

The Rise and Fall of Charles Swanston

By

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One of the most outstanding figures in the commercial life of Tasmania during the thirties and forties of last century was Captain Charles Swanston, Member of the Legislative Council and Managing Director of the Derwent Bank. Indeed, in the latter capacity he is described by a contemporary as holding 'pecuniary dominion over a moiety of the island'.⁽¹⁾

His activities, moreover, were not confined to Tasmania, for, as we shall see, through his participation in the Port Phillip Association, of which he was one of the founders, he exercised a profound influence upon the colonisation of Victoria.

It is therefore a little surprising, as pointed out by a recent writer,⁽²⁾ that more attention has not been paid by biographers to his career—an omission which it is the purpose of this paper to rectify.

Of his pre-Tasmanian life we know little, except that he had been in the Army in India, where he held a Commission as Captain in a Regiment of Mounted Infantry in Madras, and for a time was Deputy Adjutant-General of the Indian Army. There he appears to have led the ordinary life of a young subaltern, hunting and shooting in his spare time, and enjoying the society of a wide circle of friends.⁽³⁾ During one of his furloughs, he is said to have visited Tasmania and to have been sufficiently impressed by its attractions to repeat his visit, with the possibility of settling there.⁽⁴⁾

In pursuance of this purpose he arrived at Hobart Town, on board H.M.S. 'Success' on 4th June, 1829, with his wife and family, and bringing with him a considerable amount of capital (some £10,000).

Although nominally on leave from military duties, he evidently decided to stay in this country, for soon after his arrival he purchased an estate on the River Styx, 'Fenton Forest' and also the fine property at New Town, known as 'New Town Park'.⁽⁵⁾ He also acquired land at Kingborough and some 4200 acres in the County of Westmorland.

But, unfortunately, as it turned out, for himself and many others, it was not Swanston's fate to become a country squire. He had probably brought letters of introduction to Lt.-Governor Arthur, to whom such a man, with military credentials and ability, was bound to appeal, and before long we find him dining at Government House and on intimate terms with the little military clique then in control of affairs at the capital. Captain John Montagu and Captain Matthew Forster, the Lt.-Governor's two nephews-in-law—who held respectively the important posts of Colonial Secretary and Chief Police Magistrate—were among his chief associates. Montagu was perhaps his closest friend, and the intimacy that sprang up between them continued until long after the latter had left Tasmania, leaving Swanston in charge of his affairs in Australia.

Swanston was a staunch supporter of Lt.-Governor Arthur, and during the Franklin regime he was regarded as the head and front of the so-called 'Arthur faction'.⁽⁶⁾ (See foot-note.)

It was probably due to Arthur's influence that in 1832 Swanston was nominated a Member of the Legislative Council, and in the same year was appointed Managing Director of the Derwent Bank, in which the supporters of the Government had a predominant interest. Soon after accepting this post he resigned from the Army, and thereafter devoted himself to his new duties.⁽⁷⁾

In addition to his political and banking activities he carried on an extensive business on his own account, as an import and export agent, in wool, tea, sugar, rum, and other commodities, in the course of which he formed connections with business houses in India, China, and elsewhere.⁽⁸⁾

THE DERWENT BANK

It is not my intention to enter upon a detailed account of the Derwent Bank. The subject has already been ably dealt with by Professor S. J. Butlin,⁽⁹⁾ and it would be superfluous to go over the ground again. But the operations of that ill-fated establishment are so closely interwoven with the career of its Managing Director that some references will have to be made to it from time to time in the course of this narrative.

The Bank was promoted in 1827 by a group of leading citizens in Hobart. It was, in reality, a partnership for 14 years, with the usual liabilities attached to that relationship. The Deed of Partnership, prepared by Robert Pitcairn, the Bank's solicitor and the chief conveyancer of his day, is a formidable document. Among its imposing array of signatures may be found those of many prominent officials of the Arthur regime—John Montagu, Colonial Secretary; Alfred Stephen, Solicitor-General; Douglas Fereday, Sheriff; Joseph Hone, Master of the Supreme Court; Jocelyn Thomas, Colonial Treasurer; Edward Dumaresq, Deputy Surveyor-General—and many other well-known men in the north and midlands, as well as in the south of the island.

The Bank's initial capital was £20,000 divided into shares of £100 each⁽¹⁰⁾, and the seven members of its first Board of Directors were Joseph Hone; John Dunn; John Kerr; Patrick Wood; William Barnes; Peter Archer Mulgrave; and James Haydock Reibey. Joseph Hone was the first Chairman of Directors.

Franklin, in his narrative, says that Montagu held, for himself and others, a large number of shares in the Derwent Bank, and that during his visit to England, in 1839 to 1841, he actively canvassed there on behalf of the Bank, and brought back many commissions for it. He also asserts that Montagu and Swanston were the chief representatives of the Bank, and that each relied on, and augmented the influence of, the other.

He cites an article in the 'Advertiser' of 20th June, 1843, in which it was alleged that Swanston's motives in attacking him were, firstly, his annoyance and chagrin at Montagu's dismissal, and secondly, his hope that Montagu might be reinstated, and the Bank thereby regain his official influence.

