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## **THE CIRCULATION OF THE SICCA RUPEE IN VAN DIEMEN'S LAND 1820 -1850**

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In the early days of British Colonial history the 'mother' country made little attempt to regulate the currency of the colonies. Although the royal rights of dealing with the coinage were extended to the colonies, they were tacitly surrendered by the crown, and the colonists were allowed to initiate currency legislation, subject only to confirmation by the Sovereign in Council. Most of the colonies in the early days suffered from a great scarcity of coin.

Such was the case in Van Diemen's Land, the island at the most southern part of the new colony of New South Wales.

Van Diemen's Land was a colony, a dependent unit of a distant metropolis. It had been founded and maintained to serve a social need, the incarceration and reform of English lawbreakers. As such it was a prison with a prison economy, supported by the British Government and making little effort, beyond the production of its own requirements of grain and meat, to achieve economic progress. The importance of transportation was, then, and later, two fold; it provided the colony with plentiful and cheap labour; it furnished the economy with a modicum of capital which the penal authorities found necessary to expend on the administration of the 'Prison.'

The colony would have lingered indefinitely in this state of suspended animation had it not been for a quickening interest, in

England, in emigration and transportation, and the discovery in New South Wales of the suitability of the Australian pastures for fine woollen sheep. When New South Wales expanded in the early 1820's so did Van Diemen's Land. Trade expanded and the need for a currency became urgent. Emigration expanded, free access to land was available - growth in this area again increased the need for more labour. Soon within the island a free economy developed and with it the elements of a free society.

With this free society, merchants in Van Diemen's Land traded with other Australian colonies, the Orient, Great Britain, Mauritius, the Cape of Good Hope, the USA and especially India.

Originally the colony had no direct communication with the outside world, except for convict and government vessels, and all commerce was directed through Sydney. Until 1813, merchant ships were not allowed to call at the colony, but by 1820 all the channels of trade which were to be important in the next 30 years had been formed.

However, during those formative years there were considerable difficulties in meeting government liabilities. An issue of official promissory notes met the immediate liabilities, as the then Lieutenant Governor David Collins hoped to receive a supply of coin from Sydney. In 1804, Governor King in Sydney wrote to Lord Hobart, the Colonial Secretary,

requesting a supply of coin for the new colonies. The currency problems in Van Diemen's Land were amongst the worst worries of the various Lieutenant Governors who came to administer the island.

As the colony expanded the need for a circulating medium became more and more important. The majority of coins in circulation were those of foreign issue, which were legalised for general use in New South Wales.

Specie imports and exports were considerable from the 1820s. Cash came into the colony in a variety of ways: immigrants brought cash with them, and the amount so introduced was undoubtedly considerable. More important, however, were the cash imports by newly founded banks - the result of the increase in free settlement - and official imports by the government and commissariat. A small tourist trade with India developed after 1820 as many Anglo Indians came to Van Diemen's Land in stead of the Cape of Good Hope for a holiday or leave which in turn increased settlement. Concurrently there was considerable drain of specie from the island by merchants (in payment for goods), banks and emigrants.

It was not difficult to discover why the import of capital into Van Diemen's Land was originally not large. The need for specie was rather for the consumption of goods. The greatest need was for mercantile capital to enable the colony to live between harvests and to anticipate the next season's wheat or wool cheque. The merchants played an important role in the colonial economy and until

1839 they were the most influential class in the community.

Between 1820 and 1824 the island's economy was revolutionised by the opening up of external markets for its produce, and the population rise from five to twelve thousand resulted in an even greater need for specie. After 1820 an increasing circulation of Spanish Dollars and a great amount of paper currency issued by merchants enriched the currency. However this promising development was slowed down by a depression which commenced in 1823 and gradually deepened during the next three years. Various attempts to institute the dollar standard were unsuccessful. Although the Dollar was the most common coin in circulation, and was widely used as the main means of payment, the unit of account remained the English pound. In 1822, the Commissariat sold bills drawn on the treasury at a fixed premium of two and a half percent, accepting as payment dollars valued at five shillings. In the same year it abandoned the stable exchange rate in favour of a tendered rate. Tenders were to offer dollars for treasury bills at a premium if the colonists were prepared to pay. Most institutions, public and Government, worked in both currencies.

