of such rates of exchange as are available and was probably meant to anticipate criticism by suggesting that the old basis was being substantially retained.

Premiums on sterling, Sydney on London were:

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Rate</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1822</td>
<td>November</td>
<td>8–10 per cent</td>
<td>Sydney Gazette, 22 November 1822</td>
</tr>
<tr>
<td>1823</td>
<td>May</td>
<td>25</td>
<td>Chalmers, Colonial Currency, p. 247</td>
</tr>
<tr>
<td>1824</td>
<td>July</td>
<td>15 3/4</td>
<td>Sydney Gazette, 5 August 1824</td>
</tr>
</tbody>
</table>
For Hobart no detailed figures are available locally. Sorell to Arthur 23 May 1824, *H.R.A.*, IH, iv, 136 says the premium reached a maximum of 27 per cent but was usually 15–20 per cent. Moodie to Harrison, 2 April 1824, *H.R.A.*, III, iv, 554, gives the rate as 16 per cent at that date.

60 Calls for tenders in *Sydney Gazette*, 2 June 1825 and subsequent months. The basis for tendering may have been retained as a means of revising the fixed valuation.

61 *Sydney Gazette*, 30 June 1825. The orders for the new valuation were extended to Tasmania, *Hobart Town Gazette*, 20 May, 22 July 1825.

62 The direction in *Sydney Gazette*, 3 November 1825, that duties might be paid in dollars at 4s. 4d. came after definite knowledge of English policy for a “sterling” standard and belongs rather to the transition phase.

63 *Sydney Gazette*, 18, 25 December 1823.

64 *Hobart Town Gazette*, 15 November 1823, 20 May 1825. The pound “currency” was the unit. Arthur to Goderich, 1 November 1827, *H.R.A.*, III, vi, 305.

65 In 1824 in New South Wales $260,751 as compared with £238 6s. 6d. in British coin. *Sydney Gazette*, 10 October 1825.

66 See, e.g., the detailed accounts for 1824 printed in *Sydney Gazette*, 3, 10 October 1825. Summary figures of revenue, such as those given in Brisbane to Bathurst, 3 June 1825, *H.R.A.*, I, xi, 622, are misleading.

67 E.g., Brisbane to Bathurst, 4 August 1825, *H.R.A.*, I, xi, 709.

68 E.g., Brisbane to Bathurst, 8 November 1825, *ibid.*, 899.

69 In all acts up to Parish Registers Act, 6 Geo. IV, No. 21 (1 November 1825). The first act imposing fees and a fine in “sterling” was the Deeds Registration Act, 6 Geo. IV, No. 22 (16 November 1825).

70 Rules for emigrants to New South Wales, enclosed in Bathurst to Brisbane, 1 January 1825, *H.R.A.*, I, xi, 455.

71 *Sydney Gazette*, 5 August 1824; *Hobart Town Gazette*, 22 April 1825.

72 See, e.g., various notices, especially in *Hobart Town Gazette*, 1824.

74 See above and cf. *Hobart Town Gazette*, 22 March 1823 for a typical Commissariat notice.

75 E.g., *Sydney Gazette*, 27 February 1823, 11 September 1823, 30 December 1824; *Hobart Town Gazette*, 14 January 1825.

76 E.g., Hay to Darling, 22 February 1826, enclosing land sale figures, some in dollars, some in pounds, *H.R.A.*, I, xii, 184; or Commissariat notices such as that in *Hobart Town Gazette*, 22 March 1825, pricing barley at $1 or 5s. per bushel.

77 See, e.g., *Sydney Gazette*, 13 September 1822, for a cheque for $692, dated 6 April.

78 *Sydney Gazette*, 6 February 1823 (Letter from “A Thick-headed Fellow”), 8 May 1823.


80 Bank notice in *Sydney Gazette*, 31 July 1823. In issue of 22 January 1824 the period for presentation of “sterling” notes was extended for three months after which they would be met in dollars “at the premium of the day”.

81 *Sydney Gazette*, 15 January 1824.

82 *Ibid.*, 4 December 1823, 1 January 1824.

83 E.g., *Sydney Gazette*, 28 July 1825.

84 E.g., *Sydney Gazette*, 24 October 1825.

85 Draft of bank charter in *H.R.A.*, III, iv, 532 ff.; copy of final charter preserved in Mitchell Library. The bank notice of reversion to £ s. d., *Colonial Times*, 30 June 1826, indicates that it had adopted dollar reckoning fairly completely.

86 *Sydney Gazette*, 14 June, 6 September 1822. Later a $10 note was issued, *ibid.*, 29 September 1825.

87 See, e.g., *Sydney Gazette*, 21, 28 June, 20, 27 September 1822, to take the first year only of the new system.

88 *Sydney Gazette*, 5 December 1835. In spite of the hostility of the article, the full circumstantial detail and reproduction of a note make it acceptable evidence.

89 *Colonial Times*, 31 October 1825, advertises printed forms for notes of 3d., 6d., 1s. Issuers included John Briggs, R. L. Murray, J. F. Deane, H. Hopkins, J. Watchorn, R. Mather, W. Cook, J. Morgan, Maria Lord, and were important enough to hold conferences to protect their interests. See *Colonial Times*, 23, 30 June 1826.

90 See, e.g., the references in January-February 1825 issues of *Sydney Gazette*.

91 *Sydney Gazette*, 14 June, 29 November 1822; *Hobart Town Gazette*, 8 February 1823.

92 Almost every issue of *Sydney Gazette, Hobart Town Gazette, Australian or
Colonial Times provides examples of this.

93 Sydney Gazette, 27 March, 11 September 1823 (the only examples in the year); Hobart Town Gazette, 31 May 1823.

94 Sydney Gazette, 26 January 1826.

95 E.g., Sydney Gazette, 5, 26 April 1822, 16 January 1823. But note for example that the Bank of Van Diemen's Land offered 50 guineas reward for the discovery of forgers of its $20 notes. Hobart Town Gazette, 1 April 1825.

96 E.g., Agricultural Society in Sydney Gazette, 24 April 1823.

97 Sydney Gazette, 14 October 1824. Cf. 13 January 1825, recording a similar note given for goods priced in pounds.

98 Copy of contract dated 28 June 1825 in “Wentworth Papers”—W. C. Wentworth, Miscellaneous (Mitchell Library). But note, ibid., contract by Cooper & Levey in March 1826 in which the price is $100,000 simply.

99 “Wentworth Papers”—W. C. Wentworth, Miscellaneous (Mitchell Library). For other examples of the revival of “currency” reckoning see Sydney Gazette, 28 August 1823, 2 December 1824; Hobart Town Gazette, 22 March 1823, 19 November 1824.

100 Treasury Minute, 11 February 1825, not printed in H.R.A.; a convenient source is Appendix B to Chalmers, op. cit. The genesis of the policy defined in this Minute is necessarily ignored here.

101 Bathurst to Brisbane, 5 June 1825, H.R.A., I, xi, 636, defined the policy as one “first for establishing an unobjectionable and unvarying medium for the payment of the troops; and secondly, for establishing a uniform currency in the whole of His Majesty's foreign possessions, founded upon and having reference to the currency of the United Kingdom”. Since England was then on the gold standard, the programme really involved a gold-exchange standard for the Empire.

102 The Minute included special sections on New South Wales, Sierra Leone, Mauritius, Cape of Good Hope and Ceylon. That for New South Wales stigmatized as “highly objectionable” the existence of several rates for dollars; ordered the adoption of the 4s. 4d. rate; and prescribed a mode of executing existing contracts, based upon the belief that “the accounts are kept in the British denomination of money”—which was only partly correct even if it referred solely to the Commissariat.

103 On 23 March 1825.

104 The Treasury Minute also set out the rates at which other foreign coins were to be paid to the troops. Those which subsequently mattered in Australia were: French 5-franc piece (4s.); U.S. dollar (4s. 4d.); Calcutta (or Sicca) rupee (2s. 1d.).

105 Hobart Town Gazette, 29 July 1825; Sydney Gazette, 11 August 1825. The Australian, 4 August 1825, published a Treasury circular containing the substance of
the Minute of 11 February. It is probable that this had reached the local Commissariats; this would explain the changes recorded in the last sentence of the paragraph.

106 *Sydney Gazette*, 3 November 1825, correcting proclamation as published in 31 October.


108 *Colonial Times*, 23 December 1825, citing instructions from governor (15 December), issued at Commissariat request.


110 Brisbane quitted office on 1 December 1825 and Darling replaced him on 19 December.

111 As from 3 December 1825.

112 Statement of D.-C.-G. Laidley, 12 August 1835, *V.P.N.S.W.*, 1835. Bathurst to Brisbane, 5 June 1825, *H.R.A.*, I, xi, 637, had promised £40,000 plus copper but this evidently included £10,000 for Tasmania; no copper was sent. The next shipment was £19,800 received 1 December 1826 (Laidley's statement).

113 *Sydney Gazette*, 5 January 1826.


115 11 August 1825. All other papers, in both New South Wales and Tasmania, expressed similar views.

116 E.g., *Sydney Gazette*, 29 March, 29 July 1826.

117 A notice demanding that bills for discount be in “sterling”, *Sydney Gazette*, 2 January 1826, was cancelled a week later.


120 See accounts in enclosures in Darling to Bathurst, 20 May 1826, *H.R.A.*, I, xii, 296–323.

121 *Sydney Gazette*, 26 January, 22 July 1826.

122 *Australian*, 21 June 1826.

123 For a typical complicated advertisement, see that of Darling Mills, *Sydney Gazette*, 15 July 1826.

124 *Ibid.*, 12, 15, 22 December 1825. Not Solomon Levey of the Waterloo Company but the theatrical entrepreneur. *Gazette* says name used for note issue was “Rupee Warehouse”. According to *Australian*, 22 December 1825, the rupees had been
imported by Colonel Dumaresq because, moving from Mauritius, he had been misinformed that they were legal tender in New South Wales. Finding them refused, except as bullion, by the Bank of New South Wales, he employed a merchant to sell them. Levey offered to accept rupee deposits as well as issuing rupee notes, but the *Gazette's* attack on his 2s. 6d. valuation (it claimed they were really worth 2s. 41/2d. “currency”) and the transfer to “sterling” led to the early abandonment of the note issue. Counterfeits of the long-withdrawn notes appeared five years later. *Sydney Gazette*, 11 November 1830.

125 *Sydney Gazette*, 8 July 1826.

126 Ibid., 4 February 1826, W. C. Wentworth defended.

127 Ibid., 15 July 1826.

128 7 Geo. IV, No. 3, passed 12 July 1826.


130 The Bank of Australia had opened on 3 July 1826, *Sydney Gazette*, 5 July.

131 Ibid., 13 May 1826.

132 The order of 31 December 1825 had mentioned only British money. Cf. Darling to Bank of New South Wales, 5 February 1826, *Colonial Correspondence* No. 1, 1825–7 (Mitchell Library): “Persons holding £103 of Spanish dollars at the rate of 4s. 4d. each cannot of right demand for them of the Commissariat a bill on the Treasury for £100, such right being admitted only in the case of persons presenting British money”.

133 Darling to Bathurst, 23 July 1826, *H.R.A.*, I, xii, 430.

134 From 1 September 1826.

135 In March 1826 the Executive Council rejected a suggestion for making the dollar legal tender at 4s. 4d. Darling to Bank of New South Wales, 17 March 1826, *Colonial Correspondence* No. 1, 1825–27 (Mitchell Library).

136 Beginning with Commissariat call for tenders, *Sydney Gazette*, 19 July 1826, offering payment in British money. Until then payments had been offered in British money or dollars at 4s. 4d. Cf. *ibid.*, 2 August and September issues. Payment of dollars recommenced late in the year.

137 23 August 1826.

138 *Australian*, 23 February, 10 May 1826; *Sydney Gazette*, 22 February 1826. Darling declined to sell the Bank of New South Wales £10,000 in British coin for dollars but allowed it £1,000 on condition that it was put into general circulation, not offered for bills. Darling to Bank, 11, 16 January 1826, *Colonial Correspondence* No. 1, 1825–27 (Mitchell Library).

139 *Australian*, 23 February 1826.
140 Sydney Gazette, 8 April, 8 March, 14 June 1826.

141 Ibid., 8 April 1826. The amount involved was a quarter's salary, totalling about £6,000.

142 Ibid., 13 May 1826. The two ships were the Leander and Mangles. Cf. ibid. 20 May, 16 August. By September dollars had become so scarce that when the Commissariat accepted tenders for bills for $60,000 some of the tenderers could not fulfil their contracts, ibid., 6 September 1826.

143 Ibid., 6 September 1826.

144 13 May 1826.

145 The purely financial crisis of 1826 is to be distinguished from the general depression of 1828–30 which had a more complex origin. Note that Fitzpatrick, British Imperialism and Australia, p. 335, is mistaken in describing the 1826 crisis as a “flight from the dollar”; the issue was the simple one of an acute shortage of foreign exchange.

146 The bank's difficulties are discussed below, Chapter 7.

147 Sydney Gazette, 14 June 1826.

148 Commencing 1 September, Sydney Gazette, 23 August 1826.

149 Sydney Gazette, 12, 16, 19 August, Australian same dates. In its issue of 16th the Australian wrote of the disinclination of the bank to accept at 4s. 4d. dollars in repayment of loans which had been made in dollars at that rate: “The bank has trifled too long with the credit of the country; and the public have been too indulgent to an institution which cannot plead guilty to one charge of liberality, which has never been detected in one overt act of self-denial, which cannot be reproached with having in one single instance failed in due regard to number one.”

150 Sydney Gazette, 13 September 1826. The change took effect on 26 September, conversion being at 4s. 4d. per dollar.

151 For the Waterloo Company, “returned to sterling payments”, Sydney Gazette, 26 July 1826; issues about this period for similar advertisements by others. For examples of private acceptance of the dollar as 4s. 4d. see, e.g., issues of 1 January, 6 August 1827.

152 Sydney Gazette, 11 October 1826. At this date it appears to have been the intention not to re-issue them, but this was abandoned. Earlier, on the occasion in August when Treasury bills were sold for dollars at 4s. 4d., “holey” dollars were temporarily included at 3s. 3d., dumps at 1s. 1d., but this was evidently a mistake and was altered, the Commissariat refusing to accept these coins in any transactions until October. Sydney Gazette, 26, 30 August, 1826; Australian, 9 September 1826.

153 Sydney Gazette, 17 September 1828. The call-up expired on 31 October. In issue of 21 November 1829 the number received was reported as worth £5,000, a little over half the original issue; many were later reported in Tasmania (see below).

155 E.g., *Sydney Gazette*, 31 March 1828, 10 January 1829.

156 Ibid., 9 November 1827, 19 March 1828.

157 E.g., *ibid.*, 1 September, 12 November 1828, 17 March, 4 April, 7 July 1829.

158 E.g., *ibid.*, 17 March 1829.

159 Ibid., 15 September 1828, 3 October 1829.

160 January 1827.

161 Laidley's statement. In addition to amounts recorded above £10,200 arrived 18 August 1827.

162 Order dated 7 August, *Sydney Gazette*, 8 August 1829. It provided also that the local military chests should be open to receive fees and fines in British money in country centres. Cf. Police Office Notice, *Sydney Gazette*, 13 August 1829.

163 *Sydney Gazette*, 19 November 1829. The coin arrived on 4 December (Laidley's statement).

164 *Sydney Gazette*, 21 November, 15 December 1829.


166 *Sydney Gazette*, 24, 26 November 1826. The *Bluebook* for 1830, p. 168, recorded this as a “unanimous resolution” and represented it as if it had been immediately adopted throughout the colony.

167 E.g., *Sydney Gazette*, 24 November (Quigley, Polack, Wyatt, Lyons), 3 December 1829.

168 Ibid., 24, 26 November, 1 December 1829.

169 Ibid., 1 December 1829. For the dollar, 4s. 6d. “currency” and 4s. “sterling”; 2s. and 1s. 9d. for the rupee.

170 Ibid., 1 December 1829.

171 *Sydney Gazette*, 1 December 1829. The proprietor of the *Australian* said he refused the men's demand in the public interest; “the precedent thus set would encourage other operatives to quit their several occupations under a similar pretence”.

172 *Sydney Gazette*, 3, 10 December 1829.

173 15 December 1829. For the attitude of the Gazette to the monetary issue see, e.g., 21 November 1829: “the currency denomination, who can tell what it is? Not regulated by any rate of exchange, it is a—nothing; a mere imaginary, causeless, useless splitting of our money-prices, bewildering the brain and perplexing the
account books of all who recognize it . . . ”; 28 November, “we hate the very name of currency . . . ”. The Monitor (e.g., 28 November) held the same views of “the said rubbish”; the Australian (e.g., 25 November, 5, 12, 18 December) believed the dollar and dump “were the best circulating medium we could have possessed had they been left alone”, but neither paper gave much news of or comment on the disputes. The Gazette, apart from carrying all government notices, was, under the vigorous editorship of Robert Howe, intensely interested in all economic issues and especially monetary problems.

174 Of the “combinations that are said to be taking place amongst the working classes” it wrote (15 December 1829): “It is the duty of the magistrates to put down combinations amongst labourers of whatsoever description. Combinations of all kinds are invariably mischievous; and the greatest kindness to masters and workmen is to repress them firmly . . . The interests of masters and workmen are inseparable.”

175 Sydney Gazette, 3 December 1829 (demands for higher wages); 8 December (strikes); 10 December (strike by carpenters); 15 December (unions forming); 17 June and 14 September 1830 (wage-increases gained).

176 For the former, correspondence in Australian, 16 December 1829; Sydney Gazette, 3, 15, 19 December 1829; for the latter Australian, 25 December 1829; Sydney Gazette, 3, 5, 15, 19 December 1829.

177 Sydney Gazette, 22 December 1829. This is the source of the erroneous list of values for foreign coins in Coghlan, Labour and Industry in Australia, i, 270.

178 For export “chiefly to Mauritius”, Bluebook for 1830, p. 168; for export to Tasmania see below.

179 In Gazette advertisements the 5s. valuation was very rare by mid-1830; for a late example of “currency” accounting, “Piper Papers” (Mitchell Library), vol. ii, 25 April 1831.

180 Sydney Gazette, 21 November, 3, 10 December 1829; for export, 17 April 1830 and below.

181 Ibid., 24 August 1830.

182 Bluebooks for 1830, 1831, 1832, 1834, 1835, record the dollar as 4s. In December 1830 there was a scare and the dollar slumped temporarily to 3s., but soon recovered, Sydney Gazette, 2, 4, 7 December 1830. Dumps were hard to negotiate, Ibid., 25 December 1830.

183 Correspondence in Sydney Gazette, 23, 26, 28 October, 25 November, 2 December 1830; 1, 6, 13 January, 13 February 1831.

184 Australian, 20 January 1830.

185

**British Coin**

End of Total in Banks and Treasury Total imported by government

<table>
<thead>
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<th>£</th>
<th>£</th>
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Figures for coin in banks and Treasury from *Bluebooks*; for government imports from Laidley's statement, *V.P.N.S.W.*, 1835, *Bluebook*; estimates of coin in public circulation have been excluded as unreliable. The *Bluebook* for 1830 comments on the size of private imports of coin, pointing out that the banks and Treasury held £20,000 in gold, “none of which was imported by government”.

186 2 Wm. IV, No. 6, passed 10 February 1832. This had been foreshadowed earlier, but dropped, *Sydney Gazette*, 14 January 1830.

187 *Sydney Gazette*, 8 July 1830.


189 *Sydney Herald*, 20 June 1831. This had been the practice under a general order dated 25 August 1828, modified in *Sydney Gazette*, 8 August 1829.

190 Rate reduced from 3 per cent from 24 May 1828, *Sydney Gazette*, 9 May 1828.

191 Bourke to Stewart, 4 May 1832, *H.R.A.*, I, xvi, 640–2. He explained that the dollars would not be put in circulation “without an absolute necessity”. Earlier he had declined to sell dollars to the Derwent Bank, Bourke to Stephen, 2 March 1832, *Colonial Correspondence* No. 3, 1829–33 (Mitchell Library).


193 Dated 8 March 1826. I have been unable to consult the original notice in *Hobart Town Gazette*; the order is reprinted in *Colonial Times*, 30 July 1830.

194 £10,000 in November 1825, apparently not supplemented until a further £5,500 was sent from New South Wales in April 1827. Darling to Harrison, 5 April 1827, *H.R.A.*, I, xiii, 237 and *Report* of Committee on Currency, August 1826, see below.

195 The last issue to do so was 4 November 1826.

196 *Colonial Times*, 14 April 1826.


198 *Hobart Town Gazette*, 1 July 1826; *Colonial Times*, 30 June 1826.

199 *Hobart Town Gazette*, 8 July 1826. The meeting was on the 4th. Twenty persons signed the resolutions.
200 *Hobart Town Gazette*, 5 August 1826. John Briggs in June called in all his notes for a shilling and less, announcing that they would not be re-issued. *Colonial Times*, 23 June 1826. George Stokell, one of the committee, had called in his notes before the meeting. *Colonial Times*, 30 June 1826. On the other hand the printer of the *Colonial Times* offered forms for small notes as late as 21 July. Cf. issue of 23 June.

201 *Colonial Times*, 4 August 1826.


204 11 August, 6 October 1826.

205 Government order, 27 July 1826. The three were W. H. Hamilton (Acting Colonial Secretary); A. Moodie (Assistant Commissary-General); and John Montagu (Clerk of the Council). “Arthur File”, 11,866, Chief Secretary's Archives, Hobart.

206 MSS. report in “Arthur File” 11,866, dated 5 August 1826.

207 The committee also proposed a government register of bank-note issues, the cost to be defrayed from a 1 per cent levy on all issues. A government Registrar should supervise cancellation.

208 7 Geo. IV, No. 3, passed 22 September 1826.

209 After 8 October 1826. Previous transactions were not to be affected by the act.

210 The act specifically mentions halves (2s. 2d.); quarters (1s. 1d.); eighths (61/2d.).

211 The new notes were already being forged by 22 September 1826, *Colonial Times*.

212 *Colonial Times*, 13 October 1826, *Hobart Town Gazette*, 26 November 1826. The bank allowed holders of notes until 1 January 1827 to present them.

213 *Colonial Times*, 27 October 1826, speaks of “total abolition”.

214 Cf. *Hobart Town Gazette*, 28 October 1826, advertisement by Manning and Watchorn: “A reduction of fifteen per cent on the above prices for sterling money”.

215 17 March 1826.

216 23 June 1826.

217 15 September 1826.

218 27 October 1826.

219 The cure suggested was an issue of Commissariat notes on the Sydney model. “A general paper currency, founded on the public credit and good confidence, is the only way to alleviate the distress of the colony and to restore it to the prosperity it has formerly enjoyed.” Earlier, on 22 September 1826, a new bank with branches
was seen as at least a partial remedy for the depression.


221 See, e.g., *Hobart Town Gazette*, 21 July 1827; *Hobart Town Courier*, 2 July 1831.

222 *Hobart Town Almanac* 1829, p. 159.


224 *Hobart Town Courier*, 27 June, 11 July 1829.

225 “Derwent Bank Letter Book”, 1829–37, Swanston to Buchanan, 6 May 1832. These were accepted, at this period, as 4s. “Swanston Letter Book”, 1831–8, Swanston to Mackillop, 15 October 1833.

226 9 January, 1830.

227 9 April 1830.

228 *Hobart Town Gazette*, 31 July 1830; *Colonial Times*, 30 July 1830. This instruction was, of course, in conflict with the proclamation of March 1826 which made Sicca rupees legal tender at 2s. 1d.

229 17 July 1830.

230 *Hobart Town Courier*, 3 April, 17 July 1830; *Colonial Times*, 23 July 1830.

231 *Hobart Town Courier*, 24 July 1830; *Colonial Times*, 23 July 1830.

232 According to *Hobart Town Courier*, 25 September 1830, R.40,000 in one shipment.


234 Advertisements by two in *Hobart Town Courier*, 24 July 1830; by nine in 31 July 1830; and by eighteen in *Colonial Times*, 6 August 1830.

235 7 August 1830.

236 Thus Betts, *An Account of the Colony of Van Diemen's Land* (Calcutta 1830), “principally intended for the use of persons resident in India”, writing before the depreciation, suggested dollars or rupees as alternative means of remittance. Swanston a little later was advising his first clients against rupees and in favour of dollars. See, e.g., “Letter Book” 1831–8 (4 March 1832).

237 W. Hill to Officer Commanding His Majesty's Forces, Van Diemen's Land, 31 January 1827, “Inwards Despatches”, Vol. 41, p. 40 (Chief Secretary's Archives, Hobart).

238 In Tasmania the British Treasury's approval of sale of bills for other than British coin was not invoked at this stage because the Commissariat had no need to do so.

239 *Hobart Town Courier*, 16 August 1828.
Hobart Town Almanac, 1829, p. 159.

Hobart Town Courier, 12 July 1828. The custom was to cash no cheques below £5.

Ibid., 9 May 1829.

Replies, dated 13 October 1831, to queries by Board inquiring into government deposits in banks (Logan, Moodie, Maddox) “Arthur File”, 11,866 (Chief Secretary's Archives, Hobart).


See, e.g., Hobart Town Gazette, 9 June 1827. (Sale of surplus stores) 10 March 1832.

E.g., Hobart Town Gazette, 4 February, 19 October, 21 December 1832; 8 March, 22, 29 March, 18 October 1833. Bills on the Treasury were given at the fixed rate of exchange.

Independent, 6 October 1832

Statistical Returns of Van Diemen's Land 1824–39 (Hobart, 1839).

Hobart Town Courier, 22 June 1832.

2 November 1832.

Hobart Town Courier, 17 August 1833; Hobart Town Chronicle, 11, 25 June 1833.

Hobart Town Courier, 27 September, 11 October 1833; Colonial Times 27 November 1832, 5 November 1833; Colonist, 7 December 1832.

Cf. Colonial Times, 11 September 1832: “The introduction of the idle theories of political economists has well-nigh brought England to the verge of ruin; and will do the same with ourselves, if allowed a place at the consultations of bank directors, when respectable bills are offered them for discount.” The Tasmanian, 7 September 1832, argued that the banks should offset the loss of coin by increasing discounts.

Colonial Times, 18 December 1832; Tasmanian 22 April, 2 July 1831; Independent, 22 December 1832, 23 March 1833.

Hobart Town Courier, 22 June 1832.

Hobart Town Courier, 2 November 1832.

Colonist, 3 December 1833, gives details of all these.

“Arthur File”, 18,399, Chief Secretary's Archives, Hobart. Signed by 123, that is, almost all of importance. The coins mentioned were Sicca rupees, South American dollars, United States dollars and French 5-franc pieces.
259 Stanley to Arthur, 15 May 1834, “Inwards Despatches”, Vol. 26, pp. 119 ff.; Stewart to Officer Commanding, 10 March 1834, and Stewart to Commissary-General, 28 February 1834, Vol. 41, pp. 243–4, 244–6. Similar instructions were sent to New South Wales, Stanley to Bourke, 15 May 1834, H.R.A., I, xvii, 432 ff., but not acted upon. “These coins have never appeared here; and, as the use of dollars has been almost entirely superseded by British silver money, and it seems desirable that such should continue to be the case, I have not thought it necessary to adopt any measure on the subject.” Bourke to Stanley, 2 December 1834, H.R.A., I, xvii, 594.


261 Probably as a result of protest on 11 March 1835 by members of Legislative Council against the refusal of the Commissariat to accept rupees. The original MS. protest is in “Arthur File”, 11,866, Chief Secretary's Archives, Hobart. The committee comprised J. L. Pedder, John Gregory, G. B. Barnes, Charles Swanston, Charles McLachlan.

262 “Arthur File”, 17,537 (Chief Secretary's Archives, Hobart). The oral evidence is preserved in the original abbreviated pencil scribble of the reporter.

263 A group of merchants sent a joint objection and 70 of them earlier petitioned the Council against the Rupee act, on two grounds: (1) the proposed valuation of the rupee would restrict imports, and (2) “supply and demand being the key of all commercial and financial transactions, we pray that the currency be left untouched by any government enactment”. Hobart Town Courier, 3 April 1835.

264 Report dated 17 June 1835 in Hobart Town Gazette, 25 June 1835. Bombay and Arcot rupees were rejected, having too low a silver content.

265 Swanston, as his “Letter Books” show, was extensively engaged in trade with India and Mauritius (where the rupee was current) and beginning to develop an investment agency handling the funds chiefly at this period of Indian residents. Swanston dissented from the Report to the extent only of urging a valuation of 2s. 1d.

266 The committee thus disappointed a number of witnesses who wanted to extend the range of legal coins. Cf. Gilles, “Upon every rational ground that I can imagine it is almost imperative to extend the protection of the law to all useful coins”.

267 Address to Legislative Council on 18 June, Hobart Town Gazette, 25 June 1835.

268 Passed 2 September 1835 as 6 Wm. IV, No. 5, Hobart Town Gazette, 10 September 1835.

269 It came into force on the date of publication in Hobart Town Gazette, 17 September 1835.


271 The reduction from 3 per cent was made at the same time as in New South Wales.
272 Moodie to Owen, 4 May 1836, “Arthur File”, 17,537, Chief Secretary's Archives, Hobart. Kinnear of the Bank denied this flatly (evidence to Committee on Currency, ibid.), but his evidence is unreliable on other points and contradicted on this by all the other evidence.

273 Gregory (Colonial Treasurer) to Montagu (Colonial Secretary) 16 June 1836, “Arthur File”, 17,537. Gregory suggested issuing bills at par; Moodie an agreement with Bourke in Sydney to charge the same premium.

274 Montagu to Moodie, 17 June, 18 June 1836; Moodie to Montagu 18 June 1836. “Arthur File,” 17,537. The last suggests obtaining coin from the Sydney Commissariat. The offer of bills at par was made public in Hobart Town Gazette, 1 July 1836.

275 On 22 June 1836, Hobart Town Gazette, 1 July 1836. The committee comprised the Colonial Treasurer, John Kerr, Charles Swanston, Charles McLachlan.

276 Report dated 8 July 1836 and evidence, “Arthur File”, 17,537. All witnesses agreed, except Kinnear, who admitted the export but denied the cause. Kinnear refused to give any evidence except in answer to written queries and later published his evidence (Hobart Town Courier, 12 August 1836) claiming the committee had misrepresented him in the portions quoted in the Report.

277 Some witnesses (e.g., John Dunn) opposed; Kinnear denounced the scheme, “the worst kind of circulation that could be devised . . . would drive all specie out of the colony . . . would affect every sale and contract made”.

278 7 Wm. IV, No. 4, passed 13 August 1836.

279 West, The History of Tasmania, (Launceston 1852), i., 160, says so definitely: I have found no evidence of a proclamation.

280 Gregory to Montagu, 12 July 1836, “Arthur File”, 17,537. Montagu in a memorandum dated 28 June 1836, loc. cit., dissented, arguing that the Bank of Australasia would soon have all these coins too and a complete banking monopoly to boot. He suggested (1) making notes of all the local banks legal tender (but convertible on demand), (2) Commissariat to sell bills to colonial Treasury for specie or notes to maintain its cash at a level equal to three months' expenditure, (3) temporarily, bills to be legal tender.

281 Notice dated 10 August, Hobart Town Gazette, 12 August 1836. Payments to troops were, however, to be in British coin so long as any was held. Montagu to Moodie, August 1836, “Arthur File”, 17,537.


283 Hobart Town Gazette, 3 November 1837.

284 E.g., Hobart Town Gazette, 29 November 1839; 20 May, 3 June 1842.

285 Hobart Town Courier, 17 August 1838; True Colonist, 17 August 1838.
286 True Colonist, 23 November 1838. “The greatest outcry is that the Derwent Bank is deeply interested in the Mexican dollars and that many of the most influential government officers are deeply interested in the Derwent Bank, and therefore a law must pass to make the public of this colony pay for the profits of the importer of these dollars.”


288 2 Vic., No. 30, passed 28 November 1838.

289 Minutes of Legislative Council, 29 August 1840; Hobart Town Advertiser, 4 September 1840; Lawrence appears to have been quite disinterested but found only two supporters in the Council.

290 4 Vic., No. 10, passed 31 August 1840.

291 I.e., 17 dwts. 8 grs. troy gross weight, 370 9/10 grains pure silver.

292 This was the explanation of the Attorney-General. The Commissariat was still required by the original instructions of 1825 to prefer British coins for bills.

293 Report of debate on 10 September 1842, Hobart Town Courier, 16 September 1842. All the official members expressed these views.

294 6 Vic., No. 7, passed 14 September 1842.

295 Colonial Office approval was accompanied by reiteration of instructions that no future currency legislation was to be initiated without prior reference to England. Stanley to Wilmot, 5 July, 6 August 1843, “Inwards Despatches”, Vol. 64, pp. 241–2, 249–52.

296 Colonial Times, 18 October 1842.

297 Launceston Examiner, 10 February 1844; Stanley to Wilmot, 6 August 1843, Inwards Despatches, Vol. 26, p. 252.

298 Union Bank, Hobart, Minutes, 28 October 1842, reports the agreement.

299 Bluebooks, 1843, 1844, 1845, 1847, 1848.

300 Hobart Town Advertiser, 26, 29 September 1848; Colonial Times, 26 September 1848. Dollars were still accepted at 4s.

301 The emergence of a foreign exchange market, independent of the Commissariat, and the abandonment of a fixed rate of exchange are discussed in Chapter 13; the transient appearance of dollars in South Australia and Western Australia in Chapters 8 and 11. The slowness with which the dethronement of the dollar was known overseas, which probably explains its occasional import in small amounts, is illustrated by the fact that the second edition, 1850, of McCulloch's Commercial Dictionary recorded the dollar as legal tender at 5s. in New South Wales.
Chapter 7 Boom and Slump in the 'Twenties

THE 'twenties opened with New South Wales clearly going through a rapid transition from paternal convictism to capitalism. The story of this emergent capitalism is yet to be told; it took the form of the first business boom and slump the colony had yet experienced.1 When Macquarie left, that boom was getting under way, carrying the scale and range of private enterprise to the point where, far from being an appendage of the gaol, dependent upon it for market, labour supply and land, it was increasingly in conflict with it, until by the end of the decade it was evident that private enterprise was destroying the gaol as it created a new capitalist community. The dominant theme of the boom, as of that of the 'thirties, was pastoral expansion financed by capital import. Quantitative measurement of even the main aspects of the process is impossible, for the available statistical material is scanty and its meaning frequently questionable.2 But the main contours of the movement are clear.

From 1818 onwards pastoral settlement had been spreading beyond the mountains in the Bathurst and Goulburn districts and in the Hunter valley from 1822; squatters were further afield reaching out to the Murrumbidgee River in the south-west and to the Macleay River in the north,3 and from October 1824 land sales opened a new form of investment.4 Population was growing, from 13,300 in 1815 to 25,300 in 1820 and 33,500 in 1825,5 of whom an increasing proportion were free.6 The advertising columns of the Sydney Gazette and the Hobart Town Gazette testify to a rapid expansion of the number and variety of business establishments. The expansion was fed by capital import, the dimensions of which can only be roughly indicated.7 Trade figures have a wide margin of error, but the gap between imports and exports was so wide that no amount of error can affect the immediate inference of very heavy capital import.

### IMPORTS AND EXPORTS, 1824–27

<table>
<thead>
<tr>
<th>Year</th>
<th>NSW Imports</th>
<th>NSW Exports</th>
<th>NSW Import Surplus</th>
<th>Tas Imports</th>
<th>Tas Exports</th>
<th>Tas Import Surplus</th>
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<tr>
<td>1824</td>
<td>—</td>
<td>—</td>
<td>£62,000</td>
<td>£14,500</td>
<td>£47,500</td>
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<tr>
<td>1825</td>
<td>—</td>
<td>—</td>
<td>88,161</td>
<td>23,837</td>
<td>64,324</td>
<td></td>
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<tr>
<td>1826</td>
<td>£360,000</td>
<td>£106,500</td>
<td>£253,400</td>
<td>99,747</td>
<td>44,498</td>
<td>55,249</td>
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<tr>
<td>1827</td>
<td>362,324</td>
<td>76,314</td>
<td>286,010</td>
<td>152,627</td>
<td>59,902</td>
<td>92,725</td>
</tr>
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</table>

A major form of capital import was British expenditure on the maintenance of a gaol. Bills drawn by the Commissariat were:8

1819 .. £129,499
1823 .. £95,828
1820 .. 181,376
1824 .. 199,112
1821 .. 166,315
1825 .. 170,899
Private capital import was managed in one of three forms. To a small extent immigrants carried British coin, Bank of England notes or, when forewarned of the local monetary situation, Spanish dollars. Many deposited funds with English agents and drew bills against these funds. Many invested their capital in goods which they hoped, or were advised, were readily saleable in the colony.9 With the formation of the Australian Agricultural Company capitalized at £1 million and of the Van Diemen's Land Company, private capital import reached a new high level.10

Their appearance brought local enthusiasm for pastoral expansion to its peak, the more so as the colonists saw in the Australian Agricultural Company an insatiable buyer of stock. Lang11 vividly described the stock speculation as he saw it in January 1826: “barristers and attorneys; military officers of every rank and civil officers of every department; clergymen and medical men; merchants, settlers and dealers in general were there [Sydney cattle market] seen promiscuously mingled together every Thursday, and outbidding each other in the most determined manner, either in their own persons, or by proxies of certified agricultural character, for the purchase of every scabbed sheep or scare-crow horse, or buffalo cow that was offered for sale in the colony”. Loans of the Bank of New South Wales rose from £23,577 at the end of 1820 to £42,553 in May 1825 and then raced upward to £67,493 by the end of the year and on to a peak of £95,408 in May 1826. “The Country is Infinitely Beyond the Grasp of the New South Wales Bank”12

This was a situation in which the Bank of New South Wales could not hope to remain unchallenged. Even its rapid expansion could not satisfy would-be borrowers, and capitalists itching to draw tribute from the boom were not prepared to leave the banking field to it. The Bank itself was unwilling to make large additions to its capital, contenting itself with an increase to £40,000 with a limit on holdings of ten shares.13 It was not disturbed by the appearance of its first Sydney competitor, the Waterloo Company, nor by the loss, through the opening of the Bank of Van Diemen’s Land, of the possibility that it might have expanded to Tasmania.

The Waterloo Company passed by various names. Having begun operations as a flour mill under the firm name of Hutchinson Terry & Co., it added note issue (in terms of dollars) to its activities in June 182214 under the name of the “Waterloo Company”.15 By 1824 control had passed to Terry & Cooper,16 although Hutchinson retained a one-third interest until 1825 when he sold out to Daniel Cooper and Solomon Levey.17 Thereafter the business was usually known by the title of Cooper & Levey, although its notes, from May 1826 in “sterling”,18 were water-marked “Waterloo
and even in the 'fifties the place of business was known as the Waterloo Warehouse. In addition to the issue of notes the firm accepted deposits but banking activities were never more than a sideline. Its interests had become very widespread, ranging through the keeping of a general store, importing, shipowning and squatting. The firm's note issue, never more than a few thousand pounds, was greatly reduced in 1831 because of a run caused by an entirely innocent trip to Tasmania by Cooper. The holders thought he was absconding. In 1833 Solomon Levey died in London, and by the terms of the partnership its affairs were wound up one year later. Its notes were still in circulation but when the business was reorganized as “Cooper, Holt & Roberts” all connection with banking was dropped. With it went the last important example in Sydney of a merchant's establishment in which banking was a department.

The first open move for the Bank of Van Diemen's Land was in July 1823 when a meeting resolved on the formation of the bank for an initial seven years and a subsequent meeting completed the plan, fixing the capital at $40,000 in shares of $200 each, 70 shares being reserved for the Launceston district. Sorell (who later claimed credit for initiating the whole thing) promised to solicit a charter from Brisbane in Sydney. Within two months the charter had been approved and the promoters were busily at work, collecting subscriptions, seeking staff and premises and securing directors. Opening day was 15 March 1824.

The charter listed 73 shareholders, the majority of them merchants and storekeepers of Hobart. It confirmed the capital arrangements (although it referred occasionally to pounds instead of dollars), incorporated the company for a period of seven years, prohibited the bank engaging in trade or “in any kind of agency for the buying and selling of public securities”, restricting its activities to the conventional banking activities of discount, deposit and note issue. Notes might be as small as $1/4 or as large as $100. Discount rate was not to exceed 10 per cent. Liability of shareholders as a unit was unlimited (but liability of individuals was to be proportionate to holdings) for all loans in excess of subscribed capital. It does not seem that the validity of the charter was ever publicly questioned, but when that of the Bank of New South Wales had finally to be abandoned, the Bank of Van Diemen's Land was discreetly notified and took the necessary legal steps to acquire recognition as a joint stock company as from 1 January 1828, using the charter as the basis of its deed of settlement, except for the necessity of securing a local act to enable it to sue and be sued in the name of its managing director.

As the boom developed and the demand for capital grew, the formation of a second bank in New South Wales was only a matter of time. The
occasion was the declaration in January 1826 by the Bank of New South Wales of a dividend at the rate of 531/2 per cent per annum.36 A small group moved swiftly—its plans were partly known the next week37 —and by late February the main conditions were determined: capital £100,000 in £100 shares, £10 payable on allotment.38 Little publicity was given to its later steps. The press was refused information as to its meetings,39 but it soon became clear that there would be no public offer of shares. Three hundred shares had been reserved for the public but all were taken by the original promoters,40 the “monopolists” as the Australian called them.41 It was said that barely ten merchants secured shares, one-third going to government officials and half to “settlers”, i.e., pastoralists.42 Undisturbed by the clamour, the promoters proceeded with their plans, completed a deed of settlement,43 elected directors,44 and made a second call of £8 per share.45 Opening was delayed, but the bank finally began business on 3 July 1826.46

The exclusiveness of the promoters of the Bank of Australia precipitated a plan for a new bank, the Sydney Commercial Bank47 amongst investors, many of them shareholders in the Bank of New South Wales who could not secure Australia shares. “The Bank of Australia . . . was so quickly filled up with its thousand shares, that there was no opening left for any decent or respectable looking man to get in edgeways.”48 On 27 February 1826, five days after the inaugural meeting of the Bank of Australia, circulars were ordered at 3 p.m. for a meeting at 7. Printing was completed by 5, and a large group assembled to endorse the plan which provided for a capital of £100,000 in £50 shares, it being forecast that only £20,000 would actually be needed. Despite legal doubts raised, it was promised that liability would be limited to the amount of shareholding.49 Six hundred shares were reported as taken by the end of the week,50 but already there was talk of the new bank being absorbed by the Bank of New South Wales,51 a discreet way of describing pressure from that bank on those of its shareholders who were involved. At first they stood firm,52 but when the Bank of New South Wales proprietors met on 18 March it became clear that a bargain had been struck and that “the Sydney Bank has almost if not entirely met with annihilation . . . Many of the contemplated proprietors of the new bank were large shareholders in the old Bank [of New South Wales] and it was astonishing to see with what calmness these gentlemen suffered themselves to be abused and contemned . . . The Sydney Bank proprietors were given to understand that not above ten of them possessed means adequate to the formation of a third bank; and that their presumption was by no means of a trifling description when they could venture on the proposal of terms to that venerable institution—the Bank of New South Wales”. The terms of
the bargain were, in effect, stated by one of the speakers who proposed an increase in capital from £30,000 to £100,000 with four additional directors. But the meeting would only go so far as to resolve on the full payment of capital, to agree that it was “expedient to increase as soon as practicable, the number of proprietors”, and to this end “that a bye-law be framed to subdivide the 300 shares created by the charter into tenths; these tenths, or so much of them as the proprietors are willing to part with, be thrown open to the public and sold publicly or privately at the option of the proprietors.”

The Sydney Bank shareholders were, not unnaturally, dissatisfied and made known their intention of proceeding as soon as the transfer to the “sterling” standard was complete. They were enabled to come to terms with the Bank of New South Wales because, with the first signs of temporary deflation created by the transfer to “sterling”, that bank had to secure additional funds and for the same reason shareholders repented of their endorsement of calls on existing shares. The compromise was abandonment of the second and third calls, deferment of the first call to 1 May and an application to the governor for an amendment to the charter to permit the creation of an additional 700 shares for sale to the public. The application was duly made, but without immediate result, for the governor raised questions as to the validity of the charter and referred the matter to England. Whether the Sydney Bank shareholders would have been prepared to wait is not recorded; within a matter of days all thought of creating a new bank was swept away by public knowledge of the acute embarrassment of the Bank of New South Wales and no more is heard of the Sydney Bank.

The Bank of New South Wales was quicker to respond to the threat of real competition from the Bank of Australia. With that Bank barely conceived, a general meeting rushed through a reduction in the rate of discount from 10 to 8 per cent, established two discount days instead of one, and discussed a more liberal lending policy without making definite decisions about it. The Bank of Australia necessarily met the new discount rate when it commenced operations, but the Bank of New South Wales lost deposits (and therefore cash) heavily to the new competitor as shareholders paid up subscriptions, and its new deposits claimed cash at clearing. More serious was the heavy and rapid drain of dollars throughout April as a result of the foreign exchange crisis. The bank was forced to proceed very cautiously with discounts, and to meet notes and deposits in Store receipts, which led to a wild rumour that it had stopped payment. Despite a public declaration by the proprietors of “the solvency and stability” of the bank, weakened by the announcement of no discounting of
dollar bills,64 the situation was desperate and the bank was forced to apply to the government for a loan of £20,000 in specie to determine which Darling directed an immediate inquiry into the bank's affairs.65 “Very Improvident . . . Very Unsafe and Improper”66

The Board of Inquiry made a rapid survey of the bank's affairs.67 A balance sheet as at 10 May68 showed the central fact of relevance for any immediate action: the state of the bank's cash. It held £521 in British gold, £1,560 in silver, £1,812 in rupees, $4,739 in coin and $1,168 in Store receipts. Against these it had notes in circulation of $124,869 and deposits of $282,794. This amounted to a ratio of 5.7 per cent of cash to notes and deposits combined, and even that was putting the best face on it, for the demand was for dollars, not British silver. The speed of the dollar drain is shown by these figures of dollars held:69

\[
\begin{array}{ccc}
3 \text{ April} &$122,933 \quad 8 \text{ May} &$8,812 \\
1 \text{ May} &89,818 \quad 10 \text{ May} &4,739 \\
\end{array}
\]

The immediate need was obvious: cash to enable the bank to stay open. But the board looked deeper. It drew attention to the great amount of accommodation bills70 and pointed out that three borrowers appeared as drawers, endorsers or acceptors of bills for $249,046, well over half the bank's loans.71

In reporting to London Darling professed to take a charitable view.72 He pointed out that “the recent alarm has been caused by the bank being left without dollars, which appear to have been withdrawn from it to a large amount, partly for the purpose of remittance as bills could not be procured, and partly on account of the establishment of the Australian Bank”. The latter bank found the plight of its rival not unwelcome, and declined to accept Bank of New South Wales notes or cheques except for capital subscriptions, and for these notes desired to receive, if not cash, “such bills of exchange or promissory notes in the Old Bank as we may approve”.73 But Darling's real view is implied in the conditions he attached to the offer of a loan of £20,000: namely that (i) the government should appoint three additional directors, (ii) the bank's weekly discounts should be reduced by a quarter until 1 January 1827, (iii) by that time capital to be fully paid up and no dividend should be payable meanwhile, (iv) the bank should adopt “sterling” reckoning.74 With great reluctance the shareholders agreed, but only after an all-day meeting in which the president posted to and fro in a gig between the bank and government house with successive counter-proposals.75

The mere guarantee of aid allayed the public alarm. Deposits exceeded withdrawals almost at once,76 and for a time there was no need to call on
the loan. But the note issue was cut by a quarter, and no new bills were discounted for a time, renewals being limited to three-quarters of the old loans, a restriction which was intensified in September. In spite of the bank's efforts to avoid it, most of the loan had to be called upon and this was not repaid until January 1827.

But the terms on which the loan had been offered involved a reduction in bank loans, not fully compensated by those of the Bank of Australia, and accentuated by the Bank of New South Wales seeking to avoid the necessity to use the loan by severely curtailing its discounts. Darling himself increased the difficulty by withholding from circulation the dollars received for Treasury bills, while the British parliamentary vote (against which bills were drawn) was cut in half by the adoption of the policy of placing on the colony the cost of the salaries of civil officers. The export of dollars caused other lenders, such as the Waterloo Company, to restrict loans, while the prohibition of notes under £1 eliminated temporarily a large fraction of the colony's cash. Deflationary as all these events were, their effect was greatly intensified by their happening all together. By the end of July 1826 the crisis was at its height.

Darling proposed three measures. First, the amount of $60,000 which had a few weeks earlier been lent by the colonial Treasury to the Commissariat should be repaid by the Commissariat selling bills to this amount. This would obviate the need to export dollars and retain the coin for cash purposes. Second, the Commissariat should thereafter make all its payments in British coin, thus ensuring that it was held idle for a minimum period. Third, to provide the banks with a cash reserve, while releasing coin for general circulation, the Commissariat should supplement its British coin by issuing £5 and £10 notes. With the unanimous approval of the Council the plan was put into force from 1 September, Commissariat and Treasury payments being made half in British silver and half in these notes, both being acceptable for Treasury bills on the same terms. Only £6,250 was thus issued as Darling's authority to do so was presently in doubt because of British instructions on local finance, and they were almost all withdrawn in February 1827 until the matter should be cleared up, their place being taken by a re-issue of dollars by the Commissariat. Subsequently the continuance of the issue, until adequate coin had been sent, was authorized, but as the British Treasury had before this rejected Darling's explanation of the crisis the notes still outstanding were called up. In June 1828 with much ceremony the notes and plates were solemnly destroyed. But the combined effect of these measures, the arrival of another £14,800 in British coin, a falling-off in imports and the passage of time was that the year 1827 opened with the crisis over. “The
Policy Adhered to by the Old Bank Direction is Rapidly Effecting its Annihilation”.96

But if the crisis were over for the colony, for the Bank of New South Wales it was not. It had, from its weakened position and with damaged reputation, to meet the aggressive competition of the Bank of Australia which, by March 1827, had built up a note circulation of £11,915 and deposits of £18,836 and had total loans of £33,505 which in the following twelve months were to be greatly increased, note issue to £18,100, deposits to £40,361 and loans to £62,404.97 That competition had to be met in deepening depression with the burden of reorganization required by the abandonment of the charter and with bitter internal disputes. In quest of funds to restore its competitive position the Bank of New South Wales early in 1827 considered the offer of interest on deposits, 5 per cent on amounts over £50 and 4 per cent on smaller sums, fixed for six months, but the proprietors would have none of it, only three speakers and a third of the votes being in favour.98 Feeling secure in its growing strength, the Bank of Australia in October 1827 took the initiative in restoring the discount rate to 10 per cent.99 The Bank of New South Wales did not follow immediately; perhaps it hoped to gain some transfer of business. But in December, having waited only a few weeks, it adopted the same rate,100 which was to be maintained without interruption until 1842 as the general short-term discount rate.

The last months of 1827 and the first half of 1828 saw a series of bitter personal and faction fights in the Bank of New South Wales the details of which are not material except in three respects.101 First was the decision, taken in this battle and in part occasion for it, not to discount for any private note issuers; second, the revelation of current banking methods; and last, the serious loss of public confidence which ensued, most serious, perhaps, amongst the business community, who took sides and in many cases transferred their business to the Bank of Australia.

The setting for the squabbles was the need to reorganize as a joint-stock company as a result of the final declaration that the charter was invalid. Resentment at the alleged control of the bank by a clique, the use by directors of their position to secure funds which they used for private discounting at enhanced rates, and a clash of personal ambitions and dislikes boiled up into disputes which for a time threatened the ability of the bank to complete the reorganization. Holders of substantial numbers of shares for months declined to sign the new deed and were only brought to a new frame of mind by the proposal to pay off their capital in the form of a pro rata distribution of discounted bills held in the name of the old bank, recipients carrying all the risk of dishonour.102 The blow was softened by
the resignation as director of Redfern, the chief target of abuse, and peace was well on the way to being restored when in July realization of the unsoundness of the bank's finances brought an abrupt closing of the ranks and a united public front.

Two of the chief critics had been Daniel Cooper of Cooper & Levey (Waterloo Company) and Robert Howe, editor of the Sydney Gazette; and against them was aimed a decision in November 1827 “that this bank do not in future discount for any person or firm that issues paper payable on demand, or receive any other paper payable on demand except the paper of the Bank of Australia”, Cooper & Levey, who had a year before transferred their account from the Bank of Australia because of a similar ban, were indignant and defiantly announced that they would “continue to issue our paper” and would get along without the Bank of New South Wales. Howe, although he called in his notes—he said they had only amounted to 250 of £1—carried the war to the enemies' camp. He disclosed that a private note issuer was the bank's own cashier, and delivered his main broadside, at a special bank meeting, at Redfern whom he charged with securing loans for himself for dubious purposes, and whose removal from office he unsuccessfully moved. But in formal defeat he made his point, that Redfern as director was party to discounting his own bills, the proceeds of which he relented. He followed this up by printing correspondence in which some of the less essential facts were challenged but on which a jury would convict, to show in a specific case that Redfern had offered a loan at 15 per cent to a borrower who was directed to give a bill excluding Redfern's name, in a form which he could himself discount at the bank—at 10 per cent. The public might well believe that Redfern was merely the one who had been caught out and that the common charge that the directors did that sort of thing was true.

In these circumstances the bank was fortunate to be able to carry through its legal reconstruction. The new deed of settlement provided for a capital of £100,000 in £100 shares for a joint-stock company for seven years. Profits and losses were to be shared proportionately to holdings. At first seven directors were provided but this was raised to eleven so that “a certain number of country gentlemen” might be included—in effect one of the terms of settlement of the fight. An act enabling the bank to sue and be sued in the name of its president was secured.

Meanwhile the Bank of Australia insisted on clearings each week between the two banks being in hard cash. In July 1828 it was rumoured that the Australia was deliberately collecting New South Wales notes in order to embarrass the latter bank, and there was public gossip that the New South Wales would be forced to suspend convertibility. The bank
retaliated with a public declaration by a large number of shareholders and business firms of their willingness to accept Bank of New South Wales notes and by announcement of a substantial increase in capital. The new shares were, in view of the current shortage of coin, to be available in exchange for discounted bills, but 400 shares remained untaken in October when existing proprietors took them for bills on an assurance that these would be payable in four quarterly instalments. The amended deed of settlement which also increased directors to twelve was duly signed and apparently peace was restored. “The Colony is Ruined, Absolutely Ruined”

In the latter part of 1827 the first unmistakable signs of depression appeared. The main factors were a liquidation crisis leading to a heavy fall in the prices of imported goods, a cut in capital imports, probably associated with the 1825 crisis in England, a fall in wool prices and a severe two-year drought. Contemporary explanations placed great stress on the first of these. The growing stream of free immigrants to an important extent transferred their capital in the form of goods which they planned to sell on arrival; an even larger flood of goods represented the optimism of English merchants shipping to local agents to exploit the market, reports of which were a year or more old by the time they were acted upon. These could only be sold at heavy losses which involved not only English principals but also local dealers and, of course, the new immigrants. The importance of this liquidation crisis must be admitted, but its place was as accentuating a slump already serious, not as a primary factor, for the great flow of increased imports was in 1828 and 1829, not in 1827.

Of prior causal significance was the 1825 crisis in England which interrupted the flow of British capital abroad and still more important the decline in English wool prices associated with the reduction of the British customs preference for colonial wool. To these must be added the credit restriction and disturbance involved in the transfer from the dollar to the sterling exchange standard and the concurrent troubles of the Bank of New South Wales, accentuated late in 1827 by the increase in discount rate initiated by the Bank of Australia. On these was superimposed a two-year drought, widespread but most severe in the older-settled areas and the Hunter valley (i.e., the grain-producing districts), as a result of which the harvest of 1827–1828 was a total failure in many parts of the colony and

<table>
<thead>
<tr>
<th>Year</th>
<th>RECORDED IMPORTS (New South Wales only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1826</td>
<td>£360,000 1829 £601,004</td>
</tr>
<tr>
<td>1827</td>
<td>362,324 1830 420,480</td>
</tr>
<tr>
<td>1828</td>
<td>570,000</td>
</tr>
</tbody>
</table>
less than half the normal even in the most favoured districts, and the harvest of 1828–1829 was little better. Relief for the immediate problem of food supply was sought by suspending the duties on grain and flour from June 1828. Imports of wheat leaped to 85,716 bushels in 1828 and 107,929 in 1829, with 320,640 lb. of flour in 1828. The relief carried with it an aggravation of the balance of payments problem, while the high prices of foodstuffs intensified the internal situation, especially by raising wages both directly and also indirectly in the cost of rations. Landowners still owing the government for their land were hard hit, and secured deferment of payments at low interest. The need for cash to maintain solvency was so acute that creditors frequently accepted low compositions for immediate payment, rather than wait for slow realization of larger sums. The *Gazette* pictured the situation: Such things as ready-money transactions are nowadays never heard of; credit is the only hinge on which business turns; credit in town—credit in country; credit with the wholesale merchant—credit with the retail dealer; credit with the farmer—credit with the grazier—credit with the butcher—credit with the baker—credit with the cabinetmaker—credit with the blacksmith—credit with the mason—credit with the shoemaker—credit with the laundress—credit with the shoemaker! ‘Credit! credit! credit!’ is in everyone's mouth; ‘three months—six months—nine months—eighteen months—two years—three years’ are words in constant use; one sees them in almost every placard and advertisement and hears them in almost every counting house and shop. Everybody is offering to sell—nobody offers to buy. Houses—ships—investments—allotments—grants—leases—farms—horses—cattle—sheep—pigs etc., etc., etc., etc., etc., are proclaimed for sale—proclaimed by the printer—proclaimed by the auctioneer—proclaimed by the bellman; but the proclamation is not heeded: the largest letters of the printer—the loudest orations of the auction room—the most melodious chimes of the ringer, are alike ineffective in the difficult art of persuasion. Cattle at £2 a head and sheep at three dollars, and other things at a proportionately ruinous reduction, are frequently unable to obtain purchasers.

Not until 1830 was there an Insolvent Debtors Act, and until then creditors depended upon their ability to make private arrangements with debtors, or upon legal action for the recovery of debt. The following figures, relating to the Supreme Court only and not the Court of Requests, take no account of debts except as they ended in that court; their significance lies therefore in their growth not in their absolute size:

<table>
<thead>
<tr>
<th>Year</th>
<th>Executions against persons or property</th>
<th>Mesne Process or ca. res.</th>
<th>Summonses</th>
<th>Total Writs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825</td>
<td>107</td>
<td>166</td>
<td>283</td>
<td>556</td>
</tr>
<tr>
<td>1826</td>
<td>129</td>
<td>231</td>
<td>250</td>
<td>610</td>
</tr>
</tbody>
</table>
The Gazette strained its type resources to bring home to its readers what the figures meant—if they were in any doubt: “during the first ten months of the year 1829, one in every 41/4 persons was served with a writ of one kind or another; . . . one in every 10&frac13; persons either had an execution against his person or property or was held to bail; and . . . one in every 14&frac13; persons had an execution upon his person or property! And this, let it be borne in mind, was through the Sheriff’s Office alone exclusive of the process of the Courts of Requests which must also have been considerable”.

For the Bank of New South Wales the dominant result of the slump was the export of coin which hit it harder than the Australia. As was to be expected, with a fixed Treasury bill rate and a supply of bills limited by Commissariat expenditure, coin was quick to move, especially to Mauritius where the rating on silver coin made it a more profitable form of remittance than bills on the Treasury. Reduction of the premium on Treasury bills from 3 per cent to 11/2 per cent in 1828 was too small to affect the situation much; in any case remittance by Treasury bill had the advantage only that coin was not exported—it was nearly as effectively immobilized in the Commissariat. Of the total British coin imported by the Commissariat (£60,000) no less than £50,000 was said to be in the Commissariat at one time in September 1827 in payment for bills. The banks were reduced to ceasing advances before the sailing of ships, to limit the outward flow, but the flow continued—£30,000 on the Elizabeth to London in November 1827, $20,000 (in dollars) shipped by Cooper & Levey to Mauritius in March 1828, £30,000–£40,000 to London by the Boddington in September being only the outstanding shipments. Torn by internal strife, handicapped by the aftermath of 1826, weakened by its losing battle with the Australia, the Bank of New South Wales could not stand the strain as a run developed in the closing weeks of 1828. “That Hasty and Disgraceful Resolution”

In December 1828 the bank had again to apply for a government loan of £15,000. As before, the central fact which made refusal virtually impossible, was the state of the bank’s cash, which thrust on the governor the responsibility of deciding whether he would force the bank to close immediately or not. On the day of the application the bank held £339 17s. 8d. in cash against notes in circulation of £9,401 and deposits of £20,905, a reserve ratio of 1.1 per cent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>1827</td>
<td>216</td>
<td>240</td>
<td>464</td>
</tr>
<tr>
<td>1828</td>
<td>456</td>
<td>329</td>
<td>964</td>
</tr>
<tr>
<td>1829</td>
<td>670</td>
<td>251</td>
<td>1,305</td>
</tr>
</tbody>
</table>

(to 31 Oct.)
A more searching inquiry than in 1826 disclosed a sorry picture. In 1826 it had been a condition of the loan that subscribed capital should be fully paid. It now appeared that the nominal capital stood at the enlarged figure of £150,000 of which £148,520 was subscribed and £29,018 shown as paid up. But the president admitted that some £11,435 of this represented bills given by shareholders which had already been renewed once and which it was proposed to renew twice more, with a 25 per cent reduction on each occasion. Some of these bills dated from before the crisis of 1826. Moreover, only as recently as October 400 unsold shares had been disposed of and the public given the impression of a real capital increase by the proprietors taking the shares in return for bills. Even classing these as “payment” the “paid-up” capital of £29,018 was made up in a remarkable way, the amount paid-up per share varying from £71 12s. 6d. to 16s. 8d. with an average of £20 6s. 10d. The bank's loans showed that it held (apart from bills for shares) £41,255 in bills falling due, together with £8,900 in overdue bills, the drawers of all of which were also drawers of bills among the larger amount. The president estimated that only a third of those falling due would be paid and the rest would have to be renewed. The crowning facts were the admission by the president that he and other directors kept their personal accounts with the rival Bank of Australia and the disclosure that despite the state of the bank only the lack of hard cash had prevented the declaration and payment of a dividend of 12 per cent, requiring £1,900.

Darling's consideration of the problem was complicated by publication of the fact of the application and a consequent heavy loss of deposits (£3,200 between 15 and 26 December) and by the attitude of the Bank of Australia. Two of its directors, John Macarthur and Edward Wollstonecraft were examined before the Executive Council, their evidence showing a mixture of fear of their own bank being involved in a run and hand-rubbing over the embarrassments of the rival. Wollstonecraft crudely proposed that the Bank of New South Wales be allowed to crash and the situation dealt with by the government lending his bank £15,000 at 5 per cent. Many civil officials and members of Darling's own family were shareholders in the Australia, and any hesitations he may have had must have been overborne by the need to clear himself of the charge of using the situation for family gain. The Executive Council accepted his view and the bank was offered a loan of £15,000 for twelve months at 8 per cent on these conditions: (i) “the bank shall wind up its concerns finally in the course of twelve months”, (ii) a director to be appointed by the government to ensure that terms were observed, (iii) reduction of discounts, (iv) no dividends until loan repaid, (v) security for the loan in the form of bills from the bank's
portfolio, replaced by others as they became due. It was foreshadowed that the governor would not oppose a completely new and purified Bank of New South Wales when the old one was wound up.146

The bank sought to escape the sentence. A meeting on 20 December proposed that the terms be varied so that winding-up need not occur if the loan were repaid within nine months, but the Council accepted Darling's vigorous argument that this was asking too much; if the government helped the bank to meet its commitments and wind up smoothly it had done enough, and must demand as a condition the end of an institution which pursued, and apparently intended to continue, such dubious methods. The request was refused.147 A bank meeting of 27 December defeated an amendment that the bank cease operations forthwith, and “after a few heated debates” accepted the terms of the loan.148 A further meeting in January sought to reverse this decision but without success.149

The loan was drawn upon at once150 and further instalments were used in the next few weeks.151 A vigorous campaign was undertaken against overdue loans. Overdue bills, it was optimistically demanded, should be retired immediately,152 with the threat that action would be taken against all parties “whether they be drawers, payers, acceptors or indorsers” unless within a reasonable time they made arrangements “either by payment, by providing better paper, or by giving some sufficient real or personal security”.153 The amount involved was some £12,000 and they were required by April to complete arrangements for payment by the end of the year.154 It does not appear that the proprietors were so active in collecting their own capital subscriptions, for unpaid bills in respect of bank shares were down only to £10,686 by 9 March and were reduced by only £205 two months later.155 Nevertheless the situation was improving and in March the bank besought Darling not to insist upon winding up at the end of the year, but he was adamant.156 Within three months the bank felt strong enough to defy the governor. The outstanding debt was repaid,157 and the proprietors invited “in consequence of the reviving prosperity of the bank . . . to take into consideration the expediency of rescinding the resolution to wind up”. This they did with a unanimous vote, on the specious plea of “the government having relieved the proprietors from their undertaking to do so by refusing to make further advances in the shape of loan”.158

Darling accepted the fait accompli. He had repeatedly expressed his desire for a second bank; his legal remedy or other means of enforcing the bank to honour its agreement were obscure; and he was particularly vulnerable on this issue to a charge of misusing his official position for the private ends of his family and his officials. Indeed, within a year he was prepared, with evident relief, to re-establish the government deposit in the
bank. Before the loan, in view of the known difficulties of the bank, the Commissariat had taken to making its payments by cheques on the Bank of Australia or in its notes159 (a minor addition to the difficulties of the Bank of New South Wales) and when, having received the first instalment of the loan, the bank discussed rejecting the terms, the Colonial Treasurer's deposit was allowed to become exhausted.160 When the bank in June applied for its restoration, Darling's relief at being able to close an incident in which his motives were open to such shrewd attack is evident in his glossing over the events: “the money advanced on loan to the Bank of New South Wales . . . was almost immediately returned, and the bank has perfectly recovered from its embarrassment, which was but temporary; besides such a check has been established as will prevent its getting in arrear without the knowledge of government, and no difficulty would be found in withdrawing the money deposited, whenever it might be deemed necessary, the amount seldom exceeding £3,000”. The “check” was the supply of half-yearly statements within a month of the end of the half year, an arrangement not likely to check anything.161

Tasmania's Banking Boom

Tasmania escaped both the slump and the monetary troubles and the banking crisis of the mainland. There was no drought—in fact the island as the granary for the mainland profited from the shortage of wheat and its high price in New South Wales, and the wheat-growing north-east saw the next important development in Tasmania in the early 'thirties. The transfer to “sterling” was long-drawn out, and produced no balance of payments problems with the repercussions on domestic credit. Accordingly the latter half of the decade witnessed a rapid expansion of banking facilities.

The former Attorney-General, J. T. Gellibrand, and his son opened in Hobart in 1826 the “Tasmanian Bank”,162 which for two and a half years issued notes (originally for $4 later for £1),163 received deposits and discounted bills. It never did any extensive business,164 and was closed early in 1829 when Gellibrand transferred his interest to whaling, Dunn's Commercial Bank succeeding to the premises.165 Nevertheless the virtual monopoly of the Bank of Van Diemen's Land and its consequent profits inevitably attracted not only criticism but competition. Arthur declared:

Whilst this bank did much good at first in putting down the various notes circulated by petty shopkeepers and others, the directors soon afterwards made the institution quite subservient to their private views and interests and such a reciprocal understanding existed amongst them in discounting each other's bills as placed large funds at their disposal, and excluded fair
and liberal competition—in fact matters were so managed that none but directors and their friends could purchase cargoes of goods brought into the Port, and thus they held the whole community at bay by a very contracted monopoly . . . the ‘merchant-directors’ successfully exerted themselves by the promise of pecuniary assistance, and by the threat of withholding it, to make a very formidable party in the colony, opposed to the government. 166

Arthur's readiness to accept the common charge of monopoly and favouritism is partly explained by his last sentence, but there was no doubt of the monopoly and the charge of partiality was widely believed—it was in fact contemporary bank practice in both New South Wales and Van Diemen's Land. 167 The profits were extremely satisfactory, even for the time and place, the second dividend, for instance, being at the rate of 42 per cent per annum, not counting indirect gains accruing to individual shareholders as merchants.

More in the hope of sharing in these gains than in the spirit of public service they professed, 168 a group of public officials in the latter part of 1827 approached the Bank of Van Diemen's Land with proposals for a new deal. They indicated their intention of forming a new bank and suggested that competition (and loss of profit) might be avoided by a merger. Their terms were: admission of all holders of ten shares to board meetings so that impartiality in the granting of loans would be assured; directors to hold five shares, and preferably merchants to be excluded; at least half the subscribed capital to be paid up; and the abandonment of the “three-names system” under which bills for discount must bear three names, drawer, acceptor and at least one endorser. These terms were “inflexibly rejected”, the Van Diemen's Land directors, it was alleged, not even referring the proposed union to a meeting of shareholders.

Accordingly the prospectus of the Derwent Bank appeared in November 1827. 169 A capital of £15,000 in £100 shares was to be fully paid in four instalments within a year of opening, with 10 per cent discount for immediate payment of the later calls. Discount of bills, on two days a week compared with one for the Bank of Van Diemen's Land, was to be at 10 per cent and in large letters it was announced “the system of three names to be dispensed with”. It was largely a civil officials' bank and their control was safeguarded by a proviso that no shareholder should sell his shares publicly until after they had been offered, through the directors, to the existing partners at the current price. (How that was to be ascertained was not stated.) There was also a provision, later revoked, for holders of ten shares to attend board meetings. Directors were duly elected and the bank opened in Hobart on 1 January 1828. 170

Its methods of operation, however, soon exposed it to a shrewd counter-
attack from the Bank of Van Diemen's Land which petitioned Arthur for a
direction that public officials should sever all connection with the
Derwent.\textsuperscript{171} It was pointed out that the Colonial Treasurer, Collector of
Customs, Sheriff, Solicitor-General, Clerk of the Council and Master of the
Supreme Court were all either in name or in fact directors of the Derwent
and it was charged that they used their official position to foster its
business. All were accused of promising official favours to those who
would transfer their accounts, particularly access at the official price to the
limited supply of bills on the British Treasury. The Sheriff was said to be
actively canvassing for business for the bank and to make all his official
payments in its notes which were obtained in exchange for British coin, the
only money received in government offices and accepted for bills on the
Treasury. The Collector of Customs was said to keep his official account in
his own bank. Against the Treasurer the most serious charges were made.
Not only, it was claimed, did he give Derwent Bank notes preference in
official payments, but he sold to it and only to it bills on the British
Treasury, at the fixed premium, so that persons with payments to make in
England must pay the Derwent's price for these bills. Moreover, it was
asserted that he had, in the presence of witnesses, offered to make official
use of Van Diemen's Land notes if that bank would lend him money for his
private use.\textsuperscript{172}

Arthur and the Executive Council passed over these very definite charges
in decent silence, confining themselves to the general question of whether
officials, in the conditions of the time and place, should have such an
intimate connection with a bank with which they must have official
relations. On Arthur's lead, the council directed that the Treasurer and
Collector of Customs who handled large sums of money should forthwith
sever all connection, while the other officials should do so within a
reasonable time, defined as nine to twelve months. Direct evidence is
lacking but there is some support for West's claim that compliance was
purely formal.\textsuperscript{173} Despite the blow the bank flourished and expanded in a
small way. Within six months it could claim a paid-up capital of £13,000,
deposits of £10,000 and loans totalling £35,000.\textsuperscript{174} At the end of that first
half year it had not only covered establishment costs but had a profit which
it could not distribute under the deed of settlement until a full year had
elapsed,\textsuperscript{175} and during the next two or three years its progress was steady if
slow. One contributory factor was its selection to run the first convicts'
savings bank for the government.\textsuperscript{176}

The Derwent Bank at its foundation considered a Launceston branch\textsuperscript{177}
and the decision against it prompted local residents in January 1828 to
initiate action for the Cornwall Bank.\textsuperscript{178} Originally planned with a capital of
£30,000 in £50 shares,\(^{179}\) this was finally organized on a capital of £20,000 and opened in Launceston on 1 May 1828.\(^{180}\) For its second half year (details of the first are not available) it was able to record “a gross profit of £22 16s. 2d. per cent”.\(^{181}\) Soon afterwards it secured an act of council enabling it to sue and be sued in the name of the cashier,\(^{182}\) and was fortunate enough to secure the Launceston deposit of the government on which it declined to pay interest.\(^{183}\) Meanwhile a new competitor in banking appeared in Hobart.

John Dunn had been a foundation director of the Derwent Bank but at the end of 1828 he withdrew, selling out his shares,\(^{184}\) and a few months later abandoned shopkeeping to open, on 29 June 1829, the “Commercial Bank”, perhaps as a successor to the Tasmanian Bank.\(^{185}\) Discounts were offered at 10 per cent with preference for those who kept their accounts with the bank and, a new departure, 5 per cent interest was offered on deposits for six months or more. In search of additional deposits he opened a “General Savings Bank” department in January 1831 although its savings character is a little doubtful.\(^{186}\) The introduction of interest on deposits forced the other banks to follow, when it became clear that Dunn's bank was a success.\(^{187}\) Very little information is available as to its operations for the next three years until it was converted, in 1832, from a one-man business to a joint-stock company, the change being effective from 1 October 1832 and the title becoming “Commercial Bank of Tasmania”.\(^{188}\) Under the deed of settlement\(^{189}\) capital was £60,000 in £100 shares of which Dunn held a majority\(^{190}\) and was assured of full control,\(^{191}\) shareholders having only the right, by general meeting, of deciding the opening of agencies and branches.\(^{192}\) The co-partnership was initially for fourteen years.

Two other events—the passage of a Usury Act and reorganization of the Derwent Bank—at the close of the decade were to be of importance in opening the way to a great inflow of overseas capital in the 'thirties to finance not only Tasmania's domestic expansion but also that of Port Phillip in which Tasmanians took a leading part.

The officials interested in the Derwent Bank were generally believed to be responsible for the passage in 1830 of the act which declared English usury laws never to have been in force in Tasmania.\(^{193}\) No regard had in fact ever been paid to these restrictions on interest rates but this act, and the New South Wales act of 1834 modelled on it, cleared away all legal doubt and thus opened the way for the large inflow of British capital to finance the pastoral boom of the 'thirties. Important as it was for the economy as a whole and for all the banks, it had a special significance for the Derwent which, under Swanston, first came to be a channel for direct English
investment and then relied on indirect investment in the form of English deposits.\textsuperscript{194} The absence of legal restrictions on interest was frequently used by Swanston as an argument to influence these investors.\textsuperscript{195} As in 1893, so in 1843, the policy was to prove dangerous.

On the 1830 act the \textit{Colonist} commented:

How did the usurer tremble for the uncertainty of his unhallowed gains, till the prime mover of the mischief, with the subtility of the first tempter, insinuated that noxious measure among the laws of the land, under the pretext of doing good! The act passed, and the term \textit{usury} was, for a time, blotted from the language of Van Diemen's Land; and usurers, bill-brokers, bank directors, pawnbrokers, \textit{et hoc genus omne}, applauded the wisdom of our Councils, and Hobart Town, from the Sheriff's Office to the Derwent Bank, from Dan to Beersheba, exhibited one scene of Jewish congratulation . . . Never before did Shylock, in Van Diemen's Land, sleep so sweet as on that night; his seared conscience was, even for that night, proof against the orphan's curse, the widow's tear and his bankrupt victim's moan.\textsuperscript{196}

In practice, however, the act made little difference to interest rates. 10 per cent had for years been the minimum rate on a safe short-term loan and as risk or term increased the rate rose rapidly. When the \textit{Colonial Advocate}\textsuperscript{197} accused official shareholders in the Derwent Bank of privately discounting at 35 per cent, the only defence the \textit{Austral-Asiatic Review}\textsuperscript{198} could find was to point to higher rates charged by others. Interest rates continued at extremely high levels throughout Australia until the slump of 1841, although their tendency after the local legislation of 1830–34 was slightly downwards.

The reorganization of the Derwent Bank in 1830 was designed to open the way for expansion by eliminating the comparative publicity of its dealings, centralizing control in a single director, and increasing the ease of borrowing, all new developments in Australian banking.\textsuperscript{199} In February 1830 W. H. Hamilton persuaded the directors to accept certain measures which were: to deprive holders of ten shares of the privilege of attending board meetings; to reduce the number of directors from seven to three; a managing director to have control of bank lending, details of which were to be known only to himself and the cashier. To increase business loans were made daily (normal bank practice in both New South Wales and Tasmania was on one or at most two days a week), and when adequate security was given only one name was to be required on bills. Adequate security, as letters to borrowers in 1829–31 show, usually meant mortgage of land as collateral to the bills, discount of which was treated as the actual loan.\textsuperscript{200} W. H. Hamilton was appointed full-time salaried managing director, the
first in any Australian bank. His reign was short for in the following year he returned to England, his successor being Charles Swanston, who made the Derwent Bank his own and dominated policy until its closure in 1849.

1 This chapter does not claim to do more than sketch the main elements in boom and slump as a background to the banking developments.

2 Cf. Murray to Darling, 6 June 1828, H.R.A., I, xiv, 222, “the slightest inspection of any one of the financial abstracts which have been transmitted from the colony, affords abundant proof how much is left to be explained upon points which are not susceptible of being intelligible by figures alone”.


4 Ibid., p. 37.

5 New South Wales Yearbook, 1922, p. 223. Contemporary figures are somewhat different; these are the modern revisions.

6 See Madgwick, Immigration into Eastern Australia.

7 External trade statistics date from 1824 in Tasmania and 1826 in New South Wales. Cf. Darling to Huskisson, 10 April 1828, H.R.A., I, xiv, 130, “Previously to the establishment of the Custom House in April last year the correctness of the statement of exports and imports cannot at all be relied upon”. They continued to have a substantial margin of error for some years.

8 Brisbane to Bathurst, 3 June 1825, H.R.A., I, xi, 624 for 1819–24, Darling to Bathurst, 9 February 1827, ibid., xiii, 93 for 1825. Note that Fitzpatrick, British Imperialism and Australia, p. 328, by taking from these figures only those for 1820 and 1823 is able to detect an economy campaign by Brisbane.

9 Most of the contemporary books advised this. A typical example is Widowson, Present State of Van Diemen's Land (1829), who gives a list of the appropriate goods (pp. 40–1) including “Rum—as much overproof as it can be obtained”, but stressing mainly household goods, clothing and tools.

10 For detail see Roberts, op. cit., chapter 6. He gives the capital imported by the Australian Agricultural Company as £300,000 and by the Van Diemen's Land Company as £170,000. Both commenced local operation early in 1826.


12 Sydney Gazette, 18 February 1826.

13 “Minutes”, 26 March 1823. Motions for £50,000 and £30,000 were previously rejected. A first call of 30 per cent, ibid., 2 December 1823, indicates that the bank was not over-anxious to admit new capital to share in its profits. The occasion for the increase was the “renewal” of the charter.

14 Sydney Gazette, 14 June 1822.
15 In its flourmilling activities the firm was known as Lachlan and Waterloo Mills.

16 *Sydney Gazette*, 15 July 1824.


18 *Australian*, 24 May 1826.

19 *Sydney Gazette*, 12 November 1829.

20 E.g., *H.R.A.*, I, xv, 843.

21 *Sydney Gazette*, 2 July 1831.


23 *Sydney Gazette*, 20 February 1834.


26 Storekeepers' issues were rare in Sydney by this time. One of the last to enter the field was John Tawell, apothecary, who in 1828 issued £5 “post bills” payable varying numbers of days after sight and resembling Bank of New South Wales notes in design. *Australian*, 20 June 1828. This is the Tawell who, in England in 1845, established his claim to fame as the first murderer to be captured and convicted through the use of the new-fangled electric telegraph.

27 *Hobart Town Gazette*, 2, 16 August 1823, reporting meetings of 10 July and 11 August. Sorell to Arthur, 22 May 1824, enclosed in Arthur to Bathurst, 9 June 1824, *H.R.A.*, III, iv, 138–9, claims to have made the first move in 1822.

28 *Hobart Town Gazette*, 18, 25 October 1823. The first directors were: E. F. Bromley (president), W. A. Bethune, G. C. Clark, A. F. Kemp, F. Champion, A. Macleod, D. Lord, *ibid.*, 1 November 1823.


31 Calls were measured in pounds in notice in *Hobart Town Gazette*, 25 October 1823.

32 In that respect the charter was not “assimilated to that of the Bank of New South Wales” as the *Gazette* claimed (18 October 1823). There were complicated provisions for election of directors, rights to vote at meetings, increase of capital, etc., designed to keep control in the hands of Hobart residents and to give preference in new share issues to old holders.

33 *Hobart Town Courier*, 17 November 1827.

34 A pamphlet edition of the charter, dated 1 January 1824 (printed by Andrew
Bent, Hobart, 1825), in Mitchell Library has title page altered to read “Deed of Settlement” and endorsed “established 1 January 1828”; publication date is altered to 1828.

35 10 Geo. IV, No. 9; passed 20 January 1830. The reason for not seeking this act earlier is not clear.

36 “Minutes”, 21 January. *Australian*, 26 January, computes it at 62 per cent but *Sydney Gazette*, 26 January, noting that it was declared as “£9 5s. currency or $37” at 5s. each per share for the half year, correctly calculates it at 53 1/2 per cent per annum on £30 sterling per share paid up.

37 *Sydney Gazette*, 8 February 1826.

38 *Ibid.*, 1 March 1826. Among those concerned were Alexander Berry, Edward Wollstonecraft, John Oxley, John Macarthur, and Robert Campbell.


41 16 March, 15 April 1826.

42 *Sydney Gazette*, 22 March 1826. The Monitor's description “the pure merino bank” (13 January 1827) is perhaps the earliest printed use of this term, closely followed by *Australian*, 27 January 1827.

43 *Sydney Gazette*, 12 April 1826.

44 On 27 April, *Sydney Gazette*, 29 April 1826. They were Thomas Macvitie (Managing Director), Edward Wollstonecraft, John Macarthur, Richard Jones, Thomas Icely, John Oxley, George Brown, W. J. Browne, Hannibal Macarthur, James Norton, A. B. Spark.


46 Opening was announced for 8 June (*ibid.*, 7 June 1826) and may have occurred then for receipt of deposits only; it was again promised for 1 July (*ibid.*, 21 June) and achieved on 3 July (*ibid.*, 5 July).


49 *Ibid.*, Amongst those active were T. H. James, Gregory Blaxland, E. S. Hall and John Black (the last acting as secretary), all shareholders of the Bank of New South Wales.


51 *Ibid.*, 1, 4 March 1826; *Australian*, 2 March 1826. These all agree that the initiative was from the Bank of New South Wales.
52 Sydney Gazette, 8, 11 March 1826.

53 Ibid., 22 March 1826. The uncalled £70 per share was to be paid £20 on 15 April, £20 on 1 June, £30 on 1 July. “Minutes”, 18 March 1826, merely record the decisions formally.

54 Sydney Gazette, 25, 29 March 1826.

55 Sydney Gazette, 25 March 1826, forecasts cancellation of second and third calls; report of meeting of 20 April (ibid., 22 April and “Minutes”) shows attempt to do this, adopted only in association with increase of shares.

56 “Minutes”, 18 March, 20 April 1826.

57 Sydney Gazette, 29 April 1826; Darling to Bathurst, 5 May 1826, H.R.A., I, xii, 268–9. For the outcome in abandonment of the charter see above, chapter 5.

58 Except for repeated fraudulent circulation in the ’thirties of some $10 notes which it had printed. Sydney Gazette, 18 March 1830; Sydney Herald, 24 July 1834; Sydney Gazette, 28 May 1835.

59 “Minutes”, 21 January 1826; Sydney Gazette, 23 and 26 January 1826; Australian, 26 January 1826. An amendment for 6 per cent was defeated; the new rate took effect on 24 January. The bank reverted to a single discount day two months later, Sydney Gazette, 7 June 1826.

60 Sydney Gazette, 7 June 1826.

61 See above, Chapter 6.

62 Sydney Gazette, 29 March 1826; Australian, 13 May 1826.

63 Sydney Gazette, 13 May 1826; Monitor, 19 May 1826.

64 “Minutes”, 11 May 1826, published in Sydney Gazette, 13 May 1826.

65 Darling to Bathurst, 20 May 1826, H.R.A., I, xii, 296–8 and enclosures, and 30 August 1826 and enclosures, ibid., 507–12. The revelation of the true state of affairs made the Australian splutter: “issued an outrageous number of notes . . . discounted bills ad infinitum . . . put the bank and the people in a dilemma . . . a want of candour and a want of fair dealing”. 17 May 1826.

66 Bathurst to Darling, 1 December 1826, H.R.A., I, xii, 703.

67 Governor's Minute appointing the board (Alexander McLeay, Colonial Secretary, William Lithgow, Auditor, Stewart Ryrie, Deputy Assistant Commissary-General) was dated 11 May 1826; their report 12 May 1826. H.R.A., I, xii, 299–300.

68 Ibid., 300. The report says 12 May, but other evidence shows that this was date of examining a statement relating to two days earlier.

69 Ibid., p. 304.

70 Ibid., p. 301.
71 The three were Robert Cooper, Robert Campbell jun. and Raine & Ramsay. Theirs were the only names on bills totalling $47,242, *ibid.*, p. 302.


73 Bank of Australia to Colonial Secretary, 16 May 1826, *ibid.*, 306–7. For the shortage of bills on the Treasury the government had some responsibility since it derived from the process of changing the monetary standard.


75 Full report of meeting in *Sydney Gazette*, 20 May 1826. That in “Minutes” is purely formal. The meeting did not thank the governor—the *Gazette* suggested they were thinking of their belated dinners.

76 *Sydney Gazette*, 24 May 1826.


78 *Sydney Gazette*, 3 June 1826.


80 *Ibid.*, 20 September 1826, stressing that renewal of three-quarters of the amount of a bill had come to be looked on as a right.

81 Darling to Bathurst, 26 February 1827, *H.R.A.*, I, xiii, 128; *Australian*, 3 and 17 January 1827; “Minutes”, 22 January 1827. The amount borrowed totalled £15,000: (a) £5,000 on 19 August, secured by £3,685 in bills and £1,417 in mortgage deeds; (b) £5,000 on 8 September, secured by £5,002 in bills; (c) £5,000 on 22 September, secured by £5,025 in bills. “Chief Secretary's Papers”, File No. 29/3412.

82 Wollstonecraft to Darling, 15 August 1826, in Darling to Bathurst, 30 August 1826, *H.R.A.*, I, xii, 508; first report of Sydney Chamber of Commerce, *Sydney Gazette*, 1 August 1827. The first use of the loan is recorded in *Sydney Gazette*, 19 August 1826.

83 Darling to Bathurst, 30 August 1826, *H.R.A.*, I, xii, 507. His motive was to encourage the circulation of British coin.

84 The change took effect from 5 July 1826 and reduced the colony's “London Funds” by £11,942 per annum, Hay to Darling, 9 March 1826, *H.R.A.*, I, xii, 214–5. Evidently to relieve the shortage of foreign exchange salaries had been paid in Treasury bills on 30 June. *Sydney Gazette*, 1 July 1826.

85 See above, chapter 6.

86 Memorandum dated 24 July 1826 in Darling to Bathurst, 30 August 1826, *H.R.A.*, I, xii, 511–12. The *Sydney Gazette* urged a scheme similar to that proposed by Wollstonecraft to Darling, enclosed with above, *ibid.*, 507–10, for an issue of Commissariat notes of £100 to a total of £25,000, to be held by the banks as a
reserve. Darling himself had foreshadowed an issue of £1 notes, acceptable for bills on the Treasury, as a substitute for coin. Darling to Bathurst, 26 July 1826, *ibid.,* 450. In the light of these, the following claim to authorship needs no comment: “Soon after General Darling's arrival I retired to Bathurst . . . My absence was soon felt; the business of legislation stood uninterruptedly still; no man proposed a law; the Bank of New South Wales became embarrassed, and it was indebted to the government (in the name of the Treasurer) in the sum of considerably more than a hundred thousand dollars. The intrigues of political men had found their way into the Council and there was a division among the members. I accidentally arrived on the eve of a decisive meeting of the Council; it was my good fortune to see the matter in its true light, and to influence the judgment of others; the great question before us was carried without opposition; it saved the bank; it secured government's debt, and is now universally admitted as a wise, as it was acknowledged to be a liberal, measure. From that hour, the governor fixed his confidence on me.” Chief Justice Forbes to Horton, 15 December 1826, *H.R.A.*, IV, i, 674.

87 The call for tenders is in *Sydney Gazette,* 26 August 1826. Dollars were to be taken as 4s. 4d., “holey” dollars at 3s. 3d., dumps as 1s. 1d. This contravened the 1825 instructions to take dollars for bills only at the best rate offered, which were reiterated in Bathurst to Darling, 11 August 1826, *H.R.A.*, I, xii, 485.

88 *Sydney Gazette,* 2 September 1826. Darling had tentatively set the maximum note issue at £13,000, the estimated reserve requirements of the banks; this notice sets it at £10,000, half in each denomination.

89 Bathurst to Darling, 11 August 1826, Enclosure 1, *H.R.A.*, I, xii, 484: “You are not on any account to raise money in aid of the colonial revenues by the way of loan, or by the issue of debentures, or paper of any description”.

90 Darling to Bathurst, 28 February 1827, *H.R.A.*, I, xii, 131–2, where the case for the issue is restated, with a request for permission to issue up to £10,000. Evidently they were mainly held, as intended, by the banks as cash reserve.

91 *Australian,* 24 January 1827.

92 Huskisson to Darling, 17 January 1828, enclosing Lewis to Hay, 15 December 1827, *H.R.A.*, I, xiii, 726. The only restriction was that notes were to be not less than £5 each.

93 Bathurst to Darling, 18 April 1827, enclosing Herries to Hay, 10 April 1827, *H.R.A.*, I, xiii, 258–9. The Treasury blamed the crisis, not altogether wrongly, on the “great and improvident” loans of the Bank of New South Wales and wrote to Darling a (fallacious) lecture on elementary economics. The call-up of notes, for British silver, is in *Sydney Gazette,* 5 December 1827, repeated 2 July 1828. The latter refers to nine £10 notes which had not been presented.

94 Report on destruction, 17 June 1828, in Darling to Huskisson, 6 August 1828, *H.R.A.*, I, xiv, 323–5. In all, 500 notes for £10 and 250 for £5 had been issued; a further 250 for £5 had been printed.
95 £19,800 had been received in December 1826 but £5,000 was transferred to Tasmania in January 1827. Laidley's statement, *V.P.N.S.W.*, 1835.

96 *Sydney Gazette*, 21 March 1828.


98 The first proposal is in “Minutes”, 22 January 1827, where the critical amount was £100, but on deferment to a special meeting this was changed to £50. Reports of meeting in “Minutes”, 22 February 1827; *Sydney Gazette*, 24 February 1827; *Australian*, 23 February 1827; *Monitor*, 9 March 1827. *Monitor*, 24 July 1827, says the half-yearly meeting again rejected the proposal.


100 “Minutes”, 12 December 1827, operative from 1 January 1828.

101 There is little in the “Minutes”, at least as available to me. There is a mass of material in the *Sydney Gazette* which is vigorous and forthright and, on plain statements of fact where they can be checked, reliable. But much of it is opinion, not fact, and the editor, Howe, was hardly unbiased. He was one of the note issuers whose bills were rejected for discount and as shareholder attended meetings which, as editor, he reported. His choice of epithet was stinging and, a century later, entertaining, but the contestants took things seriously. Thus when J. T. Campbell resigned as Collector of Customs in order to regain his directorship, the *Gazette* (21 November 1827) commented: “The government and the public are alike congratulated on this vacancy.” On 17 December 1827: “The question seems to come to this, at last, whether the directors in our banks are to be composed of men of honour and integrity, or whether they are to be, in the unsophisticated acceptance of the term, heart-rending usurers.” On 14 January 1828: “Gentlemen will not associate with” the New South Wales directors. For his pains Howe received a traditional horsewhipping in his office from Dr. Redfern (*ibid.*, 26 November 1827) for which Redfern was fined 50s. (*Australian*, 23 January 1828).


103 *Sydney Gazette*, 19 March 1828.

104 “Minutes”, 6 November 1827; advertised *Sydney Gazette*, 7 November 1827. The policy was not new. Prior to opening in 1817 the directors had resolved not to accept notes of private “bankers”, specially mentioning Riley & Jones, even though Riley was one of the directors and resigned in consequence. “Minutes”, 15, 27 February 1817. Cf. President's Report, *ibid.*, 21 July 1819: “strictly caution you against encouraging the circulation of the notes of private bankers . . . the illusory, unsubstantial, flimsy currency . . . the present and future generations will sanctify and bless the measure”.

105 *Sydney Gazette*, 11 October 1826; *Monitor*, 13 October 1826.

106 *Sydney Gazette*, 9 November 1827.
107 Ibid., 28 November 1827, where he charged that presentation of his notes (about £100 worth apparently) had been organized to embarrass him as a punishment for his criticisms. Call-up repeated, Ibid., 20 February 1828.

108 7 November 1827. The Gazette defended McKenzie and the details are of interest for contemporary finance. His son had a station at Bathurst and drew “orders” on his father who, when forgeries became serious, had some pound notes printed for his son's use.

109 “Minutes”, 12 December 1827; Sydney Gazette, 14 December 1827. Howe said he had given an undertaking to withdraw his notes but nevertheless the bank refused his bills. He demanded the production of books to show the extent of Redfern's own discounting.


111 Details in Sydney Gazette, 9 November 1827; “Minutes”, 8 November, for relevant meeting.

112 Sydney Gazette, 31 December 1827.

113 9 Geo. IV, No. 3, passed 31 March 1828. It provided severally for the “old” and the “new” Banks of New South Wales. In the light of reconstructions in 1823, 1828 and 1850 it is a nice point for the advertising manager of the present Bank of New South Wales whether it is continuous with Macquarie's Bank.

114 Unsubstantiated, but plausible, is the story of the Monitor, 13 January 1827, that on one occasion the Bank of New South Wales held £3,000 in Australia notes and naturally demanded cash in turn, only to receive several sacks of mixed small coin which it took a clerk ten days to count.

115 Australian, 9 July 1828; Sydney Gazette, 11, 16 July 1828. Sydney Gazette, 18 July 1828, refers to an unauthorized offer by Bank of New South Wales directors to the Australia for absorption which the latter refused.

116 Sydney Gazette, 7 July 1828.

117 Ibid., 9 July 1828, for notes declaration with 67 signatures of which 10 were firm names. Ibid. and “Minutes”, 7 July, for capital increases of £50,000.

118 “Minutes”, 15 October 1828; Sydney Gazette, 17 October 1828.

119 Sydney Gazette, 4 August 1828. But peace was easily disturbed. See ibid., 12, 17 December 1828, for squabbles over election of cashier.

120 Ibid., 27 January 1828. As with the account of the boom, the sketch of the slump in this section makes no claims to provide more than a general background for the monetary story.

121 The first contemporary references are Australian, 24 October 1827, and Sydney
Gazette, 31 October 1827. The latter finds the main factors in excessive government levies, the aftermath of the 1826 troubles of the Bank of New South Wales and the fall in the price of wool.

122 This explanation is stressed by G. T. Savage (Bank of New South Wales), J. Browne (merchant), evidence before Executive Council, H.R.A., I, xiv, 554; by Lang, op. cit., i, 290–1 and by Sydney Gazette, e.g., 18 January 1828. The latter estimated the fall in the value of imported English goods during 1827 as more than 50 per cent.

123 According to Lang, op. cit., i, 216–17.


125 Ibid., proclamation of 19 June in Sydney Gazette, 20 June 1828. The suspension was for six months.

126 Darling to Huskisson, 28 May 1828, and enclosures, H.R.A., I, xiv, 207–9. Darling agreed to take the amount due (about £40,000 due by August) in three half-yearly instalments at “colonial interest”, later reduced to 5 per cent (Darling to Huskisson, 27 August 1828, ibid., 345). Land sales were suspended from November 1826 to July 1831 for reasons unconnected with the slump. Roberts, History of Australian Land Settlement, p. 39 and note 33.

127 For an example, Sydney Gazette, 3 March 1829. Creditors of Thomas Raine took £6,000, being 6s. 8d. in the £, rather than wait for payment in full.

128 27 January 1829.

129 Passed 2 April 1830.

130 From report of Sheriff T. Macquoid, 29 November 1829, enclosed in Darling to Murray, 17 December 1829, H.R.A., I, xv, 290. The Court of Requests dealt with small debts.

131 12 July 1831, italics in original.

132 E.g., Australian, 6 June 1827, reported that the margin was 4 per cent.

133 Ibid., 21 September 1827.

134 E.g., Australian, 5 October 1827; Sydney Gazette, 2 November 1827, preceding departure of the Elizabeth on 16 November.

135 Australian, 7 March 1828.

136 Sydney Gazette, 3 September 1828.

137 Australian, 2 June 1839.


139 Darling, loc. cit., 550, stressed that only the avoidance of “the immediate ruin of
many individuals" justified saving the bank from immediately closing.


142 “Minutes”, 15 October 1828; Darling's comments, loc. cit., 549.


144 Balance sheet at 15 December, H.R.A., I, xiv, 559, shows deposits £20,905; at 26 December, Sydney Gazette, 30 December, shows £17,707. Publicity to the application was given by the Sydney Gazette, 19 December 1828, and to the hesitation to accept the terms, ibid., 26 December.

145 The charge was soon made freely enough, e.g., Australian, 25 December 1828, 23 January, 15 May 1829; Monitor, 3 January 1829. My impression is that Darling was scrupulously careful to decide doubts in favour of the Bank of New South Wales on this occasion as in 1826. The Monitor article has both the amount of the loan and the interest rate incorrectly.

146 Question to Jones in hearings before Executive Council, loc. cit., 555; Memorandum by Darling, 21 December 1828, loc. cit., 558; Darling to Bank of New South Wales, 16 March 1829 (enclosed in Darling to Murray, 21 September 1830, H.R.A., I, xv, 735–6), where, in effect, he told the bank the conditions to be met, stressing that a new bank “must be totally independent of the present bank”.


148 “Minutes”, 27 December 1829; phrase quoted is from Sydney Gazette, 30 December 1828. The latter makes the amendment by Wentworth one for struggling on without the loan.

149 “Minutes”, 21 January 1828; Sydney Gazette, 22 January 1829.

150 £5,000 on 4 January 1829, Commissariat to Colonial Secretary, 27 April 1829, “Colonial Secretary's Papers”, File 29/3412.

151 The exact amount is unclear. Australian, 8 and 15 May 1829, says £8,000. “Colonial Secretary's Papers”, File 29/3412, refers (see preceding note) to £5,000 obtained on 4 January and contains an envelope heavily encrusted with seals, endorsed “Bills received from the Bank of New South Wales to the amount of £5,313 19s. 8d. sterling deposited as security for a loan of £5,000 by government to that establishment this 6th February 1829”. The Commissariat letter cited in the
preceding note records repayment on 27 April of £4,865 of the January advance, so that presumably a total of £10,000 (at least) was received. The £8,000 may represent the amount outstanding when final repayment was made in which case the total borrowed would have been nearly £13,000.

152 Sydney Gazette, 30 December 1828.

153 Ibid., 15 January 1829.

154 For the amount, Sydney Gazette, 27, 29 January 1829. Australian, 30 January says £15,000. The bank advertised, Sydney Gazette, 28 March 1828, “good mortgage securities will be taken for the amount of their debts, payable with interest, on or before 31 December. And also . . . certificates of Bank stock will be accepted at par, or certificates of rum, gin, hollands or French brandy or tobacco, deposited in the bonded stores will be received by way of pledge, at such prices as will prevent the bank sustaining any ultimate loss of principal or interest”.

155 Weekly returns preserved in “Colonial Secretary's Papers”, File 29/3412.


157 Australian, 8, 15 May 1829.

158 “Minutes”, 29 May 1829; Sydney Gazette, 14 and 30 May 1829. The plea is described as specious since the evidence of the bank's own action is that it did not need further loan, and, if it did, need not have made its repayment. It is possible, though not consistent with the phrasing of the resolution, the reference was to the removal of the government deposit (see below), but if so this had nothing to do with the terms of the agreement. Perhaps an excuse was manufactured by asking for an additional loan.

159 Balcombe to Colonial Secretary, 4 July 1828, and endorsement, “Colonial Secretary's Papers”, File 28/4737; Sydney Gazette, 5 May 1829; Executive Council Inquiry, H.R.A., I, xiv, 554 (evidence of Savage).

160 Darling to Bank of New South Wales, 16 March 1829, H.R.A., I, xv, 735. The occasion was the bank meeting of 21 January.


162 Opening date between 31 July and 4 August. Colonial Times, 4 August 1826.

163 Ibid., for dollar notes; for change to £1 notes ibid., 22 September, 13 October 1826. Samples of notes and cheque forms are in Dixson collection.

164 The small scale of business is stressed by Colonial Advocate, 1 April 1828, and by Widowson, Present State of Van Diemen's Land (London, 1829) p. 45.

165 The date of closing is uncertain. Gellibrand's whaling venture is recorded in
Hobart Town Courier, 14 March 1829; when the Commercial Bank opened on 29 June its premises were described as lately occupied by the Tasmanian Bank, ibid., 11 July 1829.


167 It was repeated by the Executive Council, loc. cit., and by Derwent Bank and Hone, Stephen, Fereday, letters cited.

168 Account in this paragraph by Hone, Stephen, Fereday, loc. cit. Fereday, who on retirement bought social esteem by gifts to Oxford, was notorious as a usurer. Colonial Advocate, 1 August 1828, charges him and other officials with levying 35 per cent; West, The History of Tasmania, i, 129: “The most distinguished moneylender was Sheriff Fereday whose ordinary charge was 35 per cent.”

169 Tasmanian, 8 November 1827. Ibid., 25 October 1827, is first mention.

170 Hobart Town Courier, 29 December 1827. Directors were: Joseph Hone (chairman); William Barnes, John Dunn, John Kerr, Peter Mulgrave, James Reibey, Patrick Wood and, as resident director and cashier (i.e., manager), Stephen Adey who was also local agent of the Van Diemen's Land Company.

171 Arthur to Huskisson, 13 October 1828, Hobart Archives, “Outward Despatches”, Vol. 4. This despatch includes documents from which the account of this episode is mainly drawn: (a) Minutes of Executive Council, 15 and 17 July 1828, recording discussion of charges against public officers. (b) Arthur to Colonial Secretary, 24 July 1828. (c) Memorial of Bank of Van Diemen's Land, 11 June 1828. (d) Colonial Treasurer to Bank of Van Diemen's Land, 28 February and 3 March 1828. (e) Bank of Van Diemen's Land to Treasurer, 4 March 1828. (f) Derwent Bank to Colonial Secretary, 11 October 1828, protesting against exclusion of public officers from bank. (g) Hone, Stephen, Fereday to Governor, 11 October 1828.

172 Arthur commented that his explanation “was not so clear and satisfactory as could be desired”. To Huskisson, loc. cit., 13 October 1828.

173 West, op. cit., i, 128.

174 Derwent Bank to Colonial Secretary, 11 October 1828, loc. cit.

175 Hobart Town Courier, 12 July 1828.

176 See chapter 12. This act of preference was not included in the charges which had already been drafted before the selection was announced.

177 Tasmanian, 28 December 1827.

178 Hobart Town Courier, 16 February 1828.

179 Ibid.

180 Hobart Town Courier, 8, 15 March, 17 May 1828; Colonial Advocate, 1 March
1828. A copy of the deed of settlement is in “Arthur File”, 11,866 (Hobart Archives), dated 18 February 1828. The list of shareholders totals 89. The only special point in what is otherwise a standard deed is the provision for agencies, which, however, would be debarred from discounting. (None was established.)

181 Hobart Town Courier, 13 June 1829.

182 11 Geo. IV, No. 1, passed 2 March 1830.

183 Cornwall Bank to Burnett, 12 October 1831. “Arthur File”, 11,866. The bank pointed out that Commissariat payments in orders on Hobart resulted in their accumulation by publicans who sold them at 4–5 per cent premium; substitution of cheques on the Cornwall Bank was suggested.

184 Hobart Town Courier, 13 December 1828.

185 Ibid., 8 May, 26 June, 11 July 1829. The premises were those of the defunct Tasmanian Bank; in 1832 the two Gellibrands had modest holdings in the Commercial and William Gellibrand was a director.

186 See chapter 12.

187 For the Derwent's reluctant adoption of 5 per cent on six months deposits, “Letter Book”, 1829–37, to J. D'Arcy, 7 August 1829: “five per cent is the utmost we can afford, having already received as much and more offered than we can afford”. Cf. to same, 4 September 1829. Deposit interest was, however, shortlived. In 1831 neither the Derwent nor the Van Diemen's Land paid any. Letter of 26 September 1831, “Arthur File”, 11,866.

188 Hobart Town Courier, 28 September 1832. Dunn was managing director and T. M. Fenton and W. Gellibrand directors.

189 Original preserved in Hobart branch of English, Scottish and Australian Bank, which in 1921 absorbed the Commercial Bank of Tasmania. Dated 28 September 1832.

190 He signed the deed twice, once for 300 shares and later for 354. His son held three.

191 The next largest shareholders were T. M. Fenton (50), W. Gellibrand (20), H. Hopkins (35), J. Barett (10). There were in all 200 shareholders. They had some small protection in a proviso that if Dunn died they might sell their shares to his estate. Curiously Dunn did not sign the Record of a special meeting of 28 August 1839 (also in E. S. & A. Bank), which increased capital, and more curiously one Thomas Bunn did, for what seem to have been Dunn's shares. Dunn was still firmly in control.

192 Holders of twenty shares might also attend board meetings—if they were not directors of other banks.

193 11 Geo. IV, No. 6, 24 April 1830. For the charge that the Derwent Bank directors instigated the act, see Colonist, quoted below; Launceston Advertiser, 24
May 1830.

194 These developments are considered in chapters 8 and 9.

195 Many letters in the next years in Swanston “Letter Books”.

196 7 December 1832.

197 1 August 1828.

198 1828, p. 293.

199 *Hobart Town Courier*, 13 March 1830; *Colonial Times*, 12 March 1830, for detail of the reorganization.

200 See, e.g., “Derwent Bank Letter Book” 1829–37 to G. Meredith, 10 August, 1830; to A. Reid, 18 January 1831; to J. Sinclair, 27 January 1831.
Chapter 8 the Pastoral Expansion of the 'Thirties

THE decade between 1830 and 1840 was a period of extraordinarily rapid economic growth in which immigration and capital import furnished the material for a vast geographic expansion of the wool industry. For a variety of reasons it was wool, rather than other partly exploited resources, which dominated the scene. There was a great and growing demand from England; more easily than other possible products it could be handled by the crude and expensive transport, both within and beyond Australia; it required, relative to the value of output, modest amounts of labour in which little skill was demanded, and assigned convicts and emancipists were a readily accessible supply; apart from the sheep themselves the capital investment was small in relation to output; a major item, land, was available by simple squatting for which at worst the squatter paid very modest licence fees. The 'twenties had, in a sense, been preparatory for that great boom. Then had occurred the exploratory invasion of the west, in which routes had been established, the nature of the country roughly ascertained, the technique of sheep farming in a new environment at least crudely learned. Overseas transport had been sufficiently developed and the metropolitan centres had grown to the point where they could function as bases for the squatters' advance, furnishing supplies on annual credit, the organization to handle the product and the institutions to finance growth. Between 1830 and 1835 wool exports quadrupled in quantity and in the following five years more than doubled again. Exports were virtually synonymous with production and those figures are the simplest measure of the magnitude of the boom.

Geographically the boom meant the effective occupation of half a continent. In Tasmania the expansion of the occupied area was of necessity small, since there was so little new pastoral country to occupy. But on the mainland the story was different. In (modern) New South Wales settlement was in 1830 little beyond the Nineteen Counties; by 1845 roughly half the total area was occupied. By the same date, starting from nothing in 1835, half the Port Phillip District (modern Victoria) had been taken up. South Australian settlement was not pastoral, but the political acceptance of the Wakefield doctrine, in terms of which that settlement has been almost entirely discussed, did not occur by chance in the mid-'thirties. The practical application of the doctrine required investors who thought it would pay and a government convinced that it would at least not be expensive, and it was the general Australian boom that produced both convictions. What made this great boom possible was a flood of capital
imports from Britain. The available data will not support even a crude estimate of its size, and all that can be done is to indicate broadly its dimensions. Trade figures have a wide margin of error and are in any case not the whole story, but the story they tell is unmistakable.

### RECORDED IMPORTS AND EXPORTS, 1831–40

<table>
<thead>
<tr>
<th>Year</th>
<th>NSW Imports</th>
<th>NSW Exports</th>
<th>NSW Import Surplus</th>
<th>Tas Imports</th>
<th>Tas Exports</th>
<th>Tas Import Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1831</td>
<td>£490,152</td>
<td>£324,168</td>
<td>£165,984</td>
<td>£298,774</td>
<td>£141,745</td>
<td>£157,029</td>
</tr>
<tr>
<td>1836</td>
<td>1,237,406</td>
<td>748,624</td>
<td>488,782</td>
<td>558,240</td>
<td>420,123</td>
<td>138,117</td>
</tr>
<tr>
<td>1840</td>
<td>3,014,189</td>
<td>1,399,692</td>
<td>1,614,497</td>
<td>988,356</td>
<td>867,007</td>
<td>121,349</td>
</tr>
</tbody>
</table>

It will be noticed that Tasmania's import surplus was small and declining even through the boom (there was an export surplus in 1839) but that of New South Wales was growing at a remarkable rate, the more so when it is remembered that it was not till the end of the decade that the colony's population exceeded 100,000, and at its beginning was only half that. A still rising volume of British expenditure in connection with convicts; the formation of banks and mortgage companies in Britain to operate in the colonies; transfer of funds by absentee investors for disposal by individuals and firms in the colonies; import of cash and goods by those who migrated—these were the channels through which came the flood tide of capital.

In the banking field, as might be expected, the first steps to exploit the pastoral expansion were colonial: creation of new banks and the enlargement and development of old, especially the Derwent. But the capital was coming from abroad, and that explains the dominance of British banks and companies in the main financial expansion. After the two Commercial Banks (of Sydney and the 1832 reorganization of that of Tasmania) the colonies did not themselves produce a major bank. From abroad came the Bank of Australasia, the Bank of South Australia, the Union Bank, the Trust and Loan Companies and flamboyant and fraudulent schemes such as the Royal Bank or the Agricultural Bank. Locally a move for a new bank inevitably meant squabbles about the allocation of shares and an obvious rogue such as “Tommy the Banker” could flourish. But it was from abroad that the main capital came and in Britain the new banks, honest or otherwise, found all the subscribers they needed; the Derwent Bank and other firms and individuals following the same methods found ample funds flowing from England, Scotland and India for investment in mortgages and in other ways. Not until the top of the boom did a few minor colonial banks appear, the last effort of local capitalists to compete, and not one of them survived the slump. The new overseas institutions not only brought, themselves and through their foreign exchange services,
great sums for investment. They first fully mobilized local deposits for investment, in the process firmly establishing deposit banking as the Australian type; their competition ensured the triumph of branch over unit banking. By the end of the decade it was, for time and place, a very mature banking system.

The scale of the increase in banking operations is illustrated by a few figures. In June 1830 the loans of the Bank of New South Wales totalled £36,838; by the second half of 1836 they averaged £222,787. Those of the Bank of Australia rose from £62,404 in March 1828 to £208,340 in the second half of 1836. These increases had been attained against competition of the Commercial Bank which by the latter half of 1836 had £223,518 on loan, and of the Australasia which had £76,276. In short, in the first half of the decade bank loans in New South Wales had increased by something of the order of 600 or 700 per cent. In the next four years they quadrupled again. Information for Tasmania, less complete for the earlier period, indicates increases of a similar order, while in South Australia bank loans were, of course, all created after 1836. There is no evidence to suggest that these increases represent the substitution of loans by banks for loans by firms and individuals; rather there is evidence of a considerable growth in the absolute scale of non-bank loans, although lack of data on their actual volume prevents verification of the probable relative decline in such loans.

Tasmanian Banks Take the Lead

It was in Tasmania that local initiative in banking was first shown. Throughout the 'thirties the island experienced brief ups and downs in economic activity and after this first outburst of enterprise fell more and more behind the mainland in the race, in part, at least, because Tasmanian residents saw more profit in mainland adventures. During 1831–34 there were constant complaints of poor business, of restricted bank advances, of the intolerable burden of interest rates; John Dunn was even urging amalgamation of all the local banks into a single national bank. After 1835 the energies and funds of residents were drawn off to exploit the Port Phillip district, not merely in the slightly comic Port Phillip Association, but in a sustained squatting invasion, by contrast with which the narrowly-confined prospects of the island appeared unattractive. Yet, at the beginning of the boom Tasmanians were taking the lead in developing the banking facilities of Launceston and its district and producing in the enterprising Derwent Bank a remarkable financial engine; and all through the decade there was maintained, if irregular, economic growth and banking expansion.
Swanston, Hamilton and Stephen Adey each held, in September 1831, 40 shares out of a total of 200, giving them full control of the Derwent Bank.\(^6\) The departure of Hamilton and later of Adey to England, leaving Swanston as their agent, transferred their power to him alone, and he buttressed this by buying, usually on his own initiative, further shares for English investors whose votes he could then exercise as proxy. These purchases more than counterbalanced the sale of some of Hamilton's and Adey's shares and meant that Swanston, apart from his position as managing director, controlled a majority of votes and could therefore run the bank as he pleased. When, for instance, Swanston went to Sydney in 1836 to plead the case of the Port Phillip Association, Adey felt he could not assist the Tamar Bank in its difficulties, although he wished to, and knew that Swanston would view such help favourably.\(^7\)

How he used this power is best seen by first examining his other activities, in his personal capacity, as import and export agent, investment agent, woolbroker, a sort of commercial manager for the Port Phillip Association and of its successor the Derwent Company, as well as an absentee squatter. “Since I resigned the army,” he wrote in February 1834, “I have formed connections in India and China with the first houses from whom I look for considerable agency business, particularly from Calcutta in consequence of the rum and other produce and manufactures of India being now admitted into this colony on the same footing as the rum of the West India Islands and the produce and manufactures of any British colony.”\(^8\) From the beginning he was acting as agent for various firms in the East for the sale of their products, the most important being tea. The practice was for the firms—Maguire & Co. of Canton; Jardine, Matheson & Co. of Canton; Berry & Co. of Madras; Laing & Barlow of Mauritius; Lyall, Matheson & Co. of Calcutta; Edi Otudin & Co. of Manila; Binny & Co. of Madras; John Bird & Co. of Lambok, N.E.I.; and others famous in the eastern seas trade—to forward goods to Swanston, the types and quantities being based on his advice (black tea, for instance, was unprofitable, being drunk only by poor Irish and soldiers). He then disposed of them, usually to whole-salers in Hobart, but sometimes as far afield as Sydney or Adelaide and remitted the proceeds, less expenses and his commission. Remittance might be direct to the firm or to its head office or agent in London, and took whatever form was available, the most satisfactory being bills on the British Treasury which thus started journeyings in the East which might delay their presentation to the Treasury for two or three years.\(^9\)
In these activities Swanston was not exceptional, although the range and scale of his operations was rivalled by only one or two others in Hobart. But trade connections facilitated a different type of business, that of investment agent. Hamilton had done this on a small scale for English and Indian residents and transferred his interests to Swanston whose own circle of acquaintance in India enabled him to enlarge this type of business speedily. It is possible, as Betts suggests, that this type of business was the reason for the 1830 reorganization of the Derwent Bank, in which case Swanston's taking over of control may have been planned with Hamilton as early as 1829.

Initially the clients were army officers and officials in India with funds to invest with a view to their retirement, many of them coming to New South Wales or Van Diemen's Land at the end of their service. To these Swanston was soon writing, with minor variations, a standard letter:

In this colony there are only two modes of investing money, one is by mortgage on landed security and the other by investments in bank shares. By the first mode interest at the rate varying from 10 to 15 per cent can be obtained on good landed security for a period of from three to ten years. When mortgages are, however, taken at the high rate of 15 per cent there is generally difficulty attending the regular payment of the interest. If the period is from three to five years, 12½ per cent is readily obtained, and if the period extends from seven and ten years a little less is generally given. The minimum however is 10 per cent.

The banks of this colony are joint-stock companies and are managed by boards of directors, the stock consisting of shares of £100 and £50 each. They are all banks of issue, of deposit and of discount, and are entrusted with the government colonial funds as well as with deposits from the Military Chest. Their dividends are declared half-yearly and hitherto these have averaged from 14 to 15 per cent per annum...

This mode of investment by the purchase of shares I recommend to all absentees for part of their funds and mortgages for the other part, because it is an investment which can be easily realized and one that yields a regular and certain income... I will invest the money for you in the manner I have stated, should such meet your views.

Not all his clients were offered a choice, the smaller ones who left him discretion frequently being told that their money had been invested in Derwent Bank shares or, at a later date when G. D. Mercer junior was its managing director, in the Port Phillip Bank. In other cases funds were invested in mortgages selected by Swanston, or in some instances in direct purchase of estates over whose management he then exercised a general control. His Indian connections spread over most of the large centres of
English settlement and these and his trade connections made him known to investors in England. Jardine, Matheson & Co. of Canton introduced his second largest investor (after G. D. Mercer), Sir George Bart Robinson, and soon there was a steady stream of inquiries and a satisfying flow of funds from England. As these grew with the rising sheep boom Hamilton in England and Swanston in Hobart devised a series of measures which brought these investors into closer contact with the Derwent Bank itself until many of them were its depositors.

It was in this early development of the English connection that Swanston caught his biggest fish of all, Major G. D. Mercer of Edinburgh. Mercer had already committed himself to the purchase of a farm in Tasmania before, in 1833, he wrote to Swanston asking him to act as his financial representative and to advise David Fisher, the manager he was sending out to develop the estate as an enclosed sheep farm associated with various other small-scale activities. Swanston was authorized to spend up to £6,000 on this. Mercer's dream of becoming the laird of a Tasmanian version of a Scots village got little respect from Swanston who wrote:

Your ideas are the same as those of all men who have never visited a colony just arising from the wilderness. You are anxious to build mills and make salt and to lay out money which will never bring you in any return. It is with these English ideas that too many emigrants and all companies yet formed have ruined themselves. In a young colony we must go step by step and not get into manhood before we can run on our legs. And when money can be otherwise more advantageously laid out as it can be here in land, in sheep and cattle, in bank shares, or lent on mortgages, mills and salt must be left to the miller and small capitalists who, by their personal labour and with few or no servants make their trades answer. Cultivation also, beyond cultivating for home consumption, does not pay the great landholder and lord of flocks. It suits the purpose of the small farmer and gives him a moderate income after paying his expenses. Wool is the great point to be attended to and the secondary object to the great landholder is the breed of cattle for market. But the breed of sheep and gradual improvement of the fleece is the source from whence ultimately a certain return can only be expected for any great outlay of capital.

Mercer did get his lordly acres near Hobart, but his appetite was whetted by Swanston's promise of greater profits in other directions. He acquiesced in being made a shareholder in the Derwent Bank and in various advances on wool and mortgage loans totalling many thousands on his behalf. Swanston's shrewdest stroke, however, was to include Mercer in the Port Phillip Association—and then write to explain what it was all about. Mercer's half of the correspondence is not available and Swanston's
probably not complete, but Mercer appears to have been an eager associate and readily accepted his role as English representative, in which he bombarded the Colonial Office with unsuccessful petitions on its behalf. Until it was wound up he continued as a member of the Derwent Company when this succeeded the Association. It is unnecessary to trace the story of the Association beyond noting that Swanston was a very active member, serving as a kind of commercial manager. It was he whose name appeared first in the various legal documents defining the Association, who brought in the financial and political support of Mercer and conducted the correspondence with him, whose influence with Arthur through John Montagu partly explained the Tasmanian governor's backing, who, as one of the three trustees for other members, handled the business side of the Association and later of the Derwent Company.

In the process he found himself, not unwillingly, cast for a new role, that of absentee squatter. Several stations, notably that at Indented Head, were associated with his name although most and perhaps all of them were in fact the joint property of the Derwent Company comprising Swanston, Mercer, Thomas Learmonth and David Fisher. When the company was dissolved in 1843 with a loss of £2,659 for each member, the lands were divided although final settlement was delayed for years by formalities of title.

This was not the end of Swanston's manifold activities. He joined John Baker of Adelaide, with whom he had had business dealings, in the Kapunda mine, contributing £1,000 towards its development. Another venture, killed in 1844 by the government's inability to meet the cost, was a company to supply Hobart with water. His advances on wool were extensive. The procedure was summarized in a letter of May 1843:

I never purchase wool, but will be happy to make an advance upon yours to the extent of 1s. per lb., if the wool is of good quality and well got up—otherwise to the extent of 8d. per lb. Upon these advances 2 1/2 per cent is charged. You can either deliver the wool to be shipped to Mr. Edward Willis at Geelong, or you can ship it yourself, to the order of Messrs. Bogle Kerr & Co., of Glasgow, forwarding a bill of lading and invoice on the vessel by which the wool is shipped enclosed to Messrs. Bogle Kerr & Co., and two other sets to me.

He had good reason for refusing to buy, illustrated by his letter to William Forlonge: “The wool sent home on your account last year was not only sent home in the most shameful state, but also stones were put into the bales to increase the weights. In one bale there was a stone weighing 74 lbs. After this it will be impossible to ship any wools with the same marks as yours have hitherto borne.” Even with a close friend he was careful: “I
do not hold myself or my agents responsible for weight. It is quite unusual for any other than the owner to incur such responsibility.” The money to provide these advances was obtained by discounting with local importers bills drawn on London, and the objective, he explained, was to get the wool away as soon as the loan was made so that it should be sold and the loan repaid if possible before the bills were presented, or at least soon after. The usual practice of nominating an agent in Britain to handle the sale of the wool was followed (the alternative local agent was unusual) as much to ensure that the loan was repaid as to gain the additional commission. The only risk run for these substantial gains was that in the unlikely event of the price realized being below the advance, the squatter would not pay the difference—a much more likely event.

At the time Swanston assumed control of the Derwent Bank its expansion had temporarily ceased. Adey was writing that new deposits were not sought, “having already received as much and more offered than can well be employed”. The new manager however had larger ideas. Within a few months he had persuaded shareholders to increase the capital, partly to establish a branch at Launceston, but also to provide the basis for utilizing the flow of funds anticipated from overseas investors. More extensive and important were his changes in 1834 for which the occasion was news of the coming of the Bank of Australasia, but the driving force was the prospect of profit from the incipient pastoral boom. The first step was a further and large increase of capital to £100,000 “to show the Home Government that we require no foreign aid from banking as well as to show the projectors of the new banking scheme in London that they will have establishments of equal capital with themselves to encounter in these colonies”. At the time Australian banks still relied mainly on shareholders' capital and note issue for their funds; deposits were less important and not eagerly sought.

To make the loans of the Derwent more attractive than those of other banks “cash credits” were introduced as part of the 1834 programme for countering competition from the Australasia. The cash credit was substantially identical with the overdraft, and at the time was most common in Scotland, although used in England. Swanston described it thus: “A cash credit is a loan, the amount of the loan varying every day, the maximum being fixed.” The procedure in the Derwent was as follows: accounts were balanced half-yearly, interest on amounts drawn being charged at 10 per cent from the date of drawing to balancing date; each half-year the balance was transferred to debit or credit of the customer and bore the appropriate interest. The loan was terminable at any time by the bank which also charged an overall commission of 1 per cent on all debit
entries. Although Swanston called it the “Scotch system”, details made it nearer the contemporary English cash credit.30 Thus in November 1834 the overdraft made its first appearance in Australian banking. It was adopted by most of the other banks though not continuously nor on the same scale as by the Derwent, and it continued for many years to be less favoured by bankers than the discounting of bills, partly because the latter system offered prospects of indirect profits. While shareholders in banks were mainly merchants, a neat system of exploiting the primary producer was possible. Imports were handled by a few firms in each metropolitan centre, almost all being as a matter of course, participants in the local banks which, while the bill on the Treasury was the principal means of overseas payment, had preference in securing these bills which were sold only for British coin. Shareholders in the banks naturally received preference when the bills were re-sold. The squatter and the farmer must thus buy their main supplies of imported goods from a few sources. To do so they needed to borrow, and their bills were not accepted by the banks who asserted repeatedly that the risks with “settlers' bills” were too great. But the evidence is clear that less creditable motives dictated preference for the bills of merchant shareholders. Therefore, the primary producer got his credit from the merchant, who not only allowed for this in his prices, but added the condition that at harvest or shearing the wheat or especially the wool be sold through his agency, yielding him a commission in addition.31

Most significant of all the steps to adjust the bank to take full advantage of the boom in a period of intensified bank competition was the establishment of a London agency. Only one other Australian bank had thus far tried the experiment, the Australia in 1828, and that had not proved worth continuance. A similar plan at the same time by Cooper & Levey had come to little because Levey, on going to London, had become involved in Peel's scheme for Swan River. Originally the Derwent's need was for a London agent to meet on its behalf bills sold to merchants seeking to make payments in London, but no London bank had been prepared to give the Derwent a credit, and use for other matters was therefore made, as occasion required, of Swanston's personal agent Buchanan.32 In June 1834, however, Hamilton reported that the volume of English money offered for investment in Australia was so great that such an arrangement would now be acceptable.33

Until this period the mechanism for investment from overseas had been inadequate. The most important avenue was created by British government expenditure on the convict settlement through the medium of the sale of bills on the Treasury. These were supplemented in the 'twenties by the bills of the Australian Agricultural and Van Diemen's Land Companies,
together with those of the missionary societies and a few private individuals whose credit was good. Even then, however, many individuals found it more satisfactory to bring out their capital in the form of English bank-notes, coin or actual goods. This was a system suitable for those emigrating with their capital, but not for the absentee investors, and the demands of these in the 'thirties were met by other institutions following the practice of the Derwent: the Australasia and Union, the Royal Bank and a number of investment agents such as Swanston in his private capacity. By the late 'thirties the absentee investor had a choice of agencies in London who could relieve him of all trouble in transferring his funds.