Franklin also alleges that a considerable portion of the press was 'completely under the fest' of the Bank—that the 'Hobart Town Courier' (of which Thomas Macdowell was editor) and its proprietor (Elliston) were deeply indebted to the Bank, and that when Thomas Macdowell became proprietor of the 'V.D.L. Chronicle' both he and his brother Edward Macdowell used its columns for bitter attacks upon his administration. Edward Macdowell was Swanston's son-in-law, and had been removed from his office of Attorney-General by Franklin. Either Swanston or Montagu—Franklin says—could easily have checked, or stopped, the malicious criticisms of the Macdowells' if they had cared to do so.

(FRANKLIN—'Narrative of some passages in the history of V.D.L.', pp. 7, 8, 13, 17, 18, and 20. See also Montagu's 'Book').

The Bank staff consisted of two—the cashier, Stephen Adey, and the accountant, John Leake, of Rosedale, Campbell Town.

It opened for business on 1st January, 1828, in premises in Davey-street, formerly used as a public house, called 'The Barley Mow', which stood on what is now the garden at the back of the Tasmanian Club, close to the office of Mr. Pitcairn, which was in the building now known as 'Ventnor'. From the letters written at the time by young Leake to his wife, we gather that the business methods of the infant establishment were somewhat elementary. For instance he writes: 'We have been principally employed in writing out Bank Notes, and have since opened the Books'.⁽¹¹⁾; and later, after the first half-yearly meeting: 'We had a very favorable meeting. I got the books to balance exactly, which, as I am so much out of doors, was almost a miracle. The Governor, however, has some objections to the Government Officers being Manager and Directors, and we therefore expect some change.'⁽¹²⁾

This last remark is evidently an allusion to the criticism in the press of the day, inspired, no doubt, by the Bank's older rival, the Bank of Van Diemen's Land, criticism which resulted in the resignation of all the Government officials in the Bank and its reorganisation under the sole control of a full-time salaried Managing Director, William Henry Hamilton. Before this the Bank had opened a savings bank branch for the receipt from the Government of deposits on behalf of convicts.

From this humble beginning the Bank's business grew and expanded with some success. Within two years the premises in Davey-street had become inadequate, and it became necessary to find further accommodation. A block of land fronting on Macquarie-street was purchased, a new banking chamber erected, and in 1833 the establishment moved into its new quarters.

Meanwhile, in 1832, Hamilton had retired and gone to England to act as the Bank's representative in London, and Charles Swanston had been appointed Managing Director in his place.

From this point we can take up the story from the letter books of Swanston and of the Bank.

The period of the twenties and thirties of last century was one of great development in Australia. Emigration was in full swing, land settlement was going on apace, and the rapid growth of trade and of the pastoral industry was bringing with it an ever-increasing demand for capital. Interest rates were extremely high—from 12½ to 15 per cent being readily obtainable—and the passing in 1830 of the Usury Act (11 Geo. IV. No. 6), which declared that English law relating to usury did not extend to Tasmania, opened up a bright prospect for the money-lender. The supply of local capital was limited, and it did not take long for the Derwent Bank's new Managing Director to realise that the Royal road to success lay in obtaining money from abroad at a comparatively low rate of interest and lending it out at a very favourable profit.

Accordingly, in 1834 the capital of the Bank was increased to £100,000, and Swanston proceeded to embark upon the perilous path which was eventually to lead to his ruin and that of the institution over which he had control.

He had a wide circle of influential friends in India and Great Britain, and to them he proceeded to write glowing reports of conditions in Tasmania, with tempting offers of gilt-edged securities, either in bank shares or in mortgages over real estate. There are many such letters in his books, of which the following is a specimen: 'Money here is as much wanted as ever. I do not think you can do better than send your funds to this Colony. For many years to come you can calculate on an interest of at least 10 per cent, and for the next two or three years,

I have no doubt, on good mortgages 15 per cent will be had. Our banks continue to yield a most profitable interest for money invested. In the Derwent Bank, of which I have the management, a greater interest can be obtained than on mortgage'.⁽¹³⁾

After this attractive picture it is a little surprising to find him writing, seven months later, to his agent (Buchanan) in London: 'Our Colony is in the most depressed state. Treasury Bills are at a premium of 6 per cent, and from the great sales of land and the drafts daily made on our Treasury here by the Home Government, specie as a circulating medium has almost disappeared. We are, in consequence, in as sad a state as it is possible for a Colony to be . . . The Black Whale fisheries have been far from successful this year, and, from the severity of the late winter, wool will fall short of the usual quantity exported from the severe losses that have been experienced amongst the flocks.'⁽¹⁴⁾

Somehow or other he had established contact with a wealthy Scotsman named George Mercer (of whom we shall hear more anon), and to him he writes in 1834: 'I have purchased for you four shares in the Derwent Bank at £100 per share (£110 nominal value), and shall continue to buy more; bank shares being the best investment in the Colony'.⁽¹⁵⁾—and a few weeks later, after the increase of capital: 'I have increased your bank shares to seven, and am about to make you a partner to the extent of £5000 in twenty-six old shares, paid up, and eighty-five new shares, of which 25 per cent only is now called up. Mr. McKillop and Mr. Learmonth have each invested £2500 in shares, with the intention of doubling their interests when funds arrive'.⁽¹⁶⁾