After 1826, Van Diemen's Land was on the Sterling exchange standard implemented by the *Circulating Medium Act* of 1826, which recited the expediency of a sterling circulating medium. Sterling was declared the official unit of account but, because of the great scarcity of sterling, the Dollar was made legal tender at a fixed rate. The 1826 Act aggravated the deflationary swing and there was

universal complaint of its "ruinous or lamentable consequences." The formation of three more banks in the colony with the subsequent importation of some specie did help the situation. The Act forbade the use of paper notes under the value of One English Pound. It also had the effect of draining the colony of specie. There remained a desperate need for small change.

Foreign coins previously circulating were readily accepted, as was the Indian Rupee. Rupees were being brought to the Island by the increased trade between India and Mauritius. In March 1826 the Sicca Rupee was accepted at a value of two shillings and one penny.

At the same time the Rupee circulated in Sydney at varying rates from 2 shillings down to 1/9 pence. Rupees began to flood into the Island. Merchants were buying the rupee in Sydney at 1/9 d and sending their catches to Van Diemen's Land and receiving 2/1 d. This state of affairs did not last very long. On 17<sup>th</sup> July 1830, the local press *The Courier* reported that it had estimated that half the coin in circulation in Van Diemen's Land was rupees. But soon the local banks began to refuse to accept the rupee for more than 1/6 d and then shipped them to Mauritius to receive 2/1 d.

In July 1830, the Colonial Treasurer in Van Diemen's forbade officials to accept rupees in payment due to the great fluctuation. In September 1830, it was estimated that 40,000 rupees were exported in one shipment to Mauritius.

The local merchants got together and set a price of accepting the rupee at 1/9 d and by 6<sup>th</sup> August

1830, the press reported that the 1/9 valuation had been completely re-stabilised. In doing so it urged the advantages of a stable local value for remittances of capital by these and other residents of India, which were contributing to the colony's supply of coin.

The Island's difficulties, however, were accentuated in the early thirties by an adverse balance of payments and the consequent drain of specie. The widening gap between imports and exports was no doubt partly due to capital exports. In August 1834, a large group of Hobart merchants and bankers petitioned for the legalising of other foreign coins than the Spanish Dollar namely the South American Dollar, USA Dollar and French Five Franc piece. By mere chance this petition was received a few weeks before receipt of despatches concerning British Treasury policy in relation to South American Dollars. The treasury, having verified that the South American dollars were not inferior in weight and fineness to the Spanish Dollar, directed the Lieutenant Governor (Arthur) to proclaim that these should be legal tender along with Spanish Dollars. Arthur promptly declared that "from 1<sup>st</sup> December 1834, all dollars whatsoever of the South American States will be received in the colony at a value of 4.4 d."

At the same time, he went on further to establish a committee to "investigate whether the sicca rupee and the United States Dollar should be legalised." This action was most likely as a result of a protest on 11<sup>th</sup> March 1835 by members of the Colony's Legislative Council against the refusal of the Commissariat to accept rupees

even though rupees formed over 60% of the small specie in the colony.

The evidence of the committee consisted of a collection of opinions, eleven for and two against the legalising of the rupee. A local valuation of 2 shillings was placed upon it. Bombay and Arcot rupees were rejected having too low a silver content. The USA Dollars were also rejected since the committee did not expect further trade to develop with that country. The effect on placing this value on the rupee was immediate in that it assisted to remedy the want of small change in the colony and it also induced "gentlemen retiring from India to settle in Van Diemen's Land bringing their capital with them." The report also stated:

That at Mauritius between which the Island and Van Diemen's Land a considerable trade exists the rupee circulates at 2/- and one penny.

So what was the effect of legalising the rupee? An immediate effect was to stimulate badly needed trade between the island and India. Importation of the rupee doubled at a critical time when the island was deepening into a depression. Private money speculators and the banks cashed in on the value of the rupee. The Mexican Dollar circulated freely despite not being legalised - specie was too scarce to quibble about legalities.

Yet, despite the difficulties in the colony the Sicca Rupee played a very important part in the economic development of Van Diemen's Land. It fostered trade, helped to meet a shortfall in small change and brought British emigrants from India to Tasmania, bringing their capital with them. The rupee has an important part in any Tasmanian currency display.