Swanston welcomed the opportunity of tapping funds which were likely otherwise to go to the Australasia. Accordingly Hamilton was authorized to make an agreement, the terms suggested being that the London bank should accept deposits on behalf of the Derwent, which could draw upon them by bills of exchange. While the money remained in London at the disposal of the bank there, the Derwent should receive 2 per cent interest. Such an arrangement was made with Barnett Hoare & Co. but subsequently transferred in 1841 to Hamilton who, at the same time, succeeded Scott Bell & Co. as Swanston's private representative for handling wool and other agencies.\textsuperscript{34}

Initially the hope seems to have been for large deposits but English investors sought larger returns and wanted the aid of the Derwent rather to transfer their money and then to invest it, principally in mortgages at up to 15 per cent, but mainly on good security at 10 to 12. By 1839, when the squatting boom was at its height, this was a settled part of the bank's business, a special department having been created with a clerk exclusively engaged upon the business of absentee. When funds were received in London, the investors were credited with 5 per cent interest until a suitable investment was found when, as Swanston was careful to point out, the bank's responsibility ceased, except for carrying on the work of collecting and remitting interest, for which it charged 21/2 per cent commission. Connections were developed with other firms, particularly Peter Murdoch of Glasgow, Lyall Bros. of Canton and Binny & Co. of Madras, who joined Barnett Hoare & Co. in forwarding funds on similar terms.\textsuperscript{35}

It was because of the extent of this type of business that the recorded statistics give the impression that the Derwent was falling behind the other banks in the race. Between 1837 and 1840 the Commercial Bank of Tasmania more than doubled its deposits and trebled its loans, while the Union and the Australasia grew to overshadow all the local banks. The increases in the Derwent's business appeared much more modest, but only because its overseas deposits were temporary and loans made by it were
credited directly to overseas investors. Swanston was prepared to leave the business of issuing notes and discounting bills to the other banks while he held first place amongst the mortgage lenders—a type of business of which orthodox bankers were chary—and collected his 2 1/2 per cent for work which was mere routine and risks that were slight, so long as the boom lasted. This explains why, without a struggle, he abandoned the Melbourne branch of the Derwent, established in February 1838, to the Union Bank in October of the same year.36

(b) Launceston Banking

Meanwhile Launceston, the second metropolis, which had had to create its own Cornwall Bank when the Derwent Bank refused to open a branch, was the scene of experiments in branch banking, the final result of which was the emergence of a second unit bank and the disappearance of the branches.

The Bank of Van Diemen's Land originally was hostile to branches; country residents were indeed told to appoint Hobart agents and not expect the cashier to do any “agency matters” for them,37 but by 1832 they were planning a Launceston branch which opened on 3 July 1832.38 For this purpose capital was increased by £10,000 in £50 shares and a joint Hobart-Launceston Committee appointed to organize the branch.39 A few months later a move was made to absorb the Cornwall Bank, which was in difficulties, and closed temporarily, but it came to nothing.40 Apparently the branch proved unprofitable for when, two years later, the Bank of Van Diemen's Land deed of settlement was due for renewal the occasion was taken for closing the branch as from the end of December 1834, the business being continued by the new Tamar Bank organized by the local shareholders in the Bank of Van Diemen's Land.41

The Derwent Bank retorted quickly to the Bank of Van Diemen's Land move towards the north of the island and announced an increase in capital to permit an agency to be opened in Launceston.42 With Michael Connolly as agent business was begun on 2 July,43 but was a failure because of its inability to meet the competition of the Van Diemen's Land branch, which itself was due to the restrictive conditions of Swanston's instructions.44 Apart from directions about keeping of books, the main terms were these: Connolly was supplied with £2,000 in Derwent notes for issue (deposits were expected to reach a like sum) which he was instructed to keep in circulation. To this end he was to see that his cash balance consisted mainly of Bank of Van Diemen's Land notes, either to exchange against his own at clearing, or to remit to Hobart. It was stressed that, as an agent only,
he was not obliged to meet any Derwent note presented. Deposits could be taken “in British currency, Spanish dollars, in Colonial bank notes, in Treasury bills, orders on the Commissariat and on the Treasury, and in good private bills (to be taken to account when sold) on England, on Hobart Town, or Sydney”. For these deposits Connolly was to give receipts and make entries in pass books endorsed “payable at Launceston” to ensure that depositors did not thereby secure cheap remittance to Hobart. British currency so received in excess of £20 was to be exchanged for a Commissariat order on Hobart for a Treasury bill, “Orders on Hobart Town are only to be given to the friends and constituents of the bank or to such parties as may present to you specie, Derwent Bank notes (should you want them for circulation), orders on Sydney, Commissariat orders, bills on London . . . You will pay all cheques in notes of the Derwent Bank or in dollars, or in notes of the other banks in case of having no other notes, but never in British currency.” In clearing with the other banks Connolly was “always to consult your own convenience and the interests of the Derwent Bank”, and to stand on his right to refuse to cash Derwent notes. He was to meet clearing balances in notes of the other banks, if he had them, in dollars, or, if necessary, by a draft on Hobart. “Such a course of proceeding will in a very short time compel the other banks to enter into your terms.” Swanston was, in a very short time, to learn that two could play that game.

The first difficulty with this scheme was, in Swanston's own words, “the balance of trade being against Launceston”. Despite restriction of note issue to small denominations to limit the sending of them to Hobart, this occurred. Moreover a large proportion of Launceston shopkeepers were shareholders in the branch of the Bank of Van Diemen's Land and therefore paid to their accounts there all Derwent notes which were promptly presented for clearing. The refusal to cash notes or to meet deposits in Hobart (for remittance a customer had to buy a draft at a premium) was unattractive to customers; moreover the Bank of Van Diemen's Land was discounting bills up to six months without requiring Hobart approval of the bills, and therefore got the best of the business.

Clearing was the final source of trouble. With the Cornwall Bank, which was in no condition to be aggressive, an arrangement was concluded for settling balances by drafts on Hobart, but Gilles of the Van Diemen's Land, having sized up the situation, demanded daily settlement in specie which forced Connolly to refuse to meet any notes in coin. Thereupon the Van Diemen's Land could fairly refuse to accept Derwent notes and thereby destroy their public acceptability. Connolly added to the public unwillingness to deal with the agency by refusing to accept in Launceston payment of bills originally discounted by Swanston in Hobart.
accepted the inevitable and directed Connolly to wind up the branch, three months after it had opened, Connolly himself promptly joining the board of the branch of the Bank of Van Diemen's Land. 51

With the opening of the Van Diemen's Land branch and Derwent agency the Cornwall Bank proposed to raise additional capital by additional calls and 200 new shares, 52 and secured an agent to cash its notes in Hobart. 53 Sale of the additional shares proved difficult in competition with the new shares of the Bank of Van Diemen's Land and against public knowledge that the bank was in difficulties, and they were still being offered three months later. 54 By November 1832 the directors were announcing their intention of closing and had already ceased to make new advances, being embarrassed by frozen loans. 55 But the step was not taken immediately and it was not until June 1833 that the directors advertised their intention to “close all matters connected with that establishment with as little delay as possible”. 56 But almost immediately after it became effective the decision was reversed. Notwithstanding the admission of considerable losses, plans were made to reopen on 1 January 1834 with a further 200 shares offered to the public 57 and a new manager and board. 58 The new lease of life was due to C. S. Henty who also secured a credit of £2,000 from the Derwent Bank to meet drafts on Hobart and the right to issue in Launceston £2,000 of Derwent Bank notes. 59 Under its new manager the bank prospered, paying 10 per cent dividend a year later. 60 The bank was then able to reorganize the capital structure, converting the old £50 shares on which £15 was paid to fully paid shares and extending the total shares to 1,000 by a new public offer with attractive bait, the bank then having a nominal capital of £15,000 which it was intended should be fully paid. 61

It was at this point that the local agent of the Van Diemen's Land Company approached Arthur with a proposal that the Company should add banking in the northern part of the island to its other activities. 62 Arthur conceded the desirability of better facilities in the north, but reflected that “banking and paper issues are subjects of peculiar perplexity in a new country, more especially when the proposed bankers are absentee whose local interests are separate from and perhaps opposed to those of the community generally, and whose wealth is so great as to enable them to control the local money market with the most despotic authority”. He thought the proposal might be approved if mortgages were forbidden; an office established in Hobart to cash notes; the local government empowered to set limits to note issue and discounts from time to time; the governor had power to suspend activities if it operated “injurious”; and the initial charter were for a short period. That was the end of the scheme. 63 Plans for reorganizing the Launceston branch of the Bank of Van
Diemen's Land as the independent Tamar Bank were laid, nearly a year in advance, the prospectus being published in February 1834. Capital was nominally £200,000 in £50 shares (to be 75 per cent paid before the bank commenced), which it was hoped to spread widely by limiting subscriptions prior to opening to thirty shares. The bank was to take over the Van Diemen's Land branch as a going concern, but with two new departures. Cash credits “according to the Scotch banking system” were to be available, with a limit (the usual one in Australian banks in the next two decades) of £500. Secondly, interest was to be offered on “dormant deposits”, provisionally set at 5 per cent for sums lodged for six months and 4 per cent for those lodged for three months, with a minimum of £25. By June a board had been appointed and in due course the new bank opened on 1 January 1835.

Banking Boom in New South Wales

Although the organization of new banking facilities to exploit the boom was slower in starting than in Tasmania, once begun the process was sustained and far-reaching, reflecting its ultimate basis in the spread of the sheep. It is not entirely coincidence that the story begins with the legislative removal of all restrictions on interest rates. No one had ever paid serious regard to what the law might mean on that subject, and no doubts or uncertainties had delayed or hindered the already substantial inflow of funds. But doubts having been raised by the perversity of a judge who took his law seriously, business interests made it clear that they would not tolerate interference with the golden opportunity. The Interest Act of 1834 became the ideal advertising document with which overseas investors could be convinced that only delay on their part could limit their returns. It was followed closely by four episodes in banking, each of which demonstrated a central fact about the finance of the boom. Roemer's peculiar scheme for a bank showed that too great precision in the terms investors were asked to accept and the limitations on their freedom were not the bait for the times. The immediate success of the Commercial Banking Company of Sydney pointed the way to the future in banking; new modes of lending in cash credits, the importance of deposits attracted by interest as a basis for loans, the function of branch banking—in short, old-fashioned restricted banking through a single office on the basis of shareholders' funds had had its day. The initial success of the Bathurst Bank and its ultimate defeat underlined the fact that while the boom, to feed which all this banking development was ultimately designed, lay on the plains to the west and south, no merely local resources could exploit
more than a tiny share of the harvest; while the trivial story of Tommy the Banker illustrated how readily the financier with the right technique could gain easy acceptance of the most suspicious security.

(a) Interest Act 1834

In June 1833 the question of whether English usury laws applied in New South Wales was raised by a difference of opinion amongst Supreme Court judges. No interest being expressed in a disputed contract, the plaintiff asked for 10 per cent as being customary in the colony; the defendant argued that under English law the maximum was 5 per cent. The majority, Chief Justice Forbes and Judge Dowling, held that English usury law had no application to New South Wales, but that King's order of 1804 was valid and awarded the plaintiff 8 per cent. This had been the custom of the court, summarized by Dowling: “In 1828, when I became a judge in this colony, I found that eight per cent was regarded by my brother judges, by professors of the law, by assessors and magistracy, by the whole mercantile body, as the just and reasonable rate of interest for money lent on securities”, the source of the unanimity being King's order.

Judge Burton took a different view, holding that King's order was invalid and that, English law applying to the colony, the maximum that could be recovered was 5 per cent. He analysed the practice of the court and found that it had upheld contracts for much higher rates:

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<td>TOTALS</td>
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His was a minority view, but Forbes was unsure of his law and Burton's more authoritative judgment was at least plausible. Accordingly Forbes moved in the Council for a bill to fix the maximum rate recoverable at law at 8 per cent. But the bill when introduced was of very different substance. It followed a declaration that English usury laws had no application to New South Wales by providing that in actions where “the rate of such interest hath not been previously agreed upon by or between the parties”, but in no other case, maximum interest recoverable at law should be 8 per cent. Bourke, in introducing the bill, disclosed his doubts by proposing that it be not proceeded with until the next session.

In the interval, a sub-committee of Council took evidence on the bill and
there was a vigorous public discussion. The *Australian* supported the bill: “The cant about the sin of usury we utterly despise, for money is as much an article of commerce as sugar, tea or tobacco”, as did the *Herald*. The *Monitor* took the other side, and the *Gazette* maintained a steady attack on the bill, pointing out correctly the extremely restricted nature of the limitation it proposed. Burton sent to Bourke a long protest against the bill, reciting cases which had come before him in Court: “£45 per cent was given and taken upon the discounting a bill of exchange for £38, which had between four and five months to run . . . £1 per week was taken for a loan of £15 . . . £1 was taken for discounting a promissory note for £7 which had fourteen days to run . . . £3 were taken for discounting a promissory note for £5, payable in two months . . . it is a common thing in this country for poor people to give ten shillings a week for the loan of £2”. He followed this recital with two statistical tables showing for the period from the first law term of 1828 to the end of the first term of 1834, first, judgments entered by the court and second, mortgages registered with the court. These give such a complete picture of the interest rate structure that they are reproduced in full (pp. 248 and 249).

It will be noticed that contracts below 8 per cent were negligible and that where precise rates were expressed there is a concentration upon 10, 12 1/2, 15 and 20. “Colonial interest” meant 10 per cent and “legal interest” 8 per cent. The other striking columns are those covering cases where interest was provided for but no particular rate mentioned and where no interest appeared in the contract. These show the prevalence of the devices mentioned by Burton for concealing the size of the rate, subtracting interest from the loan in advance, or adding it to the principal agreed to be repaid. (He was not alive to the ways in which these and other tricks familiar in England could defeat a general restriction.) His plea was that the bill should extend a legal maximum to all loans irrespective of whether contracts specified a rate or not. Meanwhile the sub-committee had been taking evidence, the weight of which was against any general usury law, although some witnesses who suggested a maximum rate appeared uncertain whether they were proposing a general restriction or one to apply where contracts mentioned no rate. The sub-committee accordingly reported in favour of the bill, which went back to Council in unchanged form and was promptly passed.

(b) New Colonial Banks

Under the title of “Sydney Bank”, Charles William Roemer, a storekeeper, announced the opening of a new bank on a somewhat original
plan, on 1 February 1834. His initial advertisement disclosed no more than that the bank had opened on this day, that it had already issued £1 notes payable on demand, and that Roemer was acting “in conjunction with some friends” who proposed to issue a prospectus “shortly”. As if this reversal of the logical order were not enough, the prospectus published two months later extended the reversal. The capital was set at £100,000 in £100 shares on which Roemer had “advanced” £5 per share (a nominal total of £5,000). The “friends” were revealed as Edward Hancock, whose place was evidently that of partner, and Richard Jones (then president of the Bank of New South Wales) who was nominated as trustee for shareholders. These shareholders were to take over the shares held by Roemer, paying him the first instalment of £5 plus a premium of £1 “in consideration of his exertions and incidental expenses, and for providing the first instalment”. There the rights of shareholders ended for twelve months, during which Roemer was to “retain the entire management”, but after a year (or earlier on a requisition by holders of 300 shares) a general meeting was to decide the form of future management and whether any further calls were necessary, Roemer undertaking to repay any dissentients. Meanwhile bills were to be discounted daily at a rate fixed by agreement, deposits were to be received, including fixed deposits, and notes were to be issued.

MEMORANDUM of Judgments entered up on Warrants of Attorney, from the 1s Term, 1834, both inclusive.

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MEMORANDUM of Mortgages Registered in the Supreme Court of New South W

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Whether any subscribers were found to take these risks is uncertain, but there could not have been many, for it does not seem that, except as Roemer's private concern, the institution operated. Certainly had it been active at the time another name would have been sought for the Sydney Banking Company of 1839. Subsequent references are to Roemer as an individual financier, not to any bank; he may have secured some additional capital by his move but he did not found a joint-stock bank. These later references are mainly to the high rates he charged. From the beginning a discount rate of 15 per cent was imposed, at least on second-rate bills, and English notes were exchanged for immigrants at the same rate.

The initial planning of the Commercial Banking Company of Sydney was carried through without publicity, mainly in August 1834. The Sydney Gazette gave the first report which it said it was unable to confirm; less than a fortnight later the first public announcement recorded that the original plan for a nominal capital of £120,000 in £100 shares was to be revised since the whole had already been taken up. Less than a week later a meeting “with the greatest ardour” enlarged the shares from the 1,500 proposed by the promoters to 3,000, of which all were taken up immediately, and holders of more than half had signed the deed of settlement by early November and all calls had been paid by the end of December. 10 per cent of capital was called (some subscribers voluntarily paid more) and the bank opened in Sydney on 1 November 1834.

In offering interest on deposits the bank made an important innovation, the start of the scramble for deposits of the next eight years. Originally it was proposed to offer 5 per cent on three months deposits and 2½ per cent on current accounts, but the directors more cautiously fixed 3 per cent on amounts which were in fact left for three months but withdrawal of which was possible at any time. “They fear this rate is too low, in comparison with the current rate of interest in the colony, to induce capitalists to invest deposits permanently in the bank, but it has been deemed advisable to commence with a low rate to be afterwards increased if found expedient, rather than to commence with a high rate and be obliged to reduce it.” The other banks of necessity followed suit and were also stirred to action by the promise that the Commercial would discount
thrice a week compared with the traditional single day of the others. The Banks of New South Wales and Australia both adopted two discount days (unnecessarily since the Commercial after all took bills only one day a week) and considered reducing the discount rate to 8 per cent, but decided to adhere to 10 per cent. Both considered capital increases, again without result. The threat of competition appeared real, for after only two months the Commercial held deposits of £22,630 and had lent £38,183, while its cash holdings, £22,232, pointed to its ability to extend rapidly, but presumably the other two banks decided, correctly enough, that there was room for all without aggressive competition.

The pastoralists of Bathurst were quick to seize upon the fashionable device of bank flotation as an instrument for financing pastoral expansion. A meeting on 10 September 1834, thin in numbers because of rain but enthusiastic, adopted a plan which had evidently been fully prepared in advance. Capital was set at £10,000 in £100 shares; business was to comprise issue of notes of £1 and £5, but not other denominations; discount of bills up to three months at not more than 10 per cent, loans on real estate, plate or bullion to a maximum of one-half the capital; the receipt of deposits on current account and on three months' notice, deposits bearing not more than 5 per cent. A major reason for forming the bank was the difficulty of making local payments since cheques were payable only in Sydney at the banks there and could only be locally negotiated, even in goods, at a discount. The necessity for close financial connection with Sydney was recognized in providing that bills discounted might be payable either in Bathurst or at a Sydney bank, that cheques on Sydney banks should be accepted for deposit, and that an account should be opened with a Sydney bank willing to act as agent there.

Few other Australian banks achieved their initial plans so quickly and smoothly. By late September the newly elected directors could announce that capital was fully subscribed and that, as planned, the bank would open on 1 January 1835 as indeed it did. In the interval the directors had secured temporary use of an idle portion of the Commissariat store for premises, ordered the printing of notes, arranged for the Bank of Australia to keep the Sydney account of the bank, appointed John Slade to be cashier, received “nearly £1,000” in deposits from shareholders the day before opening, and obtained the privilege of acting for the Commissariat in paying pensions to local residents.

The business as it developed fell into two main parts. First was discounting bills at 10 per cent. Loans secured by mortgage as promised in the prospectus were provided for, each being limited to £300 for twelve months, to be drawn by cheques payable at 10 per cent discount, but few
such loans were made and by 1837 they had been abandoned in favour of discounting exclusively. The other main business was in receiving for collection in Sydney notes of and cheques on Sydney banks and “orders” on the Sydney agents of local residents. Within two days of opening some £260 worth of these was remitted and a constant stream followed. At first commission was charged for collecting, but soon this was abandoned so far as depositors were concerned, for the bank was keen to build up Sydney funds for lending in Sydney. Note issue was never a large source of profit, although not insignificant.

The immediate flow of deposits in the form of cheques on Sydney banks caused the Bathurst directors to inquire whether the Bank of Australia could lend on their behalf in Sydney, but apparently this could not be arranged for an offer was accepted from Henry Gilbert Smith, a merchant of Sydney. The terms as finally agreed were that the Bank of Australia should retain £300 for immediate cash demands and that the surplus (initially £2,000) should be transferred to Smith who was to give the Bathurst Bank six months bills at 10 per cent discount. Smith received ⅜ per cent commission and was free to get the best return he could. “The bank does not wish to be at all known in the business, so that you may charge the parties with whom you have money dealings any sum you like.” Should the bank require cash before the six months expired, Smith undertook to repay on a week's notice with a rediscount charge of 11/4 per cent. The business continued on these terms throughout the life of the bank.

The volume of these Sydney funds was maintained because the bank sought deposits from Sydney residents which it credited in Bathurst at par, on notice of receipt by the Bank of Australia. The practical effect therefore amounted to the bank doing banking business not only in Bathurst but also, by proxy, in Sydney. In Bathurst it received as deposits Sydney bank notes and cheques and orders on merchants; to these it added deposits solicited in Sydney and through Smith lent in Sydney. In these circumstances it avoided the expensive and risky business of transferring in cash its Sydney balances, which in any case were too large for it to lend locally—Bathurst pastoralists necessarily received their main income through Sydney and made a substantial part of their payments there. So long as the economic weather was good the bank needed cash only in small amounts for local change purposes, and these it drew at intervals from the Bank of Australia, with slightly comic devices for secrecy as a precaution against theft. Amounts drawn at varying intervals, most frequently from November to May, when they were often monthly, ranged from £50 to £200, indicative of the modest local needs for cash.
The combined Bathurst and Sydney business proved profitable. The dividend at the end of the first year was 343/4 per cent (on the paid-up capital)\textsuperscript{121} and this was followed by three half-yearly dividends of similar size.\textsuperscript{122} Thereafter rates were lower but still profitable.\textsuperscript{123} Accordingly there was talk of a private act to give the bank more permanence than its original seven-year term,\textsuperscript{124} although this was not achieved until 1839,\textsuperscript{125} and of plans for a bank building,\textsuperscript{126} and attempts to secure more capital. It is not clear how much of the original nominal capital of £10,000 had been paid up (the first payment was only 5 per cent), but certainly only a modest part, when in November 1835 the nominal capital was increased to £20,000 (with a first payment on the new shares of 5 per cent).\textsuperscript{127} Almost immediately a new share issue was preferred to further calls and nominal capital was raised to £30,000.\textsuperscript{128} A year later there was a call of 5 per cent coupled with a threat of forfeiture of dividends if it were not paid,\textsuperscript{129} but if there were other calls, as there probably were (apart from an emergency call in 1839), they have not been recorded. Total paid-up capital at its maximum was probably of the order of £5,000.\textsuperscript{130}

This suggests a large reserve of uncalled capital for emergencies, but the shareholders were local residents, pastoralists or townsmen dependent upon the fortunes of wool, and had the bank survived until the slump the reserve would have proved illusory. Nor would consideration of its loans suggest ability to meet sudden pressure. Those in Sydney were dependent upon the ability of Smith to recall them, and the bank had no control over his choice of borrowers; indeed, by requiring him to pay the bank 10 per cent they ensured that his choice would not be amongst the quickest payers. Local discounts were tied to the fortunes of wool and even early in 1838 Kinnear of the Bank of Australasia noted that the Bathurst Bank was embarrassed by the failure of borrowers to meet their commitments.\textsuperscript{131} The good profits therefore were gained at the cost of vulnerability. The challenge, when it came, was competition, a branch of the Bank of Australasia.

In the bustle of bank flotations, light relief, at least for those who avoided his notes, was provided by “Tommy the Banker”. This cheerful rogue, Thomas Wright, who claimed to be 102, commenced note issue at least as early as 1835 with £1 and £5 notes in the name of “Defiance Bankers”.\textsuperscript{132} In November 1836 he failed to secure customers when he announced, “Notice is given out by the said Thomas Wright, banker, to inform any respectable company of gentlemen that wishes to establish a bank, I engage with them to establish a bank as respectable a bank as in all England, there is ne'er a gentleman banker in all England able to beat me in a banking-house for the benefit of the bank.”\textsuperscript{133} Accordingly he started in business
himself the following year with notes resembling those of the Banks of Australia and Australasia, and kept, so the press reported, just within the law by cashing them on demand. Emboldened, he launched out reaching, it was said, an issue of £9,000 in £1, £10 and £20 notes of the “Austilin Bank” four months later, and proceeded to vary it as “AustiIn” and “Austilian” and to add the “Sydney Bank”, “Parramatta Trading Bank”, and, appropriately, “Defiance Company”. A career of this sort which was not interrupted until August 1839 merited a better end than a sentence of fourteen years to Norfolk Island. His success makes that of apparently more respectable institutions unnecessary to explain.

The Coming of the English Banks

Long before the Commercial Bank of Sydney was afloat London capitalists were planning on the one hand the Bank of Australasia and on the other the South Australian Company, soon to be followed by the Union Bank of Australia. The two banks by their titles indicated the range of their plans and they and the Bank of South Australia created by the company were a completely new development. While they sought and used the advice and knowledge of colonial residents, they were British ventures, designed to make profits for British shareholders, with close and detailed supervision of policy by London directors. (The devices of colonial shareholders and local directors were to ensure acceptance by interested parties and the benefit of specialized knowledge on the spot; there was never any question of independent local control or of the subordination of policy to local interests.) They, and their specialized imitators, the mortgage companies, were the response to the desire of British investors for a larger share in and a more direct control over the golden fleece.

(a) Bank of Australasia

The first local references to the formation of the Bank of Australasia give credit for the initiative to Potter Macqueen, then in London, who, it was said, proposed a joint bank and whaling company, each part separately capitalized but the two run in close association. For the bank a capital of £500,000 was suggested, to be subscribed partly in the colonies, partly in England; interest on deposits at 6 per cent and discount rate of 10 per cent were forecast; the manager to be sent from England was “Mr Joplin, brother of the present actuary of the Provincial Bank of Ireland”. A number of points make it certain that this scheme, whether it were Macqueen's own or he merely the go-between for colonial support, was the
basis from which grew the Bank of Australasia. The directors, however, in their first report, dated the commencement of their plans as November 1832, implying presumably the time at which the main lines of the plan finally adopted were agreed upon. That plan was for the “Royal Bank of Australasia and South Africa”, to be chartered with limited liability, capitalized at £300,000 (to be increased if necessary by directors to double this amount), the capital to be fully paid within two years. Branches were to be established initially in Sydney, Hobart, Cape of Good Hope, Maitland and Launceston.

The application for a charter, however, came at a time when the Treasury and Colonial Office were trying to work out a policy for colonial banking and as this was to be the first bank chartered for operation in the colonies many questions of principle had to be settled before the charter was finally granted. The original memorial, setting out proposals which the directors by prior discussion had learned would have a good chance of acceptance, was sent forward in May 1833. It proposed a charter for a bank capitalized at £300,000 to operate in both Australia and South Africa, with power to increase capital to double this amount, liability of shareholders being limited to their subscriptions. The Treasury took some months to reach decisions which involved the general question of colonial banking, and only in December 1834 stated the conditions upon which a charter might be granted:

(i) The bank was not to commence business until all shares were taken up and half capital paid up; if this was not achieved within eighteen months the charter was to be void;
(ii) total debts should never exceed thrice the sum of paid up capital and deposits;
(iii) notes were to be payable on demand, at the principal office in each colony as well as at branch of issue, although a branch need not cash the notes of a principal office;
(iv) suspension of cash payments for any continuous period of sixty days or for a total of sixty days in one year should terminate charter;
(v) liability should be limited to twice subscriptions;
(vi) the company should not buy its own stock or lend on security of that stock;
(vii) bills to which directors or officers were parties should not exceed one-third of total discounts;
(viii) land or other real estate must not be taken as security, nor should the company deal in real estate or merchandise except as might be necessary to realize property taken for debt;
(ix) dividends should be paid only out of profits;
(x) notes should be for £1, £2, £5 or higher but none for fractions of a pound;
(xi) weekly statements should be kept and half-yearly averages published in the colonies and in London.
On these terms a charter would be granted for twenty-one years, for Australia only, not for South Africa. Modification of these terms was sought. The refusal to include South Africa was reiterated, as were the prohibition of notes for fractions of a pound, and the twenty-one-year limit, although the latter was softened by pointing out that renewal could be sought. The sixty-day limit for cash suspension was extended to 130 days, a reduction in initial capital to £200,000 because of the exclusion of South Africa was approved, but the prohibition on real estate being security for a loan was elaborated to include prohibition of its being taken as collateral. The directors acquiesced in these terms, although they did not abandon hope of doing business in South Africa. Repeated representations for the extension of the charter for this purpose having been refused, they took up the suggestion for a separate Bank of South Africa, the unsuccessful negotiations for which are no part of the Australian story. Long before they ended the Bank of Australasia was in operation in New South Wales and Tasmania.

Having agreed to the terms of the charter, issue of which was delayed by legal technicalities, the directors pushed ahead with organization and preparations for the despatch of officers to the colonies. A revised prospectus was prepared and shares allotted; and the structure of the bank determined. In accordance with the original proposals for the charter, ultimate control was vested in a London “Court” of directors, with authority to appoint local boards for branches. For these local boards it was hoped, without avail as it turned out, to secure one or two government officials; and for other members local merchants, partly to give the bank standing but mainly for their local knowledge of the reputation of borrowers. Montefiore, a director, was authorized to commission his brother, J. B. Montefiore of Sydney, to form the local board there, and his brother's Hobart partner, Furtado, to do likewise in that town.

These local boards were to exercise general supervision, subject to directions from London and, in certain matters, for example the variation of discount rates, the concurrence of the Inspector; in certain things, such as the opening of sub-branches, the local directors had no discretion. At a very early stage it was decided that the Sydney establishment should be the main one in the colonies and its manager should have “certain control” over the others. This finally took the form of uniting the offices of Sydney manager and Inspector, the first appointed being George Kinnear. The powers and functions of this officer were supposed to be directed towards co-ordination of the policies and practices of the several branches as well as checking the efficiency and honesty of officers and ensuring that London instructions were carried out. A good deal of friction
arose, as it turned out, since the powers of the Inspector viés-à-vis the local boards were necessarily vague; precise statement of them would have made it impossible to secure satisfactory local directors by making too clear that their only real purpose was as scrutineers of bills offered for discount.

The organization of the London office was completed by the appointment of a permanent secretary, and the main conditions of business in the colonies were settled. In addition to discounts cash credits were approved, as was interest on deposits, but not on current accounts; in general only three months bills were to be discounted subject to the discretion of local boards. Branches would draw bills on London at thirty days after sight, limited initially to a total of £80,000 in excess of their remittances to London. Since the Bank of England could not provide new coin, arrangements were made for the minting of £50,000, the bank advancing funds for the Mint to purchase the bullion. Subscriptions came in promptly from shareholders (being temporarily invested in Exchequer bills) and by March 1835 the half payment of capital required by the charter being in hand, Kinnear was despatched in a ship named for him, with the newly minted coin, to establish the colonial branches in Hobart, Launceston and Sydney, arriving at the first of these on 23 October 1835. Meanwhile the London board signalled the commencement of business by advertising its willingness to buy and sell bills on the colonies.

The colonists received news of the Bank of Australasia, “Goliath” as the newspapers christened it, with mixed feelings. Reduced interest rates as a result of competition and facility in exchange dealings were the advantages most frequently foreseen. But fears were expressed that it would operate to drain the colonies of coin in remittance of profits, and doubts were raised as to the merits of its limited liability. The comment was predominantly hostile and Kinnear's first task was to establish good relations in a chill atmosphere. In Hobart hostility was most marked, Kinnear thought, because of false beliefs that the Australasia was to have a monopoly of government business and its notes were to be inconvertible legal tender. It was difficult to persuade suitable men to join a local board and the governor refused to nominate an official; and the branch had to open with a local board of two. The governor, although he complied with his instructions by making the Commissariat vault available for safekeeping of the bank's specie, proved difficult, long refusing to give the bank a share in the government deposit, and Kinnear did not endear himself by objecting to the publication of returns from the other banks since this might suggest they were of equal status with the Australasia. Opening was further delayed because of a number of
bankruptcies, Kinnear thinking it wise to wait and see what might happen; exchange business, for sale of bills on London and Sydney commenced on 18 December 1835 and full banking business on 1 January 1836. Terms of business included 8 per cent discount on bills to three months, 10 per cent interest on cash credits, and 5 per cent on deposits subject to three months' notice.

Apart from approaches from Phillips of Cape Town to revive the project for a South African offshoot, from Rowland Hill for a branch in Adelaide, and by various persons for a Perth branch, the London directors received an offer from James Henty for absorption of the Cornwall Bank in Launceston. Henty had gone to London in 1834 in search of more capital for the Cornwall, but instead proposed, subject to confirmation by the proprietors, that the Cornwall should transfer its business. The terms agreed upon were that the Cornwall should close, transferring its premises, and the Cornwall directors undertaking “to use their influence” to persuade customers to keep their business with the Australasia. The Australasia incurred no liability in respect of Cornwall business, but undertook to appoint C. S. Henty as local manager and to provide at par the share qualification for local directors. Henty's offer was probably dictated by knowledge of the Australasia's decision to establish a Launceston branch; its acceptance was the more ready because the directors had already determined to explore the possibility of absorbing colonial banks and had already discussed with W. H. Hamilton, agent of the Derwent Bank, the possibility of absorbing it and the Bank of Van Diemen's Land, but had put these schemes aside to seek, without success, exclusive rights over colonial government banking business. The Cornwall proprietors readily accepted the proposal, and Kinnear proceeded overland to complete arrangements for taking over the business. He found that the Cornwall's paid up capital was £9,760, mainly held by proprietors who had no occasion to borrow from it. The Cornwall directors, in anticipation of the taking over, had reduced their discount rate to 8 per cent and as a result of the consequent expansion of loans had to be given immediate aid by a loan of £4,000. C. S. Henty was appointed manager and his brother James one of the five local directors; terms of business were fixed at the same rates as those later adopted by Hobart. Kinnear, alive to the general hostility he had so far experienced, thought it politic to continue the clearing agreement which the Cornwall and Tamar had concluded, subject to six months' notice since he did not like the arrangement. The Cornwall Bank closed on 31 December 1835 (it was finally wound up in April 1836) and the Australasia opened on 1 January 1836.

Kinnear had already proceeded to Sydney to establish the main branch
which he did so promptly that it opened on 14 December 1835, before either of the Tasmanian branches. The terms of business provided for 10 per cent discount on bills to three months, 10 per cent interest on cash credits and 5 per cent on deposits subject to three months' notice. He met considerable hostility from the local banks who lost cash to the Australasia, and from merchants whom he deprived of exchange business which was formerly their preserve. Initially the main business was in exchange, and customers showed interest in discounts, but not in other business.

(b) Bank of South Australia

In the original plans for the settlement of South Australia a bank had no place, but the promoters soon had to face two problems, how to pay its own employees in the colony, and how to meet requests by migrants that the South Australian company should receive their funds in London for payment in the colony. Approaches were made to the Bank of Australasia for a branch of that bank, but the directors were not keen (when they did establish a branch later it was only as a “temporary experiment”) and the company turned to self-help. As a temporary expedient arrangements were made for special notes for small local payments in the colony. The Resident Commissioner and the Surveyor were empowered to make payments by orders on the storekeeper, who in turn was equipped with a small amount of cash and directed to meet these notes from “the moneys arising from the sale of stores”. The notes were for denominations of 6d., 1s., 2s., 5s., 10s. and £1 and in all they were issued from the first establishment at Kingscote to the amount of £1,192 9s. 6d. They were unpopular with workmen because in small amounts they could only be spent at the company's store, which was not always ready to take them, and once the company's bank was opened it was possible to withdraw them and substitute Bank of South Australia notes.

As a more permanent solution the directors determined upon “the establishment of a bank or banks in or connected with the new colony of South Australia, making loans on land or produce in the colony, and the conducting of such banking operations as the directors may deem expedient”, and were soon able to announce “shipped by the Coromandel of 662 tons, the frame and materials of their banking house, safety iron chests, furniture, books and other necessary articles for this undertaking, with a supply of specie and bank notes, under the care of the Deputy Manager and Accountant, a gentleman of respectability and of considerable experience in banking in this country”. In June 1836 immigrants were being invited to make deposits in London for payment
through the bank in the colony. Agents (of the company, not of the bank as such) were appointed at the Cape, St. Helena, Sydney, Hobart, Launceston, Madras, Calcutta, Bombay, Canton, Mauritius and Ceylon.

The bank duly opened in Adelaide in April 1837. Terms of business, fixed in conference with Gilles of the Tamar Bank, were 10 per cent discount on loans, advances and bills; 7 per cent interest on deposits exceeding £50 and 5 per cent on smaller sums. Purchase of local bills on London was at favourable rates of discount: 5 per cent on government bills, 7 per cent on “prime commercial” and 10 per cent on “second-rate”. The government account was obtained. The bank was reassured about competition in this attractive business: “It is an express understanding with them [the Union Bank] that they are not to establish a bank in South Australia”, although it soon had to face a branch of the Australasia.

(c) Union Bank

Late in 1836 it became known in the colonies that Liverpool capitalists were planning, on the same general lines as the Bank of Australasia, a “United Bank of Australia and Van Diemen's Land”. Capital was ultimately fixed at £500,000 in £25 shares, with power to increase to £1 million. The title, later changed to Union Bank of Australia, was due to the avowed intention of effecting “junction with some of the existing banks”, for which purpose one-quarter of the shares was reserved for colonial sale. This purpose was not to be achieved, except for the absorption of the Tamar Bank which occurred in very special circumstances. The Tamar, barely recovered from its tumble with the Australasia, on learning of the projected new bank, sent Philip Oakden to negotiate “a connection”. Oakden found organization proceeding slowly and was instrumental in persuading George Fife Angas to join the Union promoters (in June 1837). He stirred them to action so effectively that the company was formally established by the end of the first week in July and an agreement to absorb the Tamar concluded. Apart from his vigour in organization, Angas ensured that there should be no competition with the South Australian Company's Bank, this having been a determining factor in his decision to lend aid.

From this time organization proceeded rapidly. The shares reserved for sale in England were disposed of without the need of public advertisement, and a structure similar to that of the Australasia agreed upon, with J. C. McLaren as first inspector. The taking over of the Tamar Bank in Launceston was smooth and prompt, the formal opening of the Union Bank branch being on 1 May 1838. In Hobart, opening was
slower, occurring on 6 September 1838. Almost as prompt was the opening of a sub-branch of the Launceston branch in Campbell Town in the next month, and the replacement of the small-scale agency of the Derwent Bank in Melbourne by a Union branch, initially associated with the Launceston office. In Sydney time was lost seeking a merger with one of the existing banks and the bank did not open there until 2 January 1839.

The bank operated in each colony under a local act. In 1842 a charter was sought unsuccessfully. The Colonial Office referred the question to the colonial governors and received a long statement of reasons against the grant from Gipps. His arguments were that with the exception of the Australasia, all the other five banks in New South Wales were on an equal footing with the Union, and in fairness a charter could only be given to the Union if it were given to all; the bank had been in business for nearly four years without need of a charter, and it would be unjust to existing creditors now to give it limited liability; there could be no case that a charter would encourage capital import—the Union's capital was already sunk, and New South Wales had too much banking capital; and the usual safeguards of a charter were irrelevant. Publicity was already required by a local act, and the other usual restriction in charters, prohibition of mortgage lending, was ineffective and in fact evaded by the Australasia. Replies of the other governors are not available, but the request was refused with a statement of reasons which is a precis of Gipps' advice.

1 There is no adequate account of this boom. Roberts, *The Squatting Age in Australia*, is a vivid account of that aspect, but it does not profess to deal with the boom as such; it relates to the period after 1835 by which time very great economic expansion had already occurred.

2 The spread of settlement can be traced in the excellent maps in Roberts, *History of Australian Land Settlement*. For the Wakefield doctrine in relation to South Australia the basic study is Mills, *Colonization of Australia* 1829–42. Madgwick, *Immigration into Eastern Australia*, traces the movement of free and assisted immigrants.

3 Figures from Appendix. Unfortunately there is no figure for the Bank of Australia between 1828 and 1836 to give a more precise comparison.

4 *Hobart Town Courier*, 22 January, 28 May 1831; 12 October, 2 November 1832; 18 January, 27 September, 11 October 1833; *Colonial Times*, 27 November 1832; 10 December 1833; *Colonist*, 3 December 1833 (material on Dunn's plan); *Tasmanian*, 2 July 1831; 7 September 1832; *Independent*, 3 November 1832.

5 For the effect on domestic investment, e.g., *Hobart Town Courier*, 4 March 1836.

6 Share list in “Arthur File”, 11,866. For later purchases, below.
7 “Derwent Bank Letter Book”, 1829–37, Adey to Gilles, 7 October 1836. Swanston's activities are discussed at length, because the fortunate survival of seven letter books permits the detailed survey of activities which, considered separately, were typical of many similar entrepreneurs, and taken together, with the close integration of trade, investment agency and banking, were unique.


9 The main source for these trade connections is “Swanston Letter Book”, 1831–38 in which there is a mass of material.

10 An Account of the Colony of Van Diemen's Land (Calcutta, 1830), p. 43.

11 E.g., “Swanston Letter Book”, 1831–8, to George Mackillop, Calcutta, 15 October 1833; to Oliver, Madras, 12 February 1835.


13 E.g., “Swanston Letter Book”, 1831–8, to Oliver, 26 February 1835; to Capt. Neville, Agra, 8 August 1835.


15 Ibid., to Mercer, 28 September 1833.

16 Ibid., to Mercer, 15 October 1833; 27 September 1834.

17 Ibid., many long and important letters on the Port Phillip Association.

18 The full story of this Association still remains to be told; it is incidental to the present narrative, but Swanston's letters are a most important source for the internal relations of the members.

19 “Swanston Letter Book”, Domestic, 1842–7, is the main source for the Derwent Company. See especially Learmonth, 3 August 1843; Mercer, 7 August 1843; Learmonth, 11 August 1843; Donaldson, 2 October 1844; Mercer, 12 November 1844; Gilchrist and Alexander, 26 December 1845; Willis, 29 July 1846.


23 Ibid., 1 July 1843.

24 Ibid., A. McDowall, 17 December 1844.

25 Ibid., E. Willis, 7 September 1844, 16 October 1845.


28 *Hobart Town Courier*, 19 May 1832.


30 “Derwent Bank Letter Book”, 1829–37, circular, 28 November 1834. *True Colonist*, 4 December 1835, claimed 5 per cent was charged on the unused part of the overdraft.

31 The attitude of banks to loans to “settlers” is discussed later, chapter 14.

32 “Swanston Letter Book”, 1831–8, e.g., to Buchanan, 14 February 1834.

33 *Ibid.*, to Hamilton, 23 October 1834; to Kirkland, 4 August 1838.


35 “Swanston Letter Book”, 1838–45, Foreign, Lyall Bros. 7 May 1839; Murdoch, 15 August 1839; Scott Bell & Co., 15 August 1839; Binny & Co., 29 August 1839; Savage, 22 August 1839; Murdoch, 25 September 1839; Savage, 17 July 1840; Binny & Co., 17 July 1840.

36 See chapter 9.

37 *Colonial Times*, 7 October 1825.

38 *Independent*, 7 July 1832. Cashier was Lewis Gilles, *ibid.*, 21 July 1832.

39 Launceston members were Gilles, Henry Jennings and James Reibey. *Hobart Town Courier*, 12 May 1832. The branch directors were Gilles and Jennings together with T. C. Simpson, T. Williams, E. Bryant and M. Connolly. *Independent*, 20 October 1832.

40 *Independent*, 3 and 10 November 1832; *Hobart Town Courier*, 16 November 1832.

41 *Hobart Town Courier*, 4 July, 1 August 1834; *Independent*, 15 November 1834.

42 *Hobart Town Courier*, 19 May 1832.

43 *Independent*, 23, 30 June 1832.

44 These instructions, undated, are in “Derwent Bank Letter Book”, 1829–37, where they follow a letter dated 6 May 1832. They are of exceptional interest as the only known instructions for the conduct of an agency surviving from the period covered.

45 Connolly to Swanston, 10 July 1832, “Launceston and Melbourne Agencies Letter Book”.

46 Connolly to Swanston, 20 July 1832 (*ibid.*).

47 Connolly to Swanston, 24 August 1832 (*ibid.*).
48 Connolly to Swanston, 10 September 1832 (ibid.).

49 Connolly to Swanston, 24 July 1832 (ibid.).

50 Connolly to Adey, 31 July 1832 (ibid.).

51 Date of instructions uncertain. Connolly (ibid., 18 October 1832) replying to Swanston's protest at his joining, said he had done so only after receiving instructions to close (and would not act until the agency business was wound up). Assuming Connolly acted very promptly, end-September or early-October would be the time.

52 Hobart Town Courier, 26 May, 22 June 1832; Independent, 9, 23 June 1832.

53 Independent, 23 June 1832.

54 Ibid., 15 September 1833.

55 Connolly to Swanston, 8 and 29 November 1832, Derwent Bank “Launceston and Melbourne Agencies Letter Book”. Connolly said overdrawn accounts equalled subscribed capital.

56 Independent, 1 June 1833. Apparently closing occurred some time after the end of August, ibid., 24 August 1833.

57 Ibid., 9 and 16 November 1833.

58 Ibid., 28 December 1833. C. S. Henty was the new managing director and cashier. T. Henty was also a director.

59 Swanston to Henty, 17 and 21 January 1834. “Derwent Bank Letter Book”, 1829–37. Swanston at first refused the note issue arrangement and was presently forced to cancel it because the assistant Treasurer at Launceston used the notes as a means of remitting revenue to Hobart, Swanston to Colonial Treasurer, 18 February 1834, ibid.

60 Cornwall Chronicle, 10 January 1835.

61 Ibid., 21 February 1835. The bait was 10 per cent discount to those who paid by 1 July and an undertaking to discount for all shareholders to the amount of their holdings.

62 Arthur to Colonial Office, 9 April 1833, Public Record Office, T. I, 3469. Portions of this despatch are quoted in Baster, Imperial Banks, pp. 26, 27; the remainder was copied for me by Mr W. D. Borrie.

63 Material available locally throws no light on its abandonment. Perhaps it never was more than a scheme of the agent's, abandoned because of Arthur's attitude, or because the Company in London did not support it. Perhaps the British Treasury opposed, or required unacceptable conditions; or it may be that local banking expansion and the plans of the Australasia matured too quickly to make the project attractive.
64 *Independent*, 22 February 1834.

65 The board was L. Gilles, managing director, with T. Williams, M. Connolly, F. D. Wickham and P. Oakden. *Independent*, 7 June 1834. For opening, *ibid.*, 15 November 1834.

66 Decision in *Macdonald v. Levey*, heard on 8 March; judgments reported in *Sydney Gazette*, 11 and 13 June 1833.

67 Legislative Council, “Minutes”, 19 July 1833. Fitzpatrick, *British Empire in Australia*, p. 60, note 3, is unjust to Forbes when he refers to “Forbes' proposals for removing restrictions on the rates of interest which could be charged and recovered in the courts”. Forbes was vain and pompous, but his proposal was for legislative enactment of the terms of his own judgment which made 8 per cent the limit in all cases. Equally, it is misleading to say (*op. cit.*, p. 60 and cf. pp. 101–2) that the act “was carried through by the influence of prospective British investors on the colonial merchants and landowners who constituted the New South Wales Legislative Council”. New South Wales had no need to import usurers nor did the Council need pressure above that which local bankers and lenders applied. It is true that Forbes endorsed the act ultimately passed, and that a representative of the Bank of Australasia supported the bill, but so did, for example, several directors of the Bank of Australia.


69 14 June 1833, cf. 13 June, 25 July 1834.

70 12 and 16 June 1834.

71 21 January, 18 June 1834.

72 E.g., 18 June 1833, 19 June 1834. An article by “Investigator” in the *New South Wales Magazine*, December 1833, pp. 257–67, was hostile to a usury law.

73 *V.P.N.S.W.*, 1834, pp. 170 ff. Dated 2 June 1834.

74 Report and evidence in *V.P.N.S.W.*, 1834. The evidence goes to confirm Burton's picture of the level of actual rates, e.g., F. W. Unwin, a solicitor, said that on 200 mortgages drawn by him the average rate was 12 per cent and this mainly on secure loans on town property.

75 Usury Laws Act, 5 Wm. IV, No. 10, passed 5 August 1834. (Session opened on 30 July.)

76 *Sydney Gazette*, 6 February 1834.

77 *Ibid.*, 1 April 1834.


79 *Ibid.*, 20 May 1834, referring to Roemer, not to a “Sydney Bank”.

80 28 August 1834 attributes initiative to Potter Macqueen and Aspinall Browne &
Co.

81 *Sydney Herald*, 8 September 1834.

82 Ibid., 15 September 1834; *Sydney Gazette*, 11 September 1834. Phrase is from latter.

83 *Sydney Gazette*, 13 September 1834.

84 Ibid., 11 November 1834.

85 First Report, printed in *A Century of Banking*, p. 73.

86 For opening, *Sydney Herald*, 27 October, *Australian*, 4 November 1834; call of 10 per cent was payable half in October and a quarter in each of November and December, *Sydney Gazette*, 16 September 1834. For subscriptions, First Report, *loc. cit.*

87 *Sydney Gazette*, 11 September 1834.

88 *Sydney Herald*, 17 November 1834.


90 *Sydney Herald*, 8 September 1834.

91 *Sydney Gazette*, 13 September 1834; *Sydney Herald*, 22 September 1834.

92 *Sydney Herald*, 6 November 1834.

93 *Sydney Gazette*, 18, 23 September 1834; for rejection *ibid.*, 16 October 1834.


95 Figures from first balance sheet at end of December 1834. *A Century of Banking*, p. 76.

96 The major part of the cash of the Commercial was shown in the first balance sheet (*loc. cit.*) as deposited, £6,483 in the Bank of Australia and £14,052 in the Bank of New South Wales, a pooling of reserves which was the first sign of the future co-operation of the “colonial” banks in meeting the competition of the “Anglos”, Australasia and Union.

97 Detailed formal report in “Minute Book”, 10 September 1834; supplementary information from *Sydney Herald*, 22 September 1834. Chairman was A. K. McKenzie, son of the then cashier of the Bank of Australia, who was formerly with the Bank of New South Wales.

98 This rate was said to be in fact charged, “Outward Letter Book” to Colonial Secretary, 14 February 1840. Walker, *Some Remarks on Australian Banks*, Appendix K, p. 53, gives Sloman the accountant as authority for “12 to 15 per cent”. These rates may have been charged on occasions, or Sloman, who was then very old, may have been confusing rates of private lenders.
It seems certain that interest was never in fact paid on deposits. “Outward Letter Book”, 14 February 1840, to Colonial Secretary, says, “No interest allowed on deposits or current accounts”; at this period the incentive to pay interest would have been stronger than earlier.

McKenzie's address reported in Herald, loc. cit.

These were, “Minutes”, 20 September 1834: A. K. McKenzie (president), D. M. Irving, A. Watt, John Liscombe, George Busby, Thomas Kite, George Ranken.

Sydney Herald, 29 September 1834; opening recorded in Sydney Gazette, 8 January 1835. Circular of 18 April 1835 in “Outward Letter Book” lists 15 shareholders in addition to the 7 directors, a total of 22.

Sydney Gazette, 8 January 1835; “Minutes”, 31 December 1834.

“Minutes”, 8 October 1834.

This was done in an odd manner. The Australia was offered the agency, “Minutes”, 8 October 1834 and letter of 23 October, “Outward Letter Book”, but not until the letter of 7 January 1835 (ibid.) was an inquiry made as to the terms on which the Australia collected cheques and honoured drafts for the Bathurst Bank, although the same letter shows that the agency was operative. The Commercial Bank sought the agency—too late. “Outward Letter Book”, 14 January 1835.

“Minutes”, 3 November 1834.

Sydney Gazette, 8 January 1835. Bathurst was popular with retired Army officers.

“Minutes”, 19 January 1835.

The few are recorded in the early part of “Outward Letter Book” and “Minute Book” which show nearly all advances to have been discounts.

Letter to R. Bonner, “Outward Letter Book”, 14 February 1837. Clause 5 of the Bathurst Bank Act (19 November 1839): “it shall be lawful for the said company to lend and advance money at interest to any person or persons upon the security of real or chattel estates by mortgage or otherwise” does not imply resumption. As the following three clauses suggest, it was to protect loans already made.

“Outward Letter Book”, 3 January 1835, to Bank of Australia. This and the Bank of New South Wales were represented in the collection.

“Minutes”, 14 January 1835. Rates were, for depositors: 1½ per cent on “orders” on private persons, nil on cheques on banks; for non-depositors: 5 per cent on private orders and 1½ per cent on bank cheques.

Ibid., 25 April 1835.

“Outward Letter Book”, to Colonial Secretary, 14 February 1840, gives circulation at 31 December 1839, which would have been somewhat below the peak, as £4,057.

116 The relevant letters are (“Outward Letter Book”) 11, 19, 25 February, to Smith, and 11 February to Bank of Australia. Smith was later charged with the duty of collection of “orders” for deposit in the Australia (ibid., to Bank of Australia and to Smith, 13 July 1835); when he asked to be permitted to retain these receipts until the end of each month as remuneration, he was instead given a fee of £20 a year (ibid., 19 March 1836).

117 Letter of 19 February.

118 When Smith left for Europe at the end of 1836 the business was taken over by Thomas Smith, apparently a relative and a partner, “Outward Letter Book”, 5 January 1837 to H. G. Smith. The two Smiths are not distinguished in the text.


120 For some time parcels of “medicine” were sent to “Dr. Busby, Bathurst” (a director), the first of £50 being ordered on 7 January 1835 (“Outward Letter Book”); later George Ferguson was the addressee, of boxes the weight of which was camouflaged by increasing bulk with crumpled paper (ibid., 14 May 1835), later still barrels of “salt” (coins in sawdust) were requisitioned.

121 “Minutes”, 30 January 1836.

122 Expressed per annum 341/2 per cent (“Minutes”, 20 July 1836), 311/2 per cent (ibid., 21 January 1837) and 33 per cent (ibid., 21 July 1837).

123 See Statistical Appendix.

124 “Minutes”, 15 April 1835 (question to be investigated); “Outward Letter Book”, to James Norton, Sydney solicitor, 3 March 1836 (requesting him to draft bill).

125 Bathurst Bank Act, 19 November 1839. This was a typical enabling act permitting legal proceedings in the name of a public officer.

126 “Minutes”, 21 January 1837.

127 Ibid., 18 November 1835; Sydney Herald, 8 February 1836.

128 “Minutes”, 18 May 1836.

129 Ibid., 20 November 1837; Sydney Herald, 4 December 1837.

130 Three figures survive which are not necessarily in conflict. Kinnear (Bank of Australasia, “Letters to London”, 6 October 1838) put it at about £4,000. T. M. Sloman, the accountant, in his old age remembered it as £5,000, perhaps a figure for a later date (J. T. Walker, op. cit., Appendix K, p. 53). A balance sheet of 18 December 1840 (ibid.), gives £6,000 but this was at an advanced stage in the process of winding up.


132 Sydney Gazette, 3 December 1835, where the forms of notes are reproduced.
133 Reproduced in *Sydney Herald*, 1 January 1840, with date of 26 November 1836.

134 *Sydney Gazette*, 23 December 1837; *Sydney Herald*, 25 December 1837. The issue had evidently just commenced.

135 *Sydney Gazette*, 12 April 1838. The figure is probably exaggeration, but in view of the £8,000 found in his possession when arrested, perhaps not greatly so. *Sydney Herald*, 19 August 1839.

136 *Sydney Herald*, 11 November 1839.

137 *Australian*, 27 January, 10 February 1832; *Sydney Gazette*, 9 February 1832.

138 E.g., “Minutes”, 2 May 1833, deed of Provincial Bank of Ireland taken as model; *ibid.*, whaling company project referred to; Macqueen was a provisional director, etc.

139 First “Report”, 1 June 1835.


141 The process of formulating policy on colonial banking is traced in Baster, *Imperial Banks*, chapter II. Here only the decisions specific to the Australasia are discussed.

142 For the initial discussions with Spring Rice and Poulett Thompson, “Minutes”, 18 April, 16 May 1833. Memorial, dated 18 May 1833, is printed in *H.R.A.*, I, xviii, 12–15.

143 “Minutes”, 18 December 1833, containing Spring Rice to Blount, 10 December 1833, which is substantially the same as Stewart to Hay, 1 November 1833, printed in *H.R.A.*, I, xviii, 9–11.

144 “Minutes”, 18 December 1833.


146 *Ibid.*, 8 March 1834, containing letter from Treasury of 7 February 1834. The ban on loans on real estate and dealings in goods was later explained thus: “... it was the intention of the conditions proposed to and accepted by the applicants for the charter, to restrain the company's establishments as far as might be practicable, from making advances of money on the pledge or security of lands, houses or merchandise; but in the event of any commercial bills, promissory notes, or other negotiable security taken by the company not being duly honoured, they must necessarily be empowered to realize the proceeds of such goods, lands, or property, as they might be compelled to take in execution or otherwise for the satisfaction of debts thus incurred, and to hold such temporary possession only of those goods, lands or property, as may be absolutely necessary for that purpose”. Treasury Minute, 29 July 1834, *H.R.A.*, I, xviii, 18.
“Minutes”, 12 February, 17, 18 December 1834, 30 March 1835. On 18 December it was decided to include Mauritius and Singapore. The final refusal was 7 May 1835, First “Report”. The charter set the limits of operation of the bank as between 110 and 155 degrees East and 10 and 45 degrees South.

Suggestions for a separate bank appeared as early as “Minutes”, 23 October 1833, and were encouraged by Brande of the Treasury, ibid., 8 January 1834. The Australasia directors constituted themselves provisional directors of the Bank of South Africa, for which “Minutes” from 29 October 1835 to 4 February 1836 survive in the Bank of Australasia London office. The story of the negotiations for the separate bank to their fruitless end in February 1837 is told by Arndt, Banking and Currency Development in South Africa, pp. 220–36, from Colonial Office and Treasury papers.

“Minutes”, 12, 19 March 1834. Published in Sydney Gazette, 21 August 1834, Hobart Town Courier, 22 August 1834, Launceston Independent, 20 August 1834.

Ibid., 21 May, 11 June 1834.

Ibid., 19 February 1835.

Ibid., 19 March 1835.

Ibid., 16 May 1833.

From Edinburgh, whence the bank drew most of the officers it sent out in the early years. The two offices were soon separated and the title of Inspector changed to Superintendent which survived until 1949. Kinnear's views on banking were hardly orthodox for a professional banker. In 1843 he sent to the Sydney Herald, under the pseudonym of “The Ghost of Cobbett” a series of letters from which these are extracts: 26 May 1843: “Shall we prop up the tottering and rotten edifice, or shall we sweep away such rubbish and erect banking establishments, so well founded, on such secure principles, and so much better constructed, that the older they grow the more secure they become.” 7 June 1843: “Banks should never make payments in their own notes, only in gold and silver.” 27 June 1843: “Discounting is not legitimate banking which includes no more than deposit, transfer of valuables, and trade in precious metals.” 4 July 1843: “The undesirability of the issue of bank notes.” 15 July 1843: “Currency should be specie or at least notes which are convertible on demand.” Kinnear identified as writer in his advertisement in Sydney Herald, 13 January 1849, of his setting up as a kind of business consultant.

G. R. Griffiths. Frederick Boucher, the provisional secretary, was one of the ten unsuccessful applicants (“Minutes”, 18 May 1835). Earlier the directors had refused to make his appointment permanent (ibid., 14 June 1834) and now offered him the post of accountant in the London office at £300 p.a. accepting his unsatisfactory sureties only because of his past services (ibid., 22 June, 2 July 1835). He was later quietly dropped; his record of financial enterprise (see Chapter 9) makes it a safe assumption that the directors had come to know him too well.
157 “Minutes”, 5 February 1835. Deposit interest was payable on amounts actually left three months, subject to ten days' notice.

158 Ibid., 19 March 1835.

159 Ibid., 14, 18 May 1835; letter from Treasury, 22 May 1835 (London office). The coin was: £2,500 in crowns; £5,000 in half-crowns; £22,000 in shillings; £20,000 in sixpences; £200 in pence; £200 in half-pence; and £100 in farthings.

160 Ibid., 11 June 1834 and subsequent entries.

161 Ibid., 30 March 1835.


163 “Minutes”, 22 October 1835.

164 Sydney Gazette, 27 November 1834, letter from “No Jobber”; Independent, 24 May 1834: “relief from the destructive fangs of the usurers”; Hobart Town Courier, 9, 22 January 1835; Colonist (Hobart), 20 May 1834: “Death Blow to Usury and to the Plundering System of the Lawyers”.

165 Hobart Town Courier, 19 December 1834: another absentee “destructive vampire”; ibid., 16 October 1835; Sydney Herald, 15 September 1834, letter from “A Colonist”: “the golden stream destined to run hither will be only sufficient to draw the pump which is to be worked until the well is exhausted”.

166 The most vigorous statement of this point was in Monitor, 12 November 1834: “It is this which makes our present two banks and the new third bank so respectable. They are not founded on any kind of cheatery, as all chartered banks may be said to be. Why, we ask in the name of common sense and common justice, why is this new London piece of banking chicanery, to be enabled by law to put forth its notes and inveigle the people of this young and struggling colony to the amount of tens of thousands of pounds, and then not be liable to pay these notes 20s. in the £ . . . It would be libellous in us to advise the people of this colony not to take the notes of a bank whose proprietors are not compelled (on becoming insolvent) to pay 20s. in the £, and therefore we do not advise the colonists in such a matter. But we have a right to forewarn them, that if they take the notes of such a bank at what a risk they do it; and we warn them accordingly.” Only two months earlier the Monitor (10 September 1834) welcomed the Australasia with a panegyric on competition: “It is good for trade; it is good to depress haughty looks; it is good for the governor; it is good for the people; it is good for public freedom; it is good for the press; it is good for everything.” These and the examples of the two preceding notes are samples only of a great deal of comment, most of it hostile.


168 Ibid., cf. also “Minutes”, 8 October 1835, report from Furtado of his difficulties.


172 This episode is discussed below, Chapter 15.

173 Kinnear reported, “Letters to London”, 2 November 1835, that the governor had these returns but “had not considered it necessary hitherto to give them publicity”. Kinnear to Colonial Secretary, 2 November 1835 (“Inspector's Letter Book”, 1835–6), argued: “These banks are private co-partnerships who are at liberty to invest their funds in land, merchandise, shipping or otherwise, as well as in banking whenever it may suit their own convenience or advantage, and are also at liberty to carry on the business of banking without any restriction as to the mode or extent of their operations; whereas the Bank of Australasia is strictly prohibited from investing any portion of its funds in land or merchandise or in any manner other than the legitimate operations of banking . . . ” Publication of returns would suggest equal status; “I think the corporation would be thereby deprived of part of the advantage intended to be conferred upon it by the Royal Charter and His Majesty's gracious Instructions to a certain extent evaded.” Colonial Secretary to Kinnear, 11 November 1835, enclosed in “Letters to London”, 7 December 1835, repeats decision to publish. Kinnear in Sydney used the prestige argument the opposite way, to object to the Australasia being called upon to furnish the return required of other banks (see below, Appendix).


175 *Hobart Town Courier*, 18 December 1835.

176 Ibid., 20 November 1835.

177 For Phillips, see Arndt, *loc. cit.;* for Adelaide and Perth, see below.

178 “Minutes”, 26 February 1835.

179 Ibid., 2 March 1835. A curious Launceston tradition has built this episode up into James Henty founding the Bank of Australasia; an anonymous article (by D. Weedon, formerly of Australasia, Launceston) turns it into an argument that the bank first began business in Launceston from the date of the agreement in London. *Australasian Insurance and Banking Record*, 21 October 1935. Walker, *op. cit.,* p. 25 accepts the statement of “a friend” that “the success of [the Tamar Bank] induced the Henty family to emigrate from England to Tasmania, from which sprang the Bank of Australasia”.

180 “Minutes”, 1 January 1835.

181 Ibid., 8 January 1834.

182 Ibid., 15, 22 January 1834. Hamilton, despite his connection with the Derwent, advised the Australasia to offer both banks absorption, and if it were refused to start in opposition forthwith.
Launceston “Minutes”, 10 November 1835. Kinnear made no comment on the obvious manoeuvre of extending loans at the eleventh hour, and raised no written objection to the loan to the Cornwall by the Australasia board, the same persons being a majority on each board.

Launceston “Minutes”, 14 November 1835; “Letters to London”, 7 December 1835. For the subsequent conflicts over clearing see Chapter 14.

Letter from Rowland Hill, 14 November 1835 (London office), and reply in “Minutes”, 19 November 1835; interview with Angas, ibid., 17 December 1835.

“Minutes”, 25 January 1838. Evidence of Angas to Select Committee on South Australia, Q. 560: “It was expected that the Australasian Bank would afford the necessary banking assistance, and application was made to them. They did not feel disposed at that time to render it, and the South Australian Company had no alternative but to establish a bank themselves.”

Second Letter of Instructions to Resident Commissioner, 8 October 1836, Appendix 5 to Second Report of Colonization Commissioners for South Australia; Thomas Gilbert (storekeeper) to Resident Commissioner, 2 February 1838, “Resident Commissioner's Correspondence, Incoming” January–July 1838, pp. 50–3 (Archives, Adelaide). The notes for £1,200 were originally given to Light, the Surveyor, who was directed to transfer the unused portion to Fisher, the Resident Commissioner. These original notes were for 2s. and 10s.; the other denominations were added locally and differed in form.

South Australian Company, Returns Relative to Bank Notes Issued 1836–7 (Archives, Adelaide, No. 1180). There is a summary on p. 78 of the detailed record of issues. The storekeeper (see reference in preceding note) said amount outstanding at any one time did not exceed £200.
199 John Brown (Emigration agent at Glenelg) to Resident Commissioner, 4 March 1837, “Brown Papers” 1837–49 (Adelaide Archives); Record of Court at Kingscote on 9 January 1837 (Archives No. 331/B4) includes a memorandum by Samuel Stephens directing penalties for all men who refused the notes (they were demanding British coin). He described the notes as “exchangeable at all times for stores, and (twice a week) for cash, or (if the amount were sufficient) for an order on London”. The “sufficient” amount was £100, out of reach of a workman.

200 The storekeeper (loc. cit.) said the withdrawal occurred in June 1837. The Returns cited in note 198 show issue continuing until 27 October 1837. The conflict may be explained by the bank continuing to issue the Kingscote 5s. note.

201 Revised prospectus.

202 Supplement to First “Report”, 7 April 1837. The gentleman was McLaren.

203 Advertisement dated 6 June 1836 annexed to First “Report”.

204 Supplement to First “Report”. This supplement first uses the title “Bank of South Australia” by which name the banking department of the company and later the separate bank were always known.

205 “Letters to London”, 1837–40, 19 May 1837. This first book of letters, by E. Stephens, is a delight, giving his account of the development of the colony. Bank business was small, and he wrote long letters to London with such comment as: “Every day elicits from him [the governor] some fresh instance of injudicious and absurd government . . . The Colonial Commissioner is daily insulted, the colonists he curses and sneers at. No public works are begun, no jail is erected, no barracks built for the marines, we have no public business regularly transacted, and he has made enemies of all the respectable colonists.” Ibid., 13 June 1837.

206 Ibid., 19 May 1837.

207 The account was always to be in credit and fourteen days' notice of change of terms was to be given. “Colonial Secretary's Letter Book”, January–December 1837 (Archives), Colonial Secretary to Bank, 22 May 1837 for inquiry and acceptance; Archives, 787/1837/142, Bank to Colonial Secretary, 22 May 1837, for terms. Second “Report”, p. 21.

208 “Letters from London”, 1836–9, 18 September 1837. For the origin of the understanding see below.

209 Sydney Gazette, 1 September, 12 November 1836.

210 Prospectus dated 1 September 1837, published in the colonies; Sydney Herald, 8 January 1838; Cornwall Chronicle, 16 December 1837.

211 The central document is a single-page letter preserved in Union Bank, Launceston, which deserves full quotation. Dated Launceston, 10 October 1836, addressed to all or any of A. Browne, Philip Oakden, John Fletcher and signed by the Tamar directors, Lewis W. Gilles, Thomas Williams, George P. Ball, M. Connolly and Thomas Reibey, it reads in full: “We hereby fully empower you to act
for us in negotiating an agreement for a connection between this bank and the
individuals in Liverpool who have it in contemplation to establish a bank for the use
of the Australian colonies, to be styled ‘The United Banking Company of Australia
and Van Diemen's Land’, and to whom we have this day written on the subject.” The
clash between Tamar and Australasia is recorded in Chapter 14.

212 Angas' “Diary” as quoted by Hodder, George Fife Angas, p. 134, undated
extract for persuasion to join; p. 135, 7 July 1837, date of formal establishment;
ibid., 13 July 1837: “The Union Bank of Australia is actually formed, the prospectus
is printed, the directors appointed, the office taken, the clerks at work, and many
shares actually applied for. Every essential principle of the company is agreed upon,
the proposition of the Tamar Bank to join us has been accepted.” The “Diary” itself
is no longer to be found.

213 “Diary”, loc. cit., p. 135: “7 July 1837. I have induced the directors of this bank,
which was only formed this day, to place the following on its minutes: ‘That the
Union Bank now formed shall not establish any bank in South Australia without the
consent of the directors of the South Australian Company’. Without this I could not
agree to go on with the measure.” Ibid., p. 135: “13 July 1837. There were two grand
objects I had to gain in getting up this great company. First the protection of the
Bank of the South Australian Company from competition . . . ” The Union Bank, in
its First “Report”, June 1839, explained that because of these “most friendly
relations” it did not propose to open a South Australian branch. Hodder, op. cit., pp.
133–5, claims for Angas the whole credit of establishing the Union Bank, but it is
clear from the extracts that he himself quotes from the “Diary” that, apart from
ability in organizing a bank already in train, Angas' chief achievement was, as he
himself said, protection of his own South Australian interests. The phrase “getting
up this great company” (above) is not to be taken literally. Equally incorrect is the
claim that the whole project was due to the Tamar Bank and Oakden. Walker, op.
cit., p. 25, accepts the statement of “a friend” that “The competition of this bank [of
Australasia] which demanded daily settlement of exchanges, caused Mr Philip
Oakden to be sent to London in order to strengthen the old Tamar Bank, and from
his negotiations arrangements were made from which grew the Union Bank of
Australia”. Baster, Imperial Banks, p. 64, accepts this story with some caution. But it
is clear that the Tamar action arose from learning of the Union Bank project, and
that Oakden's part was in persuading Angas to participate, and in assisting the final
stage of organization. Oakden became a foundation director of the Union, and then
of its Launceston branch.

214 First “Report”. Some 1,498 of the 10,000 shares reserved for the colonies were
later returned by the Inspector for sale in England. Supplementary “Report”, 3
February 1840.

215 Cornwall Chronicle, 10 March 1838, records arrival of coin; ibid., 21 April
1838 records closing of Tamar and opening of Union as from 1 May; ibid., 28 April
1838 gives local directors of Union as Oakden, Williams, Connolly, Fletcher, with
Gilles as managing director; ibid., 22 June 1839, advertisement dated 1 June,
announces whole of 1,000 shares allocated to Launceston sold.
216 First “Report”, June 1839. *Hobart Town Courier*, 14 September 1838, which gives rates of business: on bills to sixty days, 8 per cent discount; on bills exceeding sixty days, 10 per cent; on overdrafts, 10 per cent interest. On the daily balance of current accounts, 5 per cent was offered. Launceston offered the same terms, but from 1 September 1838 raised the overdraft rate to 12 per cent. *Cornwall Chronicle*, 1 September 1838.

217 *Launceston Advertiser*, 4 October 1838. *Cornwall Chronicle*, 6 October 1838, gives opening date as 8 October 1838.

218 *Cornwall Chronicle*, 29 September 1838. The first manager was William Highett, formerly cashier of the Tamar. Notes of the Melbourne branch were payable at either Launceston or Melbourne.

219 First “Report”, June 1839; *Sydney Herald*, 26 December 1838, gives rates of business: bills under sixty days 8 per cent, over sixty days 10 per cent; daily balance of current accounts, 4 per cent. Sale of bills on London office was announced in the same paper.

220 In New South Wales, passed 5 September 1839, enabling bank to sue and be sued in the name of the Inspector or a local director; in Tasmania, 2 Vic., No. 24 passed 20 November 1839, enabling bank to sue and be sued in the name of the branch manager. Gipps to Normanby, 28 November 1839, *H.R.A.*, I, xx, 405, in transmitting the act, welcomed the bank as likely to reduce discount rates.

221 Baster, *Imperial Banks*, p. 66, is therefore in error in saying: “Instead of sinking capital in a charter, the directors of this bank preferred to allot a greater proportion of shares to the colonists and obtain local recognition from acts of the colonial legislatures rather than from a charter.”


223 Stanley to Gipps, 8 November 1843, *H.R.A.*, I, xxiii, 214: “Our decision has been founded mainly on the considerations that there are five unincorporated banks in New South Wales, each of which has as valid a claim as the Union Bank of Australia to a charter of incorporation; that the Union Bank has traded without such a charter for three years; that the grant of a charter to it would diminish rather than increase the security of the creditors; and that there is no longer any inducement to promote the introduction of capital into Australian colonies, as there is every reason to conclude that the capital already introduced there is more than can find an adequate and secure investment.”
Chapter 9 The Crest of the Boom

IN the closing years of the 'thirties the boom became wilder and more and more reckless, based on the seemingly limitless prospects of the wide-ranging sheep; despite a downward trend in wool prices and two years drought in New South Wales in 1838–39, the spread of the squatters continued. The English crisis of 1839 had no immediately obvious effect on the flow of capital; the Australasia and Union had no difficulty in new issues of shares, several mortgage companies were successfully inaugurated for Australian operation, while Swanston was not alone amongst investment agents in finding funds thrust upon him.

As a rough guide to capital import recorded trade figures must again serve:

NEW SOUTH WALES
TRADE, 1836–1841
(including Port Phillip)²

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Import Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>£1,237,406</td>
<td>£748,624</td>
<td>£488,782</td>
</tr>
<tr>
<td>1837</td>
<td>1,297,491</td>
<td>760,054</td>
<td>537,437</td>
</tr>
<tr>
<td>1838</td>
<td>1,579,277</td>
<td>802,768</td>
<td>757,509</td>
</tr>
<tr>
<td>1839</td>
<td>2,236,371</td>
<td>948,776</td>
<td>1,287,595</td>
</tr>
<tr>
<td>1840</td>
<td>3,014,189</td>
<td>1,399,692</td>
<td>1,614,497</td>
</tr>
<tr>
<td>1841</td>
<td>2,527,988</td>
<td>1,023,397</td>
<td>1,504,591</td>
</tr>
</tbody>
</table>

For Tasmania the statistical evidence shows no such rise, for the very good reason that residents were interested to the point of wild enthusiasm in grasping opportunities across Bass Strait in newly opened Port Phillip. For the mainland no allowance for invisible items and for errors of record can change the impression of a tidal wave of imported capital, which financed both monetary inflation and the last stages of pastoral expansion.

Sales of crown land in New South Wales rose rapidly:

VALUE
OF
CROWN
LAND
SOLD³

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>£126,459</td>
</tr>
<tr>
<td>1837</td>
<td>120,427</td>
</tr>
<tr>
<td>1838</td>
<td>116,325</td>
</tr>
<tr>
<td>1839</td>
<td>£152,963</td>
</tr>
<tr>
<td>1840</td>
<td>316,626</td>
</tr>
</tbody>
</table>

These were, however, returns from sale of the freehold of Crown land only and do not disclose the increase in squatting occupation. Still less do
they convey the wild gambling in land values which developed in Adelaide, and, to an even higher degree, in Melbourne. Comparisons of prices of land sold by the Crown with prices at re-sale shortly afterwards summarize what was happening:

**PORT PHILLIP LAND PRICES**

<table>
<thead>
<tr>
<th>Date (a)</th>
<th>Quantity (a)</th>
<th>Av. Prices (b)</th>
<th>Date (b)</th>
<th>Highest</th>
<th>Lowest</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/6/37</td>
<td>100</td>
<td>35 s. d.</td>
<td>0 4/39 11/40</td>
<td>to 4,250</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11/37</td>
<td>83</td>
<td>42 s. d.</td>
<td>0 4/39 11/40</td>
<td>to 9,450</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13/9/38</td>
<td>68</td>
<td>117 s. d.</td>
<td>0 5/39 12/40</td>
<td>to 968</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2/39</td>
<td>89</td>
<td>121 s. d.</td>
<td>0 5/39 12/40</td>
<td>to 1,266</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6/40</td>
<td>85</td>
<td>406 s. d.</td>
<td>0 9/40 12/40</td>
<td>to 965</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8/40</td>
<td>45</td>
<td>316 s. d.</td>
<td>0 9/40 12/40</td>
<td>to 1,662</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Suburban Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13/2/39</td>
<td>1,002</td>
<td>7</td>
<td>11</td>
<td>0 9/39 11/40</td>
<td>to 440</td>
<td>0</td>
</tr>
<tr>
<td>1/8/39</td>
<td>316</td>
<td>20</td>
<td>12</td>
<td>0 12/39 8/40</td>
<td>to 212</td>
<td>0</td>
</tr>
<tr>
<td>3/10/39</td>
<td>250</td>
<td>16</td>
<td>14</td>
<td>0 11/39 10/40</td>
<td>to 200</td>
<td>0</td>
</tr>
<tr>
<td>Country Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/9/38</td>
<td>38,853</td>
<td>13</td>
<td>0 10/39 11/40</td>
<td>to 3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>1/8/39</td>
<td>5,907</td>
<td>1</td>
<td>7</td>
<td>6 9/39 11/40</td>
<td>to 28</td>
<td>12</td>
</tr>
<tr>
<td>3/10/39</td>
<td>5,234</td>
<td>2</td>
<td>4</td>
<td>0 1840</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>5/2/40</td>
<td>21,589</td>
<td>1</td>
<td>9</td>
<td>0 26/2 40</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>10/6/40</td>
<td>4,502</td>
<td>9</td>
<td>3</td>
<td>6 8/40</td>
<td>60</td>
<td>0</td>
</tr>
</tbody>
</table>

The magnitude of the inflation of city land prices points to another aspect of the boom's last fling. Urban enterprise flourished as vigorously as pastoral, attested by the expanding number and range of advertisements in the press, and by the appearance of a number of craft trade unions of skilled workers, who secured higher wages as labour shortage became
acute, despite the extension of schemes of assisted migration. There was an outburst of joint-stock enterprise, auction companies, insurance companies, shipping companies and the like, even a Floating Bridge Company proposing to span Sydney Harbour and a premature railway company in Adelaide in 1839.

To finance these developments there was a further multiplication of colonial banks and increased capitalization of existing banks, a wide development of branch banking, and the formation in England of companies to lend on mortgage in Australia. Bank loans are a simple index of the final uprush of the boom. In New South Wales loans averaged £646,872 in the first half of 1836; at their peak in the second quarter of 1841 £2,616,489, that is, they had been quadrupled in less than five years. In Tasmania and South Australia, where total figures can only be estimated, the expansion was of similar dramatic proportions.

**New Colonial Banks**

The top of the boom saw no less than seven colonial attempts at creating new banking institutions. Three of these, with specialized purposes, were still-born; of the four ordinary banks none achieved any large established businesses. The times were not favourable; all commenced operations in 1839–40, when the slackening of expansion was already discernible, and, except for the Colonial, all were managed in ways which made them extremely vulnerable to the first blast of adversity.

The organization of the Sydney Bank late in 1839 was carried through quickly. A first informal announcement in November was followed by a public meeting which issued a statement. *Inter alia* this proposed a curious method of pacifying those who had not received shares. A further meeting reached an even more curious decision, pretending to make shares available to “as large a number as possible of the respectable inhabitants” by increasing share value to £20, curtailing the number to be actually issued to 35,000 with 15,000 held for later disposal by the directors. Nominal capital thus became £1 million. There were vigorous protests of control by a clique and plots to monopolize discounts, not dissipated by an advertisement informing shareholders that their proposed amendments to the deed of settlement would be considered if received that day. That deed confirmed the capital arrangements, and foreshadowed an extensive business by empowering the directors to appoint agents in London and elsewhere, to create branches with local shareholders, and to buy other banks. A final meeting elected directors, and the Bank was able to open in the new year, with its shares, on which only £1 had been paid, at a
premium of £2 10s. per share. The prospectus of the Port Phillip Bank was circulated in June, 1839, providing for a capital of £60,000 in £40 shares, and extolling the progress of Melbourne, which “must ultimately become the grand Emporium of the Commerce of the Southern Hemisphere”. There was delay in starting because a Sydney subscription of 200 shares was withdrawn and the proposed manager changed his mind. But a manager, J. Gardiner, was secured, and share applications proved so numerous that shares were increased first to 2,000 and then to 3,000. Opening day was 2 January 1840, the Bank conforming to the terms of business of the Union and Australasia. Mutual agency arrangements were concluded with the Bank of Australia in Sydney, with Lewis Gilles & Co. in Launceston, and the Derwent Bank in Hobart, and the first of several efforts to establish a branch at Geelong was made. The usual Act for legal actions in the name of a public officer was secured.

In June 1840 Lewis Gilles retired from the Union Bank in Launceston to open his own private bank there, Lewis Gilles & Co. Deposits were invited “at the usual rate”, daily discounts were offered, and agency business invited. Gilles carried with him the funds of the Launceston Bank for Savings, and secured the Launceston agency of the Derwent Bank, the Colonial Bank and the Port Phillip Bank. In August Gilles was joined by three members of the Archer family and James Cox, and the name was changed to Archers Gilles & Co., under which title for three years a modest business was carried on.

The Colonial Bank was a lightning formation in Hobart in July 1840. The first public reference, describing it as “essentially devoted to the mercantile and trading interests” was followed a week later by a prospectus and a simultaneous announcement that all shares had already been taken up in less than two days. Capital was originally £200,000 in £20 shares but a later meeting, after sharp division, increased this by half. Launceston agents were Archers Gilles & Co. and the Bank opened on 5 October, offering the usual terms of 10 per cent discount on bills up to 100 days, and 5 per cent interest on current accounts and cash credits. For its first half-year it was able to declare a dividend of 10 per cent per annum, and for three more years it maintained a small but profitable business.

Simultaneously with that of the Colonial Bank came the prospectus of the Agricultural Bank of Tasmania. Capital was to be £300,000, employed in making yearly advances to settlers by way of cash credits, repayable after each harvest. Agents were to be sent to country districts to test the opinions of settlers. The results can only be inferred from the absence of all further action or news.
The Australian Society for Deposits and Loans seems to have been an attempt to provide, on something like Starr-Bowkett principles, for small loans to shopkeepers and skilled workmen. Four trustees opened an office in King Street, Sydney, and invited deposits for which 12½ per cent per annum was promised and offered loans of £10, £30, £40, or £50 repayable at the rate of 6d. per £ per week, with interest at 15 per cent. These rules were almost immediately modified, to provide that borrowers should pay 1s. for every £10 sought to be borrowed, apparently as a contribution to expenses, and commence paying the 6d. per pound not when the loan was granted but immediately. Loans were apparently to be granted in rotation, and the weekly subscriptions were not deposits for interest purposes. The press had been favourable but the revised rules brought an attack from the Gazette on a scheme which it described as one for lending a man his own money and charging him 15 per cent for the privilege. The Society's reply was unconvincing, and indeed implied, probably wrongly, that the weekly subscriptions before a loan was granted were not credited to the would-be borrower but used to pay expenses. It is not clear whether the Society did any business; certainly if it did it was negligible and the Society very shortlived.

The slackening of activity in South Australia produced, as in other colonies, a plan for a “tradesman's bank”, which was planned originally as the “Adelaide Banking and Trust Company”. It was proposed to engage in the ordinary business of deposit, discount, and issue on a capital of £50,000 (in £1 shares), with the addition of what was described as “trust” business, by which a depositor of security over real estate, merchandise or livestock could receive one quarter of the value in notes (payable on demand). But despite enthusiastic promises of subscriptions hard cash was not forthcoming and it was decided to restrict activities to the “trust” business with loans on mortgages and liens. Subscribers were invited to pay 5s. instalments at three-monthly intervals. The name was changed to Adelaide Loan Company. Advertisements inviting subscriptions continued to appear until the end of 1841 when the projectors ruefully accepted the fact that it had proved “nothing but a bottle of smoke”, and decided in January 1842 to abandon the plan. Subscriptions then totalled £83 4s. of which expenses had absorbed £24 8s.

British Bank Formations

Even less success attended the last pre-slump moves by British capitalists to participate through ordinary banking in the profits of Australian prosperity. Had they been managed with entire honesty, as the British and
Australian Bank was not, or been concerned with banking proper, as the Royal Bank was not, they might not have experienced difficulty in securing British capital. Boyd's Royal Bank certainly found trusting support, and three mortgage companies were able to raise large funds, suggesting that the flow of British capital might, with tempting bait, have been maintained longer. But personal idiosyncrasies determined that the chief contribution of both plans to the Australian banking story should be colourful but neither substantial nor permanent.

During 1838 Frederick Boucher tried again, with the “Australasian Loan Company” capitalized at £300,000, to specialize in mortgage loans, but the scheme grew and, as finally announced to the colonies, it had become the British and Australian Bank with a capital of £1 million. It was proposed to open branches at Sydney, Maitland, Port Phillip, Hobart, Launceston, Adelaide, Perth, Albany and to undertake extensive exchange business between the colonies as well as acting as agent for colonial banks in London. All kinds of banking were forecast: deposits with interest, discounts, cash credits and mortgages.

Frederick appointed his brother Charles as Adelaide manager and sent him a formal authority to draw bills on the London office up to £10,000, supplemented by a private note advising him not to draw any bills until he heard further, merely using the letter as a means of establishing prestige. Frederick then proceeded to “appoint” Robert Gouger as Adelaide agent, an honour he refused, Askin Morrison as agent in Tasmania, and Walker & Co. as Sydney agents. To none of these did he remit any funds, but he proceeded to sell bills drawn on Charles in Adelaide and give emigrants money orders on him. This was done despite knowledge that his brother had gone to Mauritius, but when he learned of this intended trip he made desperate but unavailing efforts to persuade the Bank of South Australia to take up these bills. The move was in any case too late but there was worse to come.

Having arrived in Adelaide as agent of the British and Australian Bank, Charles Boucher, with the usual family optimism, joined with the Rev. R. L. Milne to float the Australian Agricultural Bank, remarkable chiefly for the effrontery of its promoters. A brief notice of intention to open on 5 November 1838 was followed by delay, ostensibly because Milne the manager was ill, but soon there was a succession of prospectuses with flamboyant promises and wild claims of business connections which were promptly disowned. A newspaper advertisement promised the execution of business which “no other bank would enter”. Preliminary arrangements, it was suggested, would occupy a year; “it is our intention at present merely to lay the foundation stone of the Australian Agricultural Bank”,


although that stone was to comprise all the usual business of a bank. It was claimed that it would be the local agent of the Australian Loan Company. Then followed three broadsheets. Note issue was postponed, but depositors were offered 25 per cent subject to a year's notice and with security in the form of title deeds lodged with the Bank of Australasia. External funds were sought, depositors being told to deposit, in England either with F. Boucher or the Australasia, and in other colonies with the Australasia. “Bank post bills on London” were offered, and “commercial and agricultural” departments, distinct from “the banking department” were forecast. A special savings department offered 5 per cent on amounts under £20 and 10 per cent over £20, repayable, however, only on 1 January on six months' notice. Anyone rash enough to make a deposit fixed for five years was promised 15 per cent. Milne had already sought to take over the Government business, promising to “advance any amount that may be required without discount, merely taking your Excellency's bills on Her Majesty's Commissioners for the amount”.

Unfortunately the Australasia declined the honour of the association. Kinnear, the Superintendent in Sydney, proclaimed: “Mr. [F.] Boucher is not the Secretary of this Bank in London . . . this Bank has no connection whatever with the proposed Australian Agricultural Bank; nor will deposits be received for it at any of the colonial establishments of this Bank.” It did not avail for Milne to plead ignorance of F. Boucher's “retirement” from the Australasia and to “abandon” the arrangement for deposits to be received through its agency. The Register openly suggested that there was no ignorance and that Milne was a fraud; Milne and C. Boucher discreetly disappeared.

Charles sailed for Mauritius carrying his wife's body for burial without making arrangements for the taking up of the bills Frederick was drawing upon him; there is no evidence that he had any funds to do so. He reappeared early in 1840, in Sydney, to find that bad news had preceded him. In Adelaide the Bank of South Australia had forwarded the dishonoured bills, on behalf of the holders, to Sydney where the “agents” of the British and Australian Bank, Walker & Co., declined to be responsible. Charles launched forth into public justification. Claiming that Frederick had “created” the Bank of Australasia and then the British and Australian Bank, he “explained” that he had established the Australian Agricultural Bank as the Adelaide branch (a connection not revealed when that bottle of smoke was puffing) and his wife having died and being left without instructions he sailed for Mauritius. It was, in short, all an unfortunate mistake. Remarkable as it may seem, he was able publicly to sell bills on the London office of the Bank, and then moved back to
Adelaide to rejoin Milne in selling more bills there.  

But Nemesis was at hand. In November 1840 it was known in Adelaide that Frederick's bills, dishonoured in Adelaide a year before and refused in Sydney, had not been met on presentation in London, and when a few months later the necessary documents had arrived from London Charles was arrested on information laid by the Bank of South Australia on a charge of false pretences. Remanded, he bolted to Hobart, where twenty years earlier he had started his career in banking as note issue clerk to Lempriere & Co., and so he disappears from the Australian banking story. It was therefore something of an anticlimax for Frederick to disown Charles, advertising that he was no longer an agent of the British and Australian Bank because of “unwarrantable acts under the pretence of acting on behalf of this establishment”.

Meanwhile legal proceedings in London in connection with the dishonoured bills had revealed that no funds had ever been remitted to the colonies by the Bank, “the books of the Bank are exceedingly irregular”, Frederick had never paid any calls on his own shares and could only justify dishonouring Charles' Sydney bills by claiming that Charles was Adelaide agent and only Walker & Co. could draw bills from Sydney. Following the revelations a committee of proprietors took charge, dismissed Boucher and set about winding up the affairs of the Bank, using the Bank of South Australia so far as the Adelaide affairs were concerned.

Ben Boyd's Royal Bank of Australia, formed in 1839, finally began business in Sydney in July 1842. With a nominal capital of £1 million it had long been expected, but when it finally began its banking activities were very limited. Notes for 5s. and £1 were issued—Boyd also issued notes from Boyd Town—and these attained considerable circulation; bills on the London office added to the supply of foreign exchange. But its main purpose was to finance Boyd's varied interests in the settlement at Boyd Town, in pastoral property, in shipping and in South Seas trade; its impact on the general banking structure was negligible.

**Branch Banking**

Tradition has traced Australian adoption of branch banking to a supposed predominance of Scotsmen amongst early bankers, but all the evidence points to a predominance of Englishmen and to a general reluctance of banks to establish branches as a matter of policy. The Scotch theory appears to be ultimately due to the discussions, frequent in the 'twenties and 'thirties, and reflecting English controversy of the time, of the characteristics of Scotch banking and the desirability of introducing them.
into Australia. However, in Australia (and in England) at that time the special nature of Scotch banking was not traced, except on rare occasions, to its somewhat greater development of branches. Payment of interest on deposits, or the making of loans by cash credits, were the things most commonly stressed.  

On the contrary, Australian branch banking owes its origin to competition working in an economy which was expanding geographically. The normal pattern was that isolated settlers in an area were content to bank in the metropolis (or not bank at all) until their numbers increased; then they pressed for local facilities and, when these were not forthcoming, set about forming their own local institutions. Threatened with a loss of accounts, the metropolitan bank most directly interested opened a branch. Sometimes this was not done quickly enough to forestall the local proposals, as in the case of the Cornwall or Bathurst Banks. More usually the branch killed the plan for a local bank before it was established, as in the case of the Campbell Town Savings Bank in Tasmania or, in New South Wales, the Goulburn, Windsor, Wollongong, Maitland, Hunter's River or Ipswich Banks. Even where a “local” bank commenced operations it soon succumbed, although in the Launceston case it was the experimental branches which failed first; in the end, however, after the middle 'thirties no “local” bank was able to withstand competition, real or threatened, from the branch of an established bank. Not until then were there centres of population, except Launceston, outside the metropolis in each colony large enough to support either a branch or a local bank.

In the country districts it proved impossible to retain, for local circulation, either coin or bank-notes since they were drawn off in payments to the metropolis. Even in Launceston, it will be recalled, there was a constant flow of notes of Hobart banks from Launceston to Hobart. Country residents found a solution in “orders”, usually on a metropolitan agent but sometimes on a local storekeeper, sometimes for the exact amount of a debt, in which case they were usually wholly handwritten, sometimes for round sums, when they were commonly printed forms. The latter were most often for £1, in deference to the 1826 Act prohibiting the issue of notes under £1, but orders for smaller sums were used. Gipps described them in 1843 in terms which were valid for the preceding fifteen years and continued to be for many years thereafter:

. . . what are called in the Colony ‘orders’, and which in fact are drafts or checks, payable to bearer. The reason why drafts or checks of this description abounded more in New South Wales than elsewhere may easily be traced to the convict character of the colony which rendered it unsafe for any person to have money either on his person or in his house. In the
interior of the country, until very recently, accounts have all been settled, and servants' wages paid by 'orders' or checks payable in Sydney; and even travellers have used the same medium in respect to their bills at inns on the road. These checks or orders often passed through numerous hands, before they were presented for payment, and so formed, as already stated, the chief circulating medium of the interior.82

Gipps was correct in believing they were far more common in New South Wales (including modern Victoria and Queensland) than in the other colonies, but they were not unknown there. They were recorded in Tasmania as early as 1827, when their use was attributed to the refusal by the banks to cash cheques less than £5,83 but they were not common. In South Australia they appeared when the mining boom took population well away from Adelaide,84 but again their use was not extensive. The contrast with Tasmania should have warned Gipps that he was too easily tracing the difference to the presence of convicts in New South Wales, despite the weight that should be allowed for the risk of keeping a stock of ready cash. The basic reason was the wide geographical range of settlement by contrast with the narrow spread of population in Tasmania and South Australia which meant that in New South Wales stocks of cash could only be obtained at infrequent intervals and must therefore be dangerously large; distance equally explains why such orders circulated in the locality instead of being promptly cashed in Sydney. The remoteness of issuers was the theme of an 1832 petition from “traders, shopkeepers and inhabitants of Sydney” who objected to legislation which would have required them to sue, in the district of residence, defaulting issuers of orders which they had met.85

Throughout the 'thirties such orders were the common money of the interior, subject to a heavy discount for local negotiation, varying with the credit of the drawers, some of whom were far from scrupulous and all of whom found it an effective if clumsy way of borrowing at a time when direct loans from banks to squatters were hard to get.86 To the recipients they were much less attractive. Harris, from personal experience, gives the country storekeeper's view: “You must give credit or be content with less than half the trade; and you must take paper money when presented, or lose your sale, though taking it thus you lie under the constant risk of putting some worthless scrap of paper, a mere forgery, into your cashbox in return for six or seven pounds' worth of goods. The dealer who should refuse orders till he knew the names of all the various drawers would never make a sale.”87 A similar view is given by Haygarth of the position in the mid-'forties:

It is usual for proprietors of stations ‘up the country’ to keep an account
current with a Sydney merchant or agent, from whom they also purchase their annual supplies, and, when discharging any debt in the interior, they simply draw an ‘order’ upon him for the amount; their produce is likewise intrusted to his charge, and he either sells it in Sydney, purchases it himself from the settler, or ships it to England, as may be most advisable from the state of the market. A storekeeper's cash-box, therefore, seldom contains anything more than a number of these ‘orders’, commencing with ‘Please to pay’, and addressed to various mercantile houses in the capital. Every now and then he remits a number of them to his agent in Sydney, who collects them and credits him with the amount. In the interior they pass current throughout the districts where the signatures are known, and thus often remain in circulation for a considerable time.88

In such circumstances it is not surprising that there should have been attempts at branches and local banks very early.

The Tasmanian Bank of the Gellibrands established the first branch to exist in Australia. One Bartley of Launceston acted as their agent there although the dates both of opening and closing of the branch are uncertain. It was in operation in March 182789 and probably was closed by January 1828,90 its failure being due to the agent refusing to meet in cash, notes issued in Hobart, paying instead by a draft on the Hobart office issued at 21/2 per cent discount.91

In November 1828 Frederick Boucher, then a general merchant of Newcastle, announced his intention “at the solicitation of the most respectable settlers in this district”, of opening the Bank of Newcastle as an offshoot of his store. His plan included the issue of notes, interest on three months deposits, and general banking business; and he proposed to have correspondents to cash his notes in various parts of the Hunter Valley as well as in Sydney.92 For a brief period the enterprise flourished, at least so far as note issue went,93 but his business methods were not above reproach94 and eleven months after the original announcement of the bank Boucher leased his premises, advertising them as “in the enjoyment of a full trade”, without referring to any note issue or banking business.95 Temporarily he abandoned his proposed visit to England, setting up as a wine and spirit merchant in Sydney, to which he added the function of “General Commission Agent”, whose activities included the arranging of loans and discounts.96 But Boucher had tasted the delights of finance and presently reappeared as provisional secretary at the Bank of Australasia in London from which he was dropped in obscure but suggestive circumstances; and again, as has been seen, in 1839 with his brother Charles in the formation of the Australian Agricultural Bank in Adelaide and the British and Australian Bank.97 But in the present context what is of
interest is that the Bank of Newcastle was the first “country bank” in Australia, a harbinger of developments which were to issue into the general adoption of branch banking in place of the unit banking with which Australian banking began.

There was nothing in these two experiments to indicate which pointed the way to the future. In the next few years it seemed that the abandonment of the Derwent and Van Diemen's Land branches in Launceston and the successful establishment of the Cornwall, Tamar and Bathurst Banks meant that a unit-bank system, something like the English country banks, was to be the outcome. But both the Launceston and Bathurst cases were special. Launceston was already a second metropolis and more initiative by the Derwent Bank at the outset would have forestalled the Cornwall at its foundation, just as more interest in additional business would have kept the later Derwent and Van Diemen's Land branches alive. In the Bathurst case the affiliation with the Bank of Australia was so close that the local bank had some of the attributes of a branch. All three local banks were, in any case, established in the early phase of the boom; new banks with more expansive ideas were soon to appear, ready to establish competitive branches when prospects appeared to justify them.

First in point of time was the Commercial of Sydney which proposed to operate on the “Scotch system”, meaning interest on deposits, but also included a limited provision for branches. These, under the deed of settlement, might be established within the colony of New South Wales only; an innuendo aimed at the Australasia rejected “branch banks in different colonies, the mismanagement of any one of which might involve the ruin of the whole”.

One small agency at Maitland was promptly established and a few months later converted to a full branch.

The Australasia was organized from the beginning as a system of branches, but the original branches were planned for the metropolitan centres of Hobart, Launceston and Sydney, and those of Melbourne, Perth and Adelaide were established on the same model. It was not quite true to say that “the branches are as distinct as if they belonged to separate companies, they emanate from London and are perfectly independent of each other”. They had a considerable measure of autonomy—the Hobart board was especially difficult—but were in many respects subject to the Inspector whose periodical inspections with accompanying advice had great weight because in the end London could override any local board decision. But whereas such head branches were planned from the beginning, there was much greater caution in the establishment of subordinate branches attached to them. It was decided at the beginning that local boards should have no power to open such branches, and London
awaited a report from Kinnear. He proposed branches in the small country towns, or agencies with local storekeepers; London deferred all except the possibility of the Launceston branch having a Port Phillip agency, but soon authorized him to open small-town branches. Kinnear, more informed by this time, was not keen, limiting the possibilities to Bathurst and Maitland, excluding, on the advice of the Launceston board, a Port Phillip agency.

There was a change of attitude with the establishment of the Union Bank which was organized on very similar lines and which promptly opened major branches in the same centres as the Australasia—Launceston, Hobart and Sydney. Kinnear was instructed to open a branch wherever he had reason to believe the Union would otherwise open first; he was not greatly impressed by the competitive power of the Union, perhaps because he had already forestalled them in Bathurst, Melbourne and Adelaide.

The Spread of Branches

The Bathurst Bank had adequate warning for Kinnear had twice visited Bathurst, first in May 1838 to look around, when he had sought the advice of A. K. McKenzie, and then in September to arrange for the branch and had put out hints for an amalgamation without getting response. But not until the branch was in operation were any precautions taken by the Bathurst to meet competition and then only to the extent of arranging for a right to overdraw the account in the Bank of Australia, which the Sydney agent, Smith, had much earlier been instructed to maintain at at least £1,000. For nearly a year this self-confidence appeared to be justified, but as the months went by and the Bank of Australasia established itself, old loyalties weakened, the more quickly when the maturing of loans released customers to transfer their accounts to a bank which could give better service in internal and overseas exchange and which paid interest on deposits which the Bathurst Bank continued to refuse, even after the Australasia declared war.

In August 1839 a proposal for absorption by the Union Bank was declined and the directors contented themselves with arranging a cash credit of £3,000–£5,000 with the Bank of Australia and with making a call on capital of 5 per cent only. The main problem was the transfer of deposits, the very size of which may have made it impracticable to compete in paying interest. In the thirty-three weeks from July 1839 to February 1840 the Bank had an adverse clearing balance with the Australasia in twenty-four weeks against nine favourable balances, a total of £8,418 against £3,884.
In February 1840 the Australasia notified that, commencing in April they would require specie in settlement of weekly clearings instead of taking drafts on the Bank of Australia or holding Bathurst bank-notes for re-issue by themselves. It was a declaration of war, reminiscent of the Australasia's campaign against the Tamar Bank, but the Bathurst directors did not see it as such and contented themselves with arranging “small drafts of £50 or £100 in gold brought or sent up by private opportunities”. But in May, a month after the new clearing system began, there is a note of urgency in the search for ready cash. By June Smith in Sydney was being instructed to collect every mature bill in his possession and rediscount all others, remitting cash as quickly as possible—£1,000 at once. Total discounts were still £14,000 but being reduced. Even when, in August, the Bank could not meet its clearing liabilities all hope was not abandoned:

Since you left we have managed to get two days over without coming to a stop altogether. Both days there has been a rather sharp run for silver which has reduced our stock very much. £12 is all we have remaining which I think will carry us through tomorrow as we close early. For the three days next week till we can hear from you we must only make fair promises, trusting to your supply on Wednesday. Mr. Liscombe went round to the several tradespeople and stated the true circumstances of the case, which has done a great deal of good. You will see by the accompanying copy of letter to Mr. Street, the Bank of Australasia are not inclined to proceed to extremities. From the same you will likewise perceive how we now stand. Besides the notes mentioned, £482, they have a balance against us of £58, which is again allowed to stand over. I should say by Wednesday the balance altogether against us will be about £700, although it will not be imperatively necessary to provide for this by that time, you will see the necessity of sending some specie to pay casual notes etc. presented, as our being ready to do so will go a great way in regaining the confidence of the public.

The mission on which S. Finley, the cashier, had been sent to Sydney was the raising of a loan, and he was authorized if necessary to commit the Bank to transfer its business to the Union Bank if the loan could not otherwise be obtained. He secured a loan of £3,000, but only on condition that the Bank transfer its business to the Union. Optimism could go no further and the directors accepted the terms without waiting for the shareholders—perhaps they were the optimists—to resolve as they did a week later “that the business of the Bathurst Bank on its dissolution be handed over to the Union Bank on the best terms that can be made”. The transfer took place rapidly. Deposits were repaid by drafts on the Bank of Australia, the Union took
over all accounts and undertook to meet outstanding notes, while Smith was directed to pay to the Union all sums he received.\textsuperscript{123} On 30 September the Bank closed and the next day the Union Bank reopened the office as its own branch.\textsuperscript{124}

In February 1838 William Rucker, Melbourne storekeeper, announced the opening of a Derwent Bank agency, to “receive deposits and discount bills and orders for account and under the responsibility of the Derwent Bank Company at Hobart”.\textsuperscript{125} He fixed the discount rate at 20 per cent, letting it be discreetly known that Hobart rates would apply when a court was established in which debts might be recovered. Attempts were made, with what success is not clear, to secure the accounts of the Customs Officer and of the Land Fund.\textsuperscript{126} But the agency met considerable difficulty. Swanston did not send specie to pay depositors who had to take drafts on Hobart and later on the Australasia in Sydney, as a result of which no wage-earner would take a Derwent Bank cheque.\textsuperscript{127} Other banks were more successful in circulating their notes; at the beginning many Tamar notes were found in Melbourne,\textsuperscript{128} and in June 1838 the Commercial of Sydney appointed one Craig their agent for the issue of notes for which he took Derwent notes at 4 per cent discount.\textsuperscript{129} When the Australasia proposed to open a branch Rucker belatedly reduced the discount rate to 10–15 per cent,\textsuperscript{130} but Swanston was in no mood to fight and arranged to hand the business over to the Union Bank.\textsuperscript{131}

The Australasia branch in Melbourne opened on 28 August 1838 as an offshoot from Sydney whence the staff of two proceeded by sea with an armed guard provided by the governor and two bulldogs to guard the cash. Kinnear was not enthusiastic as to prospects; it was difficult to get a local board since so many of the residents were either irresponsible young men or agents in charge of flocks owned by absentee; he expected business to be mainly cashing orders on Sydney and Hobart.\textsuperscript{132} Within a few weeks the Union had taken over the Derwent agency and established its branch.\textsuperscript{133}

In Adelaide the Australasia had not to fear Union expansion because of that Bank's agreement with the Bank of South Australia, and a branch was the result of directions from the London board, no doubt regretting their earlier reluctance.\textsuperscript{134} On 14 January 1839 the branch opened, to the rejoicing of critics of the Bank of South Australia, because it offered more favourable terms: 4 per cent interest on current accounts and 8 per cent discount on bills under 60 days, compared with no current account interest and a discount rate of 10 per cent on all bills.\textsuperscript{135}

Meanwhile the Union had had to meet branch competition in Tasmania. Dunn's Commercial Bank on 23 August 1838 opened a Launceston branch\textsuperscript{136} and followed this with a Campbell Town branch on 15 October
1838, A savings bank in Campbell Town was already being discussed and it was believed that Dunn was planning a network of branches throughout the island, for which a capital increase was projected. The Union reacted so promptly that it was able to open a Campbell Town agency before the Commercial branch, and Dunn did not proceed with further branches.

These branch developments had made little difference to country areas, which turned in 1839–40 to projects for their own local banks. There had been one previous attempt which had resulted in the projectors being satisfied with a branch.

**Defeat of the Local Banks**

In July 1836 it became known that a local bank was projected at Goulburn, and for a time it appeared that it might operate. A provisional committee had prepared a deed of settlement and planned an inaugural meeting to execute it, collect subscriptions and elect directors. But before this meeting one of the sponsors, W. H. Dalton, sought the co-operation of the Bank of Australasia, either in cashing Goulburn Bank notes in Sydney or in making Australasia notes available for issue in Goulburn. The subscribers, he said, would be equally well satisfied with a small branch of the Australasia. Kinnear, for the latter bank, was cautious and would not even promise to consider a branch for which he required assurances of local support, without consulting his Sydney board. Apparently the Goulburn committee felt rebuffed and took their proposition to the Commercial Bank and abandoned their plan for a local bank in favour of a Commercial agency. This was followed by a series of similar episodes.

The only certain information of the “Hunter's River Bank” is an advertisement under that title reading “two-thirds of the shares having been nearly subscribed, a meeting of the shareholders will be held at the Rose Inn, West Maitland, on Wednesday, 25 September, at twelve o'clock, to elect officers and take all necessary measures for establishing the Bank”. The rest is silence, but it is fair inference that the meeting elected not to proceed since a month earlier it had become public knowledge that the Bank of Australasia was about to open a Maitland branch. Even had local residents not recognized the greater advantages of that branch, wisdom would have dictated not trying a fall with “Goliah”. At all events, the Hunter's River Bank is heard of no more and the Australasia branch duly opened in December.

Why the proposal for a Bank of Wollongong did not survive the first move is uncertain. A meeting was summoned for 15 January 1840 to
consider either a local bank or a branch from one of the Sydney banks. Perhaps a simpler agency arrangement with one of these banks was established; certainly there was no local bank and for many years no branch.

The first public moves for a Windsor and Hawkesbury Banking Company were made in February 1840, but must have been in train for some time since the announcement of the intention of the Commercial Bank to open a branch, which effectively killed the plan, was published earlier. But the local enthusiasts did not retire without exploring the prospects of a local bank despite certain competition. Several meetings were held and a plan agreed to. The bank was to have £100,000 capital in £20 shares of which only £2 was payable at once; maximum shareholding was to be thirty shares. It was said, probably correctly, that it was proposed to discount bills as low as £10. However, support was not strong, the Commercial branch opened promptly, and the local plans were abandoned, the more readily as the Commercial promised that “drafts are granted on Sydney and cash transmitted free of any charge”, for this had been one of the sore points stirring local initiative.

In April 1840 dissatisfaction of Melbourne and Geelong shopkeepers with restricted credit conditions found expression in a plan for the Tradesmen's Bank of Melbourne and Geelong. This was to have £100,000 capital in £10 shares, no individual being permitted to hold more than a hundred shares; business was to be the receipt of deposits as low as £5 and the discount of bills as small as £10. It was a “small man's” answer to the first stringency of the receding boom and, as the Port Phillip Gazette put it, “the bantling was strangled in its birth”, which was a colourful way of describing the energetic reaction of the Port Phillip Bank to the threat of competition. That bank hastily implemented its deferred plan for a branch at Geelong, removed the limit on shares to be held by one person, and forecast “other radical changes” which proved to be a call of £2 10s. per share to enable lending to be expanded, a plan for 3,000 new shares to be offered in England, and the creation of a London office. The Tradesmen's Bank, which had advertised that its share list would close at the end of June, was not able to achieve formal establishment in the face of the evident intention of the Port Phillip Bank to fight.

In July 1840 a public meeting in West Maitland agreed upon a plan for a Maitland Tradesmen's Bank. A capital of £10,000 (which might be increased to £50,000) in £10 shares was proposed, payable in £1 instalments at the discretion of the directors; no one was to hold more than 25 shares nor have more than five votes; an act was to be sought enabling
the bank to sue and be sued in the name of a public officer; discounts were to extend to six months bills. For a time all went well. “Nearly 700 shares” were bespoken at the original meeting, and subscribers were invited in September to pay their subscriptions to either the Bank of New South Wales or the Sydney Bank. Perhaps the demand that enthusiasm be supported by cash revealed the weakness of that support; perhaps discretion overcame valour as the promoters reflected on the competition that would have to be met from the branch of the Bank of Australasia, opened a couple of miles away in East Maitland, the previous December, or from the Commercial branch; perhaps the first impact of the slump made the plan impossible. Whatever the cause, the demand that subscribers should pay up was the last public act of the promoters and no more is heard of the Maitland Bank.

After these experiences the metropolitan banks were readier to establish branches without waiting for local enterprise. In August 1840 the Commercial of Sydney established a branch at Port Macquarie. The Australasia contemplated a Parramatta branch but finally rejected it on the grounds that transport over the short distance to Sydney was so good as to make it unnecessary. The Union was ahead of the Australasia in opening a branch in New Zealand in 1839, causing the latter bank to hesitate before deferring indefinitely New Zealand branches.

The most active development, however, was in Port Phillip where settlement was expanding most rapidly. The Port Phillip Bank, as has been seen, established a branch at Geelong which was very shortlived, but a year later a more modest agency for note issue was established with Alexander Thomson to which was added a separate agency for collection of bills and cheques payable in Geelong. The Australasia arranged agencies, mainly to facilitate note circulation, with the Hentys at Portland and with Campbell & Woolley, Geelong storekeepers. The Union soon after opened a branch at Geelong managed by the same Dr Thomson who was circulating Port Phillip Bank notes. The fate of these Australasia and Union extensions is obscure; those of the Australasia never appeared in Bluebooks, while the Union's Geelong branch was regularly listed from 1842 onwards. Both banks undoubtedly established new branches, the Australasia in Geelong and the Union in Portland, in 1846, and the most reasonable interpretation of the scanty evidence is that all these Port Phillip agencies and branches except the Union at Geelong became inoperative with the onset of depression and were not revived but replaced.

Apart from these doubtful cases only the Melbourne agencies of the Derwent and the Commercial of Sydney and the Union's branch in
Campbell Town failed to survive until the depression. Just as Swanston abandoned his Melbourne agency rather than compete actively, so did the Commercial of Sydney; faced by the Australasia, Union and Port Phillip Banks, it withdrew, consistently with its original objections to remote branches. The Union abandoned its Campbell Town branch early in 1841 because the agent had embezzled £3,400. Immediately prior to the slump, therefore, there were, outside the metropolitan centres, branches or agencies at Windsor, Maitland (two), Bathurst (two), Goulburn, Port Macquarie, Geelong (two or three), Portland on the mainland, and at Campbell Town in Tasmania, as well as Savings Bank branches at Parramatta, Windsor, Bathurst, Maitland and Penrith. Every major population centre had at least one branch and it seemed that the principle of branch as opposed to unit banking was firmly established.

The Scramble for Capital and Deposits

As the boom rose both English and Colonial banks sought to expand business by increasing capital. The Australasia obtained Treasury approval for doubling its subscribed capital in 1837, and to the full amount authorized by the charter, £600,000, in 1839. The Union followed more slowly, attaining £373,000 by end-March 1841. The need for increased capital for banking purposes was one of the main reasons for the separation of the Bank of South Australia from the parent South Australian Company, the other being British Treasury objections to chartering a land company which operated a bank. Shareholders unanimously supported the proposal and after delay the division took effect early in 1842 when the bank was nominally reorganized, technically under the title South Australian Banking Company, but, in Adelaide, always known as the Bank of South Australia. A London board created a local Adelaide board, but, since its functions were only advisory, the change was purely formal. Attempts to secure a charter were delayed until 1847 because of the bank's unavailing desire to obtain authority to take land as collateral security.

The colonial banks responded to the spur of competition and the bait of profits by successive capital increases. In Tasmania the Bank of Van Diemen's Land called its full capital in 1831, added £100,000 in 1837 and a further £20,000, which it was able to issue at 20 per cent premium, in 1840. The Commercial of Tasmania increased its capital to £80,000 in 1837, still further in 1839, and again by £30,000 in 1840. On the mainland, the Australia, on the renewal of the partnership in 1833, raised capital from £120,000 (all fully paid) to £200,000 and in the following years repeatedly invited voluntary instalments, as did the Bank of New
South Wales.\textsuperscript{190} The Commercial of Sydney permitted voluntary subscriptions at the will of shareholders until 1840.\textsuperscript{191} These are no more than illustrations of the general trend.\textsuperscript{192}

Funds raised by capital subscription, however, were far from enough. There were too many other avenues for investment offering higher immediate returns; moreover, the boom produced a large volume of funds the holders of which were prepared to deposit but not to become shareholders; it was all the more necessary to the banks to seek these funds since otherwise they might be employed in discounting or other loans in competition with them. Accordingly, interest on deposits became the general rule, at rates which rose to unprecedented levels.

The Commercial of Sydney, it will be recalled, had hesitantly introduced to the mainland a limited interest on deposits. It was left to the Australasia to take the lead aggressively, compelling the other banks to follow. At the outset it offered 5 per cent on three months deposits, but soon followed this, in 1836, with the innovation of interest on the daily balance of current accounts at 4 per cent, to which the local banks had to conform.\textsuperscript{193} In 1838 it briefly offered 7 per cent on deposits subject to ten days' notice, and in 1840 reached a peak with 4 per cent on daily balances, 5 per cent on deposits at ten days' notice and 7 per cent on three months deposits. In Tasmania it did not introduce current account interest until 1838 but there too reached a peak in 1840 with 7 per cent on three months deposits and 5 per cent on daily balances. Similar rates were introduced in South Australia in 1839.

Such rates could still yield profits while loan rates were still substantially higher; they could even be regarded as necessary to attract funds from other lending channels. But they had an important, unplanned result, the substitution of deposits for shareholders' capital as the most important source of loanable funds. In the 'twenties the banks did not actively seek deposits and declined to offer interest; the fact that their deposits were nevertheless substantial reflected the narrow opportunities for small individual investment. Capital subscriptions and note issue were regarded as the primary sources of bank funds. By the 'forties note issue was being regarded doubtfully and capital had taken second place to deposits, a position which was maintained despite the depression abandonment of deposit interest.

Had the upward leap of deposit rates merely represented competition between the banks it would probably have been limited by agreement, but the banks had to face competition from other quarters. The growing number of insurance companies almost all competed in discounts. Thus the Marine Assurance Co. (Sydney) as early as 1831 decided to discount, and
did so weekly until the slump; the Australian General Assurance Co. (Sydney) commenced discount on its establishment in 1836 and continued to do so until a “want of approved bills” brought abandonment in 1843. The same practice held of most insurance and other companies who either discounted or lent on mortgage or both. Added to these were a significant number of individuals who increasingly specialized in arranging loans by way of discount or mortgage and whose competition continued to be important even after the slump. The mortgage companies, appearing on the eve of the slump, were a less potent immediate threat and were not competitors for local funds, but on a longer view they implied restriction of the field of bank lending.

The Mortgage Companies

While the newest colonial banks were struggling to establish themselves and the exploits of the Bouchers were discrediting colonial banking as a field for investment, British capitalists were busy organizing specialist companies based upon the principle of transferring funds raised in Britain for loan on mortgage in the colonies. In the event, all were to find the early years of operation unpromising, but the timing of their start and the mode of their lending were to prove a major factor in softening the impact of the slump, for all were able to invest heavily in the first stages of recession, before it was recognized as such, providing a breathing space for all borrowers who were fortunate enough, in that brief space, to substitute a new mortgage for a discount or cash credit from the established banks.

Planned in London in 1839 the British Colonial Bank and Loan Company initially intended “uniting with the usual business of banking that of advances by way of loan to shareholders and customers on securities”. Capital was nominally £1 million, half to be raised in London, half in the colonies, and colonial business was to be controlled by a Sydney board. However, plans were revised. Banking was abandoned, arrangements being made for the Bank of South Australia to place loans in that colony and the Union Bank in others, except New South Wales, although it does not seem that in its early years it did much business outside New South Wales. Colonial shares (transferable only in the colonies) were reduced by nine-tenths to 1,250, although “English shares” were also available to colonists.

Business began in Sydney in June 1841 with the sale of bills on the London office and the offer of scrip certificates, carrying interest at 6 per cent per annum, as a means of remittance to England and, a little later, loans (either in cash or bills on England) against bills of lading of wool or
whale-oil. But difficulty followed the making of loans in the company's scrip. This was provided for in the revised prospectus, such scrip bearing 6 per cent per annum for the first two years and thereafter receiving the ordinary dividend. Many loans were taken wholly or partly in this form because of the invitation, referred to above, to use them as a means of remittance to London. There they proved nearly impossible to negotiate, falling, according to *The Times*, to 50 per cent of face value. A group of Sydney shareholders who claimed scrip loans were nearly £200,000 in New South Wales alone, forced the manager, William Wright, to implement London instructions for a local board, while the London office stepped in to cancel arrangements for scrip loans. Those who had taken loans partly in this form were given until the end of 1842 to repay, with the alternative of taking debentures at 8 per cent while loans wholly in scrip were to be cancelled. Direct loans in cash were henceforth available at 10 per cent instead of the 11 per cent on loans wholly or partly in scrip.

The company survived the storm and before the end of 1842 had loans exceeding £250,000 and was emboldened to seek a charter, undertaking that if it were granted banking would be eliminated from the objects of the company. This was refused, but with an offer to seek the advice of Gipps. His reply was cold. He confirmed that the company had not engaged in banking, beyond a small amount of bill-discounting; the offer of mortgage loans, its primary business, he regretted. It “induces people to borrow money when under any temporary pressure instead of striving by industry and economy to extricate themselves from their difficulties, whilst the rate of interest charged by them (10 per cent) is, I believe, more than the profits of farming in the Colony will justify, though not perhaps greater than the risks run by the lenders require”. No harm would follow the grant of a charter, but he could see no case for it. Naturally the Colonial Office reaffirmed its refusal and the company continued as a partnership but did not venture into banking.

Incorporated by charter, the Australian Trust Company was exclusively a mortgage-loan institution. Its basis was the transfer of low-interest capital from England for loan in Australia. The charter provided that its English borrowings should not exceed four times its paid-up capital. Nominal capital was £1 million with power to increase to £2 million. The Australian manager, Hastings Elwin, arrived in July 1841, it was said, with £150,000 in specie and authority to draw on London for a further £50,000, and opened the Sydney office on 2 August, offering mortgages on real estate at 10 per cent interest, and bills on London for sale by tender. Initially it had been proposed to limit business to New South Wales proper,
but in 1842 Melbourne agents were appointed. Property owners showed an alacrity in mortgaging their property which disturbed Gipps, and the company enjoyed a steady business, its loans, at a uniform rate of 10 per cent, reaching £400,000 by 1845.

The prospectus of the Scottish Australian Investment Company showed it as having been formed in Aberdeen in 1840, with a wealth of advocates amongst its directors and a capital of £100,000. It began business in Sydney in August 1842 as a mortgage loan company, the manager, R. A. A. Morehead, explaining that he proposed “as part of the business of this company in future, to undertake the collection and remitting of revenue arising from mortgages, bank stock, etc., as well as the making of further investments on account of individuals having property in the Colony but who are not resident in it, and, generally, the management of the monetary affairs of such absentee”.

The flood of overseas funds, which he was already receiving, was so great that Swanston determined to get the maximum profit by converting the Derwent into a mortgage bank, inspired perhaps by the Trust and Loan companies. He was reinforced in this decision by a belief that there were now too many banks for ordinary note issue and bill discounting, the profits on which must fall, whereas the demand for mortgage loans appeared to be insatiable. In October 1841—on the eve of the slump—the plan was put into effect, the occasion being the renewal of the bank's deed of settlement. As Swanston wrote to Hamilton, The change that has been adopted in the constitution of the Bank is in consequence of the increased competition of banking in the colony, which has already subjected the bank to extended expenses and risk without adequate compensation, and from its having appeared to us inevitable that to keep pace with existing competition the Banks will be obliged either to give excessive facility of discount or to offer an increased rate of interest for deposits, thereby increasing the risk and lessening the profits. It also appeared to me that the colonial banks could not continue much longer to compete successfully against the foreign banks and to give the dividends that have been hitherto given, and that although the shareholders of the foreign banks might be content with 8 per cent, it would not answer the purposes of a resident to have his money only yielding that interest as long as mortgages and other channels are open for safe investment and employment of money at a much higher rate. It was therefore our opinion that the sooner some of the colonial banks retired from the field as banks of issue, deposit and discount the better, and as no bank is so well prepared to do so as the Derwent, the greater part of its funds being already secured by mortgages and bonds, we thought it a good opportunity in the extending of our charter to do so.
Note issue was abandoned and the capital increased to £250,000, while the directors were authorized to borrow an equal amount at up to 8 per cent. (This was to provide for English investors.) Deposits, earning 8 per cent, were to be received in London for transfer to Tasmania, where they would carry 8 per cent. The bank's loans were to be mainly by way of mortgage or advances against shipments of exports. Existing English clients were to be offered a clear 8 per cent, payable half yearly, if they would surrender their mortgages to the bank and become depositors. Arrangements were made for current accounts in the Australasia and Union, carrying 5 per cent on credit balances, and with facilities for rediscount. Officially the new plan commenced on 1 January 1842, but Swanston implemented it at once and was so pleased that he told Hamilton to inform English investors that he could no longer act as middleman for mortgage loans and would accept deposits only under the new arrangement.

Note issue was abandoned readily because it had fallen steadily since the English banks had commenced to operate, and was by 1841 too small to be profitable. Bill discounting was restricted to export transactions, and cash credits were steadfastly refused, but some of their features were retained by providing that borrowers might make repayments, in instalments of not less than £10, at any time, the credit balances carrying 5 per cent interest. Local deposits Swanston was less ready to surrender, and both the Australasia and Union, who had co-operated on the understanding that Swanston would no longer be a competitor, applied pressure, agreeing that if he had to repay depositors he could draw on a cash credit of £10,000 with each to the full amount, in addition to the established occasional rediscounting. Swanston continued to evade this condition until the end. His deposits did not reach their peak until 1846, and their subsequent decline represented mainly overseas withdrawals.

1 Roberts, *The Squatting Age in Australia*, gives a vivid narrative of the pastoral expansion.

2 *V.P.N.S.W.*, various years.

3 Ibid.

4 *V.P.N.S.W.*, 1842.

(a) City land: number of allotments; suburban and country land: number of acres.

(b) City land: per allotment; suburban and country land: per acre.

5 Thomas, *History of the Labour Movement 1788–1848*, typescript, Fisher Library, University of Sydney. This is concerned only with Sydney, but the story is paralleled
in detail in other centres.

6 Madgwick, *Immigration into Eastern Australia*, for details of these schemes.

7 *Sydney Herald*, 6 November 1839, which gave capital as £400,000 in £10 shares, and reported that most shares were already taken.

8 *Ibid.*, 11 November 1839. Chaired by Alexander Berry. The 344 who signed the statement had applied for 49,000 shares (at £10 each) and the proposal was to keep applications open until 60,000 were applied for, and then to decide whether capital should be £600,000 or £400,000.


10 E.g., *Sydney Herald*, 6 December (letters from “Enquirer” and “A Proprietor”); 16 December (“A Lover of Plain Dealing”); 18 December (“Mercator”); 20 December (A member of the Provisional Committee); *Monitor*, 9 December (“A Proprietor”).

11 *Sydney Herald*, 16 December 1839.

12 Copy in Mitchell Library, marked as printed 9 December 1839, with amendments by hand.

13 *Sydney Herald*, 25 December 1839. Chairman was George Miller of the Savings Bank.


15 *Port Phillip Gazette*, 29 June 1839; *Port Phillip Patriot*, 1 July 1839. It took some time for a decision on title. In this prospectus it is “Melbourne and Port Phillip Bank”; in one notice in the *Patriot*, 10 October 1839, it is “Melbourne and Geelong Bank”, and in another “Port Phillip Bank”. The original directors, presumably the promoters, were: D. S. Campbell, Skene Craig, C. H. Ebden, A. Hogue, F. A. Powlett, G. B. Smyth, B. W. Welsh, C. Williams, T. Wills, W. H. Yaldwyn. The first election of directors (*Patriot*, 5 December 1839) dropped Ebden, Hogue, Smyth and Yaldwyn, and added F. McCrae, C. Howard, A. Thompson and Foster Fyans.

16 *Port Phillip Gazette*, 7 September 1839.

17 *Port Phillip Patriot*, 10 October, 5 December 1839. Applications from Hobart were for 650 and from Geelong 300.

18 *Patriot*, 5 December 1839.


22 Port Phillip Bank Act, passed 8 September 1840.

23 *Cornwall Chronicle*, 13 June 1840 opened 12 June.
24 See below, Chapter on Savings Banks.

25 *Cornwall Chronicle*, 20 June 1840.

26 *Hobart Town Courier*, 9 April 1841.


28 *Cornwall Chronicle*, 1 August 1840. The three were William, Joseph and Edward Archer, the change being effective 1 August.

29 *Hobart Town Courier*, 3 July 1840.

30 *Ibid.*, 10 July 1840. Directors were Cornelius Driscoll, John Swan, Richard Lewis, George Hunt, Hugh Murray, W. T. Macmichael, W. Robertson and George Evans. Professor Kathleen Fitzpatrick, *Sir John Franklin in Tasmania*, (Melbourne 1949), p. 313, says that “the economic crisis in Tasmania was precipitated by the establishment in July 1840 of the Colonial Bank”. Her explanation, evidently based on unpublished work by R. M. Hartwell, runs in terms of transfer of coin from other banks to meet capital subscriptions. It would be tedious to set out the various possible effects on the cash reserves of the other banks, and the relationship between these and the effects of note issue and loans by the Colonial. But only a very special combination of actions by note-holders, depositors and borrowers of all banks, and loan and reserve policy by the other banks would produce the sharp contraction of total bank loans which she attributes to the establishment of the Colonial, and there is no evidence to suggest that this special combination occurred. Contrariwise, reference to tables in the statistical appendix will show that the net transfer of cash was small, and the apparent effect on the liquidity of other banks negligible. When account is taken of its own note issue and loans, the appearance of the Colonial was anti-depressive, not deflationary. Since this note was written Professor Hartwell has published his argument and I have commented on it. *Historical Studies—Australia and New Zealand*, November 1950 and November 1951.