In January, 1835, he enlists the interest of another wealthy client—this time in India—Sir George Best Robinson, to whom he writes through his agents in Canton, Messrs. Jardine Matheson & Co.: 'There are', he says, 'two modes of investment here—mortgages and bank shares. Bank stock affords equal security. The banks of this Colony are joint stock companies—banks of deposit, of issue and discount. Therefore they are not in any way engaged in trade, or in any speculations, beyond that of discounting bills; and so closely interwoven with the affairs of the Colony that one cannot fail without the other. The Derwent Bank is conducted on the principles of the Scotch banks, and has the principal part of its loans secured on deeds of lands and houses. Its stock is divided into shares of £100 each, which have a premium at present of £11 per share—the Bank possessing a sinking fund to that extent over and above the capital paid up. Dividends have hitherto been at the rate of 15 per cent payable half-yearly'.⁽¹⁷⁾

You will notice that he omits to state that the Bank was a partnership, involving unlimited liability for every partner in the event of its failure.

Three days after this letter he again addresses a gloomy report to Buchanan, in London: 'The affairs of our Colony are by no means in a wholesome state, owing to the large importations from London and the consequence of forcing the goods on to the market at extended credits, which has caused much speculation, and will, I fear, be attended with loss to the shippers'.⁽¹⁸⁾

It is difficult to reconcile these contradictory accounts of the conditions then prevailing in the Colony. Was the Managing Director deliberately showing one side of the picture to his personal agent in London, and another to the unwary investor, for the purpose of promoting the interests of the Bank, and, incidentally, of himself? Or was he suffering from an optimistic complex, and sincerely believed in the soundness of his advice? Perhaps an extract from a letter, written about this time, to George Mercer, will provide a clue to the answer. It was on the subject of the V.D.L. Coy., in which Mercer had taken shares, and towards which Swanston,

for some reason, always displayed an animosity which is elsewhere lacking in his correspondence. He may have had a row with Mr Curr, the Manager, when the latter was in the Legislative Council, or—more probably—he was embittered by the liberal treatment afforded to that Coy., compared with the scanty consideration given to his own pet scheme, the Port Phillip Association, about which I shall have something to say at a later stage.* At any rate, this is what he says: ‘I regret to learn that you have had anything to do with the V.D.L. Coy. I doubt whether you will ever now get back the price of your shares. The whole scheme has been a job from beginning to end, and is continued such by the present manager, Mr Curr, to suit his own views and plans. I do not know who is the deceiver, but this I will say for him, that there is the most gross deception practised, either by the manager in this Colony, or by the managers in England, as to the real state of the affairs of the Company ‘How easily,’ he goes on, ‘you folks in England are gulled! The Englishman will swallow any scheme, however absurd and monstrous it may be. This notable Company last year, like the quaking mountain that brought forth a mouse, exported half-a-dozen bales of wool—the returns of an expenditure of £150,000—and when this expenditure is doubled, an export of beef to the Mauritius may be, perhaps, as magnificent.’⁽¹⁹⁾

I wonder what the writer of that letter would say if, today—100 years later—he could see the wonderful progress of the V.D.L. Coy., and compare it with the ignominious end of the Derwent Bank, and of his will-o-the-wisp, the Port Phillip Association! . . .

It may be noted here that Swanston was at this time engaged in purchasing land in Tasmania for George Mercer. He had recently acquired for him the estate of ‘Lovely Banks’, at Spring Hill, and his correspondence on the subject contains much useful information as to the values of land and stock at that time in the Colony. The boom in the wool trade was on, and prices of land, stock and produce had risen to unprecedented heights. In October, 1835, he writes: ‘I am so puzzled with the change that I really am alarmed at laying out your money’⁽¹⁹⁾—and again: ‘Land has risen in the Colony to a price which I never believed it would. One pound per acre is the lowest price now asked, and £1 10s. and £2 per acre are freely given’.⁽²⁰⁾ Sheep and cattle had also risen in value.

This state of things was, to some extent, consequent upon the recent discovery of the hitherto unknown territory at Port Phillip by Messrs. Henty and others, and the growing attention being paid to that part of Australia.

THE PORT PHILLIP ASSOCIATION, 1835 TO 1838

The story of the Port Phillip Association has been often told,⁽²¹⁾ and it is only necessary here to give a brief outline of it, to enable us to understand the significance of the facts disclosed in the correspondence of Charles Swanston with George Mercer and other members of the Association.

It begins in 1825, when John Batman, who had come down from his birth-place at Parramatta in New South Wales to settle in Tasmania, was struggling to wrest a living for himself and his family on his farm, ‘Kingston’, near the

* Adey, who was Agent at Hobart for the V.D.L. Coy, as well as Cashier of the Bank, transferred £20,000 of the Coy’s money from the V.D.L. Bank to the Derwent Bank without the knowledge of Edward Curr. When Curr got to hear of it he ordered Adey to return the money to the V.D.L. Bank. This was probably one of the reasons for Swanston’s antagonism.

foothills of Ben Lomond. He was by that time beginning to tire of the unending toil and monotony of his lonely existence, and welcomed with joy the arrival, one day, of John Helder Wedge, the surveyor, who had called to mark out the boundaries of his property. He and Wedge had many tastes in common, including a love of adventure and exploration, and during the visit they discussed the plan of crossing to the mainland in search of land more suitable for settlement than the rugged district of Fingal. Nothing actually came of the talk at that time, but when Wedge departed the seed had been sown in the mind of John Batman—seed which was to germinate into vigorous growth later, when he heard reports of the wonderful discoveries in Victoria of Hovell and Hume.

In 1827 he found a fellow-enthusiast in Joseph Tice Gellibrand, ex-Attorney-General, and with his co-operation he applied to Sir Ralph Darling, Governor of New South Wales, under whose jurisdiction the region of Port Phillip then lay for a grant of land in the neighbourhood of Western Port. But their request was refused, and there for the next five or six years the matter rested.

But in the meantime the Henty brothers had crossed the strait from Launceston, and settled at Portland Bay, without active opposition from Sydney, and the news of this, coupled with the publication of the full account of Hume's and Hovell's discoveries, revived interest in the project, and Batman set to work in earnest to secure the support he needed.

It was not long in forthcoming. A number of leading citizens were approached, and in 1834 a syndicate was formed, with the object of fitting out an expedition to explore the shores of Port Phillip, with a view to establishing themselves there and developing the rich lands of which such glowing accounts had been heard.

This syndicate, which was called 'The Port Phillip Association', consisted of the following members:

Joseph Tice Gellibrand, ex-Attorney-General.
Charles Swanston, M.L.C., Managing Director of the Derwent Bank.
Henry Arthur, Collector of Customs.
William Bannister, Sheriff.
James Simpson, Police Magistrate.
John Robertson, Merchant.
William Robertson, Merchant.
John Helder Wedge, Surveyor.
John Thomas Collicott, Postmaster-General.
Anthony Cotterill, District Constable.
William Gardner Sams, Under-Sheriff.
Michael Conolly, Merchant.
John Sinclair, Superintendent of Convicts.
George Mercer, Investor.
John Batman, Settler.

Gellibrand and Swanston were the leading spirits of the speculation, and Batman, because of his experience as a bushman and his known ability in handling the natives, was unanimously selected as leader of the expedition. George Mercer, the only absentee member, was included in the enterprise by Swanston, without previous consultation, partly, no doubt, because of his wealth, and partly because it was felt that, in the event of trouble with the Home Government, it would be as well to have a representative of the syndicate on the spot, in London.

On 10th May, 1835, Batman sailed from Launceston in the 'Rebecca', a tiny schooner of 30 tons, accompanied by three white men and seven Sydney natives. The latter had been employed by him in his efforts to conciliate the Tasmanian tribes who had been causing so much trouble to the Tasmanian Government. Batman was armed with a supply of blankets, tomahawks, knives, beads and other trinkets, intended as presents for the Port Phillip natives. He took with him also two elaborate deeds of conveyance, duly engrossed on parchment, which had been prepared by Gellibrand, in anticipation of a deal being successfully negotiated with the primitive inhabitants of the area which they hoped to acquire.

The little party arrived safely on the shores of Port Phillip, and in due course met a number of so-called 'chiefs', with whom they parleyed and eventually came to terms. Fascinated by the gifts so liberally distributed by the white visitors, and dazzled by the promise of an annual tribute, or 'rent', the guileless savages set their marks to the deeds, and thus signed away 600,000 acres of land since proved to be the finest in the Colony of Victoria, if not in Australia, including the future sites of Melbourne and Geelong—an area which to-day would be worth many millions of pounds.

The two deeds which concluded this Gilbertian transaction are endorsed, respectively, 'Grant of the Territory called "Dutigalla"', and 'Grant of the Territory called "Geelong"'. They are both dated 6th June, 1835, and are preserved as curiosities in a glass case at the Public Library in Melbourne.

The conclusion of the ceremony was celebrated by a magnificent feast, and a corroboree performed by the dusky members.

So far, so good—the expedition had achieved its object, and nothing now remained but to consolidate their position and to obtain the sanction of the authorities to the purchase.

It would be tedious to relate in detail the subsequent operations of the Association and their protracted efforts to obtain, either in Sydney, or in London, recognition of their title to the magnificent territory thus acquired. I propose merely to cite such passages from the correspondence of Charles Swanston as may throw light upon the activities of the syndicate and upon the motives and methods of its members.

In July, 1835—one month after the signing of the deeds—we find Swanston writing to George Mercer with a copy of an indenture relating to the employment of persons at Port Phillip on the Dutigalla estate: 'This paper', he says, 'will be a further proof of our anxiety and desire to protect the natives, if further proof is wanting to convince the Home authorities of the sincerity of our intentions in that respect. The accompanying paper is a memorandum sent to me by Mr Bannister . . . it puts before you clearly Sir George Murray's sentiments regarding the proceedings of the British Government towards the aborigines of these Colonies, and at the same time gives you Col. Arthur's opinion, in the year 1830, of Mr Batman's treatment of the people. He has, I understand, within these (last) few days stated in the presence of Mr Learmonth that this very gentleman (of whom he had so high an opinion in the year 1830) had destroyed more natives than any other man, and that he was, consequently, an unfit person to place in charge and in communication with the natives of Port Phillip. On what grounds Col. Arthur has made this statement we are unable to discover. All I can say is this, that Col. Arthur up to this hour treats Mr

Batman with confidence, and assures him that he considers his former services with the natives of this Colony to have been such as to merit every consideration from the British Government.