35 Prospectus in *Austral-Asiatic Review*, 14 July 1840. The project is also briefly mentioned in *True Colonist*, 17 July 1840, and *Hobart Town Advertiser*, 10 July 1840.

36 *Sydney Herald*, 7 June 1841, advertises formation, describing it as established “on the principles recognized by the Act of Parliament for the establishment of loan societies in England and Wales, with a view to assist industrious persons”.

38 Sydney Gazette, 10 June 1841, says office then open but does not give more precise date.

39 Sydney Herald, 7 June 1841.

40 Printed in Sydney Gazette, 15 July 1841. Southern Australian, 17 September 1841, says the rules were printed as a pamphlet, but I have not been able to find this.

41 15 July 1841.

42 Sydney Gazette, 20 July 1841.

43 Southern Australian, 20 August 1841, reprints from the Adelaide Chronicle (not available) what appears to be the first reference.

44 Ibid., 24 August 1841.

45 Ibid., 31 August 1841, records promises of 2,200 shares.

46 Ibid., 19 October, 9 November 1841; South Australian Register, 6 November 1841.


48 South Australian Register, 22 January 1842; Adelaide Chronicle, 26 January 1842.

49 Prospectus of 1 May 1838, Hobart Town Courier, 21 September 1838; Sydney Gazette, 9 March 1839.

50 Prospectus of 1 January 1839, South Australian Register, 29 June 1839; Cornwall Chronicle, 13 July 1839.


52 South Australian Register, 20 June, 31 October 1840.

53 True Colonist, 30 September 1839.

54 Sydney Herald, 13 March 1841.

55 The accountant, William Richards, appointed in London to advise the Court on the transactions of the Bank, reported: “This Bank has never shipped any specie whatever to any of its colonial agents.” Cornwall Chronicle, 3 April 1841.

56 Bank of South Australia, “Letters from London”, 1840–1, 14 February 1840, encloses extensive correspondence with F. Boucher between 12 December 1839 and 11 January 1840; letter of 31 January 1840 reports collapse of the negotiations, “which is a good job”. Boucher could not provide security acceptable to the Bank of South Australia whose London Manager, Wheeler, was suspicious of Boucher from the first, e.g., “Letters from London” 1836–9, 23 November 1838: “My private opinion is that F. Boucher is playing a desperate game, pushing the concern with
something of a mortal struggle.”

57 South Australian Register, 3 and 10 November 1838.

58 Ibid., 1 December 1838. Boucher was described as cashier.

59 Copies in Mitchell Library, No. A 272, pp. 217, 225, 231. These are undated but that at p. 231, the first in time, was received in Sydney at the beginning of November (see note 61). That at p. 225, covering the savings department, together with one of the others, was enclosed in Bank of South Australia, “Letters to London”, 21 November 1838. That at p. 217 was a longer and more publicly circulated version of the first.

60 Milne to Governor, 12 November 1838, S. A. Archives, 787/1838/225.

61 South Australian Register, 15 December 1838 (dated 6 November in Sydney).

62 Two notices, ibid., 15 December 1838. Cf. “MS. Diary of G. M. Stephen”, Colonial Secretary (Mitchell Library), 8 December 1838: “Messrs Milne and Boucher called respecting the Bank established by them, and the advertisement published by Mr Kinnear denying their connection with the Bank of Australasia. The former is either mad or a swindler, the latter a fool, if not a rogue.”

63 29 December 1838.

64 South Australian Register, 8 February 1840, implying disappearance occurred at end of 1838 or very early 1839.

65 Sydney Herald, 13 May 1840.

66 Letters in Sydney Herald, 22 April, from Boucher dated 31 March; reply by G. R. Griffiths (Bank of Australasia) dated 2 April 1840 and retort by Boucher, 4 April 1840.

67 Sydney Herald, 1 May 1840.

68 South Australian Register, 31 October 1840.

69 Ibid., 21 November 1840.

70 Ibid., 10 April 1841; Adelaide Chronicle, 7 April 1841.

71 Ibid., 17 April 1841; Hobart Town Courier, 30 April 1841. For early post with Lempriere & Co., his signature on notes.

72 Sydney Herald, 30 March 1841; South Australian Register, 8 May 1841.

73 English reports of the case were reprinted in colonial newspapers: Sydney Herald, 13 March, 7 April 1841; Hobart Town Courier, 26 March 1841; Cornwall Chronicle, 3 April 1841. One magistrate repeatedly declared his inability to believe Boucher's evidence.

74 Dismissal of Boucher advertised: Sydney Herald, 18 August 1841; Hobart Town Courier, 6 August 1841; South Australian Register, 24 October 1840. Bank of South

75 Sydney Herald, 26 July 1842.

76 Prospectus in Austral-Asiatic Review, 28 July 1840.

77 Apart from its prospectus, its shares were listed by Sydney Herald, 27 July 1840; and Melbourne (Port Phillip Patriot, 24 June 1841) and Launceston (Cornwall Chronicle, 14 May 1842) looked forward to branches.

78 First offered Sydney Herald, 18 August 1842, and regularly thereafter for several years.

79 E.g., Jauncey, Australia's Government Bank, p. 38.

80 There were, for example, several score newspaper editorials and letters in favour of “Scotch banking”, but not more than two or three mentioned branches.

81 Thus Sydney Herald, 23 July 1844, reproduces a note promising “five shillings worth of goods” (the amount in large type and “worth of goods” in small) issued by a storekeeper at “Muscle Brook” (modern Muswellbrook). There and ibid., 5 August 1844, it is stated that such notes were commonly issued by shopkeepers and publicans in the country.

82 Gipps to Stanley, 4 November 1843, H.R.A., I, xxiii, 211–12.

83 Colonial Times, 6 July 1827.

84 E.g., South Australian Register, 28 June, 19 July 1848, referring to Kooringa.

85 V.P.N.S.W., 1 August 1832. By contrast in 1841 traders were petitioning for amendment of the same legislation to establish venue in the district of residence of the defaulter. Ibid., 15 September 1841.

86 E.g., Sydney Gazette, 17 September 1833, 25 September 1834; Sydney Herald, 21 April 1842.

87 Settlers and Convicts, p. 365, describing experience in the late 'thirties. (Harris himself a decade earlier had deposited funds with a Sydney innkeeper, to be drawn by orders, p. 96.)

88 Recollections of Bush Life in Australia, p. 86.

89 Colonial Times, 9 March 1827.

90 An ambiguous reference in Colonial Advocate, 1 April 1828, could be so interpreted; the Tasmanian, 25 January 1828, was urging the need for a branch bank in Launceston.

91 Colonial Times, 9 March 1827; Colonial Advocate, 1 May 1828. According to the custom of the period this made the Launceston office an agency, not a branch, cf. Swanston to Connolly, 1832 (“Derwent Bank Letter Book”, 1829–37): “There is this distinction between a Branch bank and an Agency. In the former you consolidate, in
the latter you do not. By the former no note or bill of the principal can be dishonoured, by the latter both can; notes and bills of whatsoever kind being only payable at the fountain head.” But Colonial Times, 9 and 23 March 1827, refers to the Launceston “branch bank” and the technical distinction does not seem important here.

92 Sydney Gazette, 21 November 1828; Australian, 25 November 1828. Boucher had taken over his business eighteen months earlier from a former partner Powditch, in association with whom he had issued notes. Sydney Gazette, 25 May 1827.

93 Australian, 13 February, 22 July 1829.

94 Attorney-General's statement in Legislative Council, Sydney Herald, 14 August 1841.

95 Sydney Gazette, 27 October 1829.

96 Ibid., 26 and 31 August 1830.

97 For these later exploits see above.

98 Sydney Herald, 8 September 1834.

99 A Century of Banking, p. 17.

100 Bank to New South Wales Colonial Secretary, 13 April 1840, “Colonial Secretary's Papers”, “Banks”, 1842.

101 “Minutes”, 19 March 1835.

102 “Letters to London”, 1 January 1836; “Minutes”, 22, 29 June 1837.

103 “Letters from London”, 17 August 1837.

104 “Letters to London”, 13 March 1838.

105 Ibid., 5 October 1838, acknowledging instructions.

106 Ibid., 24 May, 6 October 1838.

107 From 27 November 1838.

108 For the overdraft: “Outward Letter Book”, 6 and 15 December 1838, to Smith; “Minutes”, 5 December 1838. For the increase in the reserve held in the Australia; “Outward Letter Book”, 5 April 1838, to Smith.


110 In February 1840, in the form of a clearing demand—see below. On 14 February 1840 the Bank wrote to the Colonial Secretary that no interest of any sort was paid on deposits.

111 “Minutes”, 21 August 1839.

113 “Minutes”, 3 December 1839.

114 “Outward Letter Book”, 27 February 1840 to Bank of Australia, tabulating weekly figures. There are no figures of size of deposits, but with small paid-up capital and modest note issue, they must have been the main basis for loans. The Bank employed a staff of three which, since so much of the loan business was handled in Sydney by Smith, implies fairly extensive local loans and deposits. The emphasis on transfer of deposits as the centre of the trouble is inferential, but secure. The adverse balance could only arise from presentation of notes deposited in the Australasia (itself a net transfer of deposits) or direct transfer of deposits. (One can neglect the possibility of a substantial increase in discounts in the period.) Adverse clearing balances in terms of notes only would have cancelled the whole issue by the end of 1839, whereas the drain went on at an expanding rate eight months longer. The only direct reference in the records to the process of transfer is “Outward Letter Book”, 27 February 1840, to J. G. Ewer: “I attribute [the adverse balance] to the facilities afforded by us to depositors whose money we collect in Sydney. This money is frequently employed in retiring bills due at the Bank of Australasia . . .”

115 Ibid., 5 February 1840.

116 Ibid., 4, 14, 23, 28 May 1840.


118 “Outward Letter Book”, to J. G. Ewer, 20 June 1840. This is the only figure available of loans. The Bank, not holding a Government deposit, was not obliged to furnish returns. Bluebook for 1838 says directors refused all information.

119 “Outward Letter Book”, 6 August 1840, to S. Finley.

120 “Minutes”, 5 August 1840.

121 “Outward Letter Book”, 13 August 1840.


125 Dated 6 February 1838 and first published in Melbourne Advertiser, No. 7, 12 February 1838. Rucker's own advertisement, ibid., 19 February 1838, offers goods for “cash or approved orders on Sydney, Launceston or Hobart Town”.

126 Derwent Bank, “Launceston and Melbourne Letter Book”, to Swanston, 13 February 1838. The Customs Officer agreed to accept notes of the Derwent and keep
his account with the agency provided he could buy bills monthly on Sydney.

127 Ibid., 7 and 10 April, 15 May, 25 July, 14 September 1838.

128 Ibid., 13 February 1838.

129 Ibid., 4 June, 25 July 1838. This would make the Australasia not “Melbourne's First Bank” (title of centenary souvenir issued in Melbourne, 1938) but the third.


131 Ibid., to L. W. Gilles of Union, Launceston, 14 September 1838. Rucker undertook to act for the Union until its staff arrived. The Derwent's agency was finally wound up in June 1839. Ibid., 17 June 1839, to Derwent Bank.


133 The precise date, not a matter of great importance, is not clear. Boys, First Years at Port Phillip, p. 85, gives 15 October 1838, rejecting Finn, Chronicles of Early Melbourne, who gives 8 October. The latter is clearly wrong since on 14 September Rucker, Derwent agent, was informing Gilles of the Launceston branch of the Union that he would care for its interests until Union staff arrived. Derwent Bank, “Launceston and Melbourne Letter Book”. Presumably Boys assumed Rucker's assurance operated immediately.

134 “Minutes”, 18 January 1838, for decision.

135 South Australian Register, 12 January 1839, for opening and terms of business. For criticism of Bank of South Australia, see e.g., ibid., 25 August 1838: “its greedy monopolies— its pawnbroking and bill-shaving exploits . . . its conversion into a mere sordid money-screwing machine”.

136 Hobart Town Courier, 10 August 1838; Cornwall Chronicle, 14 July 1838; offered 5 per cent on 6 months deposits, 10 per cent discount rate.

137 Hobart Town Courier, 5 October 1838; Launceston Advertiser, 4 October 1838; same terms.

138 See below.


140 Hobart Town Courier, 30 November 1838. Ibid., 4 January 1839, and “Record” of Special Meeting of 28 August 1839 (E. S. & A. Bank, Hobart), show two increases of £20,000 each.

141 Launceston Advertiser, 4 October 1838.

142 Bank of Australasia, “Letters to London”, 23 July 1836. This refers to Bungonia, some miles north-east of modern Goulburn, as the site.

143 Sydney Herald, 5 September 1836, advertisement headed “Goulburn Bank”, the

145 There is no direct evidence of the approach. The Commercial agency opened after mid-October, and before the end of the year. *Bluebook*, 1838, p. 301.

146 *Sydney Herald*, 18 September 1839. Signed by P. J. Cohen who first opened a store there in 1831 and was also postmaster for the district. Amongst older local residents there survives a tradition of “Cohen’s Bank”, in a confused form, suggesting that he tried again many years later.

147 Ibid., 16 August 1839.

148 There does not appear to be any reference to the Hunter's River Bank in the Bank of Australasia records. Maitland was one of the towns in which Kinnear as early as 1836 suggested a branch or agency, (“Letters to London”, 1 January 1836), and he continued to favour it (e.g., *ibid.*, 13 March 1838). Branch opened on 24 December 1839. *Sydney Herald*, 18 December 1839.

149 *Sydney Herald*, 6 January 1840.

150 The announcement, *Sydney Herald*, 14 February 1840, of trustees for a branch of the Savings Bank is unconnected even though three of its five trustees were signatories of the Bank of Wollongong advertisement. The savings bank branch was already in train. It does not appear to have operated after all (see chapter on Savings Banks, note 70), and in any case would not have been a substitute for commercial banking service.

151 *Sydney Herald*, 19 February 1840, announcing Commercial branch; *ibid.*, 28 February, calling meeting for local bank.

152 Ibid., 8 April 1840.

153 Ibid., 13 April 1840. The assumption of correctness is based upon the resemblance of the Windsor plan to the other “tradesmen's” and local bank plans, of which small bills were a leading feature.

154 Presumably on 1 March, the date promised in *Sydney Herald*, 19 February 1840. *Ibid.*, 15 April 1840, advertisement dated 13 April, says branch “has been opened”.

155 Promise in *Sydney Herald*, 15 April 1840; for local resentment at sending cash to Sydney and having to use Sydney bank notes, *ibid.*, 8 April, 22 April 1840.

156 Prospectus in *Port Phillip Gazette*, 1 April 1840, and *Sydney Herald*, 27 April 1840. The recent curtailment of bank loans is recorded in *Port Phillip Gazette*, 25 April 1840.

157 31 October 1840.

Port Phillip Gazette, 1 August 1840.

Ibid., 29 August 1840.

Ibid., 10 October 1840. A limit of 100 shares for any individual was reimposed at this time.

Ibid., 23 May 1840.

Ibid., 7 November 1840, declares explicitly that the Tradesmen's Bank was never formally established.

Sydney Herald, 31 July 1840 (meeting on 26th). The report makes it clear that a prime move was R. P. Cummins.

Sydney Herald, 14 August 1840.

Sydney Herald, 7 September 1840.


First established in 1835 as an agency.

Not only did it disappear from the Sydney press, which published periodical Maitland newsletters, but it is not mentioned in the Hunter River Gazette which commenced on 11 December 1841 and on 18 June 1842 urged a local bank for tradesmen and mechanics.

Sydney Herald, 21 August 1840. Later there were complaints that local bills were discounted through the branch only after reference to Sydney. Ibid., 14 July 1841.

Report, 1 June 1839; “Letters to London”, 14 July 1841.

New Zealand Gazette, 6 September 1839.

The London Board decided on a branch in New Zealand in 1839 (“Minutes”, 23 July 1839) but Griffiths, faced with the Union already in possession, and unimpressed by reports of prospects, advised against it. (“Private Letter Book”, 7 January 1840). He changed his mind (ibid., 6 February 1840) but London decided to have no branch there (“Minutes”, 23 March 1843). The Union Bank opened a second, Auckland, branch in 1847 but the part of Australian banks in New Zealand development is not pursued further here.


Ibid., to Montgomery and McCrea, 7 June 1841. Thomson was supplied with £1,200 in notes for which he paid 5 per cent with a liability to a charge of 12 per cent on any returned to Melbourne by holders.

Ibid., to F. Champion, 15 July 1842, offering him the agency. Subsequent letters
show that he accepted.

178 “Letters to London”, 16 March, 9 April 1841. Griffiths saw the agencies as forerunners of branches in both places. In both cases the agents were given cash credits of £500, advanced in notes. Boys, First Years at Port Phillip, p. 134, accepts statement of the then (1935) Geelong manager that the first opening was 1846, but this refers to the full branch.

179 “Report”, 1843; Sydney Herald, 26 April 1842, says arrangement was with approval of his fellow directors of the Port Phillip Bank. Thomson was still Port Phillip agent when that bank closed in 1843 (see below). Boys, First Years at Port Phillip, p. 134, gives opening date as 18 May 1842.

180 Sydney Herald, 3 January 1840; closed agency 31 December 1839.

181 “Report” of Launceston Manager for 1841; “Supplementary Report” of London Board, 26 January 1842. The Bank did not lose because adequate security had been taken.

182 Glenelg to Bourke, 24 April 1837, H.R.A., I, xviii, 736, increase from £200,000 to £400,000.

183 Glenelg to Gipps, 11 January 1839. There were later increases to double this amount.

184 In the 'forties capital was increased to rival the Australasia.

185 “Fifth Report” of South Australian Company (29 June 1841) pp. 17–23; “First Report” of South Australian Banking Company (28 June 1842); “Letters from London”, 29, 31 March 1842. Last sets out status of local board which was subject in all matters to London orders; was appointed by London; its decisions required the manager's concurrence.

186 A copy of the charter is preserved in the Adelaide office of the Union Bank; it resembles that of the Australasia on all key points.

187 Hobart Town Courier, 26 February 1831, 3 March 1837, 10 January 1840.

188 Ibid., 3 March 1837, 16 August 1839, 31 July 1840.

189 Sydney Herald, 21 January, 19 July 1836; 22 January 1838; 29 July 1840; 22 January 1841; Sydney Gazette, 16 August 1834; 23 July 1835.

190 Sydney Herald, 11 April 1833; 9 February, 27 July 1835; Sydney Gazette, 2 August, 25 September 1834.

191 Sydney Herald, 22 July 1840.

192 The attempt to trace exactly the growth of paid-up capital was abandoned. Available data are clearly fragmentary and the practice of voluntary payment introduces apparent inconsistency and doubt as to what amounts were in fact paid; moreover, amounts recorded as paid up at particular dates often included shares bought on credit.
193 Interest rates for various colonies are tabulated in Appendix, with sources.

194 *Sydney Gazette*, 14 May, 28 June, 14 July 1831; *Tegg's N.S.W. Almanac*, 1837, p. 133.

195 Evidence of J. C. Phelps, Secretary, to Committee on Company's bill, *V.P.N.S.W.*, 1845. It resumed discounting in 1847, *Sydney Herald*, 31 May 1847.

196 E.g., South Australian Mutual Fire Insurance Co. (mortgages), *South Australian Register*, 18 November 1848. The Sydney Auction Company invested heavily in discounts as did the Hunter River Steamship Company; the Royal Exchange Company Act (1837) authorized discounts and mortgages as did the Sydney Alliance Marine, Fire & Life Insurance Company Act (1839); the Melbourne Fire & Marine Insurance Company Act (1840) permitted discounts but not mortgages. The Alliance Assurance Co. (Sydney) received £3,157 in interest during 1841, *Sydney Herald*, 3 February 1842. The Mutual Fire Insurance Association Act (1841) was exceptional in prohibiting discounts. (This list is illustrative, not exhaustive.)

197 As illustrations, from Sydney only, which could be paralleled (with fewer names) for each other capital, the following were active (dates refer to *Sydney Herald*: W. Barton (10 May 1842); Ironside & Rich, G. H. Gibbons, H. Ferriss (12 May 1842); C. Beilby (29 September 1842, 1 May 1845); W. Barrett (14 May 1847); C. Marsh (11 June 1847); A. Dunn (18 October 1849, 14 January 1850). These were all acting as brokers for mortgages or discounts or both, sometimes combined with foreign exchange and other business.

198 At the end of the 'forties there was a boom in building societies in the various colonies: Adelaide and Suburban Building Society (1847); Tasmanian Building and Investment Society (Hobart, 1849); Australian Benefit Investment and Building Society (Sydney, 1848); Melbourne Benefit Building Society (1848); Australia Felix Benefit Investment and Building Society (1849); Victoria Benefit Land and Building Society (1849). This development which was a major theme in the second half of the nineteenth century hardly falls within the present story.


200 *Monitor*, 8 September, 1840; *South Australian Register*, 21 November 1840.


202 *Sydney Herald*, 19, 21 June 1841.


206 *Ibid.*, 7 May, 28 June 1842. Apparently remittance of scrip to London had not been foreseen and was due to the sales methods of Wright. An incidental dispute as to the manner of resignation from the London Board of G. F. Angas would not have increased public confidence in Sydney, *Sydney Herald*, 16, 18 April 1842.


211 Gipps could see only two reasons, apart from prestige, why the company should want a charter: (1) limited liability, which was unimportant since a mortgage company should have negligible liabilities other than capital, and (2) simplification of legal action by or against the company, which was irrelevant since it took mortgages in the names of individual trustees.

212 Prospectus, *Sydney Herald*, 15 January 1841. Calls (not exceeding £10 nor more frequent than every three months) required British Treasury sanction in excess of £500,000 capital.

213 *Sydney Herald*, 21, 22 June, 12, 26 July 1841.

214 First offer, *Sydney Herald*, 26 July 1841, repeated frequently at short intervals in following years.

215 *Port Phillip Patriot*, 7 February 1842. Agents were Montgomery and McCrea. For original intention, prospectus, *loc. cit.*, and *Sydney Herald*, 22 June 1841.

216 Gipps to Russell, 17 July 1841, *H.R.A.*, I, xxi, 434–5: “I cannot contemplate without alarm the ultimate consequences of the heedlessness with which people are now mortgaging their estates to these companies” (Trust and Loan companies).


218 *Sydney Herald*, 4 August 1842. The fourteen directors included eight advocates. It is impossible to tell from local sources whether this was the latest form of the Scotch Australian Bank, the prospectus of which, dated Glasgow, 15 August 1840, appeared in *Sydney Herald*, 22 December 1840. Capital was to be £500,000 in £20 shares, and business was to be banking only. The *Herald*, 21 June 1841, announced that the agent of this company, which it described as the “Scotch Loan Company” was on his way to New South Wales, which would have been consistent with the time of opening of the Scottish Australian Investment Co. No more is heard of the Scotch Australian Investment Bank, but Mitchell Library has the prospectus without date or place of issue, of an “Australian Investment Bank” with a capital of £1 million, half reserved for British shareholders, to take fixed deposits, issue notes and to lend on mortgage, but not to discount. This may have been an intermediate plan, but it is likely that the three plans were quite separate.

219 *Sydney Herald*, 14 August 1842.

220 “Swanston Letter Book”, 1838–45, Foreign, to Hamilton, 12 October 1841. Note that Swanston describes the deed of settlement as a charter; to a close associate
this might have been an innocent slip, but there is no similar excuse for his frequent repetition of the similar statement to overseas investors e.g., _ibid._, to J. Llewellyn, 15 July 1841.

221 Announcement in _Hobart Town Courier_, 22 October 1841.


224 _Ibid._, to Meredith, 25 February 1842; to Parramore, 11 March 1842.


226 For the continued taking of deposits after this 1844 agreement: “Derwent Bank Letter Book”, 1842–5, to Mason, 20 June 1845; 1845–54, to Whitefoord, 23 December 1845, to Hone, 20 June 1848; _Hobart Town Courier_, 17 October 1846. The high level of deposits is itself adequate evidence, since holders would not have retained accounts which could be operated only for withdrawals.
Chapter 10 Slump (1841–1843)

TOWARDS the end of 1840 it became obvious in New South Wales that the economic carousal was over, and with devastating rapidity acute and prolonged depression developed, spreading throughout the colonies. In Tasmania it was somewhat slower in reaching its depths, and in South Australia it was overshadowed and conditioned by a crisis in public finance caused by the bills drawn by Gawler being dishonoured in England; this and the speed and strength of later recovery justify the historians' convention of speaking of “depression” in eastern Australia but “crisis” in South Australia. In Western Australia the impact was comparatively mild.¹

The Origins and Course of the Depression

Much has been made of the fall in the value of wool as a major factor in the slump.¹ But a glance at the statistical data discloses that the connection cannot be a simple one.

**WOOL EXPORTS, NEW SOUTH WALES, 1836–45** *(including Port Phillip)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (million lb.)</th>
<th>Total Value (a)</th>
<th>Pence per lb.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>3.69</td>
<td>£369,324</td>
<td>24.0</td>
</tr>
<tr>
<td>1837</td>
<td>4.45</td>
<td>332,166</td>
<td>18.0</td>
</tr>
<tr>
<td>1838</td>
<td>5.75</td>
<td>405,977</td>
<td>17.0</td>
</tr>
<tr>
<td>1839</td>
<td>7.21</td>
<td>442,504</td>
<td>14.6</td>
</tr>
<tr>
<td>1840</td>
<td>8.61</td>
<td>566,112</td>
<td>15.8</td>
</tr>
<tr>
<td>1841</td>
<td>8.39</td>
<td>517,537</td>
<td>14.8</td>
</tr>
<tr>
<td>1842</td>
<td>9.43</td>
<td>595,175</td>
<td>15.1</td>
</tr>
<tr>
<td>1843</td>
<td>12.70</td>
<td>685,647</td>
<td>12.9</td>
</tr>
<tr>
<td>1844</td>
<td>13.54</td>
<td>645,344</td>
<td>11.5</td>
</tr>
<tr>
<td>1845</td>
<td>17.36</td>
<td>1,009,242</td>
<td>13.9</td>
</tr>
</tbody>
</table>

*(a) Value entered for return of exports, not realized price.*

This is hardly a picture of a bankrupt industry. The 2s. per lb. of 1836 was exceptional, prices of the preceding ten years having been much lower, and the main price decline occurred in 1837 and 1838, when the boom had still to reach its peak; over the critical years 1840–42 values were remarkably well maintained. The export (virtually equivalent to production) of wool shows no slump in quantity, indicating that despite individual disasters the squatters saw profit in continued expansion in the numbers of sheep (not much affected by boiling down for tallow) even
though the taking up of new land suffered a check. Total income from wool continued to rise in spite of the moderate fall in price during the slump period.

Income from wool, however, is only half the story. Other forms of income suffered a severe check. The meat market was of small account when the relative human and sheep populations are considered, for there was as yet no export market. The great market for sheep (as live animals) had come from the expansion itself, in providing the base stock for new squatters and new stations, and when the expansion ceased this market necessarily disappeared, to be replaced only imperfectly by the returns from boiling down sheep for tallow. More important were the rising level of costs and the narrowing of the scope for occupying new land. Wages were rising through the later 'thirties as were the prices of equipment and supplies. The further the squatters went afield the more it cost to haul supplies in and wool out. According to the knowledge and prejudices of the time most of the best land was taken up before the end of the 'thirties, and what remained appeared to offer poorer yields and higher costs, especially for transport. Sheep for new stations were more costly, and low in quality—the squatter who could carry more sheep would sell only his worst. The cessation of transportation after 1840 appeared to threaten increased scarcity of labour and therefore higher wages; Gipps' announcement of the volume of immigration bounty orders outstanding, with its obvious implication of restriction or abandonment of assisted immigration, suggested that there would be not merely no substitute for assigned convicts but a new source of labour scarcity. From this point of view, and seen against the continued growth in wool production, it becomes understandable that in New South Wales and Tasmania the favoured explanation of the slump should have been scarcity of labour; and that in the midst of unemployment, which for the size and type of the economy was severe, assisted immigration should have been the favoured remedy to be pressed again and again.

What happened, in the first instance, to the wool industry can therefore be viewed as the apparent exhaustion of opportunities for profitable expansion into new areas after a decade in which its profits and its technique of growth had been reckoned in terms of geographical spread. Rosy expectations and rash investment plans assumed continued expansion at the rate of the 'thirties; that expansion itself produced a denial of the assumption, in the dual form of converging income and cost trends and of the occupation of what appeared to be the good sheep land. The very extremity of optimism, which all contemporary critics later found so absurd, made the shock of disappointment the more severe, especially to
absentee investors in England. It is this which gives a significance not intended by them to the chorus of governors, bankers, merchants and select committees on the theme of wild speculation as the primary cause of the slump. It was a cause of great importance in the sense that anticipations so disregardful of the trends in the industry could not but be disappointed severely, and in their disappointment was the immediate occasion for the collapse of (geographical) expansion of sheepfarming, and the chain reaction of credit contraction, private and public economizing, the slump in land sales, and the cumulative spread of falling prices and incomes, leading to insolvency and unemployment on a serious scale for the first time in the country's history.

This analysis, it will be noted, assumes so far that the primary slump developed from conditions within the wool industry itself, and does not require the collapse of British investment which later historians have traced to the British crisis of 1839. How far British investment in Australia declined for reasons unrelated to Australia can only be a matter of rough judgment, but the imperfect evidence suggests that it was more sharply curtailed by what was happening in Australia itself. The crisis of 1839 is not reflected in the availability of capital for expansion by the Bank of Australasia in 1839 or even 1841, or for the Union Bank; the three mortgage companies and the Royal Bank all raised their funds after the crisis, in the period which coincided with Swanston's zenith as an investment agent. Recorded trade figures, for what guidance they give, show the great drop in capital transfer as occurring in 1842 with 1840 as the great peak. These facts hardly point to stringency in the English capital market as a major circumstance.

The truth is rather that the sharp fall in British investment was initiated by bad news of returns in the colonies, and that its role is in greatly accentuating a slump already begun and so producing the dire disasters of 1842–43. This view gains strength from considering the situation in South Australia, where the central factor was an acute crisis in public finance precipitated by the dishonour of Gawler's bills. Sharp and severe while it lasted, it might be expected to have brought Australia as a whole under suspicion of investors. But in South Australia itself it was short-lived, and recovery was marked long before the mining boom began. As early as January 1843 Grey could report that not only were there no workers remaining on government relief, but there was “no surplus labour in the colony”; the banking statistics suggest that recovery had begun by mid-1843. But once disappointed expectations dried up the stream of capital, the effect was severe, and, in New South Wales and Tasmania, prolonged.

The salient facts of public finance in New South Wales fit this
interpretation. Gipps was assailed by the press, by bankers and merchants for his 1842 withdrawal of government deposits from the banks, and this charge of having forced bank contraction has been accepted by modern historians. But the withdrawals were required to meet the deficiency in the Land Fund for immigration payments already incurred. The Land Fund was insufficient because of the sharp fall in land sales, and the worst that can be said of Gipps was that he might have braked the boom by not making the deposits in the first place, and later might have adopted other means of making immigration payments, including more heroic borrowing measures than his £50,000 of debentures in 1842. But his contemporaries praised him for the deposits, which they largely forced upon him, and the debentures were a daring departure for the colony; moreover, the critics appear to assume that Gipps hoarded the withdrawals whereas they went where the Land Fund would have gone—into private hands, and therefore mostly back to the banks—and payments for additional debentures would have enlarged government deposits at the expense of private. The origin of the decline in deposits was the fall in land sales, not government policy.

That fall itself is primarily explicable as the result of a realization that rosy expectations were being falsified, reinforced by the effects of the great drought of 1838–40, which affected most severely the agricultural areas and sent the prices of wheat and flour to high levels which were small compensation to farmers with low yields (imports of wheat and flour were very large). The increase in the minimum price of Crown land in 1839 to 12s. per acre and two years later to £1 was of little account; nearly all land sold for more in any case and the most important consequence was probably to assure private owners of poor land that sales of even the worst Government land could not force them to accept less than the Government price. To the squatters, who were occupying not buying Crown land, the minimum price was irrelevant.

The first clear signs of crisis were the difficulties of farmers and flour-millers whose losses by drought were now followed by a sharp drop in prices and losses in the market for imports. Sydney wheat prices, which had reached famine levels of £1 2s. per bushel in August-September 1839, slumped to 13s. 6d. in November, and a year later, in September, abruptly dropped from 11s. to 6s. 11d., from which level decline continued slowly to reach ultimately 2s. 9d. in April 1845. Flour followed a similar course, collapsing from £75 per ton in September 1839 to £33 in November, and £20 a year later. The first major insolvencies were those of flour-millers, in late 1840. But there was difficulty in the market for imports, which were commonly forwarded by English houses to local merchants in anticipation of demand, and covered by bills drawn on consignees,
customarily for two-thirds of the estimated selling price. These were discounted usually, for obvious reasons, with the London offices of the Australasia and Union which forwarded them for collection. By mid—1840 Australian merchants were confronted by the impossibility of realizing the prices on which these bills were based, because the twin factors of agricultural distress and the running-down of the pastoral boom had dramatically changed the former sellers' market. The need for ready money to meet these bills forced them to press for payment of accounts which had been suffered to run on and accumulate, and to turn to distress sales.\(^{13}\) Sales by auction in New South Wales are a rough guide to the 1840 pressure for ready money which was the first phase of the slump:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Sales Subject to Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>£313,171</td>
</tr>
<tr>
<td>1837</td>
<td>321,346</td>
</tr>
<tr>
<td>1838</td>
<td>409,167</td>
</tr>
<tr>
<td>1839</td>
<td>513,388</td>
</tr>
<tr>
<td>1840</td>
<td>1,246,743</td>
</tr>
<tr>
<td>1841</td>
<td>£963,697</td>
</tr>
<tr>
<td>1842</td>
<td>686,089</td>
</tr>
<tr>
<td>1843</td>
<td>454,565</td>
</tr>
<tr>
<td>1844</td>
<td>310,831</td>
</tr>
<tr>
<td>1845</td>
<td>404,543</td>
</tr>
</tbody>
</table>

Pressure for cash, once initiated, spread almost overnight, and merchants and traders were neither prepared to give new credit nor to wait for old debts; they in their turn were pressed by the banks and other lenders—the first sharp reduction in bank loans came early in 1841.

We will sue right and left, not a soul will we spare;
Be they good, be they bad, the same sauce they shall share;
Not a day will we wait, not a penny renew;
To your marrowbones all! We will sue! we will sue!

No matter to us whether \textit{willing} or not,
Whether \textit{able}, or hardly worth powder and shot;
We will take no instalment in part of our due,
But we'll heap up expenses. We'll sue! we will sue!

It is clear as the day, ev'ry man that's in debt
Is going down hill!—if he's not of our set:
A fig for his properties, many or few,
His ships, sheep, or cattle. We'll sue! we will sue!
We know there's no money; we know it full well,
That there's no one to buy, and that nothing will sell;
But we won't take securities, real and true—
We musht have our monish. We'll sue! we will sue!15

Some of the worst failures were.16

<table>
<thead>
<tr>
<th>Date filed</th>
<th>Name</th>
<th>Occupation</th>
<th>Liabilities</th>
<th>Deficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 16</td>
<td>J. Wright</td>
<td>brewer</td>
<td>£8,774</td>
<td>£8,694</td>
</tr>
<tr>
<td>Feb. 25</td>
<td>J. Roberts</td>
<td>gentleman</td>
<td>14,516</td>
<td>6,841</td>
</tr>
<tr>
<td>Mar. 25</td>
<td>W. Lang</td>
<td>merchant</td>
<td>34,110</td>
<td>34,093</td>
</tr>
<tr>
<td>Mar. 25</td>
<td>E. Turner</td>
<td>settler</td>
<td>14,337</td>
<td>8,601</td>
</tr>
<tr>
<td>Mar. 30</td>
<td>G. &amp; E. Weller</td>
<td>merchants</td>
<td>28,669</td>
<td>28,669</td>
</tr>
<tr>
<td>Apl. 23</td>
<td>G. Rust &amp; Co.</td>
<td>—</td>
<td>10,087</td>
<td>5,561</td>
</tr>
<tr>
<td>Apl. 29</td>
<td>R. Duke &amp; Co.</td>
<td>merchants</td>
<td>175,235</td>
<td>175,235</td>
</tr>
<tr>
<td>May 9</td>
<td>J.H. Scrutton</td>
<td>agent</td>
<td>7,143</td>
<td>7,094</td>
</tr>
<tr>
<td>June 29</td>
<td>T. Gore &amp; Co.</td>
<td>merchants</td>
<td>112,697</td>
<td>17,626</td>
</tr>
<tr>
<td>Sep. 5</td>
<td>W. T. Arnold</td>
<td>merchant</td>
<td>10,450</td>
<td>9,350</td>
</tr>
</tbody>
</table>

While these were the more conspicuous formal insolvencies, they were
typical in the predominance of merchants and the high proportionate
deficiencies. As important as the formal insolvencies was the collapse of
most of the joint-stock companies formed in the boom, involving all the
lately formed banks and virtually all the other companies, except those
formed for insurance and the Australian Gas Light Co.

Inevitably, the pressure produced in New South Wales successful
demands for legislation relaxing the treatment of insolvents, and a new
act17 gave relief, most notably in permitting debtors with real prospect of
ultimately paying to retain and use their property. Its effect was shown
immediately in a rush of insolvencies, most of them voluntary, as those in
difficulties took “Burton's Purge” in “Whitewash Hall”18 In eleven months
of 1842 some 600 insolvency petitions were filed and “meetings of
creditors this day” became a normal heading in the press.19 A summary in
1849 gives an illuminating picture:20

**INSOLVENCIES—**
**NEW SOUTH**
**WALES, 1842–49**
**(Estates**
**Sequestrated)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>629</td>
</tr>
<tr>
<td>1843</td>
<td>539</td>
</tr>
<tr>
<td>1844</td>
<td>192</td>
</tr>
<tr>
<td>1845</td>
<td>137</td>
</tr>
<tr>
<td>1846</td>
<td>110</td>
</tr>
<tr>
<td>1847</td>
<td>115</td>
</tr>
</tbody>
</table>
Total: 1,923, less 42 estates not proceeded with, leaving 1,881, of which 51 were compulsory and 1,830 voluntary.

Proved debts £3,995,063, of which £3,478,258 was owing in New South Wales.

Of these 1,881 estates: 650 paid dividends (of £400,894, or 2s. 31/4d. in £)
10 paid unstated dividends 1,198 paid no dividend 23 were previously assigned.

Dividends paid were:

<table>
<thead>
<tr>
<th>In £</th>
<th>No. of Estates</th>
<th>In £</th>
<th>No. of Estates</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1s.</td>
<td>149</td>
<td>5s. to 10s.</td>
<td>132</td>
</tr>
<tr>
<td>1s. to 2s. 6d.</td>
<td>133</td>
<td>10s. to 15s.</td>
<td>20</td>
</tr>
<tr>
<td>2s. 6d. to 5s.</td>
<td>145</td>
<td>over 15s.</td>
<td>71</td>
</tr>
</tbody>
</table>

Of the 1,198 no—dividend estates: 569 had no assets 200 were pauper estates 429 had as only assets, land already mortgaged.

The low dividends were as much the result of the loopholes for debtors as of the severity of the deflation.

There's nothing so common, convenient, and good,
So fitting, effectual, and neat,
'Gainst a bailiff that's curt, or dun that is rude,
As to schedule and get out of debt.

You may talk of your honour and honest repute,
And for loss of your credit may fret;
But when you can't pay there's nothing will suit,
But to schedule and get out of debt.

What are stores choked with goods, if all empty your tills,
Sheep, cattle, farms, houses to let,
If you've not got cash, or discountable bills?
Better schedule and clear off your debt.

You part with your pony, piano, and plate;
Your wine, and your beer, with regret:
But retrenchment is vain, and amendment too late,
You must schedule and get out of debt.

Your boys and your girls you withdraw from the schools,
And old tasks, which you fain would forget,
You rub up anew—but your ardour soon cools;
You must schedule and get out of debt.

You are loth to surrender—no wonder you're loth,
For you know you have property yet;
But beset with *ca.sa.s* and fiery *fa.s* both
You must schedule and clear off your debt.\(^1\)

In these events lies the primary explanation of the shutting off of British investment in the colonies. Not because of difficulty at home, but as a natural response to low returns or losses on past investments and reports of disaster and insolvency in the colonies, British investors were as keen to recover their capital as so recently they had been anxious to lend it. Recorded trade statistics show clearly the sharp violence of the reversal:

**SLUMP (1841-1843)**

**TRADE STATISTICS, NEW SOUTH WALES, 1840–45**

*(including Port Phillip)*\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Surplus Imports</th>
<th>Surplus Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>£3,014,189</td>
<td>£1,399,692</td>
<td>£1,614,497</td>
<td>—</td>
</tr>
<tr>
<td>1841</td>
<td>2,527,988</td>
<td>1,023,397</td>
<td>1,504,591</td>
<td>—</td>
</tr>
<tr>
<td>1842</td>
<td>1,455,059</td>
<td>1,067,411</td>
<td>387,648</td>
<td>—</td>
</tr>
<tr>
<td>1843</td>
<td>1,550,544</td>
<td>1,172,320</td>
<td>378,224</td>
<td>—</td>
</tr>
<tr>
<td>1844</td>
<td>931,260</td>
<td>1,128,115</td>
<td>—</td>
<td>£196,855</td>
</tr>
<tr>
<td>1845</td>
<td>1,233,854</td>
<td>1,555,986</td>
<td>—</td>
<td>322,132</td>
</tr>
</tbody>
</table>

A change of this magnitude, once it had occurred, was sufficient cause for all that followed—widening insolvency, collapse of land sales, credit restriction, unemployment.

Following the liquidity crisis of 1840, with its chain-reaction of insolvencies, came the end of the land boom. Sales of Crown land had reached their peak in 1840, and in 1841 fell calamitously in both area and, for country land, in price. From £324,072 land revenue fell to £92,637 in 1841, £18,313 in 1842, and a minimum of £9,175 in 1844. Already Gipps had sought English aid in cancelling the immigration orders involving commitments for nearly £1 million which he had rashly allowed to accumulate,\(^3\) and was forced to deplete government bank deposits, a contraction only offset in small degree by his issue of £50,000 of immigration debentures. Bank loans, after an initial break in 1841, appeared to recover in 1842, but then, as the severity and duration of the slump were recognized, and a number of banks failed, fell precipitously, being halved in two years in New South Wales. In Tasmania the fall was nearly as severe, but in South Australia was comparatively mild, for that colony escaped the worst of the depression.\(^4\) Initially, the severity of this credit contraction was mitigated by the substitution of mortgage loans by insurance companies who hurriedly withdrew from discounting, by the Derwent Bank in Tasmania, and by the mortgage companies on the mainland. Figures of New South Wales mortgages show both the magnitude of the substitution, and the abruptness with which it was
terminated after 1843, that is when bank restriction had reached its worst levels, offset to a substantial but inadequate degree by the new wool liens and stock mortgages.25

**LAND SALES—NEW SOUTH WALES, 1836–46**

<table>
<thead>
<tr>
<th>Year (Town)</th>
<th>Acres</th>
<th>(Town) Proceeds £</th>
<th>(Town) Aver. per acre (£)</th>
<th>(Country) Acres</th>
<th>(Country) Proceeds £ (Town)</th>
<th>Aver. per acre (Country)</th>
<th>(Total) Acres</th>
<th>(Total) Proceeds £ (Total) Aver. per acre (shill.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>136</td>
<td>7,556</td>
<td>55.6</td>
<td>373,978</td>
<td>121,322</td>
<td>6.49</td>
<td>374,114</td>
<td>128,878</td>
</tr>
<tr>
<td>1837</td>
<td>213</td>
<td>8,308</td>
<td>39.0</td>
<td>368,483</td>
<td>113,655</td>
<td>6.17</td>
<td>368,696</td>
<td>121,963</td>
</tr>
<tr>
<td>1838</td>
<td>229</td>
<td>17,571</td>
<td>76.7</td>
<td>315,090</td>
<td>111,294</td>
<td>7.13</td>
<td>315,318</td>
<td>128,865</td>
</tr>
<tr>
<td>1839</td>
<td>2,785</td>
<td>21,206</td>
<td>7.6</td>
<td>283,130</td>
<td>145,507</td>
<td>10.28</td>
<td>285,916</td>
<td>166,713</td>
</tr>
<tr>
<td>1840</td>
<td>5,525</td>
<td>118,611</td>
<td>21.5</td>
<td>183,944</td>
<td>205,461</td>
<td>22.34</td>
<td>189,469</td>
<td>324,072</td>
</tr>
<tr>
<td>1841</td>
<td>249</td>
<td>9,710</td>
<td>39.0</td>
<td>86,092</td>
<td>82,927</td>
<td>19.26</td>
<td>86,341</td>
<td>92,637</td>
</tr>
<tr>
<td>1842</td>
<td>170</td>
<td>10,963</td>
<td>64.5</td>
<td>21,733</td>
<td>7,349</td>
<td>6.76</td>
<td>21,904</td>
<td>18,312</td>
</tr>
<tr>
<td>1843</td>
<td>157</td>
<td>5,379</td>
<td>34.3</td>
<td>4,660</td>
<td>6,827</td>
<td>29.30</td>
<td>4,818</td>
<td>12,206</td>
</tr>
<tr>
<td>1844</td>
<td>246</td>
<td>3,074</td>
<td>12.5</td>
<td>4,013</td>
<td>6,100</td>
<td>30.40</td>
<td>4,259</td>
<td>9,174</td>
</tr>
<tr>
<td>1845</td>
<td>1,755</td>
<td>6,311</td>
<td>3.6</td>
<td>5,513</td>
<td>11,715</td>
<td>42.50</td>
<td>7,268</td>
<td>18,026</td>
</tr>
<tr>
<td>1846</td>
<td>283</td>
<td>9,172</td>
<td>32.4</td>
<td>6,736</td>
<td>18,528</td>
<td>55.01</td>
<td>7,019</td>
<td>27,700</td>
</tr>
</tbody>
</table>

**SOURCE:** Return 13 August 1847, *Votes and Proceedings*, New South Wales Legislative Council, 1847.

**NOTE:** Prices include remissions, i.e., are nominal prices paid, not necessarily identical with net proceeds. Figures differ slightly from those in annual returns, presumably because of later adjustments of prices or correction of errors.

By 1842, when the great decline began in loans by the banks, they were in no position to do other than seek their own safety. In Tasmania, the Derwent Bank was crippled, the Colonial and Archers Gilles & Co. forced to close, and the surviving institutions—Bank of Van Diemen’s Land, Commercial, Australasia and Union—forced into severe contraction. On the mainland the major failure was that of the Bank of Australia, the prolonged settlement of whose affairs overshadowed and bedevilled recovery until the end of the decade; its fate was shared by the Sydney and Port Phillip, while the New South Wales and Commercial of Sydney were in difficulties.

**REGISTERED MORTGAGES ON LAND, 1837–50**

<table>
<thead>
<tr>
<th>Year (Syd)</th>
<th>No.</th>
<th>Amount £</th>
<th>Average £</th>
<th>(PPh) No.</th>
<th>Amount £</th>
<th>Average £</th>
<th>(PPh) No.</th>
<th>Amount £</th>
<th>Average £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837</td>
<td>286</td>
<td>231,014</td>
<td>807.7</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1838</td>
<td>356</td>
<td>248,892</td>
<td>699.1</td>
<td>16</td>
<td>17,260</td>
<td>1,078.8</td>
<td>372</td>
<td>266,152</td>
<td>715.5</td>
</tr>
<tr>
<td>1839</td>
<td>383</td>
<td>348,818</td>
<td>910.8</td>
<td>110</td>
<td>77,464</td>
<td>704.2</td>
<td>493</td>
<td>426,282</td>
<td>864.7</td>
</tr>
<tr>
<td>1840</td>
<td>459</td>
<td>514,741</td>
<td>1,121.4</td>
<td>82</td>
<td>134,445</td>
<td>1,639.6</td>
<td>541</td>
<td>649,186</td>
<td>1,200.0</td>
</tr>
<tr>
<td>1841</td>
<td>709</td>
<td>1,098,742</td>
<td>1,549.7</td>
<td>99</td>
<td>108,474</td>
<td>1,095.7</td>
<td>808</td>
<td>1,207,216</td>
<td>1,494.1</td>
</tr>
</tbody>
</table>
It is evidence both of the severity of the slump and the changed nature of the economy that unemployment was a major factor, as it had not been in 1826–30, and that both in New South Wales and South Australia public works were organized for relief. In the latter colony the need was brief, but in New South Wales the unemployed were not so readily absorbed. Figures are necessarily fragmentary. In 1843, when the amount of unemployment first became important, a select committee obtained an incomplete list of 1,243 unemployed in Sydney, of whom roughly a third were labourers (i.e., unskilled workers) and many of the rest building workers; while Caroline Chisholm reported having on her books 572 seeking employment, with a similar concentration of occupations. In a town which, including suburbs, had a population of 35,507 in 1841 and 45,190 in 1846, even these incomplete figures meant severe unemployment.

### Monetary Recovery Measures

Consistent with contemporary views of causes, recovery plans concentrated on non-monetary measures. In all colonies there were petitions and propaganda for protection for agriculture, which met the fate which might be expected in British colonies in the 'forties. The most persistently favoured remedy in all colonies was revival of assisted immigration to provide more (and cheaper) labour. This entailed borrowing locally and abroad, and might have had important consequences for the monetary system had its attainment not been delayed until after recovery and its scale limited. The creation of government securities as a form of investment was in fact of importance prior to 1850 only to the savings banks.

Generally, however, there was acceptance by the dominant interests that “the natural course of events” must be endured. In the monetary field, after the initial shock had stimulated proposals for extensive government lending and state banking, which did not mature, agitation concentrated on reduction of interest rates—with the weight of opinion successfully resisting legislative restriction—which was achieved more as a matter of
profitability than because of agitation or the threat of legislation. The unorthodox invention of wool liens and stock mortgages, a genuinely novel Australian contribution to financial technique, was the only important piece of monetary policy actually implemented, and the only permanent change in the nature of the monetary system induced by the slump.32

Recovery, therefore, owed little to government policy, and conformed to the classical pattern of painful re-establishment of profit prospects after a Reinigungskrise. Those who had succeeded in retaining their stations found that wool still paid, and numbers of sheep and production of wool rose steeply. By 1844–5 depression was over, although except in South Australia where a mining boom was gathering way, the colonists still complained of bad conditions through the rest of the decade.

(a) Committee on Monetary Confusion

In August 1843, on the motion of Richard Windeyer, a Select Committee on “Monetary Confusion” was appointed in New South Wales; the title, according to Windeyer, was a phrase from the governor's opening address to the Council, its task to investigate and propose remedies. Windeyer tentatively suggested the issue of “notes, debentures, or exchequer bills” secured on real estate or “any property that is not perishable”. Most members were a little dubious of the remedy, but only one opposed inquiry.33 The committee proceeded to examine a large number of witnesses, and reported at the end of October.34

Apart from a wealth of diverse explanations of the slump, and one concrete proposal which the committee gratefully embraced, the evidence is chiefly remarkable for the exhibition of masochism by the bankers. Hart of the Australasia, who found the causes in the slump in export prices, loss of convict labour, and a “wild spirit of speculation . . . which unhappily was fostered and encouraged by the banks and by the government”, declared that the banks had “participated in the general delusion”. All he could propose was renewed immigration and the “strictest economy”; he was discouraging as to the possibility of issuing bills modelled on British Exchequer bills. McLaren of the Union substantially agreed as to causes, admitting with more restraint that the banks had been “perhaps too liberal”. He was equally unhelpful as to remedies; Exchequer bills the banks might take in exchange for doubtful bills in their portfolios. Griffiths, formerly of the Australasia and then a local director for the Union, found the main cause in “over-speculation” on the strength of excessive bank loans. As to remedies: “We must look greatly to time for relieving our present distress; but we can only succeed by reducing all our expenditure to the lowest
practicable level; by checking, in every way, the lavish system of credit which has too long prevailed here, and by reducing our imports to what we can fairly pay for; these are the best remedies which I can suggest. I would, however, strongly recommend to the banks and mortgages the reduction of interest to 6 per cent or 7 per cent; but I would not desire that any measures should be taken by the legislature to force such a reduction”.

Mitchell, a director of the Australia, declared that “too great facilities were offered to speculation in the way of discounts from the desire of the English and other banks to establish themselves”. C. W. Roemer roundly asserted that “the ignorance of bank directors, particularly of their duty to their shareholders, is almost incredible”; they had put all their eggs in the basket of “Sydney speculators and adventures”. Only two bankers refused to accept blame: George Miller of the Savings Bank and the defunct Sydney Bank and S. K. Salting, a Union director, but they agreed in opposing government action. Miller said “things must be left to their natural course; property must change hands”. Salting echoed: “the distress and ruin of individuals, much as they may excite our sympathies, may perhaps be preferable in a general point of view, to any artificial measure which, by interfering with the currency of the country, may seriously affect the permanent interests of the community and greatly impede the further progress of the colony”.

The only other banker to express an opinion as to remedies, T. W. Smart of the Sydney Bank, held the same view: “I think it impossible effectually to relieve the present distresses; nothing but time and a strict observance of economy by every person will ultimately restore the country.”

The few non-banker witnesses were no more helpful. Francis Kemble, sugar refiner, looked only to more immigrants; auctioneer T. Stubbs enumerated eighteen causes of the slump (in fact mainly a list of the chief events) and was too exhausted by the effort to provide a cure. Only Thomas Holt had a plan, fully developed and persuasively argued, which the committee adopted entire. They excused themselves from the larger burden imposed upon them by their terms of reference by generously allowing “that the present distressed state of the colony is to be attributed to a combination of most of the causes assigned for it by the different witnesses” and by excluding all “but the monetary measures of relief” on the grounds that several other committees were already at work on non-monetary proposals.

Holt's plan, as finally embodied in a bill, provided for a Land Board empowered to buy up mortgages in exchange for Land Board notes or Pledge certificates, charging 7 per cent interest. The former, Land Board notes, were to be inconvertible legal tender, payable for taxes, limited to £100,000; the certificates were to bear 6 per cent interest from the
government, redeemed by a sinking fund provided by mortgagors.\textsuperscript{36} Despite the known intention of Gipps to withhold the royal assent,\textsuperscript{37} Council pressed ahead with the bill. A legal difficulty appeared in that as a bill appropriating revenue it was invalid unless introduced by the governor, but a motion asking him to adopt it was defeated, partly because it appeared as a move to shelve the bill, partly on the plea of Wentworth and Windeyer that the Council should not admit such a limitation on its powers.\textsuperscript{38} The bill was duly passed, but Gipps withheld assent and the whole matter was dropped.\textsuperscript{39} Gipps, in his prorogation address, had tactfully warned Council not to proceed further: “After the most painful consideration, however, I find myself, I regret to say, forced to the conclusion . . . that the Colony cannot, by any direct legislative enactments be relieved from the depression under which it labours; and that it is only by the general tendency of their measures that the Legislative and Executive Authorities can aid individuals in the efforts which are necessary for the recovery of their affairs.”\textsuperscript{40}

(b) Interest Reduction

During 1842 and 1843 the need for interest reduction in New South Wales was constantly discussed. Leading the campaign was the \textit{Herald} which steadfastly maintained the view that reduction was essential, but must not be achieved by legislative action.

Can the colony, in its present and prospective circumstances afford this eleven per cent? That it has afforded it heretofore, and even prospered under it, is nothing to the purpose. Can it afford it now? Will it be able to afford it \textit{hereafter}? The merchant says \textit{no}; the shopkeeper says \textit{no}; the landholder says \textit{no}; the farmer says \textit{no}; the flockmaster says \textit{no}; the Commercial Bank says \textit{no}; the Bank of New South Wales half says \textit{no}; the other Banks, within the secret recesses of their board rooms whisper a melancholy \textit{no}; the Governor of the Colony makes the walls of his Council Chamber reverberate with his emphatic \textit{NO}. Would you have still more conclusive testimony? Go to the Supreme Court; examine the cause-lists; search the records of the Sheriff's office; and there you will see ‘\textit{No}’ written on every brief, incorporated with every verdict, and stamped upon every writ. Go to the Debtors' Prison; go to the office of the Chief Commissioner of Insolvencies; and there ‘\textit{No}’ will salute your eyes in its most humiliating forms, and your ears in its most plaintive cadences.\textsuperscript{41}

The first definite move came from the Bank of New South Wales, which in April declined to receive more 7 per cent deposits and gave three months' notice of reducing deposit interest to a maximum of 4 per cent.\textsuperscript{42}
The Commercial, which had earlier held its hand because none of the other banks would agree to common action,\(^43\) a month later went further, abolishing, as from June, all interest on current accounts, and reducing the rate for bills of less than 100 days to 8 per cent, with proportionate reductions in other rates.\(^44\)

This was followed by efforts by the Bank of New South Wales to secure joint action. A meeting of the colonial banks, other than the Commercial, concluded that reduction in discount rates required the abandonment of current account interest, and sought a meeting with the Inspectors of the Australasia and Union. Both refused, McLaren of the Union adding that he would consider a discount rate of 8 per cent but not abolition of interest on current accounts, and the whole question was dropped temporarily.\(^45\)

However, early in 1843, the maintained lower rate of the Commercial forced cuts. The Sydney Bank in January 1843 met the Commercial's rates (10 per cent) on long bills and cash credits, in March the Australasia and Union suddenly reduced their rates to the Commercial levels, except that they retained 3 per cent on current accounts. Thereupon the New South Wales and Commercial adopted 3 per cent as their current account rate.\(^46\)

The relief was less than it might seem, for the rate on cash credits, bills exceeding three months, renewals and mortgages, all remained at 10 per cent, and these were of more importance in depression than the rate on new short-term bills. Accordingly, attention turned to a usury law.

This grew out of a series of rowdy public meetings organized by Robert Cooper,\(^47\) whose main proposal was to shut the law courts for a year; at the third of these Wentworth announced his support of a usury law, and a turbulent meeting ended with a simple resolution inviting the governor to convene the Legislative Council as soon as possible.\(^48\) When it did meet, not exceptionally early, Wentworth introduced a drastic interest reduction bill.\(^49\) This proposed to prohibit interest on deposits, not only in banks, but also in other companies; prescribed a maximum rate of interest in all future contracts, left blank in the original draft, but with a forecast of 5 per cent; applied the restriction retrospectively to all mortgages; and established a board which, at the request of a creditor, should investigate any mortgage, and, if the security were adequate, substitute a government debenture for the mortgage. This was too Draconian to have any hope of acceptance, and after some skirmishing it was shelved by a vote of 21 to 12 on the second reading.\(^50\)

Whether because they expected less severe but more effective action, or merely because it was the profitable thing to do, the day after the defeat of Wentworth's bill, the Union and Commercial took joint action to reduce interest rates. Short-term bills (to 100 days) were discounted at 6 per cent,
longer at 8 per cent; current account interest was reduced to 2 per cent and deposits at three months' notice to 3 per cent.\textsuperscript{51} This action was not followed by the Australasia, Hart believing that there would be no loss of business since practically every customer was so indebted that he could transfer his business only if the receiving bank first paid all his commitments to the Australasia.\textsuperscript{52} The truth of this view of the weak competition between the banks in such conditions is shown by the fact that not until February 1845 was the loss of business sufficient to compel the bank to reduce its short-term discount rate to 6 per cent.\textsuperscript{53} The Savings Bank held to its 10 per cent mortgage rate until April 1844 when it became 8 per cent, the Trust Company retaining its 10 per cent rate throughout.\textsuperscript{54}

The next stage was the reduction of deposit interest initiated by the Bank of Australasia early in 1844. It came down to the same rates as the other banks, except that current account interest was to be reckoned on the minimum monthly, not daily, balance, a change followed by the Bank of New South Wales abolishing all deposit interest other than 2 per cent on the minimum monthly balance.\textsuperscript{55} That bank soon after took the further step of abolishing all interest on deposits,\textsuperscript{56} followed by the Commercial Bank after six weeks' delay,\textsuperscript{57} and after a further month by the Australasia and Union.\textsuperscript{58}

There were, however, no further cuts in loan rates, and consequently interest in legislative reduction revived. William Foster, barrister member for Northumberland, introduced a new bill to control interest,\textsuperscript{59} which proposed to restrict interest on new loans by way of pledge or mortgage only, for a period of two years. It had to face persistent and bitter obstruction; members left the house to deprive it of a quorum (at least once they had to return since a quorum remained), there were repeated motions for adjournment, and several times the house having been counted out, it was claimed that the bill had lapsed. There were heated debates as to the rate of interest to be prescribed, 8 per cent being finally adopted on the casting vote of the chairman of committees; attempts to exempt renewals of existing mortgages and to exclude the Port Phillip District were defeated, and the third reading was finally carried by a majority of two.\textsuperscript{60} Gipps reserved the royal assent, not primarily because of opposition to the principle. His views on that point were changing. In 1842 he had declared that “the opinions he formerly entertained on the subject of usury laws had been very much shaken by the events of the last two years, and he should no longer be so opposed to them as he formerly was”,\textsuperscript{61} and he now hinted pretty plainly that he would welcome an indication from England that the bill would be approved after removal of legal flaws. His main reason for reserving assent was that the bill was aimed primarily at the mortgage
companies, and they should have time to state their case in England, and, Gipps implied, to consider voluntary reductions. However, the royal assent was refused, and, with revival in the colony, the whole subject was abandoned.

Tasmanian discussion of remedies for the slump concentrated almost entirely on the level of interest rates. There were occasional pleas for reduction of wages and for protective duties, but the newspapers lined up either as advocates of a usury law or opponents of it. (They were unanimous in their belief that recovery could not be achieved without interest reduction by some means). “None can refuse a usury law”, said the Advertiser, “but the political economist, the usurer, and those who dread to be the victims.” The Launceston Examiner, doctrinaire laissez-faire in this as in other questions, declared: “Laws for the regulation of commerce are naturally sought by particular interests, but the current of opinion is strongly running against them; because they are generally useless, often vexatious, and sometimes insufferably inquisitorial and oppressive.” In varying tones the others followed one or other of these two persistent and vigorous leaders.

The lead in seeking legislative reduction of interest rates was taken by Michael Fenton who in the last three months of 1842 presented ten petitions to the Legislative Council. This followed an approach to the governor by himself and W. Kermode, when he was told that Franklin was not only opposed to legal control of interest on principle, but was satisfied that the level of interest rates was unrelated to the problem of depression—having been so assured by Hobart bank managers. In the Council he now sought the introduction of an 8 per cent maximum, but the governor refused to entertain either the 8 per cent or the principle of restriction, and with the air of trumping an ace produced a Launceston petition hostile to a usury law. Fenton thereupon moved for a select committee to examine both his proposal and the state of the colony, but the systematic obstruction of the governor and all official members left his motion formally without a seconder; undaunted, the next day he moved a similar proposal (omitting the “state of the colony”) but achieved no more than a seconder against a solid eight votes for the governor. He and Kermode, as a parting shot, tabled a protest in which they “heaped together twenty-nine propositions, without order and without natural connection, and in language peculiarly rugged and obscure”.

Fenton turned to an alternative plan, for what amounted to a government-aided conversion scheme for mortgages. He proposed a mutual organization (the name varied—Land Bank, Mutual Protection Society, Loan Company) to raise funds in England for this purpose, with
government backing. But dissension destroyed any small hope of success; Kermode entered the field with a counter proposal on similar lines and the critical meeting in Hobart in May 1843 spent so much time in acrimonious personal dispute that those present drifted away as darkness fell. By July 1843 Swanston, who in April was making private inquiries in England as to the availability of capital, reported the plan to be dead. A like fate killed a wheat stabilization scheme at the end of the same year. This provided for a committee of landholders to take wheat at 3s. per bushel, to be stored for resale when the market improved, paying growers the excess over 3s. per bushel; faction fights and the difficulty of financing the plan produced inaction.

Meanwhile two other efforts at interest reduction had been made. Dunn of the Commercial Bank proposed to the governor that he abandon all interest on government deposits and that the Commercial Bank would reduce discount rates to 8 per cent and abolish deposit interest. Franklin agreed, but extended the proposal to all the banks. Consequentially all the banks cut their rate on bills under three months from 10 per cent to 8 per cent in September 1842, they and the Derwent Bank at the same time reducing the mortgage rate from 121/2 per cent to 10 per cent. The second move came from Swanston who in June 1843 further reduced the Derwent Bank mortgage rate to 81/2 per cent in the hope that the banks would make similar reductions in their discount rates. In this he was disappointed, and reverted to 10 per cent at the beginning of 1844. Not until April 1846 did the other banks make any further reduction in their discount rates, to 6 per cent for bills of less than 100 days and 7 per cent for those of longer term. Mortgage rates, other than those of the banks, came down early in 1845, on the initiative of the Derwent and Tamar Insurance Co. which, after some hesitation, set its rate at 6 per cent. This Swanston was ready to follow, subject to the approval of his clients in England.

(c) Preferable Liens

<table>
<thead>
<tr>
<th>Year</th>
<th>No.</th>
<th>Amount</th>
<th>Average</th>
<th>No.</th>
<th>Amount</th>
<th>Average</th>
<th>No.</th>
<th>Amount</th>
<th>Average</th>
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<tbody>
<tr>
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<td>54</td>
<td>£30,665</td>
<td>£567.9</td>
<td>9</td>
<td>£4,960</td>
<td>£551.1</td>
<td>63</td>
<td>£35,625</td>
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<tr>
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<td>139</td>
<td>415.3</td>
<td>66</td>
<td>23,023</td>
<td>348.8</td>
<td>205</td>
<td>80,756</td>
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<tr>
<td>1845</td>
<td>125</td>
<td>55,866</td>
<td>446.9</td>
<td>37</td>
<td>11,785</td>
<td>318.5</td>
<td>162</td>
<td>67,651</td>
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<tr>
<td>1846</td>
<td>149</td>
<td>71,351</td>
<td>578.9</td>
<td>22</td>
<td>11,160</td>
<td>507.3</td>
<td>171</td>
<td>82,511</td>
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<td>199</td>
<td>107,448</td>
<td>539.9</td>
<td>43</td>
<td>33,791</td>
<td>785.8</td>
<td>242</td>
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<td>1848</td>
<td>240</td>
<td>108,892</td>
<td>453.7</td>
<td>102</td>
<td>62,532</td>
<td>613.0</td>
<td>342</td>
<td>171,424</td>
<td>501.2</td>
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In August 1843 Wentworth introduced in New South Wales a bill for preferable liens on wool and mortgages on stock.\textsuperscript{85} It was to be, in the long run, the most important measure taken to combat depression, but at the time it excited little interest or enthusiasm. The debate was almost entirely concerned with technical details;\textsuperscript{86} various amendments proposed by the governor were readily accepted,\textsuperscript{87} and Gipps reported the act with the comment that “no very salutary effect is anticipated from it by any party”.\textsuperscript{88} Thus quietly for the first time squatters acquired a security on which they could borrow readily, for the act provided that agreements to advance money on unshorn wool might be registered, thus giving the lender a lien on the wool which the borrower might discharge by repayment of the debt.

<table>
<thead>
<tr>
<th>Year (Syd)</th>
<th>No. (Syd)</th>
<th>Amount £ (Syd)</th>
<th>Average £ (Syd)</th>
<th>No. (PPh)</th>
<th>Amount £ (PPh)</th>
<th>Average £ (PPh)</th>
<th>No. (Total)</th>
<th>Amount £ (Total)</th>
<th>Average £ (Total)</th>
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<tr>
<td>1843 96</td>
<td>178,567</td>
<td>1,860.1</td>
<td>28</td>
<td>24,132</td>
<td>861.8</td>
<td>124</td>
<td>202,699</td>
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<td>1844 226</td>
<td>241,727</td>
<td>1,069.6</td>
<td>117</td>
<td>129,008</td>
<td>1,102.6</td>
<td>343</td>
<td>370,735</td>
<td>1,080.9</td>
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<tr>
<td>1845 152</td>
<td>132,355</td>
<td>870.8</td>
<td>71</td>
<td>44,384</td>
<td>625.1</td>
<td>223</td>
<td>176,739</td>
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<td>1846 146</td>
<td>150,733</td>
<td>1,032.4</td>
<td>85</td>
<td>100,071</td>
<td>1,177.3</td>
<td>231</td>
<td>250,804</td>
<td>1,085.7</td>
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<tr>
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<td>820.6</td>
<td>125</td>
<td>135,907</td>
<td>1,087.2</td>
<td>293</td>
<td>273,764</td>
<td>934.3</td>
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<tr>
<td>1848 205</td>
<td>219,757</td>
<td>1,072.0</td>
<td>146</td>
<td>129,809</td>
<td>889.1</td>
<td>351</td>
<td>349,566</td>
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<td>1849 213</td>
<td>161,553</td>
<td>758.5</td>
<td>185</td>
<td>191,483</td>
<td>1,035.0</td>
<td>398</td>
<td>353,036</td>
<td>887.0</td>
<td></td>
</tr>
<tr>
<td>1850 163</td>
<td>118,987</td>
<td>730.0</td>
<td>132</td>
<td>224,060</td>
<td>1,697.4</td>
<td>295</td>
<td>343,047</td>
<td>1,162.9</td>
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</tbody>
</table>

Registration entitled the lender to prior claims and barred subsequent liens. Similar provisions applied to mortgages of sheep, horses and cattle.\textsuperscript{89} By the end of the year, in only eleven weeks, 104 mortgages on sheep or cattle and 63 liens on wool had been registered,\textsuperscript{90} and by the end of 1844, 357 mortgages for £358,623 and 228 liens for £148,972 had been registered.\textsuperscript{91}

The volume of such loans could not offset the decline in bank loans, but even quantitatively they were important in aiding those squatters who were otherwise sound to ride out the storm.\textsuperscript{92}

The great importance of the measure lay in the changed borrowing power of squatters. They possessed little equipment, they generally owned no land but held a short-term right to occupy, and their main property was their sheep or cattle. Banks did not look with favour on “settlers' bills”,\textsuperscript{93} and mortgages required ownership of real estate; discounting and mortgaging were therefore small aid. Delay in payment was a device frequently resorted to. It was the common excuse of bankers for not discounting squatters' bills that they paid too slowly. Wages were paid
annually, after the harvest or wool clip, and then by “orders” which ensured a further delay. To this surreptitious borrowing the main addition was credit from metropolitan merchants, who coupled their advances with high prices for supplies and conditions restricting the handling of the borrower's wool to their own agency. Direct advances against wool had been common since the 'twenties, but only after prior delivery of the wool. Now the settler was able to offer any lender security of a high order since registration ensured that one claim against the wool or the stock should have legal priority.

But the Colonial Office viewed the act with horror. It was, wrote Stanley, a measure so irreconcilably opposed to the principles of legislation immemorially recognized in this country respecting the alienation of things moveable that, under any other circumstances than those in which the Colony has unhappily been involved, it would not have been in my power to decline the unwelcome duty of advising Her Majesty to disallow it . . . But while I am ready to admit that embarrassments so overwhelming may have justified innovations otherwise indefensible, I must not less distinctly deny that they afford any valid plea for a permanent departure from those established rules to which all theory and all experience alike lend their sanction. The disasters of New South Wales will ere long have passed away; but there will remain on the Colonial Statute Book a law expressly authorizing transactions which the law of England regards as affording the conclusive indication of fraud. It is a law which will place society at the mercy of any dishonest borrower, and which will stimulate the speculative spirit which it is so important to discourage.

Gipps was informed that unless notice of repeal were received earlier, the act would be disallowed in July 1846.94 The news was ill received in the colony. The Atlas jeered at “the ignorance, presumption and incapacity of the Colonial Office”,95 the Herald could find no wisdom in the “Solons of Downing Street”, who failed to see how the act had benefited the colony by “its soothing and encouraging influence upon the minds of the flockmasters. It found them in what appeared to be inextricable difficulties. It found them involved in debt, and in those corroding cares and anxieties which are so fatal to the energies of hopeful industry. It approached them with the benign aspect of a comforter. It brought them unexpected relief. It invested their flocks with a new species of value—a value which enabled them to raise money upon the carcass or fleece, not only without sacrifice but without even parting with the property.”96 The Select Committee appointed to consider what should be done declared “their deep regret that in a matter of such purely domestic legislation the well-considered and judicious endeavours of your Honourable House to place the monetary transactions of the principal class
of our colonial producers on a secure foundation—endeavours which have so largely contributed to the reviving prosperity of the community at large—should be rendered nugatory by mere theoretical surmises, equally unwarranted by the law of England and the analogies of some of the most important of the British Colonies”.97

That committee found witnesses unanimously in favour of the legislation. The Australasia reported direct loans secured by liens as £60,000 with a larger amount advanced on discount to merchants who protected themselves by taking liens “with our knowledge and concurrence”.98 This avoidance of direct loans by the banks to settlers, a continuance of their earlier policy on bills, seems to have been general. Thus Duguid of the Commercial Bank said: “We do not take the security alone, but require a name between the settler and the bank . . . the practice of our Bank has been not to bring ourselves into direct contact with the security; we always have a person between us and the settler.”99 Gilchrist, a merchant, indicated that it loans on liens merchants had become mere agents: “It is usual everywhere for merchants to charge a commission for making these advances, over and above the interest or discount charged by the bank.”100

The committee, therefore, reported in favour of continuance of the legislation, which they believed should be permanent. For this purpose two new acts were passed, a Mortgages of Sheep, etc., Act to preserve existing mortgages, and a Lien on Wool Act which repealed the earlier measure, and re-enacted similar provisions, both for a term of two years.101 Gladstone, now at the Colonial Office, took a kinder view than Stanley; the acts were allowed, because they operated only until the end of 1848, but the governor was informed: “It will be open to you to bring the subject of a further continuance of these; or any equivalent measures, under the consideration of the government, in case you shall hereafter see cause to think that the decision of Lord Stanley should be reviewed.”102

Gladstone's successor, Grey, took a less liberal view and reacted vigorously to a South Australian copying of the wool lien. Disallowing the ordinance he declared: “The necessary tendency . . . must be to increase the existing competition for labour, by enabling settlers to raise money on this species of mortgage, beyond what they would otherwise command for the extension of their present holdings. It would therefore have all the ordinary evil consequences of undue encouragement to speculation aggravated by that of enhancing the price of labour against all who brought their own unborrowed capital into the market.”103 He did not pursue this argument to its logical end of requiring repeal of all legislative protection of the rights of lenders, but in the same vein next day despatched to FitzRoy a long essay on the unwisdom of such legislation, with lengthy discussion of the
evil results of crop liens in the West Indies, and advising that it be allowed
to expire. Almost as an afterthought he explained that the objections were
solely to permanent legislation, and “I shall be as ready as my predecessor
expressed himself to consider any additional grounds which may be urged
for a further continuance of this temporary law”.104 Even as he wrote there
was on its way to England a new act extending the operation of the old to
the end of 1850,105 and as that date approached, the legislation was again
extended for a period of three years, with a set of resolutions denouncing in
general and in detail the English opposition to it.106 The lien on wool and
mortgage on stock were too precious for squatters to abandon them; they
had come to stay.

Bank Failures

(a) Bank of Australia

On 2 March 1843, “a great sensation was created in the City by the report
that the Bank of Australia had failed”.107 This was, however, merely public
discovery of a situation for which Hart of the Australasia blamed the
“usual duplicity and want of nerve” of McLaren of the Union who, he said,
could not make up his mind whether to share in lending aid and called so
many special board meetings and sought the advice of so many individuals
before (at first) refusing to help, that the Australia's difficulties became
widely known.108

Behind scenes, the Australasia had for two successive weeks in February
assisted the Australia at clearing,109 and then secured access to the books of
the Australia. A balance sheet at 21 February 1843 showed the Australia to
have notes in circulation of £17,909 and deposits of £90,891, of which
£69,624 were repayable on demand. Cash holdings were only £4,860 in
gold. The bank held bills totalling £145,000 but was involved to the
admitted extent of £143,497 in the affairs of the bankrupt firm of Hughes
& Hosking.110

Hart was fearful—as were the other banks—of the effects of a public
collapse on the banks as a whole, but had a special reason for aid. He had
rediscounted for the Australia, on acceptances by the chairman, £46,885 in
bills, together with £34,000 of Hughes & Hosking bills, and as well the
Australasia was involved, on its own account, in loans the fate of which
was bound up with Hughes & Hosking. Accordingly he bullied McLaren
of the Union into making available £60,000 to cover note issue and
deposits of the Australia, and agreed to advance £150,000 (including the
£80,885 already rediscounted) on somewhat stringent conditions: (i) the
Australia was to wind up as a bank, conducting all receipts and payments through the Australasia; (ii) no transfer of Australia shares should be made without the consent of the Australasia; (iii) the Australia was to secure deeds of trust from Hughes & Hosking giving complete control of their affairs to the Australia, with all future receipts and payments to be conducted through the Australasia. It was made clear that the loan was “on the condition that [the Bank of Australia] should identify the engagements of Hughes & Hosking with its own”. Hart made no secret of his intention of, in effect, substituting the Australia as debtor to the Australasia in place of Hughes & Hosking so far as concerned that firm’s debts to the Australasia, while securing indirect control of all Hughes & Hosking's assets against the loan to the Australia. He proposed to apply £80,885 of the loan to retiring bills already discounted for the Australia, making a net new advance of about £70,000. He calculated that by the end of 1843 bills held by the Australia itself, totalling £60,457, would fall due, while revenue from Hughes & Hosking properties would be £81,500. In two years, he assumed, all debts would be paid off.111

But plans went astray immediately. Hart left to visit Maitland and Melbourne branches, and in his absence the Sydney manager, not being in his confidence, paid over to the Australia the full loan, instead of applying a major part to paying off Hughes & Hosking bills held by the Australasia.112 The Australia, having secured control of Hughes & Hosking's assets, was alarmed at the size of liabilities and refused responsibility for them; Hart could do little to enforce the agreement, his only weapon being to call up the loan, which he thought the worse solution.113

A report in September by a shareholders' committee brought out the extent to which the Bank of Australia had financed Hughes & Hosking and a few other firms.114 The face value of total assets was given as £467,726, of which overdrawn accounts accounted for £184,393; of these £126,363 were for Hughes & Hosking and £55,498 for J. T. Hughes individually. These two and five other accounts were responsible for £357,277 of the total assets.115 But the main liabilities were shown as almost all to other banks; notes outstanding were only £1,347 and deposits £4,823. In other words, the general public had not suffered seriously, and the issue that remained was the sharing of losses between shareholders and the other banks. The latter agreed amongst themselves to refrain from suing the Australia for a year,116 and the Australasia and Union jointly advanced £10,000 to pay off all liabilities other than to banks, an advance given priority for repayment.117 The Australia, for its part, made the first of three calls of £5 on shareholders,118 Hart followed the third of these with a two-
edged suggestion that these calls would be easier to enforce if “a friendly judgment” on the debt to the Australasia were secured; the other banks naturally opposed, and the Australia, which was using every legal technicality to resist claims, equally naturally refused the spider's invitation.\textsuperscript{119}

In July 1844 matters took a new turn for, for the first time, the question of the legal validity of the Australasia's claim was raised,\textsuperscript{120} and the desperate shareholders grasped at the chance; they resolved “that the loan negotiated between the Bank of Australasia and the former directors of this Bank and Messrs. Hughes & Hosking is not binding on the proprietors of this Bank; and the directors are hereby instructed to defend any action the Bank of Australasia may bring for the recovery of the same”.\textsuperscript{121} The shareholders had every reason for desperation: the directors at that meeting had reported that the dividend to be expected on the £232,739 of Hughes & Hosking debts to the Bank would not exceed £35,154, a loss of £197,585; the loss on the rest of the business was £130,000; and beyond all this was the £154,000 claimed by the Australasia.

Their courage no doubt derived from the hatching of a novel scheme for getting rid of the burden of debt: a lottery in which the prizes should be the estates foreclosed for debts unpaid, other than those of Hughes & Hosking, which were omitted as “encumbered with trusts, mortgages, marriage settlements, etc.”.\textsuperscript{122} The scheme originated with the board of the bank,\textsuperscript{123} and the argument for it was that sale of such extensive properties in depression could only be at bargain prices, but the claim of the Australasia and the effects of unsettled debt on the standing of all shareholders made early settlement desirable.\textsuperscript{124} A bill was accordingly introduced by Wentworth to give legal sanction to a lottery,\textsuperscript{125} and a barrage of petitions organized in its favour.\textsuperscript{126} A select committee heard evidence of striking unanimity in its favour, from which a few important points emerged. Practically every witness agreed that the uncertainty as to the liabilities of shareholders was the occasion for extreme caution in dealing with them; an act, it was explained, was sought only to clarify the position between bank and public, a lottery being regarded as quite legal as between shareholders;\textsuperscript{127} shareholders were disposing of property or deliberately encumbering it, as a protection against possible levies.\textsuperscript{128} The claims of the various banks against the Australia were shown as: Australasia £176,000; Union £29,000; Commercial £11,000; and New South Wales £10,000.\textsuperscript{129} The lottery proposal provided for raising £80,000 by the sale of £20 tickets; there were to be 4,000 prizes (i.e., no blanks) the highest being two estates valued at £10,000 and the lowest £20. This appearance of a lottery in which one could not lose was achieved by valuing properties at double
current prices; the total nominal value was £163,000. “It is expected that with this aid [£80,000] the proprietors will be enabled, from the remaining interests, viz., bills and doubtful titles, and by subscriptions amongst themselves to arrange or settle the remainder of the claims or debts”. The committee's report was a faithful reflection of the evidence, although its weight was somewhat lessened by the fact that its chairman and another member were shareholders in the Australia, and of the thirteen witnesses three were in a similar position and six were participants in banks hoping to be paid.

Despite questions as to its validity, the bill was carried by 18 to 3. It authorized a lottery of the type proposed to the Select Committee. Gipps reluctantly reserved the royal assent, solely on legal advice as to its validity, reporting to England: “I consider the settlement of the affairs of the Bank of Australia to be an object of such high importance to this community that I should be happy to see it achieved by almost any means.” But he took the precaution of publicizing the opinion of his legal advisers, and the Australia did not wait for the inevitable disallowance in England before seeking a compromise. The Australasia was offered £60,000 from colonial shareholders; properties valued at £85,000 (but requiring £23,000 to clear the titles, to be advanced by the Australasia); a consent judgment to enable it to enforce claims against English shareholders who, it was suggested, should contribute £40,000. To this Hart retorted that he would consider no proposal from directors and then, from a general meeting only, would require an unopposed judgment reserving all rights of the Australasia to enforce its full claims. Neither side would modify its position and the Australasia turned to legal action.

The trial commenced in the Supreme Court on 27 March 1845 and occupied ten days, argument centring around the authority of the chairman or directors to make a valid contract for such a loan; there was no dispute as to facts other than this. The judge, advising the jury that the deed of settlement did not empower the directors to borrow money without express authority, directed them to “find that the plaintiffs did not lend money to the Bank of Australia”. The jury were not amenable to such direction, and after three sessions totalling seventeen hours were unable to agree, and were discharged.

A new trial, commencing in June, occupied twenty days, with an ending scarcely more conclusive. The jury, again unable to agree, finally brought in a “special verdict”, that is, subject to the opinion of the full court on points of law. The verdict was for the Australasia for the main sum of £154,000 together with interest at 8 per cent, a total of £175,704. But by a two to one majority the court held that the directors of the Australia had no
power to raise such a loan.\textsuperscript{141} This form of verdict permitted appeal to the Privy Council for which the Australasia immediately prepared, although because of time consumed in exchange of mail to ensure that proper copies of documents were obtained, the hearing was not reached until December 1847.\textsuperscript{142} Judgment was given two months later, for the full amount of the debt, interest on the original loan, and costs of the Sydney actions, in favour of the Australasia.\textsuperscript{143}

The Australia shareholders took defeat with a good grace, expressing the “unanimous opinion that every exertion should be made to pay”, and appointed a committee, ominously thirteen in number, with the task of realizing assets and assessing contributions from colonial shareholders,\textsuperscript{144} it being expected that they would lose their whole capital and have to pay an equal sum.\textsuperscript{145} The English shareholders were left to make terms with the London board, which at almost every meeting in 1849–50 had before it one or more proposals for individual compositions, most of which were accepted.\textsuperscript{146} By August 1850 the total so

\begin{quote}
‘A thousand pounds to the tinker bold,
Who restores to my screw its might.’
He cried, but in vain, for no screw can hold,
Against both Law and Right.’
\end{quote}

received was £58,892,\textsuperscript{147} but with some of them the bank could not reach agreement, complaining that it was “met by every device that legal ingenuity could suggest”,\textsuperscript{148} and some amounts had to be abandoned. The major part of the debt had therefore to be collected from colonial shareholders.

The Australia decided on two main steps. Shareholders were called upon to contribute an amount equal to their shareholdings to meet the Australasia debt,\textsuperscript{149} while it was proposed to arrange a division of assets amongst shareholders by a lottery, this time without benefit of legal sanction. This was put forward since, by this time, assets were almost wholly real estate which, it was argued, could not itself be distributed equitably. The scheme was for 11,247 tickets each worth £4 (shareholders receiving them in proportion to their shares, with a right to resell) and with a like number of prizes, of which nine were of some size, the largest claimed to be worth £6,000, but almost all were said to be worth roughly £4 each.\textsuperscript{150} As a lottery it was not very attractive to shareholders since each ticket could win only one prize, and many resorted to sale of their tickets by auction or other means, preferring ready money to the very small chance of winning one of the larger estates.\textsuperscript{151} Many of the public were ready buyers—the Herald claimed £10,000 was withdrawn from the
Savings Bank to buy tickets. The drawing was spread over three days. “Who can ever forget,” wrote the Herald, “the rows upon rows of anxious purchasers of tickets, male and female, daily and all day long crowded in the pit and boxes of the City Theatre? Who can ever forget the eager looks, the patient and sustained listening to the announcements of the numbers of the tickets as drawn, the uncompromising suppression of an occasional child—for even crying infants in arms were carried by their amiable mothers to the lottery—the hard breathing, and the excitement amongst the shoes, whenever something considered a prize was drawn, the almost audible groans of the old woman as a FitzRoy fell to her . . . ”

This was intended to be the first of two lotteries, the second to deal with the Hughes & Hosking properties, of which titles were in confusion. But plans to hold this, in April 1849, went awry. W. C. Wentworth decided that it was a profitable method of disposing of miscellaneous properties not easily sold by orthodox methods, and through a “committee of friends and political supporters” proposed a lottery with 12,000 £5 tickets to dispose of his property so that he could give his full time to public affairs. This was too much for the government. It had averted its gaze discreetly while the Australia mess was being cleaned up, but it could not permit large private lotteries to become a habit, and Wentworth was notified by the Attorney-General that persistence would bring legal action. Consequentially, the second Australia lottery had to be abandoned.

The Australia therefore made a new agreement with the Australasia. Some £71,928 had already been paid in the colony and £52,732 was known to have been received in England. Assuming that another £10,000 would be provided by English shareholders, there remained £88,030 to be found in the colony to make up the total debt of £222,689. This it was proposed to pay by making five quarterly instalments of £16,000 commencing with January 1850. Auction of properties held was arranged, and with an extension of time to July the bank was able to settle its debt and close finally in July 1851.

(b) Derwent Bank

For two or three years Swanston's mortgage banking plan appeared to promise well; by December 1841 he was reporting that the new demand for bank mortgages was so great that he could not now accept overseas funds to be invested on any other basis. Loans grew from £171,295 at the end of 1841 to a peak two years later of £190,083; any increase at all looked well by contrast with the falling discounts of the other banks. But the
contrast points to the real reason for the demand for mortgage loans on which Swanston was congratulating himself: the pinch of the recession which was on the point of turning over into a disastrous slump. A boom which had meant for the banks collectively a quadrupling of their loans in four years, now ended in a depression which cut those loans to half in a single year. Borrowers who were refused discounts turned to the Derwent with the offer of a mortgage, and Swanston lent heavily to men who could not hope to repay. The Derwent would have suffered from the slump in any case, but the transfer to mortgage banking settled the matter, although the bank limped along until 1849.

The real estate on which these loans had been secured declined heavily in value, and Swanston was faced with the problem that borrowers could not meet the interest payments, yet foreclosure involved taking over property which was no longer worth the amount of the loan. It was therefore necessary for him to allow time for payment of interest and to defer foreclosures where there was any prospect of ultimate recovery. This not only hit the English mortgagees, but both directly and indirectly the bank. Swanston's faith in mortgages was such that most of the bank's direct loans, even before 1841, were in that form, including cash credits secured by mortgage. In addition, however, English holders of deposits withdrew their funds, and declined to forward more. The writers of “angry letters” who had suddenly learned that their Tasmanian mortgages were involving them in serious loss would not consider direct deposit in the Derwent Bank, and if they accepted the new offer to convert mortgages into deposits it was only as a first step towards withdrawing their funds altogether. Their only interest was in recovering as much of their money as possible, and the only brake on their demands was the prospect of regaining more by giving debtors time.

A contributory factor to the bank's failure was Swanston's inability to keep separate the affairs of the bank and his own private business. Indeed it is doubtful whether he ever thought of them as separate, so completely was the bank under his control. It was not only that he allowed personal connections to influence his management of the bank, although that was important. One friend, A. Macdowell, was given a bank loan with the words, “I require no security beyond your good faith”; another, James Clarke, was given a special interest reduction “as a favour”; and a third, L. W. Gilles, was told to “take your own time” in repayment. Heavy loans were made to relatives and friends with whom he shared ownership of businesses. Robert, his son, and Edward Willis (partners with Swanston in Swanston, Willis & Co.) were each advanced £11,000, technically by Swanston personally, while £7,000 of the firm's bills were discounted at
the bank. Similar loans were made to Swanston, Potts & Co. at Launceston.166 The bank subsequently disowned all connection with Swanston's various agencies for overseas firms and individuals, and in particular for his advances on wool, although it appeared that bank funds had been used for the purpose.167 Swanston himself entered correspondence concerning wool advances in the letter books of the bank, and wrote to Hamilton on the subject, addressing him as “agent for the Derwent Bank”.168 In other cases Swanston received funds from absentees and invested them in his own ventures. “Many parties,” wrote John Walker, the bank's liquidator, “have entrusted Captain Swanston with money under the impression that they have good security, and the money has been laid out at Port Phillip and other places, and many of the transactions are of such a nature that they will not bear investigation.”169 The Union Bank Inspector, who had for several years watched the situation with some anxiety, commented, “Captain Swanston's conduct as manager amounts morally to felony”.170 In one instance, at least, funds paid to the bank were recorded not in its books but in those of the Derwent Company, and used for private purposes.171 There is no reason to suspect Swanston's good faith in these matters. He had simply ceased to distinguish the policy and affairs of the bank from his own interests and business.

The impact of the slump was further accentuated by Swanston's slowness in becoming aware of its severity and of its effect on the bank. He was ageing and tiring. “I am daily getting more and more tired of work and fretful, which warns me to retire,” he confessed in 1843. But it was not until well into 1843 that he even admitted the existence of a slump, continuing to lend on mortgage and to accept English deposits until July of that year.172 He took an active part in the plan, discussed up and down the colony, for a company to raise a long-term loan in England to fund colonial mortgages, believing that the Derwent Bank could act as the financial link.173 A year later he was still hopeful, “as it is impossible that either the times or the prospects of the Colony can get worse”, and was making plans to resume borrowing from English depositors at 5 per cent, anticipating that the bank could still earn dividends of 8 per cent.174 A momentary note of despair appears—“I regret I ever came to the Colony”—but he turned nevertheless to the task of bringing the absentee depositors “as well out of the fire as I trust I shall be able to bring the Derwent Bank”.175

Swanson accepted the view most widely held in Tasmania as to how the slump might be alleviated, i.e., by reduction of interest rates, the argument being that the situation had been stabilized by a general reduction of prices and incomes, and that farmers and traders could carry on and meet their obligations if interest were lowered correspondingly. “The mortgagors,” he
wrote in July 1843, “have paid as long as they could, and are willing to pay the high rates of interest to which their lands are bound, but they are unable to do so, and it is only by assisting them to keep their estates by reduction of interest that the mortgagees may receive back, when required, their principal.”

Despite resistance by the banks rates came down. In 1844, as in New South Wales, all deposit interest was abolished by bank agreement, paving the way for a reduction in loan rates. This Swanston tried to initiate by cutting the Derwent mortgage rate to 8½ per cent in 1843, but the other banks held off and the Derwent restored its rate to 10 until a general reduction was made. Meanwhile, he had been negotiating with the overseas mortgagees to accept 8 per cent net, and in anticipation had taken 8½ per cent (½ for expenses) from debtors whose liability was direct to absentee. He apparently believed the difficulty had been overcome, for by 1844 he was prepared again to accept English deposits. In this belief he was encouraged by a revival of deposits, mainly local, which climbed back almost to the 1841 level. He was mistaken, for while absentees consented to interest reductions, they would not renew loans. “Instead of investing money,” he complained, “the absentee mortgagees are calling in all their debts, and requiring that their funds should be sent to England. All persons are becoming so fearful of the securities offered for loans that they refuse to re-invest their funds on any consideration.”

The truth was that most of these loans had been for ten-year periods, and those made in the early stages of the boom were falling due in large amounts, which increased in the next few years. During 1845 the bank's own loans fell from £178,000 to £142,000 and the fall continued. During the years 1846–49 Swanston was scraping together what funds he could to meet the drain, even borrowing from the Union and Australasia for the purpose. By early 1849 all new loans were being refused and no extensions of time granted, but the drain went on without any interruption. The end came when the Union Bank refused to advance £25,000 for an indefinite period. The Union already held bills to the value of £12,640, rediscounted for the Derwent, which were not likely to be met at maturity. These it agreed to renew, but declined further aid, as, apparently, did the Australasia which also held overdue rediscounted bills. Swanston, ill and hopeless, threw in his hand.

A meeting of shareholders faced the unpleasant facts, and decided to wind up, viewing the situation so seriously that they demanded payment of all debts within two months. It was forecast that, with good luck, shareholders would lose only 50 per cent of their capital. Swanston assigned his personal estate for the benefit of his creditors, Mrs Swanston
surrendering her rights of dower.\textsuperscript{184} His personal liabilities proved to be £104,375, of which £58,509 was due to the bank, having been invested in one or other of his varied ventures.\textsuperscript{185} Settlement was protracted, the final dividend in 1854 bringing payments to creditors to ten shillings in the pound.\textsuperscript{186} Early fears of equal loss on the Derwent itself proved pessimistic. The convict savings bank was wound up promptly, the few outstanding notes were met and the remaining deposits repaid within a few months.\textsuperscript{187} Over the next few years the land and other securities foreclosed by or surrendered to the bank were sold and capital repayments were completed by January 1854, shareholders receiving a small surplus of 21/2 per cent.\textsuperscript{188}

Meanwhile, quietly, unnoticed by the press and scarcely by his friends, the tired, bewildered man had in January 1850 slipped out of the colony where for eighteen years he had held so proud a position, one of the score or so of commercial adventurers who had at least the illusion of controlling and directing Australian economic expansion in the period during which the emergence of a capitalist economy was completed. Following his doctor's advice of a sea journey, from Melbourne and Sydney he went on to California and, sailing from there, died at sea on 5 September 1850.\textsuperscript{189}

\textbf{(c) Sydney Banking Co.}

The collapse of the Bank of Australia precipitated inquiries by shareholders of other banks into the activities of their directors.\textsuperscript{190} The Sydney Bank at first appeared to have survived the check, for it seemed that the total liabilities of the directors amounted to only £27,000, that the largest borrower of them all had only £8,000 and three had no loans. The proprietors declared their “entire satisfaction” and “fullest confidence”.\textsuperscript{191} But the shaken directors took their duties seriously for once, and soon discovered that the manager and accountant had been falsifying statements put to meetings. Each had himself heavily overdrawn, and total overdrawn accounts were £30,000, not £4,000 as they appeared in the accounts.\textsuperscript{192} Despite an attempt to put up a bold front,\textsuperscript{193} there was a more searching inquiry which revealed that “every clerk in the establishment has been allowed, in a greater or less degree, to anticipate his salary”;\textsuperscript{194} the manager had without authority overdrawn his account by more than £4,000, and the accountant nearly as much; accounts had been falsified, e.g., £9,300 in dishonoured cheques had been counted as cash, and overdrawn accounts were really £35,000. The directors found that weekly statements of affairs on which they based their lending policy had been falsified.\textsuperscript{195} With a bad grace the directors accepted the inevitable, and bowed to the decision of the proprietors not to reopen.\textsuperscript{196} So far as the general public was concerned
winding up was prompt. Depositors were required to remove their money by 1 September, and capital repayment commenced almost immediately, although complete repayment was not made until 1847, when it totalled 86.5 per cent. The ease with which liabilities to the public were met and the major part of capital repaid in the midst of acute depression indicates that the falsified accounts, however upsetting, were not the full story of the decision to dissolve. The other part of that story lies in the statistics of its business: except in the period of its 1843 difficulties the bank's loans were always from six to eight times its deposits, and its note issue was small. In other words, the bank was mainly lending its capital. Proprietors pressed for cash in the midst of depression and, fearful of risks worse than the defalcation already discovered, preferred to cut their losses and take the cash in hand for uses more immediately urgent, than to wait for possible profits in later years.

(d) Port Phillip Bank

The story of the collapse of the Port Phillip Bank is much like that of the others. In January 1843 admitted losses compelled it to close and wind up. A balance sheet of a month later showed a total capital paid up of £52,915, of which £44,220 was held in the colonies; “probable assets” were set at £28,859 and losses at £26,750, foreshadowing a loss of 50 per cent of capital. It was said that the indebtedness of four directors alone exceeded £27,000. Swanston commented: “This unfortunate termination of the affairs of that establishment has been brought about by the unprincipled conduct of some of the directors (I exclude the managing director Mr Mercer) who to carry on their visionary land and other speculations discounted their own paper, and overdrew their accounts to a very large extent.” He forecast accurately that repayments of capital would be only 25 per cent.

Holders of notes were asked to present them and depositors to withdraw, and these were quickly paid off. By the end of the year it was clear that the only losers, and that heavily, were the shareholders themselves. Assets against capital of £48,090 were shown as totalling £38,049, but only £4,174 of this was in cash; the main item was £26,765 in past-due bills followed by £3,915 current accounts overdrawn and £1,200 due from A. Thomson, the Geelong agent. Shareholders were lucky to get 25 per cent when the bank finally closed.

(e) Colonial Bank

The Colonial Bank had been unfortunate in the time of its starting. It had
failed to secure large deposits—these were only £36,735 at the end of 1842; or to achieve large note circulation—only £9,763 by the same time. Its loans, £141,128 at that date, were therefore largely based upon capital subscriptions and, moreover, were mainly to “settlers” (i.e., primary producers) who were never prompt in payment and were hard hit by the slump.208 In the first half-year of 1842 losses of £700 were acknowledged, although the dividend was maintained at 10 per cent,209 and for the first half-year of 1843 admitted losses (ignoring doubtful debts and frozen loans) were £3,600.210

Some of the proprietors, reflecting on these gloomy facts, canvassed the question of dissolution, and thereby precipitated a run which cut note circulation by a half and deposits by a third. This finished matters and it was decided in December 1843 to cease business, explaining the decision publicly as proceeding “from the conviction that the capital is not beneficially employed”, and privately as “impelled by the paralysed state of trade, and the anxious desire of the proprietors”.211 The decision once taken was implemented with speed. Interest on deposits ceased from 31 December,212 mortgages and cash credits falling due were called up,213 cash deposited with other banks was withdrawn;214 and the premises (of which the lease had three years to run) were sub-let.215 Realization of other assets in the form of discounts, cash credits and mortgages proved more difficult, and these were finally disposed of by auction early in 1847.216 Repayments of capital totalled 18s. 6d. in the pound, and affairs were finally wound up in August 1847.217

(f) Archers Gilles & Co.

By the middle of 1842 Archers Gilles & Co. were in difficulties and resorting to doubtful devices to keep afloat. For instance, bills were drawn on the Melbourne agents, the Port Phillip Bank, the proceeds being used by Archers Gilles themselves; bills for collection in Melbourne were sent secretly to the Union Bank to avoid the proceeds being offset by the Port Phillip against the firm’s indebtedness. The situation was only discovered when Port Phillip bills on Archers Gilles were dishonoured.218 The firm nevertheless struggled on, despite having “locked up a great deal of money since they commenced business, so much so that they are now powerless as a bank”219. But by the end of 1843 they were compelled to seek aid, which the Union Bank gave only on condition that the firm abandon banking.220 Accordingly as from the end of 1843 the firm announced its intention “to relinquish the business of bankers and agents” and disappeared from the banking field.221
Boyd's Royal Bank, despite its impressive title, had not gone far in banking business beyond sale of bills on London and issue of notes, and only at Sydney. Boyd engaged in whaling, the running of a small fleet of trading vessels, dealing in wool, the creation of Boyd Town, sheep farming and various other colourful enterprises, and his Hobart and Melbourne offices were primarily for these activities, not for banking. Not engaging in banking in 1842 was wisdom; but Boyd's use of funds provided for banking was less defensible. He presented rosy accounts purporting to show, for example, profits of £36,071 for 1845, but share and debenture holders, finding that payments did not measure up to promises, forced him out in 1847 in favour of his brother, W. S. Boyd, who did little better and was in 1849 replaced by a liquidator. It appeared that not only had Boyd invested funds for banking in almost every other type of enterprise, but the raising of funds was in an equal state of confusion. Some £310,000 had been raised by “deposit notes” bearing 5 per cent interest; there were semi-fraudulent loans from English insurance companies. The liquidator, struggling with incomplete, false and inadequate accounts, made out that total “debentures” issued were £490,572 (apparently including the “deposit notes”); of these the holders of £44,500 could not be found; those debts (incomplete) still to be paid in 1851 totalled £183,152. Many years passed before the mess was cleared up completely—Boyd's stations in the Deniliquin district were finally freed of legal entanglements for sale in 1856—and heavy losses were incurred by the trusting “depositors”, mainly from Edinburgh, and by the shareholders.

The Sydney office was closed in 1849 and the colonial end of the long winding-up process handled by Smith Campbell & Co., the Legislative Council not even giving a first reading to a bill for an act to enable the company to sue and be sued, the conclusive argument being that to hamper creditors, it had avoided having such a measure while it was actively in business, and should not now have assistance in proceedings against its debtors.

Fortunes of Surviving Institutions

On the whole the overseas banks and mortgage companies came out well. The Australasia, Union and Bank of South Australia showed the general decline of business and of profits, and the first had to pass dividends while its Australia debt was in dispute. The Scottish Australian Investment Company escaped lightly and continued a profitable career into the
twentieth century, although its competitors, the Trust and Loan companies, were for a time less fortunate.

At first the depression seemed to have treated the Loan Company lightly. Ignorant of the full severity of the slump, the London directors in March 1843 reported only that the Sydney board had in July the previous year reduced mortgage interest from 11 per cent to 10 per cent (probably more to meet the rate of the Trust Company than because of depression), and recommended “the shareholders not to enter into the more hazardous and uncertain business of banking, involving as it does much greater responsibility and requiring much larger outlay”. This, the only hint of the banking situation in the colonies, was softened by pointing out that it would also aid the application for a charter. A dividend of 6 per cent on the paid up capital of £250,728 for 1842 was voted, and the directors were authorized to pay a further 6 per cent for the first half of 1843. The reason for the optimism was the ease with which it had made its 10 per cent loans; apart from a modest £6,692 in discounted bills it held, at June 1842, mortgages for £258,902.227 But a year later the effect of the depression was admitted, if well disguised.228 In execution of the decision to cancel loans originally made in scrip £70,840 (“only”) had been eliminated; mortgages in the colony stood (June 1843) at £187,138. No dividend beyond the anticipatory 6 per cent authorized by the previous meeting could be paid. The Company had been forced to give time to pay interest and its net profits for 1843 were a mere £2,363.

Local shareholders were less easily satisfied and urged that the company be wound up.229 But a mortgage company in depression could not withdraw so easily, and London rejected the recommendation, and in 1845 was able to declare a dividend of 2 per cent for the year 1844, maintained the following year.230 But the latter dividend concealed what had happened to the company. In June 1845 the loans still in being were only £44,075 and mortgages for £126,863 had been foreclosed.231 It had become a company managing large estates.232 By 1848 the directors were paying a dividend of 21/2 per cent (for 1847) and gloomily assuring shareholders that probably all assets would be realized in the end and the whole capital would be repaid.233 Dissolution was, however, averted and the company was able to resume lending.234

The Trust Company escaped the impact of the slump more lightly than the Loan Company. Like its competitor, it found it easy to make its initial loans as the banks contracted. From £127,850 in June 1841 mortgages grew to £227,950 in June 1842, but despite the 10 per cent interest, the directors cautiously recommended only 3 per cent dividend for the year 1842.235 Many of these loans were foreclosed in the next months, but the
company was content if it received its interest and gave time for that.\textsuperscript{236} The policy paid (perhaps too it was wiser than the Loan Company in its choice of borrowers), for at the end of 1844 it had loans in being for £396,000 and a year later for £365,000 and was still continuing its modest dividend policy.\textsuperscript{237} For many years afterwards it maintained a profitable business.

Of the colonial banks, the Commercial of Tasmania and the Van Diemen's Land weathered the storm without great difficulty, but the Commercial of Sydney and the New South Wales were for a time in some distress, the result of the greater severity of the slump in New South Wales and the greater banking shocks there.

The Commercial of Sydney escaped disaster, but its business was severely curtailed. Note issue fell by the end of 1843 to half what it had been in the peak year of 1840 and deposits by over a third; by that time advances had started a steep decline, reaching a third of the peak level during 1845. Dividend rates were cut to 6 per cent per annum. All branches were abolished as an economy measure, and the bank took the lead in reduction of interest rates. An attempt to reduce capital by purchase of shares in the market failed despite the bank having an excess of cash representing £40,000 of idle funds; one quarter of capital (i.e., £60,000) was returned to shareholders, a motion for winding-up having been defeated.\textsuperscript{238} By mid-1845 admitted losses on dishonoured bills for the preceding three years was £8,285.\textsuperscript{239} Two years later there was a shock in the discovery that the accountant, Townsend, and the manager, Duguid, had embezzled £10,700 between them during the depression years.\textsuperscript{240} But on the whole the bank came through the slump with little damage.

It was, therefore, fortunately placed for the complete reconstruction it had to face before the end of 1848, the necessity for which arose from the fact that the original deed of settlement provided for a term of seven years with one extension of a similar period only. It was determined that the new bank should have a capital of £150,000 in £25 shares, with a right of existing shareholders to convert their holdings, but, in correct anticipation that many holders would withdraw, £50,000 was at once offered for public subscription.\textsuperscript{241} By February 1848 conversions and new subscriptions amounted to five-sixths of nominal capital,\textsuperscript{242} and the “old” bank commenced repayment of capital,\textsuperscript{243} while the “new” commenced successful operations under a fresh Act, the first of a type to be a model for subsequent bank Acts.\textsuperscript{244} This set the capital at £120,000 with power to increase to £500,000 and, with the consent of the governor or the British Treasury, beyond that figure. The company was incorporated, with limited liability, for an initial period of twenty-one years.\textsuperscript{245}

The Bank of New South Wales suffered more severely than the
Commercial and for some time was forced so to restrict its activities that, in September 1843 Hart of the Australasia fairly said that it could “no longer be considered an operative bank”.246

A private committee of inquiry shortly before had made a survey of the state of the bank and its cautious optimism did not conceal a note of anxiety.247 Of the bills held by the bank the committee reported “a great portion of them appear to us unexceptionable and equal to any which could be furnished by this community—of the remainder many may be collected by judicious management and allowing time—and though we contemplate under this head some inevitable loss we trust it may not prove of such amount as seriously to affect the interest of the shareholders”. Attention was drawn to the fact that £27,700 in mortgages represented securities taken for loans by discount which had been impossible to recover. Two directors owed £20,000 and three other borrowers between them £33,000, secured by “wastelands, sheep in the interior and ships at sea”. Their recommendations were more illuminating: that no director borrow more than £4,000 or any other customer more than £7,000; no transfers of shares from debtors be registered; and all discounting other than renewals cease until the situation improved.

A second investigation a year later produced an estimate of total losses of £75,000,248 which the directors claimed had by October been reduced to a correct figure of a little over £60,000.249 The directors' recommendation that capital be reduced by one-half by repaying one-sixth and writing off one-third was adopted.250 With this the worst was over. For some time the bank proceeded with extreme caution, but two years later it was again developing a brisk business, launching out in the late 'forties into foreign exchange business and branch banking. By 1848 the bad debt reserve, built up after the capital repayment, was distributed by way of capital increases251 and in 1850 the bank was completely reconstituted as a limited company under an act almost identical with that of the Commercial Bank.252

The onset of depression caused a fairly general retreat from branch banking. The London board of the Australasia directed that no further branches should be created without its authority,253 and accepted Hart's advice that Bathurst should be closed, with discretion in the case of Maitland.254 Hart had already acted in Bathurst, arranging for it to close at the end of February 1844,255 but Maitland proved more difficult. Loans had been mainly by cash credits (to meet competition from the Commercial), and reduction was impossible until after sale of the wool clip; even then winding-up would be a drawn out process requiring a staff in the district large enough to keep the branch open. Accordingly Hart took advantage of
the discretion allowed and retained it, pointing out that it was then the only bank in the district.256

It was so because the Commercial of Sydney had, despite protests, abolished all its branches and agencies from the end of March 1844.257 The Union, having the field to itself in each case, retained its Bathurst and Geelong branches, but the Inspector declared himself opposed to any extensions: “I would by no means advocate the extending our branches into the inland towns of the Colony. A branch in a seaport with a fine country around it will ensure a profitable business in exchange operations alone, but in an inland town you must almost entirely depend upon your circulation and deposits both of which in a colony like this must be trifling”.258 By early 1844, therefore, country branches on the mainland were reduced to one each in Geelong, Bathurst and Maitland, and the last was only being continued because it was cheaper to continue than to close.

One result of the retreat from branch banking was new life for country “orders”. Their circulation had fallen in the neighbourhood of branch banks, and they were severely curtailed by widespread default by issuers in the slump and the consequent decision of Sydney banks to refuse to accept them as deposits or to collect them.259 Gipps, however, exaggerated when he said they had “almost altogether disappeared”,260 although he had the warrant of the Select Committee on Monetary Confusion which spoke of their “annihilation”.261 Although several witnesses before that committee said they had almost disappeared,262 others gave a truer picture of a drastic reduction far short of disappearance.263 Other committees in the same year, 1843, filled the picture out. Orders were still widely used, especially in the remote squatting districts such as Moreton Bay, being cashed locally only at a heavy discount, and frequently dishonoured on presentation in Sydney.264 In the following years, as the depression lifted, their use was restored to something like its pre-depression range in the absence of branch banks and because their issue was a convenient form of borrowing from the general public.265

The banks themselves encouraged their use by re-instituting restrictions on the drawing of cheques for small sums. The Bathurst branch of the Union Bank in 1846 restricted cheques to a minimum of £5 for residents of Bathurst and Kelso and £1 for residents of surrounding districts,266 and a little later all four banks adopted a general £2 limit with a refusal of cheques other than those drawn to bearer.267 The abolition of cheques drawn to order facilitated the negotiation of cheques for sums in excess of £2, and mitigated the effect of that limit, which greatly increased the use of “orders” for smaller amounts,268 so much so that in 1848 the Commercial and New South Wales undertook to cash cheques for country residents for
as low as £1.269. The result of these restrictions, as the 1850 Select Committee on Banking found, was that the issue of notes for 1s., 5s., and £1 by storekeepers in country districts became quite general, and they together with “orders” and cheques of employers constituted the main money of inland districts. The committee was not disposed to interfere—too many members of Council were concerned for them to agree to restrict either the use of “orders” or of these storekeepers' notes. Indeed they asked that the legality of employers' “orders” be put beyond doubt, and proposed only that note issuers be required to make returns and to make their notes convertible at a specified place. None of their recommendations were adopted, and the country storekeeper's note continued its career into the twentieth century.

Nevertheless the future lay with branch banking, and the later ’forties saw a cautious extension of branches. In 1845 Hart of the Australasia established two agencies, one with Henty Bros. at Geelong and the other with Rutledge & Co. at Port Fairy (Belfast), and the following year received authority to make the Geelong agency a full branch under the control of the Melbourne office. The Union Bank proceeded to open a full branch at Portland in July 1846. Initially the branch was not authorized to discount local bills, but issued notes, held deposits, bought and sold exchange on other branches, and cashed orders. When local discounting began in January 1847 it was almost entirely limited to wool bills, and hence highly seasonal, but by 1849 discounts had reached a total of £14,000.

McLaren, the Inspector of the Union, proposed to go further afield to Adelaide, but the Bank of South Australia reminded the Union of its 1837 undertaking not to open in South Australia and the matter was dropped, but only temporarily. The question was raised again at the July 1848 meeting in London, but deferred while the two banks discussed amalgamation. This fell through since the Bank of South Australia would have had to abandon its charter, and the Union promptly determined to go ahead with an Adelaide branch, which opened on 2 January 1850. Operating under a local act, and without local directors, it conformed to the terms of business of the other two banks.

Meanwhile, the Bank of New South Wales had completed its reconstruction and for the first time showed an active interest in branches. One of these was in Melbourne early in 1851, followed by an agency arrangement with Cohen & Co., storekeepers of both Armidale and Tamworth, the agents issuing Bank of New South Wales notes and selling drafts on the bank in Sydney. Earlier there was a full branch in Brisbane, the first provision for banking in what was to become, nine years later, the
separate colony of Queensland.

The Moreton Bay district was thrown open for settlement in 1842 and developed initially as a pastoral area with minor urban centres at Ipswich and Brisbane, the latter because virtually the only external communication was by sea with or through Sydney. Transactions were often in kind, illustrated by the 1846 advertisement of a general store: “Wool and tallow taken in exchange for goods or purchased at market prices”, and by notes of the Sydney banks, including the £1 and 5s. notes of the Royal Bank when such notes were available. But the main currency was the ubiquitous “order” on a Sydney merchant as agent. Wages were universally paid in this manner, as were many other payments. The issuer had to meet a collection charge of 21/2 per cent from his agent and the local shops took them at up to 20 per cent discount. Negotiation was often difficult and sometimes had to be achieved by advertisements such as this: “The undersigned has for sale on advantageous terms two I.O.U.s signed R.H., one for the sum of £6 os. 3d. and the other for 18s. 2d., or the above will be given in exchange for turtle, salt beef, tallow, hides, sheepskins or any other colonial produce.”

Circulation of orders was promoted by the 1847 rule of the Sydney banks against cheques under £2, and one local firm announced the opening of a special discount office at which orders would be discounted, and also accepted direct from drawers for goods to be supplied from Sydney, although such business was in practice done by all Brisbane merchants. The *Moreton Bay Courier* might well declare that “our utter and childish dependence upon Sydney and, consequently, the continual flow of cash to that city, paralyses our energies and public enterprise becomes weak and nerveless”. In its second issue, under the title “We Want a Bank”, it had pleaded the case for a branch of one of the English banks, putting the replacement of “orders” well ahead of loans to pastoralists as the prime advantage. It assumed that it was only necessary to make the prospects of the district known, and continued at intervals to plead the case.

But the prospects of the district were assessed too coldly in Sydney. Hart, Superintendent of the Bank of Australasia, had received in March 1846 authority to open a branch in the district, but preferred to wait until it had developed further. A petition to the Union Bank in 1848 was signed “by almost every inhabitant of the settlement engaged in business”, but a year later no reply had been received. The residents of Ipswich accordingly turned to self help and planned their own Ipswich Bank. A meeting in February 1849 approved of a capital of £20,000 in £10 shares (£1 payable on allocation), with liability limited to double shareholdings; seven of those present undertook to subscribe for 110 shares. Caution, however,
dictated deferring the issue of a prospectus until the measure of support had been taken by subscription lists to be collected in Ipswich and Brisbane. The caution was justified for the wool season had been bad, and the firm promises obtained were insufficient to justify any further action.

The question was revived the following year when Ipswich residents besought the Commercial Banking Company of Sydney to establish a branch, and those of Brisbane approached the Bank of Australasia. The Commercial was unwilling, and Falconer of the Australasia referred the question to London, despite the earlier authorization to open a branch. Help came from an unexpected quarter. In May Judge Therry and the Attorney-General, in Brisbane for the first Circuit Court, gave public notice of their opinion that “the small paper currency of Brisbane” was not merely worthless but an offence, and this was confirmed by judicial decision in Sydney in July. The decision caused consternation, for these orders were the only small change, indeed nearly the only local money. Ipswich residents again turned to their bank plan, but the Bank of New South Wales acted more swiftly. The legal decision meant that a branch would have no competition from private issues, and that bank and the Union promptly sought information as to the prospects of an agency. The Bank of New South Wales announced its intention of opening a full branch, which duly commenced business on 14 November 1850, causing a rapid decline in local discount rates and replacing a large part of the “orders” with its own notes. With that and other branches, including those of other banks, in the succeeding years Queensland was integrated into the general Australian system.

In the end, therefore, the long-term results of the slump on the nature of the banking system were slight. The failures were in the long run important primarily in increasing the already dominant position of the English banks. Otherwise the chief result was the introduction of new types of investment, the wool liens and stock mortgages and colonial government securities, which were to become important to the banks, but which at this stage were not. The basic nature of the banking system was unaffected by its adventures.

1 This depression still awaits competent detailed analysis; the present narrative of events and the tentative discussion of origins are intended to do no more than provide a background for the impact of the slump on the monetary system, and no claim is made for completeness or finality. In particular the suggested outline of “causes”, which is not in accord with textbook explanations, is only a first approach towards more convincing analysis than the received ones. The best analysis of the course of events in South Australia, here touched lightly, is by G. H. Pitt, an
unpublished thesis in the S.A. Archives. For the East (mainly New South Wales) the discussion by Roberts, *Squatting Age in Australia*, is derived from the despatches of Gipps, who accepted a very simple “excessive speculation” doctrine, and who was resentfully defending his administration against stinging censure from England. The most recent account (Fitzpatrick, *British Empire in Australia*, ch. III) contains many inaccuracies in narrative and is over-determined to find the cause in an independently conditioned slump in British investment in Australia. Coghlan (*Labour and Industry in Australia*, vol. I, chap. VIII) still remains a useful narrative. Because of its tentative and preliminary character the first section of this chapter is not rigorously documented; the chief events can be followed further in the foregoing accounts.

2 For the case of Western Australia, see chapter II.


4 The Swanston letters during 1840–1 are illuminating on this aspect. Even through his side of the correspondence the angry incredulity of investors who could not understand what had gone wrong (before the slump was fully developed) is clearly reflected.

5 Fitzpatrick again, e.g., p. 110, is typical in giving this factor primacy over the local developments which he records. Few contemporaries gave British investment an independent role, which should be a warning to those familiar with the Australian tradition of explaining every slump as caused by overseas events.

6 This is not to deny important local contributing factors outside public finance, which are not considered in detail here.

7 Grey to Stanley, 21 January 1843.

8 E.g., Roberts, p. 237; Fitzpatrick, p. 112. Coghlan, i, 483–4, is over-generous to Gipps in stressing the error of this view.

9 It appears to be these debentures which Fitzpatrick (p. 117) described as “Government notes” and compares with Darling’s 1826 issue.

10 See amongst many references, *Sydney Herald*, 21 December 1840 (the first clear reference to “the crisis”); Gipps to Russell, 1 February 1841, *H.R.A.*, I, xxi, 198–200, his first report of the slump, introduced casually “there is, I believe, only one, subject of interest on which I shall have occasion to touch”.

11 Detailed figures are in Evidence of Immigration Committee, *V.P.N.S.W.*, 1845.


13 Gipps, *loc. cit.*, p. 199, and later despatches found the blame for the results of this mode of import finance to rest entirely on the Australasia. It is at least true that the acute hostility to the “Anglos” which was one of the legacies of the depression, thereafter permanently part of Australian thinking about banking, stems from their association with this first liquidity crisis and the later association of the Australasia with the foreclosure of estates involved in the failures of Hughes & Hosking and the
Bank of Australia.

14 *V.P.N.S.W.*, various dates. The range of goods subject to duty was unchanged during the period covered by the table.

15 *Sydney Herald*, 17 July 1843.

16 From *Sydney Herald* lists, February—September 1842.

17 5 Vic., No. 17, passed 29 December 1841, operative from 1 February 1842.

18 Judge Burton was largely responsible for the Act; the description of the court refers to the general belief, substantially correct, that the Act favoured the debtor to the point where the dishonest and improvident could successfully cheat their creditors.

19 Lists given at intervals in *Sydney Herald* yield the following occupational groups:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchants, shopkeepers, etc.</td>
<td>153</td>
</tr>
<tr>
<td>Clerks</td>
<td>44</td>
</tr>
<tr>
<td>Settlers, farmers, graziers</td>
<td>78</td>
</tr>
<tr>
<td>Publicans and brewers</td>
<td>42</td>
</tr>
<tr>
<td>Professional workers</td>
<td>51</td>
</tr>
<tr>
<td>Gentlemen</td>
<td>31</td>
</tr>
<tr>
<td>Building workers</td>
<td>44</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>74</td>
</tr>
<tr>
<td>Other craftsmen</td>
<td>59</td>
</tr>
<tr>
<td>Unstated</td>
<td>24</td>
</tr>
</tbody>
</table>

20 From returns in *V.P.N.S.W.*, 1849.

21 *Sydney Herald*, 16 October 1843.

22 *V.P.N.S.W.*, various years.


24 This fact, explicable by the interpretation adopted here that the depression was primarily one in the pastoral industry initiated by “endogenous” factors was obscured for contemporaries by the government financial crisis.

25 For figures of these see below.

26 *V.P.N.S.W.*, various dates.

27 Select Committee on Distressed Labourers, *V.P.N.S.W.*, 1843.

28 Evidence to Select Committee on Distressed Labourers (a different committee), *V.P.N.S.W.*, 1844; Gipps to Stanley, 19 August and 1 September 1843, *H.R.A.*, I, xxiii, 86, 95, also stressed the unemployment in metropolitan building. In the latter he recorded 332 on relief in Sydney, and estimated this as half the number entitled to relief.

29 The unemployed were town residents, not rural workers seeking refuge. Cf. evidence of F. L. S. Merewether, Immigration Agent, to Select Committee on Distressed Labourers, *V.P.N.S.W.*, 1844. Gipps proposed 3s. per day for skilled and 2s. for unskilled relief workers (to Stanley, 19 August 1843, *H.R.A.*, I, xxiii, 86), and
between August 1843 and August 1844 £7,474 was so spent in Sydney. (Evidence of Lewis, Colonial Architect, to Select Committee on Distressed Labourers.)

30 Madgwick, *Immigration into Eastern Australia*, gives an account of the resumption of assisted migration.

31 Phrase is from Gipps' address to Council, *V.P.N.S.W.*, 8 June 1841, which was equally typical in declaring: “A more abundant supply of labour is undoubtedly the one great thing wanted in the Colony.” Governors of other colonies, bankers, business men, squatters, newspapers could be quoted again and again for the same general attitude and special exception.

32 Liens on growing crops were already familiar (e.g., in the West Indies) and furnished the model which was adapted; the novelty lay in giving legal enforceability to a loan on a security on four legs whose owners rarely had any other substantial property and were usually far from the lenders' supervision.

33 *Sydney Herald*, 24, 25 August 1843. The opponent was T. Walker.

34 *V.P.N.S.W.*, 31 October 1843.

35 Report and evidence, *V.P.N.S.W.*, 1843.

36 The title “Pledge Certificate” derives from Holt's claim that his plan was a copy of the Prussian *Pfandbriefe* system. The Committee thought that “possibly a monetary system founded thereon might be permanently established in connection with a Colonial State Bank; but your Committee, looking to the urgent wants of the Colony, have thought the more advisable course was to confine their attention to some practical measure which would not involve the necessity of erecting a State Bank; a step of vast importance and only to be taken after the most extended enquiry and mature deliberation”.

37 Gipps to Stanley, 29 November 1843, *H.R.A.*, I, xxiii, 231, foreshadowed this; Council was in little doubt from references in the debate, e.g., *Sydney Herald*, 6 December 1843.

38 *Sydney Herald*, 6 December 1843. Cowper's motion for request to Gipps defeated 9 to 7. Allowing for the *Herald*'s hostility to the measure, it gave a very fair review of the whole debate: “The father of the bill, Mr. Windeyer, spoke with commendable brevity . . . The Colonial Secretary, who improves with practice, spoke like a plain man of business; Mr. Elwin with great force, but attaching undue consequence to the fall in the price of wool; Mr. Bland ably, energetically, but abounding with that species of fallacy into which his enthusiasm so frequently betrays him; Mr. Lowe in a strain of eloquence to which even the learned member for Sydney was constrained to ascribe ‘no small merit’; Mr. Wentworth with his usual mixture of elegance and vulgarity, of good sense and coarse abuse; Mr. Foster rather indolently, as if his previous efforts had exhausted the storehouse of his brain; Dr. Lang not much to the purpose; Dr. Nicholson with some ingenuity but less logic; Mr. Therry with admirable indecision; and Mr. Murray in accents of lamentation and woe.” 9 December 1843.
39 Passed 6 December, 1843, by 11 to 9; assent withheld, 12 December 1843, *V.P.N.S.W.*, 1843; Gipps (to Stanley, 29 November 1843, *H.R.A.*, I, xxiii, 230–1) objected to the principle of the government becoming “mortgagee-general of the colony” as well as to the details of the measure. Action approved by Stanley to Gipps, 6 May 1844, *H.R.A.*, I, xxiii, 574.

40 *V.P.N.S.W.*, 28 December 1843.

41 8 April 1842. The “eleven per cent” is arrived at by calculating that 10 per cent discount equalled approximately 11 per cent interest. For other issues insisting on interest reduction: 6 April; 15 July; 7, 8, 9, 10, 22, 24 September; 3 November; 21 December 1842.


43 Report, *ibid.*, 2 February 1842.


46 *Sydney Herald*, 24, 25 March 1843. The Sydney, Australia and Port Phillip Banks were all closed by this time. The Bank of New South Wales at the same time reduced its short-term bill rate to 8 per cent. “Minutes”, 21 March 1843.

47 First on 5 April 1843 failed for lack of attendance (*Sydney Herald*, 4, 6 April); the second, on 13 April, resolved to persuade the Mayor to convene a fresh meeting (*ibid.*, 11, 14 April); the third was on 8 May (*ibid.*, 17 April, 9 May).


Some friends much entreating, he went to a meeting. His white worship the Mayor in the chair, Where would-be legislators, and stormy debaters, With twaddle were fighting the air. Mister Henry MacDermott shot his musket of harm at Savings Banks, and all men and all things, But the real tip-topper was Big Robert—per, Says he, ‘I no flummery brings— The Colony's trust is, you'll hang the Chief Justice, We wants neither Courthouse nor Judge; To them 'ere lawyer chaps, them beaks, and them traps, My speech is one word, and that's budge.

49 The *Herald* was as vigorous and tireless in its opposition to this bill as it had been in urging voluntary interest reduction. See issues of 22, 26 July; 21, 29, 31 August, 2, 5, 7, 12, 15, 19 September 1843. Text of bills *ibid.*, 1 September; first reading 25 August.

50 *Sydney Herald*, report of debate, 16, 21, 22 September 1843. Gipps had made

51 *Sydney Herald*, 23, 28 September 1843. Effective 1 October.