That Mr Batman understands the management of these people is quite certain from the success which has attended his expedition to Port Phillip, but, more particularly so, from his being always accompanied by natives of Sydney, who would on any occasion lay down their lives for his. The gentlemen of the Association have, at all events, the most perfect confidence in Mr Batman, and they feel so satisfied of his discretion and of his power with these people as to have no fear of being interfered with by squatters . . .

I shall in all this month of next year look forward most anxiously for letters from you on the subject of our territory of Dutigalla and Geelong.

P.S. Mr Harrison, the Counsel for the Treasury, I understand, is of opinion that grants obtained similar to ours were binding. It would be desirable to obtain his opinion and co-operation, if possible, and it is also advisable to obtain the opinion of the lawyers, after a consultation had at the Chambers of the Senior Counsel. The better course will be to fix a consultation when the cases are left'.⁽²²⁾

It is evident from this letter that even at this early stage the members of the Association were by no means certain of the validity of their title. The reference to Arthur's attitude towards Batman is interesting, because he is reputed to have supported the Association for two reasons—one that his nephew, Henry Arthur, was a member, and the other, because it had been suggested that the new settlement might well be taken out of the jurisdiction of New South Wales and placed under his control.

The following month Swanston writes: 'If you find that we shall have any chance of obtaining the concession of the territory at Port Phillip you must write me as to what share your son is to have of it . . . I intend to invest in the new speculation £4000 on our joint account (subject to your approval)'. He then goes on to paint a rosy picture of the future: 'I look upon this speculation as a fortune for my children, even if we should only be allowed to keep quiet possession of the country. You will perceive by the report of Mr Wedge, who is now at Port Phillip, who was for a long period of years a surveyor in this Colony, and who resigned his situation to go there, that the country is everything Mr Batman reported it to be. The account of Buckley is most curious. To him Col. Arthur has sent a free pardon, so that now, with his aid, we shall have most complete control over all the natives, and will, through his information, be enabled to take possession of the finest tracts. He is chief of a tribe and possesses the most complete control over his people. We have engaged a medical man (Mr Thomson) who is to act also as a Catechist. We at present feed all the tribes daily, but on Mr Batman's return they are only to be fed every full moon. Clothes and presents of all kinds have been sent over to be distributed to them. No means will be left untried to conciliate and keep them on good terms. Buckley will be our mainspring'.⁽²³⁾

William Buckley, the escaped convict, after thirty years or so spent among the natives of Port Phillip, had appeared on the scene in June, and joined Batman's party as a kind of liaison officer between them and the natives.

Up to this time the Port Phillip Association had been a very unorthodox body, with no deed or other document defining the terms of the partnership. But now that its members had acquired such a princely heritage, it became necessary to put matters on a proper footing. A deed was prepared vesting the property in

Swanston, Gellibrand and Simpson, in trust for the Association, and the whole 600,000 acres were divided into seventeen parts or shares. Of these, two were allotted to Batman, one to each of the other members, and the remaining two were put into the name of George Mercer 'in trust'. Batman was allowed to select his shares, and the rest were parcelled out by lot.⁽²⁴⁾

The destination of the two shares held in trust by Mercer has never been disclosed, but we shall get a hint of it presently.

Meantime, while these self-deluded optimists were indulging in day-dreams of the shape of things to come, events were moving in other directions, and they soon received a nasty shock.

Sir Richard Bourke, who had succeeded Darling as Governor of New South Wales, had, of course, been informed of the invasion of his territory, and took prompt steps in retaliation. On 26th August, 1835, he issued a proclamation, declaring that the bargain made with the natives by the Port Phillip Association was an infringement of the rights of the Crown, and therefore null and void, and that all persons found in possession of the lands included therein were trespassers, and liable to be dealt with in like manner as other intruders upon the vacant lands of the Crown within the Colony of New South Wales.

This was a bombshell, though not altogether unexpected, as appears from Swanston's next letter to Mercer, in which he says: 'General Bourke's proclamation is in all the papers. We expected this . . . , but it has not deterred us in our operations, as we consider it a mere matter of course.'

He then proceeds to tell of the arrangements made for further purchases of stock, and for their transport to the mainland, including the chartering of one vessel and the buying of another. He also speaks, rather slightlying, of certain 'squatters' who had gone over from Tasmania—(this would be the party led by John Pascoe Fawkner, who had occupied land on the Yarra). 'We will,' he says, 'no doubt, easily get rid of them—there is abundance of land without interfering with our domain,' and he concludes with this remark: 'I have no hesitation in saying that, if our claim is sanctioned by the Home Government, the Port Phillip establishment will be the first in Australia.'⁽²⁵⁾

As a matter of fact, the fulminations of the affronted Governor in Sydney—so airily dismissed by Swanston as 'a mere matter of course'—were not really so regarded, as is apparent from the letter which followed soon after: 'Col. Arthur,' he writes, 'seeing our preparations to take possession of Port Phillip, had several interviews with Mr Batman and the other gentlemen concerned, when he approved of the letter (Batman's) being addressed to him for the purpose of being forwarded to General Bourke, which he is to follow up with a recommendation that a military or civil officer should be sent there by him; that if General Bourke did not do so, Col. Arthur will then take upon himself to do so from this Colony. If this measure is adopted it will be a recognition of our claims by this Government at all events, and will prevent our being interfered with by other parties until the pleasure of the Home Government is known'.

He then assures Mercer that he is free to withdraw if he does not approve of being included in the enterprise, and promises, in that event, to repay all monies expended on Mercer's behalf: 'Should you not personally wish', he says, 'to engage in it, I have to hope that you will, notwithstanding, give to us the full weight of your influence, and if you cannot take the management of the trust we have forced upon you that you will have placed it into the hands of someone who will act for you in our behalf, and carry through with the Home Government our claims and proposals. We are most anxious and desirous that the Home

Government should accept our offer of a yearly tribute, rather than of a purchase money. It would be in every sense the most advantageous bargain for us to make.'⁽²⁶⁾

In March, 1836, he writes again: 'Our anxiety to hear from you and to learn the determination of Ministers is very great, more particularly since we have ascertained beyond a doubt that the country we have taken possession of at Port Phillip is the finest yet discovered . . . I forward you a map of the country as it has been divided mutually among the Association . . . You will perceive that our (divisions) fall together with the two shares *laid aside to be given away by you in England* . . .

You may therefore easily form some idea of our anxiety to learn the result of your application to the Home Government, and to know what hopes there are of keeping this fine country.

So fine a country as Dutigalla is worth a great deal more than we recommend you to offer to the Home Government—we are willing to give almost any sum of money for it'.

Then follow instructions to offer 2s. 6d. per acre, and if this is accepted to come to an immediate settlement. If, however, the Government refused to confirm the Grants, or to accept any offer, and decided to put up the land for sale by the Colonial Government, then he suggests certain alternatives which need not concern us here, and he ends the letter with these words: 'Therefore, my dear sir, do not lessen your exertions in our favour. But, should it so happen that the Government will not acknowledge the Association, nor give us any reward for our enterprise, then I hope you will, if possible, afford the means that we individually may be enabled to keep for ourselves out two lots, and avail ourselves of the splendid opportunity of forming for our children the noblest landed estates,'⁽²⁷⁾

Further light is thrown upon the two shares so mysteriously entrusted to Mercer by a later letter from Swanston to James Simpson: 'The two shares which were first placed in Mercer's hands, to be at his sole disposal, and to be appropriated in whatever way he might consider most judicious, were appropriated, for, as you may suppose, it would have been impossible to have carried on the correspondence and done what he has done, although unsuccessfully, without very great aid in London and the only way to obtain this assistance was with the means placed in his hands. To have remunerated the parties so employed with money would have cost us more than we could have stood.'

Mr Mercer did hint in one of his letters to whom he thought it necessary to give the shares, but most properly never, even in his private letters, has he ever mentioned their names, and to ask him the question I never will, knowing too well how delicately these matters must be managed in London'.⁽²⁸⁾

And there, I think, we may leave this unsavoury item in the promoters' negotiations in London.

The rest of the story is soon told. As might be expected, the British Government turned a deaf ear to all the arguments and proposals put before them. A despatch was sent by Lord Glenelg to Sir Richard Bourke, and on 9th September, 1836, the latter issued a second proclamation, notifying that His Majesty's Government had authorised settlement at Port Phillip under the same Crown lands regulations as were in force in other parts of New South Wales. The land was to be put up for sale by auction in Sydney.

But, although their bubble had burst, the syndicate felt that all was not lost. Swanston, Gellibrand and Simpson went up to Sydney and laid their claims before the Executive. After much discussion they were allowed, as an act of

grace, a remission to the amount of expenses they had incurred on any purchases they might choose to make at the forthcoming sale. This remission was fixed at the sum of £7000, and, at the sale, which was held in Sydney on 13th February, 1838, an agent for the Association bought about 9500 acres near Geelong for £7919 7s. 7d., from which the sum of £7000 was remitted. We can imagine the disappointment of the members of the Association at this end of all their dreams. But they seem to have taken it philosophically, at any rate on the surface.

In a letter to a friend, written shortly after the sale, Swanston remarks: 'My own affairs go on perhaps not quite as well as I could wish, but satisfactorily. But had Government acted towards us with a little more liberality I should perhaps have been too successful'.⁽²⁹⁾

These were brave words from a man who had seen a princely fortune vanish into thin air!

In another letter, however, written a few weeks afterwards, he shows us how bitter he really felt: 'The shareholders, who have in no way moved hand or foot in the question beyond paying their share of expenses, which one or two have not even done to this day, consider that the honour which has been conferred upon the acting members, who have had all the trouble and anxiety on the subject, have been sufficiently well paid for their exertions by such honour conferred.*

All I can say to them (is) that, had it not been for the exertions of my own friends and Mr Mercer's exertions, the £7000 would not have been confirmed by Lord Glenelg—so Col. Arthur and my friends write me.'⁽³⁰⁾

We need not follow further the fortunes of this little band of adventurers. One by one, its members fell by the wayside, and their shares were taken over by the survivors.