52 “Letters to London”, 28 September 1843. Hart recognized only the Union and Commercial as competitors, “for the Bank of New South Wales can no longer be considered an operative bank”.


55 *Ibid.*, 29 February 1844 for Australasia, effective 1 March; 13 March for New South Wales, effective 1 April.

56 *Ibid.*, 8 June 1844, effective 1 July.

57 *Ibid.*, 24 July 1844, effective 1 August.

58 *Ibid.*, 26, 27 August 1844, effective for current accounts 1 September, for other deposits 1 December.

59 *V.P.N.S.W.*, 4 September 1844.


62 Gipps to Stanley, 31 December 1844, enclosing two petitions, one from merchants the other from bankers, against the bill. Both painted a horrifying picture of a flight of capital, foreclosures, loss of confidence by overseas investors, etc., which, since they stressed the reductions in interest which had already occurred, was unconvincing.


64 E.g., *Hobart Town Courier*, 13 May 1842.

65 E.g., *ibid.*, 29 December 1843 (a Launceston move).

66 2 September 1842.

67 14 May 1842.

69 *Cornwall Chronicle*, 10 September 1842. Franklin's main objections were general *laisser-faire* principles and the impossibility of enforcement. He thought 8 per cent too low in any case. Franklin to Stanley, 7 November 1842, “Outwards Despatches”, Vol. 43, pp. 774–94.

70 Minutes of Legislative Council, *Hobart Town Gazette*, 21 October 1842; *Hobart Town Courier*, 4 October 1842.

71 *Hobart Town Courier*, 21 October, 4 November 1842. Petition had 97 signatures.


73 *Launceston Examiner*, 23 November 1842. Text in *Legislative Council Papers*, 1842, shows the propositions ranging over the case for free discussion, the existence of usury laws in England, and a “tendency to engender feelings disaffected and inimical towards your Excellency”.

74 *Hobart Town Advertiser*, 18 November, 13 December 1842, 27 January, 3 April 1843. Last gives details: a loan at 3–5 per cent for 15–20 years; take over local mortgages at 2 per cent over borrowing rate. *Hobart Town Courier*, 17 March 1843, says Franklin favoured the scheme.

75 Ibid., 19 May 1843, for details.

76 Ibid., 26 May, 2 June 1843.


78 *Hobart Town Advertiser*, 1, 5, 8, 19 December 1843.

79 The disallowance of this arrangement in England is discussed below.

80 *Hobart Town Courier*, 26 August 1842, effective 12 September. Current account interest only was abolished; three months deposits carried 5 per cent. “Derwent Bank Letter Book”, 1842–5, to J. Clarke, 13 January 1843.

81 *Colonial Times*, 4 July 1843; “Derwent Bank Letter Book”, 1842–5, to W. J. Walker, 27 June 1843; G. Meredith, 10 November 1843 (dating from 1 July). The press generally referred to 8 per cent, but there was an additional 1/2 per cent commission.

82 “Derwent Bank Letter Book”, 1842–5, circular to Melbourne debtors, 6 September 1844. (Rate became 12 1/2 for Port Phillip mortgages.) *Colonial Times*, 6 February 1844, says Swanston was heavily pressed by other banks.

83 *Hobart Town Courier*, 29 April 1846, simultaneous action by Commercial, Australasia, Union. Fenton had returned to the attack in 1844, inquiring if English instructions had been received; *Hobart Town Courier*, 19 January 1844; asking for a detailed return of mortgages registered, *ibid.*, 26 July 1844, without success (“of course”, said *Courier*); again moving vainly for a usury act, Minutes of Legislative Council, *Hobart Town Gazette*, 9 August 1844. The Bank of Australasia cut the rate
on renewed bills from 10 to 8 per cent, *Hobart Town Advertiser*, 13 May 1845, but rates on new bills were maintained.

84 *Hobart Town Advertiser*, 13 November, 10, 28 December 1844; 7 January 1845. The Cornwall Insurance Co. was said to be already taking new mortgages at 7 per cent. Swanston, who in December 1842 was writing “To ten per cent we must now all confine our expectations” (*Foreign “Letter Book”,* 1838–45, to W. Oliver, 19 December 1842) was now writing: “The only hope of the Colony reviving appears to be the reduction of all interest to 5 or 6 per cent, so as to enable the colonists to live and pay off their debts, and this proposal I think of making to all our absenteees at the end of the year” (*ibid.*, to C. B. Viveash, 21 November 1844; cf. to Peter Murdoch, 1 April 1845 and Stephen Adey, 29 April 1845).

85 *V.P.N.S.W.*, 10 August 1843.

86 *Sydney Herald*, 1, 6 September 1843.

87 *V.P.N.S.W.*, 29 September, 9 October 1843. One amendment was the deletion of the proposed right of squatters to mortgage their stations. Gipps to Stanley, 1 January 1844, *H.R.A.*, I, xxiii, 281.


89 7 Vic., No. 3, passed 15 September 1843 but later amended before assent given. Operated from 11 October.


91 *V.P.N.S.W.*, 1845, evidence of W. Carter, Registrar-General to Select Committee on Preferable Liens on Wool Act.

92 Statistics from *V.P.N.S.W.*, various years.

93 This point is discussed fully below.

94 Stanley to Gipps, 28 October 1844, *H.R.A.*, I, xxiv, 57–8. The Act was received in London on 22 July 1844; the latest date for disallowance was therefore 22 July 1846, which explains Stanley's choice of limit.

95 16 August 1845.

96 9 August 1845.


98 Evidence of Hart.

99 Cf. *Sydney Herald*, 27 August 1845, bank advertisement of willingness to lend on security of current clip in this manner.

100 Gilchrist said usual interest on wool liens in 1845 was 8 per cent, plus 21/2 per cent commission.
101 9 Vic., No. 28 (13 November 1845) and 9 Vic., No. 30 (8 November 1845).


103 Grey to Officer Administering Government of South Australia, 8 February 1848.


105 11 Vic., No. 4, 24 July 1847.

106 14 Vic., No. 24, 1 October 1850. Resolutions in *V.P.N.S.W.*, 30 September 1850. A series of petitions had been presented from Port Phillip for continuance, *ibid.*, 28 June, 16, 19 July. The original proposal was for a five-year extension, *ibid.*, 16 July 1850. An earlier amending act of 1848 (11 Vic., No. 58, 17 June 1848) had prohibited a mortgagor of sheep giving a lien on the wool until the mortgage was discharged.

107 *Sun and New South Wales Independent Free Press*, 4 March, 1843.


111 “Letters to London”, 2 March 1843, enclosing letter by Australia, 27 February, and reply by Hart, 2 March. (On legal advice the agreed terms were put forward in a request by the Australia.) Further letters by Hart, 15 and 22 May 1843, *Sydney Herald*, 16 August 1844. Independent holdings of Hughes & Hosking bills of £34,000, evidence of Hart, *Sydney Herald*, 4 April 1845.


115 Total debt of Hughes & Hosking was £144,895, of J. T. Hughes £57,497. It was charged by the *Herald* and fully confirmed that two other major debtors, E. Manning (£66,442) and A. B. Spark (£44,244) had secured their loans by remaining behind after board meetings, and, as a meeting of two directors, were competent to discount each other's bills. Both sought to rebut the charges, but could only defend the ethics of action which they virtually admitted and which the Bank's Minutes confirmed. *Sydney Herald*, 31 March, 4, 8, 9, 11 September 1843; 17 December 1844.

116 *Sydney Herald*, 1 February 1844. The year dated from 24 October 1843.


118 *Sydney Herald*, 6 October 1843; 1 February, 29 March 1844.

120 *Sydney Herald*, 22 July 1844; “Letters to London”, 26 July 1844. This was the first time the question was raised, and the presence of the debt in accounts at various previous dates, and the acceptance by silence of several successive meetings of shareholders of the obligation were, in later legal actions, used as evidence of confirmation of the directors' action in borrowing.

121 *Sydney Herald*, 15 August 1844, reporting meeting on 6th. The defiance was somewhat weakened by the voting figures: 28 present, motion carried by 19 to 4. Hart, “Letters to London”, 10 August 1844, blamed the decision on “a few designing and interested people in Sydney whose object is to gain time at all hazards and . . . an unprincipled and tricky solicitor”.

122 Gipps to Stanley, 1 January 1845, *H.R.A.*, I, xxiv, 166.

123 *V.P.N.S.W.*, 1844, Select Committee on Bill, evidence of J. Walker, Secretary and cashier.

124 The argument of petitions in favour of the bill, of Select Committee and of Gipps.

125 *V.P.N.S.W.*, 4 October 1844.

126 *V.P.N.S.W.*, 5, 6, 10 December 1844, records fourteen similar petitions.

127 Evidence of Walker and Sillitoe.

128 E.g., evidence of Robert Lowe: “I have seen instances where parties have evinced a great desire to marry, and settle their property on their wives, who were very well content to be single before; I have seen people anxious not to pay off mortgages, because it would disentangle their property; and I have also seen people encumber their property in order to prevent its falling into the hands of the creditors of the bank”.

129 Evidence of Walker. Most of the Commercial debt arose from a rediscount in October 1842, *Sydney Herald*, 1 April 1845. That of the New South Wales had a similar origin in 1841; that bank refused further help when the crash came, “Minutes”, 22, 28 June 1841; 5 May 1843.

130 Evidence of Walker. Of the 4,000 shares 1,300 were held by English residents, who were to be given the option of holding tickets or selling them to the public.


132 The Australasia petitioned that the bill give its debts priority; the petition was merely received. *V.P.N.S.W.*, 3 December 1844.

133 8 Vic., No. 18, 23 December 1844. For questions as to validity, *Sydney Herald*, 20 November 1844; opposition of Attorney-General, *V.P.N.S.W.*, 23 December 1844; Attorney-General and Solicitor-General to Colonial Secretary, giving adverse opinion, 28 December 1844, “Colonial Secretary's Papers”, File No. 44/9663.
134 The only dispute as to its terms had been the time limit, set at one year, and then extended to eighteen months. *Sydney Herald*, 18, 19 December 1844.


136 *Sydney Herald*, 1 January 1845.

137 Stanley to Gipps, 17 May 1845, *H.R.A.*, I, xxiv, 350–51, conveying the refusal, does so on high moral grounds.


139 The Australia authorized a somewhat different offer at a general meeting: £40,000 in cash; £25,000 in bills; all the properties covered by the lottery scheme (subject to liabilities of £40,000), leaving £30,000 to come from England; colonial shareholders to be guaranteed freedom from all further liability. *Sydney Herald*, 7 and 27 February 1845. For rejection, “Letters to London”, 18 February 1845.

140 Reports in *Sydney Herald*, 28, 29, 31 March, 1, 2, 3, 4, 5, 7, 9 April 1845. J. D. Lang in *Atlas*, 19 April 1845, commented: “Six of [the Jury] at all events must have been either obstinate or corrupt. We are willing to give them the benefit of the less disgraceful alternative.” *Atlas* of 12 April had a piece of doggerel on “The (H)artful Bank” which concluded: “So, he grasped the Bank in his iron hand, And applied his Jury Screw, And gave it a twist—but his mark he missed, For his engine has split in two. ‘Is never a tinker to be found,’ Cries Hart, ‘who can patch for me This cursed screw, and get it round The Bank of Australie.”

141 Reports in *Sydney Herald*, 24, 25, 26, 27, 28, 30 June, 1, 2, 3, 4, 5, 22, 23, 24, 26, 28, 29, 30, 31 July, 5 August 1845. The amounts claimed were the main loan of £154,000 (secured by a promissory note signed by the Chairman of the Australia, James Norton, on 30 October 1843) and two smaller sums of £3,481 and £2,854.

142 Reports reprinted in *Sydney Herald*, 27, 28, 29 April, 1, 2, 3, 4, 5, 6 May 1848.

143 Terms in *Sydney Herald*, 23 June 1848 (judgment on 15 February).

144 Report in *Sydney Herald*, 19 June 1848.


146 “Minute Book”, No. 6.

147 “Letters to London”, 22 February 1851. These were amounts of which notice was received in Sydney office.


149 Printed circular to shareholders, dated 10 August 1848, enclosed in Bank of

150 *Sydney Herald*, 19, 24 October 1848.

151 There are many advertisements offering tickets in newspapers not only in Sydney but also in Melbourne, Hobart, Launceston and Adelaide during the remainder of 1848.

152 22 January 1849.

153 *Sydney Herald*, 2, 3, 4 January 1849.

154 22 January 1849. A “FitzRoy” was slang for “something contemptible” in allusion to the scandal of the philanderings of the governor and his sons.

155 *Sydney Herald*, 13 January 1849, for plan.


159 “Letters to London”, 12 October 1849.


161 For extension, Bank of Australasia, “Letters to London”, 29 March 1851; delay was partly explained by legal transfers of properties. *Sydney Herald*, 11 October 1850, 12 June 1851. Final meeting was on 21 July, *ibid.*, 5 July.


164 E.g., “Derwent Bank Letter Book”, 1845–54, Smith, 26 February 1848; Mercer, 19 May 1848; Jacomb, 20 June 1848; Anstey, 28 October 1847; “Swanston Letter Book”, 1838–45, Foreign, Hamilton, 13 June 1844. From 1844 letters to absentees are full of apologies, explanations of reduced interest, failure to collect interest, foreclosures, difficulties of realization, and requests to be patient.

165 “Derwent Bank Letter Book”, 1845–54, 1 May, 7 July 1846; *ibid.*, 1842–5, 12 May 1843.


167 *Ibid.*, Young, 2 November 1849: “all Captain Swanston's agency matters were quite unconnected with the Derwent Bank”; circular of 28 January 1850; and many other letters refusing to accept responsibility.

168 The available letter books are divisible into three Derwent Bank and four Swanston books. But letters relating to Bank business occur in the Swanston books,
and agency letters are in Bank books. Recipients would have reasonably assumed from the phrasing of letters that in dealing with Swanston they were dealing with the Bank.


173 Ibid., Hamilton, 13 July 1843.

174 Ibid., Mackillop, 14 November 1843; Hamilton, 10 May 1844.

175 Ibid., Hamilton, 13 July 1843, 10 May 1844.

176 Ibid., Hamilton, 13 July 1843.

177 See above.


179 Ibid., Hamilton, 10 May 1844.


184 Ibid., Dumaresq, 19 November 1849; Pearson, 12 December 1849.

185 Ibid., Dumaresq, 17 June 1851.

186 Ibid., Dumaresq, 17 June 1851, first dividend of 5s.; Bell & Co., 18 January 1853, 2s. 6d.; C. Thomson, 24 January 1854, final 2s. 6d. dividend.


188 Ibid., Pearson, 12 October 1852 records, in addition to 20 per cent returned 16 April 1846, 20 per cent on 17 March 1848, 25 per cent in September 1852; to Mrs Maxwell Robertson; 15 per cent, to same, 17 January 1854, 221/2 per cent.

190 Sydney Herald, 1, 3 April 1843.
191 Ibid., 6, 13 April 1843.
192 Ibid., 1 May, 8 June 1843.
193 Ibid., 4 May 1843.
195 Sydney Herald, 19 June, 20 July 1843.
196 Ibid., 24 June, 13, 21 July 1843.
197 Sydney Herald, 3 August 1843. Deposits and note issue were only £30,058 on 17 July. Ibid., 20 July 1843.
198 Ibid., 7 August 1843, for offer to exchange shares of other banks and insurance companies for those of Sydney Bank; first repayment of 10 per cent ibid., 4 September 1843.
199 Repayments recorded: 10 per cent (ibid., 4 September 1843); 10 per cent (13 October 1843); 10 per cent (24 November 1843); 10 per cent (29 January 1844); 10 per cent (30 March 1844); 10 per cent (22 August 1844); 10 per cent (27 December 1844); 5 per cent (14 July 1845); 5 per cent (8 December 1845); 21/2 per cent (1 July 1846); 4 per cent (16 January 1847).
200 Port Phillip Gazette, 25 February 1843, reporting confirmation of decision.
201 Figures from balance sheet quoted in “Swanston Letter Book”, 1838–45, Foreign, circular to overseas shareholders for whom Swanston held in trust, 29 May 1843.
202 Port Phillip Gazette, 21 January 1843.
204 Port Phillip Gazette, 25 February 1843.
205 The official June return showed average note issue for the quarter as £393, and deposits as £3,080. By the end of the year notes were £256 and deposits £770. Port Phillip Gazette, 6 January 1844. The notes would be partly those lost, the rest and deposits those of persons who had not heard the news; as late as August 1844, seven depositors had not claimed their money. Ibid., 17 August 1844.
206 Balance sheet at 27 December, Port Phillip Gazette, 6 January 1844.
207 Port Phillip Gazette, 17 February 1844. The difficulty of absentee investors is well illustrated by those for whom Swanston held shares in trust—some of whom had been told of the investment after the purchase was made. He gave Mercer, the managing director, a power of attorney. When the crash came Mercer was in England and the Bank refused to recognize Swanston without special authorization from the shareholders. “Swanston Letter Book”, 1838–45, circular to shareholders,
16 August 1844; to directors of Port Phillip Bank, 24 January 1844.

208 The concentration of loans to primary producers is a generalization from the “Outward Letter Book”.

209 *Hobart Town Courier*, 14 October 1842.


211 *Hobart Town Courier*, 15 December 1843; *Cornwall Chronicle*, 3 January 1843; “Letter Book”, to Gilles, 8 December 1843.

212 *Hobart Town Courier*, 29 December 1843.


215 *Hobart Town Courier*, 2 February 1844.


217 First repayment of 10s. was in March 1844, and by August of that year a further 7s. 6d. had been paid; the final 1s. not until August 1847. “Letter Book”, 8 March 1844 (Gilles); 28 August 1844 (circular); 13 August 1847 (Davidson); *Hobart Town Courier*, 2 June 1847; *Cornwall Chronicle*, 17 July 1847.

218 Port Phillip Bank, “Letter Book”, to Australasia (Melbourne) 23 September 1842; to Archers Gilles & Co. 26 September 1842.

219 Union Bank, “Inspectors' Reports”, Launceston Branch, 10 July 1843.

220 The amount of the aid must have been large; after steady repayment over several years by 1850 it was down to £24,173. Union Bank, “Inspectors' Reports”, Launceston, 12 July 1847, 17 July 1850. Direct contemporary evidence of the condition attached is lacking, but it is implied by the contemporary records, and explicitly asserted in *Cyclopaedia of Tasmania*, vol. II, “Banking Institutions”, which was written on the basis of local knowledge and recollections.

221 *Hobart Town Courier*, 15 December 1843.


223 *Sydney Herald*, 24 November 1846.

224 Figures quoted above from legal proceedings in London, reports reprinted in *Sydney Herald*, 12, 14 October 1850; 14 June, 5 July 1851. No attempt is made here to untangle the whole story of Boyd's financing (still less of his business career),
which has only limited connection with the present study.

225 *Sydney Herald*, 28 August 1849; 13, 14, 23 September 1850.

226 *V.P.N.S.W.*, 30 July, 2 August 1850; *Sydney Herald*, 3 August 1850.


228 *Ibid.*, 29 June 1844, reporting meeting in February.

229 *Ibid.*, 12, 17 July 1844; and again 9 June 1845.


233 *Sydney Herald*, 19 July 1848.

234 I have not traced its subsequent history. It is shown in *New South Wales Almanac*, 1852, as engaged in lending.

235 *Sydney Herald*, 4 July 1843.

236 *V.P.N.S.W.*, 1844, evidence of Norton to Select Committee on Bank of Australia bill.

237 *Sydney Herald*, 24 November 1846 (meeting in London in July). Dividend 3 per cent for the second half-year of 1845.


243 *Ibid.*, 1 July 1848 for first instalment of 50 per cent. Subsequent payments were: 15 per cent (21 September 1848), 15 per cent, 7½ per cent (1 July 1850), 5 per cent, 5 per cent (24 September 1851).

244 Commercial Banking Company of Sydney Act, 17 June 1848.

245 The general terms of these and subsequent Acts for individual banks are discussed below.


247 “Minutes”, report dated 18 July 1843.

248 “Minutes”, 11 September 1844.
249 *Sydney Herald*, 2 November 1844. Estimate arrived at by adding mortgages written off as bad, £32,245, plus bills written off, £35,260, plus bills current believed to be bad, £4,853; subtracting shareholdings of defaulters £2,200 and £2,500 unexpectedly repaid by mortgagors and £6,000 from the reserve fund; net loss £61,658.

250 “Minutes”, 26 October 1844; *Sydney Herald*, 2 November 1844. Nominal capital, before the reduction, stood at £208,000.

251 “Minutes”, 28 March 1848; 16 January 1849; *Sydney Herald*, 15 March 1848.

252 The reconstruction, as of the Commercial, involved formally complete winding up of the old and separate establishment of a new bank. Details are recorded in “Minutes”, 17, 21 May, 16 July, 30 September, 15 October 1850; 8 January 1851; 15 January 1852; *Sydney Herald*, 4 October 1850; 23 January, 17 July 1851. Bank of N.S.W. Act, 23 September 1850.

253 “Minutes”, 23 March 1843. Decision included rejection of any New Zealand branches.


257 *Sydney Herald*, 30 January, 7, 17 February, 8 April 1844. The formal notices mentioned Maitland, Windsor, Goulburn, not Port Macquarie. A year later, *ibid.*, 5 April 1845, the Bank had to advertise that it had closed these branches—apparently residents were being defrauded by fictitious agencies. *Ibid.*, 5 April 1845.

258 “Inspector's Reports”, Bathurst branch, 20 March 1844.


261 Report, *V.P.N.S.W.*, 1843.

262 E.g., George Miller and James Mitchell, both bankers.

263 E.g., W. Bradley, grazier and John Lamb, Commercial Bank.

264 Select Committee on Distressed Labourers (evidence of Graham, Panton, Bremer, Bowan); Select Committee on Immigration (Report, p. 4 and evidence of Merewether and Taylor), *V.P.N.S.W.*, 1843.

265 A great deal of material on their circulation in 1845 is in evidence before Select Committee on Masters and Servants Act, *V.P.N.S.W.*, 1845. (Letters from O'Brien of Yass, Stephen of Melbourne, Windeyer, Johnson, MacDermott, Elliott, Duncan,
Bettington, Ogilvie, Nichols, Day). This brings out the extent of deliberate avoidance of liability by issuers, and the losses suffered by employees by dishonesty of employers as well as by the discount on honest orders. Cf. *Sydney Herald*, 15 January, 25 October 1844; *Hunter River Gazette*, 16 April 1842.

266 *Sydney Herald*, 9 January 1846, 5 January 1847, operative January 1847.

267 *Ibid.*, 18 June 1847, joint advertisement by N.S.W., Commercial, Australasia, Union. Exceptions were cheques on public accounts, for dividends on insolvent estates and balances of accounts, operative 1 July. The Union branch in Bathurst adhered to its previous decision, *ibid.*, 17 September 1847.


269 *Ibid.*, 21 February 1848, operative 17 February; similar advertisements except that the Commercial's does not limit the concession to country residents. The other two banks did not announce their policy, but would have been forced to follow.


271 Report, dated 11 September 1850, *ibid*.


273 Union Bank, “Portland Letter Book”, postscript of 20 July to letter of 18 July 1846. The former Melbourne accountant, C. Robertson, was manager, joint local director with Blair of whom the *Portland Guardian* wrote that he was “the Police Magistrate of Portland, the owner of two or three dilapidated houses in Gawler Street, the holder of a grazing license, the Government agent for the district, Commissioner of Crown Lands, Commissioner of the Court of Requests, Commissioner of the Supreme Court for the District of Port Phillip, Deputy Commissioner of the Insolvent Court, Deputy Returning Officer for Portland—the sum total, the All in All of whatever was, whatever is, and whatever will be in Portland”. Quoted, *Argus*, 28 July 1846.

274 “Portland Letter Book”, 10 September, 3 October, 30 November 1846 asking for permission to discount; 28 December 1846 acknowledging permission. For cashing orders, see 24 April 1851, urging that practice be continued: “the purchase of small cheques and orders form the principal part of our business for the greater part of the year”.

275 “Portland Letter Book”, 16 January, 11 February, 11 March 1847; 8 September 1849. The letters in this book cover a multitude of subjects ranging from bank routine to glee at saving £25 when buying a site for the bank (by concealing the purchaser's identity), from details of his own family life to personalities of settlers, particularly the Hentys. This first letter tells of his staff worries (18 July 1846): “I am very much disappointed with Mr. W—and think it cruel that you should have saddled him upon me. He actually knows nothing, and in fact is perfectly useless. The Cash Book is quite a treat to see how he puts Drs and Crs all in the same page.
You would confer a lasting obligation on me by removing him and giving me someone who understands something of books. He is already the laughing stock of the town. Anyone with a reasonable perception I would undertake to teach, but with him it is utterly hopeless. If I was taken ill or any accident to befall me, I would require to shut up the Bank. To leave him in it would be madness.”


277 Report in Sydney Herald, 1 December 1848.

278 South Australian Register, 23 June 1849, reporting failure of amalgamation discussions; ibid., 26 December 1849 for opening.

279 Union Bank Act, No. 11 of 1850; South Australian Register, 29 December 1849, 11, 26 January 1850.

280 Sydney Herald, 30 November, 11 December 1850; Argus, 30 May, 6 June, 5 July, 20, 21 December 1850.

281 Sydney Herald, 21 March 1851.

282 Moreton Bay Courier, 20 June 1846.

283 Ibid., 14 October 1848.

284 Ibid., 27 June 1846.

285 Ibid., 15 August 1846. A later advertisement, 22 August, identifies “R.H.” as Renn Hampden, a storekeeper.

286 Ibid., 17 July 1847, 26 February 1848.

287 Ibid., 11 September 1847. The firm was M. W. Appleton & Co., their Sydney agents—Charles Appleton & Co.

288 19 June 1847.

289 27 June 1846.

290 E.g., 5 September 1846; 19 June 1847; 11, 25 March 1848; 14 July 1849; 2 February 1850.


292 Moreton Bay Courier, 8 July 1848; Petition dated 30 June 1848.

293 Ibid., 14 July 1849.

294 Ibid., 3 March 1849. The promise of limited liability was valueless.

295 Ibid., 14 July 1849.

296 Ibid., 9 March 1850.

297 Its first Queensland business was an agency at Maryborough on the goldfields in
1859; it had no Brisbane branch until 1862. *Reports*, pp. 77 and 98.

298 Falconer's letter to petitioners, 25 March 1850, in *Moreton Bay Courier*, 6 April 1850, assures them he will advise London to agree. “Letters to London”, 2 April 1850 (which encloses the petition with 92 signatures), advises against it, on the grounds that the district, while progressing rapidly, was still too small.

299 *Moreton Bay Courier*, 25 May 1850.

300 *Ibid.*, 20 July 1850. (Case on 2 July resulted in an acquittal on a charge of theft of orders for 1s., 2s., 2s. 6d. on the grounds that such orders were null and void.)

301 *Sydney Herald*, 3 June 1850, Moreton Bay correspondent.

302 *Moreton Bay Courier*, 27 July 1850.

303 *Sydney Herald*, 31 August 1850.

304 *Moreton Bay Courier*, 28 September 1850.

305 *Ibid.*, 9, 16 November 1850. When in 1851 the Bank increased its capital by £25,000 local residents were given first offer of £5,000. *Ibid.*, 5 April 1851.

Chapter 11 Western Australia

THE monetary history of Western Australia parallels in miniature the general lines of eastern development, although the early primitive phases were of much briefer duration. Founded as a government-endorsed scheme for a company colony because it would forestall the French and ensure Britain's claim to the whole continent, it became with the passing of 1831 a Crown colony administered in much the same fashion as New South Wales and Tasmania. Its origin and the slow development (population was not quite 6,000 in 1850) meant that all its economic affairs, including its monetary arrangements, were small-scale. The only policy common to east and west, that of the British government, was in monetary matters of minor significance compared with the force of local economic development. Since these trends were similar in all Australian colonies it is not surprising that by the middle of the century Western Australian monetary organization was much the same as in the east, with which it had developed exchange relationships, and that its later absorption into a general Australian monetary system should have been almost imperceptible.

Primitive Beginnings

At the outset the first governor, Stirling, inquired as to the manner in which he would be supplied with money. The reply was that he would take with him £1,000 of which £200 would be in copper coin, £200 in Spanish dollars and £600 in British silver. For any further needs he was to draw bills upon the Commissariat in Sydney or, if that proved impracticable, on London. A copy of the Commissariat circular of 1825 prescribing a sterling-exchange standard and the use of British coin in all colonies was supplied for his general guidance. Stirling soon found that the means at his disposal were inadequate. There was neither Treasury nor Commissariat, a storekeeper doing all the work of both, and cash to pay the troops could only be obtained by selling bills on the Treasury at a discount. He asked for the appointment of either a Treasurer or a Commissary and a regular supply of coin on the Sydney model.

The requests fitted in with steps being planned for the formal recognition of the settlement as a Crown colony and were partly granted, a Commissary being despatched in 1831 with £5,000 in silver, and the arrangements for drawing bills against the British parliamentary grant being brought into line with those applying to other colonies. What further
shipments of coin there were is uncertain, but any such must have been small in view of the constant shortage of coin.⁴

The shortage was met by a variety of makeshifts, paralleling in a general way the earlier expedients of the eastern colonies in their corresponding stage of development, but with many local variations. No store receipt system developed but bills on the Treasury were given direct in payment for individual government debts,⁵ a practice which continued well into the 'forties.⁶ These were of course especially attractive as a means of paying for imports and were regularly offered in exchange for coin, as in other colonies, in order to secure cash for payments to the troops and to others who had to be paid in that form.⁷

Apart from the original shipment of dollars, foreign coins were received in trade with visiting ships, rupees particularly, because of the nearness to India, but foreign coins were never of any importance. British Treasury instructions (of 1825) prevented such coins being given any official standing; the great period of the Spanish dollar as an international money was in any case over, while Indian coins were fleeting visitors because of the constant pressure to pay for imports in coin. Rupees circulated for a number of years at 2s. and Spanish dollars at 4s. 4d., but this was mere convention which collapsed in 1838 when, in accordance with its instructions from England, the Commissariat ceased to accept these coins. The Bank of Western Australia at first responded by lowering its valuation of the dollar to 4s. and of the rupee to 1s. 8d. but almost immediately declined to accept them at all.⁸ These coins did not disappear entirely and throughout the 'forties the Commissariat continued to accept them at the rate of exchange of the day, if acceptance proved convenient, when offering bills on the Treasury,⁹ but they were a minor part of the current coinage, the rupee being more common than the dollar.¹⁰

The problems of government transactions in these circumstances induced Stirling to make a government note issue: “In the absence of specie I have been forced to issue in payment promissory notes. These have been a beneficial temporary substitute for a better currency but I trust the continuance of the practice may soon become unnecessary by the receipt of specie from England.”¹¹ Unfortunately the clerk responsible for writing out the notes could not resist temptation and made forged duplicates of many notes and thereby forced the cancellation of the issue during 1831–32 with a total loss of £288.¹²

The shortage of coin did not lead, as it had in the east, to extensive private note issues, partly because in the early years the coin shortage was too acute. Issuers were unready to commit themselves to promises to pay coin which might be unavailable, and creditors were disinclined to accept
promises the fulfilment of which was extremely doubtful. “Orders” for the amounts of particular debts were given and circulated on a small scale, but the small notes typical of New South Wales and Tasmania until the mid-'twenties appeared only in one issue by Thomas Peel, and private £1 notes only in two shortlived issues.

The first systematic private note issue would seem to have been that in 1830 of Messrs. Peel & Levey. These were for 5s. and 10s., payment of which was promised locally or at Cooper & Levey's in Sydney. These proved of little importance and soon disappeared, for in the settlement Peel's inability to meet such commitments was common knowledge, while a promise to pay in Sydney was not attractive even if there had not been doubts of the willingness of Cooper & Levey to accept the obligation. These doubts were soon confirmed by Cooper declaring that any notes presented to him would be paid only on the specific order of Levey, and then only if the firm held private funds of Levey's; since Levey was in London this finished the matter, no one being prepared to take notes which the local issuer could not meet, and which might conceivably be cashed in the dim future if Levey in London could be persuaded to direct Cooper in Sydney to use his private funds to pay notes issued by Peel in Perth.

More success attended an issue of £1 notes by Peter Brown, less because of his position as Colonial Secretary than because the governor agreed that they should be accepted in payments of customs duties. This followed propaganda by the *Perth Gazette*, and as first planned involved adoption of a proposal originally made a year earlier for a government advance of capital to establish a bank. That earlier scheme was for a bank to be established by a government loan of £5,000 with twenty-five guarantors, but Stirling was without authority (or means) and could offer no better advice than the taking up of public subscriptions. Brown commenced by issuing notes in April 1833 but went no further when Irwin (in Stirling's absence in England) declined to give an advance in the form of bills on the Treasury. Because of this and the refusal of his notes in payment of duties on spirits Brown contemplated abandonment of his note issue, but was induced to continue by the acting governor agreeing to the acceptance of the notes for duties on spirits. For a few months this ensured the general acceptability of the notes but at the end of the year the privilege was withdrawn. The reason for this is not clear but the most plausible explanation is that the amount accumulating in government hands was becoming excessive. How large the total issue was and how great the government holding cannot be ascertained, but Brown's net debt to the government, assessed at £1,245 in 1844, was “principally” on account of its holdings of his notes. The general public were no longer prepared to
accept the notes—merchants would cash them only if the purchaser took half the value in goods—and Brown was forced to call them in, running an auction sale of part of his property, payment to be in his notes, as the only way of meeting that part of his issue not held by the government. The whole episode had lasted just eight months.

The withdrawal of Brown's notes coincided with (and was perhaps hastened by) an acute coin shortage which left the Commissariat with insufficient for current purposes and unable to replenish its supplies by the sale of bills on the Treasury. Accordingly a special issue of £1 notes by the Commissariat was authorized in January 1834, made payable on demand in specie or bills on the Treasury, and declared to be legal tender equally with British coin. This was in conflict with instructions then on the way as a consequence of the earlier government issue: “I must especially desire you to refrain from giving your sanction or concurrence to any issue of colonial promissory notes or other paper currency in future.” To the new issue, naturally, the British Treasury objected and Stirling was instructed to call in all these notes and report fully on the reasons for their issue; but the call-up was delayed for many months, presumably because of the great convenience of the issue, and was not made until November 1836 by which time supplies of British silver coin had been received by the Commissariat. The amount of the issue was substantial, one instalment in May 1836 being £2,500. A proposal to re-issue £2,750 in August 1837 was not proceeded with, the need for a government issue having been removed by the establishment of the Bank of Western Australia.

Meanwhile 1835 had seen the last plan for a systematic private note issue, that of William Lamb, a merchant of Fremantle. He circularized “most of the principal settlers in the colony” announcing an issue of five hundred £1 notes payable not on demand but one year after date with interest at 5 per cent. Security to ensure repayment was lodged with A. H. and G. F. Stone whose standing was unquestioned and who appended an assurance that the security was ample. The promise was to pay “in specie current in this colony or in a Treasury bill” which, coupled with the year's currency, meant that Lamb was taking no serious risk. Indeed, there was too much emphasis on security and the Perth Gazette reflected natural doubts in asking on what terms anyone would accept such long-dated notes. It suggested that the first instance would become a model: a debtor who agreed to accept payment of a doubtful debt in Lamb's notes rather than involve himself in court proceedings. The general public was equally reluctant to welcome the notes and in a few months the whole issue was withdrawn.

Useful as the issues of Brown and the Commissariat had been, their only
contribution was to the machinery of payments. Such issues had not touched the problem of lending. The small volume of funds available to the many who desired to borrow to develop their properties, or to initiate the cruder manufactures, was reflected in a rate of interest of up to 25 per cent in the early years.\textsuperscript{37} Even as a means of payment private notes made little impression on the barter (with goods on each side valued in money) which was the predominant mode of exchange in private transactions until the Bank of Western Australia was established. The reasons for this were much the same as those which had operated in the early years of New South Wales and Tasmania but were given greater force by the Western Australian land grant system which until 1831 awarded land in proportion to the “capital” brought by the immigrant, money not being counted.\textsuperscript{38} Naturally immigrants invested their funds in goods which then had to serve as purchasing power. Thus the price of a boat was “35 guineas cash or 40 guineas in barter for livestock or useful articles of provisions”;\textsuperscript{39} for house rent “stores will be taken at the market price”;\textsuperscript{40} land was offered “in exchange livestock would be preferred”.\textsuperscript{41} Marshall MacDermott afterwards described the position: “If you required a team of horses, the person desirous of selling one did not want what you could offer in exchange but wished for sheep. You then applied to an owner of sheep who desired something you did not possess; and frequently two or three exchanges were necessary before you could procure the articles you wanted.”\textsuperscript{42} Even the government on occasions accepted payment in kind.\textsuperscript{43}

So widespread and inconvenient were such exchanges that in September 1833 the Agricultural Society took up seriously an ingenious scheme for a “Swan River Barter Society” to amalgamate co-operative note issue with systematic barter.\textsuperscript{44} The rules of this society\textsuperscript{45} proposed a membership of “agriculturists” and merchants each of whom should have the right to issue fifty £1 notes, each agreeing to accept notes issued by other members.\textsuperscript{46} Notes were to be payable quarterly at the place of meeting of the Agricultural Society: “any person tendering a note or notes shall have the right of choice of any property of the kinds mentioned in the note which the drawer may have to dispose of, but . . . he shall not be obliged to take hay, straw or green crops, excepting potatoes to the extent of one hundredweight; or, presenting such note to a merchant shall have the right of choice of any articles for sale in his store but shall not be obliged to take any but those of general consumption.”

This attempt to design a “goods standard” was still-born,\textsuperscript{47} as was another, that of the “Western Australian or Colonial Mart Society”, which was clearly inspired by the Barter Society plan.\textsuperscript{48} This proposed to establish in Perth a general store, shareholders paying an initial £5 in cash or goods
plus £1 a week, and receiving notes in exchange. Funds so received were to be spent on goods for sale although how or why, if subscriptions were in kind, was not stated. Very cautiously it was suggested that funds might be used “to a limited extent, and under certain conditions or restrictions, [to] discount private bills or grant loans”. This disjointed amalgamation of a general store, a note issue, and a moneylender did not appeal to the colonists in spite of the call to admire the way in which it “attains that point which constitutes the perfection and excellence of every monetary system, viz., that the circulating medium be in exact proportion to the articles to be exchanged”, and no more is heard of it.

The Establishment of Banking

When local ingenuity and initiative, whether in note issue or in plans for banks and barter societies, failed to surmount the obstacles, the colonists turned to attempts to interest the newly-formed Bank of Australasia. Receipt of British instructions for the withdrawal of the Commissariat note issue was followed on 15 March 1835 by a public meeting which appointed a committee with Marshall MacDermott as secretary, charged with the duty of inducing the Bank of Australasia to open a branch. The proposal was that the branch should have £50,000 allocated to it, of which £15,000 should be used to pay off existing mortgages taken at high interest, £25,000 for the import of sheep, and the rest “for general purposes”.53

The new bank had already had a proposal from George Leake, evidently acting individually, and replied to MacDermott that it was not yet prepared to enter Western Australia, giving as its reason the prohibition in its charter of loans against land or livestock which it believed to be the only available securities in the colony. The colonists were, however, now readier to consider independent action of their own. Slow but steady progress of production was reflected in the only two indexes which survive. The number of sheep, which was 1,469 in the first year of settlement, 1829, rose to 7,981 the next year and then dropped abruptly, but from 1834 expansion was rapid:—

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>1834</td>
<td>3,545</td>
</tr>
<tr>
<td>1835</td>
<td>5,138</td>
</tr>
<tr>
<td>1836</td>
<td>8,119</td>
</tr>
<tr>
<td>1837</td>
<td>10,815</td>
</tr>
<tr>
<td>1838</td>
<td>16,816</td>
</tr>
<tr>
<td>1839</td>
<td>20,829</td>
</tr>
<tr>
<td>1840</td>
<td>30,961</td>
</tr>
</tbody>
</table>
The area under crops (wheat or hay) shows similar progress:

**Acres**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1833</td>
<td>600</td>
<td>—</td>
</tr>
<tr>
<td>1834</td>
<td>1,579</td>
<td>564</td>
</tr>
<tr>
<td>1835</td>
<td>2,055</td>
<td>1,156</td>
</tr>
<tr>
<td>1836</td>
<td>2,415</td>
<td>1,215</td>
</tr>
<tr>
<td>1837</td>
<td>2,501</td>
<td>1,275</td>
</tr>
<tr>
<td>1838</td>
<td>2,578</td>
<td>1,436</td>
</tr>
<tr>
<td>1839</td>
<td>2,921</td>
<td>1,481</td>
</tr>
<tr>
<td>1840</td>
<td>3,515</td>
<td>1,670</td>
</tr>
</tbody>
</table>

Exports, other than ships' stores, commenced with 7,585 lb. of wool (at 2s. a lb.) in 1834, and in the next few years grew slowly but steadily with the addition of whale-oil and small amounts of timber. Against these small exports the maintained level of imports reflected a steady inflow of capital of which a declining proportion and a declining absolute amount came from British government expenditure on the colony (as represented by the only available index, the value of bills drawn on the Treasury).

Population was growing very slowly:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>652</td>
</tr>
<tr>
<td>1830</td>
<td>1,767</td>
</tr>
<tr>
<td>1834</td>
<td>1,800</td>
</tr>
<tr>
<td>1837</td>
<td>2,025</td>
</tr>
<tr>
<td>1838</td>
<td>1,928</td>
</tr>
<tr>
<td>1839</td>
<td>2,154</td>
</tr>
<tr>
<td>1840</td>
<td>2,311</td>
</tr>
</tbody>
</table>

so that all these signs of progress represented a small community firmly establishing itself. The project for a local bank therefore came in 1837, by contrast with the earlier plans, in a different atmosphere of security and optimism as the colony felt, in its small way, the impact of the general wool boom. MacDermott asserted that it was at last possible to accumulate sufficient cash to make a bank reserve.\(^{57}\)

In January 1837 the governor presided over a small meeting in the council room to consider a scheme for a bank\(^{58}\) and before the month was out a prospectus of the “Bank of Western

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (a)</th>
<th>Export (c)</th>
<th>Bills Drawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>£50,284</td>
<td>—</td>
<td>£3,140</td>
</tr>
<tr>
<td>1830</td>
<td>114,177</td>
<td>—</td>
<td>17,485</td>
</tr>
<tr>
<td>1831</td>
<td>67,371</td>
<td>—</td>
<td>20,380</td>
</tr>
<tr>
<td>1832</td>
<td>26,581</td>
<td>—</td>
<td>20,908</td>
</tr>
<tr>
<td>1833</td>
<td>48,013</td>
<td>—</td>
<td>19,027</td>
</tr>
<tr>
<td>1834</td>
<td>36,942</td>
<td>£758</td>
<td>18,941</td>
</tr>
</tbody>
</table>
(a) The Colonial Committee of Correspondence, *Report on Statistics of Western Australia* in 1840, p. 21, declared import figures unreliable because there was no Customs House; Hutt to Stanley, 7 December 1843, declares that the import figures in the *Bluebook* for 1843 are the first that can be regarded as accurate. But error in the figures quoted, those collected by the Harbour Master, would have been understatement and in the present connection is not vital.

(b) No records survive.

(c) Report of Committee of Agricultural Society, October 1838, on condition of Western Australia, printed in Ogle N., *The Colony of Western Australia*, London 1839, p. 130. The figures are presented as official.

(d) To August.

Australia” was published,59 the signatories including the Colonial Secretary, Peter Brown, the D.-A.-C.-G., J. Lewis, the government Auctioneer, L. Samson, and S. Moore, the secretary of the Agricultural Society.60 The capital was set at £10,000 in shares of £10 each of which a quarter was to be paid in April and a quarter in October; no further calls were anticipated. Notes for £1 were to be issued, and the bank would buy and sell bills of exchange and accept deposits (with no interest on current accounts). Loans were to be by way of discount of bills not exceeding three months at the rate of 121/2 per cent per annum.61 Confident of success, the sponsors volunteered publication of a quarterly statement of coin, deposits, notes and discounts, and forecast an application for a charter “so soon as the affairs of the company shall be in a position to require it”.

In view of this specific proposal negotiations, which had been started through the Western Australia Association for external aid from some other bank than the Australasia, were dropped,62 and so, too, after some confusion, was a proposal by MacDermott for a “Lombard Loan Bank” made almost immediately after the bank’s prospectus appeared. (MacDermott was offered the managership of the Bank of Western Australia.)63 Subscriptions came in rapidly enough for the first directors to be elected in May in time for the bank to open on 1 June.64 But it soon became clear that while there were sufficient colonists with some ready cash and confidence, they were by no means prepared for operations on any except the smallest scale. It was some time before all shares were taken up,65 and the reluctance of shareholders to find more cash was reflected in decisions to postpone the second 25 per cent

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1835</td>
<td>50,727</td>
<td>1,025</td>
</tr>
<tr>
<td>1836</td>
<td>(b)</td>
<td>2,700</td>
</tr>
<tr>
<td>1837</td>
<td>45,407</td>
<td>6,906</td>
</tr>
<tr>
<td>1838</td>
<td>46,766</td>
<td>6,840</td>
</tr>
</tbody>
</table>
instalment of capital, first from October 1837 to January 1838 and then indefinitely, the first call (of 121/2 per cent) not being in fact made until February 1839. On each occasion it was explained that no more capital was needed, but at the same time the bank had to defend the maintenance of its discount rate at 121/2 per cent and its refusal to lend against bills of lading for exports or on mortgage, its justification being the inadequacy of its capital which was, as MacDermott said, “simply the credit of their names”. A net profit by June 1838 of 141/2 per cent on the paid-up capital was no ill return. With promises of such profits and an expanding unsatisfied demand for loans the bank sought to expand its funds without calling on unpaid capital.

When Stirling submitted to England a proposal to deposit government funds in the Bank of Western Australia he was told it was only permissible in the case of a bank incorporated by royal charter or by a local act, and the bank appeared to have neither (the local act had not then been received in England). To a second request Russell replied that he could see no advantage to the government and would require far more information before he could approve. Hutt had already made a bargain with the bank, subject to this approval, providing for a government deposit if the bank made no charge for keeping the account, met all withdrawals on demand, and limited absentee shareholders to one-third of the total. Since there were only seven absentees out of sixty-four the bank readily agreed, but so far as available records show Russell's refusal ended the matter.

The prospectus plan for savings deposits was implemented with the offer of 5 per cent, but with little success; ordinary deposits, fixed for three months, were offered 71/2 per cent with no better result and at last the first call of 121/2 per cent of capital was made. Threat of further calls a few months later led George Leake to urge as an alternative the issue of another 200 shares and the encouragement of current accounts by the dropping of the commission charge of 1/4 per cent on the gross amount of transactions. But the shareholders, who could no more take up new shares themselves than pay calls on old ones, were not anxious to admit others to the field and unwilling to abandon a certain source of income. The proposals were defeated and a second attempt at the beginning of 1840 had even less consideration. But rumour of a branch to be opened by the Union Bank and the announcement of the definite intention of the Bank of Australasia to enter the field brought second thoughts. A special meeting promptly agreed upon a 50 per cent increase in nominal capital (500 shares—at 35s. premium), extended the term of discountable bills to six months, voted £300 for the building of an office, and agreed that absenteeees should never exceed one-third of the total number of
shareholders. A little later commission on accounts was abolished.

But repentance availed nothing against “Goliah”. The accident of slow correspondence reminded the Australasia of the chance it had missed when the first reports of local success were being received, and it determined to open, preferably by amalgamation. Its first public move was to notify the local bank of its intention to open a branch and offer amalgamation; the local directors sought delay by cautiously professing to be awaiting the exact terms offered. Accordingly the Australasia went ahead until the local directors summoned a hurried meeting to consider a definite offer; the Australasia then made the issue clear by synchronizing with that meeting a notice that it would, in any case, open its branch ten days later. In the face of this open threat a small majority of shareholders (57 to 51) voted to accept the terms, which were that reserves should be distributed amongst existing shareholders who should be paid the value of their shares (there were now 1,000 taken up) plus £1 per share.

The old bank wound up its affairs promptly (except for the return of capital). Notes were called in and depositors given three months to withdraw or to transfer to the Australasia. The major portion of capital was repaid within the same year although it was not until 1846 that affairs were finally wound up. The Australasia meanwhile kept its promise to open on 3 May, offering discounts at 10 per cent for three months bills compared with the unvarying 12 1/2 per cent of the old bank and, what the old bank could not attempt on any scale, foreign exchange facilities. Bills on the London office were offered at 1 1/2 per cent premium and private bills on London would be bought. It had originally intended that John Lewis, the Commissary, should be manager but on his death immediately after the opening MacDermott took his place.

There had been, however, vigorous dissent amongst the shareholders of the old bank over the “unnecessary and gratuitous suicide” and the minority promptly planned a new venture, the Western Australian Bank. With a capital of £20,000 it proposed to undercut the Australasia in discount rates, and to offer cash credits, and forecast entry into the foreign exchange market. The sponsors soon had their minimum subscription of £5,000, despite criticism which was scarcely fair, and opened for business on 23 June in the building used by the old Bank of Western Australia. For their first half year of business they were able to report a gross profit of 41 per cent and to distribute a dividend of 15 per cent per annum.

**Depression and Recovery**

The Australasia branch was established on the eve of depression which,
however, was much milder than in the east. The colony was free of the special factors such as the complications of external government finance of South Australia or reductions in local expenditure in New South Wales. In common with the east the west suffered from the drop in the price of wool but despite this the pastoral industry continued to expand:

Wool Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Sheep</th>
<th>Quantity (lbs.)</th>
<th>Value (£)</th>
<th>Average Price per lb.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836</td>
<td>8,119</td>
<td>15,000</td>
<td>1,500</td>
<td>2s. 0d.</td>
</tr>
<tr>
<td>1837</td>
<td>10,815</td>
<td>22,180</td>
<td>1,684</td>
<td>1s. 61/2d.</td>
</tr>
<tr>
<td>1838</td>
<td>16,816</td>
<td>36,450</td>
<td>1,935</td>
<td>1s. 03/4d.</td>
</tr>
<tr>
<td>1839</td>
<td>20,829</td>
<td>36,450</td>
<td>2,278</td>
<td>1s. 3d.</td>
</tr>
<tr>
<td>1840</td>
<td>30,961</td>
<td>50,000</td>
<td>2,500</td>
<td>1s. 0d.</td>
</tr>
<tr>
<td>1841</td>
<td>44,551</td>
<td>60,000</td>
<td>3,000</td>
<td>1s. 0d.</td>
</tr>
<tr>
<td>1842</td>
<td>60,380</td>
<td>84,640</td>
<td>4,252</td>
<td>1s. 0d.</td>
</tr>
<tr>
<td>1843</td>
<td>76,191</td>
<td>122,495</td>
<td>6,124</td>
<td>1s. 0d.</td>
</tr>
<tr>
<td>1844</td>
<td>86,482</td>
<td>140,155</td>
<td>7,007</td>
<td>1s. 0d.</td>
</tr>
<tr>
<td>1845</td>
<td>95,681</td>
<td>144,390</td>
<td>7,219</td>
<td>1s. 0d.</td>
</tr>
</tbody>
</table>

Similar uninterrupted development is shown in agriculture:

Area cultivated

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839</td>
<td>2,578 1,481</td>
</tr>
<tr>
<td>1840</td>
<td>2,921 1,670</td>
</tr>
<tr>
<td>1841</td>
<td>3,515 1,899</td>
</tr>
<tr>
<td>1842</td>
<td>3,047 2,039</td>
</tr>
<tr>
<td>1843</td>
<td>3,858 2,884</td>
</tr>
<tr>
<td>1844</td>
<td>4,867 3,283</td>
</tr>
<tr>
<td>1845</td>
<td>4,836 3,313</td>
</tr>
</tbody>
</table>

It was therefore understandable that the *Perth Gazette*, reviewing the year 1842, should describe a very minor recession in business, of no particular seriousness, involving a few failures and a drop in prices. The Australasia branch was an important factor in deferring and masking the impact of the general crisis. Its establishment meant that during the latter half of 1841 and throughout 1842 a new source of English investment was available, offsetting the decline in other sources. Its lending policy, under MacDermott, was expansive, for despite a persistent downward trend in both note issue and deposits he followed the same generous lending policy which twice later on, in South Australia, drew reproof from the London board. Loans by the branch reached their peak at the end of 1843, made possible by cash remittances from England.

But throughout 1843, despite the rapid expansion of Australasia loans, total note issue was falling and in the latter part of the year total deposits
commenced a two-year decline. The decline in overseas investment, a dominant factor in the other colonies, was at last taking effect. The only quantitative index is recorded trade data:

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837</td>
<td>£45,407</td>
<td>£6,906</td>
</tr>
<tr>
<td>1838</td>
<td>46,766</td>
<td>6,840</td>
</tr>
<tr>
<td>(No records available for intervening years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>37,486</td>
<td>7,089</td>
</tr>
<tr>
<td>1844</td>
<td>36,440</td>
<td>13,364</td>
</tr>
<tr>
<td>1845</td>
<td>20,350</td>
<td>13,353</td>
</tr>
<tr>
<td>1846</td>
<td>25,959</td>
<td>20,223</td>
</tr>
<tr>
<td>1847</td>
<td>25,463</td>
<td>24,535</td>
</tr>
<tr>
<td>1848</td>
<td>45,411</td>
<td>29,588</td>
</tr>
</tbody>
</table>

By the beginning of 1844 the maintained level of imports in the face of declining investment had created a heavy drain of specie in payment for imports, mainly from the eastern colonies. Some temporary relief had been given by the Commissariat making a special issue in 1843 of £5,000 in bills on the Treasury to retain specie, but this only deferred matters since the coin was thereby withdrawn from bank reserves. In the eighteen months to July 1844 Commissary Drake estimated that the colony's coin had been reduced from £25,000 to £9,000 of which £12,500 was lost during 1843.

The *Perth Gazette* summarized the contemporary view:

At the commencement of [1844] it was found that the amount of specie and available means circulated by individuals were nearly exhausted by purchasing and improving of lands; the government circulation was too limited for the amount of population compared with the taxes imposed; a sudden check was then given to the enormous amount of bills afloat which had been previously met wholly or partially; the banks and traders then took alarm and most unwisely limited their business suddenly to cash payments; every one was pressed for their outstanding debts; sheriff's sales and ruinous sacrifices of property of course followed; and then land, houses, sheep and stock became of merely nominal value.

Its explanations took the usual pattern: excessive imports, especially of luxuries; high interest; high wages; failure to develop exports; and the effect of the £1 per acre minimum price for Crown land. Protection for farmers, intermittently discussed in earlier years, was a favourite remedy. Naturally one of the popular demands was reduction of bank discount rates. The Australasia took the lead, reducing its three months rate from 10 to 8 per cent in March 1844, being closely followed by the Western Australian Bank which maintained its more extended scale of rates. Throughout the 'forties there were no further changes; after 1845 there
was no banking competition.

One plan which produced results, although small and temporary, was for public works financed by loan money. This began with a proposal by the *Inquirer* for a loan of £50,000 from the British government, and discussion crystallized around two projects. The first was for a local loan of £2,000 to build a gaol, the second for a loan of £10,000 from the British Treasury for public works in general. The latter, supported by a memorial from the Legislative Council, was bluntly refused. The former was implemented by a local act and the loan raised without waiting for British approval, which was in fact refused. But the contribution to the local depression was slight. However, it coincided with the beginnings of recovery. In the latter part of 1845 deposits and note issue commenced a steady upward climb while in 1846 wool exports were more than double the quantity of 1845 and nearly double the value, although the number of sheep had not greatly increased. Sandalwood, wheat, potatoes and timber, in modest quantities, had been added to exports.

It was then, with signs of recovery generally evident, that in the middle of 1845 it became public knowledge that the London directors had decided to close the branch of the Bank of Australasia as unprofitable. In December the decision took effect, the Bank withdrawing completely, paying off deposits and notes, and abandoning its premises to its rival. MacDermott's policy of generous lending in depression was not given a chance to show its results, but it is unlikely that they would have been profitable to the bank. He had failed to draw upon public funds by attracting deposits and by note issue, and had therefore depended upon the expensive source of shipments of specie from London, and in doing so had provided his rival with expanding deposits of cash. There was more than a suggestion too that his loans were amongst the less satisfactory borrowers; the Western Australian Bank undercut him in discount rates and would presumably have had the better risks; certainly it took the Australasia a number of years to secure repayment. The Western Australian Bank had also secured, by modifying its loan technique, the cream of the new business as new export industries signalled recovery.

As in the east, the basic method of lending by both banks was by discount, mortgage loans being avoided despite frequent pressure. Cash credits were promised in the Western Australian Bank prospectus and would have gone some way to meet complaints, paralleling those of the east, that “settlers” (i.e., pastoralists and farmers) were handicapped by the emphasis on discounting; but it was not until the latter part of 1844 that the promise was fulfilled, along with the offer of advances against bills of lading for exports, mainly wool, whale-oil and bone, and timber. But
bill discounting remained the chief form of loan.

The closing of the Australasia branch was the occasion for a still-born scheme for a “Commercial Bank of Western Australia” sponsored by G. Leake, L. Samson and W. B. Andrews, in fact the active members of the local board of the Australasia. It was intended to have a capital of £10,000 and to limit its advances “to those who are actively engaged in collecting or preparing articles for export . . . and every enterprise connected with commerce”. If the Australasia would re-open within three months the business would be transferred. But the offer was ignored and the plan came to nothing, leaving the Western Australian Bank in undisputed possession of the field. Shareholders of that bank were invited to pay up uncalled capital, and overseas agencies were extended as the bank settled down to enjoy its monopoly of the expansion. No further banking changes occurred in the 'forties.

**Legislation on Banking**

The initiative of the planners of the Bank of Western Australia gave Western Australia its first and, until 1858, only legislation on banking, a simple and far from onerous measure. The governor responded readily to their request and an act was quickly passed to give confidence and status to the newly formed bank. Framed in general terms the act, while preserving partnership liability, authorized banking companies of any number of partners, gave an unrestricted right to issue notes or bills and to borrow money, and the right to sue or be sued in the name of a nominated public officer. The obligations it imposed were slight: returns setting out lists of partners, directors, and officers, which anyone might inspect or copy on payment of fees, were to be filed; and quarterly returns were to be made setting out average notes and deposits. No mention was made of publication of these returns nor did the act give any right of inspection; the Bank of Western Australia had already undertaken to publish these, together with cash and discounts, and it did so throughout its life. The burdens were light and for twenty years bankers in their places in the Legislative Council would tolerate no heavier. No report on this act went to the Colonial Office, but by accident a copy of the act itself did. No objection was raised but assent was withheld until it was amended to prohibit notes less than £1 or for fractions of £1. An amending act missed the latter part of the instruction and covered only notes under £1 and was replaced by a new act which was finally approved.

Not until 1842 was there any question of extending legislation and then, arising from the governor's attempt to apply the 1840 Bank Regulations,
the bankers demonstrated their determination to have no more control. A bill based upon the New South Wales act, 4 Vic., No. 13, was introduced in July 1842 and they rose in wrath. George Leake declared that it was “equally repugnant to the spirit of commercial principles and to every act of parliament passed for the regulation of banks”; “no respectable banker would submit to such a degradation” as to submit returns for publication. William Tanner, declaring the whole bill “totally unnecessary and uncalled for”, successfully moved the deletion of the preamble, leaving nothing before the Council. Sadly the governor reported “without your Lordship's positive instructions on this point it would be vain for me to introduce any such bill into the Legislative Council”, adding a postscript to stress that the critical point was the publication of returns.

The next attempt to legislate was in 1845, the occasion being disputes over economic policy in relation to the depression, felt most acutely the preceding year. In debates in May centring round the loss of specie abroad, the governor and Colonial Secretary defended themselves by pointing out that had their 1842 bill been accepted they would have had the necessary data on which to base policy. Brown seized the opportunity to move for a bank bill modelled on the recent English act, 7 & 8 Vic. c. 93, and obtained a committee to report, the Council refusing to admit a bill until this report was available.

The Committee duly submitted a fifty-clause draft bill, replacing the existing act and providing in particular for three important additions. No bank was to commence until £5,000 had been paid up in cash. Quarterly data of both assets and liabilities were to be published (Clause 12). Each year one-quarter of the directors must retire and should not be eligible for re-election for a year (Clause 16). In this last and the debates around it there are suggestions of personal conflicts which may explain the genesis of the bill and the peculiar manner of its withdrawal. The first reading was carried by one vote, and the second reading debate concentrated on clauses 12 and 16. Council had before it a petition from the Western Australian Bank asking that returns be half-yearly only, that Clause 16 be deleted, and the whole act operate for three years only “as it is merely experimental”. The provision for returns was narrowly carried. Leake, having lost all his 1842 sense of “degradation”, declared that “all banks of issue were dangerous if their assets and liabilities were not published”; but the bank champions secured exemption for the Western Australian Bank until 1847. (The Bank of Australasia had announced its closing and, in any case, was obliged by the charter to make returns for publication.) Clause 16 for rotation of directors was deleted. When Council reassembled, the governor announced that he withdrew the bill since the
public was insufficiently informed and in private discussion he was assured that the “most vital parts” would be defeated. In the face of protests from most of the members he admitted that the “vital part” was clause 16 and insisted on his right to withdraw the whole bill. The whole atmosphere suggested that the only real purpose of the bill had been to substitute as directors of the Western Australian Bank Peter Brown and George Leake for some of the other members of the Council. Whatever may have been the personal issues behind the orthodoxy of most of the clauses, no further attempt was made to impose controls on Western Australian banking until many years later. There was not even any formal legislation on legal tender until 1853 and then it was the British Order-in-Council of 1852, not local legislation, which provided that British coins should circulate in all colonies according to British law on legal tender.

The Foreign Exchange Market

At the end of 1831, with the establishment of a Commissariat, the bills on the Treasury which Stirling was originally authorized to draw were replaced by the usual Commissariat bills offered, as in the other colonies, at the fixed rate of 1½ per cent premium. When this rate was generally abandoned in 1838 Western Australia followed for several years the practice of offering them at fixed prices adjusted from time to time. Thus they were at par in 1839 and 1½ per cent premium in 1840. But in February 1843 practice was assimilated to that of other colonies by inviting tenders. Thereafter for several years tenders were invited at, roughly, quarterly intervals requiring, until 1851, that the description of coin offered be stated. In that year all foreign coins were rejected, only British coins being in future acceptable. From time to time details of procedure were modified. Thus in 1844 the minimum amount of any bill was raised from the small and broken amounts previously permitted to £100, reduced in 1845 to £50, In 1847 regular weekly tenders were invited. But there were no significant differences from the situation in the east except that Commissariat bills remained of greater relative importance compared with private and bank bills, an importance increased by the expenditure involved in the introduction of convicts in 1850.

From the beginning there were some private bills; but all through the 'thirties the emphasis on individual transfers of capital in kind reduced both the supply and the need for private bills. Remittances by English residents to Western Australia commonly took the form of goods or cash and only the fortunate few among local residents could arrange to deposit cash with a London agent against which they could draw bills. In any case the
standing of private bills of any sort was such that they were negotiable only at a substantial discount, commonly 3 to 5 per cent, whereas remittances in kind, if the goods were shrewdly selected, might show a profit. But as the 'thirties wore on and capital import involved to a less degree the immigration of the capitalist, as techniques of remittance were developed and personal reputations were established, and as exports grew to modest size, the private bill became more common although it remained unimportant by comparison with the Commissariat bill.

The Bank of Western Australia did not develop overseas connections, contenting itself with acting as middleman for bills on the Treasury and private bills. Its procedure with the latter was to buy bills at 31/2 per cent discount, paying with a three-months promissory note and then re-selling the bills. The entry of the Bank of Australasia produced a new source of bills on London of high repute. As in the other colonies from the beginning the branch offered bills on the London office and continued to do so the more readily since it relied heavily on its London capital rather than on deposits and note issue. The initial offer at 11/2 per cent premium was accompanied by notice of willingness to buy private bills.

It was to meet the Australasia on its own ground that the Western Australian Bank from the beginning set out to develop exchange business. Initially it had to content itself with middleman business only but a year later it had established a London agency with Mangles, Price & Co. on whom it offered bills at 1 per cent premium while it continued to buy private bills at 2 per cent discount. The arrangement worked well for several years until the London firm established a Perth branch (F. Mangles & Co.) as importers and shipping agents which proceeded independently to offer bills on its London headquarters. Accordingly the agency was terminated and a new arrangement made with Lewis Bros. of London which suffered from irregularities of communication but otherwise worked well. Meanwhile, other agencies had been established early in 1845 at Calcutta, Mauritius and Singapore to take over the business relinquished by the Australasia, and in 1846 a mutual agency arrangement was completed with the Bank of South Australia. By 1851, therefore, as in other monetary arrangements, the Western Australian exchange market had fallen into line with that of the east, Commissariat and bank bills being the major form of external remittance but private bills growing as capital import revived and exports expanded. Rates were rarely far from par, the same mechanism operating to restrain fluctuation within modest limits.
1830, “Outwards Despatches”, vol. 1, records receipt of coin. For the Commissariat circular see chapter 6.

2 Stirling to Secretary of State, 30 January 1830, “Outwards Despatches”, vol. 1.


4 Thorough search of the voluminous Commissariat papers in “C.S.O. Records” proved impossible. The Commissariat continued to be the local Treasury until twenty years later. Fitzgerald to Grey, 24 March 1851, “Outwards Despatches”, vol. 9.

5 Many lists of bills for small sums and broken amounts are included in governors’ despatches in the ‘thirties. The first in the duplicate set is in Stirling to Spring Rice, 12 January 1835, “Outwards Despatches”, Vol. 1, and they are frequent in vol. 2 (1835–6).

6 See invitations for tenders for supplies, payment to be in bills at par, in W.A. Government Gazette, e.g., 3 March 1843, 6 March 1846, 5 February 1847.

7 See section below on the foreign exchange market.

8 Perth Gazette, 11 August, 8, 15 December 1838.

9 Commissariat offers of bills regularly included the phrase “state description of coin” until October 1851 after which only sovereigns or British silver were acceptable. Notice in Perth Gazette, 3 October 1851.

10 In January 1850 the Spanish warship La Ferrolana visited Fremantle and the Western Australian Bank would give only 3s. for a dollar. Current comment implied that dollars had virtually disappeared years earlier. Battye (Western Australia, p. 122) repeats a story by Stirling, Brief History of Western Australia, Perth 1894, p. 6, of one Woods in 1832 counterfeiting “Indian dumps” from local supplies of silverware. It may be true but Stirling gives no contemporary source nor can I locate one; he is inaccurate on other points.

11 Stirling to Murray, 18 October 1830, “Swan River Papers”, 7, P.R.O., (Transcript in W.A. Archives). Denomination of the notes is not stated but the various relevant papers imply £1.

12 Stirling to Stanley, 5 November 1833; Stanley to Stirling, 22 September 1833; Report of Commissioners of Audit, 29 August 1833. W.A. Archives transcripts of Western Australia Papers in P.R.O. The audit report gives total issue as £7,496 and says call-up was in 1831 whereas Stirling said 1832. The phrasing would support reconciliation by assuming that the withdrawal of the notes commenced in 1831 and was completed in 1832; if there is an error in dating it was by Stirling.

13 E.g. advertisement of a stolen order for £4 2s., Perth Gazette, 6 June 1833.

14 Stirling (op. cit., p. 6) may have had some evidence for saying of 1832 “most
transactions were done by promissory notes which were issued or made out from 2s. 6d. to 5s. each”, but either he is assuming that a few instances reflect the general situation or is drawing on his imagination. Proof of a negative is always difficult but all the evidence is against any general use of such notes and the only clear evidence of private note issues relates to the special issues recorded in the succeeding paragraphs.

15 I.e. a joint business venture of Thomas Peel, the nominal planner of the Western Australian settlement, and Solomon Levey who, going to London as a partner in Cooper & Levey of Sydney to arrange a London agency, had become involved in the Western Australian scheme. Levey was never in Western Australia.

16 I have not located a specimen but the form of the 5s. note is copied in Sydney Gazette, 22 April 1830 (a note dated 4 March 1830), and Swan River Guardian, 13 April 1837. There are trivial variations in wording, presumably printer's slips.

17 Swan River Guardian, 6, 13 April 1837.

18 Sydney Gazette, 18 May 1830.

19 Peter Nicholas Brown (1797–1846), Colonial Secretary from the beginning until his death. For a rather sketchy biography by C. P. Bryan and F. I. Bray see Journal of Western Australian Historical Society, vol. ii (1935) pp. 1–33. In the last two years he called himself Broun.

20 10 February, 23 March 1833.

21 Moore, G. F., Diary of Ten Years . . . in Western Australia (10 May 1832).

22 The request and its refusal are recorded in Stewart to Hay, 25 February 1834 enclosed in Stanley to Stirling, 21 March 1834, “Inwards Despatches”.


25 Stanley to Hutt, 12 January 1844, “Inwards Despatches”.

26 Perth Gazette, 23 November, 7 December 1833; Swan River Guardian, 22 June 1837.

27 The direction in Stanley to Stirling, 21 March 1834, “Inwards Despatches”, to abstain from any act connecting the government with a private bank was therefore irrelevant to Brown's case.


29 Stanley to Stirling, 22 September 1833, Western Australia, Entry Book 1, P.R.O. (Transcript in W.A. Archives).
30 Spring Rice to Stirling, 28 October 1834, with enclosure Treasury Minute of 12 September 1834, “Inwards Despatches”.

31 Perth Gazette, 12 November 1836; W.A. Government Gazette, 12 November 1836. Stirling to Aberdeen, 18 July 1835 enclosed the required report on the issue and this may have justified the continuance of the issue (and the later re-issue) but it is not available. “Outwards Despatches”, Vol. 2.

32 Lewis (Commissariat) to Brown, 3 May 1836, “C.S.O. Records”, May–June 1836.

33 Lewis to Brown, 7 August 1837, “C.S.O. Records”, August–September 1837. This is endorsed “replied to the 10th”; the lack of any other reference justifies assuming a negative reply.

34 “Many” of these Commissariat notes were still out in 1838. Call-up notice in Government Gazette, 15 December 1838.

35 Except as recorded in the next note all information as to this issue is taken from a long extract from the Perth Gazette reprinted in Sydney Gazette, 3 September 1835. The original is not available in any Australian library and the date cannot be given exactly; it was a short time before 18 July 1835. The reprint contains Lamb's circular with the assurance appended by the two Stones and a copy of the form of note, specimens of which do not seem to have survived.

36 Swan River Guardian, 29 June 1837.

37 Moore, Diary, 10 May 1832; Perth Gazette, 6 April 1833 (advertisement offering 25 per cent for a loan of £150 secured on 2,700 acres).

38 For the land system see Mills, Colonization of Australia, chapter 3, and Roberts, History of Australian Land Settlement. The early volumes of “C.S.O. Records” contain scores of statements setting out minutely the value of property imported.

39 Perth Gazette, 2 March 1833.

40 Ibid., 10 August 1833.

41 Ibid., 5 April 1835.


43 E.g., Perth Gazette, 26 January 1833 (debtors may pay in local wheat at 15s. per bushel).

44 The origin may have been a proposal by G. F. Moore for a committee “to settle all matters of dispute arising from the transactions of the settlers on the Swan, etc., one with the other, and to arbitrate all contended points of boundaries and the prices of stock in barter”. Perth Gazette, 21 September 1833. The Agricultural Society with similar local bodies in outlying areas (e.g., the York Society) was the main community organization with interests wider than its name suggests.

45 Printed in Perth Gazette, 12 October 1833.
46 The form of note was to be: “I promise to pay the bearer on demand, on the first Friday in March, June, September or January the sum of one pound sterling in cash, or in [colonial produce or stock] at 5 per cent below the then market price.” For merchants the bracketed words were to be replaced by “stores”.

47 Battye, op. cit., pp. 123–4, is mistaken when he writes “Although never fully carried out the project met with a certain amount of success” and has causation reversed when he goes on: “to it is due that system of exchange and barter which in the absence of sufficient ready money became so general in succeeding years throughout Western Australia.” There is no evidence of the scheme getting beyond paper; Perth Gazette, 12, 19 October 1833, is definite that it did not.

48 Rules set out in Perth Gazette, 26 October 1833.

49 Colonial discussion crystallized in the proposal of Stirling (to Goderich, 5 February 1833, Western Australia papers, vol. 12, P.R.O., W.A. Archives transcript). As one of the “measures which I consider it my duty to represent as essential to the support and advancement of the settlement” he put forward “The concession of a charter for the purpose of establishing a colonial bank. The members of this institution should be resident proprietors, giving security to double the amount of their shares, the valuation and registration of such securities being first verified before the governor in council. This bank should be authorized to raise by way of annuity or loan an amount of capital limited by the extent of security the proprietors may be able to give.” Perth Gazette, 19 October 1833, carries advertisement of a land auction at Albany with the note: “A bank on the Scottish system is likewise to be established, which will facilitate the improvement of land.” In itself no more than an auctioneer's puff it illustrates the way the notion of a bank recurred.

50 It is plausible to suggest, although there is no direct evidence, that the idea may have been suggested by Stirling who, in June 1834, returned from a visit to London covering the period in which discussions of the geographical range of the Bank of Australasia's activities had been proceeding.

51 Date of birth uncertain. His Autobiography (Adelaide, 1874, full title: “A Brief Sketch of the long and varied career of Marshall MacDermott, Esq., J.P.”) says he joined the army “at a very early age” in 1808. After service in the West Indies, America (1812), Malta and Corfu, he became an original immigrant to Western Australia. Manager of Bank of Western Australia (1837–41), of Bank of Australasia, Perth (1841–5) and then Adelaide. Forced to resign because of persistent over-lending. M.P. 1857–9 and later civil servant. Died 1877.

52 Western Australian Association, Second Report, London 1837, p. 51 (report supplied by the local Corresponding Committee). This association, formed in London in 1835 and with a Corresponding Committee in Perth, established in January 1836, consisted of returned migrants and others interested in Western Australia and its activities were the spreading of information about the colony and making official representations. First Report, London 1836. The second Report, consisting of various reports from the colony itself is especially valuable and, in the
absence of relevant issues of *Perth Gazette*, the source for the origin of the Bank of Australasia move.


54 London “Minutes”, 17 December 1834.

55 *Perth Gazette*, 6 August 1836, advertisement by MacDermott of extract from reply. London had referred the matter to a committee which sought Kinnear's advice, but then seized an opportunity to discuss the question with W. Tanner, a returned migrant whose declaration that the only securities were land or livestock was accepted and decided the question.

56 Early statistical data have been recovered and presented systematically in *Statistical Register of Western Australia*, 1900, and figures in this chapter, not otherwise ascribed, are from this. Many official data were incorporated in *Report on Statistics of Western Australia in 1840*, Perth 1841, and a few items from this are used.

57 *Autobiography*, p. 40. The prospectus of the Bank of Western Australia (*Perth Gazette*, 21 January 1837) explained that although “the question of establishing a bank has been frequently and ardently discussed”, the constant drain of specie to pay for imports had prevented any action. Irwin, *The State and Position of Western Australia*, London 1835, p. 45 and Ogle, *The Colony of Western Australia*, London 1839, p. 125, both stress cash scarcity as the major factor hindering bank plans.

58 *Perth Gazette*, 7 January 1837 (meeting on 5th).


60 The others were: M. MacDermott, G. Leake, W. Habgood, A. H. Stone. The first directors (*Perth Gazette*, 20 May 1837) were Brown, Samson, Moore, Leake, Habgood, together with W. L. Brockman and R. Hinds.

61 Three-fourths of the amount of such bills might be renewed for a further three months.

62 *Perth Gazette*, 12 November 1836 (plan for a separate bank by W. Tanner formerly of Perth); *ibid.*, 4, 11 March 1837 (approach by Western Australian Association to South Australian Company for a branch); *ibid.*, 18 November 1837 (plan for a London bank with £30,000 capital).

63 *Perth Gazette*, 4 February 1837, reports MacDermott's notice of motion at Agricultural Society meeting on 3rd. He proposed that the British government be asked to lend or to guarantee a private loan of £30,000 pledging the colonial revenue for repayment within ten years; mortgage loans were to be made at 10 per cent, £20,000 to import sheep and £10,000 to redeem “the most burdensome existing mortgages”. A requisition for a special meeting of the Society was signed by MacDermott, J. R. Phillips, W. L. Brockman, T. N. Yule. The meeting duly supported the plan although it took the motion after a spirited discussion of the need
for new roads (*Perth Gazette*, 18 February 1837). No more is heard of the scheme, Brockman becoming a director and MacDermott managing cashier of the Bank of Western Australia, which suggests the explanation. MacDermott, *Autobiography*, p. 40, summarizes these discussions: “I proposed a scheme for the formation of a local bank and was ably assisted by Mr George Leake and a few other friends possessing influence and property—but no cash . . . The necessary nominal capital was subscribed and the shareholders assembled to make the arrangements required for opening the bank. At their request I undertook the management.”

64 *Perth Gazette*, 20, 27 May 1837.


68 *Ibid.*, 24 February, 31 March 1838 (two letters from “A Well Wisher to the Colony” with comment in leader on each date); bank reply to constant pleas for mortgage loans, *ibid.*, 13 October 1838.


70 *Perth Gazette*, 9 June 1838.

71 Stirling to Glenelg, 30 January 1838; Glenelg to Hutt, 9 August 1838; Leake to Colonial Secretary, 18 January 1838, “C.S.O. Records”, January–February 1838; *Perth Gazette*, 1 April 1837.

72 Hutt to Russell, 20 June 1840; Russell to Hutt, 16 December 1840.

73 Hutt to Russell, 20 June 1840.

74 *Perth Gazette*, 4 July 1840.


80 A special meeting was requisitioned (*Perth Gazette*, 4 January 1840) by twelve shareholders to consider “the best means of increasing the business of the bank, by investing capital in other modes than those now in operation and also of increasing the amount of capital by an addition to the number of shares or otherwise”. Suspiciously the ordinary meeting vetoed in advance any interference with commission charges; the special meeting lapsed, only one of the twelve requisitionists attending. *Perth Gazette*, 8 February 1840.

81 *Perth Gazette*, 11 January 1840.
82 Ibid., 18 July 1840.

83 Ibid., 27 June, 4 July 1840. The last was in connection with the attempt to get government deposits (see above).

84 Ibid., 21 November 1840, refers to the change having occurred “a few weeks back”.

85 Leake's reaction to his first reply had been to write to Kinnear in Sydney who now wrote: “I cannot see that Swan River possesses within itself the seeds of commercial prosperity and it wants the two elements upon which the past advancement and future prosperity of these colonies appear to me to be based, namely the cheap labour of the convict population and the large annual expenditure of public money consequent on their being penal establishments.” “Letters to London”, 29 March 1837, enclosing correspondence with Leake. His earlier advice (23 July 1836) had been that land was the only security—a correct statement based on talking to two settlers from Western Australia whom he met in Hobart. Despite the advice London now determined on a branch “as soon as practicable” (“Minutes”, 25 July 1839, 5 March 1840) and after a conference with Stirling in London decided to hurry forward (ibid., 12 March 1840).

86 Stirling seems to have suggested that amalgamation would be accepted by the Bank of Western Australia, “Minutes”, 12 March 1840.

87 Perth Gazette, 18 July 1840. The Gazette of 1 August professed to know that the terms were of the simplest, involving leaving the local board in charge and retaining all the staff.

88 Perth Gazette, 27 March 1841, calling meeting for 24 April; ibid., 24 April 1841, notice by Australasia dated 23rd.

89 Inquirer, 28 April 1841; Perth Gazette, 24 April 1841.

90 Perth Gazette, 1 May 1841.

91 Ibid., 26 June, 7 August, 25 September 1841.

92 Ibid., 21 February 1846 (final payment of 1s. 5d. per share).

93 Bank notice in Perth Gazette, 1 May 1841.

94 Perth Gazette, 15 May 1841 and 2 April 1842, for London confirmation of appointment.

95 Prospectus in Perth Gazette, 8 May 1841.

96 The rates promised were: 9 per cent on bills to two months; 9 1/2 per cent on two to three months; 10 per cent on three to four; 11 per cent on four to five; and 12 1/2 per cent on five to six. The signatories of the prospectus were: William Tanner, Richard Hinds, J. S. Roe, Samuel Moore, Edward Hannersley, T. R. C. Walters, W. J. Laurence, G. F. Stone.

97 E.g. Perth Gazette, 15 May 1841, editorial charging that the taking of premium
on old shares debarred honourable men from starting a new bank; *ibid.*, 29 May, stressing the dangers of doing business with a partnership; *ibid.*, 3 July, letter from Lionel Samson, a local director of the Australasia, pointing out that notes of the new bank promised to pay one pound—of what?

98 *Perth Gazette*, 26 June 1841.

99 *Inquirer*, 30 June 1841.

100 *Ibid.*, 12 January 1842; one-fifth of net profits went to a guarantee fund, expenses absorbed the remainder of just over 3 per cent of capital.

101 31 December 1842.

102 The drop in loans in 1842 ought to be interpreted in the light of what the Western Australian Bank was doing. Its records are defective but it seems likely that total loans of the two banks declined little if at all in 1842.

103 Evidence to Committee of Legislative Council on Financial State of Colony, *Inquirer*, 24 July 1844. The Bank of Australasia explained that it very rarely remitted specie to England (preferring private bills and bills on the Treasury) but in the eastern colonies specie was insisted upon. Commissary Drake said most of the exported coin went east. See *Perth Gazette*, 10 February 1844, for loss of coin.

104 *Perth Gazette*, 1, 8 April 1843.


106 4 January 1845.

107 9 March 1844, 4 January 1845.


110 *Perth Gazette*, 30 March 1844. For details of rates see Appendix.

111 Except for a reduction by the Western Australian Bank of its rate on overdue bills from 12 to 10 per cent, *Perth Gazette*, 3 July 1847.


113 Debates reported in *Perth Gazette*, 17 May, 12 July 1845; Memorial in Hutt to Secretary of State, 20 August 1845, which points out that the only aid the colony got from Britain was salaries of principal officers; refusal conveyed by Gladstone to Clarke, 15 January 1846.

114 9 Vic., No. 3.

115 Debates reported in *Perth Gazette*, 19, 26 April, 17 May 1845; tenders for
debentures invited, *Government Gazette*, disallowance of act, Gladstone to Clarke, 14 March 1846. The terms (debentures of £10, interest not to exceed 7 per cent) provided against refusal: the period was for ten years with a right to repay on six months' notice.

116 The Agricultural Society's report for 1844, *Inquirer*, 1 January 1845, had noted the earliest beginnings of recovery: “In the past year Western Australia has imported less and exported more than she has ever done in any former year; she has not only learned to do without many articles of useless luxury but she has driven several articles of foreign produce out of her market by the superiority of her own; she has not only increased the amount of every article she used to export, but she has brought forward a variety of new produce; she has opened and established new markets and new connections; she has not only furnished cargoes to ships calling here, but she has opened her forest resources and is launching vessel after vessel from her own docks to carry on her own trade.”

117 *Inquirer*, 11 June 1845; *Perth Gazette*, 7 June 1845.

118 *Perth Gazette*, 20 December 1845, 17 January, 7 March, 4 April 1846.

119 Demands were still being made five years later. *Perth Gazette*, 17 May 1850.

120 Ibid., 8 May 1841.

121 E.g., Ibid., 1, 8, 15 August 1840.

122 *Inquirer*, 15 January 1845.

123 Ibid., 28 August 1844; *Perth Gazette*, 12 July 1845.


125 Ibid., 16 August, 6 November 1845.

126 Ibid., 17 January 1846.

127 Ibid., 20 May 1837.

128 22 Vic., No. 6, a general act on joint-stock companies. In 1849 an act for the recovery of contributions between shareholders (12 Vic., No. 17, 9 May 1849) had provided that if one partner were sued he could recover proportionate shares of the judgment from his co-partners.


131 See Statistical Appendix.

132 Glenelg to Hutt, 1 November 1838, which notes that the act was, apparently by chance, with Stirling's despatch of 24 January 1838.
133 2 Vic., No. 9, 1 May 1839.
134 Russell to Hutt, 16 December 1839.
135 4 Vic., No. 5, 2 July 1840. Assent conveyed by Russell to Hutt, 3 August 1841.
136 The reason for inaction on the Bank Regulations until 1842 is not clear.
137 Reports of debate in Inquirer, 13 July 1842, Perth Gazette, 9 July 1842.
139 Inquirer, 14 May 1845.
140 Ibid., 23 July 1845; Perth Gazette, 19 July 1845.
141 Inquirer, 13 August 1845; Perth Gazette, 9 August 1845.
142 Perth Gazette, 23 August, 6 September 1845; Inquirer, 20, 27 August 1845.
143 Perth Gazette, 6 September 1845.
144 Inquirer, 17 September 1845. The petition undated is wrongly bound in “C.S.O. Records”, Miscellaneous, 1829–36.
145 Inquirer, 17 September 1845.
146 Perth Gazette, 20 September 1845; Inquirer, 24 September 1845.
147 The Surveyor-General was Chairman of the bank, the Advocate-General, the Sheriff and the Crown Solicitor directors.
148 Published in W.A. Government Gazette, 27 September 1853, to take effect three months later. The order limited the legal tender of silver to 40s.
149 Ogle, The Colony of Western Australia, p. 128.
151 First notice in W.A. Government Gazette, 10 February 1843; cf. Inquirer, 1 March 1843.
152 Perth Gazette, 3 October 1851. For intervening period regular notices of tenders in Government Gazette.
153 Inquirer, 9 October 1844.
154 Ibid., 9 April 1845.
155 Perth Gazette, 26 January 1847.
157 E.g., “C.S.O. Records,” April-May 1830, Henry Greene to Stirling, 12 May 1830, sent cash to a relative in care of a ship's captain being unable to discover any other mode of remittance.

159 Collie, for example, made 50 per cent on a remittance in goods from his brother. “Letters”, 12 May 1834. For the discount on private bills, Ogle, op. cit., p. 128; Report on Statistics of Western Australia, p. 30; Bluebook 1843, p. 146; “Collie Letters”, 31 May 1833.

160 Inquirer, 3 February 1841. This regular exchange business was then evidently a recent development.

161 Perth Gazette, 1 May 1841.

162 Ibid., 24 July 1841.

163 Ibid., 9, 30 July 1842; Inquirer, 13 July 1842.

164 Perth Gazette, 10 May 1845.

165 Ibid., 7 February 1846.

166 Inquirer, 15 July 1846.

167 Ibid., 7 July 1847.

168 Perth Gazette, 5, 12 July 1845; Inquirer, 9 July 1845.

169 Bank of South Australia, “Letters to London”, 7 February 1846. The Western Australian Bank ceased to publish its buying and selling rates in 1843, e.g., Perth Gazette, 8 July 1843.

170 Except as noted above bank rates are unavailable. For Commissariat bills only a few are available:

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate (£ per £100 stg.)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1832–1842</td>
<td>Fixed rates</td>
<td>See text.</td>
</tr>
<tr>
<td>27 February 1843</td>
<td>103</td>
<td>Inquirer, 1 March 1843.</td>
</tr>
<tr>
<td>5 November 1844</td>
<td>981/2</td>
<td>Perth Gazette, 9 November 1844.</td>
</tr>
<tr>
<td>10 March 1845</td>
<td>96</td>
<td>Inquirer, 12 March 1845.</td>
</tr>
<tr>
<td>24 February 1846</td>
<td>100</td>
<td>Perth Gazette, 28 February 1846.</td>
</tr>
<tr>
<td>2 December 1846</td>
<td>981/2</td>
<td>Inquirer, 2 December 1846.</td>
</tr>
<tr>
<td>22 January 1847</td>
<td>981/2</td>
<td>Inquirer, 29 January 1847.</td>
</tr>
<tr>
<td>26 January 1847</td>
<td>97</td>
<td>Inquirer, 27 January 1847.</td>
</tr>
<tr>
<td>9 March 1847</td>
<td>961/2</td>
<td>Inquirer, 10 March 1847.</td>
</tr>
</tbody>
</table>

(a) Inquirer, 13 November 1844, says this was first occasion below par since tenders were introduced.
Chapter 12 Savings Banking

New South Wales

(a) Campbell's Bank

The story of Australian savings banks begins in New South Wales and in Tasmania with measures to enforce convict discipline and encourage thrift among emancipists. Early in 1819 Macquarie proposed that the property of convicts should be placed in the care of the masters of transports bringing them to New South Wales.¹ Judge Barron Field, however, suggested a savings bank as a more complete protection, not only for convicts but for others, which should extend beyond the voyage out.² The Bank of New South Wales declined to help, refusing to give interest on such deposits or even to take the trouble of keeping the accounts,³ and accordingly a different form of organization was adopted. A public meeting⁴ on 5 June 1819 deplored that “extravagance and imprudence”, the lack of a place of deposit for savings, and payment of wages in kind meant that the poor of the colony, having dissipated their wages in drinking or gambling, were kept “poor, vicious and unmarried”. A savings bank was proposed in order that “these evils would be remedied and habits of economy, industry and matrimony generated”. Accordingly, under the governor's patronage such a bank was organized,⁵ the general plan being for voluntary deposits⁶ of 2s. 6d. or more on which 7½ per cent should be payable in the case of amounts over £1 left for a full year. Smaller amounts bore no interest—and indeed entitled the holder to no receipt—and business was to be transacted once a week only at the convenience of the savings bankers. These were Robert Campbell, senior, in Sydney, Hannibal Macarthur at Parramatta, William Cox, junior, at Windsor and Thomas Moore at Liverpool.⁷

To bring the plan before public notice the report of the meeting was reprinted twice in the Sydney Gazette and a “Plain address to convicts on their arrival and to the small settlers, mechanics, servants and labourers of the colony”, drafted by Field, was printed at government expense for distribution. Apart from a quotation from Shakespeare the address was a simple, direct explanation of the bank, which made only two additions to the original plan.⁸ New arrivals might deposit at any time instead of once a week, and “the money of wives or other women will be received from and repaid to them and not to their husbands”. The first day of business was later fixed for 17 July 1819.⁹

The initial success of the venture was slight. By the end of 1820 deposits
in Sydney were £179, in Windsor £30 and in Parramatta £116. Field admitted that small sums of weekly savings were not being deposited, the Sydney deposits ranging from £2 to £50. Field attributed this relative failure to the absence of “habits of frugality and economy in the lower orders”, but more reasonable explanations are available. Convicts were not, as yet, compelled to deposit, and preferred to use their money in other ways as did expiries and free persons. A deposit in the savings bank earned no interest if withdrawn before the year was up whereas deposits elsewhere might earn interest and be more readily available. Convicts were encouraged by their superintendent, Hutchinson, to deposit with him or with the Bank of New South Wales while others made purchases or investments on their own account. Hutchinson was one of the original proprietors of the Waterloo Company which accepted convicts' and others' deposits for a number of years after. Poverty was another part of the explanation. So heavily indebted were many settlers that bailiffs regularly waited outside the Commissariat store on days when wheat was being bought. Moreover, after the first announcements the bank received no publicity and published no accounts until it was reorganized in 1832.

Amounts deposited in Sydney rose but slowly:

<table>
<thead>
<tr>
<th>Year (31 December)</th>
<th>For convicts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1819</td>
<td>—</td>
<td>£46</td>
</tr>
<tr>
<td>1820</td>
<td>£8</td>
<td>179</td>
</tr>
<tr>
<td>1821</td>
<td>—</td>
<td>316</td>
</tr>
<tr>
<td>1822</td>
<td>—</td>
<td>332</td>
</tr>
</tbody>
</table>

In the other three centres the banks appear to have lapsed very early. No returns for Liverpool were supplied to Bigge in 1821, although figures for Parramatta and Windsor were available, and Field counted only these two centres and Sydney in his evidence. All subsequent references are to the Sydney bank only, while Brisbane appears to have enforced deposit of convicts' money there and that savings bank was the only survivor in 1832. The most reasonable interpretation is that the three smaller banks did not survive the period of voluntary deposit.

Nevertheless Bigge, while he described the scheme as a “failure,” saw possibilities in it and recommended that convicts should be deprived of money which should be deposited in the savings bank whence it might be made available as a reward of good conduct. When Brisbane was instructed “to put in force . . . at the earliest opportunity” all Bigge's recommendations this one was particularly stressed. Brisbane did not read these instructions as mandatory. Reporting progress in 1825 he said that the seizure of convicts' money when they arrived was “complied with as
far as practicable” and its deposit was “regularly attended to as much as possible, but little is deposited”. But the necessity to report evidently stirred his conscience for deposits rose rapidly that year:

Deposits

<table>
<thead>
<tr>
<th>Year (31 December)</th>
<th>Private</th>
<th>Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1823</td>
<td>£546</td>
<td>£71</td>
<td>£617</td>
</tr>
<tr>
<td>1824</td>
<td>579</td>
<td>197</td>
<td>776</td>
</tr>
<tr>
<td>1825</td>
<td>886</td>
<td>1,202</td>
<td>2,088</td>
</tr>
</tbody>
</table>

Meanwhile, the Colonial Office emphasized its instructions when Darling succeeded Brisbane. He was directed that convicts were not to be allowed possession of money “on any pretence whatever” for at least two years after arrival. Then permission to withdraw his money from the savings bank, in instalments, should be regarded as a special favour to the well-behaved convict. Darling found that Brisbane had enforced the rules and that the practice had developed of allowing full withdrawal by convicts who received tickets of leave “as they are then supposed to be in a condition in which its possession may be useful to their pursuits”. The amount of deposits, especially by government on behalf of convicts, increased:

Deposits

<table>
<thead>
<tr>
<th>Year (31 December)</th>
<th>Private</th>
<th>Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1826</td>
<td>£1,776</td>
<td>£2,461</td>
<td>£4,237</td>
</tr>
<tr>
<td>1827</td>
<td>2,276</td>
<td>3,922</td>
<td>6,198</td>
</tr>
<tr>
<td>1828</td>
<td>1,969</td>
<td>5,189</td>
<td>7,158</td>
</tr>
<tr>
<td>1829</td>
<td>2,302</td>
<td>6,191</td>
<td>8,493</td>
</tr>
<tr>
<td>1830</td>
<td>2,255</td>
<td>6,465</td>
<td>8,720</td>
</tr>
<tr>
<td>1831</td>
<td>2,950</td>
<td>6,746</td>
<td>9,696</td>
</tr>
</tbody>
</table>

The large increase between 1825 and 1826 is evidence of the zeal with which Darling had pursued the policy. The full extent of his efforts can be better seen if amounts of receipts and withdrawals are set beside amounts of net deposits.

Amounts

<table>
<thead>
<tr>
<th>Year</th>
<th>Received</th>
<th>Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1826</td>
<td>£3,038</td>
<td>£889</td>
</tr>
<tr>
<td>1827</td>
<td>4,451</td>
<td>2,490</td>
</tr>
<tr>
<td>1828</td>
<td>3,805</td>
<td>2,844</td>
</tr>
<tr>
<td>1829</td>
<td>2,918</td>
<td>1,583</td>
</tr>
<tr>
<td>1830</td>
<td>3,095</td>
<td>2,868</td>
</tr>
<tr>
<td>1831</td>
<td>2,999</td>
<td>2,010</td>
</tr>
</tbody>
</table>

The rise in withdrawals in 1827 and 1828 may be attributed to the two-
year waiting period ordered by Bathurst having expired for a number of convicts.

Until 1832 the history of the bank was uneventful. In 1829 Darling strengthened the control over convicts' money by ordering that if any convict or member of his family retained possession of money contrary to the regulations it should be forfeited to the Benevolent Asylum. Public interest was slight but when the *Australian* demanded that accounts should be published the *Sydney Gazette* expounded the virtues of savings banks and urged the working class to make more use of the local institution. The government concentration on convicts' deposits seems to have created an impression that convicts or ex-convicts only might enjoy its benefits.

A change in organization followed the attacks of the opposition newspaper, the *Sydney Monitor*. Throughout 1830 and 1831 it missed no opportunity to assail the principle of forcing convicts to deposit with a private individual for the latter's gain. Even the *Australian* agreed that a change was overdue: “The sum total is too considerable to be kept locked up any longer as it has been, nobody knows how and scarcely with whom.” The new governor, Bourke, accepted this view and, in opening the 1832 session of the Legislative Council, declared that “the sums lodged in the savings bank having reached to a considerable amount, it has appeared to me proper that the bank should become a public concern, regulated by an act of council. I have directed a bill to be prepared for the purpose.” The form of his proposals having been criticized, the bill was published and finally passed in an amended form.

Bourke required Campbell to transfer to the new Savings Bank of New South Wales all convicts' deposits, although he allowed him time to make the transfer. Free persons might choose, but were apparently not encouraged, to make the change, since the new bank offered only 5 per cent plus a share in profits as compared with the 7 1/2 per cent paid by Campbell. He had made a good thing out of his bank for, as he told Bourke, most of this money on which he paid 7 1/2 per cent and which could not be withdrawn, without loss of interest, for a year, was invested in mortgages at 10 per cent. A new phase of savings banking was now initiated under direct government control.

**(b) The Savings Bank of New South Wales**

The act of 1832 recited “that it is desirable for the encouragement of frugality that persons possessing small sums of money beyond what they require for the supply of their immediate wants should be afforded an opportunity of depositing the same on good security, to accumulate at
compound interest and to form a provision for themselves and families”. Accordingly the Savings Bank of New South Wales was created, the governor's presidency being more than nominal although management was vested in nine trustees appointed by the governor. Deposits from 1s. to £30 at a time would be received and on all whole pounds interest would accrue monthly. A minimum of 5 per cent was promised with the prospect of a proportionate share in all profits in excess of £200. For convicts no maximum limit was set but free persons could receive interest on not more than £100. Notice of withdrawal was required for free persons; convicts needed the governor's approval.

As received, funds were to be deposited in a triple-locked iron chest in the custody of the Colonial Treasurer, much to his annoyance, and loans were to be made at least quarterly. Bills might be discounted if they bore three names and had less than six months to run, but no bill might exceed £500 and the rate must be at least 8 per cent. Mortgages not exceeding £500 from one person might be taken to two-thirds the value of the property, with minimum interest of 8 per cent.

The Trustees proceeded to borrow £100 from the government for initial expenses and to frame rules which consisted mainly of a recital of the provisions of the act plus obvious procedural arrangements, but also made it clear that Trustees would meet to lend money as often as they might see fit; James Chisholm's offer of the use of a room in George Street was accepted and George Miller, as “a person writing a good hand and well qualified to keep accounts”, was appointed as accountant and clerk. Thus inconspicuously began Miller's long domination of the institution. For his £50 a year he had to attend all meetings of trustees, to receive and pay money, at first for only two hours on Monday mornings but later also on Thursdays and Saturdays, and to keep the books; he had to provide sureties to a total of £200 and not until 1839 was he given assistance although in due course his salary was progressively raised and he became a full-time officer. Yet from the beginning he was the bank and what it became he made it.

On 18 August 1832 the bank opened for business and received a steady flow of private deposits as well as those of newly arrived convicts. By September sufficient had accumulated for loans to be made, the first being the discount of two bills for £400 and £155, the rate being 10 per cent. As funds continued to accumulate more bills were discounted and in February 1833 the first mortgages, at 10 per cent, were taken. The general nature of these loans on mortgage is illustrated by those taken on 6 April 1833 when there were fourteen for a total of £4,670, four being for the maximum of £500 and the smallest for £100. The major part of the
£2,782 of private deposits outstanding at the end of the year\(^5\) had come from the taking over of the Port Stephens Savings Bank.

Formed probably late in 1830 this small bank had been designed for the benefit of employees of the Australian Agricultural Company.\(^6\) By September 1831 it was able to invest £215 on mortgage and to discuss purchase of shares in the Banks of New South Wales and of Australia,\(^5\) securing some in the latter. But when the Savings Bank of New South Wales was created it was decided after three hours' discussion to approach that bank with an offer to transfer the business.\(^8\) The reply was long delayed but when it came it was favourable; the business, then about £1,700, would be accepted provided the one mortgage held was satisfactory and the Bank of Australia shares held were sold and the cash transferred.\(^9\) By November 1832 the transfer was complete and the Port Stephens Bank ceased to exist,\(^6\) the question of its continuance as a branch not being discussed.

The growth in deposits in Sydney was rapid. Campbell during 1833 paid over sums belonging to convicts\(^6\) and as ships arrived with new prisoners the total continued to grow slowly. Private deposits expanded very rapidly, to £7,450 by the end of 1833 and £13,557 a year later. How much of this belonged to country residents cannot be said but the question of branches became a live one and led to a new act in 1834.\(^6\) This made certain procedural changes (the iron chest need have only two, not three, locks) and the number of trustees was increased to eighteen, but the main changes were two. The maximum limit for interest-bearing deposits was raised to £200, the right of prisoners to hold more being preserved. Country branches were to be permitted in twelve country settlements and any others the trustees might choose;\(^6\) in each place district trustees and an accountant were to be appointed, their function being to collect deposits for remittance to the Sydney office.

Branches, however, were slow in coming. A proposal for one in Windsor in 1835 reached the stage of rules but the plan was dropped\(^6\) and it was not until 1837 that it was again revived.\(^6\) Then in quick succession followed branches at Goulburn,\(^6\) Parramatta,\(^6\) Bathurst\(^6\) and Maitland,\(^6\) and a little later there were proposals, which came to nothing, for further branches at Wollongong\(^7\) and Yass.\(^7\) No further branch was opened until in 1841 Penrith was added, although the business that resulted was small.\(^7\) The other branches all showed substantial deposits and steady growth, in spite of an unhappy episode in the case of Maitland in 1844; the local accountant went bankrupt which, added to his method of conducting the branch, “censurable in the extreme” said the trustees, led to hasty closing of the branch from April until the following year.\(^7\) Gipps whose circular to police
magistrates had initiated the first group of branches could well feel satisfied.\textsuperscript{74}

Meanwhile before branches were created deposits had been growing rapidly. Those of convicts rose very slowly never reaching £10,000 mainly because of the practice of permitting a ticket-of-leave holder to withdraw in full.\textsuperscript{75} For free depositors the figures at the end of each year were:

\begin{tabular}{l l}
1834 & £13,557 \\
1835 & 24,470 \\
1836 & 36,718 \\
1837 & £49,302 \\
1838 & 67,725 \\
1839 & 97,245 \\
\end{tabular}

These funds were invested partly by way of discounts but mainly in mortgages at 10 per cent in each case:

\begin{tabular}{l l l}
Year & Discounts & Mortgages \\
1834 & £6,316 & £15,448 \\
1835 & 8,167 & 23,877 \\
1836 & 14,220 & 31,305 \\
1837 & 17,124 & 42,264 \\
1838 & 19,048 & 58,851 \\
1839 & 43,981 & 75,825 \\
\end{tabular}

These implied very satisfactory profits and no doubt the depositors were very well satisfied when their dividend over and above the guaranteed 5 per cent rose from 21/2 per cent in 1834 to 33/4 per cent in 1835 and to 5 per cent in the next six years. But these gains were achieved only because of a reserve policy which was extraordinary and which succeeded only because in the great boom of those years deposits always and regularly exceeded withdrawals. After 1836 cash holdings were over 2 per cent of deposits only once, in 1838 (4.5 per cent), and in 1840 were as low as 0.4 per cent. When the storm came in 1843 the bank was lucky.\textsuperscript{76}

The Trustees, however, were not satisfied. In June 1839 they submitted amendments to the act, “some of the provisions of which are ineffectual and others imperfect”, the points in question being their desire to hold their cash not in the Treasury but at interest in a trading bank and to increase the maximum size of loan.\textsuperscript{77} They had their way in a new act,\textsuperscript{78} which contained some minor provisions such as requiring £400 instead of £200 to be added to reserves from profits, but which in its main clauses permitted deposit in banks and increased the maximum amount of any bill to be discounted to £1,000 and of any mortgage to £2,000. A modest but useful accession of deposits had already been obtained in the form of intestate estates;\textsuperscript{79} these new provisions appeared to open the way to even greater profits. The Trustees were even emboldened to ask for land and money to
erect a building but finding the governor unsympathetic dropped the idea.\textsuperscript{80} Cash was deposited in the Commercial Bank, presumably at 4 per cent,\textsuperscript{81} and the Trustees settled down to enjoy the boom whose approaching end they did not foresee.

One minor challenge they had to survive. Their 1839 act was referred to John Tidd Pratt, “the barrister appointed to certify the rules of savings banks” in England.\textsuperscript{82} The main target of his attack was as old as the 1832 act and in a sense went back to the origin of Campbell's Bank—the position of the governor in relation to the bank. The governor was president, appointed and removed trustees, rules were subject to his approval, payments from and to convicts were by his order, and so on. That was “very objectionable”; depositors might reasonably assume the government guaranteed the security of their funds. Trustees ought to be elected at public meetings and the governor should merely ensure publicity for rules and accounts, the rules being subject to approval by the colonial Attorney-General.\textsuperscript{83}

Gipps had to take this seriously for Russell directed him to amend the act in conformity with the report.\textsuperscript{84} A report from the trustees, drafted by Miller,\textsuperscript{85} was concerned with generalities and a sweeping assertion of “consequences of the most disastrous nature” if government patronage were withdrawn. “£100,000 lent on mortgage could only be recovered by a severe and certainly in many instances legal pressure on numerous individuals and years might be spent in the recovery.” The Attorney-General, R. Therry, whose opinion Gipps also sought, answered to the point.\textsuperscript{86} He explained that whatever errors depositors might make, the government was not liable for the safety of the funds. The existing patronage had lasted since 1832 and strong reasons were necessary for abolishing it, whereas the arguments were all the other way. The only reason trustees act is “that they consider the request of the governor as a compliment and distinction which they are reluctant to decline”; they would not act at the behest of the sort of public meeting which would gather in New South Wales and trustworthy substitutes would be hard to find.

A Select Committee took the same view,\textsuperscript{87} adding as its only important positive recommendation a proposal for a larger reserve fund.\textsuperscript{88} Thus reassured Gipps let his instructions drop and when in 1841 the act was amended to create the Port Phillip Savings Bank the Sydney bank's relationship to the governor was repeated in that of the Melbourne bank to La Trobe as superintendent.\textsuperscript{89} The Sydney trustees were content to establish a “rest” of £1,600 to be invested in government debentures, an amount which proved quite inadequate when on 1 May 1843 a serious run occurred
as a result of widespread rumours that the governor, after examining the bank's securities, had declared them worthless. Remaining open an extra two hours the bank repaid more than £12,000 obtained by rediscounting bills with the Union and Commercial Banks. Next day the drain was unabated and more than £10,000 was lost so that the trustees secured a week's respite by insisting on due notice of withdrawals. The governor came to the rescue with the appointment of a Board of Inquiry and published its reassuring report. This found that out of 162 mortgages for £116,050 only four, for £3,600, were doubtful and these would realize 50 per cent even if immediately foreclosed; of 178 bills totalling £50,354 seven for £1,750 were “decidedly bad” but these were “the accumulated refuse of eleven years”. “The savings bank is perfectly solvent,” the committee declared, while it was announced that the governor was so impressed that he “would recommend to the Legislative Assembly of the colony to guarantee to the depositors the repayment of their money”, a tactful if self-contradictory version of Gipps' conclusion that “very essential alterations are required in the constitution of the bank”. The measures which he eventually took marked a major landmark in the bank's development; inspired by a desire to avert a future run they prevented the bank from effectively investing its funds.

The run did not resume but the immediate result was reform in the bank itself. The Herald had attributed the rumours to malicious invention by those who resented Miller, as chairman of the Sydney Bank, “having been a principal means of detecting and exposing the mismanagement at the Bank of Australia”, a suggestion supported by the trustees directing him to cease connection with outside business and devote his full time to the bank. It was further determined that no new loans should be made until £10,000 in cash had been accumulated, while a sub-committee was appointed to draft a statement of accounts to be laid before each meeting at which minutes of the previous meeting were to be read and a statement made of the amount of withdrawals of which notice had been given. The implication is obvious; the trustees had been perfunctory in their duties and Miller had treated them as rubber stamps.

Meanwhile Elwin on behalf of the Board of Inquiry had proposed amendments to the act. Gipps retorted promptly with his own draft bill, designed to ensure adequate reserves and the holding of assets in more liquid form. Its central point was limitation of mortgage lending and against this the trustees protested, urging that, instead of one-third, two-thirds of total funds be permitted. Gipps, as the act showed, was unmoved, but he took up a suggestion which the trustees had regarded as consequential upon extended mortgage lending—a government
guarantee—and also abolition of the practice of discounting.\textsuperscript{101} He was, however, sufficiently in doubt to refer the draft to a Select Committee\textsuperscript{102} which stressed the danger of reliance on discounts and mortgages, pointing out that only £4,000 in cash was held at the time of the run. It read depositors a lecture on the theme that their money “cannot at one and the same time be out at interest and ready for instant repayment . . . They are, in fact, all partners in a joint-stock loan and discount company which, from the social and political circumstances of the country . . . has found it necessary to place their funds much more beyond its reach than is either prudent or necessary in similar establishments in Europe”.\textsuperscript{103} When, however, the committee proposed changes in bank policy it declared them “not fit subjects for legislative enactment” notwithstanding which Gipps incorporated the important ones of their proposals, with others, in a new bill.\textsuperscript{104}

As finally passed\textsuperscript{105} the act required that the “rest” be increased until it was one-fourth of deposits,\textsuperscript{106} while greater liquidity was ensured by two highly important restrictions. All new discounts were prohibited although old bills might be wholly or partly renewed. No new mortgages might be taken so long as those held amounted to more than one-third of total funds. Since in October 1843 against deposits of £141,172 the bank held mortgages to the value of £109,117 the effect was to prohibit new mortgages for a very long time. The realization of its other asset, £35,859 in bills, would merely reduce income.\textsuperscript{107}

Against this the act permitted—if permission were necessary—deposit of up to two-thirds of funds in any bank in the colony and offered the alternative, impracticable as it turned out, of investment in British government securities. This depended upon securing amendment of the relevant British act which Gipps requested\textsuperscript{108} but, as Tidd Pratt was delighted to show, the terms were unsatisfactory and no funds were so invested. The British government paid only 3⅓ per cent and depositors could get no more than 3 ⅓ per cent and even this did not commence until the funds reached England.\textsuperscript{109} In the light of these conditions it was scarcely necessary for Gipps to penalize depositors who closed accounts during the year by limiting their interest to 3⅓ per cent, and to extend the notice required for withdrawal.\textsuperscript{110} Nor was he taking any great risk, even if he were unorthodox, in providing that if the trustees had to borrow in order to meet repayments such loans, to a maximum of £50,000, were guaranteed by the government. Gipps felt particular need to justify this step and drew for the benefit of the Colonial Office a picture of unemployed depositors clamouring at the doors of a bank unable to meet their claims; “consequences might ensue which it is fearful to
contemplate . . . to support the credit of the bank is a measure absolutely necessary for the peace and tranquility of the public”.

The answer was, however, that the Treasury had “ceased to superintend the financial operations of the legislature of New South Wales”; if they chose to take the risk, let them.

For a time the full implications of the act were not apparent. The year 1843 was one of acute depression so that, even without the run, a decline in deposits was inevitable. Over the year total deposits declined by £43,930 and the number of depositors by 929. But that was the worst point and the tide turned with the following year although it was not until after the discovery of gold that deposits passed their pre-slump level. By reducing its interest on mortgages from 10 per cent to 8 per cent the bank was able to maintain the volume of these loans.

In spite of a similar reduction in the discount rate the volume of bills held slumped heavily since new ones could not be taken. From a peak of £74,738 before the run these had been reduced to £27,721 by the end of 1843 and a year later were only £12,119, a substantial part of this reduction being the writing off of £4,716 as irrecoverable. Against this the bank had been able to secure substantial amounts of colonial debentures commencing with £5,000 in March 1844 and reaching £23,000 by the end of the year. Cash holdings, therefore, rose only to £8,344 by the end of 1844 although no interest was received on these, the trading banks having abandoned all deposit interest. The act of 1843 had left it to the trustees to fix deposit interest retrospectively but they were able to maintain 5 per cent.

But it could not last. Mortgage loans could not be increased, bills continued to decline, and cash accumulated as deposits grew; by March cash was £13,700 and two months later £19,244. Debentures could be obtained only with difficulty by private negotiation and then in small amounts, £1,000 at 1/2 per cent premium and another £600 at 21/2 per cent, purchase of more being prevented by high premiums. The governor's aid was sought in securing more government securities, but without success. The trustees requested the issue of new government debentures for the bank; the governor professed ignorance “of any means by which the funds of the bank can be employed, unless it be in the purchase of government debentures at the market price”, but invited suggestions.

The trustees were not slow to respond. Replying, they set out the impossibility of any other investment than debentures which were at too high a price for them to pay. Their proposal was a special issue of 5 per cent debentures, available only to the Savings Banks of New South Wales and Port Phillip, to create a “Savings Banks Public Works Fund” for
expenditure on useful works.

In their search for a case for the issue of debentures the trustees even used Tidd Pratt's strictures on the act of 1843. He had attacked the profit-sharing principle, urging instead “a certain but low rate of interest”, and was very critical of the £50,000 guarantee. The trustees retorted that they, too, disliked profit-sharing which was “forced upon them by the circumstances of the colony”, these circumstances being defined as the absence of government securities; let Gipps give them debentures and Tidd Pratt could have his way. As for the guarantee, it was unfortunate that it was necessary, but its abandonment would only be possible “by the issue of government securities for the investment of the whole of its funds”.

An application by the city of Sydney for a loan of £6,000 provided the occasion for a Select Committee to which was referred Gipps' bill to permit the loan. The trustees, while grateful, had insisted that the relief was slight and that “some systematic plan” was “indispensable to [the] very existence” of the bank, but Gipps had retorted bluntly, refusing “to recommend that the government should itself incur a debt for the purpose of finding employment for the funds of the Savings Bank”, although his own solution, the ineffectual plan of remission of funds to England, was unhelpful.

The Select Committee distinguished two problems: restricting the growth of deposits and finding new investments. As to the first, they proposed limiting the amount of deposits to bear interest to £100, allowing either no interest or at most half the ordinary rate on intestate estates and then not until ordinary depositors received 5 per cent. Miller's proposal for revival of discounting was rejected but the increase of mortgages to one-half of deposits was proposed although it was admitted that no relief would in fact be given since old mortgages still held were equal to two-thirds. Provision for investments in England was meaningless and should be repealed, and the loan to the city of Sydney (and one by the Port Phillip Savings Bank to Melbourne) would be useful if modest relief. The really important proposal was the creation of a special debt of £50,000 to be used for public works, subscription being limited to the two Savings Banks.

Gipps adopted every one of these recommendations, save the last, in a new act. On the question of a special issue of debentures he was adamant, although quite satisfied if there were “an intermediate and responsible body interposed between the bank and the government”, such as the city councils. Gipps may well have felt aggrieved at the failure of the bank to take up debentures on favourable terms when he had earlier reserved the privilege for it. The relief therefore, though important, was
small; only £1,300 more of debentures could be obtained, bill holdings were down to negligible figures, and mortgages were declining, although slowly, while deposits were growing. By the end of 1845 idle cash was £30,012 and the dividend to depositors had to be reduced to 3\&frac{1}{3}; per cent.133

The replacement of Gipps by FitzRoy in August 1846 was an opportunity which the trustees seized within the week. At that time, they pointed out, total deposits had reached £159,700; bill holdings were only £5,500; while no more than £26,000 of debentures could be got; and mortgages had fallen to £93,400; with the result that cash had accumulated, without interest, to the amount of £39,000. “Nothing short” of the plan of June 1843, a copy of which was forwarded, would meet the case.134 FitzRoy was sympathetic but cautious, deciding to refer the matter to England.135 In doing so he pressed the trustees' scheme strongly in a passage worth quotation in full.136 Dismissing Gipps' plan for loans to municipal authorities, he wrote:

In the first place, I conceive that the funds of an institution of such material consequence to the interests of the poorer classes of the community should, on no account, be permitted to be invested in any other than in government security, or security over which the government can exercise a direct and immediate control. But the government has no control over the corporations of Sydney and Melbourne, or over their expenditure; and therefore I do not consider that it would be expedient to sanction a loan to any large amount to either of these bodies. The other corporate bodies of this colony, the district councils, are so entirely inoperative that it is unnecessary to take them into consideration.

Secondly, even assuming the corporations of Sydney and Melbourne to be in a position to give security for the whole or a large proportion of the money required to be invested, this money, according to the Savings Bank Act (7 Vic., No. 6) could only be invested by the trustees under the approval of the governor, and therefore, in the event of either of the corporations becoming insolvent, the Legislature or the government would scarcely be relieved from the responsibility of securing the bank from loss. And I presume that there can be no doubt that, whenever the government is either directly or indirectly liable for monies raised under its sanction, it must be more advantageous to the public interests that such monies should be expended under its immediate supervision, rather than under that of any intermediate body whose acts it has not the power of controlling.

The response, however, lay in the future and goodwill did little to help the bank. Some small aid came from a loan to the city of Melbourne of £6,000 at 6 per cent in 1847,137 but this was more than offset when the debentures already held matured. FitzRoy declined a request to permit
them to run on until the British government's reply was known and repaid them in November 1847. As a result idle cash increased for that year from £41,965 to £84,486, not greatly less than the total of interest-earning assets, £98,466. The mere safe-keeping of such sums had become a problem. When in 1846 the amount approached £40,000 it had been divided equally between the four trading banks; it was now decided that a substantial part, that in excess of £50,000, should be deposited in the Treasury. This did not, however, increase income, and for 1848 depositors had to be content with 21/2 per cent. Getting, by the same act, the long-sought grant of land for a bank building was small compensation.

In the end the British reply came. Unexpectedly Tidd Pratt agreed and Grey notified FitzRoy that “it will be advisable to adopt the plan suggested by the Trustees” and in addition to eliminate deposits of intestate estates and deposits by the Master in Equity. A bill to this effect was promptly introduced and carried after a stormy passage. The reasons for criticism were varied: Stuart Donaldson wanted the debentures to be open to the public; Murray thought the bank should engage in aggressive mortgage lending in competition with the Trust and Loan companies; Dr Bland wanted the loans to come from the Land Fund; while Wentworth complained of special favours to a bank for which too much had been done already. All that they achieved was elimination of a fixed 5 per cent on such debentures in favour of a rate fixed for each issue. The act simply authorized, in general terms, loans by the New South Wales and Port Phillip savings banks for public works purposes, provided the works should be in their respective districts. Nothing came of suggestions for loans for railways, or of an earlier proposal in connection with immigration.

FitzRoy had estimated at the time that only £14,500 would be borrowed, £3,000 from the Port Phillip Bank and £11,500 in New South Wales. But it was not until a year later that debentures were available when, however, the Sydney trustees were able to secure £10,000 at 21/2 per cent premium and £50,000 at 3 per cent which ensured an annual net income of £2,376, sufficient to maintain 21/2 per cent to depositors. Another £20,000 was secured in 1850 and the bank's position was assured.

Accordingly it took stock of its cash position. All funds had been withdrawn from the Treasury and deposits in the banks reduced. Any sudden need for cash was provided for by arranging a cash credit of £10,000 with the Commercial Bank which for a time was the sole banker, although later the other banks received a share. By May 1851 mortgages were low enough in relation to deposits for new ones to be taken
and at the end of the year this type of lending was renewed. There were
troubles ahead but they belong to a new phase of the story, the
consequences of the gold rushes. For a time at least the bank was in safe
waters.

**Port Phillip District**

The story of the Port Phillip Savings Bank is little more than an appendix
to that of the New South Wales Savings Bank. Originally in 1839 it was
planned to create a branch of the New South Wales Bank, as permitted by
the act of 1834, and trustees were appointed but no further action was
taken. When in 1841 a Port Phillip Savings Bank Act was passed, apart
from organization clauses it extended the New South Wales legislation
with only minor changes of which special provision for a “Rest or Security
Fund” was the only one of importance. The Superintendent of Port
Phillip, La Trobe, was president and the bank was to be managed by twelve
trustees appointed and removable by the superintendent. In practice the
leading figure was the vice-president, an office held throughout by James
Simpson.

The trustees were appointed in October and speedily completed the
necessary preliminaries. Rooms free of charge were obtained from the
Melbourne Fire & Marine Assurance Company; an accountant was
appointed; the Bank of Australasia was selected as a depository; and rules
for the conduct of business were framed. The bank opened for business
on 1 January 1842 and the reception it was given is indicated by its ability
to lend, only a month later, £779 by way of discount of three bills.

Thereafter there is little of interest to record apart from its efforts to
secure profitable investments. Legislative changes, outlined earlier, applied
to the Port Phillip Savings Bank as well as to that of New South Wales,
with an occasional special clause for Port Phillip and this legislation was
carried over, on the separation of Victoria, until that colony provided in
1853 for the transfer of the bank to the control of commissioners.

As in New South Wales the great problem was how to earn an income.
Initially prospects were rosy and the discount rate was fixed optimistically
at 12½ per cent. But, as depression deepened, the rate proved too high.
In September the “Minutes” note briefly, “There not being a sufficient
choice of bills, no business was done”, while in March of the following
year no bills whatever were offered and reduction of interest was
proposed. Not until June, however, was the rate reduced to 8 per cent on
bills to three months and 10 per cent for those to six months. The same
year a new act prohibited the savings banks from discounting except by
way of renewal. The same act limited loans on mortgage to one-third of total funds. Mortgage loans at 12 1/2 per cent had commenced early, but were not common until 1843 when they comprised half of total assets. The act therefore meant that new mortgage loans were impossible while discount income was gone. As a stop-gap £1,500 was placed on three months deposit in the Bank of Australasia at 5 per cent while £800 was invested in government debentures. The trustees turned eagerly to this lifeline. By November 1844 £4,300 (including the former bank deposit) had been so invested but it was not enough. Mortgage loans were only maintained by reductions of interest, to 10 per cent in April 1844 and 8 per cent in February 1845; any large expansion was impossible under the act. A search for more debentures proved fruitless.

The bank therefore joined with that of New South Wales in pressing for amendments. By August 1845 with deposits at £13,873 the bank held £4,300 in debentures of which it could obtain no more and £2,450 in mortgages of which more could not with adequate security be taken. Idle cash not earning interest in the Bank of Australasia had jumped from £2,675 in December 1844 to £7,240. Proposals were made to reduce deposit interest obligations of which the virtual abolition of interest on funds of intestate estates was adopted. But the greatest noise centred around a demand that, as the New South Wales Bank was to be authorized to lend to the corporation of Sydney, the Port Phillip should likewise lend to Melbourne. A special clause was added to the bill permitting a loan of £4,000 but after all the fuss the bank was not prepared to accept the security offered. However, partly by reducing payments to depositors, but more by increasing the permitted proportion of mortgage loans to one-half of deposits, the act gave other relief. While cash holdings remained at unprofitably high levels income expanded so that interest on deposits, which had been cut to 11/2 per cent for 1845, was restored to 2 1/2 per cent for 1846 and 3 1/2 per cent for 1847.

But in the latest year the government debentures matured and were repaid. Deposits were still growing steadily so that in spite of more loans on mortgage (the only form of income-earning asset) cash was during 1848 and 1849 roughly equal to mortgage loans. Only the maintenance of the mortgage rate at 8 per cent permitted deposit interest of 2 1/2 per cent in those two years. Not until new debentures were obtained in 1850 could the trustees feel happy. Thereafter loans were divided between mortgages and debentures, apart from one unlucky attempt to copy the exchange speculations of the New South Wales Bank.

Meanwhile branches were being developed, at Geelong and Portland in
1848, and Belfast in 1850. The chief obstacle was the desire of local residents “to keep money in the district”. The Geelong trustees unsuccessfully sought guarantees that Geelong funds would be invested in Geelong, while those of Portland secured the compromise of having surplus cash deposited in the local branch of the Union Bank. The continuance of that branch was for some time in doubt, “the class for whose benefit it was established not availing themselves of it”, but the reluctance proved temporary. The bank was at last firmly established as it passed to the new colony of Victoria in 1851.

**Tasmania**

It is remarkable that Macquarie made no attempt to extend his savings bank to Tasmania and that Brisbane evidently believed that “Campbell's Bank” was a sufficient compliance with his instructions to implement Bigge's recommendation that convicts be deprived of any money in their possession. As a result the island colony had no savings bank until 1828 and not until several years later was there such a bank open to the general public. If we ignore an anonymous suggestion in 1824 the starting point is the receipt by Arthur of instructions from Bathurst, directing “that no convict shall henceforth be allowed on any pretence whatever to have possession of any money or property”. Money was to be deposited in “the savings banks” as Bigge had suggested and withdrawals were to be permitted as a reward for good conduct, but in the case of “lifers” not before the lapse of two years.

Arthur at once gave the necessary orders for surgeon superintendents to take possession of all money and property of convicts on board ship, and for the superintendent of public works and the government engineer to do likewise. These sums were at first paid over to the Commissariat. Arthur believed a savings bank to be “the most proper depository” but anticipated difficulty because “the money brought by the prisoners into the colony is very small; their means are generally subsequently derived by orders and remittances from their friends to merchants in Hobart Town by whom it is vested in property”. It is possible that Arthur foresaw that to deprive convicts of all money would undermine his system of rewards and punishments on which he believed the success of transportation to depend, for he does not appear to have attempted to compel convicts to surrender money except on arrival or when employed on public works or lodged in one of the penal settlements. No machinery was provided for dealing with convicts assigned to work for settlers, and their freedom to hold money would have been in Arthur's eyes one of the inducements to
good conduct in order to avoid being returned to the custody of the
government.\textsuperscript{183}

To complete the scheme it was necessary to establish a savings bank in
which the money should be deposited. It was characteristic of Arthur that
he acted promptly in ensuring that by losing possession of their money
convicts were made to realize that transportation was a penalty, but saw no
urgency in the second half of the policy. He referred the matter to the
existing banks,\textsuperscript{184} appointed a committee which had been by March 1827
“long . . . employed in the consideration of this point”, and wrote to
Sydney to inquire into the operation of the scheme there.\textsuperscript{185} But this initial
burst of energy spent itself and by May “the idea of a savings bank seems
to have subsided”.\textsuperscript{186} The Bank of Van Diemen's Land considered how such
a bank might be established, perhaps in response to a request from
Arthur,\textsuperscript{187} but did nothing about it, while Arthur was more concerned with
suggesting that all property of newly arrived convicts “beyond mere
necessary wearing apparel” should be seized and sold, the proceeds to be
placed in a still non-existent savings bank.\textsuperscript{188}

He was, however, stirred to action by Goderich's reply to his report of the
specific measures already adopted which took money away from convicts,
for Goderich passed these over lightly and went on “particularly to
approve” of the savings bank proposal.\textsuperscript{189} An arrangement was quickly
completed with the Derwent Bank by which money taken from other than
assigned convicts would be deposited in a special savings bank managed
by the Derwent directors in which also voluntary deposits might be made
by “those convicts who from good behaviour may be permitted to work for
their own benefit”, and by expirees. Compulsory deposits were to be drawn
upon only with the permission of the principal superintendent of convicts;
voluntary deposits were accepted every Saturday in sums not less than 5s.,
to be withdrawn only after the lapse of four months. Interest, calculated
fortnightly, was to be paid on deposits at the rate of 10 per cent per annum,
although it was also provided that the net profit on the investment of
savings bank funds should be divided \textit{pro rata} every six months.\textsuperscript{190} These
were generous provisions and within a year the Derwent Bank had
repented. A new contract “with the view of placing the savings bank upon
a permanent footing” provided that the savings bank should be separately
organized, although still managed by the Derwent Bank directors.\textsuperscript{191}
Interest on deposits was reduced to 5 per cent, payable for whole months,
and voluntary deposits received interest only if they were left for three
months or more.\textsuperscript{192} The other conditions were retained.\textsuperscript{193}

The subsequent history of the institution is obscure, but unimportant,
since it does not appear that it ever received any significant amount of
voluntary deposits. The opening of the savings department of the Commercial Bank in 1831 and of a totally distinct Derwent Savings Bank in 1834 took place in an atmosphere which implied that voluntary deposits in the convict bank were unimportant, while after that date the high deposit interest of the trading banks offered a more attractive investment. When the trading banks abolished interest on deposits in 1844 the Launceston Bank for Savings already existed and the Hobart Savings Bank was being planned by G. W. Walker. As a result the first institution retained its original character as a place of safekeeping for the money of newly arrived convicts and those in government custody, and its operations were never large enough to have any influence on the monetary system.