After years of worry and bitterness, of reproaches and recriminations—years during which we find Swanston declaring that he was overloaded with liabilities and worn out with anxiety,⁽³¹⁾ he and George Mercer appear to have emerged as the sole Proprietors.⁽³²⁾

It is not clear what ultimately became of Mercer's share, but in the end Swanston himself did not do so badly, and in the final winding up of his affairs his assets at Port Phillip were estimated to be worth upwards of £50,000.⁽³³⁾

YEARS OF DECLINE, 1835 TO 1849

The next ten years were to witness a gradual decline in the affairs of Charles Swanston, and of his pet creation, the Derwent Bank.

Who could have foreseen that the financial magnate of the middle thirties, that 'arrogant, proud, conceited and officious man'—as he is described by one who knew him,⁽³⁴⁾—the man who, at the pinnacle of his power, could write to a client of the Bank these words: 'As your style of address is not such as I can submit to, I have to request that you will, on receipt of this letter, nominate some other person as your agent to take charge of your affairs here, for I will have nothing more to say to them'.⁽³⁵⁾—Who could have foreseen that the same man would, ten years later, broken in mind and body, and crushed by an overwhelming weight of liabilities—himself be reduced to penury, and a fugitive from the wrath to come?

* This letter has evidently been miscopied by a clerk. The obvious meaning is that the shareholders referred to thought that the active members had been sufficiently rewarded 'by the honour conferred upon them' (whatever that was).

As so often happens, the process of such declension was gradual, and almost imperceptible, and, to do him justice, was set in motion by forces beyond Swanston's control.

John Dunn had opened his Commercial Bank of Tasmania in 1829, but as yet its competition had not seriously affected the other banks. But the advent in 1834 of the Bank of Australasia, with its vast resources of foreign capital, was another matter. This caused indignation and apprehension among the local bankers, though at first Swanston professed to treat it lightly. In a letter to George Mercer he writes: 'Mr Kinnear and the *great Banking establishment* have arrived. As there is a difficulty in obtaining gentlemen of respectability to join them as directors they cannot mature their schemes in Hobart Town. We cannot tell what effect their measures will have upon us. Should they begin by discounting at a low rate we must do the same; the consideration then will be whether it will be for our interest to continue our capital in banking at a rate of profit lower than can be obtained if employed in other ways, of which this Colony offers so many openings'.⁽³⁶⁾

As anticipated, the first thing the new bank did was to reduce the rate of discount from 10 per cent to 8 per cent. But this, apparently, did not worry Swanston, for in September 1836 he writes: 'Our dividend was 6½ per cent for the half year ending in July. The V.D.L. Bank gave 5 per cent. What the Bank of Australasia will give it is impossible to tell. Whatever it is, it must be very small. The reduction of the rate of discount . . . will, of course, materially reduce our profits, but I should hope, notwithstanding this reduction and additional competition in the banking here, that our dividends will never fall below 12 or 13 per cent. The Bank of Australasia has cut their own throats by reducing the rate. Mr Kinnear regrets his error—but too late'.⁽³⁷⁾

As soon as the Derwent Bank's astute managing director had got wind of the impending arrival of its formidable competitor, he had taken measures to meet its opposition. As already mentioned, in 1834 the bank's capital was increased to £100,000 and he embarked upon a vigorous campaign to sell the new shares. Letter after letter was written—all in the same strain—calling the attention of investors to the wonderful returns they could obtain by investing their money, either in the purchase of shares, or upon mortgages secured through the medium of the Bank. Dividends were promised of 14 to 15 per cent upon the bank shares and interest on mortgages from 10 to 15 per cent.

Attracted by these glittering prospects, money flowed in from all quarters in an ever-increasing tide, which not even the arrival of another 'foreign' competitor in the shape of the Union Bank of Australia—which opened its doors in 1838—could stem.

Writing in 1839 to Stephen Adey, who was then in England, he says: 'The applications for shares are now so great that I could easily increase our capital beyond £100,000'.⁽³⁸⁾

The boom in pastoral properties, caused by the demand for wool and other products, was then rising to its height, and 'gild-edged' securities were readily obtainable at rates of interest scarcely credible at the present day.

And so, for a time, the Bank floated on the crest of the wave, and Swanston, elated by his success, began to put into effect a plan which had been simmering in his mind, under which the Bank should cease to be a bank of issue and become chiefly a mortgage bank, fed by funds from overseas.

With this end in view, the issue of notes was suspended, and in 1841 the Bank's capital was raised to £250,000.

It may be observed here, that not all the money thus obtained was invested on mortgages. Quite a large amount of the funds received from abroad was sunk in the purchase of shares in the Port Phillip Bank, which had been founded in the infant City of Melbourne by Swanston and his associates, under a board of directors of which the chairman was Major G. D. Mercer, a son of his Scottish friend George Mercer. These shares were issued in Swanston's name, and gave him considerable voting power and influence in the operations of that Bank. Other overseas moneys went into Swanston's private ventures at Port Phillip, which, as we have seen, were at that time causing him some embarrassment, and in the final reckoning it turned out that many so-called 'securities' were either valueless or had no existence at all. In a letter written in 1850 by Mr John Walker, the liquidator of the Derwent Bank, he says: 'Your are aware that many parties have entrusted Captain Swanston with money under the impression that they have good security, and that the money had been laid out at Port Phillip and other places, and that they hold no such security, and that many of the transactions are of such a nature that they will not bear investigation'.⁽³⁹⁾

There is also evidence that some of the money entrusted to the Bank had been used in the purchase of wool.