In its first incomplete year deposits received were £853 and repayments £104. In 1832 repayments, £442, exceeded new deposits, £294. The bank was still being conducted according to the original arrangement in 1833. By the end of 1843 the balance of deposits had grown to “about £3,000” and grew further in the following years when half the wages of first-class and two-thirds of the wages of second-class probationer convicts were paid into the bank, to be held until they qualified for a ticket of leave. It seems probable that the division of the convict savings bank into “No. 1” and “No. 2” occurred at this time. The only other certain information relates to the new arrangements which had to be made when the Derwent Bank, in October 1849, was forced to admit its insolvency. Deposits were then £4,422 in No. 1 bank and £675 in No. 2. These were recovered intact by the comptroller-general of convicts, but not until December 1850. He sought to deposit them in the Hobart Savings Bank but finally arranged to lodge them with the Hobart branch of the Union Bank. The change took effect in August 1851 when £5,000, the property of “on the average 10,000” convicts, was transferred on terms which meant the virtual abolition of a savings bank for convicts. The Derwent Bank had been “allowing latterly 2 per cent on the deposits” (when the reduction occurred is uncertain); the Union Bank declined to pay interest and refused to continue the keeping of individual accounts. In future a single deposit was made in the name of “an authorized official” whom the Union insisted should “be treated the same in all respects as . . . any other deposit customer of the bank”. The original savings bank had become no more than an instrument of convict discipline and its banking character did not extend beyond safekeeping, while with the cessation of transportation to Tasmania in 1853 even this limited significance declined rapidly.

Meanwhile the needs of assigned convicts, emancipists and free settlers had been met by other means. The first of the private savings banks was that opened on 1 January 1831 by the enterprising John Dunn. Under the
title of “General Savings Bank” he added a special branch to the Commercial Bank of which he was then sole proprietor. Deposits as low as 5s. were received and 71/2 per cent per annum was offered on deposits left for at least three months. The choice of title and the tone of newspaper comment suggest that the Derwent Savings Bank was regarded as reserved for convicts. Little is heard of Dunn's savings bank after its initial flourish. It was still maintained in 1838, but disappears thereafter. Probably its savings bank character went no deeper than the payment of interest on small sums lodged on fixed deposit, for Dunn originated payment of interest on deposits in Tasmania. When he first opened the Commercial Bank in June 1829 interest at 5 per cent per annum was offered on six months deposits and continued to be offered until the competition for deposits led to the general offer of deposit interest by all the banks after the opening of the Union Bank in 1838. In the first few years the Commercial Bank was eager for new business and its savings bank presumably represents no more than a device for attracting funds.

The next private savings bank was the Derwent Bank for Savings, opened in Hobart on 1 November 1834 as part of Charles Swanston's plans to meet the competition of the new Bank of Australasia. This was controlled by the Derwent Bank and paid 5 per cent per annum on the minimum monthly balance with a limit of £60 on the amount deposited in any one year. Deposits as low as 2s. 6d. were accepted and withdrawals were allowed only on the first Monday of the month with one week's notice. This savings department continued all through the 'thirties, survived the conversion of the parent institution into a mortgage bank in 1841, and expired with it when the Derwent Bank went into liquidation after October 1849. The only details of its operations which have been preserved relate to its final years. The number and amount of deposits were then:

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1847 December 31</td>
<td>232</td>
<td>£7,976</td>
</tr>
<tr>
<td>1848 December 31</td>
<td>177</td>
<td>6,168</td>
</tr>
<tr>
<td>1849 September 27 (?)</td>
<td>6,165</td>
<td></td>
</tr>
</tbody>
</table>

For this period interest was paid at 4 per cent, the reduction from 5 per cent probably occurring when trading bank deposit interest was reduced several years before.

A part of the explanation of the small success of these early ventures is that at the time of their establishment public interest was slight. The Hobart Town Courier, for instance, gave three lines to the New South Wales Savings Bank Act and the press generally ignored the three local
institutions once they were established. A new chapter was opened with the Launceston Bank for Savings in 1835.

Casual suggestions for such a bank in Launceston had been passed over until 1834. A public meeting in September of that year was called to consider the relief of distress in the town and resolved on the formation of a Benevolent Society. A suggestion then made for a savings bank bore fruit a few weeks later when a further private meeting resolved to approach local citizens who would be likely to help in establishing a savings bank, and appointed a sub-committee to draft rules. These rules were adopted at a further meeting on 2 February 1835. An imposing array of trustees was to watch the welfare of the depositors and an agreement was completed with the Tamar Bank by which this bank would manage the savings bank, paying depositors 5 per cent per annum. Deposits as low as 1s. were acceptable and interest was payable on each whole ten shillings of the minimum monthly balance. Friendly societies and charitable institutions were invited to deposit. No person might deposit more than £50 in any one year. On these terms the bank opened, probably in March 1835.

Minor modifications were made in the next few years. Additional facilities for depositing were provided by arranging a roster of trustees, two of whom met from 1836 on every Saturday evening to accept deposits to be paid into the Tamar Bank. In 1841 the maximum interest-bearing deposit was fixed at £100. A complete overhaul of the bank was necessary, however, in 1843–4 because of difficulties arising from the policy of depositing the bank funds with another bank. The Tamar Bank was absorbed by the Union Bank as from 1 May 1838 and the savings bank balance was automatically transferred to it. In June 1840 L. W. Gilles, who had been prominent in the formation of the savings bank and successively manager of the Tamar Bank and of the Launceston branch of the Union Bank, opened a private bank following his resignation from the latter position. The savings bank funds were transferred to the new firm Gilles & Co. (later Archers Gilles & Co.).

This firm at one stage sought to take over the savings bank as its own business with responsibility to individual depositors only, a suggestion which is explained by the steady growth in deposits. In the first six months these had reached £600 and had grown to £3,715 by November 1841. The proposal was rejected although Archers Gilles & Co. were left in possession of the funds “as treasurers”. Within a short time the firm was in financial difficulties and had to abandon its banking activities. After some anxious days in which it seemed possible that Gilles' individual bankruptcy might involve the savings bank, the deposits were rescued and lodged in the Union Bank, although Gilles “kindly consented to act for
the trustees” in managing the business for the time being.\textsuperscript{230} At first the trustees sought to continue the old sort of arrangement, offering the funds in equal shares to the Union Bank and the Bank of Australasia, but only the Union would pay interest.\textsuperscript{231} A manager, Isaac Sherwin, was appointed for the first time, remunerated by receiving all profits in excess of 4 per cent on deposits to a maximum of £100 per year. As from 1 January 1844 depositors were to receive 4 per cent.\textsuperscript{232}

But the scheme was shortlived for in April the only trading banks remaining in Launceston, the Union and Australasia, announced the abolition of interest on current accounts and reduction of fixed deposit interest from 5 to 3 per cent.\textsuperscript{233} The trustees at first sought to persuade the government to accept a loan of £6,000 at 6 per cent per annum, subject to three months' notice. Negotiations dragged on until August when the government refusal was final and the trustees turned to mortgage loans.\textsuperscript{234} Their plans were cautious. Loans were limited to one-third of the estimated value of the security, and not more than three-quarters of deposits were to be lent on mortgage, while loans were to be repayable on six months' notice from either side. Interest was to be at the rate of 7 per cent per annum\textsuperscript{235} and the “Minutes” contain many references to the personal visits of trustees to ensure that borrowers kept their properties in good repair. Loans on personal security were to be authorized only by a special meeting and this ban was resolutely enforced.\textsuperscript{236} With the appointment of Henry Dowling, junior, as salaried “actuary” when Sherwin resigned the managership in October 1844, the reorganization was completed.\textsuperscript{237}

The reconstruction of the Launceston bank was soon followed by the organization of a similar institution in Hobart, the Hobart Savings Bank. This was due to the initiative of the Quaker, George Washington Walker,\textsuperscript{238} who described his part in a letter to a friend: “I have for some time past been of the mind that few things would tend more even to the moral welfare of our working classes here, who have been notorious for their recklessness and prodigality, than the establishment of a Savings Bank . . . I have induced between twenty and thirty of the most influential inhabitants in the town and country to become trustees. But in effecting this, I have had to accept the office of Manager, gratuitously, for six months; the deposits to be received on my own premises.”\textsuperscript{239} The formal decision to establish the bank was taken at a meeting of seven citizens in January 1845.\textsuperscript{240} Subsequent meetings devised rules; the governor accepted the purely ceremonial office of president, the Colonial Secretary that of vice-president, while twenty-eight prominent citizens consented to act as trustees, including amongst their number Cornelius Driscoll formerly of the Colonial Bank and John Dunn of the Commercial Bank.\textsuperscript{241} An
executive committee of five and a managing trustee (Walker) did the real work. Deposits were to be received in sums as small as one shilling, at Walker's shop, but deposit interest was not to be fixed for six months since all officers were giving their services free for that period. The Bank opened for business on 1 March 1845 in a corner of Walker's shop.

At first it was planned to begin, as the Launceston bank had done, by holding interest-bearing deposits in the trading banks, but like the Launceston bank the Hobart trustees found this impossible and turned to mortgage lending. From then on, with the exception of the minor changes imposed by the Savings Bank Act, the bank continued to make steady progress, paralleling but outstripping the Launceston Bank for Savings. Walker continued to manage the institution in his shop until his death in 1859, in an atmosphere of Quaker morality. At one time he “adopted a new method of silently advocating the cause, by exhibiting some of the most striking prints and placards, depicting the evils of intemperance and the contrasted benefits of total abstinence in the office window of the savings bank”, while an application for a loan might develop into a discussion of theology.

Both the Hobart and the Launceston banks enjoyed a steady increase in deposits over the period considered, although the growth of the Hobart Bank was much more rapid, mainly because of the larger population and the higher interest offered. From 5 per cent initially offered the Launceston bank reduced its rate to 4 per cent in 1844 and to 3 per cent in 1846. During two years, from 1850 to 1852, it was raised to 3 1/2 per cent before being reduced to 3 per cent again. The Hobart bank aimed at 4 per cent from the beginning, but had to withdraw from its promise of that amount for 1846, and as a consequence adopted the policy of a retrospective “dividend on deposits” which did not reach the objective of 4 per cent until 1848.

From August 1844, when it took over direct management of its own affairs, the Launceston bank lent exclusively by way of mortgage. The managing committee repeatedly declined to discount bills or make loans on personal security. The Hobart bank followed the same policy of loans secured by mortgage. The original plan was to deposit in the trading banks, all four of which offered 3 per cent, but aiming at higher return the trustees turned their attention to mortgage loans at 6 per cent. Concentration on this type of investment was finally chosen in September 1845, a choice confirmed by subsequent refusal of the trading banks to pay interest on deposits. Thereafter mortgage loans exclusively furnished the bank with its income, although it did not persist in early competition with the Launceston bank in the north of the island.
Policy in relation to reserves was inspired by self-confidence. While trading banks held the Launceston funds its trustees had no reserve problem beyond the keeping of till money. When active management passed to the bank itself in 1844 it was at first decided to hold a reserve of 25 per cent. Within a few months this had been altered to a flat figure of £1,000 which was lowered to £500 later in 1845. In fact the reserve actually held was usually well above the minimum, fluctuating considerably both in amount and as a proportion of deposits. The Hobart bank had no formal reserve policy until 1847 when a “Rest or Security Fund to meet contingent losses” was created to which amounts determined from time to time were added and which from 1850 was a distinct account credited with deposit interest. Reserves varied between wide limits showing no consistency in amount or as a percentage of deposits. Thus they were 12.2 per cent of deposits in February 1847 and 4.5 per cent in August 1849.

Neither the Launceston nor the Hobart bank extended its activities into country districts before the middle 'fifties. At Campbell Town in 1837 six local residents summoned a public meeting to consider the desirability of a Temperance Society and a Savings Bank at which “measures were adopted for the establishment of a savings bank” although more importance was attached to the Temperance Society. No more seems to have happened and within a year the Commercial Bank of Tasmania had opened a branch and the Union an agency in Campbell Town. More successful was a tiny savings bank at Longford run by the Rev. R. R. Davies. No records survive of its foundation which may well have antedated that of the Launceston Bank. It was only one of many philanthropic enterprises of the energetic parson and when he left for England at the beginning of 1840 its funds were transferred to the Launceston Bank for Savings. They then amounted to £99 (of which £11 was accumulated interest) the property of sixteen depositors. Elsewhere local savings banks are unheard of, probably because settlement was still restricted mainly to a strip of country between Hobart and Launceston.

It was not until 1849 that Tasmanian savings banks were subjected to any form of government control and then it was of the lightest. The Savings Bank Act of 1848, 12 Vic., No. 1, was the delayed outcome of persistent pressure by trustees of the Launceston Bank since 1842, inspired by their unfortunate experiences and the fears which these created, supplemented after 1845 by the activities of G. W. Walker. The first Launceston move was a memorial to the governor in November 1842, asking him to prepare an act “for the protection of savings banks in the colony”, which seems to have arisen from a realization of the danger of relying on one man (Gilles)
for the investment of the bank's funds. Temporarily a guarantee from Archers Gilles & Co. to carry on the bank in the event of Gilles' death was accepted as an adequate safeguard.\textsuperscript{273} Within a year, however, Gilles was bankrupt, the firm was being wound up, and the bank received its funds back only because William Archer, Gilles' partner, met the obligation out of his own pocket.\textsuperscript{274} The bank again raised the matter with the governor, sending its secretary and then a deputation to Hobart,\textsuperscript{275} the upshot being a conference with the governor on his visit to Launceston in April 1844 at which the governor invited the bank trustees to draft a bill.\textsuperscript{276} After due consideration the draft of such a bill was forwarded, based upon the British act (9 Geo. IV, c. 92) and on the legislation in New South Wales. In particular the bank expressed its approval of the investing of savings bank funds in mortgages and government securities, and the prohibition of bill discounting.\textsuperscript{277}

Meanwhile the bank's fears were sharpened, for Gilles' bankruptcy was followed by that of Isaac Sherwin the manager and of Henry Dowling, his successor. The \textit{Cornwall Chronicle} seized the opportunity to attack the management of the bank, stressing that Dowling was insolvent when appointed, and paid only 2s. in the pound, that accounts were published in an abbreviated form and without any certificate of accuracy.\textsuperscript{278} The bank was therefore relieved when it seemed that its “numerous and persevering applications”\textsuperscript{279} were to bear fruit. The governor announced the introduction of a savings bank bill, forwarded a draft to the two savings banks for their views, and appointed a committee to hear evidence on the subject.\textsuperscript{280} But the bill was not the bill which the Launceston Bank had drafted; this one appeared to be designed less to assist the savings banks than to protect the trading banks from their competition. Registration of a savings bank under the act was to be voluntary, but conferred certain benefits and protections. The rules of such a bank acquired legal standing; it was entitled to refuse deposits if the owner had an account in another savings bank; repayments to a married woman were to be valid; notice of withdrawals could be demanded, and, of course, the bank acquired prestige by registration. But the restrictions proposed were onerous. Loans, by discount or mortgage, could not exceed £500 to any one individual (the Launceston Bank had lent four times as much and its average mortgage loan since 1844 had always been significantly greater), and the rate of interest charged was never to be less than 6 per cent. Individual deposits were limited, charitable organizations' to £300 and private persons' to £150 (or £200 if there was £50 accumulated interest). Moreover the governor was empowered to limit the proportion of funds which might be lent. The \textit{Launceston Examiner} selected for special attack the restriction on any
individual having an account in more than one savings bank; the restriction of decisions on loans to the quarterly meetings of trustees; and the expensive legal processes for borrowers. These rules might appeal to the trading banks which were being forced to reduce interest rates, but the savings banks opposed the bill and it was withdrawn. Negotiations dragged on until a new draft was produced in August 1848 from which the more objectionable features were removed. In this latter phase the active part fell to the newly formed Hobart bank, which had been very critical of the early draft and, when it appeared that the governor would nevertheless go ahead, had successfully enlisted the aid of Swanston to oppose the bill. But Walker wanted an act, in acceptable terms, and the question was persistently raised. In the end it was Walker's draft, as revised by the bank solicitors, which was substituted for the original proposals. The obligation to publish half-yearly accounts and the limitation on private persons' deposits were retained, but investments by way of discount were prohibited. One-tenth of profits was to be set aside until the reserve reached a quarter of deposits. But the fixing of interest rates and the allocation of loans were left to the discretion of managers. In this form the bill was passed without serious discussion and both the Launceston and Hobart banks registered under its provisions. The formative period of Tasmanian savings banking had ended.

South Australia

A plan for a savings bank within the Bank of South Australia was early part of the proposals of the South Australian Company. J. H. Fisher as resident commissioner was urged in 1837 to consider it: “The economical institution which seems best calculated to promote habits of frugality and industry and to bind the working classes to the colony by the ties of interest is a savings bank, founded on the principle that no deposits shall be withdrawn except in cases of death until after a residence of some fixed period, say three years, in the colony.” Compulsory deductions of 2s. per week from the wages of government labourers were suggested. But Fisher was already having trouble with government labourers who were hostile to payment in company notes which the company store, as well as others, would not always accept. He could scarcely have welcomed a proposal to add fuel to the fire when in any case the organization of such a bank would have been difficult. Nor did Gawler, who was advised in identical words (without the deductions clause), do anything effective. However, in London the company instructed its Adelaide bank manager to institute a savings department, receiving “the
smallest deposits” and paying 5 per cent interest on sums in excess of £1.290
What steps the bank took is not clear from its surviving records, but they came to little although the London board assumed that the instructions had been implemented,291 and was still confused in 1842 and 1843, the Reports for those years including statistical tables for the South Australian Savings Bank as if the company had special interests in it.292 Probably the bank saw no reason for any provision other than the acceptance of ordinary interest-bearing deposits, or did not want the trouble of small accounts; at all events no savings bank appeared until 1841 and then without formal connection with either the company or the bank.293

The origin of the plan which bore fruit is obscure but the first overt move was a public meeting, on 21 January 1841 with the mayor presiding, which resolved to form a savings bank. The South Australian Assurance Company (which was accepting ordinary deposits at interest)294 had indicated its willingness to manage the funds of a savings bank and in a burst of enthusiasm the meeting nominated the governor patron, six vice-patrons and no less than 101 “directors”.295 However, second thoughts prevailed and a less unwieldy organization was adopted; the Assurance Company connection was dropped, an approach being made to the Banks of South Australia and Australasia to see if they would give interest on a lump-sum deposit; and a committee commenced to draft rules.296

The Rules297 declared “that the transactions of the South Australian Savings Bank be limited to the safe custody and increase of small savings belonging to tradespeople, mechanics, servants, labourers and other industrious persons of either sex and for the most advantageous investment of the same in such manner as the directors, or a quorum thereof, may consider most beneficial, consistent with the due security of the monies deposited”. Control was vested in a General Board of Management, consisting of a president, two vice-presidents, five trustees, twelve country and forty town directors; commonsense dictated a quorum of seven. Deposits from a shilling were acceptable. Interest, at the rate of 7 per cent reckoned monthly (from the first of the month), was payable on all whole pounds to a maximum of £250. Withdrawals required one month's notice.298

Under these Rules, applicable throughout its life, the bank opened in early March299 and by its first monthly meeting in April had received £130 from 34 depositors. From then on, with minor fluctuations, both number and amount of deposits grew steadily but slowly; the average deposit tended to increase but was never large, usually being from £6 to £9.300 Presently a small branch was opened at Port Adelaide (10 May 1844), deposits being received and sent to head office under the guard of a mounted trooper thoughtfully provided by the governor; withdrawal
required attendance at head office.  

As with other colonial savings banks, the great problem was how to invest funds to earn interest for depositors. The Rules were vague, prescribing investment “upon mortgage or other sufficient security”. But the sums received were too small for this type of loan to be safe, nor, if adequate reserves were held, profitable. Accordingly arrangements were made for deposit in the two trading banks, the South Australia taking the initiative in refusing henceforth to pay interest on deposits below £5; the change was explained as intended to help the savings bank which it did by discouraging direct deposit in the trading banks, but it also helped those banks by relieving them of the expense of keeping small accounts for which, in effect, a block-deposit by the savings bank was substituted.

The terms of the bargain with the two trading banks have not survived, but later discussions imply that 7 per cent interest was paid, which left no margin for incidental expenses. Each bank was given roughly half of the total funds and the savings bank was able to maintain its payment of 7 per cent until 1844, although it must have been a precarious balance, made tolerable only by determining interest at the end of each year of operations, despite the promise of the Rules.

But as downward trends in general interest rates continued, the manager of the Bank of South Australia sought the agreement of the Australasia in reducing the rate paid to the savings bank. It was decided that from 1 March 1844 terms should be 2½ per cent on the daily balance of a current account, with 5 per cent on deposits for three months, the latter being treated as current account if drawn earlier. Accordingly the savings bank warned depositors that interest would in future be lower, being fixed at 4 per cent. For a year the situation was stabilized—in each trading bank £250 on fixed deposit and a comfortable reserve against repayments in the form of current accounts. This was favoured treatment compared with ordinary depositors who received 4 per cent on three months deposits and 2 per cent on the daily balance of current accounts.

The same problem recurred, however, in April 1845. From June 1844 ordinary depositors had received no interest on current accounts from either trading bank and in March 1845 the rate on three months deposits fell to 2 per cent. A deputation waited on the governor who was sympathetic to a request that he bring forward a special act, while the trading banks undertook to continue the former contract as to interest until 30 June by which time the act would have been in operation. The project for an act was dropped, a profitable if temporary solution having been found in the purchase of £500 of 5 per cent government debentures at 10 per cent discount, which permitted continuance of 4 per cent interest to
But a year later the debentures were paid off and the savings bank found itself getting only 3 per cent from the Bank of South Australia (and that by special generosity) which it had to supplement from its reserve in order to pay depositors 4 per cent. The governor was again besought to provide for “remodelling” by legislation. The bill to establish the new bank had a rapid and uneventful passage. Standing orders were suspended to permit first and second readings at one meeting, amendments to fix the minimum deposit at one shilling and the maximum at one time at £30, and to permit funds to be deposited in any trading bank, were readily accepted, and the bill passed the next day. Its terms reflect the experience of 1841–47. Organization was simplified: the governor (who became president) appointed twelve trustees of whom five were a quorum. Deposits were to be accepted from 1s., interest, reckoned monthly on whole pounds to a maximum of £200, being determined retrospectively by way of dividend. Interest was payable only if deposit were maintained to the end of the year. (This applied to the whole deposit; withdrawal of portion carried no such penalty.) Withdrawals required notice, one month for amounts under £50 and three months for more than £50. There were rather complicated provisions by which declining proportions of profits were to go to build up a “Rest or Security Fund” until this equalled one-quarter of deposits at which level it should remain. Further security was provided by requiring all receipts to be in the first instance lodged in a local bank, and by permitting the governor to guarantee loans up to £5,000 to meet repayments. Investments were to be by way of mortgage, not more than £500 to any one borrower.

The trustees proceeded to formulate rules, largely duplicating the provisions of the act, and were ready to open on 11 March 1848. Almost immediately, however, they faced a problem which was to bother them for several years until they learned to trust their accountant. Requiring notice for any withdrawals involved hardship, and accordingly the trustee on duty
was supplied with £20 to pay out, at his discretion, in “cases of sickness, accidents and other unforeseen circumstances”. This “Emergency Fund” was almost immediately amended to £50, not more being available in one month, and, as experience brought confidence, was raised to £150 which, as monthly withdrawals were usually less than this, meant that all ordinary repayments could be without notice. As business grew it was further increased, first to £200 and eventually in 1851 the practice was adopted of determining each month a “Repayment Fund” from which withdrawals should be met. The sum was fixed in the light of recent experience to cover all probable demands (£1,200 for May, £1,500 for November); in other words, for all “normal” repayments the requirement of notice was abandoned.

The problem of investing funds presented few of the difficulties which had beset the bank's predecessor. The intention was to lend, by way of mortgage, an amount equal to two-thirds of deposits, other funds being held with one of the local trading banks, although it was naturally impossible to keep rigidly to these proportions. Initially the Bank of Australasia was selected, but the Bank of South Australia offering better terms (no interest was being earned) the account was closed, all funds being transferred to the latter bank. Two accounts were opened, a six months' deposit at 3 per cent and a current account.

The first offer of money on mortgage was made in May 1848, £500 at 10 per cent; the loan was to be for twelve months certain, thereafter subject to six months' notice on either side, later reduced to three months. On these terms the business continued satisfactorily with the trustees, as frequent entries in the “Minutes” show, acting as unpaid inspectors to see that mortgaged properties were regularly painted and repaired.

Meanwhile revision of the act was being proposed from two quarters. Inevitably, in due course, there was a report from Mr Tidd Pratt and, of course, he objected. His targets were four: the position of the governor as president and nominator of the trustees made the bank appear a government one; since the governor could be called on to guarantee loans up to £5,000 total mortgage loans ought to be limited to that sum; profit-sharing was objectionable; and proceeds of intestate and insolvent estates should not be deposited in the bank. Perhaps the Colonial Office had less confidence in him; at least Grey forwarded the report for “information and guidance” only and royal assent to the act of 1847 was not withheld.

The trustees were asked to comment and their report indicates that they were unimpressed. Tidd Pratt's first point was disposed of by reiterating it: of course the bank was “essentially a government institution”. Sections 12 and 13 required the trustees to invest two-thirds of funds in mortgages, so
limitation to £5,000 was nonsense. They were the less disposed to pay much regard to the views of a distant barrister since they had, a year before, reviewed their act carefully and secured amendments.

Their proposals were: the maximum deposit at one time should be £60, not £30; Friendly Societies should be admitted as depositors; and the clause permitting the governor to guarantee loans should be clarified to ensure that the trustees had power to raise such loans. A new act met their wishes, and the bank settled down to prosperous expansion enabling it to pay depositors, after a cautious 3 per cent in 1848, a steady 5 per cent dividend.

**Western Australia**

Within the period studied the Western Australian story is one of half-hearted attempts which came to nothing. When in 1837 the Bank of Western Australia was promoted, it was proposed to offer “to the mechanic and labourer all the advantages of a savings bank”, but when deposits were invited the terms were not advertised, prospective depositors having to call to inquire. Interest was 5 per cent, but other conditions are unknown although probably the same as those advertised in 1840.

These were that one month's notice of withdrawal be given, and that no interest was payable on amounts under £5. Country agents, ten of them, were established at this time to receive deposits for transmission to Perth, and the bank advertised that “a regulation has been in existence for some time past” for payment of interest on deposits. Whether this referred to deposits in general or to savings deposits is not clear; but interest of any sort was so little known that the *Inquirer* assumed that a savings department had just been created. What is clear is that deposits under the scheme had been negligible, if there had been any at all.

There was little opportunity of testing the effect of publicity and country agencies, for by April 1841 the bank was being wound up in favour of the branch of the Bank of Australasia. However, dissident shareholders promoted the Western Australian Bank, which incorporated a savings department; they did not make the terms more but less enticing. Interest at 5 per cent was payable on amounts not less than £5 nor more than £500, provided deposits were left undisturbed for six months; withdrawal was possible at any time, but if made in less than six months involved loss of all interest. It does not appear that the device of country agents was adopted.

In these circumstances it is not surprising that no deposits by individuals were recorded. They may have been made on a small scale; the returns do
not distinguish interest-bearing deposits until 1848, but then a mere £150 was recorded, all “being funds of charitable institutions”. It is likely too that ordinary interest-bearing deposits were more attractive in the early 'forties. There is no information on these for the Western Australian Bank, but it probably met the competition of the Bank of Australasia which had interest-bearing deposits of small but increasing relative importance, although on what terms was never announced. But when the Australasia withdrew in 1845 there was no need to compete. Plans for promoting saving by the thrifty labourer are heard no more until after transportation of convicts commenced and then it was a government plan, with little more success. An act of 1855 “for the encouragement, safe custody and increase of small savings in Western Australia” provided for a bank to be managed by the Treasurer, but the response being disappointing, it was repealed the following year. Not till 1863 was a savings bank finally established, and then as a Post Office Savings Bank.

Apart from the experiments of the Rev. Joseph Smith at Wendover in 1799 and of Priscilla Wakefield at Tottenham a year earlier, it is usually taken that the first savings bank was the Parish Friendly Society at Ruthwell in 1810. The Australian history of savings banking therefore begins very early, in 1819, only a year or two after France and U.S.A.; it was, however, no accident, for in the years between those two dates savings banks had spread rapidly in England and had given rise to an extensive pamphlet literature, particularly in 1816, and there the inspiration of the Australian innovator, Barron Field, may be looked for.

There was, however, no slavish copying, leaving aside the origins in the case of New South Wales and Tasmania, in plans for combining convict discipline and financial provision for emancipists' rehabilitation. The same motives as in Europe appeared—the paternal desire to promote thrift among the poor—but it was genuinely local, springing from sincere, if not always attractive, feeling on the subject. The differences from practice elsewhere are in any case more striking than the similarities.

In spite of the diversity of form and organization of early Australian savings banks they have certain fundamental likenesses, and they are alike in just those matters in which they differed from the British model. One of these is the large part played by governments. The banks for convicts in New South Wales and Tasmania were in private hands but owed their creation to government initiative and were under government supervision. The later savings banks of New South Wales and Port Phillip were entirely government institutions, in spite of their arrays of trustees. In Western Australia no private experiment succeeded and a savings bank had to await government action, just as in South Australia goodwill on the part of the
government failed to make the first bank live, and success waited on positive action. Tasmania is a partial exception, but only partial; both the Launceston and Hobart Banks had government patronage from the beginning and specific aid in many ways. By contrast the English approach was to leave private initiative to operate within a very general legislative framework.

There was novelty too in the modes of investment adopted. The colonies did not offer much scope for the traditional savings bank asset—a gilt-edged security at modest interest. In Britain government loans were available; in Australia they were not, until 1849, apart from a short-term issue of debentures in New South Wales in the early 'forties, and then only in that colony. The first solution was to arrange, if possible, for deposit in a trading bank at interest; the 1819 expedient in New South Wales of deposit with Robert Campbell is in substance the same. But this was not always possible, and after 1844 no interest was to be had on deposits in any of the colonies; even before that it was less profitable than other forms of lending and not much less risky. So at a time when mortgage loans were regarded as a sign of doubtful practice by a trading bank, mortgage lending came to be the chief way in which, in New South Wales, Tasmania, Port Phillip and South Australia, the savings banks earned an income. The bank in New South Wales, in also discounting bills, was, on its investment side, little different from a trading bank.

Moreover, the English model was not followed in the general adoption of branches. In England the practice was, and long continued to be, the formation of small local institutions. In Australia the localized savings bank outside the metropolis—Longford, Port Stephens, Campbell Town—did not survive for much the same reason as, with trading banks, unit banks on the English provincial model lost to branch banking. As settlement expanded no country centre was large enough to maintain its own savings bank, the less so because there was already one in the metropolis and government participation in its activities provided the focus for efforts to secure a branch. Port Phillip appears to be an exception, but it was originally planned as a branch and would have been one but for the difficulties of communication. When the newly independent Victoria in 1853 copied England in creating a unit system, it was as conscious and deliberate copying, not because of local need. Tasmania is not even an apparent exception since it has always been a two-metropolis island, while even Western Australia with its abortive experiment of country collecting agents illustrates the general trend, and in spite of its smallness the first South Australian savings bank achieved one tiny branch.

The difficulty of finding profitable investments explains another novelty,
the general but not complete adoption of a system of profit-sharing rather than the payment to depositors of interest fixed in advance. The uncertainty could not have added to the attractions of deposit in a savings bank. Apart from the blandishments of the publican of which the moralists made so much, until 1844 trading bank interest was high enough to compete even for small deposits. When there are added the general adoption of a low maximum deposit and the requirement of substantial notice of withdrawal, itself dictated by the nature of the banks' investments, if there is any cause for surprise in the early history of Australian savings banks it is their success. Moralizing governors and paternal public-spirited citizens could justifiably claim that success as evidence that in fostering “habits of frugality and economy in the lower orders” they were, according to their standards, meeting a social need.

1 Macquarie to Bathurst, 18 March 1819, enclosing proposed regulations for convict ships, No. 7, H.R.A., I, x, 47.

2 Field's authorship is confirmed by all accounts. See Bigge, “Judicial Evidence”, H.R.A., IV, i, 782–3; Report on the State of the Colony of N.S.W., p. 16; Sydney Gazette, 19 June 1819. Field to Macquarie, undated (end May 1817) “Colonial Secretary In-Letters”, Bundle 11, No. 54, transmits his plan which is no longer with the letter and asks him to persuade the Bank of N.S.W. to take charge of the deposits at “some small rate of interest”.


4 Full report in Sydney Gazette, 19 June 1819.

5 The organization was elaborate. Field was president, R. Campbell secretary, while three others independently constituted “The Trustees”. “The Committee” (to hear complaints) comprised these and ten other members. None of these, however, appears to have taken any active part in the business which was carried on by the four “savings bankers” and mainly by Campbell.

6 Convicts en route were only deprived of their money as a punishment prior to Bigge's recommendations. Report on State of N.S.W., pp. 8–9.

7 The meeting required the bankers to give security but none was in fact exacted. Field in Bigge, “Judicial Evidence”, H.R.A., IV, i, 783; Bourke to Goderich, 19 March 1832, H.R.A., I, xvi, 567.

8 pp. 2–3 of “Address”, Sydney 1819. Copy in Mitchell Library.

9 Sydney Gazette, 10 July 1819.

10 Bigge, Manuscript Evidence (Mitchell Library), B.T. Box 21, p. 3553. It should be noticed that Field's figures in “Judicial Evidence”, H.R.A., IV, i, 782 relate to Sydney only.
11 *Ibid.*, the £116 at Parramatta was held by six depositors.


14 For an example in 1826 (convict with £5 in savings bank and £100 with Waterloo Company) see Darling to Murray, 22 December 1830, sub-enclosure 4, *H.R.A.*, I, xv, 843.


16 In the *Sydney Gazette* after the announcement of opening in 1819 there is no further reference until 7 April 1829 when an article on savings banks was apparently stimulated by the *Australian's* first reference, a demand on 13 March 1829 for publication of accounts.

17 *V.P.N.S.W.*, 1832; also in *Sydney Gazette*, 31 July 1832.

18 *Manuscript Evidence*, B.T. Box 21, p. 3553.

19 *H.R.A.*, IV, i, 783.


22 Bathurst to Brisbane, 28 April 1823, *H.R.A.*, I, x, 785, 788, 790.

23 He was allowed discretionary power to delay but not specifically in implementing the savings bank proposal.


25 *V.P.N.S.W.*, 1832. A large part of the “private” deposits was by assigned convicts and others of similar status.


28 *V.P.N.S.W.*, 1832.

29 *Ibid.*, where full details including interest paid, etc., can be found.

30 Darling to Murray, 13 August 1829, Enclosure 1, Regulations for Penal Settlements, 1 July 1829, No. 70, *H.R.A.*, I, xv, 113.

31 *Australian*, 13 March 1829; *Sydney Gazette*, 7 April 1829.

32 See, e.g., letter from “S.H.” to *Sydney Gazette*, 12 January 1830, which is written on this assumption to urge a separate institution open to all.

33 See, e.g., 7 August, 11 September, 9, 30 October 1830 and many issues in 1831.
34 9 March 1832.

35 Governor's address on 19 January as reported in Sydney Gazette, 21 January 1832. Years later Bishop Broughton claimed for Darling the credit of initiating action and for himself that of drafting the bill which with verbal changes Bourke took over. V.P.N.S.W., 1841, evidence before Select Committee on Savings Bank Act. Bourke's speed of action renders this account likely.

36 2 Wm. IV, No. 13, passed 9 March 1832. The chief change was to substitute 5 per cent and a share in profits for a fixed per cent on deposits.


38 Bourke to Goderich, 19 March 1832, H.R.A., I, xvi, 567. It was for this reason Campbell took time to pay.

39 For another account of Campbell's Bank, reproducing in full the report of the original meeting and the accounts, see Griffiths, N. History of the Government Savings Bank of N.S.W., Sydney 1930, pp. 11–16.

40 Even if deposit made in first seven days of month. (Section 8.) With the consent of the governor interest could be reduced on three months' notice, but the section (No. 20) never operated.

41 Up to £5, 7 days' notice; £5 to £20, 14 days' notice; over £20 28 days; in all cases to be given on a quarterly meeting day. The rule was not insisted upon and small amounts were in fact repayable on demand.

42 Bourke to Goderich, 16 September 1832, H.R.A., I, xvi, 731.

43 “Minutes”, 26, 31 July 1832.

44 Published as a pamphlet, Sydney 1832. Copy in Mitchell Library. See also “Minutes”, 26 July 1832.

45 “Minutes”, 26 July 1832; Sydney Herald, 20 August 1832.

46 Phrase from advertisement in Sydney Herald, 30 July 1832; Miller had already applied and was appointed next day. “Minutes”, 31 July 1832, and “Outward Letter Book”, Dowling to Miller, 31 July 1832.

47 Sydney Herald, 20 August 1832; “Minutes”, 27 October 1832.

48 “Minutes”, 3 June 1839.

49 Sydney Herald, 20 August 1832; “Minutes”, 18 August 1832.

50 By 20 October more than £1,000. Typical days were 6 October (£67), 20 October (£133). Sydney Herald, 8, 22 October 1832.

51 £600 had been offered. Sydney Herald, 24 September 1832. “Minutes”, 22 September, record the details of the advances.
52 E.g., *Sydney Herald*, 22 October 1832.

53 “Minutes”, 2 February 1833. Second mortgages were not accepted. *Ibid.*, 6 April 1833.

54 “Outward Letter Book”, Miller to Francis Stephen, 8 April 1833.

55 See Appendix.

56 The first reference is in the “Journal” of Sir Edward Parry, the Company's manager, 25 October 1830, and implies that organization was then under discussion. (Mitchell Library). The only public reference appears to be *Sydney Gazette*, 20 September 1832, where the facts are either vague or wrong. The “Reports” of the Company gave the bank no mention nor did Parry in his special report, 5 December 1834, on his return to England.

57 Parry's “Journal”, 22 September, 3 November 1831, 13 February 1832.


60 Parry's “Journal”, 16 November 1832.

61 “Outward Letter Book”, Miller to Colonial Secretary, 8 April 1833.

62 5 Wm. IV, No. 16, 28 August 1834.

63 In reporting the act, Bourke (to Spring Rice, 28 December 1834, *H.R.A.*, I, xvii, 621) mentioned only the provision for branches. The centres were: Parramatta, Liverpool, Campbelltown, Berrima, Goulburn, Bathurst, Penrith, Windsor, Richmond, Maitland, Port Stephens and Port Macquarie.

64 “Minutes”, 30 January 1835. Miller's salary was raised (to £200) partly because of the extra work of branches. *Ibid.*, 18 October 1834.


66 *Sydney Herald*, 8 February 1838.

67 *Ibid.*, 15 August 1838; to open 18th.


70 R. W. Westmacott et al. (Wollongong) to governor, 1 August 1839, “Colonial Secretary In-Letters”, “Banks” 1839 contains request; Gipps endorsed (7
September): “Let proper measures be now taken for the establishment of the bank.”

*Sydney Herald*, 14 February 1840, lists trustees and says the bank will open in the
Police Office, but no more is heard of it and it does not appear again in the records
of the Sydney trustees, except in a list of branches in “Minutes”, 20 April 1840. The
Police Office appears to have been the chosen location in most centres.

71 J. R. Hardy (Yass) to Colonial Secretary, 20 October 1839, “Colonial Secretary
In-Letters”, “Banks” 1839. Endorsements indicate favourable reception but no
action. The Sydney trustees had expected also a branch at Port Macquarie,
“Minutes”, 4 May 1838.

72 For deposits see Appendix.

1845, records re-opening. *Maitland Mercury*, 18 January 1845, gives credit to G. K.
Rusden.

74 Circular is mentioned in Gipps' endorsement on Rusden to governor, 9 May
1838, “Colonial Secretary In-Letters”, “Banks” 1838, which adds: “Hitherto [in the
country] the publicans have been the principal bankers. Wages and other payments
were made in drafts on Sydney which the workmen discounted at the public houses.”
Gipps apparently saw no inconsistency in allowing employers to pay wages partly in
beer of their own brewing. Licensed Publicans Act, 3 Vic., No. 13, 25 September
1839.

62 declared a convict incapable of holding property so that either a pardon or expiry
of sentence should have been required. The issue arose because a convict who had
withdrawn £320 sought to obtain another £714, but these amounts were
exceptionally large. Glenelg to Gipps, 2 January 1839 (*ibid.*, 729) conveyed
instructions that £25 or £30 should be the maximum.

76 Cash as a percentage of deposits until the great accumulation of cash after 1843
was at the end of each year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash as % of Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1832</td>
<td>14.0</td>
</tr>
<tr>
<td>1833</td>
<td>9.9</td>
</tr>
<tr>
<td>1834</td>
<td>3.3</td>
</tr>
<tr>
<td>1835</td>
<td>6.2</td>
</tr>
<tr>
<td>1836</td>
<td>3.4</td>
</tr>
<tr>
<td>1837</td>
<td>1.6</td>
</tr>
<tr>
<td>1838</td>
<td>4.5</td>
</tr>
<tr>
<td>1839</td>
<td>0.9</td>
</tr>
<tr>
<td>1840</td>
<td>0.4</td>
</tr>
<tr>
<td>1841</td>
<td>0.8</td>
</tr>
<tr>
<td>1842</td>
<td>1.1</td>
</tr>
<tr>
<td>1843</td>
<td>1.6</td>
</tr>
</tbody>
</table>

77 Savings Bank to Colonial Secretary, June 1839, “Colonial Secretary In-Letters”,
78 3 Vic., No. 12, 20 September 1839.

79 Intestate Estate Act, 1 Vic., No. 4, 13 June 1838; a provision continued by 11 Vic., No. 24, 1 October 1847, but abolished by 11 Vic., No. 40, 1848. Russell to Gipps, 18 April 1840, *H.R.A.*, I, xx, 596, directed that sums belonging to convicts who died unpardoned should be transferred to the Military Chest; sums accumulated to the end of 1840 totalling £1,062 were accordingly withdrawn. Gipps to Russell, 16 July 1841, *H.R.A.*, I, xxi, 432.

80 “Minutes”, 27 October 1840, 11 May 1841.

81 “Minutes”, 21 October 1839. The rate, 4 per cent, was then paid on the daily balance of current accounts.

82 Description from Grey to FitzRoy, 24 July 1847, *H.R.A.*, I, xxv, 678. In the 'forties there were regular reports by Tidd Pratt on colonial legislation on savings banks, most of them to a uniform pattern of criticism of the acts because they diverged from English practice; the colonists gave him scant respect and the Colonial Office seems to have given declining weight to his opinions as the years went on. He published a *History of Savings Banks* (London 1842, copy in N.S.W. Parliamentary Library) which is very ordinary stuff; it mentions savings banks outside England in France only.


84 *Loc. cit.*, p. 44. This included a number of minor matters such as arbitration of disputes.

85 “Minutes”, 7 June 1841. The report is reproduced in *V.P.N.S.W.*, 1843.

86 “Observations” printed in *V.P.N.S.W.*, 1843.

87 Report with evidence mainly by Miller in *V.P.N.S.W.*, 1841.

88 To be 5 per cent of amount lent on discounts with “a smaller proportion” of amount on mortgage; the whole to be accumulated within two or three years.

89 See below. In a different form a special reserve fund was adopted.

90 *Sydney Herald*, 1 May 1843; “Minutes”, 1 May 1843; Gipps to Stanley, 6 May 1843, *H.R.A.*, I, xxii, 708. Miller later declared that it was the fact of holding bills which saved the bank since they were rediscordable and provided all the cash required at this time. Evidence to Select Committee on Savings Bank Bill, *V.P.N.S.W.*, 1845.

91 “Minutes”, 2 May 1843. Seven days was the minimum notice for amounts under £5. Published in *Herald*, 4 May.

92 “Minutes”, 3 May 1843. Members were the accountant, Miller, as president, Hastings Elwin and Thomas Icely (trustees), so it could scarcely be regarded as independent.
Some hint of methods of business is given by the failure to enter in the “Outward Letter Book” any letters between 1833 and 1850.

The proposals are not available.

The fact that limitation of discounts originated with the trustees does not disprove the assertion (Sydney Herald, 9 February 1846) that the trading banks had pressed the point to suppress competition.

Cf. “Minutes”, 24 June 1845: “All the operations of a loan company conjoined with those of a bank of discount have been performed by [the accountant] or under his immediate supervision”.

They proposed: reduction of mortgages; no renewals of bills; maximum deposit to be £200; limit to deposit interest plus share in profits; longer notice of withdrawal.

So long as it was less than 10 per cent one-quarter of profit was to be added to it; while more than 10 per cent but less than one-seventh, one-fifth of profits; and while less than one-quarter, one-sixth.

Figures from Appendix to Report of Select Committee, loc. cit.

Gipps to Stanley, 1 January 1844, H.R.A., I, xxiii, 305. He asked that transfers be permitted through the Military Chest at par both ways. The English act was 9 Geo. IV, c. 92.

Report, 18 November 1844, in Stanley to Gipps, 4 December 1844, H.R.A., I, xxiv, 118.

This was done by a “rider”, very badly worded, intended to prescribe one month for withdrawals under £50 and three months for over £50; the phrasing applied to the size of the whole deposit not to the particular withdrawal.


Stanley to Gipps, 4 December 1844, H.R.A., I, xxiv, 118.

“Minutes”, 4 March 1844, effective 1 April.
A trustees’ committee had classified bills held at the beginning of December 1844: current £5,010; overdue £4,934; “insolvent” £7,247. The £4,716 was part of the last. “Minutes”, 13 December 1844.

“Minutes”, 4 March 1844, record first tender.

106 Ibid., 10 December 1844.
117 Ibid., 11 March, 13 May 1845.
118 Ibid., and 24 June 1845.
119 Ibid., 11 March, 13 May, 3, 24 June, 8 July 1845.

Miller to Colonial Secretary, 12 March, 13 May 1845; Deas Thomson to Miller, 15 May 1845. Quotation is from last. Correspondence on Savings Bank accumulating deposits in *V.P.N.S.W.*, 1845. (The originals of this correspondence are in “Colonial Secretary In-Letters”, “Banks” 1846, with some unpublished, including Elwin to Colonial Secretary, 12 July 1844, 9 October 1844, which appear to be the first proposal for a special issue of debentures. He suggested £20,000 at 6 per cent for three years. Gipps endorsed the first that he was “unable at present to bring forward any measure” and the second by claiming investment in England as the complete solution.)

121 Miller to Colonial Secretary, 4 June, 1845, Correspondence, *loc. cit.*
122 Tidd Pratt to Sir James Graham, 18 November 1844, enclosed in Stanley to Gipps, 4 December 1844, *H.R.A.*, I, xxiv, 118.
124 “Minutes”, 8 July 1845; Miller to Colonial Secretary, 11 July 1845, printed in Correspondence on Savings Bank accumulating deposits, *V.P.N.S.W.*, 1845.
125 For bill, Deas Thomson to Miller, 12 July 1845; to Attorney-General, 12 July 1845, Correspondence, *loc. cit.*
126 “Minutes”, 12 August 1845; Miller to Colonial Secretary, 15 August 1845, Correspondence, *loc. cit.*
127 Deas Thomson to Miller, 3 September 1845, Correspondence, *loc. cit.*
128 Report with Evidence, 23 October 1845, in *V.P.N.S.W.*, 1845.
129 It was alleged, e.g., *Sydney Herald*, 22 March 1843, that wealthy persons opened accounts in the names of children to circumvent even the £200 limit. Two sets of figures on the size of deposits are available:

<table>
<thead>
<tr>
<th>Amounts</th>
<th>Oct 1843 Number</th>
<th>Oct 1843 Total</th>
<th>Sep 1844 Number</th>
<th>Sep 1844 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £20</td>
<td>1,433</td>
<td>£11,097</td>
<td>1,642</td>
<td>£14,417</td>
</tr>
<tr>
<td>£20–£50</td>
<td>596</td>
<td>18,245</td>
<td>589</td>
<td>19,525</td>
</tr>
<tr>
<td>£50–£100</td>
<td>311</td>
<td>23,478</td>
<td>307</td>
<td>22,127</td>
</tr>
<tr>
<td>£100–£150</td>
<td>152</td>
<td>18,077</td>
<td>122</td>
<td>15,102</td>
</tr>
</tbody>
</table>
For 1843, appendix to Report of 1843 Committee on Savings Bank Bill. For 1844 Miller's evidence to 1845 Select Committee on Savings Bank Bill. These figures would support Miller's earlier claim (Evidence to Immigration Committee, 1840, *V.P.N.S.W.*) that 95 per cent of depositors were “labouring class”, mainly “Sydney mechanics”.

130 9 Vic., No. 25, 8 November 1845. The reduction of interest-bearing limit did not apply to intestate estates or convicts.


132 The Union Bank had offered to take up at 2 per cent discount the unissued balance of £55,000 in May 1844. In agreeing Gipps had reserved a right to give preference to the Savings Bank if it desired any on the same terms. Correspondence in File 44/3879, “Colonial Secretary In-Letters”, “Debentures”, 1844.

133 “Minutes”, 18 November 1845. Figures in Appendix.

134 “Minutes”, 11 August 1846; Miller to Colonial Secretary, 18 August 1846, enclosed in FitzRoy to Gladstone, 31 October 1846, *H.R.A.*, I, xxv, 236–7.


137 “Minutes”, 29 October 1847. Loan sanctioned by 11 Vic., No. 17, 31 August 1847.


140 Authorized by 11 Vic., No. 25, 1 October 1847, which extended a similar privilege to the Port Phillip Savings Bank. Decision to deposit, “Minutes”, 23 June 1848.

141 Now the Barrack Street Branch of the Commonwealth Savings Bank.


144 11 Vic., No. 40, 14 June 1848. The opposition unsuccessfully sought to block the bill at the last moment, *V.P.N.S.W.*, 12 June 1848.

145 Resolution of Legislative Council, *V.P.N.S.W.*, 15 June 1848; Report of Select Committee on Railways, *V.P.N.S.W.*, 1848.

146 Deas Thomson in evidence before Select Committee on Immigration, *V.P.N.S.W.*, 1847, as president of the bank objected to using workers’ savings to

<table>
<thead>
<tr>
<th>£150–£200</th>
<th>17,835</th>
<th>91</th>
<th>16,612</th>
</tr>
</thead>
<tbody>
<tr>
<td>£200</td>
<td></td>
<td></td>
<td>27,460</td>
</tr>
<tr>
<td>TOTALS</td>
<td>2,590</td>
<td>91</td>
<td>£115,243</td>
</tr>
</tbody>
</table>
import competitors in the labour market.

147 Message of 8 June 1848 to Legislative Council, *V.P.N.S.W.*, 1848.

148 “Minutes”, 20 July 1849.

149 *Ibid.*, 25 October 1849. The Commercial offered the best terms £418s. 101/4d. per cent; the Union and N.S.W. wanted 6 per cent; the Australasia 8 per cent and for £5,000 only.

150 *Ibid.*, 7 October 1851. The Commercial was to have £10,000 more than each of the others in view of the cash credit.


152 *Port Phillip Gazette*, 13 July 1839.

153 5 Vic., No. 5, 1 September 1841. From 5 per cent to 10 per cent of profits were to be allocated to the “Rest” until it reached 5 per cent of deposits at which level it was to be maintained.

154 “Minutes”, 11, 18 November, 10 December 1841.

155 *Port Phillip Gazette*, 22 December 1841; “Minutes”, 2 February 1842. The Rules were issued in pamphlet form (Sydney, 1843), copy in Mitchell Library.

156 I.e., 7 Vic., No. 6; 9 Vic., No. 25; 9 Vic., No. 33; 11 Vic., No. 24 (Section 11); 11 Vic., No. 25; 11 Vic., No. 40. The last permitted from twelve to eighteen trustees to be appointed for the bank at Melbourne.

157 “Minutes”, 26 January 1842.


160 7 Vic., No. 6.

161 “Minutes”, 25 August 1842 (the first mortgages—£1,200).


166 James Smith (accountant) to La Trobe, 23 August 1845, *V.P.N.S.W.*, 1845, Correspondence on Savings Bank Accumulating Deposits.

167 Smith's evidence to Select Committee on Savings Bank Loans to Corporations Bill, *V.P.N.S.W.*, 1845.

168 *Port Phillip Gazette*, 23 August 1845; petition from corporation of Melbourne, *V.P.N.S.W.*, 12 September 1845; Smith to La Trobe 23 August 1845, *ibid.*
169 “Minutes”, 29 December 1845, 16 February 1847.

170 Ibid., 12 January 1846. Interest was still fixed retrospectively.

171 Ibid., 31 January 1848, record payment.

172 Cash was now divided more or less equally between the Union Bank and the Australasia. “Minutes”, 27 March 1848.

173 They sought debentures in 1849 but their tenders were too low. “Minutes”, 29 June, 17 July 1849.

174 Funds were remitted to London through the Union and Australasia and bills drawn against them in exchange for debentures. But the debentures were at 3 per cent premium and the bills had to be given at 81/2 per cent discount. “Minutes”, 23, 26 August 1852.

175 “Minutes”, 23 December 1847, 13 January 1848. Local residents had sought a branch in 1845. “Minutes”, 10 April, 1845.

176 Ibid., 19 June 1848.

177 Phrase is from “Minutes”, 21 November 1850, recording proposal of Portland trustees to close branch.

178 Hobart Town Gazette, 2 July 1824, Letter from “An Old Norfolk Islander”.

179 Bathurst to Arthur, 31 March 1826, H.R.A., III, v, 128–9. For the same instructions to Darling see above.

180 Arthur to Bathurst, 28 January 1827, enclosing instructions to surgeons, and to commissariat officers; Arthur to Bathurst 23 March 1827, enclosing letters of 13 November 1826 to J. Lakeland and the engineer. H.R.A., III, v, 499, 500, 637, 638.


182 See Forsyth, Governor Arthur's Convict System, especially Part II.

183 Arthur to Huskisson, 9 June 1828, “Outwards Despatches”, Vol. 4, pp. 40–1 (Chief Secretary's Archives, Hobart), indicates no attempt was made to take money from assigned convicts.


186 Hobart Town Gazette, 26 May 1827. The editor suggested “that a company might be formed with much profit amongst the respectable members of the community and under the sanction of government on the principle of the Mont-de-Piété or of the Equitable Loan Company in London”.

187 Colonial Times, 20 July 1827. The directors met “several times” in the
preceding fortnight. The editor, in issue of 27 July 1827, showed himself unaware of Bathurst's instructions so that the initiative may not have come from Arthur.


190 Government order of 4 June 1828, *Hobart Town Gazette*, 14 June 1828; *Tasmanian*, 20 June 1828; *Hobart Town Courier*, 21 June 1828; Arthur to Huskisson, 9 June 1828, “Outwards Despatches”, Vol. 4, pp. 40–1. The Derwent Bank which had opened only on 1 January 1828 was presumably chosen because the senior government officials were at this time its chief shareholders.


192 No interest was paid on accumulated interest, “the agreement between the government and the directors being that simple interest only should be allowed on deposits”. “Derwent Bank Letter Book, 1829–37”, Swanston to Turnbull, Yeoland and Moore, 13 May 1833.


194 See below.

195 MS. Bluebook, copied in “Outwards Despatches”, Vol. 5, pp. 638–56, 657–8. Deposits were mainly in small sums of less than £2. John Mowatt with £20 was exceptional. Convicts from six ships were included.


198 Welsh and Horne to Eardley Wilmot, 9 December 1843, enclosed in Eardley Wilmot to Stanley, 2 January 1844, “Outwards Despatches”, Vol. 47, p. 11. This report, *loc. cit.*., pp. 5–11, is primarily concerned to show the adequacy of the existing arrangements but gives few specific details.


200 A large number of the account books of the Derwent Bank are in the possession of Mrs C. N. Atkins of Hobart. It is, however, impossible to trace the affairs of the (convict) savings bank in them. In particular there is no information as to how the funds were invested, but, especially under Swanston's management, the presumption is that they were not kept separate from other Derwent Bank funds.


202 Walker to Comptroller-General, 14 December 1849, “Derwent Bank Letter Book”, 1845–54, informs him that he is “now in a position to pay”, declines to give
interest after 31 December 1850, but offers to hold the funds until a satisfactory alternative is found.

203 Hobart Savings Bank “Minutes”, 25 June, 6 August 1851. The reason for rejecting the Hobart Savings Bank which would have paid interest is uncertain, but may have concerned legal technicalities connected with the security offered. (This surmise from the abstract index of “Denison Files” in Chief Secretary's Archives, Hobart. File 6168 should contain a number of relevant documents but it is empty; the bank was not given an explanation.)

204 Interest on deposits in the Derwent Savings Bank stood at 4 per cent from before 1847 to 1849. The convict deposits probably got the same. Swanston to Champ, 24 October 1848, “Derwent Bank Letter Book”, 1845–54; Statistics of Van Diemen's Land, 1847, 1848, 1849.

205 Union Bank, Hobart, “Minutes”, 11 July 1851. The Hobart Savings Bank had refused to keep individual accounts but was prepared to keep a block account and to pay any cheque, however small. “Minutes”, 11, 18 July 1849, 25 June, 6 August 1851.

206 Colonial Times, 17 December 1830; Hobart Town Courier, 18 December 1830; Van Diemen's Land Almanac 1832, p. 216. Interest was reckoned monthly on the whole pounds.

207 Hobart Town Almanac, 1838, p. 41.

208 When the Commercial Bank opened a branch in Launceston, 23 August 1838, the savings bank was not mentioned, but this might have been due to the prior establishment of the Launceston Bank for Savings. Hobart Town Courier, 10 August 1838.


210 Hobart Town Courier, 31 October 1834.


212 See Rules in Hobart Town Courier, 19 December 1834. The original proposal was for interest on deposits “as small as one dollar or 4s. 4d.”, ibid 24 October 1834.

213 It is listed with the same directors as the Derwent Bank in Almanacs for 1835, 1836, 1837, 1838.

214 See Chapter 9.

215 For 1849, Walker to Mercer, 16 November 1849, “Derwent Bank Letter Book”, 1845–54; for 1847 and 1848, Statistics of Van Diemen's Land. This gives at 31 December 1849, 97 depositors holding £2,497. These figures were supplied and published as required by the Savings Bank Act. See Swanston to Colonial Secretary, 10 April 1848, “Derwent Bank Letter Book”, 1845–54.
216 See references in preceding footnote.

217 28 April 1832.

218 *The Independent*, 27 October 1832, 10 August 1833. The editor, Henry Dowling senior, was active in the formation of the bank in 1834–5.

219 *Launceston Advertiser*, 25 September, 2 October 1834. The meeting was on 30 September.

220 Launceston Bank for Savings, “Minute Book”. The meeting was on 7 January 1835, those present being W. H. Browne, P. Oakden, G. Whitcomb, I. Sherwin, J. Bartley, G. P. Ball, H. Dowling. Of these Browne, Oakden, Gilles, Sherwin and Dowling were amongst the sponsors of the earlier public meeting.

221 For a list see *A Century of Thrift: a brief history of the Launceston Bank for Savings* (Launceston 1935), p. 4. This booklet is written almost entirely on the basis of the “Minutes” and is a useful outline but omits a great deal of importance.

222 “Minutes”, 2 February, 9 March 1835, and *Rules* a copy of which is preserved in the “Minute Book”. A meeting in April decided to accept deposits from friendly societies and charities without limit as to amount.

223 The precise date is uncertain. The first public announcement was in *Cornwall Chronicle*, 18 April 1835, but final arrangements for opening were completed at a meeting on 9 March.

224 “Minutes”, 27 June, 12 August 1836; *Launceston Advertiser*, 25 August 1836.

225 “Minutes”, 9 November 1841. No single deposit of more than £50 was to be accepted.

226 For all figures in this section not otherwise ascribed see statistical Appendix.

227 “Minutes”, 17 January, 7 February 1843.

228 *Hobart Town Courier*, 15 December 1843. See above Chapter 10.

229 “Minutes”, 11 December 1843; *Cornwall Chronicle*, 16 December 1843. The final balance was received on 12 December. *Launceston Examiner*, 13 December 1843, 5 February 1845.

230 *Cornwall Chronicle*, 16 December 1843; *Launceston Examiner*, 20 December 1843, 3 August 1844.

231 “Minutes”, 13, 19 December 1843; letter (undated) in “Minute Book” Dowling to Henty; “Minutes”, 29 December 1843.

232 “Minutes”, 29 December 1843. It is not expressly stated, but implied, that the Union Bank was to pay the savings bank 5 per cent. The new arrangement was confirmed at a meeting on 12 March 1844.

233 Notices in *Cornwall Chronicle*, 24 April 1844. For current accounts effective 6 May, for fixed deposits as they fell due. The savings bank account ranked as a fixed
234 “Minutes”, 30 April 1844; and letters copied there. Sub-committee to governor, 25 June 1844; Sherwin to Bicheno, 9 July, 22 July 1844; Sub-committee to Bicheno, 29 July 1844; “Minutes”, 3 August 1844. The bank at first mistakenly believed its offer had been accepted; perhaps because, if the Launceston Examiner is to be trusted, the original suggestion came from the governor.

235 “Minutes”, 3 August 1844; Cornwall Chronicle, 7, 17 August 1844. Original plans were for interest at 71/2 per cent. The first loans were made at the meeting on 22 August.

236 “Minutes”, 29 August 1844, 9 June 1846, 4 June 1852; Launceston Advertiser, 14 August 1845.

237 “Minutes”, 9, 16 October 1844. Dowling's salary was not finally fixed until the meeting of 30 March 1846.

238 Walker's life can be traced in Life and Labours of George Washington Walker (edited by James Backhouse and Charles Tylor, London 1862). This consists of systematic extracts from Walker's Journal and letters to relatives and friends. Walker was born in London on 19 March 1800, of Unitarian parents. After a brief apprenticeship to a Unitarian “professor of religion” he entered the employ of a Quaker draper in Newcastle and subsequently joined the Society of Friends in 1827. With James Backhouse he sailed in September 1831 for Hobart, as a missionary of the Society. Arriving there in February 1832 he engaged in extensive travel, his missionary work taking him throughout Tasmania, to Norfolk Island, over a large part of New South Wales and finally, in 1837, by way of Melbourne, Adelaide and Perth, to Mauritius and South Africa. In each place the stay was prolonged, more than two years being spent in South Africa. There in 1840 the two friends parted, Walker returning to Hobart (November 1840). Soon after his return he married and established himself as a draper (August 1841), becoming a prominent and respected figure in public life. Apart from his promotion and management of the Hobart Savings Bank until his death, his later activities were chiefly directed towards the development of the Society of Friends and the encouragement of education—he was a member of the Board of Education until his death on 1 February 1859. An attractive portrait forms the frontispiece to the volume cited which should be read for the full flavour of Walker's sincere but non-sectarian piety and his unwavering but gentle kindliness.


240 “Minutes”, 15, 17 January 1845. Rules adopted on 3 February included a limit of £150 on interest-bearing deposits, and an unusual feature—up to £10 might be drawn without notice, even £50 only required fourteen days.

242 Hobart Town Courier, 20 January 1845. Walker was later offered a gratuity of £50 (“Minutes”, 1, 8 September 1845) “as a compensation for the use of his premises”, but the next year surrendered it so that deposit interest could be maintained (“Minutes”, 1 September 1846). He received no regular salary until 1848.

243 See below and Hobart Town Courier, 24 September 1845.

244 Both banks have had an unbroken history to the present day; they are the only private trustee savings banks in Australia.

245 In that year the bank completed its first office building. In 1848 the expenditure of not more than £20 had been authorized to partition off a corner of the shop for exclusive bank use. “Minutes”, 5 April 1848.

246 Life and Labours, p. 544, letter to his son, 19 September 1855.

247 For an example see letter to James Backhouse, 6 May 1848, Life and Labours, p. 527.

248 Figures of deposits at half-yearly intervals to 1851 are given in statistical Appendix. These suggest that the Hobart Bank may have received most of the deposits repaid by the Derwent Savings Bank.

249 Appendix.

250 “Minutes”, 1 September 1845.

251 See Appendix for rates. Phrase is from “Minutes”, 7 February 1849. The policy was not explicitly adopted but grew out of a practice originally enforced by need.

252 “Minutes”, 22 August 1844.

253 Letter to Lieut.-Governor, 25 June 1844, in “Minute Book”; “Minutes”, 29 August 1844, 9 June 1846, 4 June 1852; Launceston Advertiser, 14 August 1845.

254 “Minutes”, 25 January, 3 February 1845.

255 Ibid., 5 May 1845. Rate was raised to 7 per cent, ibid., 4 June 1845, in the hope of paying depositors 4 per cent.

256 Funds had been deposited in Bank of V.D.L. (“Minutes”, 3 March 1845) and then in addition in the Commercial and Union which offered 3 per cent on the current balance (ibid., 30 June, 1 September 1845).

257 “Minutes”, 4 October 1845, 9 March 1846.

258 “Minutes”, 12 May, 2 June 1847 record an isolated six months' deposit of £1,000 at 3 per cent with the Bank of V.D.L., and 31 May 1852 a venture in foreign exchange which was not proceeded with. This was inspired by the offer of “deposits from persons whose position in society and circumstances warrant the presumption that they can find other modes of investing their capital, this not being the class of persons for whose benefit the savings bank was instituted.” Their deposits were
refused, even free of interest. “Minutes”, 24 March, 5 May 1852.

259 “Minutes”, 2, 23 June 1845.

260 Ibid., 15 August 1844.

261 Ibid., 14 April 1845.

262 Ibid., 24 October 1845.

263 See figures in Appendix.

264 “Minutes”, 8 September 1847.

265 Ibid., 9 September 1850.

266 See Appendix for details.

267 The Launceston Bank for Savings opened a number of agencies in that period but these involved heavy losses and were abandoned. The Hobart Savings Bank adopted a system by which police magistrates acted as its agents, receiving and remitting deposits. Charles Eardley Wilmot was responsible for the plan. See Correspondence, July 1854, in “Denison File” 10,469 (Chief Secretary's Office, Hobart), including accounts of such deposits from Sorell and Buckland; and pamphlet by C. Eardley Wilmot, Recommendation to the Police Magistrates of the Island to Establish Branch Savings Banks, Government Printer, Hobart, 1855; the plan of collecting agents was first proposed by Isaac Sherwin in 1850 but the bank would have no agents. “Minutes”, 27 February 1850. See 11 July, 3 August 1854 for final adoption.

268 Launceston Advertiser, 28 September, 12 October 1837. The meeting took place on 5 October and the six residents were G. C. Clark, P. Smith, S. Horton, T. Parramore, H. Keach, A. Gatany.

269 Launceston Advertiser, 27 September, 4 October 1838; Hobart Town Courier, 5 October 1838. No reference was then made to a savings bank. The Union Bank agent was John M’Leod, which explains misleading references to “M’Leod's Bank”, as in Cornwall Chronicle, 10 April 1841.

270 Longford is only seven miles by road from Launceston which makes the later establishment unlikely. Davies was at Longford (then Norfolk Plains) several years before 1835.

271 Launceston Advertiser, 23, 30 January 1840; Cornwall Chronicle, 25 January 1840.


273 “Minutes”, 1 November 1842; Cornwall Chronicle, 5 November 1842. The Chronicle opposed any government control, claiming the funds were only safe in local hands and especially those of Gilles, 11 February 1843. The Launceston
Examiner strongly supported legislation to control savings banks, 6 August 1842, 13 January, 7 February, 17 July 1844; 5 February 1845.

274 Launceston Advertiser, 7 February 1845; Launceston Examiner, 5 February 1845. The extent of the legal obligation of William Archer or of the firm, as distinct from Gilles, is not certain. The guarantee related to Gilles' death; Launceston tradition says Archer's action was voluntary.

275 “Minutes”, 19 December 1843, 17 January 1844.

276 “Minutes”, 17 January, 30 April 1844; True Colonist, 10 May 1844; Report in Cornwall Chronicle, 18 March 1843, is inaccurate.

277 Three letters from a sub-committee of the bank, copied in “Minutes”, 25 June, 20 July, 29 July 1844.

278 Cornwall Chronicle, 1 February, 20 September, 26 November 1845. It was not until August 1844 that the Trustees required a statement of affairs to be presented at all meetings. “Minutes”, 29 August 1844. The Chronicle's attack caused no run on the bank, probably because local people realized that it derived from the bitter rivalry with the Launceston Advertiser edited by Dowling.

279 Launceston Advertiser, 31 January 1845.

280 Governor's address, 30 July 1845, Hobart Town Gazette, 5 August 1845; Launceston Bank “Minutes”, 25 June 1845; Life and Labours of G. W. Walker, pp. 522–3. A copy of the bill is in Hobart Town Gazette, 10 June 1845.

281 26 July 1845.

282 “Minutes”, 30 May, 2, 4, June, 4, 5 August 1845.

283 Ibid., 1 September, 1 December 1845; 24 August 1846; 3 March 1847.

284 Ibid., 7 April, 23 February 1847, 5 April 1848.

285 Outline of bill in Hobart Town Gazette, 1 August 1848; copy of act in 26 September 1848 (passed 22 September as 12 Vic., No. 1).

286 Launceston Bank “Minutes”, 12 December 1848, 14 June, 8 September 1849; Hobart Town Advertiser, 9 March 1849; Hobart Bank “Minutes”, 6 October 1848.

287 Colonization Commissioners for South Australia, Second “Report”, 1837, Appendix 4, Instructions to Resident Commissioner, 16 July 1837.

288 “Brown Papers” 1837–49 (S.A. Archives). John Brown (Emigration Agent at Glenelg) to Resident Commissioner, 4 March 1837.

289 “Letters from Colonization Commissioners” (S.A. Archives, No. 680), Instructions to Gawler, 25 May 1838.

290 Supplement to First “Report” of South Australian Company (1837) pp. 7, 37.

291 Appendix to Third “Report” (1839), p. 44.
292 Sixth “Report” (1842), Appendix p. 23; Seventh “Report” (1843), Appendix. The former notes that the Bank of South Australia was now independent of the company and gives no details of its activities.

293 The inclusion of savings banking in the plans of the fraudulent Agricultural Bank in 1838 may be ignored. The Prospectus of the “Savings and Deposit Branch” (copy in Mitchell Library) offered to accept deposits without limit, paying 5 per cent on amounts up to £20, 10 per cent on higher amounts and 15 per cent for deposits fixed for five years. Withdrawals, however, were to be possible only on 1 January with six months' notice.

294 Bank of South Australia, “Letters to London”, 15 August 1840. It paid 10 per cent compared with 7 per cent by the bank.

295 South Australian Register, 23 January 1841. The Register's claim that it all started with its leader of 16 January is implausible; probably discussions were already advanced. (The leader urged a savings bank in Adelaide; it alleged there was none in all Australia.)

296 Ibid., 6 February 1841. The committee took its inspiration from those of the St. Pancras Savings Bank (as summarized in McCulloch's Commercial Dictionary) after examining those of Limerick and Sydney. Wotherspoon to governor's Secretary, 27 February 1841 (S.A. Archives, 787/1841/75).

297 A copy, originally part of a pass-book, is preserved in the Head Office of the State Savings Bank of South Australia.

298 Liberal rules were that a married woman with the consent of her husband and a minor with the consent of the trustee might operate accounts in their own names.

299 Probably on 6th. South Australian Register, 20 February, 20 March 1841

300 See statistical table.

301 South Australian Register, 6 March, 13 March, 15 May 1844; Wotherspoon to Colonial Secretary, 27 March 1844 (S.A. Archives, C.S.O. 316/44). George Young acted as the Port agent. Adelaide Observer, 18 May 1844. Four accounts had been opened by the next monthly meeting, Southern Australian, 14 June 1844.

302 South Australian Register, 10 April 1841; Southern Australian, 13 April 1841.

303 E.g., Bank of South Australia “Minutes”, 20 October 1843. The only margin could have been that arising from deposit of broken pounds and deposits and withdrawals by savers which involved breaking a month and thereby losing interest. Even so the terms were more favourable than those available to ordinary depositors who only received 7 per cent if deposits were left three months.

304 For 1841–2, South Australian Register, 12 March 1842; for 1842–3, ibid., 8 March 1843. Maintenance for 1843–4 inferential from facts recorded in following paragraph.

305 South Australian Register, 13 March 1844. Bank of South Australia “Minutes”,
20 October 1843, for details and agreement with Australasia. There is given there also an interesting analysis of savings bank depositors:

<table>
<thead>
<tr>
<th>Depositors</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labourers and artisans</td>
<td>29</td>
<td>£190</td>
</tr>
<tr>
<td>Female domestics</td>
<td>3</td>
<td>82</td>
</tr>
<tr>
<td>Infants</td>
<td>17</td>
<td>45</td>
</tr>
<tr>
<td>Institutions</td>
<td>8</td>
<td>229</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>59</td>
<td><strong>£571</strong></td>
</tr>
</tbody>
</table>

306 *South Australian Register*, 10 January, 6 March 1844.
307 *Southern Australian*, 22 April, 6 June 1845.
308 The current account in the Australasia was closed in October 1844.
309 Change effective for Bank of South Australia from 1 January 1844, “Minutes”, 5 December 1843; for Australasia from 15 April, *South Australian Register*, 24 April 1844.
310 Identical announcements in *ibid.*, 29 May 1844.
312 *Southern Australian*, 22 April 1845.
314 *Ibid.*, 14 July 1846. The rate was that for which ordinary depositors had to give six months' notice of withdrawal, *Adelaide Observer*, 6 June 1846.
315 *South Australian Register*, 3 March 1847; *Southern Australian*, 5, 19 March 1847; *Adelaide Observer*, 6 March 1847; *Government Gazette*, 4 March 1847.
316 *South Australian Register*, 25 December 1847, 8 January 1848; *Government Gazette*, 6 January 1848. The Rules had made winding-up dependent upon a high degree of unanimity; a month's notice, signed by half the board of sixty had to be followed by a three-quarters majority vote.
317 *South Australian Register*, 22, 23 September 1847. Ordinance No. 15 of 1847.
318 Still the practice. No limit of amount to carry interest applied to deposits by official assignee of funds from intestate estates.
319 The rules are in “Minutes”, 17 January 1848. For opening, “Minutes”, 27 January; *South Australian Register*, 26 February, 15 March.
320 “Minutes”, 3 April 1848. Trustees attended in rotation to supervise business.
321 “Minutes”, 15 May 1848.
324 The hesitant steps are traced in “Minutes”, 8 May 1849; 6 March, 3, 30 April, 1 May, 1 November 1851.

325 “Minutes”, 3 April 1848.

326 Ibid., 4 September 1848.

327 South Australian Register, 3 May 1848; “Minutes”, 1, 15 May, 5 June 1848.

328 “Minutes”, 3 July 1848.

329 Report dated 1 June 1848 enclosed in Grey to Young, 31 July 1848, which transmitted assent. In approving the act of 1848 Grey describes Pratt's amendments as having been “pointed out”; again assent was not withheld. Grey to Young, 22 June 1849, “South Australian Despatches” (Mitchell Library).

330 Hector to Colonial Secretary, 4 September 1849, enclosing trustees' report (S.A. Archives, C.S.O. 1646/1849); “Minutes”, 3 September 1849.

331 Hector to Colonial Secretary, 13 October 1848, enclosing report, (S.A. Archives, C.S.O. 1585/1848); “Minutes”, 7 August, 4, 18 September 1848.

332 No. 13 of 1848.

333 Prospectus, Perth Gazette, 21 January 1837.

334 Perth Gazette, 26 August 1837.

335 Ogle, N., The Colony of Western Australia, p. 126 (information from section written by managing cashier).

336 Perth Gazette, 12 December 1840.

337 Ibid.

338 Inquirer, 30 December 1840.

339 Ibid.

340 Perth Gazette, 24 April 1841.

341 Ibid., 8 May 1841.

342 Regular note to returns as published in W.A. Government Gazette.

343 18 Vic., No. 3, 12 April 1855.

344 19 Vic., No. 9, 9 June 1856. 5 per cent on deposits not exceeding £100 had been offered; this act continued the arrangements for deposits already made.

345 By 27 Vic., No. 5. Deposits, repayable at ten days' notice, received 33/4 per cent; funds were invested in government securities.

346 A “Mr Field” was a committeeeman of the Covent Garden Provident Bank in 1816 but I have not been able to check whether the similarity in name is mere coincidence.
347 In 1841 a special act was necessary. Branches of the Savings Bank of N.S.W. had to remit receipts to Sydney monthly, obviously impracticable in the case of Melbourne. Since legislation was necessary, at Gipps' instance the opportunity was taken to give the Melbourne bank the independence it would have had in substance, even as a branch. La Trobe to Colonial Secretary, 18 January 1841, with endorsement by Gipps; Miller to Colonial Secretary, 9 March 1841, “Colonial Secretary In-Letters”, “Banks” 1841.

Chapter 13 The Foreign Exchange Market

TO speak of a foreign exchange market before the abolition of the dollar experiment at the beginning of 1826 is, except for the operations of the Commissariat, to impose on a miscellaneous collection of minor transactions a concept of order and system which they do not justify. Both those transactions and the Commissariat's activities were closely intertwined with domestic affairs and they have accordingly been so presented here. But the defeat of the dollar system and the implementing of British policy on a sterling-exchange standard mark the point at which the beginnings of an organized exchange market can be recognized.

The Emergence of a Market Outside the Commissariat

As has been seen, with the introduction of the “dollar system”, from late 1822 in both New South Wales and Tasmania bills on the British Treasury were sold by public tender.1 Offers were invited every few months2 until the conversion to “sterling”, which was accompanied by British instructions that bills were to be sold at the fixed rate of 3 per cent premium. Adoption of the new rate in New South Wales was prompt, becoming effective from the beginning of 1826,3 but in Tasmania because of shortage of British coin—which the English instructions had recognized as a reason for discretionary delay—there was a postponement of a few months.4 At first the minimum amount of a bill was £100, but this was inconvenient to purchasers and therefore interfered with the Commissariat's supply of coin, and the British Treasury agreed that bills might be drawn for any convenient smaller sum.5

The premium was, however, too high and by 1828 it was reduced to 11/2 per cent, at which level it remained unchanged for eight years.6 An important factor in this reduction was the growth of an active market in bills of exchange other than bills on the Treasury. In small casual amounts these had, of course, been available since the foundation of the colony, but in the mid-'twenties with a modest but increasing volume of exports, especially wool, and a rising inflow of capital, the market in private bills became of some importance. For the most part dealings were private and have left no record. But there were recurrent advertisements of bills offered for sale by the Australian Agricultural Company,7 the Wesleyan Missionary Society,8 the Van Diemen's Land Company9 and others10 in both New South Wales and Tasmania, mainly bills on England, but occasionally on other places such as India.11 Less frequent were
advertisements seeking bills to buy—evidently buyers sought out recognized sellers. 

The nature of these advertisements points to the failure of the banks and other firms to organize an effective middleman service. As early as 1829 the first specialist made a brief appearance, Matthew Gregson, who described himself as a “broker”, acting as bill and discount broker and negotiator of loans, and presently stockbroker, dealing, with the approval of the Banks of New South Wales and Australia, in their shares and those of the Australian Agricultural Company. He did not survive the slump, and was insolvent a year later.

The original rules of the Bank of New South Wales foreshadowed a limited sort of dealing in Treasury bills: “persons possessing Store Receipts or Government bills on the Treasury may receive the notes of the Bank in exchange for them without any charge or deduction—the said Store Receipts and bills on the Treasury being deemed to all intents and purposes Cash—or they may deposit such Receipts or bills as cash . . . ” But the stress on the equivalence to cash reflected the real situation. They were as good as cash—better than most other forms of cash available to the Bank—and the rule expresses the fact that the Bank had to take them, not only to secure “cash” but also because they were the principal form of money which depositors had to offer. Having taken them, the Bank could either pay them out or resell to those seeking foreign exchange. But the latter type of business was not actively promoted. In August 1817 what was apparently the first application for a Treasury bill led to a determination of principle—that the Bank's notes would be paid in dollars or Store receipts, and that Treasury bills would be sold for dollars or Store receipts at 21/2 per cent premium, modified a fortnight later to a premium varying from 1 per cent to 2 per cent according to the due date of the Store receipts, and again the following year to a flat rate of 1 per cent irrespective of term. These arrangements might be regarded as a crude form of forward exchange, but the Bank clearly saw them as purely local transactions dictated by the peculiar forms of local money.

Exchange business as such was in fact discouraged. In the beginning bills of the Van Diemen's Land Commissariat were only taken by the Bank if payable in Sydney, and private bills payable in Van Diemen's Land were especially mentioned in a rule of 1819 that “no bills whereof the payor is not resident at Sydney or this part of the Territory shall be discounted”. When Russian ships visited Sydney in 1820, ducats brought by them were exchanged only as a special favour to Robert Campbell, and then after clumsy calculations of fair value—a special difficulty being that the Bank would probably itself have to ship the coins to London. The Bank
occasionally bought private bills, but this was rare.\textsuperscript{23}

That the Bank was merely arranging its “cash” holdings in the light of local forms of money is shown by the way it adjusted itself to Commissariat policy. When Drennan issued his notes in place of Store receipts, the Bank accepted them, but resolved not to pay them out, preferring to lose interest by holding them for consolidation in order to limit competition with their own notes.\textsuperscript{24} When the dollar was adopted by the Commissariat, the Bank accepted it, though not until its local valuation had been defined, but then determined to adopt dollars as their basic form of cash.\textsuperscript{25}

It is true that in 1818 the Bank formally declared its desire to develop exchange business:

Resolved that it being within the objects contemplated in the establishment of the Bank of New South Wales that it should transact money concerns of whatever nature, and it appearing that the acting as money agents for merchants or others residing in Van Diemen's Land or any foreign ports, would be productive of benefit to the public and of advantage to this establishment. It is resolved that the Bank will receive deposits of approved bills drawn by the Commissariat in Van Diemen's Land on the Commissariat at Sydney, and of Store Receipts, and remit the amount in consolidations according to order, to whatever persons or places their instructions shall direct.\textsuperscript{26}

But the minimum amount was limited to £100 and the commission chargeable was left undecided. There were occasional references to “when consolidations are required”;\textsuperscript{27} the Bank sometimes tendered for modest amounts of Treasury bills,\textsuperscript{28} but in 1825 resolved on “discontinuing all tenders for bills on the Treasury except for the discharge of sterling claims on the Bank”.\textsuperscript{29} Broadly, the Bank was content to leave foreign exchange to the Commissariat and to the merchants.

Moves by the Bank of New South Wales, the Bank of Australia and Cooper & Levey to arrange London agencies were primarily schemes for raising capital, with slight reference to exchange business as an incidental corollary, and came to little. That by the Bank of New South Wales was never more than a wild clutching at straws in its crisis of May 1826. This involved a proposal for a loan of £50,000 from some London agent. In anticipation of finding such an agent, bills were to be drawn against the hypothetical loan and sold for the urgently needed dollars. Not even Sydney could take this seriously, and the scheme was stillborn.\textsuperscript{30}

More formal success attended, two years later, John Macarthur's plan adopted by the Bank of Australia for a London agency, but the success was formal only. The main purpose was to secure additional capital (the
Monitor uncharitably said it was to rescue the Bank from the results of excessive lending), as shown by resolutions carried in March 1828. It was declared “that to enable this institution to promote the interests of the landed, commercial, trading and other interests of this rising community, it is expedient a connection should be formed with one or more banking houses in London, for the purpose of establishing a credit, by means of which it may extend its accommodations to the public in general”, and to this end James Macarthur, then about to leave for England, was authorized to open London accounts for the Bank and “to treat with one or more banking houses, and to engage with it, or them, for advances not exceeding £30,000, whenever this institution may require such accommodation”. Although the possibility of using the arrangement to facilitate capital transfer to Australia by individuals in England was mentioned, only migrants were considered, and then only as incidental to the raising of additional funds for the Bank.

An agency was established with Herries, Farquahar & Co. but there is nothing to suggest that the firm was prepared to advance the £30,000; in London the stress was on the opportunity to remit to Sydney by means of bills or letters of credit on the Bank of Australia, and even for this type of business the complete lack of subsequent references implies that it was, at best, on a negligible scale. In 1834 the Bank had an inactive credit balance of £9 with the London agents, but thereafter the connection seems either to have been abandoned or to have been purely nominal. Martin's semi-official Statistics of the Colonies of the British Empire (1839) declared that the Bank “affords no facilities for remittances to Europe or elsewhere”, which would have been offered if there had been transactions in the reverse direction. The silence of all other sources confirms the conclusion that the Bank at no time sought exchange business as such, and the account, opened with a view to a loan which was not forthcoming, was allowed to languish.

The plan of Cooper & Levey, which was earlier in date and more ambitious, and probably inspired Macarthur's scheme, had, for a different reason, even less result. Solomon Levey went to London aiming at a loan of £50,000 to £100,000, again not primarily as an instrument for exchange business, but as a source of capital for permanent local investment. There he became involved in Peel's scheme for the Swan River settlement and directed his energies to raising capital for that purpose rather than for the Sydney firm. No more is heard of Cooper & Levey's plan.

Of the colonial banks only one succeeded in developing a substantial exchange business before the 'forties. The exception is the Derwent whose activities are chronicled elsewhere, and it was truly exceptional, the result
of the aggressive methods of Swanston, coupled with his extensive interests as import and investment agent which involved him in continuous exchange dealings. The other colonial banks were not active in the field because they did not want to be, although they acquiesced in, rather than sought, middleman transactions in Treasury and private bills and overseas currencies. But these were simply casual purchases from local holders, and sales to local buyers; the evidence shows clearly that the same sort of transfer was achieved as readily and more extensively through *ad hoc* advertisements in the press by holders and buyers. The colonial banks were prepared to leave exchange business to this outside market and the Commissariat, until competition changed their views. This inertia was another manifestation of their preference, until the belligerent competition of the 'thirties, for safeguarding their limited local business rather than promoting its expansion; even then it was not until the 'forties that they sought to break into the exchange market then dominated by the English banks. In the 'twenties emigrants found in England few agencies to handle the transfer of capital, and were driven to shipping it in goods for sale, to carrying specie with them, to buying dubious bills on colonial merchants, or to making deposits with English firms and individuals to be drawn against after they landed in the colonies. Had the colonial banks moved then, they might have drawn the main exchange business into their hands, and might perhaps have discouraged the English bank formations; in the event, when capital inflow rose to its greatest heights in the 'thirties the “Anglos” were in business and had the great advantage of being in London. As sellers of sterling in the colonies they had at their disposal not only their own capital awaiting transfer, but the much greater sums remitted through them by investors and emigrants; the colonial banks could only look to the small share of export bills which they might obtain in unequal competition. Disregard of opportunities in the 'twenties meant exclusion from the greater exchange opportunities of the 'thirties.

**The Working of a Fixed Commissariat Exchange Rate**

The policy of a fixed rate on bills on the Treasury contained a latent contradiction which soon created difficulty. The fixed rate was designed to establish and maintain, in effect, a sterling exchange standard, but this could only succeed if the Commissariat were prepared to sell bills at the fixed rate without limit, or, alternatively, to be content with whatever amount it could sell at that rate. Yet the volume of bills which the Commissariat needed to sell was conditioned by totally unrelated factors— the cost of the convict establishment and associated items. As it happened,
the rising volume of exports and the expanding stream of capital inflow raised the issue in the second form of a demand for bills at the fixed rate which was chronically deficient. This situation appeared immediately after the 1826 rate of 103 was implemented, and led to the adoption of a rate of 1011/2, the Treasury cautiously admitting “having reason to believe that from many stations the money [British coin] can be returned at a less charge than 3 per cent”.39 The “many stations” were no doubt nearer England than those in Australia, for there is no evidence of any large re-export of British coin; so far as Australia was concerned the effect was shown rather in the rapid export of dollars, in a premium on private bills, and inadequate demand for Treasury bills. For colonies nearer England the 103 rate no doubt did mean export of British coin. The new rate of 1011/2, however it may have suited other colonies, was nearer the market rate for Australian colonies, and for several years sufficed. A study of detailed Commissariat records would probably show some unauthorized rationing of buyers of bills; in Tasmania it occurred, as was seen earlier, in the preferential arrangement made with the Derwent Bank.

In Tasmania this was apparently sufficient to adjust demand at the fixed rate to Commissariat needs, when supplemented by Treasury shipments of coin to the Commissariat there. But in New South Wales, with its more rapidly increasing exports and greater capital inflow, the lower rate soon ceased to attract enough buyers, even allowing for direct shipments of coin which obviated, to that extent, the need to sell bills. By 1830 private bills could be had more cheaply than Treasury bills, the Bluebook for that year reporting “Bills of private individuals of undoubted credit are generally negotiated at par; if otherwise, at a discount varying from one to five per cent”.40 There was, in short, a two-part market with divergent rates which were maintained only because the rate in the Commissariat part was fixed at the higher level, while the more attractive lower rate for private bills was for paper of very varying reliability. The best private bills were cheaper, but did not oust the Treasury bill because there were not enough of them; an uneasy equilibrium was being sustained by the reliable Treasury bill at a premium against the doubtful private bill at a discount. An increase in that discount, or a growth in good bills, would eat into the demand for Commissariat bills.

It is convenient at this point to comment upon the contemporary usage of “discount” and “premium”, the question being not the legitimacy of the usage but its interpretation. The normal mode of expression was so many per cent premium or discount on sterling. Thus if £100 sterling cost £102 of local money, the rate was expressed as 2 per cent premium; if £99 local money, as 1 per cent discount.41 But, however formulated, these rates were
not true exchange rates since they embodied a very substantial concealed interest charge. The buyer of a bill on England, whether from the Commissariat or a private source, had to look forward to a mail time to England which might be as short as three months but would more commonly be four; it might be as much as six. The standard usance of bills, Commissariat and private, was 30 days after sight,\textsuperscript{42} so that at least a month must be added to mail time. There was some uncertainty as to period, but as a rough rule the remitter of a bill had to reckon on loss of interest for six months as the most likely event. What rate of interest should be considered is not unambiguously indicated when the spread of local rates was so wide, and the difference between local and English rates was so great. Contemporary sources give no guide, since there is no discussion of the interest element in exchange rates, but the most plausible rate to apply would be the colonial minimum of 10 per cent per annum. To the indefiniteness of applying such a rate to a period which would often vary from four to six months must be added the complication that two alternative forms of remittance were available and one was used sufficiently to be taken for granted. This was the purchase of wool solely for the access to sterling which its sale produced,\textsuperscript{43} a method of remittance which also involved an interest charge for an uncertain period, together with freight charges and uncertainty as to selling price. The other lay in the local circulation of British coinage and the irregular but sustained modest flow of British banknotes brought by immigrants; this mode of remittance entailed costs for insurance, offset by the funds being immediately usable in England. To these considerations must be added the wide variation in the reliability of drawers of bills and the substance of acceptors, neither of which, except in limited numbers of cases, could be accurately assessed by colonial bill buyers.

In these circumstances it is impossible to be dogmatic about the interpretation of contemporary rates of exchange. But as a rough and somewhat hazardous judgment, for a completely safe bill (e.g., Commissariat or English bank bills) a price of 95 may be taken as equivalent to par, the apparent discount being the allowance for interest, and any higher actual rate representing a true premium on sterling. On this basis sterling was at a modest premium throughout the whole period, which accords with a commonsense view of the contemporary situation, and makes sense of the frequent quotations of a modest “discount” on even the best private bills, and, at times on bills of the English banks and of the Commissariat.

These comments, however, do not alter the absolute difference between rates for Commissariat and private bills in New South Wales in the early
'thirties, which developed because the Commissariat was charging too high a premium—of the order of 6 per cent rather than the nominal 11/2 per cent. For a year or two the conflict was threatened rather than actual. In 1832 the Commissariat received fortuitous aid by repayment of a debt due from the Colonial Government.\textsuperscript{44} At times relief was sought by seeking tenders for supplies to be paid for in coin or in bills at the fixed rate, the Commissary having the choice,\textsuperscript{45} but this was evasion of the fixed rate rather than relief, since suppliers would adjust tender prices. About this time a gap in bill sales was filled by a loan of £10,000 from the Colonial Treasury.\textsuperscript{46} By 1834 this device had to be employed on a large scale and repeatedly. It was a fortunate coincidence that the capital inflow and growing exports which created the Commissariat's difficulty, also, mainly through the land buying which they promoted, swelled the idle balances of the local Treasury. It is surprising that the British government was slower to draw the moral that a greater share of expenditure might be charged to the local government. In the present context this first loan is noteworthy as initiating a long-used device for transferring imperial funds to Australia and colonial funds to Britain (at par),\textsuperscript{47} through the agency of the Commissariat and the two Treasuries, quite outside the ordinary exchange market.

For a brief period heavy imports from China and Mauritius, where the Treasury bill was virtually the only colonial bill known, produced a sufficient demand; during 1833 and the first half of 1834 £32,000 in coin was received by the Commissariat and a further £15,000 promised, in response to forecasts of further difficulty as exports increased. But by early 1834 wool exporters were finding it difficult to sell bills privately and the Commissariat a few months later was forced to seek a further loan, this time of £50,000.\textsuperscript{48} The difficulty was thought to be merely seasonal but in 1835 two further loans had to be raised, of £10,000 and £50,000.\textsuperscript{49} The colonists viewed this use of their money with mixed feelings. Bourke stressed one attitude, the fear that the alternative was a lower rate on Treasury bills and consequential depreciation of private bills of exporters; but there were other interests. The Council resolved\textsuperscript{50} that the attention of the British government be drawn to its obligations, and that in any case the bills given for this last loan should be sent home to the Colonial Agent-General to be collected and the proceeds shipped as coin—with all costs borne by the British government.\textsuperscript{51}

In Tasmania from 1832 the same forces produced the same basic contradiction, but the makeshift adjustments were of a different type, as has been seen in discussing the continued use of the dollar in the island. The Treasury bill was paid to suppliers, implying a concealed reduction in
the exchange rate through higher nominal prices for supplies, and special
local currency devices were tried.52

The solution adopted in England was to maintain the policy but to lower
the fixed exchange rate. From February 1835 in New South Wales but not
until August 1836 in Tasmania, Treasury bills were to be sold at par.53

**The Rise to Dominance of the Banks**

Dealings in foreign exchange, and in exchange between Australian
colonies, took a high place in the plans of the Bank of Australasia; such
dealings were, of course, implicit in its structure, with a London office
raising capital to be employed in more than one colony. But exchange
business was promoted as a matter of policy, with the result that almost
from its commencement the Bank dominated the exchange market in New
South Wales and Tasmania, and as the path it blazed was followed by the
Bank of South Australia and the Union Bank, and then by those colonial
banks which survived the 1841 slump, the exchange market was
transformed. The Commissariat took second place immediately and its
fixed rate policy had to go; intermittently it withdrew from the market
insofar as it contented itself with bulk sales of its bills to one or other of the
English banks, although it remained an important seller of sterling
throughout the period, and for most of the time appeared independently in
the market. The full development of bank dominance was delayed by the
appearance of the mortgage companies as large sellers of sterling, and the
dominance was never complete since private buying and selling, and
professional dealing by large merchants (forerunners of the pastoral
companies) continued. Transfers between the colonial and British
governments were, on the model of the loans already recorded to the
Commissariat, ordinarily managed through it. But within ten years of the
establishment of the Bank of Australasia the main bulk of exchange
business and leadership in determination of rates had passed to the banks,
with primacy held by the English banks, and that development was
initiated by the Australasia.

The London office began the sale of bills on colonial branches, and
invited emigrants' and investors' remittances, at the earliest possible date.54
In each colony, as a branch was established, prominence was given in its
publicity to the sale of bills on the London office, on other branches, and
on the bank's agents at Calcutta, Bombay, Madras, Canton, the Cape,
Batavia, Singapore and Mauritius.55 The business was not established
without some inter-branch conflict, deriving partly from the inexperience
of local directors, partly from the necessity of evolving some principle of
co-ordinating the dealings of the various branches. Initially each branch had a “London cash account” in which its dealings were recorded separately, and the local directors determined rates of exchange. One source of possible trouble was revealed immediately, conflict of rates. The Hobart board reduced its selling rate on London from 102 to 101, with disturbance both to Launceston and Sydney branches. The Hobart selling rate on Sydney was similarly reduced, which was especially awkward because Commissariat bills were at 101 in Hobart and 100 in Sydney and arbitrage followed. Launceston protests failed and Kinnear in Sydney could not move Hobart, even though the consequent necessity for adopting 101 at all branches meant a loss of profit and upset good relations with the Commissariat in Sydney. Kinnear abandoned, after further experience, attempts to maintain the same rates at the various branches, recognizing that local market conditions varied too rapidly. Each local board was given unfettered discretion, and arbitrage which might otherwise have occurred was forestalled by inter-branch transfers, although after the first four years marked divergences of rates were rare.

The other source of difficulty was the disposition of local boards to see the sale of bills on London as an inexhaustible source of capital for local investment, rather than as one side of a system of transactions which had no necessary connection with local investment. Launceston did not actively purchase private bills on London (or Sydney) until head office insisted that it must reduce its London cash account. The Sydney branch, being under the Inspector's eye, sought to buy private bills from the beginning, but London had on more than one occasion to protest at the drain on its resources. Purchases were restricted in general to bills accompanied by shipping documents for exports; it was not possible to enforce London instructions for a margin of 2 to 3 per cent between buying and selling rates.

Kinnear was perhaps a little premature in claiming, after seven months' operation, that bank bills dominated the market and had eliminated the practice by which persons needing to remit to London toured the merchants just before a ship sailed. But he repeatedly stressed the necessity of the bank maintaining its activities, and in 1838 was claiming that, in Sydney at least, the bank had never refused to sell at its published rate, and was always ready to buy, at a price. But by that date it was already clear that the bank would have no monopoly.

The approach of the Bank of South Australia to exchange business followed naturally from the purposes of the parent company. It was a colonization company and therefore gave prominence to arrangements for the transfer of funds for migrants and other investors. They were invited to
deposit funds in London against letters of credit or bills (at 30 days after sight) on Adelaide. Agents were appointed in St. Helena, the Cape, Madras, Calcutta, Bombay, Canton, Ceylon, Mauritius, as well as Sydney, Hobart and Launceston, while the sale of bills on London and purchases of local government and commercial bills, initially at a handsome discount, formed part of Adelaide business from the beginning.

Sales by the Adelaide bank of bills on the London office soon reached levels which drew from the directors anguished demands for moderation. By 1840 instructions for restriction were being sent in a crescendo of emphasis, first in general terms, then for a limit of drawings to £1,000 to £2,000 per month in excess of Adelaide receipts, followed, as Stephens' enthusiasm for colonial development showed no sign of weakening, by a blunt direction: “Your remittances must be at least equal to your drafts... Distinctly understand that for some months to come no further capital can be supplied from home, and therefore only draw as you remit.” But the flow of drafts continued, forcing for the second time a call on capital in 1841; “the Colonists,” complained the Board, “must think that the Company's funds are an exhaustless fountain and that money is only to be drawn for and it can be obtained.” Orders of the “most peremptory” were that drafts must be kept below remittances; “no more capital than is already in the Bank is to be employed, nor is one additional £1 to be drawn from England without express authority”. More effective than the underlinings of London was the result of the shortlived local slump in curtailing demand for sterling, and when after 1844 the mining boom brought revival, there was no lack of British investment funds to feed South Australian demands.

This initial insatiable demand for sterling, creating within the bank the same conflict of policy between local board and London directors as the Bank of Australasia had experienced in milder form, was easily explicable in a new colony. Migrants sought loans whether for “real” investment or land-price gambling, while on all sides the demand for goods, virtually all of which had to be imported, meant a ready sale for the bills whence were mainly derived the funds for lending. A parallel situation developed in South Australian government finance, even less controllable.

Hindmarsh, the first Governor, found himself with quite inadequate official funds for local payments, and even used his own money, while the second Governor, Gawler, was soon contemplating an apparently prosperous colony with a persistent deficit. “The third quarter's salaries are still due, the Treasury is absolutely empty, and public debts to a considerable amount have been incurred. Urgent demands are made for payment, and the credit of Government is therefore injuriously low. The Colony itself is most flourishing.” After a day's reflection, and
remembering that against permitted annual drawings of £10,000 he had already drawn bills for £12,000, he decided to interpret his authority to depart from instructions in an emergency as covering the case, and he determined to meet salaries and other essential government expenditure by bills on the Colonization Commissioners. Having taken the plunge, he had few hesitations in drawing more and more as local demands for expenditure became more pressing, so that by April 1840 he was willing, on leaving Adelaide for a tour, to hand over to the Colonial Treasurer signed blank bills for £20,000.

The Colonization Commissioners were forced by lack of funds to dishonour Gawler's bills, and he was unceremoniously superseded by Grey who found it impossible to avoid a like course. This is not the place to unravel the tangled threads of local public finance nor to trace the process by which the financial mess led to the taking over by the Crown of full responsibility for the colony, with the ultimate payment of the debts which were the occasion for these bills. The relevance of the episode in the present context is the addition to the exchange activities of the Banks of South Australia and Australasia of a substantial supply of sterling. It meant little however, for the structure of the exchange market, since the major part of the bills were initially sold to one or other of the banks, with some preference for the South Australia. For the unfortunate ultimate holders of Gawler's and Grey's bills loss and difficulty lay ahead; initially there was new fuel for the boom. In 1841 dishonour of Gawler's bills was the proximate cause of the shortlived financial crisis, but for the foreign exchange market the bills meant little more than a greater volume of business, and their dishonour a strengthening of the dominant position in the business of the two banks.

The Union Bank's appearance in the market calls for no special comment. With a structure and policy modelled on those of the Australasia, and working in the same localities, its activities were on the same lines, and, in fact, commonly in formal agreement with that bank.

The colonial banks were latecomers to the field, and only the Commercial of Sydney succeeded during the 'forties in competing seriously with the "Anglos". The Derwent, as has been seen, was in difficulties from 1841 and during its eight years' decline was prevented from taking any initiative in exchange by the demands of its absentee for repayment. The Port Phillip discussed a London agency as early as 1840, but did not succeed until shortly before the bank closed. The Commercial Bank of Sydney arranged a London agency in 1840 with the London Joint Stock Bank and another with the Commercial Bank of Scotland, offering, as bait to build up overseas funds, that migrants' funds deposited with these
institutions would be transferred free of charge.\textsuperscript{76} Soon after it acted as agent for the Bank of New Zealand, selling in Sydney by tender bills on London drawn by various New Zealand settlers.\textsuperscript{77} It sought bills drawn against exports of wool, whale-oil and tallow\textsuperscript{78} and tried to make its own bills attractive by offering various usances\textsuperscript{79}, by such means steadily building up a secure place in the market, but one still subordinate to that of the “Anglos” whose rates it could not successfully challenge.\textsuperscript{80} Of the colonial banks which during the period sought through a British agency a wider field of exchange operations than those of a local middleman, the last\textsuperscript{81} to move was the Bank of New South Wales. Inspired by the success of the Commercial, it resolved in 1845 to establish a London agency and to build up the supply of funds there by purchasing export bills.\textsuperscript{82} There was considerable delay in reaching agreement with a London bank and settling formalities, so that it was not until October 1847 that the bank was able to announce its active entry into the market, offering bills on the London Joint Stock Bank and seeking export bills.\textsuperscript{83} Having broken the ice, the bank was agreeably surprised at the result, the directors reporting in January 1850: “by the extension of the business of the Bank in Exchange operations, its local business has assumed an improving character . . . It is the intention of your Board that this department of business shall be sedulously cultivated and if possible, judiciously extended”\textsuperscript{84}

**Decline of the Commissariat**

The appearance of the English banks marked the end of the primacy of the Commissariat in the foreign exchange market. In Tasmania this was clearly foreseen and partly explained the official hostility with which the appearance of the Australasia was greeted. Arthur was perturbed at the threat of competition by the Australasia's bills with those of the Commissariat, and not reassured by Kinnear's undertaking that the bank would buy what the Commissariat could not sell elsewhere.\textsuperscript{85} In New South Wales the Commissary sought an arrangement by which that bank would take all his bills, but the governor insisted on Treasury approval.\textsuperscript{86} No record of the decision has been found, but apparently the Treasury authorized such arrangements generally, not for one bank, if it were clear that no better rate could be obtained.

The next significant move was a direction from London for reversion to a fixed rate of 101\(\frac{1}{2}\) in place of the recently determined par.\textsuperscript{87} Apparently this was prompted by the readiness with which bills could be sold, and cash for public services obtained. But the move ignored experience of the inadequacy of any fixed rate in a market in which other sellers were free to
vary rates with changing conditions. Initially it was below the market rate, and in New South Wales the Commissary was soon forced to suspend selling, having excessive cash. In Tasmania the Commissariat allotted quotas of bills to the various banks. Representations to London bore fruit in the virtual abandonment from 1841 of any attempt to maintain a fixed rate. The Commissariats were directed to sell bills “at the most advantageous rate of exchange” obtainable by public tender, with the proviso that if the premium was 5 per cent or higher, bills should be sold at 105 without limit. The practice of normally selling at a market rate by tender, it was explained, was to avoid “a most inconvenient accumulation of funds” while the proviso concerning sales at 105 was to give holders of British silver “protection . . . against an excess in the circulation of it”.

The proviso was shortlived, because of stupidity in the Hobart Commissariat, which read into these instructions a direction for a fixed rate of 5 per cent. Announcement of this as the new policy brought a storm of protest and a hasty change of front. Reference to England yielded new instructions for sale by tender without any restrictions or qualifications. The Treasury no longer saw any reason for “protection” to holders of British silver, arguing logically that the cost of shipping coin to England was not more than 5 per cent and between Australian colonies less, so that local depreciation of the silver would be held within narrow limits. A Tasmanian plea for acceptance for bills of all coins legally circulating in the colony was turned by conceding the privilege to the sovereign (so that British gold coin for the first time was given official acceptability in the colonies) and reading the colonists a homily on the desirability of eliminating the dollar. Thereafter for a year or so the Commissariat offered bills weekly, and then at intervals convenient to itself; the practice developed of selling, when the rate appeared favourable, more than sufficient to supply immediate needs for cash, and then suspending drawings if the market were adverse.

Sometimes judgment erred, or the difficulties were too great, and then the Commissariat fell back on aid from its competitors, the banks. Thus in 1844 the Commissary in Sydney found himself short of funds and able to sell his bills only at a discount of 5 per cent; in Tasmania the situation was much the same. Asked for help the Union and Australasia offered to buy Commissariat bills up to £12,000 per month in New South Wales and £22,000 in Tasmania (divided equally between the two banks) at 11/2 per cent discount, provided that these two banks should receive all available bills. The agreement ran to the end of the year and the banks at first did well out of it, reselling the bills at 2 per cent premium in Tasmania. But they burned their fingers, for in the last third of the year the exchange rate
showed a heavy discount on sterling,\textsuperscript{98} while when the agreement expired the Commissary was still without expected remittances of coin and was forced to sell bills in competition with the banks, at a heavy discount.\textsuperscript{99} A new solution was reached by the two banks lending the Van Diemen's Land Commissariat cash directly, £60,000 (half each) for six months at 6 per cent per annum, a precedent followed again the next year.\textsuperscript{100} It was little more than ten years since, in a market with no English banks, the Commissariat could announce its fixed rate with a take-it-or-leave-it air; its collapse to a minor place in the exchange market was so complete that it had to appear as a supplicant to its chief rivals.

The main factor in that decline was the vastly increased volume of London funds\textsuperscript{101} derived from investment from Britain, and the new high level of export proceeds, operating through a growing number of banks and other agencies. The decline was to be accentuated by the cessation of transportation, to New South Wales in 1840 and to Tasmania in 1853, with the consequent reduced expenditure to be made by bills. In South Australia and Western Australia, where no convicts were being sent, expenditure was small and the Commissariats were never important in exchange dealings.\textsuperscript{102} While the various Commissariats continued for many years to offer small and declining amounts of bills, they never again counted for much in the foreign exchange market.

A further factor in removing them from the public exchange market was their use for inter-governmental transfers which did not therefore come into the general market. The precedents for this had been set in the earlier loans from the New South Wales government to the Commissariat.

Systematic arrangements for inter-governmental transfers first developed in connection with the finance of the activities of the Agents-General of the several colonies in London. A minor source of sterling for their use was the practice adopted in the early 'thirties by which they assisted the less well-to-do migrants to transfer their funds by taking them in London for payment by the colonial government at par. This came to be frowned upon, but the system was continued in restricted form for those migrants (but only those) who wished to purchase land, sums paid to the Agents-General being credited in the colonies for land purchase.\textsuperscript{103} But sums so received were not sufficient to meet the Agents' expenditure, especially in connection with assisted immigration, and there came to be accepted as normal and regular arrangements by which the British Treasury advanced sums to the Agents and the colonial government concerned repaid the local Commissariat, thus reducing its need to sell bills. Though the colonies were at first dilatory in repayment, the system worked well and was maintained.\textsuperscript{104}
The principle thus established, this mode of transfer became normal for many forms of inter-government payments. When bounty payments for immigrants were revived after the slump, the same method was used for payment in England of bounties due by the colonies. New South Wales used it to pay interest on its debentures held in England and to repay principal. South Australia used the same procedure to purchase materials for the Adelaide and Port Railway. That colony saw the fullest development of this method of making immigration payments. Because of its late settlement and mining boom, land purchase was heavy in the late 'forties and the local accumulations in the Land Fund were more than the local Commissariat required. The practice developed, with English blessing, that any surplus in the Fund was paid to the Commissariat which shipped the specie to other colonial Commissariats in need, especially that in New Zealand, the amount being credited to the colony's account with the Land and Emigration Commissioners in London. Resort was still had to the alternative of buying bills from one or other of the banks if they offered them at a discount (the Commissariat dealings were all at par) or if, as happened on occasions, the amounts exceeded Commissariat requirements.

In these various ways very substantial sums were transferred outside the general market, and to that extent the rapidity of the decline in Commissariat exchange dealings was exaggerated. But the transactions were not fully separated from the ordinary market, for, as has been noted, the use of the facilities of the banks was always a possible alternative, used if the rate were more favourable. There was, in this, a part of the explanation why the ordinary market rate was kept within a narrow range of variation from par, since the Commissariats and local governments might, and did, enter or withdraw from that market if rates diverged substantially from par, and the volume of their combined transactions was large enough to affect the level of rates.

The Outside Market

The banks were far from monopolizing the market, for there continued an “outside market” made up of mortgage companies, bill and share brokers, individuals and firms handling exports, especially wool, and various individuals and firms who might at any time buy or sell exchange outside the banks if that were the more profitable course. Although the market increased in absolute size in the 'forties as compared with earlier periods it was, except for the foundation stage of the mortgage companies, of small dimensions compared with the operations of the banks. What was important was that it could expand at any time at the expense of the banks
if their rates were in conflict with market realities, and that potential competition kept a substantially free market in exchange.

In the early 'forties the mortgage companies temporarily made substantial inroads into the exchange position of the banks. Boyd's Royal Bank added to its minor note issue only one other banking function, that of selling bills on London, which was Boyd's technique of transferring the funds extracted from his victims. These continued to be offered for some years, until the crash was imminent. For a brief period in 1847 the Bank of Australasia, ever willing to contain the activities of exchange competitors, took all the Royal Bank's bills, about £3,000 per month, but the London Court, better placed to catch the whispers, forbade any such purchases unless the bills were fully secured by bills of lading.

In these dealings, the Royal was the flamboyant forerunner of the Trust and Loan Companies and their imitators. All were, in their establishment years, important sources of London funds, for their capital had to be transferred to the colonies for lending. Hence they were through most of the 'forties substantial sellers of bills on London, thus initiating a branch of the exchange market which was to be important for another half-century, reaching its climax in the multifarious investment companies promoted in Britain in the 'eighties. Their chief importance in the present context is that they were serious competitors in the banks' growing control of the market, the more obviously so since they sold their bills by tender instead of announcing a rate as did the banks, and do not appear ever to have joined the intermittent bank agreements on rates which the Australasia and Union promoted. But of necessity once their funds were transferred and invested, their place in the exchange market became a minor one, and the banks dominated the field from the mid-'forties until the discovery of gold in 1851, subject always, however, to the threat of the outside market.

Some participants in the outside market were merely casual dealers. Thus the French Consulate on occasions offered bills by tender in preference to dealing through the banks, and there were others who occasionally offered bills by public advertisement, and, rarely, those who sought them by the same method. More regular dealers comprised three main groups. There were first, on a small scale, offices whose primary business was in exchange. Baring Bros. were reported in 1840 to be appointing a Sydney agent, who would issue letters of credit and sell bills of exchange, but his operations, if any, left no mark. In June 1841 the Bank of Asia opened a Sydney agency, restricted to foreign exchange business, which would, it assured the public, “therefore not interfere with existing establishments”. In the late 'forties there was a “bullion office” opened by Birnstingl and Co. actively seeking the business of money changing and apparently
getting it on a substantial scale.\textsuperscript{116}

The second group comprised those whose main business was as brokers, arranging dealings in shares, mortgages and other loans, who found it a natural extension to buy and sell bills on England, and occasionally elsewhere. In Sydney in the 'forties it is possible to identify in this group, as illustrative of the general situation, Charles Beilby, S. & S. Speyer, Abercrombie & Co., B. S. Lloyd and J. W. Barrett, and there were others who were probably of the same group.\textsuperscript{117}

The third group was made up of dealers in exports. As was noted earlier, outright purchase and shipment of wool was a recognized technique of remittance and it continued to be important. But there was also a growing number of firms, the earliest form of the pastoral companies, who, in addition to their business as merchants selling imports mainly to pastoralists and buying or advancing on wool and handling its export, adopted the practice of dealing in export bills. This grew naturally out of loans to woolgrowers in which the common practice came to be that loans in the form of liens on the growing wool could, in effect, be extended until the wool was sold in London. The formal procedure was to discount bills for the pastoralist, secured by bills of lading for the wool, which it was usually insisted should be consigned to a specified English agent. The dealings of Swanston have already been noted, but he was only one of many. Thus a single issue of the \textit{Sydney Herald} chosen at random in the mid-'forties shows eleven firms in Sydney seeking this type of business, as well as many wanting outright purchase of wool.\textsuperscript{118}

In all these various ways the banks had to face competition in exchange. Those noted here are only samples of the dealings which achieved the publicity of advertisement, and much business must have been done by less formal and less public methods. Moreover, this “outside market” was obviously capable of rapid expansion and the banks had therefore to lead a market to which they could not dictate.\textsuperscript{119}

By the end of the 'forties, then, the exchange market had taken the shape it was to hold for half a century. In a dominant but not exclusive position were the banks, acting with some measure of agreement as to rates,\textsuperscript{120} but subject always to the competition of a heterogeneous “outside market” in which the major part was taken by pastoral companies dealing in exports and by investment companies feeding the economy directly with London funds.\textsuperscript{121} Except for the dollar episode of the 'twenties, the linking of the Australian pound to sterling was never questioned. Already there were signs of the development into a system of the practice of substituting fluctuations in London funds for movements in specie, and, through the mechanism of a close relation between London funds and domestic lending
policy, keeping exchange variations within narrow limits. This mechanism was, at this stage, most obvious in the case of the English banks which were prepared to hold large excess London funds and, if necessary, reduced them by remitting coin in preference to a large discount on sterling if the balance could not be restored by letting local boards have their heads in lending; depleted London funds were replenished by the converse alternatives. The practice was supplemented by the domestic use of British coin, and the continuous supply of British notes brought by immigrants which were available for export if exchange rates became unfavourable, and by the activities of the Commissariat, linked with local government finance in the later 'forties. There were, in fact, considerable movements of specie by the banks and, in the 'forties, by the Commissariat, which operated in the traditional gold standard manner to maintain a rough stability of exchange rates. But such movements of gold were much less than would have occurred had it not been that the English banks and those colonial ones which established London offices were content to see their London funds vary widely.

1 See above.

2 E.g., for New South Wales: Sydney Gazette, 15 November 1822 (the first), 23 January, 6 March, 3 April, 24 April, 12 June, 10 July, 21 August, 9 October, 27 November 1823, 15 January, 1824; for Tasmania, Hobart Town Gazette, 28 December 1822 (the first), 8 February, 17 May, 26 July, 27 September, 20 December 1823, 6 February, 28 May, 16 July 1824, 4 February 1825, 14 October 1826. Commencing with 10 July 1823 in New South Wales and 6 February 1824 in Tasmania, the Commissariat ceased to announce the amount offered.

3 Sydney Gazette, 5 January 1826. Order dated 31 December 1825.

4 The last invitation to tender appears to be Hobart Town Gazette, 14 October 1826, despite the earlier announcement, ibid., 27 May, of the new system.

5 For New South Wales, Sydney Gazette, 2 February 1827; for Tasmania, Hobart Town Gazette, 20 September 1828. The reason for delaying the announcement in Tasmania is not clear; it may have been a repetition but if so the original notice has not been found.

6 Announcement of 11/2 per cent, Sydney Gazette, 7, 9 May 1828; Hobart Town Gazette, 14 June 1828.

7 E.g., Sydney Gazette, 29 March, 11 November, 1826.

8 E.g., ibid., 25 February, 10 May, 15 November 1826; 28 September 1827.

9 E.g., Tasmanian, 30 August 1827; Hobart Town Courier, 10 November 1827; 30 August 1828; 14 March 1829; 23 January, 3 April, 25 December 1830.
10 E.g., *Sydney Gazette*, 8 May 1823, 30 June 1829; *Launceston Advertiser*, 23 March 1829.


12 E.g., *ibid.*, 14 June 1826, Aspinall Browne & Co. seeking bills on London; *Tasmanian*, 29 March 1827, bills wanted on London, Edinburgh or Glasgow; *Independent*, 12 November 1831, bill on Sydney wanted.

13 *Sydney Gazette*, 14 March 1829.

14 *Ibid.*, 11 June 1829. See also 20 June 1829 for his advertisement for lenders on mortgage.


17 Rule 44, in “Minutes”, 7 February 1817.

18 “Minutes”, 5 August 1817.


20 Letter by Campbell, 16 May 1817, copied in “Minutes”.

21 “Minutes”, 23 February 1819.

22 Letter of 21 March 1820, copied in “Minutes”.

23 “Minutes”, 11 January 1820, accounts recording a bill on Glynn Mills & Co. for £300.


25 *Ibid.*, 30 April, 1, 2, 10 May, 18 July 1822.


27 E.g., “Minutes”, 21 July 1819.


30 *Sydney Gazette*, 20 May 1826.


33 Balance sheets for June and December 1834 in “Colonial Secretary In-Letters”, “Banks” 1834. Too few of these balance sheets survive to justify certainty; there are none earlier, none for 1835 and only a few thereafter.

34 p. 433. Martin's information seems usually to have come down to late 1837.
35 Sydney Gazette, 12, 16 May 1828.

36 For Peel and Levey, see above; for Levey's death in London, above. Professor R. C. Mills tells me that in investigations for Colonization of Australia he found claims by Levey to be the original Swan River promoter.

37 See Chapter 8.

38 The theoretical third possibility, of exchange control in the modern sense, is irrelevant.

39 Franklin Lewis to Officer Commanding the Forces at Van Diemen's Land, 29 September 1827 (a circular despatch). “Inwards Despatches”, Vol. 41, p. 43.

40 p. 167. This is the first quotation of rates for private bills; a statement of inability to quote rates appeared in 1826 and was copied as routine in the volumes for 1827–9, so that the regular existence of two rates, for Treasury and for private bills, was probably well established by 1830.

41 In general in this study the modern forms of 103 or 99 are adopted, except, of course, in quotations from contemporary sources. By “local money” is meant any money circulating in Australia, including British coinage.

42 This holds virtually for the whole period, subject to some shorter usances introduced in the 'forties by the Commercial Bank of Sydney. Kinnear (Bank of Australasia, “Letters to London”, 10 May 1837) warned the London Board against its proposal to extend the term to 60 days after sight.

43 Cf. several references to the practice in the evidence before the Committee on the Debenture Bill, V.P.N.S.W., 1841.

44 This was expenditure 1828–31 (inclusive) on certain local works which had been transferred in 1827 from Imperial to local charge, but which, in fact, the Commissariat had continued to meet. Bourke's address to Council, 19 January 1832, and Minute of 19 July 1832, V.P.N.S.W.

45 E.g., Sydney Herald, 28 May 1832.

46 Precise time uncertain; loan referred to in Bourke's Minute of 14 October 1834, V.P.N.S.W.

47 This and all subsequent references to “par”, “discount” and “premium” are, unless otherwise described, in terms of contemporary usage.

48 D.-C.-G. Laidley to Bourke, 10 October 1834; Bourke's Minute 14 October 1834, V.P.N.S.W.; Sydney Herald, 3 March 1834.

49 V.P.N.S.W., 1835, Minutes by Bourke, 1 July and 28 July.

50 V.P.N.S.W., 18 August 1835.

51 The money was duly paid by the Commissariat in 1836. Abstract of Revenue and Expenditure, V.P.N.S.W. 1837, pp. 596–7. For the despatch of the bills, Bourke to

52 For details, see Chapter 6.

53 N.S.W. *Government Gazette*, 4 March 1835; *Hobart Town Gazette*, 12 August 1836. For the loss of coin from Tasmania by arbitrage in this period, see above.

54 “Minutes”, 22 October 1835.


56 Launceston “Minutes”, 2, 3 May 1836; “Letters to London”, 9 May, 1 June 1836. *Ibid.*, 9 July 1836, records that Hobart had then changed to selling on London at 100 and Sydney at 102, eliminating the Commissariat from the market—and thereby intensifying the hostility of the Governor. Arthur was reported as describing the Bank as a great public evil and declaring his determination to aid the other banks against its competition.

57 “Letters to London”, 4 September 1838. This notes a justifiable divergence in Hobart and Launceston selling rates (the former 104 on Sydney and 102 on London; the latter 105 and 102½).

58 Launceston “Minutes”, 16 August 1836.

59 *Sydney Herald*, 7 January 1836.

60 E.g., “Letters to London”, 1 May 1837.

61 E.g., *Sydney Herald*, 7 January 1836; cf. *Cornwall Chronicle*, 19 November 1836: “In consequence of the approach of the shipping season, the public are informed that good bills on England will be purchased.”

62 “Letters to London”, 5 October 1838.


65 Advertisement of 6 June 1836, copy appended to “First Report”.


67 “Letters to London”, 19 May 1837. Bills were bought, Government 5 per cent discount, prime commercial 7 per cent, “second rate” 10 per cent.

68 “Letters from London”, 31 January, 28 March, 4 April 1840; 29 March, 5 May, 24 June 1841.
69 Ibid., 10 November 1841; 7 February 1842 fixes the margin at 10 per cent.

70 Hindmarsh to Glenelg, 14 July 1838.

71 Gawler to Colonization Commissioners, 26 October 1838.

72 Gawler, 27 October 1838.

73 Details of Gawler's drawings are given in his despatches from October 1838 onwards, at frequent intervals. In that of 23 August 1839 he declared: “I am only yielding to most imperative and unavoidable necessity. I have no present alternative. The affairs of the Colony could not go on without such assistance.”


75 “Letter Book”, 24 October 1840 (Swanston). For an account of the decision to despatch the manager to London to organize an office and local board there, *Cornwall Chronicle*, 28 October 1840.

76 *Sydney Herald*, 20 July 1840.

77 Ibid., 8 October 1841.

78 Ibid., 8 January 1844.

79 E.g. (apparently first offer of bills on its new agents): Bills at 1 day after sight 104; 30 days after sight 103½ (the rate charged by the “Anglos”); 6 months after date 103. Similar offers continued; normally other bank bills were at 30 days after sight and the Commercial rate for such is the one recorded in Appendix.

80 For an example of its having to conform, Bank of Australasia, “Letters to London”, 3 October 1845.

81 Except the Bank of Van Diemen's Land and the Commercial of Tasmania which did not move at all. For the Western Australian Bank, see Chapter 11.

82 “Minutes”, 10 February 1845; *Sydney Herald*, 22 January 1845.

83 “Minutes”, 26 November 1845; 15 October 1847; *Sydney Herald*, 14 October 1847.

84 *Sydney Herald*, 21 January 1850.


86 Ibid., 26 December 1835; 1 January 1836. The terms agreed upon, subject to Treasury consent, were:

(a) the Bank to take bills up to £20,000 in any month, with choice of date
and size of bills;
(b) the Commissariat to retain the right of public offer, to avoid charge of monopoly against the Bank;
(c) the Commissariat to keep its account with the Bank.

The last was implemented, with interest on credit balances (ibid., 30 March 1836).

87 N.S.W. Government Gazette, 29 August 1838. Operative from 13 August.


89 Union Bank, Hobart, “Minutes”, 1 March 1839.

90 Original instructions of 2 February 1841 have not been found; account above in summary in Treasury Minute, 29 March 1842, enclosed in Stanley to Gipps, 12 April 1842, H.R.A., I, xxii, 5–6.

91 Hobart Town Courier, 25 June 1841.

92 For sample protests, Hobart Town Courier, 25 June 1841; Advertiser, 6 July 1841. Courier of 9 July 1841, while repeating the notice, followed it with an invitation to tender; in fact an Australasia tender of 1011/4 was accepted. Cornwall Chronicle, 31 July 1841.


94 Before these instructions arrived the Van Diemen's Land Commissariat was accepting tenders half in local currency (i.e., dollars). Hobart Town Advertiser, 27 May 1842.


97 According to Swanston, loc. cit.

98 See rates for New South Wales in Appendix.

99 E.g., “Swanston Letter Book”, 1838–45, Hamilton 27 January 1845. In New South Wales bank bills were selling at 96 in February 1845. See Appendix.

101 The first use of this term, unmistakably in its modern sense, appears to be in “Fourth Report” (1840) of South Australian Company, p. 20: “Loans have also been occasionally made to the local Government, which have added to the demands on your London funds.” It is used, it will be noted, in an English document.

102 For the W.A. Commissariat see above. For that in South Australia, see below.

103 For the early phases, Glenelg to Bourke, 9 May 1836, and enclosures, H.R.A., I, xviii, 413–14, where the existence of satisfactory agencies for remittance is given as the reason for abolishing the arrangement. For the land purchase transfers, Normanby to Gipps, 26 March 1839, H.R.A., I, xv, 70–1; the same, 4 May 1839, ibid., 135–6; Gipps to Normanby, 28 August 1839, ibid., 298; Russell to Gipps, 31 May 1840, ibid., 646–7. For the later use of the Commissariat for this purpose, in Van Diemen's Land, Grey to Denison 20 August 1847, “Inwards Despatches”, 79, pp. 428–32; in South Australia Grey to Robe, 16 August 1847.

104 For the general principle, adopted when the old system of migrants' remittances was abolished, Treasury to Colonial Office, 2 April 1836, enclosed in Glenelg to Bourke, 9 May 1836, H.R.A., I, xviii, 414. For Treasury insistence that expenditure must be authorized in advance by colonial governments, Stanley to Gipps, 10 April 1844, H.R.A., I, xxiii, 531; for Tasmanian failure in prompt payment, Stanley to Wilmot, 1 November 1844, “Inwards Despatches”, 69, pp. 363–5; Grey to Denison, 25 October 1848, “Inwards Despatches”, 84, pp. 63–4 (sums due to Colony by Commissariat withheld to offset Colony's debt). Despatches for all the colonies record frequent transactions.

105 Stanley to Gipps, 18 September 1843, H.R.A., I, xxiii, 148–9; the same, 6 November 1843, ibid., 213; Grey to FitzRoy, 30 August 1847, H.R.A., I, xxv, 728–31; FitzRoy to Grey, 8 January 1848, H.R.A., I, xxvi, 160–1. For the various schemes of assisted migration, R. B. Madgwick, Immigration into Eastern Australia, 1788–1851.

106 Gipps to Stanley, 28 November 1843, H.R.A., I, xxiii, 228–9; the same, 3 January 1845, H.R.A., I, xxiv, 172; Gipps to Gladstone, 8, 10 July 1846, H.R.A., I, xxv, 134, 139; FitzRoy to Gladstone, 4 November 1846, ibid., 244–5.

107 Young to Grey, 17 November 1851.

108 I have not been able to trace the development of the South Australian Commissariat clearly. It was first established at the end of 1841 or early 1842, as a branch of that in Van Diemen's Land by local arrangement between the two colonies. (Grey to Stanley, 18 April and 6 June 1842); the British Treasury directed its abolition (the same, 4 August 1843); but it was again in operation sixteen months later (e.g., the same, 14 January 1845) and thereafter continuously.

109 For Grey's proposal of the scheme to Stanley, 3 September, 25 October 1845; for approval Grey to Robe, 6 November, 12 December 1846. Operations, in advance of approval, are recorded in many despatches, large sums being sent to Van Diemen's Land, New Zealand, Western Australia.
110 First advertisement, *Sydney Herald*, 18 August 1842 (offering bills from £50 to £500).

111 “Letters to London”, 26 February, 9 September 1847. Hart said the Royal had ceased to be a bank, and becoming a “graziers’ company” had invested its capital in pastoral property, exporting colonial products to London at the rate of £60,000 a year. It is a tribute to Boyd’s skill that Hart evidently believed this, and that it was a sound concern.

112 Illustrative of the scale of operations and frequency of offers is the following table of Trust Company bills offered from its beginnings to the end of 1843:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sydney Herald</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ ? (30 days sight) 26/7/41</td>
<td>22/9/41</td>
</tr>
<tr>
<td>25,000</td>
<td>19/1/42</td>
</tr>
<tr>
<td>25,000</td>
<td>3/3/42</td>
</tr>
<tr>
<td>20,000</td>
<td>5/5/42</td>
</tr>
<tr>
<td>8,000</td>
<td>3/6/42</td>
</tr>
<tr>
<td>20,000</td>
<td>8/9/42</td>
</tr>
<tr>
<td>£25,000</td>
<td>5/10/42</td>
</tr>
<tr>
<td>10,000</td>
<td>17/11/42</td>
</tr>
<tr>
<td>10,000</td>
<td>31/3/43</td>
</tr>
<tr>
<td>10,000</td>
<td>31/5/43</td>
</tr>
<tr>
<td>20,000</td>
<td>24/6/43</td>
</tr>
<tr>
<td>10,000</td>
<td>8/8/43</td>
</tr>
</tbody>
</table>

The list may not be quite complete; bill sales were thereafter suspended because, in view of the slump, further capital was not required.

113 E.g., *Sydney Herald*, 15 September 1847, 4 April 1848, 1 August 1850.

114 *Sydney Herald*, 7 September 1840.


116 *Sydney Herald*, 15 May, 7 June, 3 September 1849. The firm sought to buy gold, silver, foreign coins, English, Irish and Scotch bank-notes and French Government bills, and could offer 1,500 “dollars for California”. Business was apparently mainly with ships’ crews and immigrants.

117 For illustrative advertisements, *Sydney Herald*, 3 December 1842 (Beilby); 14 November 1842 (S. & S. Speyer, buying dollars); 6 March 1843 (Abercrombie & Co., selling Calcutta bills); 19 June 1843 (B. S. Lloyd); 14 May 1847 (J. W. Barrett).


119 This situation was long-lived. The most recent occasion on which the outside market (made up of very much the same elements even if in modern dress) forced
the banks to modify exchange policy was in 1929–31. Not until the introduction of complete exchange control in 1939 did the banks occupy the whole market, and then only as agents of the Commonwealth Bank.

120 See below.

121 In the last third of the century borrowings in London by colonial governments were heavy and frequent; transfer of the funds, however, was usually handled by an individual bank or a syndicate of banks operating in Australia.
Chapter 14 Banking Practice and Policy

THE formal organization and structure of the colonial banks does not call for detailed discussion. The Australasia, the Union following the same model, and the South Australia adapting it to the case of a bank with one colonial office, were all special cases. If the fiction of incorporation in the Bank of New South Wales charter be ignored, until the case of the Commercial of Sydney in 1848 every colonial bank was in law a partnership, and, with minor exceptions, in organization a joint-stock company with unlimited liability. As such they comprised shareholders (commonly then called proprietors) who elected directors in whom real control resided, but who always had to reckon with insubordinate general meetings every half year. For voting purposes the standard practice was to limit the power of large shareholders by a scale of declining votes-shares ratios, but to offset this to some degree by making the holding of a number of shares a qualification for a director. Throughout the period directors' meetings exercised close control over day-to-day business—normally it was directors who approved bills for discount, for instance—but from the time of the 1830 Derwent experiment salaried full-time managers became the general rule and necessarily as business grew more and more routine matters were disposed of by managerial authority.

The technique of capital raising presented more novelty. Face value of shares was high in the 'twenties, reflecting the absence of a market for capital in any useful sense of the term market. Flotations, as has been seen, were usually the work of cliques, even where there was a show of public offer of shares. By contrast in the 'thirties share values were low and public subscriptions were genuinely invited. These were inevitable consequences of the scramble for capital, but went along with and were made possible by the development in primitive form of a capital market and the germ of a stock exchange. The 'thirties saw many other joint-stock companies beside banks, but banks remained the most important group and their shares the dominant element in the share market; moreover, the growth of organization for trading in shares was especially important to banks in a period of repeated increases in bank capitalization and new bank formations. It is therefore necessary to trace in outline the emergence of a share market.

In the 'twenties it was non-existent. Not only were original capital-raisings semi-private, but dealings in shares were primarily by individual negotiation, their most public form being the ad hoc newspaper advertisement of shares offered or wanted. In its time of need in 1828, for
example, the Bank of New South Wales found it necessary to call a *public* meeting to consider the best way of disposing of unsold shares.\(^6\) To this period belongs the practice, continued through the 'thirties by the Banks of New South Wales and Australia, of voluntary subscriptions. For later banks the rule was for successive calls, payment of which was enforced (by forfeiture), but these two continued exceptions. Thus in 1834 Bank of New South Wales shareholders were “at liberty” to pay up £15, those of the Australia £10, both banks repeating the permission the following year; the result was that individual shareholders held shares paid to all degrees.\(^7\) Such practices complicated not only calculation of dividends, but, more importantly, share dealings, and were not followed by banks formed in the 'thirties.

The most common method of transfer of bank shares in the early 'thirties was by public auction, although sales by private treaty are recorded and no doubt many more occurred. Some degree of specialization showed itself, as for example W. Barton who described himself in 1835 as “agent for the transfer of shares”\(^8\), James & Co. who a year or two later were regularly offering to sell or to buy bank and insurance shares\(^9\), or W. P. Burne who in 1837 opened a broker's office dealing in shares and arranging mortgage loans.\(^10\) The first suggestion of an embryo stock exchange was, in the same year, the opening by Isaac Simmons & Co. of a “Chamber of Commerce” where they undertook to maintain lists of share prices as a basis for dealings which the public were invited to undertake there.\(^11\)

It was a very imperfect market, as the wide variations in price, even for the same shares in a short period, suggest:\(^12\)

<table>
<thead>
<tr>
<th>Date</th>
<th>Bank</th>
<th>Premium per cent on amount paid up</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/6/33</td>
<td>Australia</td>
<td>1121/2</td>
</tr>
<tr>
<td>31/8/33</td>
<td>N.S.W.</td>
<td>50</td>
</tr>
<tr>
<td>12/10/33</td>
<td>N.S.W.</td>
<td>80</td>
</tr>
<tr>
<td>16/11/33</td>
<td>Australia</td>
<td>70</td>
</tr>
<tr>
<td>16/12/33</td>
<td>Australia</td>
<td>621/2</td>
</tr>
<tr>
<td>6/3/34</td>
<td>Australia</td>
<td>110</td>
</tr>
<tr>
<td>5/4/34</td>
<td>Australia</td>
<td>75</td>
</tr>
<tr>
<td>22/7/34</td>
<td>Australia</td>
<td>75</td>
</tr>
<tr>
<td>21/8/34</td>
<td>N.S.W.</td>
<td>70</td>
</tr>
<tr>
<td>6/9/34</td>
<td>N.S.W.</td>
<td>95</td>
</tr>
<tr>
<td>6/9/34</td>
<td>Australia</td>
<td>771/2</td>
</tr>
<tr>
<td>15/1/35</td>
<td>Commercial</td>
<td>15</td>
</tr>
<tr>
<td>9/3/35</td>
<td>N.S.W.</td>
<td>50</td>
</tr>
<tr>
<td>28/3/35</td>
<td>N.S.W.</td>
<td>731/2</td>
</tr>
<tr>
<td>12/5/35</td>
<td>N.S.W.</td>
<td>65</td>
</tr>
<tr>
<td>23/5/35</td>
<td>Commercial</td>
<td>60</td>
</tr>
</tbody>
</table>
The general level of these premiums reflects the size of dividends, and to some degree the fluctuations may be explained by sales with and without dividend, but the main explanation is the absence of a regular market and the small number of shares usually changing hands.

By the early 'forties, although \textit{ad hoc} advertisements and sales by auction were still common, regular sharebroking was practised by a few specialists, the two most important in Sydney being Barton and Charles Beilby. Barton was describing himself as a “sharebroker” or “share and money broker” regularly offering to buy and sell shares in banks and other companies; by 1844 he had a printed share list for regular distribution to customers.\textsuperscript{13} Beilby was also very active until the middle 'forties.\textsuperscript{14} Complete specialization was still to come; both Beilby and Barton still arranged mortgage loans, sold goods on commission and discounted on their own account. But they and their less important and less specialized competitors (for the most part primarily auctioneers) illustrate how extensive and regular dealings in bank and other shares had become. Other illustrations are the production by Barton of the first guide for investors,\textsuperscript{15} and the publication by the \textit{Sydney Herald} of a regular share price list from 1839 until the slump.

\textbf{Banking Policy}

\textit{(a) Note Issue}

All the banks were assiduous in seeking to promote note issue. Typical is the early exhortation of J. T. Campbell to shareholders in the Bank of New South Wales: “It cannot, Gentlemen, be unknown to you, that one direct mode of increasing our disposable funds, is the throwing as many as possible of our Bank Notes into circulation. This is an object worthy of the attention of every individual subscriber to the Bank.”\textsuperscript{16} Equally assiduous were the attempts to suppress the notes of private firms and the promptness with which notes of rivals were presented for clearing. Beyond this it is not possible to detect any conscious note issue policy. The view uniformly and continuously held was that the volume of note issue was determined simply and directly by the demand of the public; nowhere is there even a hint of recognizing a connection between advances and note issue.

Thus in 1831 in a joint reply to queries by the governor, the Derwent and Van Diemen's Land Banks declared that note issues “may be said to regulate themselves. No exertion of ours, or of all the banks combined, can make the public keep more bank notes in their hands than they have
occasion for”. The Cornwall took the same view. The same opinion was still generally held in the 'forties. Thus Hart of the Australasia declared: “The Banks in this Colony have not the power, as in England, of forcing their notes into circulation; for if an issue beyond the legitimate wants of trade were attempted, the excess of issue would find its way back in one week, and would have to be met by a payment of specie in the settlement with the other banks, which is made every Monday, on the principle of the ‘clearing house’ in London. . . the circulation of Bank notes in this Colony is governed entirely by the demand of its trade; it cannot be forced into excess by the banker, and the fluctuations in it have not, I think, been greater than they would have been, had it been a purely metallic currency”.18 The Sydney Herald was just as certain: “The Banks are the mere agents of the Colonists, moved at their bidding. Bank notes are not forced upon the people; they are merely issued on demand, and on demand they are converted into coin of the realm. The contraction and expansion of the currency are the acts of the public; controlled and regulated by the necessities and convenience of business.”19 This was a comfortable view in colonies in which there was no legal tender law, no central bank, no legal control over the total volume of bank loans, and only a very primitive control by the banks themselves through a loosely applied rule of thumb concerning reserves against all liabilities.

It may perhaps be added that in the latter part of the 'forties the banks were beginning to doubt the value of note issue. Thus the Inspector of the Union Bank thought the trouble and expense outweighed the profits, and would have welcomed abandonment if a readily convertible substitute had been available.20 The manager of the Commercial of Sydney thought “the banks would be better off without a note circulation if the effect were to allow us to do business unrestricted”.21 Nevertheless, the only bank to abandon note issue was the Derwent, and it only because of conversion to mortgage banking; it took the prohibitive tax of 1911 to eliminate trading bank note issues.

(b) Lending Policy

The establishment of the Bank of New South Wales led, as has been noted, to the substitution of the bill of exchange for the promissory note, and the discount of bills was the main part of the bank's lending, although it admitted other forms of loan. The original rules22 provided that discounts should be limited to three months bills, with preference for those of two months. Mortgages were not to exceed twelve months, nor in total more than 20 per cent of the bank's capital. Loans against bullion or plate to half-
value, might be made for nine months, but deposit of the bullion was required as well as a promissory note, and little business resulted. Loans of any type to any one individual or firm were limited to £500. These were cautious rules, but they were made more restrictive as business began. Bills for discount must bear three names and be either drawn by or payable to a Sydney resident; bills under £20 were not taken.23 No town mortgages were taken, nor mortgages on buildings without the land; the amount of a mortgage loan was limited to 5s. per acre for uncleared land and 10s. for improved.24 The rules were not always observed. Thus the limit of £500 on bills for discount and the requirement of three names had to be re-affirmed.25

The restrictions on mortgages were relaxed in the light of their small amount. The total limit was raised from one-fifth to one-half of the capital, and loans on town allotments were permitted.26 Nevertheless they continued to be only a modest part of the business:

**BALANCE SHEET**

**FIGURES**

<table>
<thead>
<tr>
<th>Date</th>
<th>Bills Receivable</th>
<th>Mortgages</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/1/18</td>
<td>£5,693</td>
<td>£1,381</td>
</tr>
<tr>
<td>30/6/18</td>
<td>11,949</td>
<td>1,082</td>
</tr>
<tr>
<td>31/12/18</td>
<td>25,745</td>
<td>2,539</td>
</tr>
<tr>
<td>30/6/19</td>
<td>28,908</td>
<td>3,622</td>
</tr>
<tr>
<td>21/7/19</td>
<td>?</td>
<td>1,280</td>
</tr>
<tr>
<td>11/1/20</td>
<td>23,095</td>
<td>4,132</td>
</tr>
<tr>
<td>30/6/20</td>
<td>19,479</td>
<td>1,239</td>
</tr>
<tr>
<td>30/12/20</td>
<td>19,405</td>
<td>4,172</td>
</tr>
</tbody>
</table>

For the failure of this type of loan to expand there are good reasons. The limit of advance per acre meant that each loan was modest. The number of those who could offer satisfactory security was small. Most land occupiers did not own their land, and of those who did many had titles which were far from clear, and many were already involved in mortgages to individuals and merchants. In short, very few of those who could have satisfied the scrutiny of the bank’s solicitor of their titles were in need of loans of such small dimensions (and some of these were not the people to bind themselves by such a solid form of security). The bank therefore readily accepted, after these early years, the transplanted convention that mortgage lending was not sound banking, and concentrated on discounting.

This convention found formal expression in various pronouncements of the British government. The policy of hostility to bank loans on the security of real estate was crystallized in the discussions of the Bank of Australasia charter and the first Colonial Bank Regulations. The Bank of Australasia was prohibited from making such loans although it might
dispose of lands taken in settlement of debt, a proviso which opened a loophole of some importance. The Colonial Bank Regulations\textsuperscript{28} embodied the same prohibition, which had taken high place in all the discussions and had been applied to specific cases in other than Australian colonies.\textsuperscript{29} But the impact of these regulations on Australian banks was negligible, for they were directions as to the provisions which colonial governors should insert into local acts relating to banks which might be passed in the future, and did not command amendments in existing acts. Since almost all the banks already had individual acts or operated, as in Western Australia, under a general law, no change was involved until such acts were amended or replaced, and by then it was the 1846 Regulations which applied.

The Bathurst Bank was unfortunate in that its act was received in London after the Regulations had been issued, and contained explicit power to make loans on real estate. For this reason, although it had been enacted before the Regulations were adopted, it was summarily disallowed,\textsuperscript{30} although the same despatch allowed the Union Bank Act of the New South Wales Council which, being silent on the point, did not exclude such loans. This was not an isolated case of apparent inconsistency, for similar acts had been regularly allowed during the late 'thirties, that is, after British policy was settled; presumably the British view was that it was unnecessary to prohibit what was not part of “the ordinary business of banking”.

In the colonies, however, the opposite view was taken; what was not prohibited was allowed. Of the various individual bank acts in New South Wales those for the Bank of Australia (1827 and 1833\textsuperscript{31} ), of New South Wales (1828), Commercial of Sydney (1835), Union (1839), Sydney and Port Phillip (1840) contained no prohibition of lending on real estate. In Tasmania acts for the Bank of Van Diemen's Land, Derwent, Cornwall (1830), Commercial of Tasmania, Tamar (1833), Union (1838) and Colonial (1840) were silent on the point, as was the consolidating act (5 Vic., No. 17) which replaced all these. In South Australia the act for the South Australian Company (1840) and the act which followed the separation of the bank from the Company (1843) did not prohibit real estate loans, even though the latter followed the issue of the Regulations. In Western Australia the general act of 1837, under which the Bank of Western Australia and the Western Australian Bank in turn operated, likewise contained no explicit restriction.

Following the 1846 revision of the Regulations, in New South Wales the occasion was taken, as individual acts were amended or replaced, to insert the prohibition: Commercial of Sydney (1848) and New South Wales (1850). The Bank of South Australia, by acquiring a charter incurred the
same restriction as the Australasia, but there was no change in Tasmania or Western Australia. Broadly, then, until almost the end of the period, all the banks except the Australasia had, by colonial interpretation of the absence of a prohibition, the power to lend on mortgage, although only the Derwent used it extensively, at least for direct loans.

In this caution the orthodox banking tradition was reinforced by the risks of mortgage lending in the colonies, and the substantial competition. The activities of the Savings banks and, in the 'forties, of the mortgage companies have been traced. Insurance and similar companies were another source of competition, as were a host of individuals, including especially solicitors with trust funds and investment agents, whose advertisements offering loans were matched by a constant stream of advertising borrowers.

The result was that the banks (other than the Derwent) nearly withdrew from direct mortgage lending. The Bank of Australia first seriously considered mortgage loans in 1830 but its entry into the field was negligible. The Bank of New South Wales virtually abandoned them in the 'thirties, although it and the Commercial re-entered the field in a small way with one-year mortgages in 1845. The Bathurst Bank did not lend on mortgage unless possibly in the brief interval between the passage of its act and the absorption of the bank. The Union Bank did not lend on mortgage at all until 1846. Prior to its charter, the Bank of South Australia sought to avoid mortgage loans, but could not do so entirely, and compromised by taking first (but not second) mortgages as collateral. Neither the Bank of Western Australia nor the Western Australian Bank appears to have taken mortgages directly, unless in the disguise of the “specialty securities” which were a small part of the modest amount of cash credits of the latter. In Tasmania, the Bank of Van Diemen's Land, Commercial and minor banks appear to have avoided direct mortgage loans.

But legal form and reality did not necessarily march together. The New South Wales Bluebook for 1851 declared: “All money lent by the banks is on bills—mortgages are merely collateral security”. There were many cases in which the statement might have been inverted with truth: what was legally the collateral security was in fact the basis of the loan. Cash credits normally had collateral attached, a mortgage if this was what the borrower had to offer; and the same was true of discounts. The extreme case suggests how widespread the practice was, even though quantitative evidence does not exist. The Bank of Australasia by its charter was forbidden loans on real estate. Yet it rediscounted bills for the Bank of Australia, knowing that the true security was the real estate of the shareholders and major debtors of that bank. Nor did it stop at an isolated
special instance, but devised as a regular form of evasion the “secured account” by which loans were legally made in authorized forms, discounts and at various times cash credits, but real security was given by the borrower executing a mortgage to “trustees” acting on behalf of the Bank.42

To the general principle of loans by discount the cash credit was, quantitatively, a more important exception than the mortgage. As has been seen it was introduced by the Derwent in Tasmania and then by the Commercial of Sydney on the mainland, but it was an innovation regarded with caution by the banks. Apart from the dominance of nineteenth-century doctrines of self-liquidating bills, cash credits were mostly used by—perhaps designed for—primary producers, and even though nominally repayable at any time were in fact long-term loans which it would have been unrealistic to seek to terminate except at annual intervals. Even the Commercial of Sydney which developed this form of loan to the greatest extent had few of them except to primary producers.43 The Bank of South Australia, finding cash credits were used mainly by sheep farmers, insisted on annual repayment from the proceeds of wool exports.44

Other banks were reluctant to develop the business. The Bathurst Bank, although in a rural area, did not lend in this way.45 The Bank of Van Diemen's Land, despite competition from the other Hobart banks, held out against cash credits until 1839,46 while the Derwent abandoned them on its conversion to a mortgage bank.47 In Western Australia they were kept to small dimensions,48 while the Bank of Australasia alternately permitted and abolished them. Initially it was directed that no one credit should exceed £500, nor in all £8,000 for New South Wales.49 In 1837 they were all recalled in Launceston, but offered again two years later,50 while London re-imposed the £500 limit which had been exceeded in Launceston and Melbourne.51 In 1847 they were withdrawn in all colonies on instructions from London, and offered again in 1851 as a tentative experiment.52 Once introduced the cash credit did not die out, but it was not a loan popular with bankers generally.

The other form of loan meriting notice is that of advances against exports, in form discount of bills payable in England from the proceeds of sale, and secured by bills of lading. This developed late and most banks were somewhat nervous of the risks involved, only the Commercial of Sydney actively seeking53 a type of business which they regarded as more properly one for the merchants who had until the early 'forties almost a clear field. The Australasia would touch only well-established staple articles.54 The Bank of South Australia, in a colony whose exports were not dominated by wool, illustrates more clearly the anxious advance into strange territory. London directors did “not approve of the Bank's making
advances on produce the sale of which it may have to undertake, and probably the insurance and management—they prefer bills with really good names and all mercantile transactions to be left to merchants”, but they were presently arranging insurance on wool shipments which were the subject of advances.\textsuperscript{55} Advances against wheat were strictly forbidden, and permitted almost at once; the objection was that wheat was subject to damage but could only be insured against total loss, but the permission required only that the parties be sound financially. By 1845 London was prepared to authorize generally advances against the export of “imperishable goods”.\textsuperscript{56} In this typically hesitant manner all banks with London offices or agencies entered the business.\textsuperscript{57}

The attraction to the banks of this type of loan was that it opened scope for loans to primary producers in the form (discount of bills) familiar to them, coupled with effective control through bills of lading over the material security. The lien on wool and mortgage on stock had made for easier borrowing by primary producers from merchants and individuals, but they were not much used by the banks, partly because they were novel—bankers always suspect novelty—partly because the security was on four legs and distant from bank supervision of its movements, partly because the alternative of export bills secured by bills of lading avoided both difficulties.\textsuperscript{58}

Throughout the period the banks were very reluctant to make extensive loans direct to “settlers”, i.e., primary producers, and preferred the interposition of a merchant. As early as 1826: “discounts at the Banks are effected merely by a few favoured dealers, many of them without any real property, to the prejudice of farmers and graziers, who are obliged to pay to these very dealers an exorbitant premium for advances made to them, in the price of goods taken on credit”.\textsuperscript{59} In the upsurge of the boom the banks were less cautious, but with the slump the policy was reasserted.

Evidence given by bankers before the Select Committee on Monetary Confusion was particularly explicit. McLaren of the Union declared: “It is a principle of our Bank to confine its dealings to commercial transactions, but it has occasionally discounted paper for settlers. They are not, however, so punctual in meeting their bills as mercantile men.” He was followed by a director, Griffiths (who was formerly Inspector of the Australasia): “The paper of merchants and shopkeepers is preferred to that of settlers . . . because their operations are more under our cognizance; then parties are supposed to afford accommodation themselves to settlers . . . we rather avoided settlers' accounts . . . I believe the object of discounting mercantile bills in preference to settlers' is that the Bank believes the merchants are better acquainted with the resources of the settler than the Bank can
possibly be.” Wentworth of the Bank of New South Wales took a similar line: “Mercantile paper is preferred in our bank, but they occasionally oblige settlers; not that they are in good odour with us . . . they are certainly a very irritating set of persons, as regards the payment of their promissory notes and bills; they think if they pay them three or four months after they become due they behave tolerably well; the Bank is of a different opinion.” Other bankers joined the chorus.60

The critics had other explanations. Bradley, a grazier, commented, “I imagine the reason why the settler had so small a share of accommodation granted by the banks arose from the bank directors being themselves merchants”, a view that was widespread.61 The truth is that both the banks and their critics were right. Pastoralists and farmers were exploited by the close relationship between the banks and the merchants; but they were slow payers and in general the security they had to offer was unattractive.62

(c) Reserve Policy

Bank reserves had, of necessity, to be held in the form of cash, since other forms of highly liquid asset were unavailable. Of the various forms of bank loans, discounts lent themselves, on the surface, to the arrangement of maturities in order of date, so that at any time there would be a flow of bills becoming due for repayment. But in fact the conventions about total or partial renewal, and the normal coincidence of a bank need for increased cash with the inability of debtors to pay severely limited recourse to this banking rule of thumb as a genuine reserve in case of emergency. Nevertheless it is apparent from bank minute books that the practice was followed, although it may be suggested that however bankers may have rationalized their policy, it was designed less to ensure a constant flow of repayments in cash than to avoid large and irregular fluctuations in lending.

Other forms of investment were even less suitable as a second-line reserve. Mortgages obviously were not readily realizable; nor were cash credits for those banks which used them, for they were chiefly loans to rural producers. Until the 'forties there were no government securities, and after that, in the only important case, New South Wales, the volume of securities was so small, their market so irregular and uncertain, that the risk of loss if it became necessary to sell them was so great, that the banks were not interested in them either as a source of income or a form of reserve. “If only a small amount were issued,” said Hart of the Australasia, “they might find their way into the Banks, but they would not be of much service to those institutions, because they could not be immediately converted into
money in an emergency, as Exchequer bills could be in England. If the Banks could at any time take them to the Treasury and obtain an advance on them it would answer their purpose to hold them, but as a mere investment for money they would not remunerate the Banks,” and his views were echoed by other bankers.63

The prudent banker must therefore look to cash as his only short-term reserve, and modify both the total volume and, as far as he could, arrange the types of loans and sequence of maturity dates in the light of his cash position. The limited initiative open to him in the latter direction would tend to throw the main burden of adjustment to revised views of the future on to the volume of loans, and one would expect the short-run effect to be frequent variations in the ratio of cash to liabilities to the public (notes and deposits). Students of the modern Australian banking system are familiar with the variability of disclosed percentages of liquid assets and some of the same factors were operative a century ago. There were the same well-understood seasonal variations, much more accentuated by a heavier dependence upon exports, mainly but not only wool. There was the accountancy custom by which in each colonial capital all banks balanced (for clearing purposes, and therefore for making the average official returns) on the same day of the week (usually Monday), so that “window-dressing” was not practised to reduce the apparent variability of reserves. In any case, with the limitations of the local security market, it would have been practicable only by rediscounting of bills between the banks, and this was avoided except in emergency. Moreover, the limited development of branches, between which in any event communication could only be slow, meant that the averaging out of individual branch variations by aggregation was negligible. Finally, the “English” banks commonly imported specie, necessarily in large isolated instalments, as one mode of transmitting their capital, leading to a temporary large rise in cash. For all these reasons, one would expect reserve ratios to be, to modern eyes, high and very variable.

Judged by their own statements, the bankers were definite upon the importance of the reserve ratio and upon the proper level of reserves; in fact their ideas upon this matter are the only general principles of lending which found contemporary expression.64 Thus the Sydney Bank directors defended themselves against charges of negligence when failure came, by explaining that they were always guided by the reserve ratio in determining loan policy, and these figures had been falsified by the senior staff.65 The proper ratio, it was generally agreed, was one-third cash to the sum of deposits and notes, although the Commercial was inclined to think a smaller figure adequate except in emergencies.66 One-third became so much a formula that the Sydney Herald commenced in 1846 to apply what
it called “The Bank Test” to the quarterly returns, finding the banks sound if they had more than this proportion.\textsuperscript{67}

If protestation is set against performance by the only available evidence, that of the official returns, it appears that some attempt was made to apply the formula as a minimum reserve target, with considerable fluctuations, usually above the minimum, for reasons outlined above.\textsuperscript{68} For Western Australia the data for each bank are over too short a period to support definite conclusions. In South Australia the figures for the Bank of South Australia give no lead, fluctuations range from 22.5 per cent in 1842 to 90.5 per cent in 1847, but the Australasia was evidently aiming at the one-third minimum. In Tasmania, in the 'thirties, all banks were obviously adhering to the formula as did the Australasia and Commercial of Tasmania in the 'forties. The Union's ratio was generally very high, indicative of its capital imports in specie, while in the same period that of the Derwent was negligible in size, as was appropriate for a mortgage bank; for the 'forties there is no sign of consistency in the Van Diemen's Land figures. In New South Wales the Commercial and Australia appear to have had a target of one-fourth in the 'thirties. For the other banks and for the later period clear conclusions are obscured by the high and variable Australasia and Union ratios (because of specie imports), and the generally high ratios of all banks during and immediately after the slump, but if these are taken as special distorting factors it would appear to be safe to conclude that in general the one-third formula applied in practice.

Relations Between Banks

(a) Competition and Agreement

Relations between the banks may be described variously as co-operation, competition and combination. By co-operation is here meant all those arrangements for amicable joint action which neither in fact nor in intention restricted competition. Amongst these were major matters such as clearing and mutual agency agreements, as well as minor ones such as agreements for uniformity in bank holidays\textsuperscript{69} or for distinctive colours in note issues.\textsuperscript{70}

Such arrangements easily merged into those which did involve restriction of competition, without formal agreement. An example of a minor sort was the intermittent ban on cheques less than £5 (occasionally a smaller sum\textsuperscript{71}), a practice copied from England, designed partly to avoid “unnecessary trouble,” partly with the idea that bank note circulation would be promoted. The rule was laxly enforced, and was commonly
announced by a single bank, but it suited all to conform more or less without formal agreement. A similar minor action was the agreed prohibition in the 'forties of any except “bearer” cheques, justified on grounds of convenience but really to limit the legal obligations of the banks. Another was the proposal of the Commercial of Sydney for a charge for keeping accounts, not pursued because other banks would not act in concert.

Formal agreements of more importance related to rates of business, and in these, as in so many other directions, the Australasia took the lead. The attitude it normally adopted was euphemistically stated by Kinnear: “The only competition I encourage is in civility, prudence and impartiality,” a tactful way of describing the bank's readiness to compete à l' outrance combined with its equal readiness to promote agreement on rates of interest and exchange. When the Union was established the London directors publicly declared their “anxious care to prevent their branches running any imprudent race of competition with the new establishment”, a care which soon bore fruit in an agreement to “act in concert” with the new bank as to rates both in London and the colonies, to be implemented in the colonies by secret conferences of the two Inspectors, who were to communicate orally only. (The Australasia Inspector was instructed to seek similar arrangements with the colonial banks.)

In operation, the agreement had mixed success, mainly because the local boards of the Union were prone to vary exchange rates without consultation. Yet the evidence of the records of the two banks and of the correspondence in dates and terms of their advertisements is that on the whole they did act in concert most of the time.

Somewhat similar was the record of the Australasia-Bank of South Australia understanding in Adelaide, except that the repeated breaches in the later 'forties were the result of the pushing competition of MacDermott of the Australasia. Common action was invited by the South Australian Company—which had the example of its no-competition agreement with the Union—at the outset, and it was soon able to report friendly relations. When the Bank of South Australia was separated from the Company in 1842, an agreement for common action on terms of business was negotiated with the Australasia, and in general this was adhered to loyally. Divergences when they occurred most commonly related to exchange rates.

Paradoxically, a major limitation on the ability of the “Anglos” to maintain a united front amongst themselves was the effect of their entry in forcing the colonial banks to draw together. The English banks with their large resources were feared by the local banks, and that fear found
reflection not only in some measure of common action but also in the running criticism and occasional diatribes of the press. The *Cornwall Chronicle* set the tone in describing the Australasia as “a corporation of foreigners, . . . in direct and uncompromising hostility to all the local banks”, or, a little later:

Fe . . . Fo . . . Fum . . .  
I smell the blood of a colonial chum;  
Let it be S[wanton] or Mc[Lachlan] or D[unn]  
I'll swallow them up as sure a gun—  
As for the Tamar and poor little G[illes],  
I'll gulp him down also, small as the pill is.

Prostrate yourselves before him Van Diemen's Land,  
Derwent, and Commercial—down on your knees little  
Tamar, and thank your stars that Goliah condescends  
to be merciful!—mercy, indeed,—aye—even with  
such mercy as the cat shows the mouse.84

The tone was moderated with the years, but the criticism derived from fear continued.

Self-defence forced the local banks to a united front on occasions. Thus in New South Wales the Commercial, Australia and New South Wales met and formally agreed to meet the Australasia on its own ground by offering interest on current accounts.85 In Tasmania the Derwent, Van Diemen's Land and Commercial agreed on interest rates.86 The Australasia, which regretted having initiated current account interest, found itself, along with the Union, forced to continue it because the colonial banks would not agree to abandon the practice.87 The New South Wales and Commercial of Sydney fought back against rising deposit rates promoted by the Australasia, by depositing in all £45,000 with it in the names of individual directors.88 By 1848 the Australasia was able to negotiate a general bank agreement on rates in Tasmania, but was unsuccessful in New South Wales, “the local banks being more forceful and having greater influence”.89 It was, however, becoming clear that self-interest dictated elimination of the cruder forms of competition in rates, and agreements were easier to make and more complete in their range. Thus when the Union entered South Australia, all three banks met and negotiated an agreement,90 and from then on open or tacit understandings on terms of business were the general rule in all the colonies, often broken, but always renewed.

Nevertheless it remained true of the period studied that competition was far more important than any agreements. The agreements, it has been seen, were repeatedly disregarded if it suited the interests of one of the banks.
Moreover, despite the obvious difficulty of any one bank maintaining interest and discount rates at variance with the general level, divergences did occur, while the measure of uniformity which prevailed was achieved less by agreement than by the necessity to follow a change made by a competitor.91 The situation was fairly summarized by Knox of the Commercial of Sydney, in evidence before the Select Committee on Banking:

Q. 93—“The exchanges upon England are arbitrary? I cannot say arbitrary; they have been settled by the banks with reference to existing circumstances.
Q. 94—“Have they not been settled by combination of the banks? The banks are generally obliged to adopt the same rates of exchange.
Q. 95—“The Directors of the banks meet together and settle the rate of exchange, do they not? One bank determines to alter the rate of exchange, and the others must generally follow the example.
Q. 96—“Is not this operation generally done by agreement among the banks? No, it is not; the English banks, generally speaking, have hitherto taken the lead in regulating the exchange.
Q. 97—“And the colonial banks have, in fact, been obliged to follow the rate they have established? Not always; at the time the rate of exchange was fixed at 71/2 per cent discount it was the refusal of the colonial banks to go down to that rate which obliged the others again to raise it. No rate of exchange differing materially from that adopted by a majority of the banks could, for any length of time, be adhered to by one institution.”

The avoiding of an admission of agreements was not very skilful, but the general picture was accurate. Agreements did not survive if competition offered more immediate profit, and on the whole competition was still very active.

(b) Clearing

Early clearing arrangements between banks were ad hoc bilateral affairs, and any bank had to reckon with the possibility of a rival deliberately embarrassing it by presenting a large volume of cheques, or, more important, notes. A good example of how the uneasy understandings about clearings might flare up into conflict, and thereby lead to systematic agreement is provided by the Launceston story. Following the establishment of the Tamar Bank it and the Cornwall competed vigorously, each demanding frequent settlement of clearing balances in specie. Neither achieving its purpose, they agreed to require specie only for balances in excess of £5,000; balances less than £1,000 were carried forward without interest, those between £1,000 and £2,000 bore 10 per cent and above £2,000 II per cent.92
When the Australasia succeeded the Cornwall Bank the old clearing arrangement was retained with reluctance on both sides. But six months later, finding the balance consistently against the Tamar, the Australasia demanded daily clearing in gold. For three months the battle continued, and then the Tamar tried what was apparently a desperate appeal to public opinion, with success. Finding its adverse clearing balance, late in October, to amount to £1,877, more coin, it declared, than there was in all Launceston, it demanded, on threat of immediate closure, a more satisfactory arrangement. It claimed that it had reduced its loans to remedy the clearing situation, had sent to London for specie, and had appealed to the government. The Australasia refused to re-establish the old clearing agreement and offered to rediscount £5,000 in bills if the Tamar could prove that unintentional overlending was the cause of the trouble. This the Tamar refused, and closed immediately, demanding payment of all debts due either in its own notes or coin. A meeting of depositors and shareholders endorsed the action, the depositors undertaking to make no abnormal withdrawals. The Australasia gave way as much because of hostile public opinion as because of the threat of a drain on its own coin, and made a loan of £5,000 for twelve months. With the aid of this the Tamar was able to re-open just one week after it had closed, and the old arrangement was revived.

In the case of the Bathurst Bank, as has been seen, the Australasia had more success with a similar technique. A decade later it had a taste of its own prescription in Adelaide. The local branch of the Australasia had been lending too freely and found the weekly clearing in gold a serious drain. The Bank of South Australia refused to accept settlement in drafts on London, and would go no further than to offer to sell the Australasia coin for London bills at the current exchange rate.

In general, however, the banks settled down to regular weekly settlements, normally in gold. An important factor in the adoption of this practice in Sydney was the requirement of published returns. Being compelled to make up weekly balances, the banks preferred to show “coin and bullion” rather than “balances due from other banks”. From Sydney the Australasias succeeded in getting the practice copied in Hobart and Launceston. In Hobart the practice of the local banks had been to strike clearing balances daily, and to exchange receipts for the balances which were allowed to accumulate until they reached £1,000 when bullion was transferred. This was the earliest, and for several decades the nearest, approach to a clearing house for all participating banks.

Clearing settlements were in coin and, as soon as imports of gold were sufficient, in sovereigns. On occasions there might be other modes. Apart
from the special Adelaide case noted above, in Melbourne at first, with a shortage of coin, settlements were by specie or drafts on Sydney or Tasmania at the option of the debtor. The Australasia, which received the government account, sought to exploit the situation by insisting on coin; it failed to gain any advantage because the government account was divided, but it achieved the extension of the Sydney system of weekly specie payments,\textsuperscript{101} and the general adoption of the firm convention that gold should be used for inter-bank payments.\textsuperscript{102}

(c) Agencies

With the appearance of banks in the various colonies and in country towns within those colonies, mutual agency arrangements were an inevitable development, as much for the clearing of notes issued by or cheques drawn on distant banks as for “exchange” business in the sense of the issue of drafts on other centres. The first of these arrangements were those between the Derwent and Cornwall in Tasmania, with their chequered story,\textsuperscript{103} but the pattern became normal. The Van Diemen's Land had earlier acted for a brief period as agent of the Cornwall for the cashing of notes which residents remitted to Hobart, but soon substituted the cashing of drafts issued by the Cornwall.\textsuperscript{104} During its brief career the Port Phillip Bank had mutual agencies with the Australia\textsuperscript{105} in Sydney, with the Derwent\textsuperscript{106} and with Archers Gilles & Co.\textsuperscript{107} in Launceston, being chosen obviously because the only other banks in Melbourne, the Union and Australasia, were also operating in Sydney, Launceston and Hobart, and competitors were unwelcome as agents. The Bank of South Australia initially had branches of the Union as its agents in other colonies, and acted for them in Adelaide,\textsuperscript{108} but when the latter bank opened there, the South Australia sought new arrangements with the New South Wales in Sydney and the Commercial of Tasmania in that colony,\textsuperscript{109} and the Union joined the Australasia as a competitor in all colonies, except Western Australia, and therefore outside the growing network of agencies. Even Western Australia was drawn in with arrangements between the Western Australian Bank and the Bank of South Australia.\textsuperscript{110}

In all these agreements the terms were similar: each party cashed notes of the other, accepted cheques for collection, bought and sold drafts on the other, and performed \textit{ad hoc} services.\textsuperscript{111} Debits and credits carried the same rate of interest,\textsuperscript{112} usually the normal short-term bill rate, and balances were allowed to accumulate to some pre-arranged limit. As banks spread, so the network extended, so that by the mid-'forties anyone resident in a centre where there was a bank (or having a bank account) could remit to any of
the colonies to anyone in a similar position with comparative ease, and could safely accept payment by cheque or draft on a distant bank—subject to the normal business risk of the drawer's ability to pay.

1 “Letters from London”, 31 March 1842, in setting out arrangements after separation from the South Australian Company, encloses a copy of the rules of the Union as a general guide.

2 The minor exceptions are the Waterloo Company, Tasmanian Bank, Archers Gilles & Co., Commercial of Tasmania prior to 1832.

3 The Derwent Bank under Swanston was a special case.

4 Variously titled managing directors, managers, cashiers, representing a falling scale of discretionary power.

5 Specific figures are in most cases recorded above in narrating the formation of individual banks.

6 *Sydney Gazette*, 24 September 1828.

7 *Sydney Gazette*, 2, 16 August 1834; 27 January, 23 July 1835. See the varying subscriptions of the Bank of N.S.W. in the 'twenties and of the Bank of Australia on its failure.

8 *Sydney Herald*, 30 July 1835.

9 E.g., *ibid.*, 5 January, 16 February 1837.


11 *Ibid.*, 13 April 1837. They were primarily auctioneers.

12 Figures from *Sydney Herald* for 16 December 1833, 6 March 1834, 9 March, 9 November 1835; otherwise from *Sydney Gazette* of dates shown, which are of course dates of report not of sale. In a few cases, the average rate for several sales on the same day is given.

13 See his advertisements in *Sydney Herald*, particularly 10 May, 30 September 1842; 22 April, 28 August 1843; 9 February 1844; 16 March 1849.

14 *Sydney Herald*, 13 March 1843; 22 April 1845. Others included Samuel Lyons (e.g., *ibid.*, 11 March 1843) and John Johnson (*ibid.*, 9 April 1842).

15 *Particulars of Joint-Stock Institutions in N.S.W.* Sydney, 1838, a pamphlet of sixteen pages.

16 “Minutes”, 21 July 1819.

17 “Arthur File” 11, 866, Derwent and V.D.L. 26 September 1831; Cornwall, 12 October 1831.

18 Select Committee on Monetary Confusion, “Evidence”, 12 September 1843.
19 8 December 1843, in comment upon a charge by Cowper in the Legislative Council that the banks “had too much power over the circulation, extending it or diminishing it as they pleased”, a view rarely expressed.


21 Select Committee on Banking, evidence of E. Knox, *V.P.N.S.W.*, 1850. The restrictions were the making of returns and the limiting clauses in the new Commercial Bank Act (see below).

22 “Minutes”, 7 February 1817.


24 *Ibid.*, 29 April 1817. At the same time bills to which anyone who could not write was a party were excluded. Bills with less than fourteen days to run were rejected, 10 February 1818.


27 From “Minutes”, various dates, and some surviving balance sheets.

28 See Chapter 15.

29 See Baster, *Imperial Banks*, Ch. II.

30 Russell to Gipps, 10 July 1840, *H.R.A.*, I, xx, 705.

31 Clause 8 of this Act, by laying down procedure in mortgages, impliedly authorized them.

32 The acts for the (Sydney) Royal Exchange Company (1837); Sydney Alliance Marine Fire and Life Insurance Company (1839); and Melbourne Fire and Marine Insurance Company all contained explicit power.

33 *Sydney Gazette*, 9 February 1830.

34 In 1834 they were about 2 per cent of loans, “Colonial Secretary In-Letters”, “Banks”, 1834, and in 1836 even less, *ibid.*, “Banks”, 1836.

35 “Colonial Secretary In-Letters”, “Banks”, 1834, 1838, 1840, show mortgages of £3,646; £1,527; £250 respectively.

36 *Sydney Herald*, 7, 31 December 1845; Bank of N.S.W., “Minutes”, 21 January, 30 December 1845. Both banks had been in the field in small amounts in the preceding years, e.g., *Bluebooks*, 1843 (p. 418); 1844 (p. 426).

37 Report of Committee on Bathurst Bank Bill, November 1839, *V.P.N.S.W.*, 1839.

38 *Bluebooks*, N.S.W., 1843 (p. 418); 1844 (p. 426); 1845 (p. 434); Hobart “Minutes”, 21, 26 September 1838; Committee on Monetary Confusion, evidence, *V.P.N.S.W.*, 1843 (McLaren, inspector).

40 Based on periodical returns and the imperfect set of “memoranda for chairman” at meetings of the Western Australian Bank, now in Bank of N.S.W., Perth. The memorandum for 22 June 1847 shows that a mortgage might be taken to secure a debt which had not been paid.

41 p. 623.

42 London “Minutes”, 21 January 1847; “Letters from London”, 17 July 1846 (enclosing counsel's opinion that the practice was within the charter).

43 Select Committee on Monetary Confusion, evidence of Lamb, *V.P.N.S.W.*, 1843.

44 “Minutes”, 30 November 1847.

45 Select Committee on Bathurst Bank Bill, Report, *V.P.N.S.W.*, 1839.

46 *Hobart Town Courier*, 5 July 1839.


48 “Memoranda” (see note 40 above).

49 “Letters from London”, 9 July 1835. The Hobart Board had larger ideas, envisaging up to 500 credits, but did not, in fact, extend them (“Minutes”, 22 December 1836).

50 Launceston “Minutes”, 20 January 1837; 4 June 1839.

51 And perhaps in other branches, “Letters to London”, 22 October 1840.

52 *Adelaide Observer*, 18 December 1847; “Letters to London”, 10 June 1851.

53 *Sydney Herald*, 29 March 1843.

54 “Letters to London”, 4 October 1845.

55 “Letters from London”, 30 August 1841, 23 May 1843.


57 The London connection was of obvious necessity. For the Bank of N.S.W. the need for it in this type of lending was the immediate occasion for seeking a London agency. “Minutes”, 18 February 1845.

58 The Bank of South Australia, e.g., forbade all loans on livestock, “Letters to London”, 9 December 1845. A good example of the difficulties of one who financed a squatter relying on his sheep for security (before the lien on wool) is in “Swanston Letter Book”, 1838–45. One Watson in England remitted to Swanston £4,000 on behalf of his two nephews which was invested in mortgages at 121/2 per cent. Of the income £300 was for the keep of the nephews. The elder nephew drew on one Scott
(in England) in favour of Swanston for £1,000 to buy sheep, Swanston taking the bill at 5 per cent, and paying the nephews a first income of a net £250 “a sum ample for all their wants as squatters”. The nephews sold the sheep and took an inn, leaving Swanston lamenting that his unpaid debts could only have been recovered by levying on the sheep. Letters of 23 October 1838, 19 March 1840.


60 Lamb (Commercial); Mitchell (Australia); Roemer.

61 Cf. evidence of S. Lyons, C. W. Roemer; and Sydney Herald, 15 August 1843.

62 For the finance of primary producers generally see above.

63 Evidence, Select Committee on Monetary Confusion, V.P.N.S.W., 1843.

64 The ratio of advances to deposits, later to achieve prominence as a secondary guide, was irrelevant in this period since it witnessed the transition from banking with heavy reliance on subscribed capital to banking based primarily on deposits, and only the latter system could find significance in such a ratio.

65 Sydney Herald, 20 July 1843.

66 Evidence, Select Committee on Monetary Confusion, V.P.N.S.W., 1843: Lamb (Commercial), “we have never had less than one-fourth, and at this critical time, have one-third”; cf. Wentworth (N.S.W.) ibid.; Select Committee on Banking, V.P.N.S.W., 1850: Knox (Commercial), “one-third is commonly considered the rule”, but he thought this too high; Falconer (Australasia), banks normally kept one-third which was “ample”. Select Committee on South Australia, “Evidence”, Brownrigg (S.A. Coy.) Q. 2114: “we generally inculcate upon our managers the expedience of maintaining one-third of the amount of [notes plus deposits] . . . we conceive that there should never be less than a fourth”; Angas (ibid. Q. 1814) was alone in suggesting 50 per cent “in a distant colony”.

67 31 October 1846 and subsequent issues in later years. The Herald explicitly derives the sanctity of one-third from contemporary theorizing about the Bank of England, with no suggestion that the needs of an emergent central bank in England might have no lessons for a scattered system of small-scale trading banks in Australia; less explicitly most of the bankers evidently acquired the formula from the same source and not from any independent examination of the local problem, qualified only by the doubts of the Commercial as to one-third being excessive.

68 For the ratios see Appendix.


71 See above.
Examples of the prohibition: Bank of N.S.W. “Minutes”, 26 May 1818 (source of phrase quoted); Launceston Advertiser, 8 November 1830 (Cornwall); Bank of Australasia, Launceston, “Minutes”, 20 January 1837; Hobart Town Courier, 9 May 1834, and other banks at various times.

Bank of N.S.W., “Minutes”, 1 June 1847; Hobart Town Courier, 17 October 1847 (joint advertisement by Derwent, V.D.L., Union, Commercial and Australasia).

Bank of N.S.W., “Minutes”, 15 June 1847.

“Letters to London”, 7 September 1838.

“Report”, 4 June 1838.


For examples of such breaches; Australasia “Private Letter Book”, 16 May 1845; “Letters to London”, 12, 24 February 1847; 14 February 1851. In 1845 the Union in Sydney also departed from the agreement in respect of discount rates, Australasia “Letters to London”, 18 September 1845.


Bank of South Australia, “Minutes”, 23 September 1842.

See tables of rates in Appendix. The form and dating of the advertisements from which these are taken underline the point. Bank of South Australia, “Minutes”, contain repeated references to joint action on rates, e.g., 1 January 1847: “The Manager to see Mr MacDermott to obtain his concurrence if possible in the present highly necessary alterations of exchange.”

E.g., Bank of South Australia, “Minutes”, 28 May 1847; 23 June 1848; 13 April, 1, 28 May 1849 (a case of agreement precariously reached); 17, 20 July 1849; 28 May 1849.

6 August 1836, 13 May 1837.

Bank of N.S.W., “Minutes”, 2, 3 February 1836.

Hobart Town Courier, 6 March 1840.


Bank of N.S.W., “Minutes”, 20 March 1838; Bank of Australasia, “Letters to London”, 4 July 1838. Kinnear was not sure whether the local banks planned to embarrass by a mass withdrawal or merely to make the Australasia's deposits unprofitably large.

“Letters to London”, 10 March 1848; cf. 13 December 1847. An earlier agreement (Hobart Town Courier, 27 April 1846) had proved shortlived.

Bank of South Australia, “Minutes”, 14 December 1849.
See tables in Appendix for examples of changes initiated by one bank and followed by others.


For Tamar attitude, Australasia Launceston “Minutes”, 18 December 1835, 5 January 1836; agreement recorded 22 January 1836; for Kinnear's attitude “Letters to London”, 7 December 1835.

Full set of documents in Cornwall Chronicle, I October 1836, covering correspondence with Australasia (also in Australasia, Launceston, “Minutes”); notice of closure; notices endorsing action of Tamar directors by shareholders and depositors; report of meeting; and notice of re-opening. Closing was on 26 September, re-opening 3 October. The appeal to the Government was to authorize continued acceptance of Tamar notes for government revenue. Gilles to Assistant Treasurer, 26 September 1836 (isolated letter preserved in Union Bank, Launceston). Appeal was also made to the Derwent (“Derwent Bank Letter Book”, 1829–37, Adey to Gilles, 27 September, 7 October 1836) but Swanston being absent in Sydney his deputy would only comment that the decision to close was “taken with some precipitancy”

Australasia, “Inspector's Letter Book”, to Henry, 9 February 1836. It is characteristic of the uniform unreliability of bankers' reminiscences that there survives in Launceston a legend of a resident who quarrelled with the Tamar directors and sought revenge by collecting its notes for daily conversion, arriving with a wheelbarrow and an armed guard. The wheelbarrow and the guard appear to come from West (The History of Tasmania, i, p. 133): “Every morning the agent of the London bank took a wheelbarrow to the Tamar Bank, attended by an armed guard and carried away the dollars in exchange for notes.” The main episode is correctly described by West, and there is no doubt the local legend is in fact a distortion of cut-throat competition through clearing into a purely personal quarrel.

Bank of South Australia, “Minutes”, 11 April, 23 June 1848.


And, apparently, also in Adelaide. “Letters to London”, 9 July 1836; Hobart “Minutes”, 10 June 1836.

Australasia, Hobart “Minutes”, 28 December 1836. The local branch of the Australasia conformed until the change noted above.

References such as that by Hart (Select Committee on Monetary Confusion, Evidence, V.P.N.S.W., 1843): “settlement with the other banks, which is made every Monday, on the principle of the ‘clearing house’ in London”, are misleading descriptions of weekly bi-lateral clearings. There was no clearing house until that in Melbourne in 1868; none in Sydney until 1895, and elsewhere none in the nineteenth century.

Australasia, “Letters to London”, 8 January 1840; New South Wales “Colonial Secretary's Papers”, “Banks”, 1842,40/2512, Union Bank to Colonial Secretary, 9
March 1840.

102 For the use of gold, evidence of bankers before Select Committee on Banking, *V.P.N.S.W.*, 1850: Knox (Commercial), “in gold invariably”; Baillie (N.S.W.), “exclusively . . . by tale, not by weight . . . British sovereigns”; Falconer (Australasia); Fletcher (Union).

103 See above.

104 *Hobart Town Courier*, 26 July 1828.


108 “Letters from London”, 19 August 1839. It had earlier had an agreement with the Tamar in Launceston, *Cornwall Chronicle*, II March 1837.

109 “Minutes”, 24 June, 4 December 1849; “Letters to London”, 4 July 1849. Bank of N.S.W., “Minutes”, 4 July 1849 show that it independently sought a mutual agency at the same time.

110 E.g. *South Australian Register*, 21 October 1846.

111 The Bank of South Australia (“Minutes”, 7 May 1844) even sold, on behalf of the Union of Melbourne, a herd of cattle sent overland.

112 For an example of refusing to agree to divergent rates, “Port Phillip Letter Book”, 26 March 1841. As a typical agency agreement: Swanston to Gilles (Tamar) 1 December, 1835, “Derwent Bank Letter Book”, 1829–37, confirming agreement: “the amount of credit to be allowed on each side not to exceed £2,000 . . . the balance is to be struck every week and at the expiry of each half-year the average amount to be chargeable with 8 per cent interest and half per cent commission”.
Chapter 15 Government Policy and Legislation on Banking

So far as there was any active policy in relation to banking which found expression in legislative restrictions it was English and not local policy. Local governments would probably not, in any case, have been permitted to develop policies markedly different from the doctrines currently accepted in England. There, in domestic banking affairs, the period studied coincides roughly with the interval between the Bank Restriction and the 1844 Bank Act, characterized by the transition from a passive attitude to acceptance of the view that some active monetary policy was essential and the 1844 victory for the policy of minimum interference and automatism. In colonial policy the later stages of the period saw the emergence of an attitude to colonial banks which, as enshrined in the Colonial Bank Regulations, reflected the same ideas as those behind domestic English legislation. Outside these regulations, the British government developed a definite but simple policy on government banking business in the colonies, and for the rest contented itself with intervening only to prevent the legalization of banking business regarded as improper, as in its disallowance of formal authority for the Bathurst Bank to lend on real estate.

The policies of colonial governments had to be formulated against this background. Moreover, governors and members of legislative councils were men of their time, and mostly staunch adherents of non-intervention. Gipps, for instance, declared “the principle that all trade no less in money than anything else should be left unshackled and unrestricted”; and other governors expressed similar views. In any case, the composition of legislative councils was such that once banks appeared, a majority of members were at least shareholders, if not directors, in banks, and most were indirectly interested as traders. At times the power was used crudely and openly. In debates on the Union Bank bill in 1839 Gipps bluntly reminded the Council that only himself and the Bishop of Australia were not directly interested parties; on another occasion in 1843 he hinted plainly enough that the banks were influencing votes by reminding members of their indebtedness. In South Australia both Gawler and Grey complained of the influence exerted on the government by the banks, while the activities of the Derwent Bank were notorious.

While therefore colonial governments implemented, not always with enthusiasm or vigour, British instructions, their own policies were naturally enough those of aid and non-restriction. The aid was forthcoming when banks found themselves in difficulties, as with the Bank of New South
Wales in 1826 and 1828; or the facility with which the Bank of Australia lottery secured legal sanction; or in the placing of large cash deposits at the disposal of the banks in the thirties; or, as will be seen, in non-compliance with or weakening of British instructions. Its other chief form lay in the passage of acts simplifying legal proceedings, which made practicable joint-stock ventures by large numbers of partners.\textsuperscript{7}

The first such act, that for the Bank of Australia in 1827, was on the model followed consistently until the 'forties.\textsuperscript{8} The essential point in all of them was the provision that the bank concerned might sue or be sued in the name of a specified public officer, a valuable privilege which carried no other obligation than that of recording officially the names of the public officer concerned and the directors. Without such a provision large partnerships were impracticable since in any legal proceedings it would have been necessary to join each of a large number of partners whose shares could and did change hands privately and publicly without any ceremony; in the Australia case, as the act recites, there were even then more than a hundred shareholders some of whom lived in England and many outside Sydney.

Thereafter, with the exception of the Australasia which enjoyed a royal charter, every bank secured its act in New South Wales, Tasmania and South Australia. Western Australia followed the unusual course of a general act, although the difference was formal, and in practice unimportant, since only one bank operated under it.\textsuperscript{9} These acts, it must be noted, gave no other privileges (although no doubt some prestige) than that of simplified legal proceedings. Incorporation and limited liability were privileges which colonial legislatures would not have been permitted to grant at a time when they were jealously restricted in England, and the acts normally contained a denial of these privileges.\textsuperscript{10}

It is necessary to realize that limited liability had a different aspect for the English banks and for their colonial competitors. To prospective English investors in distant and often unknown colonies it was almost essential as an assurance of limited commitments, and therefore the Bank of Australasia based its plans from the start on a charter; the South Australian Company did likewise, although its charter was delayed, and the later separated Bank of South Australia secured a charter as quickly as possible; the Union Bank was fortunate in succeeding despite a refusal of a like privilege. But to colonial investors of the time, and still more of the place, the limited risks of shareholders were less important than the limited rights of creditors, especially depositors. The twentieth century has reversed the emphasis, but the contemporary discussion of the advantages of unlimited liability was sound enough, for the advantages were not solely
to creditors but also to shareholders, in the very important negative sense that an association of local men who limited their liability would be viewed with suspicion. Much of the newspaper reference to the strength and security of the partnership colonial banks, by contrast with the Australasia, could be written off as special pleading inspired by the fear of competition, but it had a basis of truth.\textsuperscript{11}

\textbf{Government Banking Business}

An incidental result of the inquiry into the Bank of New South Wales affairs in 1826 was the discovery that the Colonial Treasurer was using government funds to his own profit, with the consequent adoption of a policy of government hoarding which was to have long-term results.

The Board of Inquiry found that Balcombe, the Colonial Treasurer, had, on the board's appointment, hastily deposited in his account with the bank amounts totalling $96,743, his balance having been a mere $2,722.\textsuperscript{12} He then drew a cheque and had it “accepted” by the cashier of the bank, slightly exceeding his credit, to place in the Treasury to balance his books there.\textsuperscript{13} Darling commented: “It is impossible to account for his having placed this money in an establishment apparently on the very verge of bankruptcy, otherwise than by supposing, as it was not forthcoming when the inspection of the Treasury took place, that his intention was to conceal the fact of his having been in the habit of discounting the bills of individuals, hoping, as may be presumed, that the money appearing to be in the Bank at the time of the examination of that establishment, that his previous transactions would not be enquired into or discovered.”\textsuperscript{14} Balcombe, challenged to explain his depositing in a bank in danger and his using public money for private profit, claimed that his instructions required him only to produce funds “at a moment's notice”, and that his discounting was merely a form of safe deposit which he had adopted, after a recent robbery, in preference to hiding the funds under his bed.\textsuperscript{15}

The episode itself was trivial; the reaction in England was a set of instructions for the local treasury which entailed that the government hold the major part of its balance in hard cash, which, in the 'thirties, was to mean that the Treasury acted unwillingly and to some extent unconsciously as a brake on the boom. The instructions\textsuperscript{16} required that all sums collected by officials be paid to the Treasury promptly—weekly for Sydney collections and monthly for out-stations—and placed in a three-lock vault, keys being held severally by the Treasurer, Auditor and Colonial Secretary, to be used only on a governor's warrant. The Treasurer was permitted to hold cash for his immediate needs for payments under £5 and was to
maintain an account at each of the two banks, “so long as they remain in
credit and their notes payable in metallic currency upon demand”. All
payments over £5 were to be by cheques upon those accounts, distributing
business as far as practicable equally. Should the balance in either bank
exceed £5,000, or the Treasurer's holdings £10,000, the surplus was to be
deposited in the vault.

The sum of £10,000 which is to be suffered to remain as the balance of
the Treasurer's accounts in the two banks, should be considered as the
maximum which should so remain; and . . . if upon any monthly account
the balance should be reduced even considerably below that amount, the
vault should not be opened to make up the balance to that or any other
given amount unless you shall be satisfied that the same will be actually
wanted to pay the current demands upon the Treasurer before the
commencement of the ensuing month.

Bathurst made it clear that the purpose was not merely to prevent the
improper private use of public funds, but also to ensure that the
government did not provide the cash base for expansion of bank loans.17

There the matter rested until in 1831 the British Treasury, considering
deposit of Commissariat funds in colonial banks, sought information from
governors as to “the constitution, regulations, capitals and resources of the
several banking establishments at present existing in those colonies, and . . .
the nature and extent of the securities they might be prepared to offer”. It
was added, “As such an arrangement would naturally conduce in a certain
degree to an increase of the paper issues of the respective banks, it is
particularly important to obtain precise information as to the principles
upon which those issues are regulated; and it is also desirable to learn what
accommodations or benefits, superior to those granted to private
depositors, the Banks might be disposed to afford to the public in
consideration of the larger amount of the funds that might be expected to
be entrusted to them on the behalf of the Government”.18

This was followed by endorsement of Darling's action in re-establishing
the limited government deposit in the Bank of New South Wales which
was accompanied by the requirement of published returns as the price of
the deposit:

it would be no less advisable that this statement [the half-yearly returns
reported by Darling] should not only be transmitted to the Governor, but
should also be published for the information of the community at large. It
is right that those who would be so deeply affected by the mismanagement
of these establishments should have the fullest means of judging whether
their business has been properly conducted, and you will not, therefore, in
any manner afford the countenance of the Government to any banking
establishment which shall decline to comply with this rule, which experience has proved to be so greatly to the advantage of all parties concerned.\textsuperscript{19}

Despite the fact that both banks in New South Wales agreed to publication of returns, they were not published for another five years;\textsuperscript{20} nevertheless, the principle enunciated was, from this time on, a settled British policy; taking a government deposit carried the liability to supply returns for publication.

Darling's reply to the request for information was not very illuminating.\textsuperscript{21} The Banks of New South Wales and of Australia were prepared to accept deposits but would give no interest. The security each offered was “the credit of the establishment”, which Darling considered sufficient since they were partnerships composed of “the most wealthy inhabitants”. (He had a conveniently short memory as to the Bank of New South Wales.) He missed entirely the point of the inquiry as to the issue of notes, which he answered: “It appears that the issue of notes is regulated only by the demands of the public for them, and that an increase of deposits would not materially conduce to an increase of paper issues.”\textsuperscript{22}

In Tasmania Arthur was, as usual, thorough and systematic in inquiry and report,\textsuperscript{23} and it is possible to get a clear picture of the situation. Prior to the establishment of the Derwent Bank the government account had been kept in the Van Diemen's Land.\textsuperscript{24} After the dispute over discrimination in favour of the Derwent Bank, already discussed, the practice was for government officers handling funds to hold a minimum of £5,000 in the notes of each of the Van Diemen's Land and Derwent which was equivalent to a fixed deposit, free of interest, of this sum. The request of John Dunn for equal privileges for the Commercial Bank was repeatedly refused on “the opinion of this government that the Colonial Treasurer should not take the notes of private bankers”.\textsuperscript{25}

Since the inquiry from England related to Commissariat deposits, a Board of Inquiry was constituted from officers to report on the desirability of depositing in the banks.\textsuperscript{26} The Derwent and Van Diemen's Land Banks offered to take £10,000 each at 5 per cent payable half-yearly and reckoned on the daily balance;\textsuperscript{27} the Commercial Bank offered 7\textsuperscript{1/2} per cent on the whole deposit,\textsuperscript{28} while the Cornwall offered none.\textsuperscript{29} The Board reported against making deposits because of the excessive demands for bills on the Treasury which they foresaw would follow, and because they expected a large increase in bank lending to follow the accession of cash.\textsuperscript{30} To the first of these the banks replied that the Commissariat should announce publicly that bills would not be offered in excess of weekly cash needs and the banks would undertake to resell bills at the premium which they
themselves obtained. Arthur supported the banks and criticized the Report on the grounds that the problem of excess demand for bills on the Treasury had been solved by the bank proposal, and that the Board's fears of overlending were misplaced, since the banks could be trusted to look after their own interests. The Board, however, was not intimidated and reiterated its views, and Arthur referred the question to England so far as it concerned Commissariat deposits. But locally the banks maintained their pressure for the deposit of colonial funds, the Derwent and Van Diemen's Land offering to take each £5,000 at 5 per cent subject to three months' notice, provided each also received a “floating balance” of £5,000. In October 1832 this plan was adopted with the addition that in future the Treasurer was not to hold £10,000 in bank notes but to exchange them regularly for specie. In practice this amounted to giving each a fixed deposit of £10,000 at an average interest of 2½ per cent, for the “floating balance” was not allowed to fall below £5,000.

Consideration in England of the evidence as to the situation in the colonies was delayed by discussion of the questions of principle involved in the grant of a charter to the Bank of Australasia. The Treasury endorsed Arthur's arrangements, subject to the publication of half-yearly averages of the statements which the Van Diemen's Land and Derwent were to make available to the Governor, and indicated that on the banks agreeing the Treasury would sanction the deposit of Commissariat funds with them. It was decided, further, that when the Bank of Australasia opened in New South Wales the banks in that colony should be required, as a condition of retaining government deposits, also to supply returns for publication.

These instructions had not been received by Bourke, Darling's successor, before the establishment of the Commercial Bank led him to lodge £5,000 in that bank and to forecast a similar deposit in the Australasia when it commenced. This was Bourke's interpretation of the 1826 instructions for a deposit of £5,000 in each of the local banks, then only two. But he was uneasy at the accumulation of specie in the Treasury vault, which he attributed to his disinclination at a time of “very considerable expenditure of private capital . . . to have added considerably to the cost of mechanical skill and labour by entering into competition with individuals”. The reply by implication approved of the policy of giving all banks an equal share, but went on to apprise the officers administering the Government of New South Wales and Van Diemen's Land that in all arrangements relating to the employment of local banks, they are to consult the exigencies of the public service and the proper accommodation of the public departments and subject to the regulation respecting the publication of explicit
periodical statements of assets and liabilities, and to the obviously indispensable preliminary requisite of the undoubted credit of the establishment; that they are to avail themselves of the assistance of those banks which may offer the most unquestionable security and the most advantageous terms for the deposit of the public business. In regulating the amount of any deposits with the banks or the conditions on which they are to be held, the Governors must be guided solely by considerations of public convenience; and although they should be enjoined to take especial care that no undue preference is shown to any of the legally constituted banking establishments within their respective governments, they are not to extend the public banking transactions in any manner that may involve deposits of public money to an inconvenient amount.\footnote{42}

In New South Wales these instructions had two results. Publication of returns began and was insisted upon to the point of temporarily depriving the Australasia of its government deposit until it agreed to supply, in addition to the returns required by its charter, separate returns in the form prescribed for colonial banks.\footnote{43} The other was an increase, made as a deliberate decision of policy, in the size of government deposits which, as they grew over the next four years, provided an expanding cash base for the inflation of bank loans. Bourke's first step was to inquire what rate of interest the banks would give, and on receiving similar offers of 21/2 per cent, the rate allowed the Commissariat, from all four banks (New South Wales, Australia, Commercial and Australasia), directed the Colonial Treasurer to deposit £12,500 in each, and to use these accounts for all future receipts and payments.\footnote{44}

The next step derived from the rapid accumulation of specie in the Treasury against which the banks complained, urging that steps be taken to release it for general circulation; suggesting various ways: suspension of sales of land; acceptance of tenders for public works “even at a high rate”; assisted immigration; all government payments in specie; an interest-free loan to the banks.\footnote{45} Bourke yielded temporarily by directing that (from 2 November 1836) no more specie should be placed in the vault which then held £218,000, half the estimated total in the colony. But he felt “much at a loss how to proceed” for the future. He was not prepared to spend money on public works at high prices. The accumulation was mainly due to land sales to stop which “would either check the extension of a most profitable pursuit, the depasturing of flocks and herds, or augment the unauthorized occupation of Crown Lands to a most inconvenient degree”. Reduction of other revenue was impossible since the only large item was the duty on spirits, reducing which was “a measure as yet quite uncalled for upon any other grounds and might be injurious to morals and policy”. The only
expenditure he had found practicable was that on bounties on immigration, although he proposed to use “all favourable opportunities for returning to the public” accumulated surpluses. The immigration-bounty plan did absorb considerable funds, but Bourke was not required to resolve his perplexity; he was succeeded by Gipps who was averse neither to large expenditure nor to large balances in the banks.

In Tasmania there was no such boom in revenue (land sales were small because of Arthur's great alienations in 1831–2); before long the colonial government was borrowing from the Commissariat and the Commercial Bank. But the British instructions of July 1835 provided full authority for the exclusion from government banking of the Commercial and the Australasia. The scheme for restricting the business to the Van Diemen's Land and Derwent nevertheless had to survive a minor local challenge and an apparent threat from overseas.

The local challenge was a proposal by the Treasurer that all government transactions be in cash, but its obvious inconveniences led to its being dropped. The apparent threat was the rumour that the British government was giving exclusive rights to government banking business to the Australasia. For this there was some foundation: the Bank had contemplated asking for the privilege and had only abandoned the idea as a matter of temporary diplomacy; the story was spread by Potter Macqueen who had left London while it was still under discussion. Arthur forecast the stand which he would take: he would give the business to the new company, unless directed to do so, only if it offered better terms than the Van Diemen's Land and Derwent. The July 1835 instructions came after the assurance that there was no intention of giving the Australasia a monopoly of government business, but it was left to Franklin, Arthur's successor, to implement the interpretation of the instructions which Arthur foreshadowed in reporting his acquiescence in all the local banks sharing in the government deposit on the same terms as the Van Diemen's Land and Derwent. Franklin made no secret of his dislike of the Australasia and his fear of the effect of its exchange transactions on the sale of Commissariat bills, and, stressing the limited liability and mainly absentee shareholders of the Australasia, steadfastly refused a deposit, although the Commercial was at last given one. Spring Rice in England refused to intervene. Meanwhile instructions had been received, following Arthur's reference to England in May 1832, for the deposit of Commissariat funds in the local banks, and Arthur had informed the Van Diemen's Land and Derwent with the comforting assurance that the Australasia was to have no privileges.

The next development derived from an application by the new Colonial Bank in Hobart for its share in the deposit of colonial funds. Franklin
 objected, partly because of its small paid-up capital, partly because he believed an automatic agreement would amount to a bounty on bank flotations, partly because too many public accounts were a nuisance.\textsuperscript{57} The Colonial Office reply went further than he asked and applied also to New South Wales.\textsuperscript{58} Each governor was directed to “abstain from employing any additional banks for the deposit of the balances belonging to the Colonial Chest, without having first obtained the sanction of Her Majesty's Government”. Moreover, Franklin was directed to insist that 5 per cent interest must be obtained on colonial funds as it was already on deposits of the Commissariat, a demand “founded on a public notice issued by these banks stating their readiness to allow interest at the rate of 5 per cent on any sums that might be deposited with them by private individuals”. No relaxation of requirements about publication of returns was to be allowed as the price of interest. Gipps, having no new banks to worry about and having already gone further than England in the matter of returns, had no action to take, and in 1843 simply reported “a balance in, and a current account with, each of the principal banks in the colony”\textsuperscript{59}. He had already insisted on the government deposits carrying, instead of 2\frac{1}{2} per cent, the rates given to private depositors: 4 per cent on the daily balance of current accounts and 7 per cent on deposits subject to three months' notice.\textsuperscript{60}

Franklin, however, changed his mind about the Colonial Bank and gave it a share and at the same time reported having made to all the banks an offer in terms already suggested by Dunn of the Commercial Bank: the government would be content with no interest if all deposit interest was abolished and the discount rate reduced to 8 per cent.\textsuperscript{61} This was Franklin's substitute for the usury law for which he was being pressed and which he had refused to sanction.\textsuperscript{62} The British Treasury, while blessing his attitude to a usury law, gave short shrift to his plan for reducing interest. He was directed that he was to insist upon 5 per cent on government deposits and withdraw in specie, for deposit in the Treasury, balances in any bank which declined. Once a bank was so excluded from sharing in the deposits, it was not again to be admitted without English authority. Conditions for holding, a deposit were made more onerous involving government right of inspection and the amounts were, in any case, to be reduced to what was sufficient for current payments only, the surplus being deposited in the Treasury.\textsuperscript{63} These instructions paid no regard to conditions in the island, where depression had reduced the deposits to a size which made them of little importance to the banks, and the payment of such interest impossible. Accordingly the banks jointly refused to pay any interest and surrendered their deposits.\textsuperscript{64} For some years the Tasmanian government had no other bank account except its cash credit with the Commercial, as a reward for
which assistance that bank became the sole depository.65

Franklin's report on the Colonial Bank had meanwhile produced separate instructions to the Commissariat officers in both New South Wales and Van Diemen's Land.66 “A needless multiplication of accounts, an increased risk of mistake, and a necessity on the part of the Commissary of keeping all the different balances as nearly as possible at the same amount in order to prevent the imputation of unfairness' were cited as objections to keeping accounts in several banks. The two Commissaries were accordingly directed to use banks (if they were willing) in annual rotation according to date of establishment, holding only a small balance on current account, free of interest, never to exceed £5,000. Thus at the very bottom of the depression both colonial and Commissariat funds had to be held in hard cash out of the banks, on English instructions which were framed by Treasury officers unaware of the depression, remedy of which would have dictated the opposite policy.67

In South Australia from the beginning the Bank of South Australia held the accounts of the Colonization Commissioners and of the local government.68 But in 1843 Grey was angered by the discovery that the bank held £9,000 to the credit of the Colonization Commissioners which should have been remitted to England. The bank had kept silent about the amount, while taking Grey's bills at a discount, and refused to pay it to the Colonial Revenue account, arguing that it was held as security against Gawler's dishonoured bills, and later disputing as to whether it was really held by the South Australian Company or the now separate Bank of South Australia.69 Grey's complaint crossed authorization from England to use any bank he chose for government business, the exclusive agency for the Colonization Commissioners held by the Bank of South Australia having been terminated.70

This permitted the exaction of a penalty. The Land Fund, which was a transient deposit remitted to England for immigration payments, was divided between the Australasia and the South Australia, but all other government business was given to the Australasia.71 In 1845, however, Robe was disturbed at the extent to which land sales maintained a continuously high balance which provided the cash base for speculative finance of the mining boom, and he determined to hold all land receipts in specie. To avoid public misconceptions he agreed to accept bank notes at sales, on condition that the banks undertook to convert them on demand. (He planned, without telling the banks, to present all notes in excess of £1,000.)72 These arrangements were approved in England.73 An application for a share in government business by the Bank of South Australia was refused on the ground that it was not a chartered bank,74 and, that objection
being removed, a second application was rejected, first because of the waste of two accounts, and secondly because of the episode of the £9,000. “When once a banking establishment has employed its power to control the acts of a government that has employed it”, wrote Robe, “it is no longer entitled to any further share of the confidence of that government.” But by 1851 the local government was prepared to let bygones be bygones and adopted the policy of using each of the two chartered banks in turn.

There were occasions when colonial governments sought loans from banks, but these raised no special problems or issues of policy. All were isolated instances of borrowing to cover short-term needs. Thus in 1844 the New South Wales Commissariat sought a cash credit of £60,000 to obviate the necessity of drawing bills at unfavourable rates, and the same type of loan was discussed as an alternative to the issue of colonial debentures in 1841. The Bank of South Australia advanced £10,000 secured by three months promissory notes, and there were other such episodes. They were more common in Tasmania where the government repeatedly sought aid from the Commissariat and the banks during the middle 'forties to cover deficits, with the unwilling acquiescence of the British government.

Radical reform of the banking system during the depression was not seriously considered; even the modest proposal for a government bank with a monopoly of note issue, though ably argued by a number of pseudonymous writers, was never an active issue. Nevertheless, the views of these writers have a modern ring and illustrate the reaction of critics of the system.

First in point of time was “Scrutator” who started from premises that “money in its character, with regard to commercial transactions, differs materially from every other commodity” and derived its value “from a universal conventional law of society, maintained and enforced by the government of every country”. In New South Wales, however, the government allowed fluctuations in value to occur according to “the discretion of the comptrollers of a half-dozen manufactories called banks”.

So long as the the smashers (banks as they are called) of this place have the power of expanding and contracting the measure of value, or, in plainer terms, so long as there be a privileged few who are authorized to pluck the many by dealing in variable weights and measures, and, strange to say—yet not more strange than true—make the very persons so dealt with, pay then for practising this iniquity, this colony will have to undergo a periodical depletion, to satisfy the cankerous cravings of insatiable avarice . . . The power of coining, or what is in effect the same thing, of making money ought never to be delegated to others [than the
Government], especially when a piece of paper can be converted into a pound with a farthing's worth of labour, and five shillings' worth of credit; as well might the Government confer the power to levy taxes on the community to a company of consuming adventurers as concede the authority of unlimited coining to the Sydney banks.82

This was closely followed by the ranting of Mr. Justice Willis of Melbourne who produced in October a plan, “strongly illustrative of the harangues which [he was] in the habit of delivering from the bench”, for exclusive government note issue.83

These assaults prompted a series of letters from “A True Briton” who urged a government bank, capitalized at £1 million, with the sole right of issue of notes, which should be legal tender, and convertible in amounts not less than £1,000 to £2,000. This bank he proposed should lend on land.84 Such a bank was the best means of reducing interest: he suggested to 5 per cent on mortgages and bills.85 “Why should private moneyed powers be permitted to spring up and enslave a whole colony, and blast its fair prospects as often as they will?”86 A third propagandist, “F.E.”, urged the establishment of a bank on something like Bank of England lines, with a monopoly of note issue.87 These notes, he urged, should depreciate 5 per cent each year to prevent hoarding.88 “The paper currency of a country should be solely a government one, in all its international aspects, a ‘legal tender’ rateable in current wealth with, but irredeemable by, gold, except at the option of the government.”89

We have here no “national debt”, no “stock”, no “funds”, no “consols”; and as his Excellency might emphatically express himself “no nothing” wherein a prudent merchant can invest his surplus funds. A joint-stock bank is, therefore, all he has to trust to—a bank, which, in its most perfect state, is altogether based upon an erroneous system of banking, and, as experience bears witness to us here, is adequate to no other purpose than a “loan company”, to the ruin of the shareholders, the depreciation of property, and the confusion of all mercantile transactions; but all this the superintendence of a Government control might easily and effectually prevent. One thing I would wish most seriously to impress upon the minds of all who give this subject their consideration, viz., the absolute necessity of abolishing the system of a private bank issue, and the substitution of a government paper currency . . . Let the government then so come forward for our good. Let it issue its colonial Bank notes—let it abolish the right of private issue—let there be none other than Government paper mediums—one sole controlling power to investigate these Bank accounts, their “discounts”, “deposits”, “securities”, and “bullion”. Let it make its notes for such time as our wants require and its means will allow a legal tender—
and the very root of our evils will be undermined, the effects of our present depression alleviated, and its original cause, Bank speculation, imprudent and ruinous discounting, would be for the future obviated.

This National Bank, as a measure of immediate relief, was to lend on mortgage at 71/2 per cent with annual repayments spread over forty years.\textsuperscript{90} There was a petition from the Hunter District for a government bank, which the Council received,\textsuperscript{91} and John Curr had a more elaborate scheme for a bank issuing notes "secured on the waste lands of the colony" for the purpose of executing public works.\textsuperscript{92}

Despite the cautious support of Wentworth,\textsuperscript{93} such national bank plans did not become practical politics; the colonists wanted immediate relief, not long-term reform, and turned to interest reduction, government mortgage loans, and new modes of borrowing for squatters. Some newspaper debate followed an 1847 proposal by a correspondent of the \textit{Sydney Herald}\textsuperscript{94} while in 1850 Wentworth, as a member of the Select Committee on Banking, again toyed with the idea.\textsuperscript{95} It is possible that the private banks would not have objected to a Government bank of issue only, since they were by no means sure that the issue of notes was then as profitable as it had been,\textsuperscript{96} but the question was not yet one of practical politics. The idea of a government or "national" bank, however, lived on in the literature of discontent, to find its ultimate realization in the foundation of the Commonwealth Bank.\textsuperscript{97} The true origin of the idea was clearly a somewhat confused notion of the Bank of England as a note issue authority, and in this origin is some part of the explanation of the emphasis on note issue in the final stages of the campaign which produced the Commonwealth Bank. In this discussion of a government bank and the intermittent references to the relationship between total bank loans and government holdings of coin the colonies made the nearest approach, a very remote one, to any consideration of central banking even of the most primitive sort.

\textbf{Colonial Bank Regulations of 1840}

The protracted discussions of a decade reached final form in Colonial Bank Regulations circulated to colonial governors in May 1840.\textsuperscript{98} These laid down the following requirements for banks operating in the colonies: capital should be a determinate amount and must be fully subscribed within a period not exceeding eighteen months; until capital was fully subscribed and half paid up business was not to commence; capital was to be fully paid up normally within two years. Total debts owed by the bank were not to exceed three times the paid up capital leaving out of account such
deposits as were made “in specie or government paper”. All notes were to be payable on demand in specie at the place of issue, failure to do so for a total of sixty days in any year entailing forfeiture of incorporation, and notes were to be for not less than £1. If the bank became insolvent, shareholders should be liable for not less than twice their subscriptions. A bank might not hold its own shares or lend against them; loans to directors or officers must not exceed one-third of total loans; advances against real estate, ships or merchandise were to be prohibited, as was trade except in precious metals. Dividends could be made only out of profits. Returns in a prescribed form (that required in the Australasia charter) were to be supplied half-yearly and yearly for publication. Capital increases might be provided for subject to approval by the British Treasury.99

No new views on banking were embodied in these regulations; they were in substance the conditions imposed on the Bank of Australasia seven years earlier. Nor did the accompanying one-sentence despatch make plain to governors how far new policy was involved. The Regulations were described as “certain rules and conditions prescribed by the Lords Commissioners of the Treasury for observance in Charters or Legislative Enactments for incorporating Banking Companies in the Colonies”. But the words “prescribed” and “observance” were softened by the statement that the regulations were forwarded for “your information and guidance, and that of the Legislative Bodies and Local Authorities in the Colony under your Government”. Any governor might be excused for being a little uncertain as to whether he was required to act, and if so whether he was required to insist on these conditions in future bank acts (the Regulations were silent on the past), or merely to urge their observance.

In practice the effect of the Regulations in the Australian colonies during the six years of their operation, 1840–46, was negligible. This was not solely due to the fact that the only new bank of local origin was the Western Australian, which was established under that colony’s 1837 Act. The governors of New South Wales and Tasmania at least thought some show of retrospective application was necessary. In Tasmania the procedure followed was to repeal all the individual bank acts and to substitute a general joint-stock companies act. As originally drafted this would have done no more than permit companies to sue and be sued in the name of a public officer without having an individual act.100 But the revised version as passed included special clauses for banks echoing some of the regulations.101 A bank was not to operate until half its capital was paid up (the other capital clauses of the regulations would have been embarrassing to several of the banks); quarterly returns, not averages, and less informative than the form in the regulations, were required of note-issuing
banks (the Derwent thus being exempt); and notes issued at a branch were to carry the name of the branch and to be payable there or at head office. None of the other restrictions set out in the regulations were included and the passage of the bill was not contentious.

Gipps in New South Wales followed a different course. It is at least possible\textsuperscript{102} that he was aware of the terms of the regulations when in August 1840 he introduced a bill to require improved bank returns, but which did not cover any of the other matters in the regulations.\textsuperscript{103} The regulations (whatever the time at which he received them) were ignored until a year later when he tabled them in the Council, with a commentary which can hardly be regarded as sincere.\textsuperscript{104} The regulations, he said, were inapplicable since no banks had local charters; this was relying on a narrow meaning of the word and in any case ignored the phrase which followed it in both the regulations and the covering despatch, “or legislative enactments”. The colony, he said, had legislation more far-reaching than the regulations, except in the requirement that all capital be paid up within two years. This was simple untruth, for none of the local bank acts went beyond simplifying legal proceedings. Finally, said Gipps, the recent act of 1840 already required a return similar to that in the regulations. This was the only true statement he made, and the whole performance, coupled with the dates involved, warrants a belief that his 1840 Act was to forestall regulations the general terms of which were known. In any event nothing was done to apply the regulations to existing banks and no new ones were formed.

In South Australia there was more excuse since of the two banks existing at the time the regulations were received the Australasia operated under its English charter and the South Australia was still part of the South Australian Company. When the South Australia separated two years later it was still an English company and all that was needed in the colony was an act facilitating local legal proceedings. Accordingly the governor contented himself with publishing the regulations “for general information”, and with securing returns from the South Australia by agreement.\textsuperscript{105} Western Australia had the most cause for action since it alone among the colonies had a general act for banking companies, imposing as practically the only obligation a requirement for returns on a scantier plan than those in the regulations. Moreover, within a few months of the receipt of the regulations a new bank was formed, the obvious occasion for application of the regulations. Not then, but the following year, the governor sought to introduce the type of return demanded in New South Wales, but was totally defeated, and the 1840 regulations were allowed to accumulate dust.\textsuperscript{106} This was the crudest case of local bankers preventing the operation of the
regulations, but there can be little doubt that the show of action to little practical effect in New South Wales and Tasmania represented more skilful exercise of the same influence.

This effective evasion of unwanted restrictions drew no comment from England, and local criticism of the banks in depression spent itself in other directions, especially in the attempts to secure a usury law. Proposals for any form of control of banks were unimportant, a fair sample being a motion by one Hagen in the South Australian Council “that a license of £50 should be required for banks issuing notes, but would not object to £100, because while they were making large profits they were protected by law, contributed nothing to the revenue, and were, therefore, fair subjects for taxation”. Local legislatures and local commercial opinion wanted no government control of banking.

**Colonial Bank Regulations of 1846**

By 1846 the British Treasury had prepared a revised set of regulations with some minor variations of the 1840 set. The limit on total debts contracted by the bank was modified to exclude from “debts” all deposits, thus eliminating the curious and unworkable restriction to deposits made in specie or government paper. The direction to omit from charters and acts details of internal management was replaced by a requirement that adequate provision be made, either by recital of a deed of settlement or clauses for election of directors, for proper management. Otherwise the original regulations were continued with some important additions. The additions were: banks were to be incorporated, for a definite period of years normally not exceeding twenty-one, and note issue was not to exceed the amount of paid-up capital.

The covering despatch left no room for doubt as to how governors were to act:

These regulations are forwarded to you, not of course as inflexible rules to be in all cases insisted on, but as embodying the general principles to be observed in the preparation of colonial acts for the incorporation of banking companies; and Her Majesty's Government consider a compliance with all the more material conditions and restrictions as of much importance to the security of the communities in which such banks may be established, and more especially to the poorer classes of such communities. I must, therefore, impress on you the necessity of using all your legitimate influence to procure their introduction into any bills which may be brought into the legislature of the colony under your Government, for the incorporation of banking companies; and with this view it might be well
that you should communicate with the promoters of any such bills in which these conditions may be omitted, and point out to them that the instructions which you have received from Her Majesty's Government would place you under considerable difficulty in assenting to any such bill . . .

These directions clearly related to the future and were as precise as could be for instructions to be applied in diverse colonies.

Only in New South Wales, however, were there any important results. In Western Australia the sole tangible result was an improved statistical return from the Western Australian Bank. In South Australia there was no immediate occasion to apply the regulations; the Bank of Australasia had an English charter and the Bank of South Australia was in process of receiving one, and in any case these were not new banks. When occasion did arise with the Union Bank in 1850 the regulations were ignored, and a simple legal proceedings act was passed. This might have been defended on the ground that the Union was incorporated under English law, but such a view is weakened by the act requiring returns in the prescribed form. In Tasmania the only result, there being no new bank to consider, was the resumption of publication of bank returns in a fuller form.

The New South Wales position was different since there were first amending acts for the Commercial of Sydney and the Union, and then new acts for the reconstructed Commercial and New South Wales. The amending acts were of slight importance and show no trace of the regulations, but with the new Commercial Banking Company of Sydney Act of 1848 the regulations were fully implemented, for the act is, with the insertion of appropriate specific figures, a complete and faithful translation into statutory form of all the clauses in the regulations. It was followed two years later by a similar act for the Bank of New South Wales, the only other bank of local incorporation remaining.

New South Wales was distinguished too by a series of local moves, which came to nothing, against the banks. Discontent and hostility towards the banks had flared up in the depression and had simmered during the years of recovery. Formal attempts at action in the Council were prompted by the pressure for realization of the assets of the Bank of Australia after the Privy Council case, the action of the Australasia—required as a matter of business by its position and as a matter of law by its charter—of selling off properties taken in settlement of debts, and the collapse of the Royal Bank.

The first move was by James Martin who introduced a bill “to regulate banking in New South Wales” of which the main clauses provided: that returns distinguish New South Wales business from that of other colonies; that for amounts above £2 paid by a bank gold only should be legal tender;
that “foreign” banks, defined so as to include the Australasia and Union, must hold a gold reserve of one-third of liabilities; that no bank should have more than five directors of whom not more than two should be merchants. After some skirmishing the bill was allowed to lapse at the first reading stage.\footnote{116} Immediately T. Murray moved a resolution which would have required public deposits to be reserved for colonial banks and which he supported with a long attack on the “foreign” banks. His motion was lost by one vote only—the bank spokesmen could not be unanimous on this issue—and the \textit{Herald} commented fairly that there was more to come; this was only “preparing the field for action”\footnote{117}.

The bankers evidently feared so too, for John Lamb, the bank director who had led the opposition to Martin and Murray, took the initiative by successfully proposing the time-honoured device for side-tracking reformers: a committee of inquiry, to include Martin and Murray. The terms of reference directed it to investigate “the system of banking now prevailing in the Colony”, and especially the adequacy of the form of return, the suitability of the several banks as holders of public funds, the “state of the currency”, and the need for legislation on note issue by banks and by individuals.\footnote{118} As is the habit of committees of inquiry, it diligently accumulated a great deal of evidence of value to the student, but its report proposed no revolutions. No changes were needed in the law relating to currency and no action should be taken to prevent payment of wages by “orders”. So far as banking was concerned it was recommended that country storekeepers and others who issued notes should be obliged to make returns and that the ordinary bank returns should distinguish government deposits and government securities. Beyond that the committee saw no scope for state action, “a result”, said the \textit{Herald} “which, while it is creditable to the discrimination and good sense of the Select Committee must be satisfactory to the colonial public, as showing that their monetary system is conducted in a way so safe, so prudent, so unobjectionable as to merit their entire confidence in the bodies who work it, as well as in the system itself”.\footnote{119} Reforming zeal had spent itself in inquiry, and those who might not have shared this confidence were content to dissent in silence; the Council showed no interest in even the minor reforms proposed, and general legislation on banking was not discussed until the discovery of gold had completely altered both the dimensions and the nature of the issue.

\textbf{Legal Tender}

The question of legal tender after the adoption of a sterling exchange
standard does not seem to have been raised in Tasmania\textsuperscript{120} or Western Australia; in New South Wales and South Australia, where it was raised it was settled by custom and convenience not by law that the only legal tender was British silver coin, and that to any amount. The only legislation, the New South Wales act, 7 Geo. IV, No. 3 (1826) provided that British copper coin should be legal tender to one shilling, but was otherwise silent. No one bothered about the law until depression developed and even then interest was academic. An inquirer writing to the \textit{Sydney Herald} in 1842 asking whether bank notes above £5 must be paid in gold stirred no more than an editorial opinion that payment in coin was enough,\textsuperscript{121} and a year later the \textit{Herald} could declare without exciting reply that there was no legal tender law in New South Wales.\textsuperscript{122} In that year the Committee on Monetary Confusion was repeatedly assured by the banks that so far as they knew the local legal tender was British silver coin, but they were vague as to statutory authority. A typical view was that of Griffiths, a director of the Union, and formerly Inspector of the Australasia: “The banks are not bound to pay in gold . . . I believe that to be the law; I believe silver is a legal tender to any extent . . . I am not able to speak as to any particular law; I believe the public has always considered that such was the case; all Commissariat transactions have invariably been in silver; and, in fact, I could not, now, purchase a Commissariat bill for gold under the Treasury regulations.”\textsuperscript{123}

No one seemed to see any need to clarify the law, if there were one, or to fill the gap, if the view generally adopted was correct. Even when, two years later, a committee on the Masters and Servants Act brought to light a remarkable extension of the bankers’ doctrine by the magistrates, a purely \textit{ad hoc} enactment was thought sufficient. The “orders” by which wages were often paid, especially in the country, were frequently dishonoured, and the magistrates held, some of them unwillingly, that the giving of an “order” even if it were subsequently dishonoured, was a valid discharge of the debt, and an employee had no legal redress.\textsuperscript{124} An amending Act gave employees the right to sue for a dishonoured order,\textsuperscript{125} but the general question of legal tender was ignored.

No more practical results followed the questionings of the 1850 Committee on Banking. The bankers, who had long been pondering the point, were still of the same view, with some show of legal authority. Knox of the Commercial insisted that he could pay his notes in gold or silver as he chose, supporting this with a flat denial that the English act of 1828 (9 Geo. IV, c. 83) had extended British legislation, particularly 56 Geo. III, c. 68, to the colony, and by the curious argument “By the 7 Geo. IV, No. 3 British silver is made a legal tender for any amount of dollars; and if legal
in payment for dollars then I think it is so for anything else.\textsuperscript{126} Baillie of the Bank of New South Wales virtuously pointed out that his bank always paid in gold if requested but disowned legal obligation to do so, and became voluble in arguments against legislation to that effect. He too had a legal authority: the 1828 Act extended only laws which were applicable to the colony, and English law that gold was legal tender could not then have applied since there was little in the colony. Falconer, for the Australasia, merely denied any obligation to pay gold; while Miller of the Savings Bank held that both gold and silver were legal tender to any amount. Fletcher of the Union produced the ace of trumps, a formal opinion (dated in 1847) by a barrister, W. Foster.

Foster declared without argument that British gold coin was legal tender for any amount, an opinion in conflict with his following argument about silver, since that rested on the non-application of current British law to New South Wales. He quoted the New South Wales act of 1826 concerning copper coin, and devoted most space to an ingenious proof that silver was legal tender to any amount. The proof lay in ignoring the inconvenient Act of 1828 with its awkward extension of British laws to New South Wales; insisting that 56 Geo. III, c. 68 was explicitly limited to the United Kingdom; and dismissing, with a “no doubt”, “14 Geo. III, c. 42 and other statutes” by which England had limited the legal tender of silver. Having thus cleared away all limitations on the tender of silver in English law by transferring the argument to a period before Cook explored the Pacific, Foster arbitrarily applied English law of that period to New South Wales in 1850. This was an ace indeed, for the banks were not only well-satisfied with things as they were, but nervously anxious to avoid the heavy cost of importing gold coin beyond the modest sums which they used between themselves for clearing. It is to be hoped that Mr Foster satisfied himself that the fee for this legal ingenuity was paid in legal tender.

In South Australia legal tender law did not exist, although by custom silver was treated as legal tender to any amount. The London office of the Bank of South Australia in 1845 directed the Adelaide office to pay in silver if possible, but sought advice as to the existence of any local law, receiving the correct reply that custom not law made silver legal tender to any amount.\textsuperscript{127} In 1848 the Australasia notified the Bank of South Australia that it had obtained legal advice that British silver was legal tender to any amount in either South Australia or New South Wales.\textsuperscript{128} There the point rested without, apparently, ever having been seriously challenged or decided in court.

It was left to the Order in Council of 16 October 1852 to put the matter beyond doubt in all four colonies by applying (current) British law under
which silver was legal tender to 40s. only.

1 In this study English policies are accepted as data and what is traced is their application in the colonies. The best source for policy in relation to colonial banks is Baster, *Imperial Banks*.

2 *Sydney Herald*, 26 August 1839. Similar statements occurred often in his speeches. Cf. ibid., 3 August 1843: “the enterprise of individuals is ever most active when left as far as possible unshackled by legislative enactment”.

3 Ibid., 26 August 1839.

4 Ibid., 15 February 1843.

5 Gawler to Colonization Commissioners, 30 March 1840; Grey to Stanley, 27 January 1843.

6 Cf. the Western Australian case, above.

7 It is not implied that these were a special favour to banks; such acts were normal for all the companies which flourished in the ‘thirties; nor was such legislation peculiar to Australia.

8 8 Geo., IV, No. 4. Passed 3 May 1827.

9 I.e. the Bank of Western Australia, 1837–41, and the Western Australian Bank from 1841. The Waterloo Co. and Archers Gilles & Co. did not secure acts since the number of partners was in each case very small and banking was only a part of their business. The Commercial of Tasmania operated 1829–32 without an Act, and until its separation in 1842 from the South Australian Company the Bank of South Australia did not need one.

10 The occasional omission of the denial (e.g., Sydney Bank Act, 1840) is of no significance, since the denial was merely explanatory.

11 For reasonable support of unlimited liability see Gipps to Normanby, 28 November 1839, *H.R.A.*, I, xx, 405; reports of Select Committees on Union and Bathurst Bank bills, *V.P.N.S.W.*, 1839.

12 *H.R.A.*, I, xii, 303.

13 Darling to Bathurst, 22 May 1826, enclosing Report of Committee inquiring into state of Treasury on 11 May 1826, *H.R.A.*, I, xii, 323.

14 Darling to Bathurst, 22 May 1826, *H.R.A.*, I, xii, 322.

15 Darling to Bathurst, 27 May 1826, enclosing McLeay to Balcombe 25 May and reply 26 May, *H.R.A.*, I, xii, 336–7. The hiding place is from Enclosure 2 in Darling to Bathurst 20 July 1826. Darling required the Bank, as one of the conditions of the loan, to produce an undertaking from Balcombe “that he is not to draw upon them beyond his immediate wants for the public service, and further that he make his payments in Bank paper whenever practicable”, which he duly agreed to do. Darling to Bathurst, 20 May 1826, Enclosure 5, Memorandum of Executive Council, 16 May
1826 and Enclosure 6, John Piper to Governor Darling, 18 May 1826, accepting the terms for the loan, and enclosing Balcombe's undertaking.

The Naval Officer (i.e., Collector of Customs) was also engaged in similar transactions on a smaller scale. Report of Board of Inquiry on Bank of N.S.W., *H.R.A.*, I, xii, 303. In extenuation, it may be pointed out that officials were still expected to provide their own place of safekeeping, and that the principle that officials holding public moneys were entitled to the perquisite of private investment of the funds held had, within living memory, been officially proper.


19 Goderich to Darling, 30 March 1831, *H.R.A.*, I, xvi, 229.

20 For the agreement, Bourke to Goderich, 3 January 1832, *H.R.A.*, I, xvi, 501; for ultimate publication see Statistical Appendix.


22 Bank of N.S.W., “Minutes”, 21 July 1831, gives the gist of its reply to inquiry: “the Bank would accept the deposits and conduct the business of the Government, but paying no interest, having at this moment more capital than it can make use of safely and advantageously”.

23 His despatch of 9 April 1833, recording information as to the banks and the action he had taken, is not available in Hobart. “Arthur File”, 11,866 includes a number of documents relating to the preparation of the reply. They are in disorder, but, re-arranged in order of date, those relevant are:

(a) Colonial Secretary to Banks (V.D.L., Derwent and Cornwall) 3 September 1831.

(b) Dunn (Commercial Bank) to Colonial Secretary, 21 September 1831.

(c) Joint reply by Derwent and V.D.L., 26 September 1831.

(d) Town Adjutant to Logan and Garrison order, 3 October 1831, appointing a Board of Inquiry.

(e) Logan to Town Adjutant, 6 October 1831.

(f) Dunn to Colonial Secretary 11 October 1831.

(g) Reply of Cornwall Bank, 12 October 1831.

(h) V.D.L. and Derwent Banks to Board, 13 October 1831.

(i) Report of Board of Inquiry, 15 October 1831.

(j) V.D.L. and Derwent Banks to Board, 2 November 1831.
(k) Notes (undated) on Report of Board and Governor's memorandum based on these notes 3 November 1831.
(l) Supplementary report of Board, 8 November 1831.
(m) Colonial Secretary to Colonial Treasurer, 16 October 1832.
(n) Agreement with Bank of V.D.L. on deposits, 17 October 1832.
(o) Governor to Montagu, 8 April 1833.
(p) Montagu to Colonial Secretary, 9 April 1833.

24 The excuse for transfer was that the V.D.L. was no longer a chartered bank. Collector of Customs to Colonial Secretary, 18 February 1828, “Arthur File”, 11,866.

25 Quoted by Dunn in his memorial of 16 January 1832 to the Colonial Office, enclosed in Hay to Arthur, 27 June 1832. “Inwards Despatches”, Vol. 20, pp. 205–11. Dunn cited applications of 20 July (reply of 8 August), 24 August, 21 September 1829, 19 March 1830 and 1 June 1831 (reply of 21 June 1831), as well as several personal applications. There are further letters from him on the same subject in “Arthur File”, 11,866: 21 September, 11 October 1831. Despite his conversion of the Commercial Bank to a partnership, later requests continued to be refused, then on the grounds of the trouble of an extra account (endorsement on Dunn to Burnett, 4 July 1833, “Arthur File”, 11,866). Further requests (same file) on 3 February, 4 July, 6 July 1835 and 15 July 1836 were fruitless, and not even a direction from England (Glenelg to Arthur, 31 July 1835, “Inwards Despatches”, Vol. 28, pp. 523–5), could overcome Arthur’s obstinacy. Dunn alleged, in his memorial of 1832, that this was part of the punishment for starting the Commercial Bank in competition with the Derwent. That may be; there is no doubt that his exclusion was the result of the determination of officials interested in the Derwent to restrict competition.

26 Garrison Order, 3 October 1831, “Arthur File”, 11,866, appoints Lt.-Col. Logan, A.-C.-G. Moodie, and D.-A.-C.-G. Maddox; the terms of reference were (Town Adjutant to Logan, 3 October 1831, ibid.), to consider the risk involved, whether inconvenience would result, savings in clerical staff and the effects on “the general circumstances of the Colony”.

27 Joint letter of 26 September 1831, “Arthur File”, 11,866. Repayment was to be: £5,000 on demand, £2,500 at 3 months' notice and £2,500 at 6 months.


29 Cornwall Bank to Burnett, 12 October 1831, “Arthur File”, 11,866


34 Montagu to Derwent, 4 May 1832 (similar letter to V.D.L.), “Arthur File”, 
11,866. The despatch is not available.

35 Summary of various representations in an undated memorandum in “Arthur File”, 11,866.


37 John Gregory, Treasurer, to Burnett, 27 December 1833, recording that his predecessor had read the October instructions as requiring him to deposit or withdraw weekly whatever amount was necessary to keep the balance at £5,000, asked for permission to hold less. Endorsement of 28 December gives Arthur's decision: the floating balance was to be maintained at £5,000, the only concession being freedom to adjust at any convenient time. “Arthur File”, 11,866.

38 Stewart (Treasury) to Lefevre, 25 July 1834, enclosed in Glenelg to Bourke, 9 July 1835 H.R.A., I, xviii, 16–17. (Tasmanian copy not available.)

39 Glenelg to Bourke, 9 July 1835, ibid., 8; and Enclosure 4, Baring to Hay, 2 June 1835, ibid., 20–21.

40 Bourke to Spring Rice, 12 January 1835, ibid., I, xvi, 628.

41 Bourke to Spring Rice, 13 January 1835, ibid., 629–30. Believing there was a slackening in private investment he outlined an extensive public works programme.


43 See Appendix.

44 “Colonial Secretary's Papers”, “Banks”, 1836, replies from Australia (10 August 1836), Commercial, N.S.W. and Australasia (all 11 August 1836) and Minute by Bourke, 12 August 1836.

45 Three letters from the banks, in “Colonial Secretary's Papers”, “Banks”, 1846, dated 1 October, 10 November, 7 December 1836. Suggestions were made in last. Letter of 1 October is printed in Macarthur, New South Wales, pp. 153–5, and is apparently the letter included in Bourke to Glenelg, 1 January 1837, which, according to H.R.A., I, xviii, 635, is “not available”. There had been earlier intermittent complaints of the accumulation of coin: Australian, 26 July 1833; Sydney Gazette, 16 October 1834; Colonial Times, 18 December 1832; 5 November 1833; Independent, 22 December 1832, 23 March 1833.


48 Confidential Memorandum by Montagu, 28 July 1836, “Arthur File”, 11,866. The banks professed to be able and willing to meet the withdrawal, but threatened
credit contraction.

49 “Minutes”, 2 January, 12 February 1834.


51 Ibid., pp. 378–82.


57 Franklin to Russell, 18 November 1840, “Outwards Despatches”, Vol. 36, pp. 514–18. He felt it necessary to support his stand by enclosing Minutes of the Executive Council, 15 October 1840; also enclosed is a further application from the Colonial Bank, 4 November 1840.


59 Gipps to Stanley, 7 February 1843, H.R.A., I, xxii, 557. Gipps' last problem had been the Melbourne banks. The Port Phillip and Union Banks had each been given a share in 1840 along with the Australasia. There was, earlier in the year, objection by the Sydney banks to Gipps' method of drawing proceeds of land sales from the Melbourne branch of the Australasia as concentrating business in one bank. “Colonial Secretary's Papers”, “Banks”, 1842, letters from Port Phillip Bank, 21 November 1840; Union Bank, 21 April 1839, 8 May 1840; Australasia, 13 April 1840; protests by N.S.W., Australia, Commercial, and Union, all dated 14 April 1840; and Minute by Gipps, 29 April.

60 “Colonial Secretary's Papers”, “Banks”, 1842, Minute by Gipps, 28 October 1840, requiring the new rates by 1 January 1841.

61 Franklin to Stanley, 7 November 1842, “Outwards Despatches”, Vol. 43, pp. 774–94. Written after receipt of the instructions of May 1841. Hobart Town Courier, 19 August 1842, prints (a) joint advertisement of V.D.L., Derwent, Commercial, Colonial, Australasia and Union announcing as from 12 September no interest on current accounts, and reducing fixed deposit rate to 5 per cent; (b) Letter from Dunn, 27 April 1842, making the offer; (c) reply by Colonial Secretary, 20 August 1842,
accepting and extending to all banks.

62 See Chapter 10.


64 Report of meeting of bank managers entered in Hobart “Minutes” of Union Bank, 22 November 1843.


67 There was no change in policy in the remainder of the period studied. A move in 1850 (*V.P.N.S.W.*, 12 June 1850) for restricting government business to colonial banks, which might have conflicted with British instructions, came to nothing.

68 See above.

69 Grey to Stanley, 15 February, 17 July 1843. In 31 May 1843 Grey reported an offer by the Bank to abandon the re-exchange of 20 per cent if it were allowed to set it against the dishonoured bills. He refused, as the money had been “very improperly retained by the Bank”. The dispute was still unsettled three years later. Robe to Stanley, 6 January 1846.

70 Stanley to Grey, 30 March 1843, enclosing Colonial Land and Emigration Commissioners to Stephen, 17 March 1843.

71 Reported in Robe to Stanley, 6 November 1845, as the practice he inherited from Grey.

72 Robe to Stanley, 6, 26 November 1845, Bank of South Australia, “Letters to London”, 26 November 1845. These cash accumulations were very large and were in subsequent years shipped to other colonial Commissariats, the amount being credited by the British Treasury to the South Australian emigration fund in London.

73 Grey to Robe, 20 June, 16 August 1846. The British Treasury especially approved the withdrawal of cash from the banks. This point was stressed again in Treasury letter of 24 December 1850, enclosed in Grey to Young, 3 January 1851.

74 Bank of South Australia, “Letters to London”, 20 May 1847; Grey to Young, 13 October 1847.

75 Robe to Grey, 8 April 1848.

76 Young to Grey, 26 October 1851. The Legislative Council wanted the business shared equally between all banks in the colony. (The Union was then the other.) Next year the Treasury advised Young to require banks to hold cash at least equal to the government deposit, and to insist on this for the Land Fund to avoid both inflation of lending and contraction when government withdrew. Trevelyan to
Merivale, 2 April 1852, enclosed in Pakington to Young, 10 April 1851, a reply to the preceding.

77 Bank of N.S.W., “Minutes”, 31 December 1844. For the loan by the Union and Australasia, see above.

78 V.P.N.S.W., 15 September 1841. Some of the banks were agreeable.

79 Memorandum of agreement, 22 May 1841, South Australian Archives, 787/1841/229. Discount was 12 per cent.


81 Sydney Herald, 21 September 1842.

82 Ibid., 24 November 1842.

83 Gipps to Stanley, 14 November 1842, H.R.A., I, xxii, 352. Said (pp. 352–3) to have been published as a pamphlet.

84 Sydney Herald, 9 November 1842.

85 Ibid., 6, 19 September, 3, 16 October 1843.

86 Ibid., 4 December 1843.

87 Ibid., series of letters, 12 September, 17, 27, 28 October, 7, 10, 15 November 1843.

88 12 September 1843.

89 28 October 1843.

90 15 November 1843.

91 Maitland Mercury, 4 November 1843; V.P.N.S.W., 8 November 1843.


93 V.P.N.S.W., 1843. Evidence before Select Committee on Monetary Confusion, e.g., “I have a plan—I think the first step to be taken is to pass a law to prevent the Banks from issuing paper payable on demand.” N.S.W. Magazine, November 1843, p. 579, put forward a version of the plan for a government bank, stressing mortgage loans, financed by advance of £1 million from British government.

94 See issues of 20 September; 4, 7, 9, 18 October 1847. The correspondent was “Abraham Newland”, and he tied the bank to finance of immigration.
95 See his questions to various witnesses.

96 See, e.g., evidence of Knox (Commercial) to 1850 Select Committee on Banking; Report of Inspector of Union, Melbourne, 20 December 1845; cf. Derwent's abandonment of note issue.

97 The idea recurs repeatedly in the literature of the second half of the nineteenth century.

98 For text of regulations and of covering circular despatch, see Russell to Gipps, 4 May 1840, H.R.A., I, xxi, 765–7. For the discussions, Baster, Imperial Banks, Ch. II.

99 Minor clauses specially extended the liability of original shareholders who sold out before business commenced and directed that colonial acts or charters should omit detailed clauses relating to internal administration.

100 Draft bill in Hobart Town Gazette, 2 July 1841.

101 Bill in Hobart Town Gazette, 1 October 1841; Act, 5 Vic., No. 17 passed 4 November, ibid., 19 November 1841.

102 See Appendix for the suggestive combination of dates.

103 4 Vic., No. 13, 23 September 1840.

104 Sydney Herald, 14 August 1841, Legislative Council proceedings of 13th.

105 South Australian Government Gazette, 12 November 1840. For the returns, Appendix.

106 For details, above, Chapter 11.

107 For this and other contemporary discussion, see above.

108 Adelaide Observer, 12 July 1845. The motion was abandoned when the Governor opposed it.


110 The partial application of principles of the Regulations after 1851 is not here considered, being entangled with the effects of gold discovery and the grant of responsible government.

111 No. 11 of 1850.

112 Appendix.

113 Private acts, Commercial, 30 October 1846; Union, 16 August 1847.

114 A private act passed 17 June 1848.

115 Passed 23 September 1850. Both acts were amended in 1852 in identical terms to provide (i) limit of N.S.W. note issue to amount of coin, bullion and public securities, instead of amount of capital, (ii) total liabilities (excluding deposits)
limited to thrice coin bullion and public securities instead of thrice paid-up capital. The purpose was to permit expansion in the gold boom without requiring pro rata capital increases.

116 *V.P.N.S.W.*, 1850–1, 11 June 1850; for terms of bill and report of debate, *Sydney Herald*, 12 June 1850.


118 *V.P.N.S.W.*, 1850–2, 25 June 1850; *Sydney Herald*, 26 June 1850. Martin was not elected to the Committee.

119 1 November 1850.

120 Except in the legislation for South American dollars, etc., see above.

121 19 August 1842.

122 5 September 1843.

123 Cf. similar evidence by McLaren (Inspector, Union); Smart (director, Sydney); Salting (director, Union).

124 See evidence, referring to actual cases, of magistrates: MacDermott, Elliott, Duncan, Bettington. *V.P.N.S.W.*, 1845.

125 Masters and Servants Act, 9 Vic., No. 27, 12 November 1845. The speedy remedy is to be attributed less to concern for employees’ welfare—the Legislative Council largely represented the class who were chief offenders—than to the obvious threat of general refusal to accept orders, an important form of borrowing for squatters.

126 9 Geo. IV, c. 83 provided that British legislation so far as applicable should be in force in New South Wales; 56 Geo. III, c. 68, Liverpool's Coinage Act of 1816, made gold legal tender for any amount, silver to 40s. only. The quoted argument is curious since it uses a provision incidental to the banishment of the dollar which ensured the legal completion of dollar contracts existing in 1826.


Appendix I Bibliography

SOURCES to which reference is incidental, or for a specific point only, are recorded in footnotes. The appearance of an item in this list indicates that it was of more substantial direct use. General background reading and studies of monetary developments elsewhere are not recorded. The location of material is given in all cases for manuscripts, and in a few cases for rare printed items. Other matter listed will be found in one at least of the following places:

Sydney: Mitchell, Public, Parliamentary, University Libraries
Hobart: Public Library, Chief Secretary's Archives, Royal Society
Launceston: Public Library
Melbourne: Public, University Libraries
Adelaide: Public Library, State Archives
Perth: Public Library
Canberra: National Library

[M.L.=Mitchell Library; P.L.V.=Public Library of Victoria]

Official

British
Select Committee on Transportation, 1812. Report and Minutes of Evidence.

Bigge, J. T., (a) State of the Colony of New South Wales, 1822. (b) Agriculture and Trade in New South Wales, Reports: 1823. (c) Judicial Establishments of New South Wales, 1823.

Evidence: Portions have been printed in H.R.A., relating to Tasmania and to judicial establishments. For the remainder copy used was Bonwick Transcript in Mitchell Library, cited as Manuscript Evidence.

South Australian Colonization Commissioners, “Reports”.
Select Committee on South Australia, 1841, “Minutes of Evidence”.

Australian

(a) Despatches

Historical Records of New South Wales, 7 vols.

All published. Series I contains New South Wales despatches to 1848, in and out; Series III the same for Tasmania to 1827 and for Western Australia to 1829; and in Series IV the volume is the beginning of a collection of legal papers.
“Tasmanian Despatches”, MSS. in Chief Secretary's Archives, Hobart. Used for period after 1827. They are bound in volumes which have been re-numbered following the discovery of new volumes. The only unambiguous number for all volumes is that used in the typed index which is not that on the spine of some of the volumes, but that written inside the front cover. This is the number used in references.

“South Australian Despatches”: Inwards, 1840–52; Outwards, 1837–52. Copy used was typed transcript in Mitchell Library.

“Western Australian Despatches”.

Inwards: Two sets are available in Perth: (a) at Government House, the originals from 1829, in bundles, a few despatches and many enclosures missing; (b) Public Library, bound set of duplicates from 1834, filling some gaps in the first set, but many enclosures missing.

Outwards: Two sets of copies: (a) at Government House, the original letterbooks; indexed and complete, but enclosures were not copied; (b) Public Library, set of the original duplicates sent to the Colonial Office; most of the enclosures are missing.

(These are the poorest despatches of all the colonies; the Western Australian governors often did no more than transmit enclosures and none of them wrote at length on economic matters.)

(b) Government Gazettes

New South Wales Government Gazette, 1833–52. From 1803 to 1832 the Sydney Gazette fulfilled this function, see below under newspapers.


South Australian Government Gazette, 1839–52.

Western Australian Government Gazette, 1836–52.

(c) Legislative Council Papers


For 1824–37 these, prepared for publication all at one time, are almost entirely confined to a bare record of the formal proceedings. Thereafter they are much fuller and incorporate Reports of Select Committees and Statistical Registers.

Papers of the Legislative Council of Van Diemen's Land, 1840–52.

From 1833 Votes and Proceedings were printed in Hobart Town Gazette.

South Australian Parliamentary Papers, 1851.

Acts. The more important are listed in Teare's Digest, but see the comments below. They were normally printed in Government Gazettes, but
various compilations exist.

Debates, in the period studied, must be sought in the newspapers, there being no official reports. For New South Wales 1843–49 there is an official printed index to the *Sydney Herald* reports.

(d) Departmental Papers

*New South Wales*

For the period there are in Mitchell Library “Colonial Secretary In-Letters”, 1789–1854:

(a) 1789–1826, bound and indexed;
(b) bundles in original (chronological) order, 1827–32. To this section there is a modern MS. subject index;
(c) bundles broadly grouped by subjects or office of origin 1833–48. For 1834–48, except 1835 and 1843, there is a bundle labelled “Banks”; other labels used were “Commissariat”, “Treasury”, “Debentures”. The original registers survive but are useless for locating material in this period. Use is made more difficult because from time to time all the letters on a subject have been assembled for reference and have then been filed with papers in the year of reference.
(d) 1849– bundles in original chronological order without index. “Governor's Correspondence”, 1822–33. Outward Letterbooks.

*Tasmania*

The Archives, Hobart, have several hundred volumes covering the period to 1851 of “Chief Secretary's Correspondence” (a series still current). There is an original register, somewhat complicated in use but still applicable to the files, which are here cited to accord with that register by name of governor and number of file. The card index to the Archives is unreliable and incomplete.

*Western Australia*

The Public Library has Colonial Secretary's In-Letters from 1829, bound in volumes each labelled “C.S.O. Records”. They are in chronological order until 1839 when a few subjects were picked out and papers grouped. Thereafter the range of classification extends, “Banks” becoming a section in 1842 (but not for 1848). Letters bear only sweeping endorsements, rarely the gist of the reply. There is no index.

The Public Library has also transcripts of “Swan River Papers” from Public Record Office.

*South Australia*

The Archives have “Correspondence” of the Resident Commissioner and of the Chief Secretary, as well as various other departmental papers. There is an excellent central index prepared by the archivist, the only fault of
which is that there is no other way of consulting the papers, and one is therefore forced to rely on its completeness which, it is fair to say, seems to be of a very high order.

(e) Statistics

For each colony there are Bluebooks, i.e., printed forms of return which had to be filled in in duplicate, one copy going to the Colonial Office and one being retained by the governor.


Tasmania* available in the Archives are 1826, 1827, 1836, 1839–45, 1847–9.

Western Australia the only copy surviving seems to be 1843, at Government House.

South Australia in Archives, 1840–7.

Additional statistical material is collected in:

New South Wales Statistical Registers which in this period are part of *Votes and Proceedings*. Commencing in 1838 the volume and quality of statistical material rapidly improved.

South Australia, Statistical Registers, 1845, 1859.


Report on the Statistics of Western Australia in 1840, by the Colonial Committee of Correspondence (Perth 1841). Technically unofficial, but the statistics are official.

For other statistical material relating directly to banking, see the notes in the statistical appendix.

(f) Miscellaneous

Newspapers

The newspapers are invaluable for three main classes of information: (a) bank and similar advertisements, including, in the earlier years, government announcements; (b) “straight” news items; and (c) editorial comment and contributed items (including letters, many of which would today appear as “special correspondent” articles). In assessing the value of the newspapers as a source it must be remembered that they differed greatly from the modern press. They were published in small communities whose main interest in news was directed overseas, while all really important local news was common knowledge in a few hours, which meant that, with papers published once, twice or thrice a week, by publication day such items might not be worth printing. Consequently local news was, to modern eyes, oddly reported. A major event, for example the 1843 bank failures, might get scant notice at the time, while intimate gossipy items took large space. Much information which would never appear in a modern paper was thus preserved, and incidentally provides the check of circumstantial evidence on more direct accounts of important events. A further check comes from the standard of journalistic controversy. Editors were editors then, and the correction of a rival's error, however trivial, was a work of glee in which it seemed to be assumed that nothing one editor could write of another could possibly be libellous. In the process, once a dispute commenced, it usually became clear on questions of fact where the truth lay. Because the press was the only medium of communication of importance, a fact underlined by circulations which, considering populations and subscription rates, were astonishing, bank announcements were fuller and more precise than those of today, for instance on terms of business. (Competition was keener too, which may have had something to do with it.)

Naturally, in view of the large number of newspapers and the period covered, they differ widely in quality, reliability and comprehensiveness. Until the 'twenties the Sydney Gazette and Hobart Town Gazette were little more than advertising sheets and media for official notices, but at this period they developed into full newspapers and were supplemented by competing journals. Each paper tended to have its hobby; in the 'twenties, for example, the Sydney Gazette under the vigorous editorship of Robert Howe gives most of the important material on money and banking. In the same period the Australian did little more than flare up on particular issues; on the other hand it is better than the Gazette on trade and trade policy and on other questions appropriate to an opposition newspaper.

Collections of newspapers are very good but complete sets in any one
library are rare and the researcher must piece them together in the various places. This is important in tracing the minutiae of economic development since one issue of one newspaper may contain the only record of some particular point; for example, I have found only one published reference to the Port Stephens Savings Bank but it was from that that the MS. material was found. The method followed has been: (a) for each main centre a search has been made of the advertising columns of one newspaper, not necessarily the same one for the whole period, for example the Sydney Gazette was used 1803–35 and the Herald thereafter; (b) the other important papers were searched for news and views; and (c) on some points minor papers were consulted around likely dates. In the process it is hoped that few vital facts have been missed but small type, few or no headlines and constantly changing make-up render the missing of some items inevitable.

(a) Sydney

Sydney Gazette, 1803–42 (until 1833 incorporated the official Gazette)
The Australian, 1824–48
Howe's Weekly Commercial Express, 1825
The Monitor (from August 1828 Sydney Monitor), 1826–41
The Sydney Herald (from August 1842 the Sydney Morning Herald), 1831–51
The Colonist, 1835–40
Commercial Journal, 1835–45
Sydney Chronicle, 1839–48
Colonial Observer, 1841–4
Sun and New South Wales Independent Free Press, 1843
The Atlas, 1844–8

(b) New South Wales—Country

Hunter River Gazette, 1841–2
Maitland Mercury, 1843–51
Bathurst Free Press, 1844–51
Moreton Bay Courier, 1846–51

(c) Hobart

Van Diemen's Land Gazette, 1814 (M.L.)
Hobart Town Gazette, 1816–27 (later the official Gazette, 1827–51)
Colonial Times, 1825–51
Tasmanian, 1827–39
Hobart Town Courier, 1827–48
Colonial Advocate, 1828
Austral-Asiatic Review, 1828–43
The Colonist (later True Colonist), 1832–44
Hobart Town Advertiser, 1839–49

(d) Launceston

Launceston Advertiser, 1829–46
The Independent, 1831–35, succeeded by
Cornwall Chronicle, 1835–50
Launceston Examiner, 1842–50

(e) Melbourne

Melbourne Advertiser, 1838 (P.L.V.)
Port Phillip Gazette, 1838–48
Port Phillip Patriot, 1838–48
Port Phillip Herald, 1840–9
Argus, 1846–51 (there is an index in P.L.V.)

(f) Perth

Perth Gazette, 1833–52
Swan River Guardian, 1837
The Inquirer, 1842–51

(g) Adelaide

South Australian Register, 1836–51
South Australian, 1838–47
Adelaide Chronicle, 1839–42
Adelaide Examiner, 1841–3
Adelaide Observer, 1843–9

Bank Records

(a) Manuscript

In a number of cases records of no value for this study, for example
detailed account books, exist. It is likely also that other records have not
been located but these, while they would fill out the details for individual
banks, are unlikely to alter the main lines of the general story in view of the representative nature of those which have been found.

**Bank of New South Wales:**


<table>
<thead>
<tr>
<th>Head Office</th>
<th>Some early balance sheets, “Minute Books”, 1816 onwards. As explained in preface, consulted in the form of extensive extracts.</th>
</tr>
</thead>
</table>

**Union Bank:**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hobart Office</td>
<td>“Minute Books” (2) of local board, 1838–55.</td>
</tr>
</tbody>
</table>

**Bank of Australasia:**

<table>
<thead>
<tr>
<th>Launceston Office</th>
<th>“Minute Book” of local board, 1835–40.</th>
</tr>
</thead>
</table>

Consulted in microfilm, provided by the bank at its expense.

**Bathurst Bank:**

At Head Office of Commercial Banking Company of Sydney:


**Savings Bank of New South Wales:**

At Head Office of Commonwealth Savings Bank:


**Port Phillip Bank:**

In P.L.V.: “Outward Letter Book”, 1839–42. There should be another book covering the liquidation but its location is unknown.

**Port Phillip Savings Bank:**

Head Office of State Savings Bank of Victoria:

“Minute Book”, 1841–53.

**Commercial Bank of Tasmania:**

In Hobart Office of E. S. & A. Bank:

Deed of Settlement, original of 26 September 1832 with amendments of
28 August 1839.

*Tamar Bank:*

Launceston Office of Union Bank:

Two letters: L. W. Gilles to Assistant Treasurer, reporting closure of Tamar, 26 September 1836; Directors of Tamar, authorizing negotiations for merger with Union Bank, 10 October 1836.

*Derwent Bank:*

Royal Society, Hobart:


Public Library of Victoria:

“Letter Book” containing outward letters of Launceston agency, June 1832 to August 1833; Melbourne agency, February 1838 to June 1839.


*Launceston Bank for Savings:*


*Colonial Bank:*

At Head Office of Hobart Savings Bank:


**Hobart Savings Bank:**

At Head Office: “Minute Book”, 1845–58.

*Bank of South Australia:*

Savings Bank of South Australia:

Head Office: “Minute Book”, No. 1, 1848–62.

Bank of South Australia:

Union Bank, Melbourne and Adelaide Offices:

“Minute Books”, No. 1, 1842–4 (Melbourne); No. 3, 1846–8 (Adelaide); No. 4, 1848–51 (Adelaide).


Western Australian Bank:

Bank of New South Wales, Perth Office: Small collection of MS. statements for use at general meetings during later 'forties.

(b) Printed Records

Many reports, etc. were printed in newspapers and similar sources. References to these will be found in footnotes.

Bank of New South Wales, *Charter* (as varied 1823), Sydney 1826 (M.L.).


(c) Histories of Individual Banks

These are included as bank records because it happens that all are published by or sponsored by the banks in question. On the whole Australian banks have not shown much interest in their own history and such studies as have appeared have been more in the nature of highbrow advertising than serious historical studies, and, as a result, of lesser advertising value.

*A Century of Banking—The Commercial Banking Company of Sydney*, Sydney 1934. Advertisement of a centenary rather than history. Gives only the sketchiest outline of the bank's development which, for the early period, seems to have been drawn from an incomplete selection of the bank's published announcements. (Internal records for this period have practically all disappeared.)

Davidson, A. C., Three addresses, privately printed, on the early history of the Bank of New South Wales, by the then general manager:

*The Founding of the First Bank*, Sydney 1940.

*Early Years of the First Bank*, Sydney 1940.


*The Centenary of the Hobart Savings Bank*, Hobart 1945. A useful outline narrative of the growth of the bank, but with only slight discussion of policies and problems.

*Melbourne's First Bank* (cover title) (Bank of Australasia opened . . . 1838), Melbourne 1938. A lavish centenary advertisement of little historical value.


*Views of the Premises of the Bank of New South Wales*, Sydney 1907. (This is binder's title, the one commonly cited; that on the title page is “Photographs of the Premises . . . ”.) The book consists mainly of photographs, but is prefaced by an historical sketch with no more rose-colour than is legitimate in an institutional autobiography. But sources are rarely cited and the original documents do not need to be supplemented by material given here.

**Contemporary Books and Pamphlets**

These are, on the whole, disappointing and undeserving of the importance they have been accorded as sources for Australian history. For the early years the works of Collins, Hunter and others of similar standing are invaluable, but most of the books are little more than travellers' books and in any case weak on economic history. For events not observed by the writers they have clearly relied on hearsay, and even when writing from observation they commonly rely on no more than that. (Westgarth, for
instance, wrote his books to beguile the tedium of the long voyage to England and could not have had much reference material by him.) In any case the books were, with few exceptions, written for English readers who were curious about the flora and fauna, the aboriginals and the convicts and the face of the country, and not much concerned about those aspects of economic and commercial development which presented no striking novelties. Much of that development in a primitive fashion paralleled that of England closely. To take specific instances, the savings bank, the bill broker, the branch bank, or legal action by the public officer of a company were, except as rarities, nearly as new in England as in Australia, and excited little comment from writers who had small interest in such matters. Those who were interested—Wentworth, Lang, or Macarthur for instance—wrote as propagandists, with their attention fixed on matters in dispute. So far as economic development goes, therefore, the majority of the books are uninformative, incomplete or unreliable. Those listed have proved of some use, often slight, in the present account; commonly that use has been either in suggesting lines of inquiry or in expressing contemporary ideas as to what the facts were or policy should be.

Barton, W., *Particulars of Joint Stock Institutions in New South Wales*, Sydney 1838. (The first investor's guide.)
Buckton, T. J., *Western Australia*, London 1840.
Curr, J., *Statistics of Banking in New South Wales* (with a separately published Appendix or Review of Reviewers), Sydney 1843. (P.L.V.)
Gill, W., *Western Australia*, London 1842.


Macqueen, T. P., *Australia as She Is and as She May Be*, London 1840.


Martin, R. M., *Statistics of the Colonies of the British Empire*, London 1839. Contains statistical tables compiled from Bluebooks, some of which are unavailable in Australia, but they end in 1836.


*Present State of Australasia*, London 1851.

Moore, G. F., *Diary of Ten Years Eventful Life of an Early Settler in Western Australia*, Sydney 1884.


**Other Contemporary Printed Sources**
These are the nearest equivalent to a business directory. With varying titles and issuers they appeared, once the ice was broken, annually with a few gaps. All sorts of information are recorded but little of importance for the present study.

Westgarth, W., *Reports on Port Phillip*. Half-yearly reports on economic conditions in Victoria in the middle 'forties. Sixth and last to July 1846. M.L. and P.L.V. both have 4th, 5th and 6th reports.
*New South Wales Magazine*, 1833, 1843.
*South Australian Magazine*, 1841–3.

**Private Papers**

(a) Published


Chiefly letters collected by La Trobe for a history of Victoria which was never written.


(b) Manuscript

In Mitchell Library unless otherwise stated. These collections contain letters, etc., commenting on current economic developments, records of business transactions, samples of contemporary bills and notes and other business records.

“Banks Papers” (especially vol. iv)
“Berry Papers”
“Collie Letters” (National Library, typescript copies in various libraries)
“Henty Papers”
“Macquarie Papers” (especially Memoranda and Diary)
“Journal” of Sir Edward Parry
“Piper Papers”
“Riley Papers”
“Letters” of Sir James Stirling, 1828–38 (typescript copy)
“Wentworth Papers”
“Brown Papers”, 1837–49 (South Australia Archives)

Modern Works

“Modern” is taken to include some nineteenth-century items where the author is writing after the events he records and not from personal knowledge.

*Monetary Histories.* (See also above, Bank Histories.)

(a) Books


Baster, A. S. J., *Imperial Banks*, London 1929. Useful for English policy on colonial banking and for the very liberal quotations from MSS. not available in Australia.


Teare, H. E., *Digest of the Banking and Currency Acts, Proclamations, Orders, etc., of Australia and New Zealand*, Sydney 1926. A useful finding list of Orders, Proclamations and Acts but there are omissions and errors in its primary field while the scattered historical notes are often quite wrong.


(b) Periodicals


account, primarily useful for its illustrations.

Marks, P. J., “Rum and Wheat Currency in New South Wales”, *Journal of Royal Australian Historical Society*, vol. xxvi, 1940.

Scraps from secondary sources, valueless.


**Other Modern Material**

General histories are included not as such but for their contribution to monetary history which is, in most cases, slight; they have been of most service in providing clues to follow and propositions to examine.

**(a) Books**

Battye, J. S., *Western Australia*, Oxford 1924. An amateur in economic history but one who reports faithfully and therefore marks the signposts.


Coghlan, T. A., *Labour and Industry in Australia*, London 1918. Vol. i is useful as a preliminary source but the tracing of the frequent errors and misinterpretations is made difficult by the almost complete absence of references.

Fitzpatrick, B., *British Imperialism and Australia* 1783–1833, London 1939; *The British Empire in Australia*, 1834–1939, Melbourne 1941. A fair amount of information of uneven quality and reliability. No connected monetary history but the most serious attempt to relate monetary to general economic development.


Hodder had access to Angas' Diary which has since disappeared.

Learmonth, N. F., *Portland Bay Settlement*, Melbourne 1934. For the Hentys generally, with a little on them as bankers.


Shann, E. O. G., *Economic History of Australia*, Cambridge 1930. The chapter on “Governor Macquarie's Bank” is a spirited if misleading version of the traditional account.

Sutherland, G., *The South Australian Company*, London 1898. Slight and unduly reticent for a work based on company records.

Wood, G. L., *Borrowing and Business in Australia*, London 1930. For the relevant period a brief sketch introductory to its main study.

**(b) Periodicals**


(c) Miscellaneous


Pitt, G. H., *The Crisis of 1841; its causes and consequences*, Typescript (1927) in South Australian Archives. A study of South Australian experience, but not relating it to the slump in other colonies.
Appendix II Statistics

General
This appendix brings together all the statistical data relating to banking operations to 1851 which are known to survive, other than fragmentary material not suitable for tabulation. The figures have been drawn from a wide variety of sources scattered all over Australia—Government Gazettes, MS. returns in government archives, newspapers, bank records and the like. Many of these, apart from the manuscripts, are not readily accessible; rare issues of Gazettes for example have furnished a number of items. No one should ever again have to do that scavenging; nor should anyone again have to face the hours of drudgery piecing together and rearranging data becoming available in a variety of forms, to make reasonably clear tabulations, which lie behind the tables that follow. For this alone their publication is fully justified, even if it were not necessary to supply the statistical basis for statements in the text.

To each table is attached a statement of sources as detailed as considerations of clarity make possible, together with such explanatory notes as seem desirable. It has not been thought necessary to indicate where figures (for example totals) are the result of computations by the writer. The tables of ratios (cash to deposits and notes and advances to deposits) were, of course, not part of the original data.

Tables are grouped by colonies and each group is prefaced by a note on the sources of the material, designed to facilitate estimation of its reliability and generally to assist interpretation. These notes are in part supplementary to the discussion in the main text of government policy in relation to the making and publishing of returns.

Many gaps remain which other workers may later be able to fill. All figures have been checked, but the complexity of that task means that some errors have almost certainly been missed; it is hoped they are few.

Lack of information is indicated by a blank in the tables; a dash (—) indicates that the item is zero. All items are presented as whole pounds which explains occasional slight divergences in totals. Ratios have been calculated correct to the first decimal place.

List of Banks to 1851

Banks listed in capitals are still (1951) in existence; those in italics were proposed but did not function actively. Proposed banks are included only if a definite and serious project can be identified.
1817  BANK OF NEW SOUTH WALES
1819  New South Wales Savings Bank (replaced 1832 by Savings Bank of New South Wales).
1822  Waterloo Company [Sydney] (abandoned banking 1834).
1823  Bank of Van Diemen's Land [Hobart] (failed 1891).
1826  Sydney Commercial Bank
1826  Tasmanian Bank [Hobart] (closed 1829).
1827  Derwent Bank [Hobart] (failed 1849).
1828  Cornwall Bank [Launceston] (absorbed by Bank of Australasia 1835).
1828  Bank of Newcastle (banking abandoned 1829).
1829  Convict Savings Bank [Hobart, attached to Derwent Bank] (business transferred to Union Bank 1851).
1829  Commercial Bank [of Tasmania] [Hobart] (absorbed by E. S. & A. Bank 1921).
1830  Port Stephens Savings Bank (business transferred to Savings Bank of New South Wales 1832).
1831  General Savings Bank [Hobart, attached to Commercial Bank] (perhaps abandoned 1838).
1832  Savings Bank of New South Wales (business later transferred to Government Savings Bank of New South Wales, which in 1932 was absorbed by Commonwealth Savings Bank).
1834  Tamar Bank [Launceston] (absorbed by Union Bank 1838).
1834  COMMERCIAL BANKING COMPANY OF SYDNEY
1834  Derwent Savings Bank [Hobart] (closed 1849 when Derwent Bank failed).
1834  Sydney Bank
1835  LAUNCESTON BANK FOR SAVINGS
1835  Bathurst Bank (absorbed by Union Bank 1840).
1836  Bank of South Australia (absorbed by Union Bank 1892).
1836  Goulburn Bank
1837  Bank of Western Australia (absorbed by Bank of Australasia 1841).
1838  British and Australian Bank [London] (project abandoned 1841).
1838  Australian Agricultural Bank
1839  British Colonial Bank and Loan Company (did not proceed with banking).
1839  Hunter's River Bank [Maitland]
1839  Sydney Banking Company (failed 1843).
1839  Port Phillip Bank [Melbourne] (failed 1843).
1840  Bank of Wollongong
1840  Windsor and Hawkesbury Banking Company
1840  Tradesmen's Bank of Melbourne and Geelong
1840  Archers Gilles & Co. [Launceston] (abandoned banking 1843).
1840  Maitland Tradesmen's Banking Company
1840  Colonial Bank [Hobart] (closed 1843).
1840  Agricultural Bank of Tasmania
1840  Scottish Australian Bank [Glasgow]
1841  South Australian Savings Bank (closed 1847).
1841  Western Australian Bank (absorbed by Bank of New South Wales, 1927).
1841  *Australian Society for Deposits and Loans*

1841  *Adelaide Loan Company*

1841  Port Phillip Savings Bank (now *STATE SAVINGS BANK OF VICTORIA*).

1845  *HOBART SAVINGS BANK*

1845  *Commercial Bank of Western Australia*

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1849  *Bank of Ipswich*

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A. New South Wales

For the early years banking statistics are of an occasional sort. Bigge's inquiry, a newspaper report, the difficulties of the Bank of New South Wales and similar events led to the recording of isolated data at irregular intervals. Nor was the situation much improved by the inclusion of figures in the *Bluebooks*. In that for 1823 note issues for an unspecified date were recorded for the Bank of New South Wales and the Waterloo Company. Similar figures, for 31 December and including the Bank of Australia, were given in 1829 and the following year began the regular practice of recording *average* note issues of each bank. The *Bluebook* for 1832 initiated the regular inclusion of the holdings of coin for each bank at 31 December. In 1835 note issues ceased to be averages and related also to 31 December, the two sets of figures appearing each year until 1841 when they were dropped, presumably because of the fuller data then published quarterly under the local statute.

These *Bluebook* figures after 1830 were derived from special returns which originated in the 1828–9 crisis in the Bank of New South Wales. In addition to the statistics supplied in 1828 and published in *H.R.A.*¹ returns were obtained during 1829 and a few have survived.² Darling made half-yearly statements a condition of again giving the bank a share of the government deposit,³ and Goderich directed that such returns should be obtained from all banks seeking a government deposit and should be published.⁴ But while both the Bank of New South Wales and the Bank of Australia agreed to publication,⁵ the returns were not published and not all have survived. Those which have, in form condensed half-yearly balance sheets, are incorporated in the tables below, where their precise location in “Colonial Secretary In-Letters” is recorded.⁶ Similar returns including each new bank which sought government deposits were obtained for a number of years but after 1836 the published data make it unnecessary to record them, except in respect of paid-up capital. In all, the pre-1836 data are a very miscellaneous collection which are of value in giving the order of magnitude of banking operations and a rough measure of the more striking changes; they cannot form the basis of any precise or detailed analysis.

Continuous series of figures began in 1836 as a result of Treasury instructions on the occasion of the chartering of the Bank of Australasia.⁷ That bank was required by its charter to supply half-yearly averages in a
form of return based upon that used in New Brunswick, the items being:

\[
\begin{align*}
\text{Liabilities} & \\
& \text{Notes in circulation, distinguishing those bearing interest.} \\
& \text{Bills in circulation, distinguishing those bearing interest.} \\
& \text{Balances due to other banks.} \\
& \text{Deposits, divided into those bearing and those not bearing interest.} \\
& \text{Total liabilities.} \\
\text{Assets} & \\
& \text{Gold and silver.} \quad \text{Balances due from other banks.} \\
& \text{Landed property.} \quad \text{All other debts due to the bank.} \\
& \text{Bills of other banks.} \quad \text{Total assets.}
\end{align*}
\]

This return was regularly supplied and published. Bourke was instructed to require half-yearly returns in the same form, for publication, as a condition of giving any bank a government deposit. But for reasons which are not clear a much simpler return was adopted requiring only few items: note issue; total deposits; coin and bullion; securities. These items were to be averages for each calendar half-year, commencing with the first half of 1836. Only the Bathurst Bank, having no government deposit, declined to supply any information, but the Australasia sought to escape. It supplied the first return when the governor declined to accept the charter return as a substitute and offered the second on condition it was not published. But Bourke was adamant and withdrew its government deposit early in 1837, albeit gradually, refusing to wait until the London directors had been consulted. The London board in due course approved the supplying of the return for publication and the deposit was restored next year, the intervening returns being supplied and published.

The point at issue was the period covered by the return. The charter return of the Australasia was for an odd period with terminal dates in April and October; the local return was for calendar half-years. Bourke's victory had the fortunate result of giving a continuous series of data on a uniform basis for all banks, regularly published in the Government Gazette. No other colony obtained other than charter returns from the Australasia. To permit inter-colonial comparisons as well as inter-bank ones for New South Wales both Australasia series are recorded here.

The statistics were considerably improved as a result of the British Treasury's 1840 regulations for colonial banking. This directed that any colonial incorporation of a bank should require for publication a return on the Australasia charter model, “half-yearly or yearly”. But Gipps had meanwhile decided to go further and a local act was more stringent than the regulations. It applied to “every company firm or individual engaged in the ordinary business of banking by receiving deposits and issuing bills
or notes payable to the bearer at sight or on demand”, and not merely to
banks which accepted government deposits or those which were
incorporated locally although, in fact, neither the Royal Bank nor the
“petty bankers” who still flourished in country towns made returns. A
statement, in the Australasia charter form, was to be made up each Monday
and averaged quarterly, not “half-yearly or yearly”; to this had to be added
figures for: capital paid up at the end of each quarter; rate of last dividend;
amount of last dividend; amount of reserved profits at time of declaring
dividend. So was born the return which, with minor variations, was the
basis of the New South Wales and later Commonwealth statistics for a
century.

The Bank of Australasia again sought exemption because of the
obligations of the charter, but did not persist when Gipps bluntly retorted
that his act “when confirmed by the Queen is quite equal to a charter”. The
act was unaffected by new British Regulations of 1846 which merely
repeated the less onerous requirements for publicity of those of 1840. The
return also survived efforts in 1850 to ensure greater detail. A bill which
would have required the return to distinguish New South Wales business
from that in England and elsewhere was accorded so hostile a reception
that it did not go to a first reading. The critics of the banks thereupon tried
the alternative of a Select Committee, the first of whose four references
related to the return. It proposed only that government securities and
deposits held be recorded separately from others and nothing came even of
that modest proposal.

Apart from any criticisms which might be made of the return its
usefulness is somewhat impaired by the interpretations of bank
accountants. One ambiguity was cleared up at the beginning. The item
“amount of reserved profits at the time of declaring dividend” could have
been taken to mean after paying that dividend, as most of the banks did
take it; the Union made its first return before paying dividend. However the
matter was corrected immediately. It is claimed also in Moore's Almanac
for 1852 that in the early years “bills in circulation” was a miscellaneous
omnibus item and only in the late 'forties was it limited to bills drawn for
overseas or inland exchange purposes. Another item should be noted—
“balances due from other banks”. Clearing balances were always settled
weekly before making up the return and only negligible amounts of this
type would be included. The item referred rather to amounts held in
London or with agents in other colonies which meant that the “English”
banks, with London offices and branches in most Australian colonies
showed low or nil figures for this item. More serious was the manner of
recording doubtful debts. The writer in Moore's 1852 Almanac claims that
the Bank of Australia recorded as “bills in circulation” its re-discounts with the Australasia, while the latter bank gave no hint in its returns that one-third of its securities consisted of the debt of the Bank of Australia which was more than doubtful for several years, being recovered only on appeal to the Privy Council. Occasional unacknowledged deficiencies should discourage reliance on precise accuracy. Thus data for the Melbourne branch of the Union for the last quarter of 1839 were lost on the voyage up. The bank supplied a return omitting Melbourne and Gipps directed “Let it be published in the usual manner”; no note was attached in the Gazette. Nevertheless for its time and place it was a good return, regularly published in Government Gazette.

For savings bank statistics sources are simple. When Campbell's Bank was wound up, he furnished a detailed statement of deposits which was published in Government Gazette, V.P.N.S.W. and the press and is reproduced below. The Savings Bank Act of 1832 required half-yearly balance sheets to be published in Government Gazette although, in fact, only yearly ones appeared. These have the defect of relating only to one day in each year but give considerable detail. Similar statements were required of the Port Phillip Savings Bank. After 1850 they appeared, of course, in the Victorian not the New South Wales Government Gazette, while that for 1842 was never published. Because of formal criticisms by George Miller this first return was revised, both the original and the revision being preserved in manuscript, the latter being embodied in statistics below.

For exchange rates on bills on the Treasury the source is Bluebooks where precise information was recorded. For bank exchange rates and interest rates the main source is notices in newspapers supplemented by miscellaneous sources such as bank records which are detailed in appropriate places in the tables.

Table 1 (a) BANK OF NEW SOUTH WALES LIABILITIES 1817–51

Figures in £. Those in brackets are original dollar figures converted at 4s. 4d., shown under the computed figures.

<table>
<thead>
<tr>
<th>Single Day Figures</th>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) 1817: 31 December</td>
<td>5,635</td>
<td>1,859</td>
</tr>
<tr>
<td></td>
<td>(b) 1818: 30 June</td>
<td>10,308</td>
<td>13,136</td>
</tr>
<tr>
<td></td>
<td>(b) 31 December</td>
<td>11,577</td>
<td>23,459</td>
</tr>
<tr>
<td></td>
<td>(b) 1819: 30 June</td>
<td>10,195</td>
<td>32,282</td>
</tr>
<tr>
<td></td>
<td>(c) 31 December</td>
<td>7,212</td>
<td>26,498</td>
</tr>
</tbody>
</table>
(a) Views of Premises. (b) Balance sheets preserved at Head Office. (c) “Minutes”, 11 January 1820 for December 1819, 16 January 1821 for December 1820. (d) Bluebook 1823, date not given. (e) May, July and August, H.R.A., I, xii, 304–5; December, Sydney Gazette, 26 January 1826. (f) 27 February to 10 May, H.R.A., I, xii, 304–5; 17 May and 30 December, Monitor, 22 January 1827. Figures for 17 May quoted as “currency” (i.e., originally in dollars). (g) Australian, 25 July 1827. (h) H.R.A., I, xv, 734. (i) Period (i) is average for first six months, H.R.A., I, xvi, 310; period (ii) is average for whole year, Bluebook, 1831. (j) Bluebooks. From 1836 to 1851, from New South Wales Government Gazette.

### Half-yearly Averages

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: January—June</td>
<td>32,138</td>
<td>120,480</td>
<td></td>
</tr>
<tr>
<td></td>
<td>27,665</td>
<td>161,292</td>
<td></td>
</tr>
<tr>
<td>1837: January—June</td>
<td>28,875</td>
<td>180,655</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Notes in circulation</td>
<td>Bills in circulation</td>
<td>in Balances due to other banks</td>
</tr>
<tr>
<td>------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>1841: March</td>
<td>31,637</td>
<td>4</td>
<td>252,407</td>
</tr>
<tr>
<td>June</td>
<td>29,467</td>
<td></td>
<td>238,586</td>
</tr>
<tr>
<td>September</td>
<td>27,925</td>
<td></td>
<td>227,978</td>
</tr>
<tr>
<td>December</td>
<td>28,694</td>
<td></td>
<td>207,012</td>
</tr>
<tr>
<td>1842: March</td>
<td>27,015</td>
<td></td>
<td>220,977</td>
</tr>
<tr>
<td>June</td>
<td>26,885</td>
<td></td>
<td>215,046</td>
</tr>
<tr>
<td>September</td>
<td>26,898</td>
<td></td>
<td>202,746</td>
</tr>
<tr>
<td>December</td>
<td>26,213</td>
<td></td>
<td>194,122</td>
</tr>
<tr>
<td>1843: March</td>
<td>25,126</td>
<td>6,725</td>
<td>198,109</td>
</tr>
<tr>
<td>June</td>
<td>25,256</td>
<td></td>
<td>194,712</td>
</tr>
<tr>
<td>September</td>
<td>23,879</td>
<td>5,359</td>
<td>158,528</td>
</tr>
<tr>
<td>December</td>
<td>22,880</td>
<td>6,293</td>
<td>136,347</td>
</tr>
<tr>
<td>1844: March</td>
<td>23,078</td>
<td>352</td>
<td>2,904</td>
</tr>
<tr>
<td>June</td>
<td>21,808</td>
<td>481</td>
<td>2,282</td>
</tr>
<tr>
<td>September</td>
<td>20,165</td>
<td>481</td>
<td>158,555</td>
</tr>
<tr>
<td>December</td>
<td>20,330</td>
<td>481</td>
<td>175,117</td>
</tr>
<tr>
<td>1845: March</td>
<td>23,606</td>
<td>481</td>
<td>207,089</td>
</tr>
<tr>
<td>June</td>
<td>25,785</td>
<td>481</td>
<td>222,266</td>
</tr>
<tr>
<td>September</td>
<td>25,614</td>
<td>496</td>
<td>229,477</td>
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<tr>
<td>December</td>
<td>27,387</td>
<td>580</td>
<td>241,547</td>
</tr>
<tr>
<td>1846: March</td>
<td>28,922</td>
<td>580</td>
<td>250,481</td>
</tr>
<tr>
<td>June</td>
<td>28,791</td>
<td>178</td>
<td>255,444</td>
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<tr>
<td>September</td>
<td>28,435</td>
<td></td>
<td>258,767</td>
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<tr>
<td>December</td>
<td>27,508</td>
<td></td>
<td>244,787</td>
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<tr>
<td>1847: March</td>
<td>30,643</td>
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<td>232,617</td>
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<tr>
<td>June</td>
<td>33,847</td>
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<td>242,478</td>
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<tr>
<td>September</td>
<td>33,470</td>
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<td>257,232</td>
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<tr>
<td>December</td>
<td>34,709</td>
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<td>251,324</td>
</tr>
<tr>
<td>1848:</td>
<td>35,071</td>
<td></td>
<td>243,706</td>
</tr>
</tbody>
</table>
Table 1 (b) BANK OF NEW SOUTH WALES ASSETS 1817–51

Figures in £. Those in brackets are original dollar figures converted at 4s. 4d., shown under the computed figures.

<table>
<thead>
<tr>
<th>Date</th>
<th>Period of Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>33,459</td>
<td>253,374</td>
<td>253,374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>32,659</td>
<td>253,374</td>
<td>235,982</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>31,368</td>
<td>238,311</td>
<td>238,311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1849:</td>
<td>34,519</td>
<td>225,767</td>
<td>225,767</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>35,348</td>
<td>224,246</td>
<td>224,246</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>32,460</td>
<td>217,534</td>
<td>217,534</td>
<td></td>
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<tr>
<td>December</td>
<td>32,366</td>
<td>217,619</td>
<td>217,619</td>
<td></td>
<td></td>
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<tr>
<td>1850:</td>
<td>35,203</td>
<td>398</td>
<td>35</td>
<td>226,512</td>
<td>226,512</td>
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<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>35,078</td>
<td>634</td>
<td>687</td>
<td>240,165</td>
<td>240,165</td>
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<tr>
<td>September</td>
<td>36,371</td>
<td>520</td>
<td>252,225</td>
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<td>252,225</td>
</tr>
<tr>
<td>December</td>
<td>16,945</td>
<td>997</td>
<td>14,648</td>
<td>253,372</td>
<td>253,372</td>
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<tr>
<td>1851:</td>
<td>33,016</td>
<td>611</td>
<td>290,607</td>
<td>290,607</td>
<td></td>
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<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>42,651</td>
<td>223</td>
<td>2,720</td>
<td>338,070</td>
<td>338,070</td>
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<tr>
<td>September</td>
<td>68,044</td>
<td>1,230</td>
<td>4,222</td>
<td>361,827</td>
<td>361,827</td>
</tr>
<tr>
<td>December</td>
<td>121,503</td>
<td>953</td>
<td>1,350</td>
<td>409,175</td>
<td>409,175</td>
</tr>
</tbody>
</table>

Table 1 (b) BANK OF NEW SOUTH WALES ASSETS 1817–51

Figures in £. Those in brackets are original dollar figures converted at 4s. 4d., shown under the computed figures.

**Single-day Figures**

<table>
<thead>
<tr>
<th>Date</th>
<th>Period of Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1817:</td>
<td>15 7,434</td>
<td></td>
<td></td>
<td></td>
<td>1,316</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) 31 Dec.</td>
<td>3,613</td>
<td></td>
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<td></td>
<td>7,074</td>
</tr>
<tr>
<td>(b) 1818:</td>
<td>30 16,719</td>
<td></td>
<td></td>
<td></td>
<td>12,977</td>
</tr>
<tr>
<td>June</td>
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<tr>
<td>(b) 31 Dec.</td>
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<td></td>
<td></td>
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<tr>
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<td>18,396</td>
<td></td>
<td></td>
<td></td>
<td>27,227</td>
</tr>
<tr>
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<td>30 24,573</td>
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<td></td>
<td></td>
<td>25,100</td>
</tr>
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<td></td>
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<tr>
<td>(c) 31 Dec.</td>
<td>22,428</td>
<td></td>
<td></td>
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<td>23,577</td>
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<tr>
<td>(d) 1825:</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>42,553 ($196,397)</td>
</tr>
<tr>
<td>May</td>
<td>15 August</td>
<td>8,186 ($37,781)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>31 Dec.</td>
<td>33,454 ($155,171)</td>
<td></td>
<td></td>
<td>67,493 ($311,504)</td>
</tr>
<tr>
<td></td>
<td>1826:</td>
<td>30 35,958 ($165,959)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>27 Feb.</td>
<td>20,224 ($93,343)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 April</td>
<td>26,635 ($122,933)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(a) Views of Premises. Main item in “coin” was bills on Treasury, £6,268.

(b) Balance sheets preserved at Head Office. Mortgages included with discounts:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1817</td>
<td>£1,381</td>
<td></td>
</tr>
<tr>
<td>June 1818</td>
<td>1,028</td>
<td></td>
</tr>
<tr>
<td>December 1818</td>
<td>2,539</td>
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</tr>
<tr>
<td>June 1819</td>
<td>3,622</td>
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<tr>
<td>June 1820</td>
<td>4,382</td>
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</table>

(c) “Minutes”, 11 January 1820 for December 1819, 16 January 1821 for December 1820. Mortgages included with discounts:

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<tr>
<th>Date</th>
<th>Amount</th>
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<tbody>
<tr>
<td>December 1819</td>
<td>£4,132</td>
</tr>
<tr>
<td>December 1820</td>
<td>4,172</td>
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</tbody>
</table>

Data for December 1820, also in Bigge, Manuscript Evidence, Box 27, p. 6,286.

(d) May and August, H.R.A., I, xii, 304–5; December, Sydney Gazette, 26 January 1826. December discounts include $20,296 mortgages.

(e) 30 January to 10 May, H.R.A., I, xii, 304–5; 17 May and 30 December, Monitor 27 January 1827, the figures for 17 May being described as “currency” (i.e., as having been originally in $). Discounts included mortgages, £4,720 on 17 May, and £2,837 on 30 December.

(f) Australian, 25 July 1827. Discounts included £2,070 mortgages.
(g) *Sydney Gazette*, 30 December 1838. Discounts included mortgages £270.

(h) “Colonial Secretary's Papers” (M.L.), File No. 29/3412. Figures for intervening weeks are quoted in text, those selected here being first figures available in each month. Mortgages £270 included with discounts in each case.

(i) *H.R.A.*, I, xv, 734. Discounts included mortgages £6,220.

(j) *Bluebooks*.

Remaining figures 1836–51 from *New South Wales Government Gazette*. Until the 'thirties “coin” included bills on the Treasury and a few miscellaneous cash items.

### Half-yearly Averages

<table>
<thead>
<tr>
<th>Date of period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
<th>bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: January—June</td>
<td>56,027</td>
<td>192,824</td>
<td>192,824</td>
<td>192,824</td>
<td>192,824</td>
<td>192,824</td>
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<tr>
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<td>69,789</td>
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<td>222,787</td>
<td>222,787</td>
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<tr>
<td>July—December</td>
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<td>267,596</td>
<td>267,596</td>
<td>267,596</td>
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<tr>
<td>1838: January—June</td>
<td>57,848</td>
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<td>265,720</td>
<td>265,720</td>
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<tr>
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<td>281,128</td>
<td>281,128</td>
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<td>1839: January—June</td>
<td>85,852</td>
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<td>314,255</td>
<td>314,255</td>
<td>314,255</td>
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<tr>
<td>July—December</td>
<td>81,078</td>
<td>339,266</td>
<td>339,266</td>
<td>339,266</td>
<td>339,266</td>
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<tr>
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<td>391,218</td>
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### Quarterly Averages

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<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
<th>bills</th>
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<tbody>
<tr>
<td>1841: March</td>
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<td>251</td>
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<td>30</td>
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<td>September</td>
<td>72,094</td>
<td>31</td>
<td>31</td>
<td>31</td>
<td>31</td>
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<tr>
<td>December</td>
<td>72,043</td>
<td>214</td>
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<td>214</td>
<td>214</td>
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<td>1842: March</td>
<td>84,008</td>
<td>154</td>
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<td>154</td>
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<td>376,190</td>
<td>376,190</td>
<td>376,190</td>
<td>376,190</td>
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<tr>
<td>1843: March</td>
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<td>Month</td>
<td>Amount</td>
<td>Rate</td>
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<td>------</td>
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<td>1844: March</td>
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<td>15</td>
<td>2,057</td>
<td>319,219</td>
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<td>295,377</td>
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<td>160,189</td>
<td>3</td>
<td>211,232</td>
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<tr>
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<td>189,210</td>
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<td>196,527</td>
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<td>1845: March</td>
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<td>124,199</td>
<td>38</td>
<td>240,071</td>
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<tr>
<td>September</td>
<td>160,189</td>
<td>3</td>
<td>211,232</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>189,210</td>
<td></td>
<td>196,527</td>
<td></td>
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<tr>
<td>1846: March</td>
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<td>185,017</td>
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<td></td>
<td>242,308</td>
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<tr>
<td>December</td>
<td>146,977</td>
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<td>259,478</td>
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<tr>
<td>1847: March</td>
<td>141,173</td>
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<td>256,155</td>
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<tr>
<td>June</td>
<td>158,137</td>
<td>12,915</td>
<td>269,219</td>
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<tr>
<td>September</td>
<td>150,589</td>
<td>12,915</td>
<td>271,760</td>
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<tr>
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<td>143,982</td>
<td>12,918</td>
<td>271,760</td>
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<tr>
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<td>10,369</td>
<td>257,934</td>
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<tr>
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<td>127,459</td>
<td>10,027</td>
<td>262,817</td>
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<td>140,250</td>
<td>7,554</td>
<td>240,838</td>
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<td>173,708</td>
<td>5,740</td>
<td>227,144</td>
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<td>12,571</td>
<td>225,794</td>
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<tr>
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<td>136,845</td>
<td>12,528</td>
<td>232,079</td>
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</tr>
<tr>
<td>September</td>
<td>128,332</td>
<td>13,810</td>
<td>233,545</td>
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<tr>
<td>December</td>
<td>127,276</td>
<td>13,810</td>
<td>241,585</td>
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<tr>
<td>1850: March</td>
<td>112,000</td>
<td>15,256</td>
<td>224,718</td>
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<td>107,624</td>
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<td>257,704</td>
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</tr>
<tr>
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<td>111,571</td>
<td>1,543</td>
<td>248,334</td>
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<tr>
<td>1851: March</td>
<td>87,969</td>
<td>1,678</td>
<td>275,761</td>
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<td>June</td>
<td>166,710</td>
<td>2,035</td>
<td>245,494</td>
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<td>3,489</td>
<td>367,504</td>
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</tbody>
</table>

Table 2: Waterloo Company Note Issue

1823 (a) $8,400 £114
1829 (a) £5,000
1830 (b) 3,000
1831 (b) 3,000
1832 (b) 3,000
1833 (a) 1,000

(a) At 31 December.
(b) Average for year.

Source: *Bluebooks*. The figures are evidently rough estimates.

**Table 3 (a) BANK OF AUSTRALIA LIABILITIES 1827–42 (£)**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1827 (a)</td>
<td>11,915</td>
<td>(a) 18,836</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1828 (a)</td>
<td>18,100</td>
<td>(a) 40,361</td>
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</tr>
<tr>
<td>1829 (b)</td>
<td>7,700</td>
<td>(b) 58,000</td>
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<td></td>
</tr>
<tr>
<td>1830 (c)</td>
<td>20,000</td>
<td>(c) 58,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1831 (c)</td>
<td>26,000</td>
<td>(c) 58,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1832 (c)</td>
<td>25,000</td>
<td>(c) 58,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1833 (b)</td>
<td>33,357</td>
<td>(b) 58,000</td>
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</tr>
<tr>
<td>1834 (c)</td>
<td>36,000</td>
<td>(d) 58,000</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835 (b)</td>
<td>36,017</td>
<td>(b) 58,000</td>
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**Half-yearly Averages**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Deposits Total</th>
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<tbody>
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</tr>
<tr>
<td>July—Dec.</td>
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<td>121,151</td>
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<tr>
<td>1837:</td>
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<td>126,845</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July—Dec.</td>
<td></td>
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<td></td>
<td></td>
<td>138,205</td>
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<td>1838:</td>
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<td>131,150</td>
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<td>Jan.—June</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>July—Dec.</td>
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<td></td>
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<td>156,296</td>
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<td>1839:</td>
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<td>181,055</td>
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<td>Jan.—June</td>
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<tr>
<td>July—Dec.</td>
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<td>180,126</td>
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<td>Jan.—June</td>
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<td></td>
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<tr>
<td>July—Dec.</td>
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<td>196,074</td>
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</table>

**Quarterly Averages**

<table>
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<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Deposits Total</th>
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<tbody>
<tr>
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<td>25,162</td>
<td>77</td>
<td>1,164</td>
<td>171,776</td>
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<tr>
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<td>24,244</td>
<td>1,087</td>
<td>2,598</td>
<td>170,454</td>
<td>173,051</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>20,782</td>
<td>10</td>
<td>1,306</td>
<td>158,248</td>
<td>159,554</td>
<td>159,554</td>
</tr>
<tr>
<td>December</td>
<td>19,021</td>
<td>109</td>
<td>1,566</td>
<td>118,451</td>
<td>120,017</td>
<td></td>
</tr>
<tr>
<td>1842: March</td>
<td>18,533</td>
<td>781</td>
<td>3,633</td>
<td>108,078</td>
<td>111,711</td>
<td>111,711</td>
</tr>
</tbody>
</table>
(a) At 31 March, *Sydney Gazette*, 31 March 1828.

(b) At 31 December.

(c) Average for year.

(d) Average for first six months, Darling to Goderich, 26 July 1831, *H.R.A.*, I, xvi, 310.

Source: *Bluebooks* 1828–35, and *New South Wales Government Gazette*.

**Table 3 (b) BANK OF AUSTRALIA ASSETS 1827–42 (£)**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 18,058</td>
<td>1,163</td>
<td>1,387</td>
<td>2,133</td>
<td>101,200</td>
</tr>
<tr>
<td>September 17,118</td>
<td>20,723</td>
<td>—</td>
<td>2,806</td>
<td>118,466</td>
</tr>
<tr>
<td>December 16,622</td>
<td>46,884</td>
<td>14</td>
<td>1,837</td>
<td>99,001</td>
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</tbody>
</table>

**Balance Sheet Figures**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1827 (end March)</td>
<td></td>
<td></td>
<td></td>
<td>33,505</td>
</tr>
<tr>
<td>1828 (end March)</td>
<td></td>
<td></td>
<td></td>
<td>62,404</td>
</tr>
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**Bluebook Data**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1832 (at 31 December)</td>
<td>25,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1833 (at 31 December)</td>
<td>36,418</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1834 (at 31 December)</td>
<td>28,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835 (at 31 December)</td>
<td>37,969</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

**Half-yearly Averages**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: January—June</td>
<td>39,208</td>
<td></td>
<td>192,827</td>
<td></td>
</tr>
<tr>
<td>1837: January—June</td>
<td>40,913</td>
<td></td>
<td>220,479</td>
<td></td>
</tr>
<tr>
<td>1838: January—June</td>
<td>40,041</td>
<td></td>
<td>239,272</td>
<td></td>
</tr>
<tr>
<td>1839: January—June</td>
<td>43,871</td>
<td></td>
<td>237,868</td>
<td></td>
</tr>
<tr>
<td>1840: January—June</td>
<td>46,356</td>
<td></td>
<td>273,176</td>
<td></td>
</tr>
<tr>
<td>1841 March</td>
<td>23,097</td>
<td></td>
<td>350</td>
<td>387,815</td>
</tr>
<tr>
<td>1841 June</td>
<td>30,978</td>
<td></td>
<td>152</td>
<td>390,848</td>
</tr>
<tr>
<td>1841 September</td>
<td>31,176</td>
<td></td>
<td>507</td>
<td>383,365</td>
</tr>
<tr>
<td>1841 December</td>
<td>22,366</td>
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<td>409</td>
<td>357,892</td>
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</table>

**Quarterly Averages**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842 March</td>
<td>21,623</td>
<td></td>
<td></td>
<td>345,754</td>
</tr>
</tbody>
</table>
Table 4 (a) COMMERCIAL BANKING COMPANY OF SYDNEY LIABILITIES (£) AVERAGES OF WEEKLY FIGURES

### Half-yearly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits not bearing interest</th>
<th>Deposits bearing interest</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: Jan.–June</td>
<td>28,160</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>90,340</td>
</tr>
<tr>
<td>July–Dec.</td>
<td>32,049</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>104,914</td>
</tr>
<tr>
<td>1837: Jan.–June</td>
<td>40,522</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>124,828</td>
</tr>
<tr>
<td>July–Dec.</td>
<td>45,946</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>129,522</td>
</tr>
<tr>
<td>1838: Jan.–June</td>
<td>47,229</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>126,448</td>
</tr>
<tr>
<td>July–Dec.</td>
<td>50,130</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>150,338</td>
</tr>
<tr>
<td>1839: Jan.–June</td>
<td>59,855</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>195,596</td>
</tr>
<tr>
<td>July–Dec.</td>
<td>62,190</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>219,170</td>
</tr>
<tr>
<td>1840: Jan.–June</td>
<td>74,193</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>269,274</td>
</tr>
<tr>
<td>July–Dec.</td>
<td>70,382</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>257,536</td>
</tr>
</tbody>
</table>

### Quarterly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits not bearing interest</th>
<th>Deposits bearing interest</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: March</td>
<td>63,544</td>
<td>2,867</td>
<td>8,291</td>
<td>—</td>
<td>—</td>
<td>216,319</td>
</tr>
<tr>
<td>June</td>
<td>62,057</td>
<td>4,776</td>
<td>13,428</td>
<td>—</td>
<td>—</td>
<td>201,712</td>
</tr>
<tr>
<td>Sept.</td>
<td>58,393</td>
<td>4,244</td>
<td>3,351</td>
<td>—</td>
<td>—</td>
<td>205,817</td>
</tr>
<tr>
<td>Dec.</td>
<td>53,592</td>
<td>2,921</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>174,537</td>
</tr>
<tr>
<td>1842: March</td>
<td>52,482</td>
<td>3,453</td>
<td>126</td>
<td>—</td>
<td>—</td>
<td>189,510</td>
</tr>
<tr>
<td>June</td>
<td>52,723</td>
<td>6,434</td>
<td>—</td>
<td>54,208</td>
<td>—</td>
<td>181,089</td>
</tr>
<tr>
<td>Sept.</td>
<td>47,759</td>
<td>18,376</td>
<td>6,755</td>
<td>151,621</td>
<td>16,548</td>
<td>168,168</td>
</tr>
<tr>
<td>Dec.</td>
<td>45,444</td>
<td>42,077</td>
<td>82</td>
<td>128,245</td>
<td>17,096</td>
<td>143,340</td>
</tr>
<tr>
<td>1843: March</td>
<td>44,682</td>
<td>21,783</td>
<td>70</td>
<td>134,552</td>
<td>18,183</td>
<td>152,735</td>
</tr>
</tbody>
</table>

|------|-------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|------|-------|------|------------|

Source: *New South Wales Government Gazette.*

Table 4 (b) COMMERCIAL BANKING COMPANY OF SYDNEY ASSETS (£)
### AVERAGES OF WEEKLY FIGURES

#### Half-yearly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Deposits of other banks</th>
<th>Notes and bills of other banks</th>
<th>Deposits due from other banks</th>
<th>Deposits Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: Jan–Jun</td>
<td>45,168</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>182,804</td>
</tr>
<tr>
<td>1836: Jul–Dec</td>
<td>44,674</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>223,518</td>
</tr>
<tr>
<td>1837: Jan–Jun</td>
<td>49,229</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>266,001</td>
</tr>
<tr>
<td>1837: Jul–Dec</td>
<td>42,672</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>295,860</td>
</tr>
<tr>
<td>1838: Jan–Jun</td>
<td>53,649</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>295,185</td>
</tr>
<tr>
<td>1838: Jul–Dec</td>
<td>61,318</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>327,255</td>
</tr>
<tr>
<td>1839: Jan–Jun</td>
<td>64,802</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>393,069</td>
</tr>
<tr>
<td>1839: Jul–Dec</td>
<td>62,643</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>437,242</td>
</tr>
<tr>
<td>1840: Jan–Jun</td>
<td>81,068</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>497,706</td>
</tr>
<tr>
<td>1840: Jul–Dec</td>
<td>53,353</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>532,425</td>
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</table>

#### Quarterly Averages

<table>
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<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Deposits of other banks</th>
<th>Notes and bills of other banks</th>
<th>Deposits due from other banks</th>
<th>Deposits Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: Mar</td>
<td>57,660</td>
<td>2,819</td>
<td>1,680</td>
<td>526</td>
<td>—</td>
<td>487,377</td>
</tr>
<tr>
<td>1841: Jun</td>
<td>75,062</td>
<td>2,850</td>
<td>1,621</td>
<td>555</td>
<td>—</td>
<td>465,632</td>
</tr>
<tr>
<td>1841: Sept</td>
<td>66,357</td>
<td>3,049</td>
<td>1,793</td>
<td>3,562</td>
<td>656</td>
<td>461,839</td>
</tr>
<tr>
<td>1841: Dec</td>
<td>63,568</td>
<td>3,118</td>
<td>1,590</td>
<td>5,727</td>
<td>1,122</td>
<td>424,697</td>
</tr>
<tr>
<td>1842: Mar</td>
<td>82,862</td>
<td>3,277</td>
<td>2,529</td>
<td>19,443</td>
<td>3,894</td>
<td>400,846</td>
</tr>
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<td>1842: Jun</td>
<td>82,429</td>
<td>3,277</td>
<td>1,942</td>
<td>10,647</td>
<td>1,972</td>
<td>404,289</td>
</tr>
<tr>
<td>1842: Sept</td>
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<td>3,277</td>
<td>1,970</td>
<td>1,168</td>
<td>741</td>
<td>414,407</td>
</tr>
<tr>
<td>1842: Dec</td>
<td>71,745</td>
<td>3,277</td>
<td>1,299</td>
<td>1,625</td>
<td>746</td>
<td>418,638</td>
</tr>
<tr>
<td>1843: Mar</td>
<td>69,452</td>
<td>3,277</td>
<td>1,965</td>
<td>492</td>
<td>2,476</td>
<td>409,250</td>
</tr>
<tr>
<td>1843: Jun</td>
<td>65,675</td>
<td>5,584</td>
<td>1,907</td>
<td>6,820</td>
<td>1,972</td>
<td>369,150</td>
</tr>
<tr>
<td>1843: Sept</td>
<td>60,272</td>
<td>6,277</td>
<td>1,712</td>
<td>16,315</td>
<td>4,298</td>
<td>354,015</td>
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<td>1843: Dec</td>
<td>72,962</td>
<td>6,277</td>
<td>886</td>
<td>16,583</td>
<td>5,868</td>
<td>319,684</td>
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<td>6,277</td>
<td>1,080</td>
<td>16,792</td>
<td>17,319</td>
<td>287,003</td>
</tr>
<tr>
<td>1844: Jun</td>
<td>108,353</td>
<td>6,277</td>
<td>94</td>
<td>19,850</td>
<td>5,983</td>
<td>251,675</td>
</tr>
<tr>
<td>1844: Sept</td>
<td>119,807</td>
<td>6,277</td>
<td>12</td>
<td>5,591</td>
<td>224,992</td>
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</tr>
<tr>
<td>1844: Dec</td>
<td>136,108</td>
<td>6,282</td>
<td>46</td>
<td>2,212</td>
<td>214,171</td>
<td></td>
</tr>
</tbody>
</table>
### Table 5 (i) (a) BANK OF AUSTRALASIA LIABILITIES (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Deposits in interest</th>
<th>Not bearing Deposits interest</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1845</td>
<td>March</td>
<td>123,878</td>
<td>6,378</td>
<td>137</td>
<td>1,098</td>
<td>214,082</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>153,187</td>
<td>6,410</td>
<td>36</td>
<td>4,997</td>
<td>187,930</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>159,710</td>
<td>6,410</td>
<td>3</td>
<td>16,065</td>
<td>188,919</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>185,328</td>
<td>6,563</td>
<td>189</td>
<td>1,031</td>
<td>183,305</td>
</tr>
<tr>
<td>1846</td>
<td>March</td>
<td>143,200</td>
<td>6,713</td>
<td>37</td>
<td>25,361</td>
<td>218,226</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>113,307</td>
<td>6,713</td>
<td>4</td>
<td>47,659</td>
<td>217,372</td>
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<tr>
<td></td>
<td>September</td>
<td>76,282</td>
<td>6,713</td>
<td>4</td>
<td>29,532</td>
<td>249,704</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>73,445</td>
<td>6,884</td>
<td>3</td>
<td>2,700</td>
<td>268,865</td>
</tr>
<tr>
<td>1847</td>
<td>March</td>
<td>86,226</td>
<td>7,149</td>
<td>56</td>
<td>4,469</td>
<td>261,939</td>
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<td>June</td>
<td>100,027</td>
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<td>—</td>
<td>1,039</td>
<td>274,538</td>
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<tr>
<td></td>
<td>September</td>
<td>75,106</td>
<td>7,426</td>
<td>—</td>
<td>554</td>
<td>264,057</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>78,027</td>
<td>7,426</td>
<td>—</td>
<td>885</td>
<td>254,649</td>
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<tr>
<td>1848</td>
<td>March</td>
<td>74,274</td>
<td>7,426</td>
<td>—</td>
<td>6,700</td>
<td>249,493</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>66,113</td>
<td>7,426</td>
<td>—</td>
<td>27,438</td>
<td>232,668</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>73,526</td>
<td>3,465</td>
<td>—</td>
<td>32,505</td>
<td>107,107</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>76,245</td>
<td>—</td>
<td>45</td>
<td>13,848</td>
<td>152,546</td>
</tr>
<tr>
<td>1849</td>
<td>March</td>
<td>90,958</td>
<td>3,600</td>
<td>48</td>
<td>12,772</td>
<td>152,567</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>89,593</td>
<td>3,600</td>
<td>62</td>
<td>29,233</td>
<td>158,043</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>82,638</td>
<td>3,600</td>
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<td>December</td>
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<td>7,567</td>
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<td>30,021</td>
<td>310,861</td>
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</table>

Source: New South Wales Government Gazette.
1837: January— 14,771
June
July—December 16,751
14,771 — — — 74,467
1838: January— 17,149
June
July—December 18,799
16,751 — — — 62,742
1839: January— 25,769
June
July—December 30,820
17,149 — — — 132,214
1840: January— 42,543
June
July—December 48,530
25,769 — — — 225,977
Quarterly Averages
<table>
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<tr>
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<th>Notes circulation</th>
<th>in Bills circulation</th>
<th>in Deposits interest</th>
<th>Not bearing Deposits interest</th>
<th>Bearing Deposits Total</th>
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<td>239,137</td>
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<td>31,212</td>
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<td>361,456</td>
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<td>29,160</td>
<td>36,411</td>
<td>331,292</td>
<td>367,704</td>
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<td>29,755</td>
<td>83,727</td>
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<td>31,322</td>
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<td>30,209</td>
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<td>401,147</td>
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<td>—</td>
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<td>11,529</td>
<td>382,162</td>
<td>—</td>
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<td>413,697</td>
<td>—</td>
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<td>—</td>
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<td>12,264</td>
<td>408,496</td>
<td>—</td>
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<td>8,786</td>
<td>437,198</td>
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<td>77,670</td>
<td>10,435</td>
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<td>12,212</td>
<td>396,149</td>
<td>—</td>
<td>396,149</td>
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<tr>
<td>1848: March</td>
<td>83,166</td>
<td>15,013</td>
<td>397,848</td>
<td>—</td>
<td>397,848</td>
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<tr>
<td>June</td>
<td>77,825</td>
<td>11,402</td>
<td>369,690</td>
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<td>September</td>
<td>74,468</td>
<td>7,361</td>
<td>351,131</td>
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</table>
December 70,469 9,148 346,820 — 346,820
1849: March 79,561 13,118 354,782 — 354,782
June 82,218 12,182 370,250 — 370,250
September 76,733 12,536 362,540 — 362,540
December 73,754 24,088 364,810 — 364,810
1850: March 86,186 18,798 417,581 — 417,581
June 87,837 14,742 441,748 — 441,748
September 84,866 8,021 450,610 — 450,610
December 85,999 13,238 480,695 — 480,695
1851: March 100,706 10,789 537,893 — 537,893
June 104,210 9,744 527,499 — 527,499
September (a) 57,353 6,553 253,870 — 253,870
December (a) 67,093 5,607 281,584 — 281,584

(a) Exclusive of Port Phillip business.

Source: *New South Wales Government Gazette.*

Table 5 (i) (b) BANK OF AUSTRALASIA ASSETS (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)

### Half-yearly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: Jan.—June</td>
<td>34,792</td>
<td>—</td>
<td>78,417</td>
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<tr>
<td>July—Dec.</td>
<td>37,830</td>
<td>—</td>
<td>157,534</td>
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<tr>
<td>1837: Jan.—June</td>
<td>39,778</td>
<td>—</td>
<td>141,217</td>
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<tr>
<td>July—Dec.</td>
<td>20,617</td>
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<td>161,548</td>
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<tr>
<td>1838: Jan.—June</td>
<td>91,294</td>
<td>—</td>
<td>200,898</td>
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<tr>
<td>July—Dec.</td>
<td>126,926</td>
<td>—</td>
<td>261,583</td>
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<tr>
<td>1839: Jan.—June</td>
<td>127,763</td>
<td>—</td>
<td>318,910</td>
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<tr>
<td>July—Dec.</td>
<td>114,642</td>
<td>—</td>
<td>453,285</td>
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<td>1840: Jan.—June</td>
<td>123,519</td>
<td>—</td>
<td>632,425</td>
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<td>July—Dec.</td>
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### Quarterly Averages

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<th>Notes and bills of other banks</th>
<th>Notes and bills discounted</th>
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<td>658,891</td>
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<td>11,699</td>
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<td>104,809</td>
<td>12,899</td>
<td>4,515</td>
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<td>13,594</td>
<td>3,224</td>
<td>625,050</td>
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<td>13,833</td>
<td>4,594</td>
<td>621,440</td>
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<td>14,190</td>
<td>3,408</td>
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<td>3,849</td>
<td>638,838</td>
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<td>Period</td>
<td>Liabilities (£) Averages of Weekly Figures (N.S.W. Business)</td>
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<td>-----------------------------------------------------------</td>
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<td>Returns made in accordance with the Charter. Period I—mid-October of</td>
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<td>113,071 14,642 2,347 783,873</td>
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<td>September</td>
<td>113,528 14,609 3,269 766,413</td>
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<td>1848: March</td>
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<td>154,221 15,796 1,007 785,539</td>
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<td>1849: March</td>
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<td>153,854 15,941 1,021 721,064</td>
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<td>1850: March</td>
<td>174,245 16,093 1,895 644,042</td>
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<td>June</td>
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<tr>
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<td>193,270 16,348 2,224 570,104</td>
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<td>214,545 14,939 1,562 581,649</td>
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<tr>
<td>1851: March</td>
<td>240,036 14,957 2,129 488,512</td>
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<tr>
<td>June</td>
<td>255,919 14,274 1,977 522,293</td>
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<td>(a) September</td>
<td>115,169 9,750 874 298,297</td>
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<tr>
<td>(a) December</td>
<td>137,075 9,519 377 276,851</td>
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</table>

(a) Exclusive of Port Phillip business.

Source: *New South Wales Government Gazette.*

**Table 5 (ii) (a) BANK OF AUSTRALASIA LIABILITIES (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)**

Returns made in accordance with the Charter. Period I—mid-October of
*preceding* year to mid-April of year specified; period II—April to October.

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<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Bearing Deposits Total</th>
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</thead>
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<td>2,509</td>
<td>24,500</td>
<td>10,107</td>
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<td>1,696</td>
<td>21,990</td>
<td>45,521</td>
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<td>16,752</td>
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<tr>
<td>II</td>
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<td>—</td>
<td>154,175</td>
<td>154,175</td>
</tr>
<tr>
<td>1839 I</td>
<td>22,679</td>
<td>27,504</td>
<td>—</td>
<td>183,265</td>
<td>183,265</td>
</tr>
<tr>
<td>II</td>
<td>28,746</td>
<td>21,308</td>
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<td>202,287</td>
<td>202,287</td>
</tr>
<tr>
<td>1840 I</td>
<td>36,883</td>
<td>25,043</td>
<td>—</td>
<td>294,272</td>
<td>294,272</td>
</tr>
<tr>
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<td>10,408</td>
<td>449,233</td>
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<td>95,204</td>
<td>11,922</td>
<td>515,645</td>
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</tr>
<tr>
<td>II (a)</td>
<td>77,228</td>
<td>7,818</td>
<td>368,854</td>
<td>—</td>
<td>368,854</td>
</tr>
</tbody>
</table>

(a) Exclusive of Port Phillip business from 30 June.

Note: The return also contained entries for “Bills and Notes in circulation bearing interest” and “Balances due to other banks”, but these were always zero.

Source: *New South Wales Government Gazette.*

**Table 5 (ii) (b) BANK OF AUSTRALASIA ASSETS (£) AVERAGES OF**
WEEKLY FIGURES (N.S.W. BUSINESS)

Returns made in accordance with the Charter. For explanation of period see note to table of Liabilities.

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Premises</th>
<th>Discounts, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836 I</td>
<td>25,257</td>
<td>—</td>
<td>60,486</td>
</tr>
<tr>
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<td>50,005</td>
<td>—</td>
<td>117,266</td>
</tr>
<tr>
<td>1837 I</td>
<td>35,192</td>
<td>—</td>
<td>164,504</td>
</tr>
<tr>
<td>II</td>
<td>26,091</td>
<td>—</td>
<td>145,100</td>
</tr>
<tr>
<td>1838 I</td>
<td>50,802</td>
<td>—</td>
<td>179,713</td>
</tr>
<tr>
<td>II</td>
<td>120,847</td>
<td>—</td>
<td>245,479</td>
</tr>
<tr>
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<td>136,860</td>
<td>—</td>
<td>286,800</td>
</tr>
<tr>
<td>II</td>
<td>115,438</td>
<td>192</td>
<td>390,304</td>
</tr>
<tr>
<td>1840 I</td>
<td>121,432</td>
<td>4,808</td>
<td>556,644</td>
</tr>
<tr>
<td>II</td>
<td>107,854</td>
<td>7,100</td>
<td>689,949</td>
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<tr>
<td>1841 I</td>
<td>84,667</td>
<td>10,872</td>
<td>669,724</td>
</tr>
<tr>
<td>II</td>
<td>108,880</td>
<td>12,458</td>
<td>642,336</td>
</tr>
<tr>
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<td>116,625</td>
<td>13,771</td>
<td>627,261</td>
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<td>II</td>
<td>135,026</td>
<td>14,226</td>
<td>639,535</td>
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<tr>
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<td>129,285</td>
<td>14,412</td>
<td>735,522</td>
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<tr>
<td>II</td>
<td>114,060</td>
<td>14,815</td>
<td>852,328</td>
</tr>
<tr>
<td>1844 I</td>
<td>126,413</td>
<td>14,813</td>
<td>839,312</td>
</tr>
<tr>
<td>II</td>
<td>111,939</td>
<td>14,602</td>
<td>774,478</td>
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<tr>
<td>1845 I</td>
<td>148,556</td>
<td>12,790</td>
<td>754,167</td>
</tr>
<tr>
<td>II</td>
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<td>12,530</td>
<td>740,812</td>
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<tr>
<td>1846 I</td>
<td>137,766</td>
<td>14,493</td>
<td>764,330</td>
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<tr>
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<td>803,418</td>
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<td>200,869</td>
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<td>818,420</td>
</tr>
<tr>
<td>II</td>
<td>180,828</td>
<td>15,757</td>
<td>847,864</td>
</tr>
<tr>
<td>1848 I</td>
<td>185,585</td>
<td>15,757</td>
<td>784,730</td>
</tr>
<tr>
<td>II</td>
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<td>15,782</td>
<td>747,827</td>
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<td>1849 I</td>
<td>148,459</td>
<td>15,814</td>
<td>783,145</td>
</tr>
<tr>
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<td>172,309</td>
<td>15,878</td>
<td>736,357</td>
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<td>563,287</td>
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<td>231,581</td>
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<tr>
<td>II (a)</td>
<td>173,949</td>
<td>11,635</td>
<td>395,562</td>
</tr>
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</table>

(a) Exclusive of Port Phillip business from 30 June.

Note: “Bills of other banks” were always nil; for “Balances due from other banks”, there is only one entry of £429, for the first return.

Source: As for Liabilities.

Table 6 (a) UNION BANK OF AUSTRALIA LIABILITIES (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)
### Half-yearly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July–</td>
<td>18,261</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>99,365</td>
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<tr>
<td>Dec.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan–</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>131,525</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July–</td>
<td>39,382</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>188,901</td>
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<tr>
<td>Dec.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

### Quarterly Averages

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<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits Not bearing interest</th>
<th>Deposits Bearing interest</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
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<td>15,770</td>
<td>544</td>
<td></td>
<td></td>
<td>167,824</td>
</tr>
<tr>
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<td>13,971</td>
<td>66</td>
<td></td>
<td></td>
<td>168,925</td>
</tr>
<tr>
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<td>17,847</td>
<td>51</td>
<td></td>
<td></td>
<td>168,652</td>
</tr>
<tr>
<td>Dec.</td>
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<td>91</td>
<td></td>
<td></td>
<td>162,639</td>
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<td>1842:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>March</td>
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<td>23,942</td>
<td>140</td>
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<td>167,549</td>
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<tr>
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<td>22,545</td>
<td>46</td>
<td></td>
<td></td>
<td>174,701</td>
</tr>
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<td>20,104</td>
<td>169</td>
<td></td>
<td></td>
<td>186,981</td>
</tr>
<tr>
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<td>30,465</td>
<td>81</td>
<td></td>
<td></td>
<td>191,439</td>
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<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>March</td>
<td>30,852</td>
<td>19,862</td>
<td>19</td>
<td></td>
<td></td>
<td>178,676</td>
</tr>
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<td>18,033</td>
<td>805</td>
<td></td>
<td></td>
<td>164,889</td>
</tr>
<tr>
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<td>16,335</td>
<td>450</td>
<td></td>
<td></td>
<td>171,306</td>
</tr>
<tr>
<td>Dec.</td>
<td>34,063</td>
<td>16,161</td>
<td>40</td>
<td></td>
<td></td>
<td>185,568</td>
</tr>
<tr>
<td>1844:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>40,045</td>
<td>17,230</td>
<td>62</td>
<td></td>
<td></td>
<td>213,729</td>
</tr>
<tr>
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<td>21,711</td>
<td>163</td>
<td></td>
<td></td>
<td>225,630</td>
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<td>22,639</td>
<td>656</td>
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<td>23,416</td>
<td>538</td>
<td>286,859</td>
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<td>286,859</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>21,381</td>
<td>—</td>
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<td>13,108</td>
<td>137</td>
<td>321,607</td>
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<tr>
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<td>11,554</td>
<td>1,912</td>
<td>334,112</td>
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<td>334,112</td>
</tr>
<tr>
<td>Dec.</td>
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<td>8,074</td>
<td>2,318</td>
<td>378,714</td>
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<td>378,714</td>
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<tr>
<td>1846:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
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<td>6,776</td>
<td>527</td>
<td>422,209</td>
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<td>422,209</td>
</tr>
<tr>
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<td>4,594</td>
<td>349</td>
<td>400,086</td>
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<tr>
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<td>4,816</td>
<td>2,414</td>
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<tr>
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<td>6,686</td>
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<td>386,092</td>
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<td>386,092</td>
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<td>1847:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
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<td>2,968</td>
<td>—</td>
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<tr>
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<td>4,630</td>
<td>326</td>
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<td>1,674</td>
<td>427,591</td>
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</table>
Table 6 (b) UNION BANK OF AUSTRALIA ASSETS (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
<th>Bills</th>
</tr>
</thead>
<tbody>
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<td>1839:</td>
<td>July—December</td>
<td>31,052</td>
<td>—</td>
<td>—</td>
<td>299,900</td>
<td></td>
</tr>
<tr>
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<td>January—June</td>
<td>53,373</td>
<td>—</td>
<td>—</td>
<td>349,350</td>
<td></td>
</tr>
<tr>
<td></td>
<td>July—December</td>
<td>51,227</td>
<td>—</td>
<td>—</td>
<td>470,072</td>
<td></td>
</tr>
</tbody>
</table>

(a) Exclusive of Port Phillip business.

Source: New South Wales Government Gazette.
Table 7 (a) PORT PHILLIP BANK LIABILITIES (£)

|            | September | December | 1843: March | June | September | December | 1844: March | June | September | December | 1845: March | June | September | December | 1846: March | June | September | December | 1847: March | June | September | December | 1848: March | June | September | December | 1849: March | June | September | December | 1850: March | June | September | December |
|------------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|-------------|------|-----------|----------|

(a) Exclusive of Port Phillip business.

Source: *New South Wales Government Gazette.*
Table 7 (b) PORT PHILLIP BANK ASSETS (£)

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Balances due to other banks</th>
<th>Deposits not bearing interest</th>
<th>Deposits bearing interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: March</td>
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<td>738</td>
<td>—</td>
<td>15,717</td>
<td>15,717</td>
</tr>
<tr>
<td>June</td>
<td>4,111</td>
<td>688</td>
<td>—</td>
<td>28,302</td>
<td>28,302</td>
</tr>
<tr>
<td>September</td>
<td>4,981</td>
<td>579</td>
<td>—</td>
<td>25,625</td>
<td>25,625</td>
</tr>
<tr>
<td>December</td>
<td>4,663</td>
<td>1,460</td>
<td>—</td>
<td>23,113</td>
<td>23,113</td>
</tr>
<tr>
<td>1842: March</td>
<td>3,969</td>
<td>527</td>
<td>—</td>
<td>12,928</td>
<td>12,928</td>
</tr>
<tr>
<td>June</td>
<td>3,710</td>
<td>1,069</td>
<td>—</td>
<td>8,404</td>
<td>8,404</td>
</tr>
<tr>
<td>September</td>
<td>3,527</td>
<td>4,271</td>
<td>—</td>
<td>10,893</td>
<td>10,893</td>
</tr>
<tr>
<td>December</td>
<td>2,496</td>
<td>2,606</td>
<td>—</td>
<td>2,519</td>
<td>2,519</td>
</tr>
<tr>
<td>1843: March</td>
<td>1,005</td>
<td>93</td>
<td>4,033</td>
<td>—</td>
<td>4,033</td>
</tr>
<tr>
<td>June</td>
<td>393</td>
<td>—</td>
<td>3,080</td>
<td>—</td>
<td>3,080</td>
</tr>
</tbody>
</table>

Source: New South Wales Government Gazette.

Table 8 (a) SYDNEY BANKING COMPANY LIABILITIES (£)—AVERAGES OF WEEKLY FIGURES

Quarterly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Premises</th>
<th>Notes of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: March</td>
<td>3,246</td>
<td>2,488</td>
<td>627</td>
<td>6,735</td>
<td>56,678</td>
</tr>
<tr>
<td>June</td>
<td>4,511</td>
<td>2,981</td>
<td>1,331</td>
<td>12,150</td>
<td>63,988</td>
</tr>
<tr>
<td>September</td>
<td>5,186</td>
<td>3,583</td>
<td>966</td>
<td>5,937</td>
<td>67,407</td>
</tr>
<tr>
<td>December</td>
<td>2,859</td>
<td>4,333</td>
<td>1,179</td>
<td>3,958</td>
<td>69,861</td>
</tr>
<tr>
<td>1842: March</td>
<td>4,463</td>
<td>4,548</td>
<td>1,740</td>
<td>4,372</td>
<td>55,845</td>
</tr>
<tr>
<td>June</td>
<td>4,835</td>
<td>4,627</td>
<td>1,616</td>
<td>2,547</td>
<td>55,065</td>
</tr>
<tr>
<td>September</td>
<td>2,534</td>
<td>4,607</td>
<td>783</td>
<td>1,178</td>
<td>64,930</td>
</tr>
<tr>
<td>December</td>
<td>2,394</td>
<td>4,607</td>
<td>882</td>
<td>2,713</td>
<td>52,413</td>
</tr>
<tr>
<td>1843: March</td>
<td>3,038</td>
<td>4,607</td>
<td>926</td>
<td>6,601</td>
<td>45,423</td>
</tr>
<tr>
<td>June</td>
<td>593</td>
<td>1,555</td>
<td>415</td>
<td>12,174</td>
<td>37,927</td>
</tr>
</tbody>
</table>

Source: New South Wales Government Gazette.
(a) All bearing interest.

Note: Bank issued no bills, and settled all clearing balances immediately.

Source: *New South Wales Government Gazette*.

**Table 8 (b) SYDNEY BANKING COMPANY ASSETS (£)—AVERAGES OF WEEKLY FIGURES**

<table>
<thead>
<tr>
<th>Quarter ending</th>
<th>Coin</th>
<th>Notes and bills of other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: March</td>
<td>16,401</td>
<td>785</td>
<td>178,170</td>
</tr>
<tr>
<td>June</td>
<td>17,881</td>
<td>533</td>
<td>184,881</td>
</tr>
<tr>
<td>September</td>
<td>15,338</td>
<td>199</td>
<td>181,539</td>
</tr>
<tr>
<td>December</td>
<td>18,624</td>
<td>477</td>
<td>178,707</td>
</tr>
<tr>
<td>1842: March</td>
<td>19,729</td>
<td>343</td>
<td>185,627</td>
</tr>
<tr>
<td>June</td>
<td>19,029</td>
<td>388</td>
<td>188,938</td>
</tr>
<tr>
<td>September</td>
<td>16,529</td>
<td>569</td>
<td>189,795</td>
</tr>
<tr>
<td>December</td>
<td>23,314</td>
<td>383</td>
<td>179,820</td>
</tr>
<tr>
<td>1843: March</td>
<td>16,955</td>
<td>489</td>
<td>215,939</td>
</tr>
<tr>
<td>June</td>
<td>4,851</td>
<td>495</td>
<td>195,358</td>
</tr>
</tbody>
</table>

Note: Bank owned no premises; clearing balances were settled immediately.

Source: *New South Wales Government Gazette*.

**Table 9 (a) ALL BANKS—NEW SOUTH WALES LIABILITIES (£) AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>in Bills circulation</th>
<th>in Balances due to other banks</th>
<th>to Deposits bearing interest</th>
<th>Not Deposits bearing interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: Jan.–June</td>
<td>108,132</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>366,409</td>
</tr>
<tr>
<td>Year</td>
<td>Period</td>
<td>Notes in circulation</td>
<td>Bills in circulation</td>
<td>in Balances due to other banks</td>
<td>Deposits not bearing interest</td>
<td>Deposits bearing interest</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
<td>-------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>1837</td>
<td>Jan.–June</td>
<td>114,281</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>July–Dec.</td>
<td>115,330</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1838</td>
<td>Jan.–June</td>
<td>117,301</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>July–Dec.</td>
<td>121,602</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1839</td>
<td>Jan.–June</td>
<td>142,714</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>July–Dec.</td>
<td>170,205</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1840</td>
<td>Jan.–June</td>
<td>217,610</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>July–Dec.</td>
<td>215,730</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Quarterly Averages**

<table>
<thead>
<tr>
<th>Year</th>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>in Balances due to other banks</th>
<th>Deposits not bearing interest</th>
<th>Deposits bearing interest</th>
<th>Deposits Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841</td>
<td>March</td>
<td>222,802</td>
<td>49,278</td>
<td>9,654</td>
<td>1,164</td>
<td>1,122,473</td>
<td>1,123,637</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>223,608</td>
<td>53,510</td>
<td>15,268</td>
<td>2,598</td>
<td>1,098,140</td>
<td>1,100,738</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>213,062</td>
<td>50,356</td>
<td>3,990</td>
<td>1,306</td>
<td>1,068,192</td>
<td>1,069,498</td>
</tr>
<tr>
<td></td>
<td>Dec.</td>
<td>200,328</td>
<td>64,508</td>
<td>1,660</td>
<td>1,566</td>
<td>945,785</td>
<td>947,351</td>
</tr>
<tr>
<td>1842</td>
<td>March</td>
<td>200,247</td>
<td>63,891</td>
<td>1,575</td>
<td>3,633</td>
<td>972,177</td>
<td>975,810</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>199,126</td>
<td>55,244</td>
<td>2,502</td>
<td>56,341</td>
<td>909,445</td>
<td>965,786</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>189,106</td>
<td>88,557</td>
<td>11,195</td>
<td>154,427</td>
<td>834,129</td>
<td>988,556</td>
</tr>
<tr>
<td></td>
<td>Dec.</td>
<td>181,652</td>
<td>157,087</td>
<td>2,784</td>
<td>130,082</td>
<td>820,710</td>
<td>950,792</td>
</tr>
<tr>
<td>1843</td>
<td>March</td>
<td>171,051</td>
<td>82,007</td>
<td>182</td>
<td>145,310</td>
<td>760,112</td>
<td>905,422</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>170,042</td>
<td>51,879</td>
<td>805</td>
<td>81,903</td>
<td>771,691</td>
<td>853,594</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>149,611</td>
<td>46,845</td>
<td>450</td>
<td>15,462</td>
<td>797,139</td>
<td>812,601</td>
</tr>
<tr>
<td></td>
<td>Dec.</td>
<td>149,056</td>
<td>48,225</td>
<td>40</td>
<td>15,068</td>
<td>792,866</td>
<td>807,934</td>
</tr>
<tr>
<td>1844</td>
<td>March</td>
<td>160,824</td>
<td>46,751</td>
<td>414</td>
<td>62,760</td>
<td>811,296</td>
<td>874,057</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>154,810</td>
<td>51,678</td>
<td>644</td>
<td>103,835</td>
<td>784,313</td>
<td>888,149</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>141,808</td>
<td>54,182</td>
<td>7,008</td>
<td>416,922</td>
<td>531,419</td>
<td>948,341</td>
</tr>
<tr>
<td></td>
<td>Dec.</td>
<td>148,719</td>
<td>82,045</td>
<td>1,056</td>
<td>981,539</td>
<td>47,139</td>
<td>1,028,677</td>
</tr>
<tr>
<td>1845</td>
<td>March</td>
<td>177,542</td>
<td>56,436</td>
<td>540</td>
<td>1,066,806</td>
<td>—</td>
<td>1,066,806</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>183,693</td>
<td>28,698</td>
<td>644</td>
<td>1,100,943</td>
<td>—</td>
<td>1,100,943</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>177,087</td>
<td>32,018</td>
<td>2,572</td>
<td>1,134,598</td>
<td>—</td>
<td>1,134,598</td>
</tr>
<tr>
<td></td>
<td>Dec.</td>
<td>180,059</td>
<td>30,241</td>
<td>2,991</td>
<td>1,230,003</td>
<td>—</td>
<td>1,230,003</td>
</tr>
<tr>
<td>1846</td>
<td>March</td>
<td>206,757</td>
<td>21,922</td>
<td>1,200</td>
<td>1,333,260</td>
<td>—</td>
<td>1,333,260</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>211,744</td>
<td>13,343</td>
<td>596</td>
<td>1,290,040</td>
<td>—</td>
<td>1,290,040</td>
</tr>
<tr>
<td></td>
<td>Sept.</td>
<td>208,162</td>
<td>18,729</td>
<td>2,482</td>
<td>1,232,514</td>
<td>—</td>
<td>1,232,514</td>
</tr>
</tbody>
</table>
Table 9 (b) ALL BANKS—NEW SOUTH WALES ASSETS (£)—AVERAGES OF WEEKLY FIGURES (N.S.W. BUSINESS)

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes discounted</th>
<th>Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836:</td>
<td>January— 175,195</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>646,872</td>
</tr>
<tr>
<td>June</td>
<td>July— 195,577</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>812,179</td>
</tr>
<tr>
<td>1837:</td>
<td>January— 205,275</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>872,893</td>
</tr>
<tr>
<td>June</td>
<td>July— 182,139</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>964,276</td>
</tr>
<tr>
<td>1838:</td>
<td>January— 246,662</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>999,671</td>
</tr>
</tbody>
</table>

(a) Exclusive of Port Phillip business from 30 June.

Source: New South Wales Government Gazette.
July—December 314,208 — — — 1,143,142
1839: January—June 341,485 — — — 1,312,754
July—December 337,297 — — — 1,867,784
1840: January—June 437,550 — — — 2,218,599
July—December 332,591 — — — 2,485,295

Quarterly Averages

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Landed property</th>
<th>Notes and bills of other banks</th>
<th>Balances due from other banks</th>
<th>Notes and bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841: March</td>
<td>342,138 24,388</td>
<td>9,709</td>
<td>9,790</td>
<td>2,615,299</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>384,088 25,554</td>
<td>7,196</td>
<td>16,882</td>
<td>2,616,489</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>388,570 27,655</td>
<td>7,504</td>
<td>14,175</td>
<td>2,588,630</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>404,059 29,179</td>
<td>6,683</td>
<td>12,081</td>
<td>2,508,397</td>
<td></td>
</tr>
<tr>
<td>1842: March</td>
<td>474,646 29,896</td>
<td>9,313</td>
<td>25,334</td>
<td>2,430,028</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>488,865 30,352</td>
<td>7,363</td>
<td>14,646</td>
<td>2,428,535</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>476,018 31,146</td>
<td>7,195</td>
<td>7,337</td>
<td>2,562,468</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>433,497 78,668</td>
<td>5,620</td>
<td>8,184</td>
<td>2,625,172</td>
<td></td>
</tr>
<tr>
<td>1843: March</td>
<td>428,165 32,916</td>
<td>7,206</td>
<td>10,826</td>
<td>2,340,222</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>380,066 33,450</td>
<td>4,997</td>
<td>23,163</td>
<td>2,276,832</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>393,312 33,372</td>
<td>5,408</td>
<td>19,140</td>
<td>2,000,810</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>417,140 34,667</td>
<td>3,464</td>
<td>19,413</td>
<td>1,919,066</td>
<td></td>
</tr>
<tr>
<td>1844: March</td>
<td>433,096 35,447</td>
<td>3,295</td>
<td>17,885</td>
<td>1,809,157</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>423,411 36,277</td>
<td>2,454</td>
<td>22,029</td>
<td>1,686,473</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>440,327 36,851</td>
<td>3,296</td>
<td>6,190</td>
<td>1,640,455</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>518,824 36,007</td>
<td>4,996</td>
<td>2,957</td>
<td>1,583,137</td>
<td></td>
</tr>
<tr>
<td>1845: March</td>
<td>607,821 35,579</td>
<td>2,597</td>
<td>2,955</td>
<td>1,488,089</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>636,929 35,818</td>
<td>2,014</td>
<td>5,397</td>
<td>1,450,398</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>691,159 36,224</td>
<td>1,981</td>
<td>16,402</td>
<td>1,424,583</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>750,914 39,309</td>
<td>1,418</td>
<td>1,234</td>
<td>1,448,083</td>
<td></td>
</tr>
<tr>
<td>1846: March</td>
<td>744,560 41,395</td>
<td>2,088</td>
<td>26,120</td>
<td>1,476,077</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>740,149 42,121</td>
<td>1,295</td>
<td>49,393</td>
<td>1,529,416</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>711,935 42,945</td>
<td>2,513</td>
<td>30,661</td>
<td>1,668,014</td>
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</tr>
<tr>
<td>December</td>
<td>767,673 44,943</td>
<td>807</td>
<td>4,002</td>
<td>1,685,959</td>
<td></td>
</tr>
<tr>
<td>1847: March</td>
<td>712,825 46,260</td>
<td>1,258</td>
<td>9,935</td>
<td>1,668,162</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>740,245 60,180</td>
<td>1,033</td>
<td>6,671</td>
<td>1,727,587</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>663,671 62,565</td>
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<td>1,541</td>
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September 638,243 41,979 2,077 36,872 1,635,695
December 594,962 42,741 1,064 13,322 1,695,797

1850: March 598,021 41,117 2,095 63,060 1,604,537
June 572,617 40,535 2,398 115,330 1,478,174
September 584,753 39,107 3,104 95,628 1,583,176
December 656,004 26,126 1,582 54,441 1,666,314

1851: March 676,230 25,427 5,758 113,323 1,644,089
June 741,772 24,426 2,117 147,917 1,673,924
September 570,176 19,921 923 125,012 1,226,133
December 585,336 21,400 466 185,122 1,321,620

(a) Exclusive of Port Phillip business from 30 June.

Source: *New South Wales Government Gazette.*

**Table 10 NEW SOUTH WALES BANKS CAPITAL PAID UP (£)**

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<tr>
<th>Date</th>
<th>N.S.W.</th>
<th>Australia</th>
<th>Commercial</th>
<th>Australasia Union</th>
<th>Port Phillip</th>
<th>Sydney</th>
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<td>(i) 1830 June</td>
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<td>202,390</td>
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Views of Premises.

Surviving balance sheets.

Bigge, *Manuscript Evidence*, B.T. Box 27, p. 6285

*Sydney Gazette*, 26 January 1826.

*Monitor*, 27 January 1827.
For 1841–51 from *New South Wales Government Gazette*.

Notes: (i) Early data should be treated with reserve since amounts included sums represented by bills given by shareholders. (ii) Figures must not be added horizontally (as for example Gipps did frequently) since Australasia and Union also operated in other colonies.

### Table 11 NEW SOUTH WALES BANKS RESERVES (£)—HELD AT END OF EACH QUARTER

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<th>Period</th>
<th>N.S.W.</th>
<th>Australia</th>
<th>Commercial</th>
<th>Australasia</th>
<th>Union</th>
<th>Port Phillip</th>
<th>Sydney</th>
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<td>Union</td>
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(a) Including bonuses, for which see dividend table.

Source: *New South Wales Government Gazette.*

Table 12 NEW SOUTH WALES DIVIDENDS (per cent per annum)
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<td>311/2</td>
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Note: The table continues with similar entries for subsequent years.
These are dividends according to “Minutes”; Bigge, *Manuscript Evidence*, B.T. Box 27, p. 6290 has these:

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<tbody>
<tr>
<td>1850 I</td>
<td>August 1818—February 1819</td>
<td>10</td>
<td>10</td>
<td>(g) 6</td>
</tr>
<tr>
<td></td>
<td>February 1819—August 1819</td>
<td>10</td>
<td>10</td>
<td>(g) 6</td>
</tr>
<tr>
<td>1850 II</td>
<td>August 1819—February 1820</td>
<td>10</td>
<td>10</td>
<td>(g) 6</td>
</tr>
<tr>
<td></td>
<td>February 1820—August 1820</td>
<td>10</td>
<td>10</td>
<td>(g) 6</td>
</tr>
<tr>
<td>1851 I</td>
<td>August 1820—January 1821</td>
<td>10</td>
<td>10</td>
<td>(g) 6</td>
</tr>
</tbody>
</table>

(b) Not converted to percentages since amount of paid-up capital ambiguous. That for 1825 I was approximately 40 per cent; that for 1825 II was 531/2 per cent. See text above.

(c) Not distributed, but added to capital. *Sydney Gazette*, 22 July 1826.

(d) 10 per cent was declared by “Minutes”, 13 August 1829, at same time as next dividend of 6 per cent for 1829 I.

(e) Plus 5 per cent bonus.

(f) Plus 5s. per share, and for colonial shareholders 7d. in £ (amount of English income tax).

(g) Plus 7s. 6d. per share, and, for colonial shareholders, 7d. in £.

(h) Plus 10s. per share on fully paid shares.

(i) 4 per cent is final dividend of “old” bank, 10 per cent first dividend of reorganized “new” bank.

“p.s.”—per share

Sources: From 1841, *Government Gazette*.

For earlier years,

- Australia Commercial: Newspaper items
- Bathurst: “Minutes”
- Australasia Union: Annual Reports

**Table 13 (a) BANK DEPOSIT INTEREST NEW SOUTH WALES TO 1851**

<table>
<thead>
<tr>
<th>Bank making change</th>
<th>Current account daily</th>
<th>Ten days'</th>
<th>Three months'</th>
<th>Fixed</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1850 I 10</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>6</td>
<td>(g)</td>
</tr>
<tr>
<td>II 10</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>6</td>
<td>(g)</td>
</tr>
<tr>
<td>1851 I 10</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>6</td>
<td>(g)</td>
</tr>
<tr>
<td>Entity</td>
<td>Effective Balance</td>
<td>Notice</td>
<td>Notice (a)</td>
<td>Period</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------</td>
<td>--------</td>
<td>------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>17/11/1834</td>
<td>—</td>
<td>—</td>
<td>S.H. 17/11/34</td>
<td></td>
</tr>
<tr>
<td>Australasia (b)</td>
<td>14/12/1835</td>
<td>—</td>
<td>5</td>
<td>S.H. 3/12/35</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>28/1/1836</td>
<td>4</td>
<td>—</td>
<td>S.H. 1/2/36</td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>8/2/1836</td>
<td>4</td>
<td>(c)</td>
<td>S.H. 8/2/36</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>28/2/1836</td>
<td>4</td>
<td>(c)</td>
<td>S.H. 11/2/36</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>1/2/1838</td>
<td>4</td>
<td>7</td>
<td>S.H. 29/1/38</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>2/1/1839</td>
<td>4</td>
<td>(c)</td>
<td>S.H. 26/12/38</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>1/3/1839</td>
<td>4</td>
<td>5</td>
<td>S.H. 5/2/39</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>1/4/1839</td>
<td>4</td>
<td>4</td>
<td>S.H. 13/3/39</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>23/6/1840</td>
<td>4</td>
<td>5</td>
<td>S.H. 26/6/40</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>20/8/1840</td>
<td>4</td>
<td>7</td>
<td>S.H. 21/8/40</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>18/9/1840</td>
<td>4</td>
<td>(c)</td>
<td>S.H. 25/9/40</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>25/9/1840</td>
<td>4</td>
<td>7</td>
<td>S.H. 25/9/40</td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>15/10/1840</td>
<td>4</td>
<td>(c)</td>
<td>S.H. 15/10/40</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>1/6/1842</td>
<td>nil</td>
<td>3</td>
<td>S.H. 14/5/42</td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>2/7/1842</td>
<td>4</td>
<td>4</td>
<td>S.H. 2/4/42</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>and 1/4/1843</td>
<td>3</td>
<td>(c)</td>
<td>S.M.H. 24/3/43</td>
<td></td>
</tr>
<tr>
<td>Union Commercial</td>
<td>1/4/1843</td>
<td>3(d)</td>
<td>5</td>
<td>S.M.H. 25/3/43</td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>1/4/1843</td>
<td>3</td>
<td>(c)</td>
<td>S.M.H. 25/3/43</td>
<td></td>
</tr>
<tr>
<td>Sydney</td>
<td>1/4/1843</td>
<td>3</td>
<td>(c)</td>
<td>S.M.H. 30/3/43</td>
<td></td>
</tr>
<tr>
<td>Union and 1/10/1843</td>
<td>2</td>
<td>(c)</td>
<td>3</td>
<td>S.M.H. 28/9/43</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>1/3/1844</td>
<td>2(e)</td>
<td>(c)</td>
<td>S.M.H. 29/2/44</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>1/4/1844</td>
<td>2(e)</td>
<td>(c)</td>
<td>S.M.H. 13/3/44</td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>30/6/1844</td>
<td>nil</td>
<td>nil</td>
<td>S.M.H. 8/6/44</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>1/8/1844</td>
<td>nil</td>
<td>nil</td>
<td>S.M.H. 24/7/44</td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>and 31/8/1844</td>
<td>nil</td>
<td>3(h)</td>
<td>S.M.H. 26/8/44</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>and 30/11/1844</td>
<td>nil</td>
<td>nil</td>
<td>S.M.H. 26/8/44</td>
<td></td>
</tr>
</tbody>
</table>

(a) If actually left 3 months; no contract or notice required.
(b) Date of commencing business.
(c) Not given.
(d) Sydney only.
(e) Minimum *monthly* balance.

(f) Advertisement ambiguous.

(g) Bank notices; *S.H.—Sydney Herald; S.M.H.—Sydney Morning Herald*.

(h) Existing deposits only; nil for new deposits.

(i) Other banks followed; no deposit interest was paid during remainder of period.

Table 13 (b)—BANK LOAN RATES—NEW SOUTH WALES 1817–51

<table>
<thead>
<tr>
<th>Bank making change</th>
<th>Date effective</th>
<th>Bill Discount Rate</th>
<th>Mortgage</th>
<th>Not more than 60 days</th>
<th>Over 60 days</th>
<th>Not more than 3 months</th>
<th>Over 100 days</th>
<th>Renewals</th>
<th>Overdrawn accounts</th>
<th>Under 1 year</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.S.W.</td>
<td>8/4/17 (c)</td>
<td>10 (d)</td>
<td>(g)</td>
<td>(g)</td>
<td>Charter, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>24/1/26 (e)</td>
<td>8</td>
<td>(g)</td>
<td>(g)</td>
<td>S.G. 26/1/26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>23/10/27</td>
<td>10 (f)</td>
<td>(g)</td>
<td>(g)</td>
<td>S.G. 17/10/27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>14/12/35 (c)</td>
<td>10</td>
<td>(g)</td>
<td>10</td>
<td>S.H. 3/12/35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>27/6/38</td>
<td>8</td>
<td>10 12 12 12 12</td>
<td>S.H. 28/6/38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>2/1/39</td>
<td>8 10</td>
<td>(g)</td>
<td>(g)</td>
<td>S.H. 26/12/38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>8/7/40 (g)</td>
<td>10 12 12 12</td>
<td>(g)</td>
<td></td>
<td>S.H. 8/7/40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>20/8/40 (g)</td>
<td>10 12 (g)</td>
<td>(g)</td>
<td></td>
<td>S.H. 21/8/40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>15/10/40 (g)</td>
<td>10 12 12 12</td>
<td>(g)</td>
<td></td>
<td>S.H. 15/10/40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>1/6/42</td>
<td>8 10 10 10</td>
<td></td>
<td></td>
<td>S.H. 14/5/42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>1/4/43</td>
<td>6 8 8 8 (k)</td>
<td>(g)</td>
<td></td>
<td>S.M.H. 13/3/43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>1/4/43</td>
<td>8 10 (g)</td>
<td>(g)</td>
<td></td>
<td>S.M.H. 24/3/43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial &amp; Union</td>
<td>1/10/43</td>
<td>6 8 (g)</td>
<td>(g)</td>
<td></td>
<td>S.M.H. 28/9/43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australasia</td>
<td>11/2/45</td>
<td>6 (g)</td>
<td>(g)</td>
<td></td>
<td>S.M.H. 11/2/45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>4/12/45</td>
<td>(g)</td>
<td>(g)</td>
<td>6 (l)</td>
<td>S.M.H. 4/12/45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.S.W.</td>
<td>1/1/46</td>
<td>(g)</td>
<td>(g)</td>
<td>6 (l)</td>
<td>S.M.H. 31/12/45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Blank = rate not published; probably type of loan not made at the time.

(a) In 'twenties and early 'thirties business on a minor scale, rate usually same as for 3 months' bills.


(c) Date of commencing business.

(d) Usual minimum rate earlier 8 per cent. This and third and fourth entries assume three months' bills, since this was usual tenor. But early bank practice was elastic. See, e.g., S.G., 21 February 1818.

(e) 10 per cent rate had lasted since 1817. New rate adopted by Bank of Australia when it opened in July 1826.

(f) Followed by Bank of N.S.W.; rate continued until at least 1838.

(g) Not recorded; indicates dropping of a rate formerly quoted, or probability that business was done at a rate not quoted.

(h) Followed by Sydney Bank on same day; S.M.H., 30 March 1843.

(i) Not announced; inferential from S.M.H., 16 July 1845.

(j) First time this type of loan offered publicly.

(k) Not announced; inferential from S.M.H., 18 September 1843.

(l) Bills not more than 6 months.

Table 14 (a) New South Wales Exchange Rates. Commissariat Bills on London

Rates are quoted as £'s Australian paid for £100 sterling.

<table>
<thead>
<tr>
<th>Fixed Rates</th>
<th>Tender Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1826 1 January to 103</td>
<td>1839 5 August to 31 December 1011/2–1061/2</td>
</tr>
<tr>
<td>1828 24 May to 1011/2</td>
<td>1840 1 January to 4 March 1011/2</td>
</tr>
<tr>
<td>1835 28 February to 100</td>
<td></td>
</tr>
</tbody>
</table>
1840
4 March to 9 December 105
9 December to 31 December 101 1/2

1841
12 January to 9 April 101 1/2
9 April to 7 May 100
7 May to 7 July no bills drawn
7 July to 30 September 101 1/2–103 1/2
13 October 101–102 1/2
15 November 100–101 1/2

1842
4 January 100
8 February 97 1/2–99
8 June 103–105
23 July 103 1/2–104

1843
3 January 101 1/2
16 January 101 1/2
1 February 101 1/2–102
15 February 103
1 March 103 7/8–104
15 March 103 1/2–104
1 April 103–103 1/2
15 April 103 1/2–104
1 May 103 1/2–104
15 May 103–103 1/2
15 June 102
27 June 101–103
4 July 101 1/2
11 July 101 1/2
18 July 100–101 1/2
25 July 100
8 August 100
29 August 100
5 September 100–104
12 September 100
19 September 100
3 October 98 1/2–100
17 October 100
31 October 97 1/2–98 1/2
7 November 97 1/2–98 1/2
14 November 98 1/2
28 November 97 1/2–98
12 December 97 1/2
19 December 97 1/2

1844
whole year (a) 98 1/2

1845
27 February 98 1/2
1 April to 31 July 100
1 August 100 1/4–101 1/2
5 August 100
8 August to 5 September 100–101
5 September to 31 December 100
1846 whole year 100
1847 1 January to 31 January 100
31 January to 28 February 101
28 February to 31 August no bills drawn
31 August to 31 October 103
31 October to 30 November 1011/2–103
30 November to 31 December 100–1003/4
1848 1 January to 31 January 100
31 January to 30 June no bills drawn
30 June to 31 August 102–1031/2
31 August to 31 December 103
1849 1 January to 31 January 101–103
31 January to 31 October 103
31 October to 30 November no bills drawn
30 November to 31 December 101
1850 1 January to 31 January no bills drawn
31 January to 28 February 101
28 February to 31 March 1011/2
31 March to 30 April 1011/2–103
30 April to 31 May 103
31 May to 30 June 101
30 June to 31 July 1011/2
31 July to 31 December no bills drawn
1851 1 January to 31 May no bills drawn
31 May to 30 June 1011/2
30 June to 30 November no bills drawn
30 November to 31 December 100

(a) “Under arrangements made with the Bank of Australasia and Union Bank of Australia”.

Source: Fixed rates from Government notices; tender rates from *Bluebooks.*

**Table 14 (b) NEW SOUTH WALES—BANK EXCHANGE RATES**

Expressed as £A for £100 sterling. Selling rates are for bills payable thirty days after sight.

<table>
<thead>
<tr>
<th>Date</th>
<th>Australasia</th>
<th>Union Commercial</th>
<th>N.S.W.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sell</td>
<td>Buy</td>
<td>Sell</td>
</tr>
<tr>
<td>1835 14 December</td>
<td>991/2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1837 9 November</td>
<td>98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1838 28 June</td>
<td>(a) 99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Month</td>
<td>Date</td>
<td>Value</td>
</tr>
<tr>
<td>------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------</td>
</tr>
<tr>
<td>1839</td>
<td>April</td>
<td>5 April</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>9 October</td>
<td></td>
<td>1021/2</td>
</tr>
<tr>
<td>1840</td>
<td>9 March</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td></td>
<td>28 September</td>
<td></td>
<td>1031/2</td>
</tr>
<tr>
<td></td>
<td>16 October</td>
<td></td>
<td>1031/2</td>
</tr>
<tr>
<td></td>
<td>5 November</td>
<td></td>
<td>1011/2</td>
</tr>
<tr>
<td></td>
<td>10 December</td>
<td></td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>14 December</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>1842</td>
<td>February</td>
<td>29 September</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13 October</td>
<td>1011/2</td>
</tr>
<tr>
<td></td>
<td>29 October</td>
<td></td>
<td>1011/2</td>
</tr>
<tr>
<td>1843</td>
<td>24 July</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>9 September</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>27 October</td>
<td></td>
<td>981/2</td>
</tr>
<tr>
<td></td>
<td>4 December</td>
<td></td>
<td>961/2</td>
</tr>
<tr>
<td></td>
<td>20 December</td>
<td></td>
<td>961/2</td>
</tr>
<tr>
<td>1844</td>
<td>7 June</td>
<td></td>
<td>1011/2</td>
</tr>
<tr>
<td></td>
<td>21 August</td>
<td></td>
<td>100</td>
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<tr>
<td></td>
<td>24 August</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>11 October</td>
<td></td>
<td>981/2</td>
</tr>
<tr>
<td></td>
<td>15 November</td>
<td></td>
<td>961/2</td>
</tr>
<tr>
<td></td>
<td>23 December</td>
<td></td>
<td>94</td>
</tr>
<tr>
<td>1845</td>
<td>18 January</td>
<td></td>
<td>94</td>
</tr>
<tr>
<td></td>
<td>25 January</td>
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(a) Rate of 98 maintained from 9 November 1837.

(b) Rate of bills 1 day after sight. Other Commercial selling rates are for 1 month after sight.

Sources: Mainly bank advertisements in press, supplemented by news items, and by “Minutes” of Bank of Australasia. The absence of entries does not imply no business but reflects the intermittent nature of announcements.

Table 15 (a) NEW SOUTH WALES RATIO PER CENT OF CASH TO DEPOSITS AND NOTES

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Table 15 (b) NEW SOUTH WALES RATIO PER CENT OF ADVANCES TO DEPOSITS

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<tr>
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<td>159.1</td>
<td>194.0 197.7</td>
<td>105.0</td>
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<td>214.9 208.3</td>
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<td>219.6 222.6</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
(a) The first series is based upon the returns made on the same basis as the other banks; the second is based upon the Charter averages, entered to centre the average as nearly as possible on the same period.

Table 16 NEW SOUTH WALES SAVINGS BANK DEPOSITS 1819–31 (£)

<table>
<thead>
<tr>
<th>Year</th>
<th>Free</th>
<th>Convict</th>
<th>Total</th>
<th>Free</th>
<th>Convict</th>
<th>Total</th>
<th>Interest paid</th>
<th>Free</th>
<th>Convict</th>
<th>Total</th>
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<td>53</td>
<td>7</td>
<td>60</td>
<td>7</td>
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<td>166</td>
<td>174</td>
<td>8</td>
<td>33</td>
<td>41</td>
<td>179</td>
<td>179</td>
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<td>236</td>
<td>99</td>
<td>335</td>
<td>99</td>
<td>7</td>
<td>106</td>
<td>316</td>
<td>316</td>
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<td></td>
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<tr>
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<td>238</td>
<td>222</td>
<td>460</td>
<td>222</td>
<td>16</td>
<td>238</td>
<td>332</td>
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<td>326</td>
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<td>757</td>
<td>631</td>
<td>22</td>
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<td>4,739</td>
<td>3,038</td>
<td>33</td>
<td>3,371</td>
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<td>4,451</td>
<td>6,772</td>
<td>4,451</td>
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<td>4,396</td>
<td>2,918</td>
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</table>

Note: Deposit interest, on amounts left for full year, 71/2 per cent; all funds invested in mortgages at 10 per cent, at discretion of Robert Campbell, to whom profits accrued.

Source: Votes and Proceedings, New South Wales Legislative Council, 1832.

Table 17 (a) SAVINGS BANK OF NEW SOUTH WALES NUMBER OF DEPOSITORS

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Depositors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At 31 Dec. Convicts Sydney Parramatta Windsor Bathurst Maitland Penrith Singleton Total</td>
</tr>
<tr>
<td>1820</td>
<td>82</td>
</tr>
<tr>
<td>1821</td>
<td>102</td>
</tr>
<tr>
<td>1822</td>
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<tr>
<td>1823</td>
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<tr>
<td>1824</td>
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<tr>
<td>1826</td>
<td>202</td>
</tr>
<tr>
<td>1827</td>
<td>222</td>
</tr>
<tr>
<td>1828</td>
<td>242</td>
</tr>
<tr>
<td>1829</td>
<td>262</td>
</tr>
<tr>
<td>1830</td>
<td>282</td>
</tr>
<tr>
<td>1831</td>
<td>302</td>
</tr>
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</table>
(a) Branch temporarily closed.

Table 17 (b) SAVINGS BANK OF NEW SOUTH WALES AMOUNT OF DEPOSITS (£)

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Depositors</th>
</tr>
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<tr>
<td></td>
<td>Convicts Sydney Parramatta Windsor Bathurst Maitland Penrith Singleton Total</td>
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<td>199 2,782</td>
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<tr>
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<td>7,698 7,450</td>
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<td>7,851 13,557</td>
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<tr>
<td>1835</td>
<td>8,024 24,470</td>
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<tr>
<td>1836</td>
<td>8,026 36,718</td>
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<tr>
<td>1837</td>
<td>8,275 49,302</td>
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<td>1838</td>
<td>8,409 77,725</td>
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<td>1839</td>
<td>8,760 97,245</td>
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<tr>
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<td>8,826 143,124</td>
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<td>8,393 154,778</td>
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<td>1843</td>
<td>7,295 113,945</td>
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<tr>
<td>1844</td>
<td>8,410 122,260</td>
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<td>1845</td>
<td>5,869 136,874</td>
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<tr>
<td>1846</td>
<td>5,000 138,906</td>
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<tr>
<td>1847</td>
<td>4,943 149,830</td>
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</table>
(a) Branch temporarily closed.

(b) New deposits prohibited by 11 Vic., No. 40.

Table 17 (c) SAVINGS BANK OF NEW SOUTH WALES INTEREST RATES
(PER CENT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Deposit</th>
<th>Mortgage</th>
<th>Discount</th>
<th>Statutory</th>
<th>Supplementary</th>
<th>Total</th>
<th>Maximum deposit bearing interest (£)</th>
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<td></td>
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<td>10</td>
<td>5</td>
<td>—</td>
<td>5</td>
<td>100</td>
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<tr>
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<td>10</td>
<td>10</td>
<td>5</td>
<td>21/2</td>
<td>71/2</td>
<td>100</td>
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<tr>
<td>1834</td>
<td></td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>21/2</td>
<td>71/2</td>
<td>200</td>
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<tr>
<td>1835</td>
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<td>10</td>
<td>10</td>
<td>5</td>
<td>33/4</td>
<td>83/4</td>
<td>200</td>
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<tr>
<td>1836</td>
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<td>10</td>
<td>200</td>
</tr>
<tr>
<td>1839</td>
<td></td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>200</td>
</tr>
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<td>10</td>
<td>200</td>
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<tr>
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<td>5</td>
<td>5(d) 33/4</td>
<td>83/4</td>
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<td>(b)</td>
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<tr>
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<td>3⅓ (i)</td>
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<tr>
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<td>3⅓ (i)</td>
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<tr>
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<td>—</td>
<td>3⅓</td>
<td>100</td>
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</tr>
<tr>
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<td>3⅓</td>
<td>100</td>
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<tr>
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<td>—</td>
<td>3⅓</td>
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</tr>
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</table>

(a) From 1 April: *Sydney Morning Herald*, 5 March 1844.

(b) Bank thereafter not allowed to discount, except renewals.

(c) Intestate estates, 3 per cent only.

(d) Intestate estates and Master in Equity, 3 per cent only.

(e) From this date rate fixed at discretion of Trustees.

(f) Provisions of 7 Vic., No. 6 operated to prevent supplementary payments to depositors.
(g) Deposits on behalf of convicts, Intestate estates and Master in Equity bore interest without limit. But see note (i) below.

(h) Deposits withdrawn before and of year 3\(\frac{1}{3}\) per cent only: provision repealed 1846.

(i) Intestate estates and Master in Equity to receive no interest until ordinary deposits receive more than 5 per cent; then to have half ordinary rate, without limit on amount.

(j) Friendly Society balances henceforward bore interest without limit.

Table 17 (d) SAVINGS BANK OF NEW SOUTH WALES CASH HOLDINGS (£)

<table>
<thead>
<tr>
<th>Banks</th>
<th>At 31 Dec.</th>
<th>Commercial</th>
<th>Union</th>
<th>Australasia</th>
<th>N.S.W. Total</th>
<th>Treasury</th>
<th>In hand</th>
<th>Grand total</th>
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<td>—</td>
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<td>10,414</td>
<td>—</td>
<td>32,418</td>
<td>—</td>
<td>107</td>
<td>32,525</td>
</tr>
<tr>
<td>1849</td>
<td>751</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>751</td>
<td>—</td>
<td>439</td>
<td>1,190</td>
</tr>
<tr>
<td>1850</td>
<td>8,514</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8,514</td>
<td>—</td>
<td>387</td>
<td>8,901</td>
</tr>
<tr>
<td>1851</td>
<td>11,316</td>
<td>1,116</td>
<td>1,236</td>
<td>—</td>
<td>1,236</td>
<td>—</td>
<td>730</td>
<td>15,635</td>
</tr>
</tbody>
</table>

Table 17 (e) SAVINGS BANK OF NEW SOUTH WALES LOANS AND OTHER ASSETS (£)

<table>
<thead>
<tr>
<th>Loans</th>
<th>At 31 Dec.</th>
<th>Bills</th>
<th>Mortgages</th>
<th>Government securities</th>
<th>Local govt. securities</th>
<th>Total</th>
<th>Cash</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1832</td>
<td>1,915</td>
<td>673</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,589</td>
<td>418</td>
<td>3,007</td>
</tr>
<tr>
<td>1833</td>
<td>2,324</td>
<td>11,836</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>14,159</td>
<td>1,408</td>
<td>15,567</td>
</tr>
<tr>
<td>1834</td>
<td>6,316</td>
<td>15,448</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>21,764</td>
<td>652</td>
<td>22,416</td>
</tr>
<tr>
<td>1835</td>
<td>8,167</td>
<td>23,877</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>32,043</td>
<td>2,007</td>
<td>34,050</td>
</tr>
</tbody>
</table>
(a) Discounts, other than renewals, prohibited.

(b) Including premises, £2,597.

(c) Including premises, £3,000.

Table 17 (f) SAVINGS BANK OF NEW SOUTH WALES PROFITS AND RESERVES (£)

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus after paying statutory interest</th>
<th>Expenses other than interest</th>
<th>Net surplus</th>
<th>Reserve fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1832</td>
<td>81</td>
<td>55</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>1833</td>
<td>466</td>
<td>153</td>
<td>312</td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>1,062</td>
<td>167</td>
<td>895</td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>1,759</td>
<td>324</td>
<td>1,435</td>
<td></td>
</tr>
<tr>
<td>1836</td>
<td>2,512</td>
<td>352</td>
<td>2,159</td>
<td></td>
</tr>
<tr>
<td>1837</td>
<td>2,984</td>
<td>410</td>
<td>2,574</td>
<td></td>
</tr>
<tr>
<td>1838</td>
<td>3,818</td>
<td>655</td>
<td>3,163</td>
<td></td>
</tr>
<tr>
<td>1839</td>
<td>5,679</td>
<td>821</td>
<td>4,858</td>
<td></td>
</tr>
<tr>
<td>1840</td>
<td>7,800</td>
<td>1,213</td>
<td>6,587</td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>9,670</td>
<td>1,326</td>
<td>8,345 (a) 1,600</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>10,858</td>
<td>1,487</td>
<td>9,371 3,400</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>6,851</td>
<td>1,563</td>
<td>5,288 (b)</td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>5,358</td>
<td>1,527</td>
<td>3,831 1,642</td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>6,758</td>
<td>1,649</td>
<td>5,109 1,642</td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>6,538</td>
<td>1,524</td>
<td>5,014 3,033</td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td>7,476</td>
<td>1,537</td>
<td>5,939 3,033</td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>7,595</td>
<td>1,532</td>
<td>6,064 3,033</td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>7,680</td>
<td>1,370</td>
<td>6,309 3,033</td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td>4,549</td>
<td>1,391</td>
<td>3,158 5,521</td>
<td></td>
</tr>
<tr>
<td>1851</td>
<td>4,339</td>
<td>1,452</td>
<td>2,887 6,807</td>
<td></td>
</tr>
</tbody>
</table>
(a) Reserve Fund first disclosed; 1832–9 required to be £200; 1839–41 to be £400, but these not in separate fund.

(b) Not given.

**Table 18 (a) PORT PHILLIP SAVINGS BANK NUMBER OF DEPOSITORS**

<table>
<thead>
<tr>
<th></th>
<th>At 31 Dec.</th>
<th>Melbourne</th>
<th>Geelong</th>
<th>Portland</th>
<th>Belfast</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>226</td>
<td>226</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>295</td>
<td></td>
<td>295</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>399</td>
<td></td>
<td>399</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>496</td>
<td></td>
<td>496</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>513</td>
<td></td>
<td>513</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td>584</td>
<td></td>
<td>584</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>598</td>
<td>52</td>
<td>8</td>
<td></td>
<td>658</td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>622</td>
<td>80</td>
<td>9</td>
<td></td>
<td>711</td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td>775</td>
<td>89</td>
<td>8</td>
<td>17</td>
<td>889</td>
<td></td>
</tr>
<tr>
<td>1851</td>
<td>(a) 1,168</td>
<td>136</td>
<td>49</td>
<td>32</td>
<td>(a) 1,385</td>
<td></td>
</tr>
</tbody>
</table>

(a) Plus three convicts.


**Table 18 (b) PORT PHILLIP SAVINGS BANK AMOUNT OF DEPOSITS (£)**

<table>
<thead>
<tr>
<th></th>
<th>At 31 Dec.</th>
<th>Melbourne</th>
<th>Geelong</th>
<th>Portland</th>
<th>Belfast</th>
<th>Total</th>
<th>Intestate estates</th>
<th>Registrar in Equity</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>4,162</td>
<td>4,162</td>
<td>65</td>
<td></td>
<td>4,227</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>5,561</td>
<td>5,561</td>
<td>1,105</td>
<td></td>
<td>6,666</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>8,509</td>
<td>8,509</td>
<td>1,226</td>
<td></td>
<td>9,735</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>13,066</td>
<td>13,066</td>
<td>2,467</td>
<td></td>
<td>15,533</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>14,045</td>
<td>14,045</td>
<td>594</td>
<td>469</td>
<td>15,108</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td>16,808</td>
<td>16,808</td>
<td>1,599</td>
<td></td>
<td>18,407</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>19,752</td>
<td>1,091</td>
<td>167</td>
<td>21,010</td>
<td>1,477</td>
<td>22,487</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>20,017</td>
<td>2,048</td>
<td>262</td>
<td>22,327</td>
<td>1,053</td>
<td>23,380</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td>24,388</td>
<td>2,717</td>
<td>512</td>
<td>648</td>
<td>28,265</td>
<td>1,044</td>
<td></td>
<td></td>
<td>29,309</td>
</tr>
<tr>
<td>1851</td>
<td>(a) 45,570</td>
<td>4,150</td>
<td>562</td>
<td>1,541</td>
<td>51,823</td>
<td>874</td>
<td></td>
<td></td>
<td>52,697</td>
</tr>
</tbody>
</table>

(a) Including £4 held for three convicts.

**Table 18 (c) PORT PHILLIP SAVINGS BANK PROFITS AND RESERVES (£)**

<table>
<thead>
<tr>
<th></th>
<th>At 31 Dec.</th>
<th>Gross profit</th>
<th>Expenses</th>
<th>Net profit</th>
<th>Paid as interest</th>
<th>Transferred to reserve</th>
<th>Balance of reserve fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1851</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(a) After paying interest on deposits.

(b) Had been reduced to £349 during year.

(c) Reduced to £773 during year.

(d) Reduced to £906 during year.

Table 18 (d) PORT PHILLIP SAVINGS BANK LOANS (a) AND CASH (£)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits</th>
<th>Mortgages</th>
<th>Bills</th>
<th>Debentures</th>
<th>Bank</th>
<th>In Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>201</td>
<td>123</td>
<td>(a) 80</td>
<td>?</td>
<td>80</td>
<td>92</td>
</tr>
<tr>
<td>1843</td>
<td>608</td>
<td>146</td>
<td>462</td>
<td>214</td>
<td>248</td>
<td>340</td>
</tr>
<tr>
<td>1844</td>
<td>490</td>
<td>231</td>
<td>162</td>
<td>97</td>
<td>437</td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>681</td>
<td>267</td>
<td>414</td>
<td>240</td>
<td>174</td>
<td>(b) 523</td>
</tr>
<tr>
<td>1846</td>
<td>802</td>
<td>291</td>
<td>511</td>
<td>383</td>
<td>128</td>
<td>651</td>
</tr>
<tr>
<td>1847</td>
<td>808</td>
<td>317</td>
<td>491</td>
<td>358</td>
<td>132</td>
<td>783</td>
</tr>
<tr>
<td>1848</td>
<td>889</td>
<td>335</td>
<td>534</td>
<td>389</td>
<td>145</td>
<td>(c) 918</td>
</tr>
<tr>
<td>1849</td>
<td>1,297</td>
<td>371</td>
<td>925</td>
<td>734</td>
<td>192</td>
<td>(d) 1,098</td>
</tr>
<tr>
<td>1850</td>
<td>1,833</td>
<td>484</td>
<td>1,349</td>
<td>969</td>
<td>380</td>
<td>1,478</td>
</tr>
</tbody>
</table>

(a) Including interest due to 31 December.

(b) Ceased to bear interest 20 November 1847.

Table 18 (e) PORT PHILLIP SAVINGS BANK INTEREST RATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposit</th>
<th>Discount per cent</th>
<th>Mortgage per cent</th>
<th>Rate per cent</th>
<th>Maximum bearing interest (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>121/2</td>
<td>(b) 121/2</td>
<td>(e) 5</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>(a) 8</td>
<td>121/2</td>
<td>5</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>(c) 10</td>
<td>3&amp;frac13;</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>(d) 8</td>
<td>11/2</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>8</td>
<td>(f) 21/2</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From 14 June 1843. On bills over three months 10 per cent. Bank ceased to discount this year.

First loans in August.

From 1 April.

On new loans from 31 January; on old loans from 1 April.

Plus 21/2 per cent for individuals.

Individuals only; henceforth no interest on government deposits.

B. Van Diemen's Land

In Tasmania the available bank statistics make a poor collection. None of any real value for a study of the operations of the banks are to be had before 1836 and after that year they are still very imperfect. Changes in the period and form of compilation make the identification of any but large changes hazardous. Moreover, the failure to collect figures for the Bank of Australasia on the same basis as those for other banks makes it impossible to present accurate total figures.

Montagu's Return

"Arthur File" 18,399 (Chief Secretary's Archives, Hobart) contains in manuscript a set of banking figures compiled by John Montagu, the Colonial Secretary, in 1836. For the Derwent Bank and Bank of Van Diemen's Land these give annual figures for (i) number of shares, (ii) issued capital, (iii) paid-up capital and (iv) notes in circulation. For the Commercial, Tamar and Cornwall, figures for notes only are given. These were collected as part of the data for Statistical Returns of Van Diemen's Land from 1824 to 1836, and Montagu found it impossible to collect full information. Consequently in the collected tables there is none for banks, Montagu explaining this as due to his “inability to obtain sufficient information in detail to complete a return of the banking establishments”.

Montagu's reluctance to publish is understandable, for his figures have a narrow range and there is no record of the part of each year to which they referred, although this was probably December. Yet they are almost the only figures obtainable; for the Cornwall there are no others. As an indication of order of magnitude, therefore, they are worth rescuing from
obscurity, but no great weight can be placed on any movements which they show.

A few pieces of information are available to supplement Montagu. “Arthur File” 11,866 contains balance sheets of the Bank of Van Diemen's Land at 30 June 1835 and 30 June 1836, and of the Derwent at 30 June 1836, together with a few other items which are noted below in the tables. These balance sheets evidently are the sole survivors of the returns required of banks in which government money was deposited in the years 1832–6. The same file contains the covering letters for a number of similar balance sheets, but the statements themselves are missing and a search of other Arthur files failed to disclose them. They may be discovered ultimately when the Tasmanian Archives are indexed.

**Bluebooks**

In the period before the publication of regular statistics *Bluebooks* exist for the years 1826, 1827 and 1836 as well as for each of the years from 1839, except 1846, all in manuscript in the Chief Secretary's Archives, Hobart. Such bank statistics as they give are nearly useless. *Bluebooks* for 1826 and 1827 gave no figures. From 1836 on the figures for coin and notes were given for each bank but the period to which these relate is not given and clearly varies where a check is possible. In 1840, 1843, 1844, 1845 the figures are for December; those for 1841 and 1842 are certainly not for December. Those for 1836 are the averages for the second half of the year, while for the Bank of Australasia sometimes the figures are the charter averages, sometimes they are not, special data evidently being supplied. Australasia averages are added to single-day figures for other banks to give “totals”. Over the whole period better figures are available elsewhere, except for the Commercial Bank in 1836.

**Official Returns**

The making of returns for publication was, in 1835, required of all banks in which public money was deposited, in all colonies. Arthur's arrangements for the use of banks in government transactions were approved, provided balance sheets, which the banks had agreed to supply, “should be made out in such a manner as to afford full information respecting their assets and liabilities, and that half-yearly abstracts . . . shall be made public by insertion in one or more of the colonial newspapers”. The form prescribed was the same as in New South Wales.

The new rule was adopted, commencing with the year 1836. The old form of non-published balance sheets was abandoned and half-yearly averages for the Bank of Van Diemen's Land and Derwent Bank replaced them in June 1836, published in the *Hobart Town Gazette*. The Tamar Bank was included six months later, having received a government deposit,
but the Bank of Australasia continued to publish only the returns, for different periods, prescribed by the charter; no return was obtained from the Commercial which held no government deposit.

With the arrival of Franklin in 1837 a change was made, apparently without authority. The figures ceased to be averages and related solely to the last day of each half year, while the range of the figures was narrowed. Liabilities included capital, notes and deposits, the latter not divided; assets included coin and treasury bills, bills discounted and bank premises. Other items appeared only if the banks chose to give them; thus the Derwent distinguished cash credits from bills discounted and there were other minor variations. The Commercial, having received a government deposit, was included.

This was clearly a much poorer sort of return and in particular the transfer to single-day figures left scope for “window-dressing”, and thus destroyed the purpose of the return which was to enable the soundness of the banks to be checked by those responsible for public funds. The Union Bank was excluded until June 1840 when it published a set of half-yearly averages for the same period as the Bank of Australasia and with the same items. Evidently this was based on the belief that the bank would secure the charter for which it hoped.

After the publication of the June 1840 returns no further information was published until 1846. “The statements forwarded by the banks being purely confidential”, the governor refused to allow them to be printed or to disclose any part of them. For such a declaration there was no authority and, at least so far as those banks holding government deposits were concerned, it was contrary to the instructions discussed above. Nevertheless the attitude was maintained in spite of the act of 1841, and a repetition of the instructions in 1843.

The 1841 act required the making, but not the publication, of a quarterly return by all banks. It was a very poor return. Figures related to one day only, the last of each quarter, so that there was considerable scope for “window-dressing”; only four items were required: coin and bullion held, securities, notes in circulation and deposits. Yet for the whole of the rest of the period studied— and for many years thereafter—these were the only statistics required of banks in Tasmania; even these were not demanded of the Bank of Australasia which continued to make its charter returns so that no total bank figures of any sort could be compiled except by way of estimate.

Publication was resumed in 1846 without warning. Thereafter the official Gazette carried the quarterly return for all trading banks except the Australasia and the Derwent. Swanston as managing director flatly
objected to the publication of the Derwent's return. He gave no reason, but *Statistics of Van Diemen's Land* for 1848 explained the refusal: “as it is not a bank of issue”. The return was still supplied though not published and some copies have survived, making a complete series from September 1848 to the closing of the bank at the end of 1849.

There remained the gap from 1840 to 1846. In response to a motion for these figures the governor tabled them in the Council in August 1846. Whether these were the full quarterly return or not is uncertain, but when they were published December figures only were given for 1840–5 and June figures for 1846. Persistent search at Parliament House, the Chief Secretary's Archives and other public offices in Hobart has failed to reveal any other figures for these years or the original return as tabled.

It may be noted that the items given from 1846 on vary somewhat as between the banks. Thus in March 1846, for instance, the Union return refers to “gold, silver and other metals”, the Commercial to “British silver, gold etc.” and the Van Diemen's Land to “amount of specie in Chest”. But these variations are unimportant, and are ignored in the tables below.

**Newspapers**

Newspapers provide, as on the mainland, the only satisfactory source for interest rates paid and charged by the banks since they carried bank advertisements. In almost all cases the rates tabulated below are extracted from such notices and are therefore reliable. Dividend rates are preserved but much less completely in the same sources; the table for these thus has many gaps. Newspapers have furnished in addition a few other items indicated in the tables.

**Savings Banks**

Statistics were required of the savings banks from 1849 onwards and those for the Hobart Bank were promptly published; the Launceston figures did not appear in the *Gazette* regularly until 1851. For the latter bank, however, a useful set of data can be obtained from the bank's “Half-Yearly Balance Book” from March 1844 and these are summarized below. Before that date it is necessary to make do with a few items from the local press and “Minutes”.

For the Hobart Bank complete series are available, the bank's own records filling the gap before 1849, although these are less detailed than in the Launceston case. The only data for the Derwent Savings Bank are those published in *Statistics of Van Diemen's Land* for 1847–9 in terms of the act. These are given in the text above (chapter 12) and are not reproduced here.

1 Ultimately published under that title, with tables extended to 1838, Hobart 1839.
2 See letter accompanying the return, “Arthur File” 18,399.


4 Glenelg to Arthur, 9 July 1835, “Inwards Despatches”, Vol. 28, pp. 365–9. Not all the enclosures are preserved there; the same ones, however, went to Bourke in New South Wales and are printed in *H.R.A.*, I, xviii.

5 Arthur evidently reported the arrangement in despatch of 9 April 1833, a copy of which has not been preserved in Hobart nor amongst the Mitchell Library transcripts.


8 Bank of Van Diemen's Land to Colonial Secretary, 1 August 1836, “Arthur File” 11,866.

9 *Minutes of Legislative Council*, 22 August 1840.

10 5 Vic., No. 17, passed 4 November 1841.


12 Swanston to Colonial Secretary, 24 April 1846, “Derwent Bank Letter Book” 1845–54.

13 p. 22.

14 “Denison File” 6, Chief Secretary's Archives.

15 *Hobart Town Gazette*, 1 September 1846. Tabled on 18 August.

16 *Legislative Council Papers*, 1846, and press.

17 For 1840 coin and note issue only given.

18 *Hobart Town Gazette*, 28 April 1846.

Table 19 (a) BANK OF VAN DIEMEN'S LAND LIABILITIES (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes</th>
<th>Deposits</th>
<th>Capital paid up</th>
<th>Due other banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1824</td>
<td>6,607</td>
<td>3,731</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1825</td>
<td>9,062</td>
<td>5,282</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1826</td>
<td>9,066</td>
<td>6,001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1827</td>
<td>13,730</td>
<td>8,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1828</td>
<td>11,198</td>
<td>15,532</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1829</td>
<td>8,863</td>
<td>17,658</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>13,241</td>
<td>24,331</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1831  (b)  12,617  (b)  29,897
1832    12,786    37,978
1833    11,276    39,915
1834    13,533    39,981
1835    10,868    (c)  40,000

Half-yearly Averages
1836: January—June  11,091  (e)  43,886  897
        July—December  11,232  (e)  45,226  1,120

Single-day Figures
1837: 30 June  10,444  54,652  50,550
        31 December  10,025  52,867  61,000
1838: 30 June  8,182  52,983  61,500
        31 December  10,880  51,453  61,500
1839: 30 June  8,317  60,165  61,500
        31 December  8,961  65,877  61,500
1840: 30 June  7,504  57,741  86,000
        31 December  7,449  
1841: 31 December  5,239  37,454  
1842: 31 December  6,045  37,099  
1843: 31 December  5,740  30,058  
1844: 31 December  8,081  62,918  
1845: 31 December  7,977  68,097  
1846: 31 March  9,797  69,846  186
        30 June  10,177  67,282  —
        30 September  10,584  72,016  412
        31 December  9,965  78,243  —
1847: 31 March  12,191  70,047  817
        30 June  12,026  67,875  —
        30 September  11,570  65,383  679
        31 December  11,919  67,547  —
1848: 31 March  11,975  55,983  1,868
        30 June  10,114  56,381  —
        30 September  9,629  53,852  1,047
        31 December  10,024  54,487  —
1849: 31 March  10,661  55,479  2,603
        30 June  10,417  47,145  —
        30 September  10,549  42,497  1,259
        31 December  11,189  55,658  —
1850: 31 March  10,641  62,531  284
        30 June  9,068  52,557  —
        30 September  8,084  53,911  —
        31 December  10,223  66,761  —
1851: 31 March  11,712  73,953  —
        30 June  10,871  86,126  —
        30 September  11,179  88,132  525
        31 December  12,105  92,993  —
(a) Part of year uncertain for this and other years to 1835; probably December.

(b) In latter half of year, _average_ note issue £11,000, _average_ deposits £23,000. Letter from Bank in “Arthur File” 11,866.

(c) For first time paid-up capital equalled issued capital.

(d) At 30 June 1835:

<table>
<thead>
<tr>
<th>Notes</th>
<th>£10,365</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>44,542</td>
</tr>
<tr>
<td>Capital paid up</td>
<td>39,981</td>
</tr>
</tbody>
</table>

(e) Including £5,000 bearing interest.

(f) At 30 June 1836:

<table>
<thead>
<tr>
<th>Notes</th>
<th>£8,616</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>45,470</td>
</tr>
<tr>
<td>Capital paid up</td>
<td>40,000</td>
</tr>
</tbody>
</table>

("Arthur File” 11,866).


**Table 19 (b) BANK OF VAN DIEMEN'S LAND ASSETS (£)**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin and bullion</th>
<th>Discounts and cash credits</th>
<th>Premises</th>
<th>Due from other banks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835: 30 June</td>
<td>(b) 27,076</td>
<td>68,373</td>
<td>2,120</td>
<td>322</td>
</tr>
<tr>
<td>1836: 30 June</td>
<td>(c) 22,401</td>
<td>71,846</td>
<td>2,075</td>
<td>220</td>
</tr>
<tr>
<td><strong>Half-yearly Averages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1836: January—June</td>
<td>(d) 22,306</td>
<td>70,499</td>
<td>2,120</td>
<td>2,869</td>
</tr>
<tr>
<td>July—December</td>
<td>(e) 20,034</td>
<td>74,799</td>
<td>2,250</td>
<td>2,787</td>
</tr>
<tr>
<td><strong>Single-day Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>24,189</td>
<td>88,907</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>24,284</td>
<td>97,257</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>22,006</td>
<td>98,109</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>28,169</td>
<td>93,114</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>38,611</td>
<td>88,821</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>21,877</td>
<td>(f) 111,910</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>20,668</td>
<td>(g) 128,027</td>
<td>2,550</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>20,211</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>11,575</td>
<td>119,790</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>13,395</td>
<td>108,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>11,175</td>
<td>106,235</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>32,482</td>
<td>122,971</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1845: 31 December 39,117 121,568
1846: 31 March (b) 23,665 128,294 1,850 9,366
30 June 28,563 133,974 1,850 331
30 September 30,668 127,395 1,850 5,722
31 December (i) 37,586 134,309 1,500 2,455
1847: 31 March 21,041 144,496 1,500 1,301
30 June 12,249 154,645 1,500 1,112
30 September 23,060 136,129 1,500 2,502
31 December 9,699 159,212 1,500 189
1848: 31 March (j) 13,087 141,448 1,500 631
30 June 19,476 137,453 1,500 267
30 September 20,761 128,295 1,500 2,652
31 December 25,342 131,125 1,500 43
1849: 31 March 17,664 136,539 1,500 5,129
30 June 18,129 133,047 1,500 159
30 September 16,183 126,465 1,500 3,458
31 December 31,105 130,155 1,500 197
1850: 31 March 43,308 120,855 1,500 2,260
30 June 27,142 130,042 1,500 130
30 September 16,946 135,950 1,500 815
31 December 34,504 138,281 1,500 1,435
1851: 31 March 46,704 133,601 1,500 816
30 June 62,746 132,058 1,500 409
30 September 60,403 131,397 1,500 2,830
31 December 61,048 137,414 1,500 6,230

(a) Including bills on British Treasury and orders on local Commissariat.
(b) Including Treasury bills, £450. Of the total £25,536 was held in Spanish dollars.
(c) Including Treasury bills, £329; Commissariat orders £140. Spanish dollars held were £16,228.
(d) Including Treasury bills, £1,502.
(e) Including Treasury bills, £1,642.
(f) Cash credits granted for first time in 1839.
(g) Including Cash Credits, £22,913.
(h) Plus Bills on London, £120.
(i) Including Treasury bills, £1,300.
(j) Including Treasury bills, £500.

Sources: As for Liabilities, except for 1835 and 30 June 1836, from “Arthur File” 11,866.

Table 20 (a) DERWENT BANK LIABILITIES (£)
(a) Part of year not recorded; not averages. Figures to 1835 compiled on same basis.

(b) “Arthur File” 11,866 gives average issue for year as £10,000, average deposits as £23,500. (Letter from bank, 26 September 1831). These figures can only be taken as approximate.

(c) At 30 June 1836:

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Capital paid up</th>
</tr>
</thead>
<tbody>
<tr>
<td>1828</td>
<td>7,500</td>
<td>13,225</td>
<td></td>
</tr>
<tr>
<td>1829</td>
<td>5,392</td>
<td>13,225</td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>11,220</td>
<td>14,950</td>
<td></td>
</tr>
<tr>
<td>1831</td>
<td>16,577</td>
<td>(b) 19,925</td>
<td></td>
</tr>
<tr>
<td>1832</td>
<td>8,843</td>
<td>33,450</td>
<td></td>
</tr>
<tr>
<td>1833</td>
<td>9,426</td>
<td>33,850</td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>11,610</td>
<td>50,175</td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>12,381</td>
<td>61,875</td>
<td></td>
</tr>
</tbody>
</table>

Half-yearly Averages

(c) 1836: January—June (d) 11,840 (d) 60,930
    July—December 11,274 (e) 59,254

Single-day Figures

1837: 30 June 10,321 79,461 70,137
1837: 30 June 10,137 74,195 73,432
1838: 30 June 13,898 65,156 77,318
1838: 31 December 11,835 68,965 84,494
1839: 30 June 10,524 80,119 90,820
1839: 31 December 9,499 88,735 107,793
1840: 30 June 9,936 90,395 107,358
1840: 31 December 7,764 90,764 108,528
1841: 31 December 4,456 77,698
1841: 31 December 1,156 53,510
1842: 31 December 896 62,251
1842: 31 December 793 69,400
1844: 31 December 736 61,285
1846: 30 June 513 73,622
1846: 30 September 471 (f) 43,721
1847: 31 December 469 38,694
1848: 31 March 464 35,868
1849: 30 June 459 35,146
1849: 30 September 459 33,669
1850: 31 December 459 17,402

Notes £10,600
Deposits (bearing interest) £16,271
(not bearing interest) £41,743
(Total) £58,014
Capital paid up £62,475
“Arthur File” 11,866.

(d) Bearing interest £14,849.

(e) Bearing interest £14,969.

(f) At 31 December 1847 total liabilities, exclusive of capital, (i.e., almost entirely deposits) were £59,471; at 30 June 1848 £52,675. *Legislative Council Papers* 1848.


**Table 20 (b) DERWENT BANK ASSETS (£)**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin, etc. Bills of banks</th>
<th>Bills of other banks</th>
<th>Premises</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bills, etc. Cash credits</td>
<td></td>
</tr>
<tr>
<td><strong>Half-yearly Averages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) 1836: Jan–June</td>
<td></td>
<td>3,853</td>
<td>119,366</td>
<td>3,459</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20,861</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July–Dec.</td>
<td></td>
<td>3,862</td>
<td>121,083</td>
<td>3,476</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,394</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Single-day Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>31,461</td>
<td>77,212</td>
<td>124,616</td>
<td>3,841</td>
</tr>
<tr>
<td>31 December</td>
<td>20,412</td>
<td>80,395</td>
<td>133,471</td>
<td>3,881</td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>19,269</td>
<td>69,932</td>
<td>133,177</td>
<td>3,925</td>
</tr>
<tr>
<td>31 December</td>
<td>26,096</td>
<td>73,315</td>
<td>135,358</td>
<td>3,840</td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>35,431</td>
<td>69,224</td>
<td>142,147</td>
<td>3,886</td>
</tr>
<tr>
<td>31 December</td>
<td>39,814</td>
<td>82,326</td>
<td>161,404</td>
<td>3,810</td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>19,762</td>
<td>96,288</td>
<td>184,047</td>
<td>3,880</td>
</tr>
<tr>
<td>31 December</td>
<td>16,026</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>89</td>
<td></td>
<td></td>
<td>171,295</td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>148</td>
<td></td>
<td></td>
<td>173,572</td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>21</td>
<td></td>
<td></td>
<td>190,083</td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>22</td>
<td></td>
<td></td>
<td>177,867</td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>121</td>
<td></td>
<td></td>
<td>141,823</td>
</tr>
<tr>
<td>1846: 30 June</td>
<td>14</td>
<td></td>
<td></td>
<td>124,573</td>
</tr>
<tr>
<td>1848: 30 September</td>
<td>173</td>
<td>630</td>
<td>(d) 8,984</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>114,172</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>2</td>
<td>81</td>
<td>9,739</td>
<td>111,480</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>134</td>
<td>977</td>
<td>10,690</td>
<td>104,569</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,163</td>
</tr>
</tbody>
</table>
At 30 June 1836: Coin £14,145; Bills £68,637; Cash credits £53,680; Temporary advances £2,835; Total loans £125,152; Premises £3,063. “Arthur File” 11,866.

(b) Including £3,491 Bills on Treasury and Commissariat Orders.

(c) Including £2,118 Bills on Treasury.

(d) This and following entries are deposits made by Derwent Bank; probably began in 1841.

(e) Total assets at 30 December 1847 were £149,980; at 30 June 1848 £139,545. Legislative Council Papers 1848.

Sources: As for Liabilities.

### Table 21 CORNWALL BANK NOTE ISSUE

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Capital paid up</th>
</tr>
</thead>
<tbody>
<tr>
<td>1830</td>
<td>5,184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1831</td>
<td>(a) 8,554</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1832</td>
<td>2,446</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1833</td>
<td>2,446</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>3,266</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) 1835</td>
<td>4,489</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) In October “about £6,000”. Letter from bank, 12 October 1831, “Arthur File” 11,866.

(b) Absorbed by Bank of Australasia as from 1 January 1836.

Source: Montagu’s return, “Arthur File” 18,399. Part of year to which figures relate not recorded. No other statistics for this bank are available.

### Table 22 (a) COMMERCIAL BANK OF TASMANIA LIABILITIES (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Capital paid up</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Yearly Figures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>3,371</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1831</td>
<td>4,173</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1832</td>
<td>5,011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1833</td>
<td>6,212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>8,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>7,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1836</td>
<td>7,021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Single-day Figures

1837: 30 June  7,021  48,364  39,235
   31 December  6,385  50,777  45,243
1838: 30 June  6,213  49,447  50,690
   31 December  10,842  60,267  60,130
1839: 30 June  16,127  81,935  81,352
   31 December  18,073  107,648  98,804
1840: 30 June  20,808  110,173  105,755
       31 December
1841: 31 December 11,264  83,108
1842: 31 December 9,659  82,742
1843: 31 December 9,572  61,320
1844: 31 December 7,848  60,324
1845: 31 December 10,375  73,815
1846: 31 March  12,202  98,580
   30 June  12,534  94,413
   30 September  13,193  92,551
   31 December  11,931  88,199
1847: 31 March  16,141  86,024
   30 June  14,577  107,853
   30 September  14,944  93,977
   31 December  15,458  93,547
1848: 31 March  15,077  90,942
   30 June  15,091  86,558
   30 September  14,824  102,402
   31 December  13,306  90,995
1849: 31 March  14,017  82,014
   30 June  13,659  78,246
   30 September  13,117  76,097
   31 December  13,295  86,123
1850: 31 March  14,261  98,253
   30 June  13,081  100,624
   30 September  14,098  92,175
   31 December  13,819  103,444
1851: 31 March  15,087  110,732
   30 June  18,146  118,024
   30 September  18,956  134,633
   31 December  22,882  130,395

(a) Period of year not stated; presumably single-day figures, except 1836, which is average for second half of year.

Table 22 (b) COMMERCIAL BANK OF TASMANIA ASSETS (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Discounts, etc.</th>
<th>Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1836</td>
<td>10,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Single-day Figures*

<table>
<thead>
<tr>
<th>Date</th>
<th>Coin</th>
<th>Discounts, etc.</th>
<th>Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837: 30 June</td>
<td>24,041</td>
<td>70,478</td>
<td>100</td>
</tr>
<tr>
<td>31 December</td>
<td>19,431</td>
<td>82,874</td>
<td>100</td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>28,287</td>
<td>77,963</td>
<td>100</td>
</tr>
<tr>
<td>31 December</td>
<td>23,346</td>
<td>107,692</td>
<td>200</td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>28,713</td>
<td>150,400</td>
<td>300</td>
</tr>
<tr>
<td>31 December</td>
<td>35,194</td>
<td>189,030</td>
<td>300</td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>24,797</td>
<td>210,539</td>
<td>1,400</td>
</tr>
<tr>
<td>31 December</td>
<td>19,249</td>
<td>203,069</td>
<td></td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>19,249</td>
<td>203,069</td>
<td></td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>25,590</td>
<td>196,897</td>
<td></td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>20,770</td>
<td>180,640</td>
<td></td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>31,409</td>
<td>164,863</td>
<td></td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>36,274</td>
<td>170,839</td>
<td></td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>57,256</td>
<td>173,224</td>
<td>4,500</td>
</tr>
<tr>
<td>30 June</td>
<td>49,276</td>
<td>176,747</td>
<td>4,500</td>
</tr>
<tr>
<td>30 September</td>
<td>49,598</td>
<td>169,442</td>
<td>4,500</td>
</tr>
<tr>
<td>31 December</td>
<td>39,077</td>
<td>175,302</td>
<td>4,500</td>
</tr>
<tr>
<td>1847: 31 March</td>
<td>37,549</td>
<td>176,867</td>
<td>4,500</td>
</tr>
<tr>
<td>30 June</td>
<td>50,372</td>
<td>186,643</td>
<td>3,815</td>
</tr>
<tr>
<td>30 September</td>
<td>36,111</td>
<td>185,969</td>
<td>3,815</td>
</tr>
<tr>
<td>31 December</td>
<td>35,455</td>
<td>185,404</td>
<td>5,000</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>25,446</td>
<td>189,152</td>
<td>5,000</td>
</tr>
<tr>
<td>30 June</td>
<td>23,425</td>
<td>188,405</td>
<td>5,000</td>
</tr>
<tr>
<td>30 September</td>
<td>35,615</td>
<td>189,920</td>
<td>5,000</td>
</tr>
<tr>
<td>31 December</td>
<td>29,544</td>
<td>184,606</td>
<td>4,500</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>35,008</td>
<td>168,405</td>
<td>4,500</td>
</tr>
<tr>
<td>30 June</td>
<td>32,817</td>
<td>166,170</td>
<td>4,500</td>
</tr>
<tr>
<td>30 September</td>
<td>30,907</td>
<td>163,960</td>
<td>4,500</td>
</tr>
<tr>
<td>31 December</td>
<td>42,798</td>
<td>164,536</td>
<td>4,160</td>
</tr>
<tr>
<td>1850: 31 March</td>
<td>58,047</td>
<td>160,453</td>
<td>4,160</td>
</tr>
<tr>
<td>30 June</td>
<td>66,179</td>
<td>154,892</td>
<td>3,410</td>
</tr>
<tr>
<td>30 September</td>
<td>61,107</td>
<td>147,792</td>
<td>3,410</td>
</tr>
<tr>
<td>(c) 31 December</td>
<td>66,814</td>
<td>154,304</td>
<td>3,410</td>
</tr>
<tr>
<td>(c) 1851: 31 March</td>
<td>68,412</td>
<td>158,996</td>
<td>3,410</td>
</tr>
<tr>
<td>30 June</td>
<td>79,144</td>
<td>162,121</td>
<td>3,110</td>
</tr>
<tr>
<td>30 September</td>
<td>82,131</td>
<td>171,086</td>
<td>3,110</td>
</tr>
<tr>
<td>31 December</td>
<td>72,501</td>
<td>185,020</td>
<td>3,110</td>
</tr>
</tbody>
</table>

(a) Average for second half of year.

(b) Probably included only furniture until 1840.
Amounts due from other banks were given for the following dates only:

1850: December £626; 1851: March £997
June 124
September 4,770
December 2,008

Source: As for Liabilities.

Table 23 (a) TAMAR BANK LIABILITIES (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Interest-bearing bills in circulation</th>
<th>Deposits</th>
<th>Capital paid up</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1835</td>
<td>11,722</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) 1836: July-Dec.</td>
<td>8,002</td>
<td>4,000</td>
<td></td>
<td>(c) 34,699</td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>8,946</td>
<td>4,000</td>
<td>49,436</td>
<td>19,050</td>
</tr>
<tr>
<td>31 Dec.</td>
<td>9,271</td>
<td>—</td>
<td>50,715</td>
<td>19,050</td>
</tr>
</tbody>
</table>

(a) Date uncertain; figure for notes may have included £4,000 in bills.
(b) Half-yearly averages. £433 was due to other banks.
(c) None of these bore interest.

Sources: Figure for notes in 1835 from Montagu's return, “Arthur File” 18,399; remainder from Hobart Town Gazette.

Table 23 (b) TAMAR BANK ASSETS (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin, Treasury bills, etc.</th>
<th>Premises</th>
<th>Bills discounted, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1836: July-Dec.</td>
<td>13,526</td>
<td>2,216</td>
<td>45,168</td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>(b) 25,291</td>
<td>2,216</td>
<td>53,924</td>
</tr>
<tr>
<td>31 Dec.</td>
<td>22,275</td>
<td>2,449</td>
<td>54,312</td>
</tr>
</tbody>
</table>

(a) Half-yearly averages. Balances due from other banks, not included above, totalled £6,716.
(b) Including £5,000 “remitted for importation of specie”.

Source: From Hobart Town Gazette.

Table 24 (a) BANK OF AUSTRALASIA TASMANIAN LIABILITIES (£)

These figures are half-yearly averages of weekly figures. In each year (except 1836) period I covers from mid-October of the preceding year to mid-April of the year in question; period II covers April to October. Period
I in 1836 begins on 1 January 1836, the date on which the Bank opened in Hobart. Figures cover all liabilities due in Tasmania, except such shares in the bank as may have been held by residents.

(a) Not bearing interest.
(b) Due to other banks £610.
(c) Due to other banks £163.

Source: Hobart Town Gazette, returns made in accordance with Charter. The return
included items, “Notes and bills in circulation bearing interest”, of which none was issued, and “Balances due to other banks”, of which the only amounts are given in notes (b) and (c).

Table 24 (b) BANK OF AUSTRALASIA—TASMANIAN ASSETS (£)

For explanation of period for which figures are averages see note at head of table of Liabilities. All assets in Tasmania are included.

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin and bullion</th>
<th>Discounts, etc.</th>
<th>Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836 I (a)</td>
<td>32,571</td>
<td>76,884</td>
<td>—</td>
</tr>
<tr>
<td>II (b)</td>
<td>43,483</td>
<td>115,235</td>
<td>1,308</td>
</tr>
<tr>
<td>1837 I</td>
<td>30,486</td>
<td>141,123</td>
<td>2,000</td>
</tr>
<tr>
<td>II</td>
<td>28,866</td>
<td>133,964</td>
<td>2,000</td>
</tr>
<tr>
<td>1838 I</td>
<td>30,256</td>
<td>152,826</td>
<td>2,000</td>
</tr>
<tr>
<td>II</td>
<td>32,541</td>
<td>184,087</td>
<td>2,000</td>
</tr>
<tr>
<td>1839 I</td>
<td>42,986</td>
<td>196,240</td>
<td>2,000</td>
</tr>
<tr>
<td>II</td>
<td>57,113</td>
<td>196,338</td>
<td>2,002</td>
</tr>
<tr>
<td>1840 I</td>
<td>30,366</td>
<td>251,717</td>
<td>2,048</td>
</tr>
<tr>
<td>II</td>
<td>33,285</td>
<td>306,120</td>
<td>2,048</td>
</tr>
<tr>
<td>1841 I</td>
<td>33,483</td>
<td>302,273</td>
<td>2,048</td>
</tr>
<tr>
<td>II</td>
<td>29,666</td>
<td>295,334</td>
<td>2,048</td>
</tr>
<tr>
<td>1842 I</td>
<td>28,742</td>
<td>308,496</td>
<td>2,048</td>
</tr>
<tr>
<td>II</td>
<td>28,306</td>
<td>329,810</td>
<td>2,048</td>
</tr>
<tr>
<td>1843 I</td>
<td>32,574</td>
<td>364,598</td>
<td>2,302</td>
</tr>
<tr>
<td>II</td>
<td>32,552</td>
<td>387,346</td>
<td>3,015</td>
</tr>
<tr>
<td>1844 I</td>
<td>25,905</td>
<td>407,898</td>
<td>4,214</td>
</tr>
<tr>
<td>II</td>
<td>34,762</td>
<td>393,020</td>
<td>4,689</td>
</tr>
<tr>
<td>1845 I</td>
<td>36,775</td>
<td>363,206</td>
<td>4,539</td>
</tr>
<tr>
<td>II</td>
<td>59,081</td>
<td>346,985</td>
<td>6,679</td>
</tr>
<tr>
<td>1846 I</td>
<td>46,970</td>
<td>347,235</td>
<td>6,835</td>
</tr>
<tr>
<td>II</td>
<td>56,048</td>
<td>357,849</td>
<td>6,919</td>
</tr>
<tr>
<td>1847 I</td>
<td>70,087</td>
<td>367,572</td>
<td>7,053</td>
</tr>
<tr>
<td>II</td>
<td>53,920</td>
<td>375,853</td>
<td>7,107</td>
</tr>
<tr>
<td>1848 I</td>
<td>66,987</td>
<td>369,527</td>
<td>7,117</td>
</tr>
<tr>
<td>II</td>
<td>58,342</td>
<td>373,037</td>
<td>7,105</td>
</tr>
<tr>
<td>1849 I</td>
<td>51,188</td>
<td>362,046</td>
<td>7,092</td>
</tr>
<tr>
<td>II</td>
<td>41,336</td>
<td>361,207</td>
<td>7,080</td>
</tr>
<tr>
<td>1850 I</td>
<td>43,648</td>
<td>325,798</td>
<td>7,080</td>
</tr>
<tr>
<td>II</td>
<td>47,941</td>
<td>238,784</td>
<td>7,070</td>
</tr>
<tr>
<td>1851 I</td>
<td>47,335</td>
<td>216,080</td>
<td>7,070</td>
</tr>
<tr>
<td>II</td>
<td>41,671</td>
<td>221,430</td>
<td>7,069</td>
</tr>
</tbody>
</table>

(a) Due from other banks, £1,676.

(b) Due from other banks, £1,231.
Source: *Hobart Town Gazette*, returns made in accordance with the Charter. The return included items, “Bills of other banks”, which are always nil, and “Balances due from other banks”, of which the only amounts are given in notes (a) and (b).

**Table 25 (a) UNION BANK OF AUSTRALIA TASMANIAN LIABILITIES (£)**

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Half-yearly Averages</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840: to 30 April</td>
<td>25,059</td>
<td>7,206</td>
<td>(a) 156,690</td>
</tr>
<tr>
<td>to 30 Oct.</td>
<td>26,592</td>
<td>4,207</td>
<td>(a) 122,086</td>
</tr>
<tr>
<td><strong>Single-day Figures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840: 31 December</td>
<td>22,152</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>15,451</td>
<td>101,534</td>
<td></td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>18,391</td>
<td>85,031</td>
<td></td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>17,698</td>
<td>100,682</td>
<td></td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>18,440</td>
<td>116,762</td>
<td></td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>16,577</td>
<td>123,616</td>
<td></td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>17,598</td>
<td>2,709</td>
<td>125,001</td>
</tr>
<tr>
<td>30 June</td>
<td>16,497</td>
<td>1,266</td>
<td>136,829</td>
</tr>
<tr>
<td>30 September</td>
<td>16,875</td>
<td>523</td>
<td>142,030</td>
</tr>
<tr>
<td>31 December</td>
<td>16,871</td>
<td>1,830</td>
<td>129,561</td>
</tr>
<tr>
<td>1847: 31 March</td>
<td>18,572</td>
<td>559</td>
<td>126,308</td>
</tr>
<tr>
<td>30 June</td>
<td>16,528</td>
<td>313</td>
<td>129,873</td>
</tr>
<tr>
<td>30 September</td>
<td>18,209</td>
<td>1,766</td>
<td>142,246</td>
</tr>
<tr>
<td>31 December</td>
<td>18,908</td>
<td>916</td>
<td>153,860</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>20,366</td>
<td>1,093</td>
<td>127,343</td>
</tr>
<tr>
<td>30 June</td>
<td>16,764</td>
<td>392</td>
<td>103,658</td>
</tr>
<tr>
<td>30 September</td>
<td>16,788</td>
<td>336</td>
<td>111,459</td>
</tr>
<tr>
<td>31 December</td>
<td>16,056</td>
<td>450</td>
<td>105,560</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>17,087</td>
<td>1,195</td>
<td>107,576</td>
</tr>
<tr>
<td>30 June</td>
<td>16,591</td>
<td>480</td>
<td>101,590</td>
</tr>
<tr>
<td>30 September</td>
<td>16,387</td>
<td>1,039</td>
<td>94,123</td>
</tr>
<tr>
<td>31 December</td>
<td>16,190</td>
<td>896</td>
<td>117,183</td>
</tr>
<tr>
<td>1850: 31 March</td>
<td>18,799</td>
<td>1,801</td>
<td>117,525</td>
</tr>
<tr>
<td>30 June</td>
<td>16,316</td>
<td>1,050</td>
<td>124,672</td>
</tr>
<tr>
<td>30 September</td>
<td>17,392</td>
<td>2,037</td>
<td>119,051</td>
</tr>
<tr>
<td>31 December</td>
<td>17,354</td>
<td>1,303</td>
<td>121,466</td>
</tr>
<tr>
<td>1851: 31 March</td>
<td>20,323</td>
<td>2,878</td>
<td>140,186</td>
</tr>
<tr>
<td>30 June</td>
<td>19,211</td>
<td>3,398</td>
<td>155,443</td>
</tr>
<tr>
<td>30 September</td>
<td>20,428</td>
<td>6,165</td>
<td>149,391</td>
</tr>
<tr>
<td>31 December</td>
<td>23,525</td>
<td>3,304</td>
<td>173,664</td>
</tr>
</tbody>
</table>

(a) All bearing interest.
Table 25 (b) UNION BANK OF AUSTRALIA TASMANIAN ASSETS (£)

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin</th>
<th>Discounts, etc.</th>
<th>Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Half-yearly Averages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840: to 30 April</td>
<td>42,975</td>
<td>303,686</td>
<td>3,790</td>
</tr>
<tr>
<td>to 30 October</td>
<td>50,204</td>
<td>333,313</td>
<td>3,919</td>
</tr>
<tr>
<td>Single-day Figures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840: 31 December</td>
<td>34,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>52,052</td>
<td>348,977</td>
<td></td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>39,531</td>
<td>342,035</td>
<td></td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>41,394</td>
<td>373,985</td>
<td></td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>37,687</td>
<td>302,177</td>
<td></td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>153,251</td>
<td>214,850</td>
<td></td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>163,011</td>
<td>202,722</td>
<td>7,616</td>
</tr>
<tr>
<td>30 June</td>
<td>175,048</td>
<td>191,417</td>
<td>7,247</td>
</tr>
<tr>
<td>30 September</td>
<td>182,607</td>
<td>208,719</td>
<td>10,247</td>
</tr>
<tr>
<td>31 December</td>
<td>155,132</td>
<td>205,948</td>
<td>10,265</td>
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<tr>
<td>1847: 31 March</td>
<td>139,832</td>
<td>206,358</td>
<td>10,404</td>
</tr>
<tr>
<td>30 June</td>
<td>153,581</td>
<td>218,414</td>
<td>10,700</td>
</tr>
<tr>
<td>30 September</td>
<td>135,161</td>
<td>258,163</td>
<td>10,696</td>
</tr>
<tr>
<td>31 December</td>
<td>126,013</td>
<td>270,655</td>
<td>10,709</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>102,769</td>
<td>309,061</td>
<td>10,711</td>
</tr>
<tr>
<td>30 June</td>
<td>117,722</td>
<td>307,216</td>
<td>10,711</td>
</tr>
<tr>
<td>30 September</td>
<td>86,534</td>
<td>314,146</td>
<td>10,711</td>
</tr>
<tr>
<td>31 December</td>
<td>87,865</td>
<td>315,912</td>
<td>7,902</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>78,098</td>
<td>322,529</td>
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</tr>
<tr>
<td>30 June</td>
<td>105,667</td>
<td>293,801</td>
<td></td>
</tr>
<tr>
<td>30 September</td>
<td>95,418</td>
<td>297,941</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>62,735</td>
<td>307,880</td>
<td></td>
</tr>
<tr>
<td>1850: 31 March</td>
<td>49,559</td>
<td>283,835</td>
<td></td>
</tr>
<tr>
<td>30 June</td>
<td>62,756</td>
<td>264,197</td>
<td></td>
</tr>
<tr>
<td>30 September</td>
<td>84,617</td>
<td>253,117</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>71,623</td>
<td>238,755</td>
<td></td>
</tr>
<tr>
<td>1851: 31 March</td>
<td>67,950</td>
<td>217,722</td>
<td></td>
</tr>
<tr>
<td>30 June</td>
<td>54,572</td>
<td>206,950</td>
<td></td>
</tr>
<tr>
<td>30 September</td>
<td>45,382</td>
<td>195,417</td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>53,226</td>
<td>207,033</td>
<td>8,270</td>
</tr>
</tbody>
</table>

Source: As for Liabilities.

Table 26 COLONIAL BANK LIABILITIES AND ASSETS Figures in £

<table>
<thead>
<tr>
<th>31 December Notes in circulation</th>
<th>Deposits</th>
<th>Coin and bullion</th>
<th>Bills discounted, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(a) Not available.

(b) Closing of bank had been announced.

Source: *Legislative Council Papers* 1846.

Table 27—TASMANIAN BANKS—DIVIDEND RATES

Rates are expressed *per annum*, and are half-yearly dividends. For Union Bank and Bank of Australasia see New South Wales section.

<table>
<thead>
<tr>
<th>Year</th>
<th>Derwent</th>
<th>Cornwall</th>
<th>Commercial</th>
<th>Tamar</th>
<th>Colonial</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825</td>
<td></td>
<td>42 (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1826</td>
<td>II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1827</td>
<td>II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1828</td>
<td>I 20</td>
<td>II 16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1829</td>
<td>I 16</td>
<td>II 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>I 16</td>
<td>II 16</td>
<td></td>
<td>£1. 4s.</td>
<td>per share</td>
</tr>
<tr>
<td>1831</td>
<td>I 16</td>
<td>II 13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1832</td>
<td>I 26 (b)</td>
<td>II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1833</td>
<td>I 14</td>
<td>II 15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>I 15</td>
<td>II 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>I 14</td>
<td>II 15</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>1836</td>
<td>I 15</td>
<td>II 14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1837</td>
<td>I 14</td>
<td>II 15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1838</td>
<td>I 15 (c)</td>
<td>II 14</td>
<td></td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>1839</td>
<td>I 14</td>
<td>II 14</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Derwent</th>
<th>Cornwall</th>
<th>Commercial</th>
<th>Tamar</th>
<th>Colonial</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>6,939</td>
<td>(a) 7,135</td>
<td>(a) 11,138</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>7,681</td>
<td>32,254</td>
<td>4,685</td>
<td>111,318</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>9,763</td>
<td>36,735</td>
<td>6,624</td>
<td>141,128</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>(b) 4,485</td>
<td>(b) 20,033</td>
<td>6,839</td>
<td>113,119</td>
<td></td>
</tr>
</tbody>
</table>
(a) Approximate.

(b) Plus 4 per cent for old shares.

(c) Plus £10 per share.

Note: Later information is not available in precise form.
Source: Mainly bank notices in press.

Table 28 (a) TASMANIA INTEREST ON DEPOSITS RATE PER CENT

<table>
<thead>
<tr>
<th>Date effective</th>
<th>Bank making change</th>
<th>Fixed Deposit</th>
<th>Six months' notice</th>
<th>Three months' notice</th>
<th>Ten days' notice</th>
<th>Current account daily balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829 29 June</td>
<td>Commercial</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>H.T.C. 11/7/1829</td>
</tr>
<tr>
<td>1836 1 Jan.</td>
<td>Australasia</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>H.T.C. 20/11/1835 C.C. 19/12/1835</td>
</tr>
<tr>
<td>1838 16 Jan.</td>
<td>Tamar</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>C.C. 16/1/1836</td>
</tr>
<tr>
<td>1838 23 July</td>
<td>Commercial</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>C.C. 14/7/1838</td>
</tr>
<tr>
<td>1838 1 Sept.</td>
<td>Australasia</td>
<td>7</td>
<td>4</td>
<td></td>
<td></td>
<td>H.T.C. 17/8/1838 C.C. 11/8/1838</td>
</tr>
<tr>
<td>1838 6 Sept.</td>
<td>Union (a)</td>
<td>(b)</td>
<td>5</td>
<td></td>
<td></td>
<td>H.T.C. 14/8/1838 C.C. 1/9/1838</td>
</tr>
<tr>
<td>1838 15 Oct.</td>
<td>Commercial</td>
<td>(b)</td>
<td></td>
<td></td>
<td></td>
<td>H.T.C. 5/10/1838</td>
</tr>
<tr>
<td>1840 9 March</td>
<td>Derwent V.D.L. Commercial</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td></td>
<td>H.T.C. 6/3/1840</td>
</tr>
<tr>
<td>1840 1 August</td>
<td>Australasia</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td></td>
<td>C.C. 1/8/1840</td>
</tr>
<tr>
<td>1840 5 Oct.</td>
<td>Colonial</td>
<td>(b)</td>
<td>(b)</td>
<td>5</td>
<td></td>
<td>H.T.C. 11/9/1840</td>
</tr>
<tr>
<td>1842 12 Sept.</td>
<td>All six</td>
<td>5</td>
<td>(b)</td>
<td></td>
<td></td>
<td>H.T.C. 26/8/1842 C.C. 3/9/1842</td>
</tr>
<tr>
<td>1844 11 Oct.</td>
<td>Australasia Union</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
<td>C.C. 15/10/1842</td>
</tr>
<tr>
<td>1844 6 May</td>
<td>Australasia Union</td>
<td>3</td>
<td>nil</td>
<td></td>
<td></td>
<td>C.C. 24/4/1844</td>
</tr>
</tbody>
</table>

(a) 1 September 1838 in Launceston.
(b) Not given; this type of business probably done.
(c) Provided minimum daily average not less than £100.

Sources: *H.T.C.—Hobart Town Courier.*

*C.C.—Cornwall Chronicle.*

**Table 28 (b) TASMANIA—BANK LOAN RATES (PER CENT)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Bank making change</th>
<th>Discount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 March</td>
<td>V.D.L.</td>
<td>—</td>
<td>H.T.C. 11/7/29</td>
</tr>
<tr>
<td>1835</td>
<td>Tamar Cornwall</td>
<td>—</td>
<td>C.C. 21/11/35</td>
</tr>
<tr>
<td>23 November</td>
<td>Australasia</td>
<td>—</td>
<td>H.T.C. 20/11/35</td>
</tr>
<tr>
<td>1 January</td>
<td>Tamar</td>
<td>—</td>
<td>C.C. 16/1/36</td>
</tr>
<tr>
<td>9 January</td>
<td>Derwent V.D.L.</td>
<td>—</td>
<td>H.T.C. 13/1/37</td>
</tr>
<tr>
<td>1 September</td>
<td>Australasia (a)</td>
<td>8</td>
<td>H.T.C. 17/8/38</td>
</tr>
<tr>
<td>6 September</td>
<td>Union (b)</td>
<td>8</td>
<td>C.C. 11/8/38</td>
</tr>
<tr>
<td>15 October</td>
<td>Commercial</td>
<td>—</td>
<td>H.T.C. 5/10/38</td>
</tr>
<tr>
<td>1 July</td>
<td>V.D.L.</td>
<td>—</td>
<td>H.T.C. 5/7/39</td>
</tr>
<tr>
<td>1 January</td>
<td>Australasia</td>
<td>8</td>
<td>C.C. 4/1/40</td>
</tr>
<tr>
<td>1 August</td>
<td>Australasia</td>
<td>—</td>
<td>C.C. 1/8/40</td>
</tr>
<tr>
<td>5 October</td>
<td>Colonial</td>
<td>—</td>
<td>H.T.C. 11/9/40</td>
</tr>
<tr>
<td>12 September</td>
<td>All six</td>
<td>—</td>
<td>H.T.C. 26/8/42</td>
</tr>
<tr>
<td>11 October</td>
<td>Australasia Union</td>
<td>—</td>
<td>C.C. 3/9/42</td>
</tr>
<tr>
<td>1846</td>
<td>Commercial</td>
<td>—</td>
<td>C.C. 15/10/42</td>
</tr>
<tr>
<td>29 April</td>
<td>Australasia Union</td>
<td>6</td>
<td>H.T.C. 29/4/46</td>
</tr>
</tbody>
</table>
(a) Renewals and overdrawn accounts 12 per cent.

(b) From 1 September 1838 in Launceston; renewals 10 per cent; overdrawn accounts 10 per cent Hobart, 12 per cent Launceston.

(c) To six months.

Sources: H.T.C.—Hobart Town Courier.

C.C.—Cornwall Chronicle.

Table 29 (a) TASMANIA—BANK OF VAN DIEMEN'S LAND BANK RATIOS

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: January—June</td>
<td>40.6</td>
<td>128.2</td>
</tr>
<tr>
<td>1836: July—December</td>
<td>35.5</td>
<td>132.5</td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>37.2</td>
<td>136.6</td>
</tr>
<tr>
<td>1837: 31 December</td>
<td>38.5</td>
<td>154.1</td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>35.97</td>
<td>160.4</td>
</tr>
<tr>
<td>1838: 31 December</td>
<td>45.2</td>
<td>149.4</td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>56.4</td>
<td>129.7</td>
</tr>
<tr>
<td>1839: 31 December</td>
<td>29.2</td>
<td>149.5</td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>31.7</td>
<td>196.2</td>
</tr>
<tr>
<td>1840: 31 December</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>27.1</td>
<td>280.6</td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>31.0</td>
<td>251.1</td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>31.2</td>
<td>296.8</td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>45.7</td>
<td>173.2</td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>51.4</td>
<td>159.8</td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>29.7</td>
<td>161.1</td>
</tr>
<tr>
<td>1846: 30 June</td>
<td>36.9</td>
<td>172.96</td>
</tr>
<tr>
<td>1846: 30 September</td>
<td>37.1</td>
<td>154.2</td>
</tr>
<tr>
<td>1846: 31 December</td>
<td>42.6</td>
<td>152.3</td>
</tr>
<tr>
<td>1847: 31 March</td>
<td>25.6</td>
<td>175.7</td>
</tr>
<tr>
<td>1847: 30 June</td>
<td>15.3</td>
<td>193.5</td>
</tr>
<tr>
<td>1847: 30 September</td>
<td>29.96</td>
<td>176.9</td>
</tr>
<tr>
<td>1847: 31 December</td>
<td>12.2</td>
<td>200.3</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>19.2</td>
<td>208.1</td>
</tr>
<tr>
<td>1848: 30 June</td>
<td>29.3</td>
<td>206.7</td>
</tr>
<tr>
<td>1848: 30 September</td>
<td>32.7</td>
<td>202.1</td>
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</table>
### Table 29 (b) DERWENT BANK BANK RATIOS

<table>
<thead>
<tr>
<th>Date or period</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1836: January—June</td>
<td>28.7</td>
<td>164.0</td>
</tr>
<tr>
<td>July—December</td>
<td>21.8</td>
<td>171.7</td>
</tr>
<tr>
<td>1837: 30 June</td>
<td>35.04</td>
<td>138.8</td>
</tr>
<tr>
<td>31 December</td>
<td>24.2</td>
<td>158.3</td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>24.4</td>
<td>168.5</td>
</tr>
<tr>
<td>31 December</td>
<td>32.3</td>
<td>167.5</td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>39.1</td>
<td>156.8</td>
</tr>
<tr>
<td>31 December</td>
<td>40.5</td>
<td>164.3</td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>19.7</td>
<td>183.4</td>
</tr>
<tr>
<td>31 December</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>.11</td>
<td>208.5</td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>.27</td>
<td>317.5</td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>.03</td>
<td>301.0</td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>.03</td>
<td>253.4</td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>.19</td>
<td>228.7</td>
</tr>
<tr>
<td>1846: 30 June</td>
<td>.02</td>
<td>168.0</td>
</tr>
<tr>
<td>1848: 30 September</td>
<td>.39</td>
<td>258.3</td>
</tr>
<tr>
<td>31 December</td>
<td>.005</td>
<td>284.6</td>
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<td>1849: 31 March</td>
<td>.37</td>
<td>287.8</td>
</tr>
<tr>
<td>30 June</td>
<td>.89</td>
<td>308.2</td>
</tr>
<tr>
<td>30 September</td>
<td>.56</td>
<td>321.2</td>
</tr>
<tr>
<td>31 December</td>
<td>.21</td>
<td>563.3</td>
</tr>
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</table>

### Table 29 (c) COMMERCIAL BANK OF TASMANIA BANK RATIOS

<table>
<thead>
<tr>
<th>Date</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837: 30 June</td>
<td>43.4</td>
<td>127.2</td>
</tr>
</tbody>
</table>
### Table 29 (d) BANK OF AUSTRALASIA (TASMANIA) BANK RATIOS

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December</td>
<td>33.99</td>
<td>144.98</td>
</tr>
<tr>
<td>1838: 30 June</td>
<td>50.8</td>
<td>140.1</td>
</tr>
<tr>
<td>31 December</td>
<td>32.8</td>
<td>151.4</td>
</tr>
<tr>
<td>1839: 30 June</td>
<td>29.3</td>
<td>153.4</td>
</tr>
<tr>
<td>31 December</td>
<td>27.99</td>
<td>150.3</td>
</tr>
<tr>
<td>1840: 30 June</td>
<td>18.9</td>
<td>160.7</td>
</tr>
<tr>
<td>31 December</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>20.4</td>
<td>215.2</td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>27.7</td>
<td>213.1</td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>29.3</td>
<td>254.8</td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>46.1</td>
<td>241.8</td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>43.1</td>
<td>202.9</td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>51.7</td>
<td>156.4</td>
</tr>
<tr>
<td>30 June</td>
<td>46.1</td>
<td>165.3</td>
</tr>
<tr>
<td>30 September</td>
<td>46.9</td>
<td>160.2</td>
</tr>
<tr>
<td>31 December</td>
<td>39.0</td>
<td>175.1</td>
</tr>
<tr>
<td>1847: 31 March</td>
<td>36.7</td>
<td>173.1</td>
</tr>
<tr>
<td>30 June</td>
<td>41.1</td>
<td>152.4</td>
</tr>
<tr>
<td>30 September</td>
<td>33.1</td>
<td>170.7</td>
</tr>
<tr>
<td>31 December</td>
<td>32.5</td>
<td>170.1</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>24.0</td>
<td>178.4</td>
</tr>
<tr>
<td>30 June</td>
<td>23.0</td>
<td>185.3</td>
</tr>
<tr>
<td>30 September</td>
<td>30.4</td>
<td>162.0</td>
</tr>
<tr>
<td>31 December</td>
<td>28.3</td>
<td>176.99</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>36.4</td>
<td>175.4</td>
</tr>
<tr>
<td>30 June</td>
<td>35.7</td>
<td>180.8</td>
</tr>
<tr>
<td>30 September</td>
<td>34.6</td>
<td>183.8</td>
</tr>
<tr>
<td>31 December</td>
<td>43.0</td>
<td>165.5</td>
</tr>
<tr>
<td>1850: 31 March</td>
<td>51.6</td>
<td>142.6</td>
</tr>
<tr>
<td>30 June</td>
<td>58.2</td>
<td>136.2</td>
</tr>
<tr>
<td>30 September</td>
<td>57.5</td>
<td>139.1</td>
</tr>
<tr>
<td>31 December</td>
<td>56.97</td>
<td>131.6</td>
</tr>
<tr>
<td>1851: 31 March</td>
<td>54.4</td>
<td>126.4</td>
</tr>
<tr>
<td>30 June</td>
<td>58.1</td>
<td>119.1</td>
</tr>
<tr>
<td>30 September</td>
<td>53.5</td>
<td>111.4</td>
</tr>
<tr>
<td>31 December</td>
<td>47.3</td>
<td>120.7</td>
</tr>
<tr>
<td>Date</td>
<td>Coin as percentage of total deposits</td>
<td>Discounts as percentage of total deposits</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>1840: 31 December —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1841: 31 December</td>
<td>44.5</td>
<td>298.3</td>
</tr>
<tr>
<td>1842: 31 December</td>
<td>38.2</td>
<td>330.7</td>
</tr>
<tr>
<td>1843: 31 December</td>
<td>34.96</td>
<td>315.9</td>
</tr>
<tr>
<td>1844: 31 December</td>
<td>27.9</td>
<td>223.5</td>
</tr>
<tr>
<td>1845: 31 December</td>
<td>109.3</td>
<td>153.2</td>
</tr>
<tr>
<td>1846: 31 March</td>
<td>114.3</td>
<td>142.2</td>
</tr>
<tr>
<td>30 June</td>
<td>114.2</td>
<td>124.8</td>
</tr>
<tr>
<td>30 September</td>
<td>114.9</td>
<td>131.3</td>
</tr>
<tr>
<td>31 December</td>
<td>105.9</td>
<td>140.6</td>
</tr>
<tr>
<td>1847: 31 March</td>
<td>96.5</td>
<td>142.4</td>
</tr>
<tr>
<td>30 June</td>
<td>104.9</td>
<td>149.2</td>
</tr>
<tr>
<td>30 September</td>
<td>84.2</td>
<td>160.9</td>
</tr>
<tr>
<td>31 December</td>
<td>72.9</td>
<td>156.6</td>
</tr>
<tr>
<td>1848: 31 March</td>
<td>69.6</td>
<td>209.2</td>
</tr>
<tr>
<td>30 June</td>
<td>97.7</td>
<td>255.1</td>
</tr>
</tbody>
</table>
Table 29 (f) COLONIAL BANK BANK RATIOS

<table>
<thead>
<tr>
<th>Date</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 September</td>
<td>67.4</td>
<td>244.95</td>
</tr>
<tr>
<td>31 December</td>
<td>72.2</td>
<td>259.8</td>
</tr>
<tr>
<td>1849: 31 March</td>
<td>62.6</td>
<td>258.7</td>
</tr>
<tr>
<td>30 June</td>
<td>89.4</td>
<td>248.6</td>
</tr>
<tr>
<td>30 September</td>
<td>86.3</td>
<td>269.6</td>
</tr>
<tr>
<td>31 December</td>
<td>47.0</td>
<td>230.8</td>
</tr>
<tr>
<td>1850: 31 March</td>
<td>36.3</td>
<td>208.2</td>
</tr>
<tr>
<td>30 June</td>
<td>44.5</td>
<td>187.4</td>
</tr>
<tr>
<td>30 September</td>
<td>62.0</td>
<td>185.5</td>
</tr>
<tr>
<td>31 December</td>
<td>51.6</td>
<td>171.98</td>
</tr>
<tr>
<td>1851: 31 March</td>
<td>42.3</td>
<td>135.6</td>
</tr>
<tr>
<td>30 June</td>
<td>31.2</td>
<td>118.5</td>
</tr>
<tr>
<td>30 September</td>
<td>26.7</td>
<td>115.1</td>
</tr>
<tr>
<td>31 December</td>
<td>26.99</td>
<td>104.99</td>
</tr>
</tbody>
</table>

Table 30 (a) LAUNCESTON BANK FOR SAVINGS DEPOSITS 1835–51

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of accounts</th>
<th>Amount of deposits</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) 13/8/35</td>
<td>(c)</td>
<td>“over 600”</td>
<td>(b) Launceston Advertiser</td>
</tr>
<tr>
<td>11/5/36</td>
<td>42</td>
<td>561</td>
<td>“Minutes”, 27/6/36</td>
</tr>
<tr>
<td>15/6/37</td>
<td>“about 150”</td>
<td>“over 1200”</td>
<td>(b) Launceston Advertiser</td>
</tr>
<tr>
<td>9/11/41</td>
<td>289</td>
<td>3,715</td>
<td>“Minutes”, 9/11/41</td>
</tr>
<tr>
<td>12/3/44</td>
<td>(c)</td>
<td>6,419</td>
<td>“Minutes”, 12/3/44</td>
</tr>
<tr>
<td>9/10/44</td>
<td>423</td>
<td>6,950</td>
<td>(d) “Half-yearly Balance Book” 1844–62</td>
</tr>
<tr>
<td>31/12/44</td>
<td>(c)</td>
<td>7,673</td>
<td></td>
</tr>
<tr>
<td>30/6/45</td>
<td>455</td>
<td>7,833</td>
<td></td>
</tr>
<tr>
<td>31/12/45</td>
<td>492</td>
<td>8,126</td>
<td></td>
</tr>
<tr>
<td>30/6/46</td>
<td>556</td>
<td>9,473</td>
<td></td>
</tr>
<tr>
<td>31/12/46</td>
<td>597</td>
<td>10,068</td>
<td></td>
</tr>
<tr>
<td>30/6/47</td>
<td>681</td>
<td>12,108</td>
<td></td>
</tr>
<tr>
<td>31/12/47</td>
<td>746</td>
<td>13,118</td>
<td></td>
</tr>
<tr>
<td>1/7/48</td>
<td>(c)</td>
<td>14,955</td>
<td></td>
</tr>
<tr>
<td>1/1/49</td>
<td>838</td>
<td>15,530</td>
<td></td>
</tr>
<tr>
<td>(f) 31/8/49</td>
<td>832</td>
<td>16,929</td>
<td></td>
</tr>
</tbody>
</table>
(a) The bank opened for business in March 1835. The precise date is uncertain; arrangements for its operation were completed on 9 March ("Minutes", 9 March 1835) but some deposits may have been received earlier.

(b) Reasonably reliable, since the Dowlings, father and son, who edited the *Advertiser*, were closely associated with the bank. Henry Dowling, senior, was a founder, and provided the office; his son was Actuary from October 1844 until August 1868.

(c) Not available.

(d) The "Balance Book" opens at 9 October 1844, when Isaac Sherwin's resignation from the post of manager was accepted. Previously all accounts seem to have been treated as the private property of managers. No records survive for the period 12 June 1837 to 9 November 1841. Henry Dowling, senior, "was written to for the books and papers relative to this Institution, and promises to look for them as early as possible" ("Minutes", 9 November 1841). He appears to have been unsuccessful, and the only records now available for the period covered are the "Balance Book" and a "Minute Book" covering 7 January 1835 to 12 June 1837, and 9 November 1841 to end of 1855. Published data are scanty: Statement at 1 January 1845, *Launceston Advertiser*, 7 February 1845; Statement at 30 June 1846, *Hobart Town Gazette*, 8 September 1846; and Statement at 1 September 1851, *ibid.*, 23 September 1851. With trivial variations these duplicate the original records.

(e) After amendment of accounts; originally shown as £23,689, and so printed in *Hobart Town Gazette*.

(f) Change of period followed application of Savings Bank Act (12 Vic., No. 2) to the Bank. ("Minutes", 8 September 1849.)

**Table 30 (b) LAUNCESTON BANK FOR SAVINGS LOANS, RESERVES, AND CASH (£) 1844–51**

<table>
<thead>
<tr>
<th>Date</th>
<th>No.</th>
<th>Amount</th>
<th>Managing committee (b)</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/10/44</td>
<td>4</td>
<td>3,050</td>
<td>3,736</td>
<td>122</td>
</tr>
<tr>
<td>31/12/44</td>
<td>8</td>
<td>5,250</td>
<td>2,264</td>
<td>50</td>
</tr>
<tr>
<td>30/6/45</td>
<td>10</td>
<td>5,868</td>
<td>1,742</td>
<td>7</td>
</tr>
<tr>
<td>31/12/45</td>
<td>12</td>
<td>7,321</td>
<td>(d) 500</td>
<td>7</td>
</tr>
<tr>
<td>30/6/46</td>
<td>11</td>
<td>6,933</td>
<td>(c)</td>
<td>7</td>
</tr>
<tr>
<td>31/12/46</td>
<td>11</td>
<td>8,748</td>
<td>763</td>
<td>7</td>
</tr>
<tr>
<td>30/6/47</td>
<td>14</td>
<td>10,209</td>
<td>1,515</td>
<td>7</td>
</tr>
<tr>
<td>31/12/47</td>
<td>15</td>
<td>12,661</td>
<td>—</td>
<td>7</td>
</tr>
</tbody>
</table>
From its opening in March 1835, all funds were deposited in the Tamar Bank. (“Minutes”, 9 March 1835). When this Bank was absorbed by the Union on 1 May 1838, the account was transferred to that bank. When Gilles & Co. (later Archers Gilles & Co.) opened on 12 June 1840, the new firm held all the bank's funds. When the firm got into difficulties in 1843, the funds were transferred to the Union Bank (“Minutes”, 23, 29 December 1843), and subsequently divided between the Union and Australasia (“Minutes”, 12 March 1844). The bank first lent directly on 22 August 1844 (“Minutes”, same date), following trading banks' abolition of all interest on deposits (“Minutes”, 30 April 1844). Throughout the period covered by the table loans were in the form of mortgages (apart from bank deposits recorded), the managing committee repeatedly declining to consider discounts or other loans on personal security. (Letter to Lieut.-Governor, 25 June 1844, in “Minute Book”; and “Minutes”. 29 August 1844; 9 June 1846; 4 June 1852. Launceston Advertiser, 14 August 1845),

Until 1850 held in Bank of Australasia, representing unused loanable funds and reserve against withdrawals. Only three-fourths of deposits were to be lent on mortgages (“Minutes”, 15 August 1844). On 14 April 1845 this was altered to reserving £1,000 in cash or deposits with banks.

Not recorded.

Following decision to lend all funds except £500, to be held as reserve (“Minutes”, 24 October 1845).

Plus other assets (furniture, interest accruing, etc.), £266. On 30 March 1846 it was resolved to reserve £25 per annum as “an accumulating fund”, but there is no record of this.

Plus other assets, £260.

Plus other assets, £239.


Table 30 (c) LAUNCESTON BANK FOR SAVINGS—INTEREST ON DEPOSITS 1835–52

<table>
<thead>
<tr>
<th>Date operative</th>
<th>Rate per cent</th>
<th>Maximum deposit bearing interest</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) March 1835</td>
<td>5</td>
<td>(b) £50</td>
<td>(c) Rules</td>
</tr>
<tr>
<td>(d) November 1841</td>
<td>5</td>
<td>(c) £100</td>
<td>“Minutes”, 9 November 1841</td>
</tr>
</tbody>
</table>
(a) See note (a) to table of amount of deposits.

(b) Limit applied only to amount to be deposited in any one year. Friendly Societies' deposits bore interest without limit. (“Minutes”, April 1835.)

(c) The Rules were printed; a copy is preserved in the “Minutes”, but they were not published in the press. See public notice, Cornwall Chronicle, 18 April 1835.

(d) No records for intervening period; see note (d) to table of amount of deposits. But circumstantial evidence all points to 5 per cent having been maintained without break. See “Minutes”, 9 November 1841, and compare interest on deposits paid during 1835–41 by Tamar Bank, Union Bank, and Archers Gilles & Co., who in turn held the funds. Rate maintained until next entry.

(e) £100 as total deposits; not more than £50 to be deposited in any one year. The subsequent entries in this column are based on the absence of all references to limits in later “Minutes”.

(f) Rate maintained until next entry. (See decisions recorded in “Minutes”.)

(g) Under Savings Bank Act, £150 of principal and not more than £50 of accumulated interest. Applied from September 1849.

Table 30 (d) LAUNCESTON BANK FOR SAVINGS—MORTGAGE INTEREST RATES 1844–52

<table>
<thead>
<tr>
<th>Date operative</th>
<th>Rate per cent</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 August 1844</td>
<td>7</td>
<td>“Minutes”, 15 and 22 August 1844</td>
</tr>
<tr>
<td>26 August 1846</td>
<td>6</td>
<td>“Minutes”, 26 August 1846</td>
</tr>
<tr>
<td>4 September 1852</td>
<td>5</td>
<td>“Minutes”, 4 September 1852</td>
</tr>
</tbody>
</table>

(a) Date of first mortgage loans made by bank. From 1835 to 1844 all money was deposited, at 5 per cent per annum, in trading banks. See note (a) to table of loans, reserves and cash.

(b) On new loans, from this date; on existing loans from 1 January 1847.

Note: The table is complete; that is, the rates shown were maintained until the date of the next entry. See “Minutes” for periodical decisions.

Table 31 (a) HOBART SAVINGS BANK DEPOSITS 1845–51
(a) Not available.

(b) Rate fixed for preceding half-year except February-August 1846 when 4 per cent was promised in advance.

(c) This rate was promised but bank could in fact only pay 2 per cent (next entry).

Source: Bank records, mainly “Minutes”.

Table 31 (b) HOBART SAVINGS BANK—MORTGAGE LOANS

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Amount (£)</th>
<th>(b) Interest per cent per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>August 1845</td>
<td>370</td>
<td>2,439</td>
<td>Nil</td>
</tr>
<tr>
<td>February 1846</td>
<td>601</td>
<td>5,163</td>
<td>(c) 4</td>
</tr>
<tr>
<td>August 1846</td>
<td>817</td>
<td>8,561</td>
<td>2</td>
</tr>
<tr>
<td>February 1847</td>
<td>1,065</td>
<td>10,948</td>
<td>3</td>
</tr>
<tr>
<td>August 1847</td>
<td>1,288</td>
<td>13,726</td>
<td>3</td>
</tr>
<tr>
<td>February 1848</td>
<td>1,132</td>
<td>17,702</td>
<td>4</td>
</tr>
<tr>
<td>August 1848</td>
<td>1,238</td>
<td>19,916</td>
<td>4</td>
</tr>
<tr>
<td>February 1849</td>
<td>1,427</td>
<td>24,200</td>
<td>4</td>
</tr>
<tr>
<td>August 1849</td>
<td>1,540</td>
<td>27,626</td>
<td>4</td>
</tr>
<tr>
<td>February 1850</td>
<td>1,911</td>
<td>32,805</td>
<td>4</td>
</tr>
<tr>
<td>August 1850</td>
<td>(a)</td>
<td>40,062</td>
<td>4</td>
</tr>
<tr>
<td>February 1851</td>
<td>2,349</td>
<td>47,203</td>
<td>4</td>
</tr>
<tr>
<td>August 1851</td>
<td>2,456</td>
<td>54,487</td>
<td>4</td>
</tr>
</tbody>
</table>

(a) From 5 May 1845 to 4 June 1845 6 per cent; thereafter 7 per cent.

(b) Reduced to 6 per cent, 6 October 1852.

Table 31 (c) HOBART SAVINGS BANK—CASH AND RESERVE FUND (£)
 Established 8 September 1847.

From this date Fund was credited with deposit interest as well as half-yearly allocations.

C. Western Australia

Complete sets of banking statistics, so far as they ever took the form of official returns, can be obtained from two sources—the Government Gazette and “C.S.O. Records”, the latter containing the original MS. returns, many of which were not published.

One act, that passed in 1837 on the foundation of the Bank of Western Australia, regulated the making of official returns throughout the whole period.¹ Section XII provided for quarterly returns of average weekly note issue and deposits, no more; it did not provide for publication or any right of access.² However, from the beginning the Bank of Western Australia, fulfilling its prospectus promise, supplied for publication a four-item return, the average weekly figures of: notes in circulation; deposits; specie and treasury bills; and bills discounted.³ These are less than one might hope, but better than the act provided, and all except the final set were published in the Government Gazette; the last return was made and can be got from “C.S.O. Records”.

The Bank of Australasia on opening sought to have defined its obligation to furnish returns other than those required by the charter.⁴ The answer was a request to furnish, half-yearly, the return specified in the Bank Regulations of 1840, no mention being made of publication.⁵ Accordingly

<table>
<thead>
<tr>
<th>Date</th>
<th>In banks and on hand</th>
<th>Reserve fund (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>August 1845</td>
<td>1,900</td>
<td>—</td>
</tr>
<tr>
<td>February 1846</td>
<td>951</td>
<td>—</td>
</tr>
<tr>
<td>August 1846</td>
<td>2,173</td>
<td>—</td>
</tr>
<tr>
<td>February 1847</td>
<td>1,202</td>
<td>—</td>
</tr>
<tr>
<td>July 1847</td>
<td>2,845</td>
<td>—</td>
</tr>
<tr>
<td>February 1848</td>
<td>2,433</td>
<td>137</td>
</tr>
<tr>
<td>August 1848</td>
<td>1,557</td>
<td>224</td>
</tr>
<tr>
<td>February 1849</td>
<td>2,344</td>
<td>267</td>
</tr>
<tr>
<td>August 1849</td>
<td>1,203</td>
<td>322</td>
</tr>
<tr>
<td>February 1850</td>
<td>3,912</td>
<td>390</td>
</tr>
<tr>
<td>August 1850</td>
<td>3,574</td>
<td>(b) 461</td>
</tr>
<tr>
<td>February 1851</td>
<td>5,034</td>
<td>593</td>
</tr>
<tr>
<td>August 1851</td>
<td>1,805</td>
<td>721</td>
</tr>
</tbody>
</table>

(a) Established 8 September 1847.

(b) From this date Fund was credited with deposit interest as well as half-yearly allocations.
the bank supplied the returns required by its charter, which were identical and which it had to make in any case; in other words the answer was read as an exemption from the local act which required quarterly data. However, publication in the *Government Gazette* did not follow. The bank supplied the newspapers with the first three returns but the next three must be sought in MS. in “C.S.O. Records”.

The reasons for suspending and resuming publication are clear. The Western Australian Bank did the bare minimum required by the act, that is, supplied the two-item return, but objected to publication. It is true that at half-yearly meetings returns were tabled for the inspection of shareholders, but these contained little; in any case only a few have survived. The Australasia naturally ceased to present useful information to a rival which did not reciprocate. However, in 1844 the Western Australian Bank manager rather impudently demanded access to the Australasia returns. The governor minuted “may have access for this information to the records of the Col. Secy's office”, but the Colonial Secretary recorded “informed he may have access to all the returns the act of council requires the Australasian Bank to furnish”. Taken with the 1841 decision this meant, literally, no returns, which may explain the manager's retort that the information offered “is not that required and applied for”. He also demanded that all unpublished returns of the Australasia be printed. The governor minuted that he did “not see with what force such a demand as this can be asserted by a bank which refuses to the public the fullest necessary information of their own affairs”; a further request was simply initialled, and no reply apparently was made. But the thrust about the obligations imposed by the charter struck home and publication of Australasia returns was resumed in the *Government Gazette*. From the printed and MS. returns a complete set can be recovered.

From its commencement in 1841 until late 1848 the Western Australian Bank declined to supply more than the returns required by the act and would not consent to publication. Directors in the Legislative Council led the obstinate resistance to the various bank bills which would have required fuller disclosures. Presumably as the price of getting Australasia returns published Western Australian Bank returns appeared in the *Government Gazette* during 1845 but disappeared when the Australasia closed. For the whole period, however, a full set of MS. returns has survived, although they cover only quarterly averages of notes and deposits.

For no apparent reason publication was resumed with the fourth quarter of 1847 and this led to the next development. The *Inquirer* attacked the return as useless and stressed the importance of knowing cash holdings.
The governor next day raised the issue with the bank which expostulated at length. The full correspondence does not survive, but the governor won his point and a new form of quarterly return was adopted and regular publication in the *Government Gazette* followed. On the liabilities side the only change was disclosure of the division between interest-bearing and other deposits; the assets items, all new, were cash, bills, cash credits and premises.

Apart from official returns, whether published or not, newspapers supply useful data. Dividend returns are practically complete; discount rates, rarely changed, for the whole period are preserved; and some information, scanty enough, exists on deposit rates although in the absence of competition little publicity was given to rates for business which was of slight importance.

### Table 32—BANK OF WESTERN AUSTRALIA ASSETS AND LIABILITIES (£) QUARTERLY AVERAGES OF WEEKLY FIGURES

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Notes in circulation</th>
<th>Deposits</th>
<th>Specie and Treasury bills</th>
<th>Bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837 II</td>
<td>1,412</td>
<td>2,145</td>
<td>3,575</td>
<td>1,077</td>
</tr>
<tr>
<td>IV</td>
<td>2,471</td>
<td>2,572</td>
<td>4,849</td>
<td>1,306</td>
</tr>
<tr>
<td>1838 I</td>
<td>3,234</td>
<td>3,050</td>
<td>5,054</td>
<td>2,497</td>
</tr>
<tr>
<td>II</td>
<td>2,687</td>
<td>4,131</td>
<td>5,368</td>
<td>2,816</td>
</tr>
<tr>
<td>III</td>
<td>2,410</td>
<td>5,105</td>
<td>5,905</td>
<td>3,452</td>
</tr>
<tr>
<td>IV</td>
<td>2,758</td>
<td>3,622</td>
<td>3,338</td>
<td>5,106</td>
</tr>
<tr>
<td>1839 I</td>
<td>2,704</td>
<td>3,111</td>
<td>1,860</td>
<td>6,227</td>
</tr>
<tr>
<td>II</td>
<td>2,315</td>
<td>3,991</td>
<td>2,556</td>
<td>7,413</td>
</tr>
<tr>
<td>III</td>
<td>2,668</td>
<td>4,459</td>
<td>4,384</td>
<td>7,005</td>
</tr>
<tr>
<td>IV</td>
<td>2,849</td>
<td>4,736</td>
<td>4,718</td>
<td>7,175</td>
</tr>
<tr>
<td>1840 I</td>
<td>3,118</td>
<td>6,073</td>
<td>4,287</td>
<td>9,202</td>
</tr>
<tr>
<td>II</td>
<td>3,754</td>
<td>5,287</td>
<td>3,406</td>
<td>10,721</td>
</tr>
<tr>
<td>III</td>
<td>4,190</td>
<td>6,417</td>
<td>3,051</td>
<td>12,021</td>
</tr>
<tr>
<td>IV</td>
<td>4,556</td>
<td>7,954</td>
<td>4,156</td>
<td>13,252</td>
</tr>
<tr>
<td>1841 I</td>
<td>4,355</td>
<td>7,000</td>
<td>2,689</td>
<td>13,321</td>
</tr>
</tbody>
</table>

Note: The return also included “dishonoured bills”. This item was zero until first quarter 1839; the highest it ever reached was £55 in second quarter 1840.

Source: *Western Australian Government Gazette*.

No return for 1841 (I), the last, was published but the original can be found in “C.S.O. Records”.

18 Wm. IV, No. 1, 10 July 1837.
2 Section II provided for returns of lists of shareholders, etc. open to anyone on payment of 1s.

3 “Dishonoured bills” was also added, probably as a matter of pride since it was zero for two years and always negligible.

4 MacDermott to Colonial Secretary, 2 June 1841, “C.S.O. Records” 1841.

5 Minute on preceding.

6 A regular note in Reports, printed in newspapers.

7 Now in Perth office of Bank of New South Wales.

8 Wells to Colonial Secretary, 5 November 1844, “C.S.O. Records”.

9 Wells to Colonial Secretary, 15 November 1844, “C.S.O. Records”.

10 18 October 1848.

11 “C.S.O. Records” 1848 contain two replies from the bank, 20 and 25 October and a governor's minute.

12 One dividend for the Bank of Western Australia cannot be found.

Table 33 (a) BANK OF AUSTRALASIA—WESTERN AUSTRALIAN BRANCH

LIABILITIES £

Returns in accordance with the Charter of half-yearly averages of weekly figures. Period I is from October of the preceding year to April of the year indicated; period II is from April to October.

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Not bearing interest</th>
<th>Bearing interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 II</td>
<td>2,559</td>
<td>360</td>
<td>7,412</td>
<td>25</td>
<td>7,437</td>
</tr>
<tr>
<td>1842 I</td>
<td>2,251</td>
<td>1</td>
<td>4,856</td>
<td>49</td>
<td>4,905</td>
</tr>
<tr>
<td>II</td>
<td>1,522</td>
<td>127</td>
<td>3,239</td>
<td>109</td>
<td>3,348</td>
</tr>
<tr>
<td>1843 I</td>
<td>1,364</td>
<td>79</td>
<td>2,538</td>
<td>263</td>
<td>2,601</td>
</tr>
<tr>
<td>II</td>
<td>1,451</td>
<td>534</td>
<td>3,542</td>
<td>300</td>
<td>3,842</td>
</tr>
<tr>
<td>1844 I</td>
<td>1,397</td>
<td>48</td>
<td>2,624</td>
<td>363</td>
<td>2,987</td>
</tr>
<tr>
<td>II</td>
<td>1,080</td>
<td>34</td>
<td>1,781</td>
<td>403</td>
<td>2,184</td>
</tr>
<tr>
<td>1845 I</td>
<td>1,212</td>
<td>—</td>
<td>1,637</td>
<td>516</td>
<td>2,153</td>
</tr>
<tr>
<td>II</td>
<td>1,310</td>
<td>166</td>
<td>1,635</td>
<td>590</td>
<td>2,225</td>
</tr>
</tbody>
</table>

Note: “Balances due from other banks”, £14 in 1842 (II), otherwise zero.

Table 33 (b) BANK OF AUSTRALASIA—WESTERN AUSTRALIAN BRANCH

ASSETS (£)
Note: “Balances due to other banks” always zero.

Sources: 1841 (II) to 1842 (II) from Inquirer. Not published in Government Gazette. 1843 (I) to 1844 (I) from original MS. returns, never published, in “C.S.O. Records”. (Public Library, Perth.) 1844 (II) to 1845 (II) from Western Australian Government Gazette. The returns are complete.

Table 34 (a) WESTERN AUSTRALIAN BANK—LIABILITIES (£) QUARTERLY AVERAGES OF WEEKLY FIGURES

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin Premises</th>
<th>Bills discounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 II</td>
<td>7,471</td>
<td>12,440</td>
</tr>
<tr>
<td>1842 I</td>
<td>4,912</td>
<td>16,509</td>
</tr>
<tr>
<td>II</td>
<td>4,814 414</td>
<td>15,061</td>
</tr>
<tr>
<td>1843 I</td>
<td>7,321 416</td>
<td>13,642</td>
</tr>
<tr>
<td>II</td>
<td>4,113 419</td>
<td>18,913</td>
</tr>
<tr>
<td>1844 I</td>
<td>2,410 426</td>
<td>20,123</td>
</tr>
<tr>
<td>II</td>
<td>1,847 429</td>
<td>19,421</td>
</tr>
<tr>
<td>1845 I</td>
<td>1,601 1,493</td>
<td>18,379</td>
</tr>
<tr>
<td>II</td>
<td>1,331 1,500</td>
<td>13,903</td>
</tr>
</tbody>
</table>

**Deposits**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Notes in circulation</th>
<th>Not bearing interest (a)</th>
<th>Bearing interest (b)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 III</td>
<td>1,024</td>
<td>3,266</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>1,800</td>
<td>5,082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1842 I</td>
<td>2,046</td>
<td>5,461</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>2,261</td>
<td>4,878</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>2,470</td>
<td>6,857</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>2,536</td>
<td>6,747</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843 I</td>
<td>2,403</td>
<td>9,227</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>2,174</td>
<td>8,466</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>1,846</td>
<td>7,726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>1,957</td>
<td>8,013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844 I</td>
<td>2,039</td>
<td>8,707</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>1,764</td>
<td>7,023</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) III</td>
<td>1,560</td>
<td>7,361</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>1,680</td>
<td>8,487</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845 I</td>
<td>1,675</td>
<td>7,688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>1,878</td>
<td>6,049</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>2,359</td>
<td>6,517</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>3,370</td>
<td>6,867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846 I</td>
<td>3,183</td>
<td>9,797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>3,043</td>
<td>10,269</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>2,805</td>
<td>10,824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>3,647</td>
<td>10,919</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1847 I 3,953 12,956
II 3,222 11,595
III 2,989 12,709
IV 4,092 13,575
1848 I 4,199 15,740
II 3,732 13,670
III 3,319 13,344
IV 3,093 13,396 150 13,546
1849 I 3,398 13,228 150 13,378
II 2,652 13,719 150 13,869
III 2,111 12,672 150 12,822
IV 2,358 13,778 160 13,938
Total
Quarter Notes in circulation Not bearing interest (a) Bearing interest (b) Total
1850 I 2,825 13,557 160 13,717
II 2,340 13,299 160 13,459
III 2,378 13,750 160 13,910
IV 2,973 16,661 160 16,821
1851 I 4,084 20,247 220 20,467
II 4,562 20,705 220 20,925
III 5,084 22,603 220 22,823
IV 5,863 25,640 220 25,860
(a) Includes reserve fund.

(b) “Being funds of charitable institutions”.

c) Two returns are preserved in “C.S.O. Records”, one as above, one showing notes £1,108 and deposits £2,007. The dates shown for the end of the quarter vary by sixteen days but there is no formal evidence for choosing either as correct. The possibility that each is correct for its period is ruled out not only by the absence of other evidence of a sudden change in liabilities, but quite conclusively by the enormous variation in deposits required to produce this difference in averages for slightly different periods. These shown in the table are in line with earlier and later figures and the other set has been rejected, despite the fact that both returns carry sworn declarations of accuracy.

Sources: 1841 (III) from Inquirer, 13 October 1841. 1841 (I) to 1847 (III) from original MS. returns in “C.S.O. Records”. Except in 1845 these were not published. 1847 (IV) to 1851 (IV), Western Australian Government Gazette.

Table 34 (b) WESTERN AUSTRALIAN BANK ASSETS (£) QUARTERLY AVERAGES OF WEEKLY FIGURES

Advances
Including Treasury bills, notes of other banks, and cash at agents.

Including all forms of loan, other than discounts on bills, described as “specialty securities”.

The return also included an item for premises, unchanged throughout at £1,050. Source: Western Australian Government Gazette. MS. returns tabled at half-yearly meetings gave data on assets for earlier years, but these have not survived.

**Table 35 WESTERN AUSTRALIA BANK DIVIDENDS**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Coin (a)</th>
<th>Bills</th>
<th>Cash credits (b)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848 IV</td>
<td>7,816</td>
<td>10,231</td>
<td>6,275</td>
<td>16,506</td>
</tr>
<tr>
<td>1849 I</td>
<td>6,802</td>
<td>10,809</td>
<td>6,802</td>
<td>17,611</td>
</tr>
<tr>
<td>II</td>
<td>5,918</td>
<td>10,360</td>
<td>7,610</td>
<td>17,970</td>
</tr>
<tr>
<td>III</td>
<td>4,642</td>
<td>9,680</td>
<td>8,168</td>
<td>17,848</td>
</tr>
<tr>
<td>IV</td>
<td>7,992</td>
<td>8,913</td>
<td>6,981</td>
<td>15,894</td>
</tr>
<tr>
<td>1850 I</td>
<td>7,350</td>
<td>9,866</td>
<td>6,987</td>
<td>16,853</td>
</tr>
<tr>
<td>II</td>
<td>7,824</td>
<td>8,650</td>
<td>6,978</td>
<td>15,628</td>
</tr>
<tr>
<td>III</td>
<td>7,159</td>
<td>10,165</td>
<td>6,411</td>
<td>16,576</td>
</tr>
<tr>
<td>IV</td>
<td>9,274</td>
<td>11,462</td>
<td>6,662</td>
<td>18,124</td>
</tr>
<tr>
<td>1851 I</td>
<td>9,646</td>
<td>14,895</td>
<td>7,684</td>
<td>22,579</td>
</tr>
<tr>
<td>II</td>
<td>10,449</td>
<td>14,371</td>
<td>8,399</td>
<td>22,770</td>
</tr>
<tr>
<td>III</td>
<td>14,865</td>
<td>13,289</td>
<td>7,653</td>
<td>20,942</td>
</tr>
<tr>
<td>IV</td>
<td>17,814</td>
<td>13,639</td>
<td>8,361</td>
<td>21,990</td>
</tr>
</tbody>
</table>

(a) Including Treasury bills, notes of other banks, and cash at agents.

(b) Including all forms of loan, other than discounts on bills, described as “specialty securities”.

Rates are per cent per annum, as declared each half-year.

**BANK OF WESTERN AUSTRALIA**

<table>
<thead>
<tr>
<th>Year</th>
<th>I</th>
<th>II</th>
</tr>
</thead>
<tbody>
<tr>
<td>1838</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>1839</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>1840</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

**WESTERN AUSTRALIAN BANK**

<table>
<thead>
<tr>
<th>Year</th>
<th>I</th>
<th>II</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>121/2</td>
<td>51/2</td>
</tr>
<tr>
<td>1846</td>
<td>111/4</td>
<td>121/2</td>
</tr>
</tbody>
</table>
Sources: *Perth Gazette* and *Inquirer*.

### Table 36 WESTERN AUSTRALIA—BANK INTEREST RATES

#### DISCOUNT RATE (per cent per annum)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1847 I</td>
<td>121/2</td>
</tr>
<tr>
<td>1848 I</td>
<td>121/2</td>
</tr>
<tr>
<td>1849 I</td>
<td>121/2</td>
</tr>
<tr>
<td>1850 I</td>
<td>121/2</td>
</tr>
<tr>
<td>1851 I</td>
<td>121/2</td>
</tr>
</tbody>
</table>

Originally limited to bills for three months or less; from 1 July 1840 extended to six months (*Perth Gazette, 4 July 1840*). Rate constant for whole life of Bank.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF WESTERN AUSTRALIA</td>
<td>From 1/6/37 To 1/5/41</td>
<td>121/2</td>
</tr>
</tbody>
</table>

- (a) Date of opening, rate maintained until date of next entry.
- (b) Rate unchanged until bank closed in December, 1845.

#### BANK OF AUSTRALASIA (Three months bills)

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/5/41</td>
<td>10</td>
</tr>
<tr>
<td>26/3/44</td>
<td>8</td>
</tr>
</tbody>
</table>

- (a) 3/5/41, 10 *Perth Gazette* 1/5/41
- (b) 26/3/44, 8 *Perth Gazette* 30/3/44

#### WESTERN AUSTRALIAN BANK (Term of bills in months)

<table>
<thead>
<tr>
<th>Date</th>
<th>2–3</th>
<th>3–4</th>
<th>4–5</th>
<th>5–6</th>
</tr>
</thead>
<tbody>
<tr>
<td>23/6/41</td>
<td>9</td>
<td>91/2</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>28/3/44</td>
<td>7</td>
<td>71/2</td>
<td>8</td>
<td>91/2</td>
</tr>
</tbody>
</table>

- (a) Date of opening. Rates from *Perth Gazette*, 8 May 1841. Maintained until date of next entry.
- (b) From *Perth Gazette*, 30 March 1844. Maintained throughout remainder of period (i.e., to end of 1851).
B. DEPOSIT INTEREST RATES

Information is scanty, interest-bearing deposits being of little importance. (I) BANK OF WESTERN AUSTRALIA 1837–41—Savings Deposits 5 per cent per annum. Note: Minimum £5. Business of small size. (II) BANK OF AUSTRALASIA 1841-5. Interest-bearing deposits of increasing relative importance, but no rate ever announced. (III) WESTERN AUSTRALIAN BANK 1841—Savings deposits 5 per cent per annum.

Note: Minimum £5. Size unknown, but apparently small, 1841–8. From 1848 small being limited to charitable funds.

Table 37—WESTERN AUSTRALIA—RATIOS (per cent)

<table>
<thead>
<tr>
<th>Period</th>
<th>Cash to notes and deposits</th>
<th>Advances to deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bank of Western Australia (Quarterly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1837 III</td>
<td>100.5</td>
<td>50.2</td>
</tr>
<tr>
<td>IV</td>
<td>96.2</td>
<td>50.8</td>
</tr>
<tr>
<td>1838 I</td>
<td>78.7</td>
<td>68.2</td>
</tr>
<tr>
<td>II</td>
<td>78.6</td>
<td>67.8</td>
</tr>
<tr>
<td>III</td>
<td>52.3</td>
<td>141.0</td>
</tr>
<tr>
<td>1839 I</td>
<td>32.0</td>
<td>200.2</td>
</tr>
<tr>
<td>II</td>
<td>40.5</td>
<td>185.7</td>
</tr>
<tr>
<td>III</td>
<td>61.5</td>
<td>157.1</td>
</tr>
<tr>
<td>IV</td>
<td>62.2</td>
<td>151.5</td>
</tr>
<tr>
<td>1840 I</td>
<td>46.6</td>
<td>151.5</td>
</tr>
<tr>
<td>II</td>
<td>37.7</td>
<td>202.8</td>
</tr>
<tr>
<td>III</td>
<td>28.8</td>
<td>187.3</td>
</tr>
<tr>
<td>IV</td>
<td>33.2</td>
<td>166.6</td>
</tr>
<tr>
<td>1841 I</td>
<td>23.7</td>
<td>190.3</td>
</tr>
<tr>
<td>2. Bank of Australasia (Half-yearly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841 II</td>
<td>74.7</td>
<td>167.3</td>
</tr>
<tr>
<td>1842 I</td>
<td>68.6</td>
<td>336.6</td>
</tr>
<tr>
<td>II</td>
<td>98.8</td>
<td>449.8</td>
</tr>
<tr>
<td>1843 I</td>
<td>184.6</td>
<td>524.5</td>
</tr>
<tr>
<td>II</td>
<td>77.9</td>
<td>492.3</td>
</tr>
<tr>
<td>1844 I</td>
<td>55.0</td>
<td>673.7</td>
</tr>
<tr>
<td>II</td>
<td>56.6</td>
<td>889.2</td>
</tr>
<tr>
<td>1845 I</td>
<td>47.6</td>
<td>853.6</td>
</tr>
<tr>
<td>II</td>
<td>37.6</td>
<td>624.8</td>
</tr>
<tr>
<td>3. Western Australian Bank (Quarterly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848 IV</td>
<td>46.9</td>
<td>121.9</td>
</tr>
<tr>
<td>1849 I</td>
<td>40.5</td>
<td>131.6</td>
</tr>
<tr>
<td>II</td>
<td>35.8</td>
<td>129.6</td>
</tr>
</tbody>
</table>
Throughout the period no South Australian legislation provided for the making of returns or their publication, but it nevertheless happens that reasonably complete sets of statistics survive. The reasons for this are peculiar to each bank.

The Bank of South Australia supplied no returns until 1841. Data are available for end-June 1839 and a statement for end-September 1840 was supplied by Angas to the Select Committee of 1841. The Register had urged compulsory returns in 1838 but without success, and the matter was not raised again until September 1840 when the Colonial Secretary, having to secure data for the Bluebook, asked for returns. The manager, while admitting that these were very innocent inquiries, opposed on principle: it was "objectionable that local government clerks and other officers should be made acquainted with particulars of so confidential a nature". The Australasia having referred a similar request to London, he followed the same course. London was more used to publicity and approved, although Stephens transmitted to the Colonial Secretary only a cautious willingness to "answer such limited queries as the local government may put to me". However, it turned out that all the Colonial Secretary wanted was averages on the model of those supplied by the Australasia and Stephens thereupon agreed not merely to supply the return but also to publication, subject to London's views on that point, the London board having already told him to supply data requested provided they were in the form of averages. When in 1842, following separation from the South Australian Company, a local board was created, the rules for its guidance permitted supply of information to the government "at their discretion".

There the matter rested and the Government Gazette carried from

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold (t)</th>
<th>Silver (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>31.1</td>
<td>139.2</td>
</tr>
<tr>
<td>1841</td>
<td>49.0</td>
<td>114.0</td>
</tr>
<tr>
<td>1850I</td>
<td>44.4</td>
<td>122.9</td>
</tr>
<tr>
<td>1850II</td>
<td>49.5</td>
<td>116.1</td>
</tr>
<tr>
<td>1850III</td>
<td>43.9</td>
<td>119.2</td>
</tr>
<tr>
<td>1850IV</td>
<td>46.8</td>
<td>107.7</td>
</tr>
<tr>
<td>1851I</td>
<td>39.3</td>
<td>110.3</td>
</tr>
<tr>
<td>1851II</td>
<td>41.0</td>
<td>108.8</td>
</tr>
<tr>
<td>1851III</td>
<td>53.3</td>
<td>91.8</td>
</tr>
<tr>
<td>1851IV</td>
<td>56.2</td>
<td>85.0</td>
</tr>
</tbody>
</table>
1841 a complete series of returns. The “Minutes” have a fragmentary series of statements of quarterly averages from 1847–51 which, as they add little to the picture, are not reproduced.

When the Bank secured its charter in 1847,\textsuperscript{11} it was required to publish in the local newspapers and in the \textit{London Gazette} an annual return on the same model as its local returns. These figures, again, add nothing to the picture. Fortunately nothing came of a proposal to drop the half-yearly return.\textsuperscript{12}

For the Bank of Australasia the question was simpler. Its charter required publication of returns in a prescribed form and these appeared regularly in the \textit{Government Gazette} from 1839 onwards.

For the first savings bank the data available are those given in statements to monthly meetings. Many of these were printed in full in the press although no paper published them without interruption nor over the whole period (1841–47). Up to mid-1845 most of the gaps can be filled by piecing together from the various papers, from tabulations in \textit{Almanacs} and in the sixth and seventh \textit{Reports} of the South Australian Company. But after that practically nothing survives; it is fairly clear, however, that the figures would show an extrapolation of the slow but steady upward trend. For its successor \textit{annual} statements on a much fuller basis appeared regularly in the \textit{Government Gazette}.

As in other colonies interest and exchange rates must be collected mainly from newspapers. In the later 'forties the \textit{South Australian Register}'s detailed commercial column simplifies the task while the fortunate survival of “Minute” and “Letter Books” of the Bank of South Australia fills many gaps.

\begin{itemize}
\item[1] First general legislation Act No. 25 of 1863. The Union Bank Act No. 11 of 1850, required for publication quarterly returns in the form prescribed for the Australasia. These are omitted here as belonging only formally to the period.
\item[2] This name is used throughout to avoid confusion.
\item[4] Select Committee on South Australia, “Evidence”, Q 1684. The local directors challenged the accuracy of the figures.
\item[5] 22 December 1838.
\item[7] Stephens to Colonial Secretary, 5 October 1841, S.A. Archives, 787/1841/711.
\end{itemize}
8 “Letters to London”, 27 November 1841. Data on exchange rates were also supplied for Bluebooks, e.g., Stephens to Colonial Secretary, 14 August 1843, S.A. Archives, C.S.O. 948/43.

9 “Letters from London”, 5 May 1841.


11 The original copy sent out to the Adelaide office is now in the Adelaide office of the Union Bank.

12 “Minutes”, 26 May 1848; “Letters to London”, 5 June 1848.

Table 38 (a) BANK OF SOUTH AUSTRALIA HALF-YEARLY AVERAGES OF LIABILITIES (£)

Period I is from end November of preceding year to end May of year quoted; period II is from end May to end November.

<table>
<thead>
<tr>
<th>Period</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Due to banks</th>
<th>other Not bearing interest</th>
<th>bearing Bearing interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 I</td>
<td>16,222</td>
<td>3,159</td>
<td>1,554</td>
<td>—</td>
<td>54,065</td>
<td>54,065</td>
</tr>
<tr>
<td>II</td>
<td>10,934</td>
<td>4,202</td>
<td>950</td>
<td>—</td>
<td>42,523</td>
<td>42,523</td>
</tr>
<tr>
<td>1842 I</td>
<td>10,011</td>
<td>1,571</td>
<td>553</td>
<td>—</td>
<td>43,669</td>
<td>43,669</td>
</tr>
<tr>
<td>II</td>
<td>8,819</td>
<td>1,200</td>
<td>306</td>
<td>—</td>
<td>38,761</td>
<td>38,761</td>
</tr>
<tr>
<td>1843 I</td>
<td>7,991</td>
<td>871</td>
<td>776</td>
<td>—</td>
<td>37,159</td>
<td>37,159</td>
</tr>
<tr>
<td>II</td>
<td>5,710</td>
<td>1,878</td>
<td>811</td>
<td>—</td>
<td>34,130</td>
<td>34,130</td>
</tr>
<tr>
<td>1844 I</td>
<td>7,753</td>
<td>546</td>
<td>1,005</td>
<td>—</td>
<td>40,643</td>
<td>40,643</td>
</tr>
<tr>
<td>II</td>
<td>7,474</td>
<td>1,012</td>
<td>569</td>
<td>23,895</td>
<td>12,684</td>
<td>36,579</td>
</tr>
<tr>
<td>1845 I</td>
<td>11,094</td>
<td>1,965</td>
<td>448</td>
<td>26,959</td>
<td>16,741</td>
<td>43,700</td>
</tr>
<tr>
<td>II</td>
<td>11,017</td>
<td>1,608</td>
<td>233</td>
<td>32,955</td>
<td>13,716</td>
<td>46,671</td>
</tr>
<tr>
<td>1846 I</td>
<td>15,954</td>
<td>2,518</td>
<td>1,380</td>
<td>44,341</td>
<td>15,379</td>
<td>59,720</td>
</tr>
<tr>
<td>II</td>
<td>15,501</td>
<td>2,275</td>
<td>1,523</td>
<td>48,100</td>
<td>12,294</td>
<td>60,394</td>
</tr>
<tr>
<td>1847 I</td>
<td>20,188</td>
<td>1,306</td>
<td>2,532</td>
<td>52,751</td>
<td>13,017</td>
<td>65,768</td>
</tr>
<tr>
<td>II</td>
<td>17,085</td>
<td>3,141</td>
<td>948</td>
<td>50,513</td>
<td>13,269</td>
<td>63,782</td>
</tr>
<tr>
<td>1848 I</td>
<td>21,574</td>
<td>2,771</td>
<td>89</td>
<td>52,753</td>
<td>16,079</td>
<td>68,832</td>
</tr>
<tr>
<td>II</td>
<td>20,583</td>
<td>1,998</td>
<td>394</td>
<td>57,384</td>
<td>19,641</td>
<td>77,025</td>
</tr>
<tr>
<td>1849 I</td>
<td>26,844</td>
<td>2,910</td>
<td>2,264</td>
<td>65,504</td>
<td>22,949</td>
<td>88,453</td>
</tr>
<tr>
<td>II</td>
<td>26,541</td>
<td>5,293</td>
<td>2,095</td>
<td>66,607</td>
<td>20,842</td>
<td>87,449</td>
</tr>
<tr>
<td>1850 I</td>
<td>33,413</td>
<td>3,512</td>
<td>516</td>
<td>82,914</td>
<td>19,975</td>
<td>102,889</td>
</tr>
<tr>
<td>II</td>
<td>34,111</td>
<td>1,191</td>
<td>1,847</td>
<td>90,947</td>
<td>20,689</td>
<td>111,636</td>
</tr>
<tr>
<td>1851 I</td>
<td>42,406</td>
<td>1,513</td>
<td>6,745</td>
<td>90,242</td>
<td>23,574</td>
<td>113,816</td>
</tr>
<tr>
<td>II</td>
<td>42,214</td>
<td>1,248</td>
<td>2,522</td>
<td>99,100</td>
<td>23,812</td>
<td>122,912</td>
</tr>
</tbody>
</table>

Source: South Australian Government Gazette.

Table 38 (b) BANK OF SOUTH AUSTRALIA HALF-YEARLY
AVERAGES OF ASSETS (£)

For explanation of period see note to table of liabilities.

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Premises</th>
<th>Due from other banks</th>
<th>Discounts, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 I</td>
<td>15,678</td>
<td>2,723</td>
<td>2,905</td>
<td>187,061</td>
</tr>
<tr>
<td>II</td>
<td>15,419</td>
<td>5,522</td>
<td>3,256</td>
<td>183,069</td>
</tr>
<tr>
<td>1842 I</td>
<td>12,064</td>
<td>5,834</td>
<td>2,249</td>
<td>167,332</td>
</tr>
<tr>
<td>II</td>
<td>13,763</td>
<td>7,604</td>
<td>2,441</td>
<td>156,517</td>
</tr>
<tr>
<td>1843 I</td>
<td>20,491</td>
<td>8,259</td>
<td>1,993</td>
<td>150,781</td>
</tr>
<tr>
<td>II</td>
<td>22,224</td>
<td>8,020</td>
<td>3,896</td>
<td>151,971</td>
</tr>
<tr>
<td>1844 I</td>
<td>28,197</td>
<td>7,897</td>
<td>4,464</td>
<td>147,651</td>
</tr>
<tr>
<td>II</td>
<td>25,552</td>
<td>7,839</td>
<td>1,646</td>
<td>143,516</td>
</tr>
<tr>
<td>1845 I</td>
<td>20,185</td>
<td>7,645</td>
<td>997</td>
<td>141,600</td>
</tr>
<tr>
<td>II</td>
<td>23,958</td>
<td>7,537</td>
<td>5,992</td>
<td>141,754</td>
</tr>
<tr>
<td>1846 I</td>
<td>39,462</td>
<td>7,344</td>
<td>1,000</td>
<td>130,993</td>
</tr>
<tr>
<td>II</td>
<td>49,733</td>
<td>7,108</td>
<td>4,412</td>
<td>154,245</td>
</tr>
<tr>
<td>1847 I</td>
<td>77,813</td>
<td>6,896</td>
<td>5,863</td>
<td>163,927</td>
</tr>
<tr>
<td>II</td>
<td>68,024</td>
<td>7,869</td>
<td>12,699</td>
<td>173,339</td>
</tr>
<tr>
<td>1848 I</td>
<td>61,658</td>
<td>10,271</td>
<td>7,604</td>
<td>190,955</td>
</tr>
<tr>
<td>II</td>
<td>58,468</td>
<td>10,610</td>
<td>6,785</td>
<td>200,518</td>
</tr>
<tr>
<td>1849 I</td>
<td>53,963</td>
<td>10,437</td>
<td>4,065</td>
<td>215,857</td>
</tr>
<tr>
<td>II</td>
<td>58,361</td>
<td>10,117</td>
<td>6,214</td>
<td>233,197</td>
</tr>
<tr>
<td>1850 I</td>
<td>65,450</td>
<td>8,152</td>
<td>4,183</td>
<td>223,936</td>
</tr>
<tr>
<td>II</td>
<td>66,376</td>
<td>7,820</td>
<td>4,089</td>
<td>262,257</td>
</tr>
<tr>
<td>1851 I</td>
<td>54,045</td>
<td>7,294</td>
<td>1,526</td>
<td>295,228</td>
</tr>
<tr>
<td>II</td>
<td>60,555</td>
<td>7,199</td>
<td>1,644</td>
<td>348,830</td>
</tr>
</tbody>
</table>

Source: *South Australian Government Gazette.*

Table 39 (a) BANK OF AUSTRALASIA—SOUTH AUSTRALIAN BUSINESS LIABILITIES (£)

Half-yearly averages of weekly figures returned in accordance with the charter. Period I is from mid-October of preceding year to mid-April of the year quoted; period II is from mid-April to mid-October.

<table>
<thead>
<tr>
<th>Deposits</th>
<th>Notes in circulation</th>
<th>Bills in circulation</th>
<th>Not bearing interest</th>
<th>Bearing interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839 I</td>
<td>1,338</td>
<td>724</td>
<td>—</td>
<td>4,497</td>
<td>4,497</td>
</tr>
<tr>
<td>II</td>
<td>1,764</td>
<td>590</td>
<td>—</td>
<td>10,015</td>
<td>10,015</td>
</tr>
<tr>
<td>1840 I</td>
<td>2,377</td>
<td>1,056</td>
<td>—</td>
<td>17,049</td>
<td>17,049</td>
</tr>
<tr>
<td>II</td>
<td>3,221</td>
<td>2,526</td>
<td>—</td>
<td>27,760</td>
<td>27,760</td>
</tr>
</tbody>
</table>
(a) Bank opened 14 January 1839.

Source: *South Australian Government Gazette*.

**Table 39 (b) BANK OF AUSTRALASIA—SOUTH AUSTRALIAN BUSINESS ASSETS (£)**

For explanation of period see note to table of liabilities.

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin</th>
<th>Premises</th>
<th>Discounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839 I</td>
<td>3,357</td>
<td>2,828</td>
<td>23,685</td>
</tr>
<tr>
<td>II</td>
<td>3,122</td>
<td>3,235</td>
<td>20,655</td>
</tr>
<tr>
<td>1842 I</td>
<td>3,227</td>
<td>1,609</td>
<td>18,234</td>
</tr>
<tr>
<td>II</td>
<td>2,771</td>
<td>1,872</td>
<td>15,793</td>
</tr>
<tr>
<td>1843 I</td>
<td>3,007</td>
<td>1,898</td>
<td>15,724</td>
</tr>
<tr>
<td>II</td>
<td>3,170</td>
<td>1,981</td>
<td>16,783</td>
</tr>
<tr>
<td>1844 I</td>
<td>3,562</td>
<td>1,447</td>
<td>18,408</td>
</tr>
<tr>
<td>II</td>
<td>3,265</td>
<td>776</td>
<td>7,284</td>
</tr>
<tr>
<td>1845 I</td>
<td>4,210</td>
<td>1,879</td>
<td>15,683</td>
</tr>
<tr>
<td>II</td>
<td>3,503</td>
<td>1,976</td>
<td>21,105</td>
</tr>
<tr>
<td>1846 I</td>
<td>6,536</td>
<td>3,154</td>
<td>31,055</td>
</tr>
<tr>
<td>II</td>
<td>8,457</td>
<td>2,070</td>
<td>30,220</td>
</tr>
<tr>
<td>1847 I</td>
<td>13,598</td>
<td>2,239</td>
<td>38,993</td>
</tr>
<tr>
<td>II</td>
<td>13,147</td>
<td>2,902</td>
<td>36,266</td>
</tr>
<tr>
<td>1848 I</td>
<td>19,549</td>
<td>1,607</td>
<td>40,521</td>
</tr>
<tr>
<td>II</td>
<td>20,170</td>
<td>5,276</td>
<td>50,748</td>
</tr>
<tr>
<td>1849 I</td>
<td>23,611</td>
<td>2,724</td>
<td>56,782</td>
</tr>
<tr>
<td>II</td>
<td>20,973</td>
<td>4,996</td>
<td>44,101</td>
</tr>
<tr>
<td>1850 I</td>
<td>25,392</td>
<td>5,721</td>
<td>51,284</td>
</tr>
<tr>
<td>II</td>
<td>25,887</td>
<td>8,235</td>
<td>57,291</td>
</tr>
<tr>
<td>1851 I</td>
<td>24,920</td>
<td>3,176</td>
<td>66,667</td>
</tr>
<tr>
<td>II</td>
<td>22,034</td>
<td>2,699</td>
<td>62,340</td>
</tr>
</tbody>
</table>
Table 40 (a) SOUTH AUSTRALIA—DEPOSIT INTEREST (per cent per annum) BANK OF SOUTH AUSTRALIA

Rates maintained between entries

<table>
<thead>
<tr>
<th>Rate</th>
<th>Date</th>
<th>Current account daily balance</th>
<th>Fixed deposit</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>1837 April</td>
<td>—</td>
<td>(b) 5 &amp; 7</td>
<td>“L. to L.” 19 May 1837</td>
</tr>
<tr>
<td>(b)</td>
<td>1838 May</td>
<td>—</td>
<td>(c) 5 &amp; 7</td>
<td>“L. to L.” 24 May 1838</td>
</tr>
<tr>
<td>(c)</td>
<td>1841 April</td>
<td>3</td>
<td>(e) 7</td>
<td>S.A.R. 10 April 1841</td>
</tr>
<tr>
<td>(d)</td>
<td>1842 Oct. 17</td>
<td>2</td>
<td>(f) 5 &amp; 7</td>
<td>S.A.R. 8 October 1842</td>
</tr>
<tr>
<td>(e)</td>
<td>1844 Jan. 1</td>
<td>2</td>
<td>(g) 4</td>
<td>S.A.R. 9 December 1843</td>
</tr>
<tr>
<td>(f)</td>
<td>June 3</td>
<td>nil</td>
<td>(h) 4</td>
<td>S.A.R. 29 May 1844</td>
</tr>
<tr>
<td>(g)</td>
<td>1845 April 1</td>
<td>nil</td>
<td>(i) 2</td>
<td>S.A.R. 22 March 1845</td>
</tr>
<tr>
<td>(h)</td>
<td>1846 June 6</td>
<td>nil</td>
<td>(j) 11/2 &amp; 3</td>
<td>S.A.R. 6 June 1846</td>
</tr>
</tbody>
</table>

(a) Bank open.
(b) 5 per cent under £50; 7 per cent over £50; three months.
(c) 5 per cent under £100; 7 per cent £100 to £1,000; three months with ten days' notice.
(e) Under £1,000; three months with ten days' notice.
(f) 5 per cent for three months with ten days' notice; 7 per cent for twelve months.
(g) Three months, thirty days' notice. Minimum £20.
(h) Interest paid on deposits for remainder of period. Circumstantial evidence, too tedious to cite, suggests these 1846 rates unchanged.

Source: *South Australian Government Gazette.*
(i) 11½ per cent if actually left for three months, minimum £10; 3 per cent on minimum of £50, on deposits at six months' notice.

Sources: “L. to L.”—“Letters to London”.

*S.A.R.—South Australian Register.*

**BANK OF AUSTRALASIA—ADELAIDE**

Rates maintained between entries

<table>
<thead>
<tr>
<th>Rate</th>
<th>Date</th>
<th>Current account daily balance</th>
<th>Three months' notice</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1839 Jan. 14</td>
<td>4</td>
<td>7</td>
<td>S.A.R. 12 January 1839</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>4</td>
<td>5</td>
<td>S.A.R. 6 April 1839</td>
<td></td>
</tr>
<tr>
<td>1840 Aug. 24</td>
<td>4</td>
<td>5 and 7 (b)</td>
<td>S.A.R. 5 September 1840</td>
<td></td>
</tr>
<tr>
<td>1843 April 5</td>
<td>4</td>
<td>5</td>
<td>S.A.R. 7 January 1843</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>21½</td>
<td>5</td>
<td>S.A.R. 12 April 1843</td>
<td></td>
</tr>
<tr>
<td>1844 April 15</td>
<td>2</td>
<td>4</td>
<td>S.A.R. 24 April 1844</td>
<td></td>
</tr>
<tr>
<td>June 3</td>
<td>nil</td>
<td>4</td>
<td>S.A.R. 29 May 1844</td>
<td></td>
</tr>
<tr>
<td>1845 April 1</td>
<td>nil</td>
<td>2</td>
<td>S.A.R. 29 March 1845</td>
<td></td>
</tr>
<tr>
<td>(c) 1850</td>
<td>nil</td>
<td>nil</td>
<td>S.A.R. 31 December 1850</td>
<td></td>
</tr>
</tbody>
</table>

(a) Bank open this date.

(b) 5 per cent on ten days' notice; 7 per cent on three months' notice.

(c) Possibly earlier. No information as to date of decision.

Source: *S.A.R.—South Australian Register.*

**Table 40 (b) SOUTH AUSTRALIA DISCOUNT AND LOAN RATES (PER CENT PER ANNUM) BANK OF SOUTH AUSTRALIA**

<table>
<thead>
<tr>
<th>Date</th>
<th>Bills</th>
<th>Cash credits</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837 April</td>
<td>(a) 10</td>
<td>(b) 10</td>
<td>“L. to L.” 19/5/37</td>
</tr>
<tr>
<td>1842 October</td>
<td>(c) 8</td>
<td>10</td>
<td>S.A.R. 8/10/42</td>
</tr>
</tbody>
</table>

No later change during period (various bank notices).

(a) No period specified.

(b) Described as “loans and advances”; other evidence shows this meant cash credits; charged on daily balance, with 8 per cent on contra-deposits.

(c) 3 months. According to “Minutes”, 27 September 1842, no longer bills taken.
**BANK OF AUSTRALASIA ADELAIDE**

<table>
<thead>
<tr>
<th>Date</th>
<th>To three months</th>
<th>Over three months</th>
<th>(a) Overdrawn accounts</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839 Jan. 14</td>
<td>(c) 8 &amp; 10</td>
<td>12</td>
<td>12</td>
<td>S.A.R. 12/1/39</td>
</tr>
<tr>
<td>1840 Aug. 24</td>
<td>(s) 10</td>
<td>12</td>
<td>12</td>
<td>S.A.R. 5/9/40</td>
</tr>
<tr>
<td>1843 Apr. 11</td>
<td>8</td>
<td>(e)</td>
<td>(e)</td>
<td>S.A. 14/4/43</td>
</tr>
</tbody>
</table>

(a) i.e., equivalent of cash credit.

(b) Bank open.

(c) 8 per cent to sixty days, 10 per cent sixty-ninety days.

(s) To one hundred days.

(e) No rates published; business no longer sought.

Rates maintained between entries. Bill rate of 8 per cent maintained throughout period. Sources: “L. to L.”—“Letters to London”. **S.A.R.—South Australian Register. S.A.—South Australian**.

Table 41 (a) BANK OF SOUTH AUSTRALIA—EXCHANGE RATES (£A FOR £100 STERLING)

Blank indicates no information.

<table>
<thead>
<tr>
<th>Date or period</th>
<th>London</th>
<th>N.S.W.</th>
<th>Tasmania</th>
<th>Port Phillip</th>
<th>W.A.</th>
<th>Source (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1838 May</td>
<td>24.94</td>
<td>100</td>
<td>95</td>
<td>95</td>
<td>1011/2</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>21 August</td>
<td>96</td>
<td>101</td>
<td>99</td>
<td>99</td>
<td>1011/2</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>26 October</td>
<td>100</td>
<td>101</td>
<td>100</td>
<td>100</td>
<td>101</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>1839 March</td>
<td>26.100</td>
<td>103</td>
<td>102</td>
<td>102</td>
<td>1011/2</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>5 June</td>
<td>105</td>
<td>105</td>
<td></td>
<td></td>
<td>105</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>1840 January</td>
<td>14</td>
<td>105</td>
<td></td>
<td></td>
<td>105</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>24 February</td>
<td>98</td>
<td>1021/2</td>
<td>103</td>
<td>103</td>
<td>103</td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>3 April</td>
<td>102</td>
<td>103</td>
<td>103</td>
<td>103</td>
<td>103</td>
<td>S.A.R. 4</td>
</tr>
<tr>
<td>7 August</td>
<td>103</td>
<td>103</td>
<td>103</td>
<td>103</td>
<td></td>
<td>“L. to L.”</td>
</tr>
<tr>
<td>26 December</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>S.A.R.</td>
</tr>
<tr>
<td>Year</td>
<td>Qtr</td>
<td>Dates</td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>--------------</td>
<td>---------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>1st</td>
<td>100 103 103 103</td>
<td>B.B. 1841 &amp; S.A.R. 10 April, 31 July</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>101 1/2 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>102 1/2 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>102 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>1st Qtr</td>
<td>100 1/2 103 103</td>
<td>B.B. 1842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 1/2 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 1/2 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 103 103 103</td>
<td>S.A.R. 8/10/42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>1st Qtr</td>
<td>100 103 103 103</td>
<td>B.B. 1843</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>102 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>97 102 103 103</td>
<td>&quot;M.&quot; (b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>103 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) 1844</td>
<td>1st</td>
<td>103 103 103 103</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 103 103 103</td>
<td>&quot;M.&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 103 103 103</td>
<td>A.O.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>100 103 103 103</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>1st Qtr</td>
<td>100 103 103 103</td>
<td>S.A.R. 19/3/45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 103 103 103</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 103 103 103</td>
<td>B.B. 1845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>1st Qtr</td>
<td>100 103 103 103</td>
<td>B.B. 1846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21 October</td>
<td>100 98 101 98 101 97 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) 1847</td>
<td>1st</td>
<td>101 101 101 101</td>
<td>&quot;M.&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 101 101 101</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 101 101 101</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 101 101 101</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31 October</td>
<td>100 98 101 98 101 97 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>19 January</td>
<td>100 99 102 99 102 99 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 103 103 103</td>
<td>&quot;L. to L.&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13 October</td>
<td>100 98 101 98 101 97 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>19 January</td>
<td>100 99 102 99 102 99 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2nd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4th Qtr</td>
<td>100 103 103 103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21 October</td>
<td>100 98 101 98 101 97 102</td>
<td>S.A.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(a) “L. to L.”—“Letters to London”; S.A.R.—South Australian Register; B.B.—Bluebooks; “M.”—“Minutes”; A.O.—Adelaide Observer; Unless otherwise indicated dates are same as for entry.

(b) Announced *South Australian Register* 6 September. [rates are a continuous series for the year.]

(c) *Bluebook* implies that gaps could be filled by assuming London buying and all colonial rates constant throughout year. London selling

(d) *Bluebook* indicates that the figures are a continuous series for the year.

(e) Remainder of table is a continuous series to end of 1851.

### Table 41 (b) BANK OF AUSTRALASIA—SOUTH AUSTRALIAN EXCHANGE RATES

Rates were published less frequently than for Bank of South Australia. Prior to 1841, only one set of rates, that for March 1839, is recorded and that is identical with that for Bank of South Australia. Selling rates different from those of the Bank of South Australia are recorded in *Bluebooks* for 1841 and 1842:

<table>
<thead>
<tr>
<th>Period</th>
<th>London</th>
<th>Other colonies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 1st Qtr</td>
<td>103</td>
<td>103</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>1013/4</td>
<td>103</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>103</td>
<td>103</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>1011/4</td>
<td>103</td>
</tr>
<tr>
<td>1842 1st Qtr</td>
<td>1002/3</td>
<td>103</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>100</td>
<td>103</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>100</td>
<td>103</td>
</tr>
</tbody>
</table>
Thereafter, except for minor and temporary differences on a few occasions in the middle 'forties, rates are the same as for Bank of South Australia, with these qualifications: (a) No special W.A. rate was quoted. For 1841–5 presumably the same as for other colonies. After that the business was not done. (b) A special rate, slightly less favourable to the customer, whether buyer or seller, was sometimes quoted for business with the Portland branch. (c) Generally, one rate was quoted for branches in the other colonies. For the following dates, rates are available for the Bank of Australasia and not for the Bank of South Australia, although it is certain both banks had the same rates:

| London Colonies |
|-----------------|----------------|----------------|----------------|
| Date            | Buy  | Sell | Buy  | Sell | Source |
| 1846 16 January | 95   | 100  | 101  | 101  | S.A.R. 18/1 |
| 16 April        | 95   | 100  | 101  | 101  | A.O. 18/4   |
| 1848 24 June    | 99   | 102  | 99   | 101  | S.A.R. 28/6 |

From the beginning of 1850 the Union Bank quoted the same rates as did the other two banks. Sources: S.A.R.—South Australian Register. A.O.—Adelaide Observer.

Table 42 (a) BANK OF SOUTH AUSTRALIA BANK RATIOS

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841 I</td>
<td>22.3</td>
<td>266.1</td>
</tr>
<tr>
<td>II</td>
<td>28.8</td>
<td>342.5</td>
</tr>
<tr>
<td>1842 I</td>
<td>22.5</td>
<td>311.7</td>
</tr>
<tr>
<td>II</td>
<td>28.9</td>
<td>328.95</td>
</tr>
<tr>
<td>1843 I</td>
<td>45.4</td>
<td>333.95</td>
</tr>
<tr>
<td>II</td>
<td>55.8</td>
<td>381.45</td>
</tr>
<tr>
<td>1844 I</td>
<td>58.3</td>
<td>305.1</td>
</tr>
<tr>
<td>II</td>
<td>58.0</td>
<td>325.8</td>
</tr>
<tr>
<td>1845 I</td>
<td>36.8</td>
<td>258.4</td>
</tr>
<tr>
<td>II</td>
<td>41.5</td>
<td>245.7</td>
</tr>
<tr>
<td>1846 I</td>
<td>52.1</td>
<td>173.1</td>
</tr>
<tr>
<td>II</td>
<td>65.5</td>
<td>203.2</td>
</tr>
<tr>
<td>1847 I</td>
<td>90.5</td>
<td>190.7</td>
</tr>
<tr>
<td>II</td>
<td>84.1</td>
<td>214.35</td>
</tr>
<tr>
<td>1848 I</td>
<td>68.2</td>
<td>211.2</td>
</tr>
<tr>
<td>II</td>
<td>59.9</td>
<td>205.4</td>
</tr>
<tr>
<td>1849 I</td>
<td>46.8</td>
<td>187.2</td>
</tr>
<tr>
<td>II</td>
<td>51.2</td>
<td>204.6</td>
</tr>
<tr>
<td>1850 I</td>
<td>48.0</td>
<td>164.3</td>
</tr>
<tr>
<td>II</td>
<td>45.5</td>
<td>179.9</td>
</tr>
<tr>
<td>1851 I</td>
<td>34.6</td>
<td>188.97</td>
</tr>
</tbody>
</table>
### Table 42 (b) BANK OF AUSTRALASIA—SOUTH AUSTRALIA BANK RATIOS

<table>
<thead>
<tr>
<th>Period</th>
<th>Coin as percentage of total deposits</th>
<th>Discounts as percentage of total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839 I</td>
<td>63.5</td>
<td>137.7</td>
</tr>
<tr>
<td>II</td>
<td>64.4</td>
<td>139.7</td>
</tr>
<tr>
<td>1840 I</td>
<td>44.2</td>
<td>134.9</td>
</tr>
<tr>
<td>II</td>
<td>26.6</td>
<td>167.4</td>
</tr>
<tr>
<td>1841 I</td>
<td>31.95</td>
<td>163.6</td>
</tr>
<tr>
<td>II</td>
<td>33.9</td>
<td>215.2</td>
</tr>
<tr>
<td>1842 I</td>
<td>52.9</td>
<td>202.6</td>
</tr>
<tr>
<td>II</td>
<td>45.3</td>
<td>194.8</td>
</tr>
<tr>
<td>1843 I</td>
<td>27.3</td>
<td>182.2</td>
</tr>
<tr>
<td>II</td>
<td>39.7</td>
<td>176.7</td>
</tr>
<tr>
<td>1844 I</td>
<td>28.8</td>
<td>162.7</td>
</tr>
<tr>
<td>II</td>
<td>26.8</td>
<td>192.7</td>
</tr>
<tr>
<td>1845 I</td>
<td>24.8</td>
<td>137.6</td>
</tr>
<tr>
<td>II</td>
<td>39.8</td>
<td>127.4</td>
</tr>
<tr>
<td>1846 I</td>
<td>37.5</td>
<td>110.3</td>
</tr>
<tr>
<td>II</td>
<td>87.2</td>
<td>163.1</td>
</tr>
<tr>
<td>1847 I</td>
<td>67.8</td>
<td>241.7</td>
</tr>
<tr>
<td>II</td>
<td>44.4</td>
<td>309.0</td>
</tr>
<tr>
<td>1848 I</td>
<td>46.4</td>
<td>266.4</td>
</tr>
<tr>
<td>II</td>
<td>41.2</td>
<td>259.4</td>
</tr>
<tr>
<td>1849 I</td>
<td>31.5</td>
<td>240.5</td>
</tr>
<tr>
<td>II</td>
<td>37.3</td>
<td>309.6</td>
</tr>
<tr>
<td>1850 I</td>
<td>38.8</td>
<td>259.6</td>
</tr>
<tr>
<td>II</td>
<td>38.6</td>
<td>206.8</td>
</tr>
<tr>
<td>1851 I</td>
<td>46.8</td>
<td>201.4</td>
</tr>
<tr>
<td>II</td>
<td>60.1</td>
<td>200.2</td>
</tr>
</tbody>
</table>

### Table 43 (a) SOUTH AUSTRALIAN SAVINGS BANK—DEPOSITS

<table>
<thead>
<tr>
<th>Date (a)</th>
<th>No.</th>
<th>(b) Amount (£)</th>
<th>South Australia</th>
<th>Australasia</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1841</td>
<td>34</td>
<td>130</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>May</td>
<td>47</td>
<td>221</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>June</td>
<td>52</td>
<td>322</td>
<td>161</td>
<td>162</td>
</tr>
<tr>
<td>July</td>
<td>51</td>
<td>376</td>
<td>207</td>
<td>171</td>
</tr>
<tr>
<td>Aug.</td>
<td>55</td>
<td>502</td>
<td>260</td>
<td>243</td>
</tr>
<tr>
<td>Sept.</td>
<td>55</td>
<td>520</td>
<td>263</td>
<td>257</td>
</tr>
<tr>
<td>Oct.</td>
<td>54</td>
<td>537</td>
<td>285</td>
<td>251</td>
</tr>
<tr>
<td>Month</td>
<td>F.D.</td>
<td>C.A.</td>
<td>F.D.</td>
<td>C.A.</td>
</tr>
<tr>
<td>---------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Nov. 57</td>
<td>476</td>
<td>254</td>
<td>228</td>
<td>—</td>
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<tr>
<td>Dec. 57</td>
<td>572</td>
<td>274</td>
<td>311</td>
<td>—</td>
</tr>
<tr>
<td>1842 Jan.</td>
<td>53</td>
<td>442</td>
<td>245</td>
<td>209</td>
</tr>
<tr>
<td>Feb. 53</td>
<td>491</td>
<td>245</td>
<td>256</td>
<td>—</td>
</tr>
<tr>
<td>March 55</td>
<td>468</td>
<td>240</td>
<td>223</td>
<td>—</td>
</tr>
<tr>
<td>April 53</td>
<td>477</td>
<td>223</td>
<td>249</td>
<td>—</td>
</tr>
<tr>
<td>May 53</td>
<td>442</td>
<td>235</td>
<td>202</td>
<td>—</td>
</tr>
<tr>
<td>June 59</td>
<td>502</td>
<td>249</td>
<td>268</td>
<td>—</td>
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<tr>
<td>July 62</td>
<td>462</td>
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<td>234</td>
<td>—</td>
</tr>
<tr>
<td>Aug. 64</td>
<td>483</td>
<td>253</td>
<td>244</td>
<td>—</td>
</tr>
<tr>
<td>Sept. 63</td>
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<td>245</td>
<td>241</td>
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<td>Dec. 63</td>
<td>400</td>
<td>219</td>
<td>205</td>
<td>—</td>
</tr>
<tr>
<td>1843 Jan.</td>
<td>64</td>
<td>445</td>
<td>264</td>
<td>205</td>
</tr>
<tr>
<td>Feb. 61</td>
<td>484</td>
<td>271</td>
<td>236</td>
<td>—</td>
</tr>
<tr>
<td>March 58</td>
<td>500</td>
<td>245</td>
<td>259</td>
<td>—</td>
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<tr>
<td>April 61</td>
<td>523</td>
<td>254</td>
<td>272</td>
<td>—</td>
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<td>May 61</td>
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<td>303</td>
<td>276</td>
<td>—</td>
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<tr>
<td>June 62</td>
<td>547</td>
<td>298</td>
<td>271</td>
<td>—</td>
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<td>—</td>
</tr>
<tr>
<td>Aug. 59</td>
<td>530</td>
<td>286</td>
<td>265</td>
<td>—</td>
</tr>
<tr>
<td>Sept. 62</td>
<td>580</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Oct. 62</td>
<td>559</td>
<td>318</td>
<td>262</td>
<td>—</td>
</tr>
<tr>
<td>Nov. 61</td>
<td>573</td>
<td>331</td>
<td>270</td>
<td>—</td>
</tr>
<tr>
<td>Dec. 58</td>
<td>496</td>
<td>290</td>
<td>242</td>
<td>—</td>
</tr>
<tr>
<td>1844 Jan.</td>
<td>57</td>
<td>517</td>
<td>300</td>
<td>254</td>
</tr>
<tr>
<td>Feb. 56</td>
<td>527</td>
<td>305</td>
<td>258</td>
<td>—</td>
</tr>
<tr>
<td>March 57</td>
<td>560</td>
<td>315</td>
<td>256</td>
<td>—</td>
</tr>
<tr>
<td>April 60</td>
<td>513</td>
<td>250</td>
<td>29</td>
<td>250</td>
</tr>
<tr>
<td>May 66</td>
<td>542</td>
<td>250</td>
<td>21</td>
<td>250</td>
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<tr>
<td>June 71</td>
<td>554</td>
<td>250</td>
<td>15</td>
<td>250</td>
</tr>
<tr>
<td>July 75</td>
<td>600</td>
<td>250</td>
<td>89</td>
<td>250</td>
</tr>
<tr>
<td>Aug. 82</td>
<td>676</td>
<td>250</td>
<td>90</td>
<td>250</td>
</tr>
<tr>
<td>Sept. 83</td>
<td>650</td>
<td>250</td>
<td>51</td>
<td>250</td>
</tr>
<tr>
<td>Oct. 86</td>
<td>669</td>
<td>250</td>
<td>82</td>
<td>250</td>
</tr>
<tr>
<td>Nov. 89</td>
<td>692</td>
<td>250</td>
<td>—</td>
<td>250</td>
</tr>
<tr>
<td>Dec. 93</td>
<td>755</td>
<td>250</td>
<td>132</td>
<td>250</td>
</tr>
<tr>
<td>1845 Jan.</td>
<td>87</td>
<td>738</td>
<td>259</td>
<td>132</td>
</tr>
<tr>
<td>Feb. 90</td>
<td>730</td>
<td>259</td>
<td>124</td>
<td>378</td>
</tr>
<tr>
<td>March 91</td>
<td>766</td>
<td>259</td>
<td>139</td>
<td>378</td>
</tr>
<tr>
<td>April 94</td>
<td>816</td>
<td>250</td>
<td>—</td>
<td>378</td>
</tr>
<tr>
<td>May 95</td>
<td>778</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(c) June</td>
<td>98</td>
<td>878</td>
<td>259</td>
<td>253</td>
</tr>
<tr>
<td>1847 March</td>
<td>1102</td>
<td>1177</td>
<td>(d)</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) Beginning of month.

(b) Including accrued interest.

(c) From June 1845 to July 1846 the bank held £500 in Government 5 per cent debentures, bought at 10 per cent discount.

(d) Entire funds, at March 1, *South Australian*, 5 March 1847. £75 consisted of reserve, *Adelaide Observer*, 6 March 1847.

Sources: Assembled from reports of monthly meetings in *South Australian Register*, *South Australian* and *Adelaide Observer*, and from summaries in *S.A. Almanacs* and sixth and seventh *Reports of S.A. Company*.

**Table 43 (b) SOUTH AUSTRALIAN SAVINGS BANK INTEREST ON DEPOSITS**

(per cent per annum)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841–2</td>
<td>7</td>
</tr>
<tr>
<td>1842–3</td>
<td>7</td>
</tr>
<tr>
<td>1843–4</td>
<td>7</td>
</tr>
<tr>
<td>1844–5</td>
<td>4</td>
</tr>
<tr>
<td>1845–6</td>
<td>4</td>
</tr>
<tr>
<td>1846–7</td>
<td>4</td>
</tr>
<tr>
<td>(a)</td>
<td>1847 nil</td>
</tr>
</tbody>
</table>

Business year to 30 March. Rate determined retrospectively.

(a) From 1 May to closing in December.

**INTEREST INCOME (per cent per annum)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>1841–2 7</td>
</tr>
<tr>
<td>(a)</td>
<td>1842–3 7</td>
</tr>
<tr>
<td>(a)</td>
<td>1843–4 7</td>
</tr>
<tr>
<td>(a)</td>
<td>1844–5 5 21/2 on current account</td>
</tr>
<tr>
<td>1845, March–June</td>
<td>5 21/2 on current account</td>
</tr>
<tr>
<td>(b)</td>
<td>1845–6 5</td>
</tr>
<tr>
<td>(c)</td>
<td>1846 3</td>
</tr>
<tr>
<td>(d)</td>
<td>1847 nil</td>
</tr>
</tbody>
</table>

(a) To March of latter year.

(b) Debenture interest. June 1845 to July 1846.

(c) July to December.
(d) Bank in liquidation.

**Table 44 (a) SAVINGS BANK OF SOUTH AUSTRALIA DEPOSITS**

<table>
<thead>
<tr>
<th></th>
<th>At 31 December</th>
<th>Number</th>
<th>Amount</th>
<th>Official assignee</th>
<th>Total deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848</td>
<td></td>
<td>212</td>
<td>2,185</td>
<td>3,128</td>
<td>5,313</td>
</tr>
<tr>
<td>1849</td>
<td></td>
<td>419</td>
<td>4,726</td>
<td>3,128</td>
<td>7,855</td>
</tr>
<tr>
<td>1850</td>
<td></td>
<td>670</td>
<td>8,411</td>
<td>3,128</td>
<td>11,539</td>
</tr>
<tr>
<td>1851</td>
<td></td>
<td>733</td>
<td>10,213</td>
<td>4,128</td>
<td>14,341</td>
</tr>
</tbody>
</table>

**Table 44 (b) SAVINGS BANK OF SOUTH AUSTRALIA PROFITS AND RESERVES (£)**

<table>
<thead>
<tr>
<th></th>
<th>At 31 Dec. Receipts (a)</th>
<th>Expenses (b)</th>
<th>Net profit (b)</th>
<th>Deposit interest</th>
<th>Added to reserve</th>
<th>Balance of reserve fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848</td>
<td>(b)</td>
<td></td>
<td>20</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>455</td>
<td>250</td>
<td>205</td>
<td>117</td>
<td>88</td>
<td>96</td>
</tr>
<tr>
<td>1850</td>
<td>625</td>
<td>200</td>
<td>(c) 375</td>
<td>237</td>
<td>137</td>
<td>233</td>
</tr>
<tr>
<td>1851</td>
<td>840</td>
<td>289</td>
<td>551</td>
<td>340</td>
<td>211</td>
<td>444</td>
</tr>
</tbody>
</table>

(a) Interest on mortgages, and (at 3 per cent) on fixed deposit in Bank of South Australia.

(b) Not given.

(c) Office furniture (£50) written off.

**Table 44 (c) SAVINGS BANK OF SOUTH AUSTRALIA ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>Mortgages Bank of South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At 31 Dec. Number</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>7</td>
</tr>
<tr>
<td>1849</td>
<td>12</td>
</tr>
<tr>
<td>1850</td>
<td>19</td>
</tr>
<tr>
<td>1851</td>
<td>26</td>
</tr>
</tbody>
</table>

(a) Including interest due.

**Table 44 (d) SAVINGS BANK OF SOUTH AUSTRALIA INTEREST RATES PER CENT**

| Date Mortgage Deposit (a) |
(a) Maximum deposit bearing interest, £200.

Source: Annual Returns in South Australian Government Gazette.

1 Enclosures in Darling to Murray, 29 December 1828, H.R.A. I, xiv, 549ff.

2 “Colonial Secretary In-Letters”, File 29/3412 (M.L.), weekly returns 9 March to 4 May 1829.

3 Darling to Murray, 21 September 1830, H.R.A. I, xv, 733.

4 Goderich to Darling, 30 March 1831, H.R.A. I, xvi, 229.

5 Bourke to Goderich, 3 January 1832, H.R.A. I, xvi, 501.

6 The state of these papers is such that some returns may well have escaped notice.

7 Glenelg to Bourke, 9 July 1835, H.R.A. I, xviii, 8–21.

8 In this appendix referred to as “charter” return. For the same return in other colonies see relevant sections below.

9 Probably the banks were successful in their objections to particular items. Thus the Commercial declined to divide deposits, since they did not distinguish interest-bearing deposits in their accounts, interest accruing automatically after three months. Letter of 18 January 1836, “Colonial Secretary In-Letters”, “Banks”, 1837. For agreement by Australia to furnish returns, letter of same date, ibid.

10 Bluebook 1838. In Bluebook 1839 the note issue at 31 December was given but this is an isolated item.


12 Government Gazette, 28 February 1838.

13 First in 10 August 1836.

14 Enclosure in Russell to Gipps, 4 May 1840, H.R.A. I, xxi, 765ff. A circular despatch to all colonies.

15 4 Vic., No. 13, 23 September 1840. How far Gipps was aware of the Regulations is uncertain. His bill was introduced in August and he did not communicate the Regulations to the Legislative Council until 13 August
1841. *V.P.N.S.W.* 1841. See Chapter 15 above.

16 New Zealand being briefly under New South Wales control, separate returns, from any banks operating there (including, e.g., the branch of the Union Bank) were to be made to the New Zealand Colonial Secretary.

17 Petition from bank in *V.P.N.S.W.*, 19 August 1840, Gipps' reply in report of Debates, *Sydney Herald*, 12 August 1840; withdrawal by bank, *ibid.*, 26 August 1840. The Australasia's protest was a matter of form to emphasize its chartered status. Griffiths thought the return was no trouble and the act desirable. “Private Letter Book”, 22 October 1840.


19 Terms of bill and debate in *Sydney Herald*, 12 June 1850. A private member's bill (Martin).

20 *V.P.N.S.W.*, 25 June 1850. Debate in *Sydney Herald*, 26 June 1850.


22 Letters to Colonial Secretary, 17 May 1841, “Colonial Secretary In-Letters”, “Banks”, 1841. The corrected figure (£16,946 in place of £34,946) appeared in the aggregated returns published in *Government Gazette*.

23 The article is well-informed and may be trusted on the point. See p. 60.

24 W. Fletcher, Inspector Union Bank, in evidence before 1850 Select Committee on Banking, *V.P.N.S.W.*, 1850; Moore's 1852 *Almanac*, p. 60.

25 See the statistics below and cf. evidence of G. Miller to Select Committee on Banking, *V.P.N.S.W.*, 1850.

26 Bank to Colonial Secretary, 10 February 1840, and minute by Gipps. “Colonial Secretary's Papers”, “Banks”, 1840.

27 Note that the aggregated returns gave only total deposits. For the division into interest-bearing and non-interest-bearing it is necessary to consult the individual statements published as received in *Government Gazette*.

28 The returns are in “Colonial Secretary In-Letters”, “Banks”, 1844, File 44/2349.
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