But, in the meanwhile, for a year or two, the Rake's Progress went merrily on, with Swanston sitting in his chair, chanting his refrain of 13, 14 and 15 per cent—with an occasional bonus of 10 per cent thrown in,⁽⁴⁰⁾—and raking in the shekels from the eager crowd, who fought and jostled to secure a seat on the financial round-about.

In Swanston's letter book for 1841 we find him writing to Hamilton (the Bank's agent in London), urging him to persuade capitalists to take up shares in the Bank, and, wherever possible, to convert their mortgages into bank stock, where, he urged, the security would be better, and the returns more punctual. At the same time he himself writes to prospective clients (many of them women), telling them that he was putting their money into bank shares 'as the best investment' he could make for absentees.

But soon there was a rude awakening. The cloud of depression, which had been looming on the horizon—no bigger than a man's hand—gathered, and then, suddenly, descended. The boom had burst.

The price of wool fell to 1s. per lb., and values of land and stock dropped 50 per cent. The unhappy pastoralists were no longer able to pay the fantastic interest on their mortgages, and found themselves faced with ruin. They were even forced to boil down the carcases of their sheep for tallow, and there was a flood of insolvencies.

This state of affairs, of course, had a disastrous effect upon the Bank. Its dividends fell lower and lower, and the angry and frightened overseas clients began to clamour for the sale of their shares, and the immediate return of the money they had entrusted to the managing director for investment.

In a private letter—one of the very few of that nature in the books—written by Swanston to his friend Captain Montagu, then at the Cape—he reveals clearly the state of his mind at that time, and his apprehensions for the future:

'My dear Montagu

..... Things have taken since your departure such a sad turn that I begin seriously to be afraid of a general bankruptcy. All kinds of property, whether stock, land or shares in companies, are unsaleable, except at ruinous prices. Land and stock are not worth half what they were three years ago. Daily failures are the consequence.

In Melbourne the Port Phillip Bank has closed, and it is said will not repay to the shareholders 10s. in the pound.

In Launceston the failures are becoming daily more serious. I begin, consequently, to tremble for the banks—as yet we have sustained no loss, but we cannot expect to escape. We have thought it advisable for the present not to increase our capital or to borrow any more money . . .
(41)

In another letter—this time to Hamilton—he paints an even more gloomy picture: ‘So great distress and depression perhaps never overtook so rapidly any country as have overtaken this Colony in the last few months. I had foreseen that insolvencies would take place also, to a greater extent than in any former period, but the extent to which they have gone has far exceeded anything I could have believed would have been the case. We can expect no further capital from abroad, and it is not to the interest of the Derwent Bank to accept any or, increase its capital at present rates of interest. Therefore no more money for investment or shares must be accepted’.(42)

And through all the later pages of his letter book of this period we find the same *leit motif* of sadness and disillusionment, which finally culminates in an outburst of regret that he had ever come to Tasmania.(43)

And there was, indeed, good reason for his disquietude.

The Port Phillip Bank had been grossly mismanaged by its directors, who, with the exception of the managing director, had been lending the Bank’s money to each other and to their friends for their private speculations, on security of bills which turned out to be worthless. In 1842 the Bank closed its doors and the shareholders were left with a loss of nearly 60 per cent of their capital.(44)

The Derwent Company, which had been formed out of the wreckage of the Port Phillip Association, had got into difficulties and was wound up in the same year.

The contract made by Swanston with the Government for the construction of water works for Hobart Town had been cancelled for lack of funds.

The Kapunda Mine in South Australia, in which he had sunk a considerable amount of money, had turned out a failure.

And—to cap all—he now saw his beloved Derwent Bank drifting slowly, but surely, on to the rocks of bankruptcy.

And it was not only his own misfortunes that preyed upon his mind and kept him constantly ‘both in body and mind in a state of fever’.(45) He was consumed with remorse for the troubles he had brought upon his friends. In one of the last letters of those dark days he writes: ‘I have suffered so much in consequence of the losses you and some of my other friends have sustained in these Colonies as almost to have broken me down. My own losses have been very heavy, but my own misfortunes do not bear upon me, nor do they give me so much concern, as what you and others have suffered’.(46)

Although, as early as 1844, Swanston could read well enough the writing on the wall, he was determined to delay as long as possible the final day of reckoning, and for the next five years he strove to keep the tottering fabric on its feet. He made frantic attempts to realise his own assets, and those of the Bank, and his last letter book is full of efforts to enforce payment of overdue bills and mortgages, accompanied by threats of foreclosure or legal proceedings, if his demands were not complied with. The crowning humiliation came when he had to go to the Bank of Australasia and the Union Bank for financial help. This must have been particularly galling to a man of his temperament.

In 1846 the Bank's premises in Macquarie Street, were sold to the Union Bank, and the Derwent Bank moved into the building adjoining (now part of the Tasmanian Club).⁽⁴⁷⁾ It was essential, of course, that no hint of the Bank's precarious position should get out to the public. This is probably the reason for the mysterious letter which he writes to Edward Dumaresq, saying: 'There is not a word of truth in the reports you have heard.',⁽⁴⁸⁾ and for his request to the Colonial secretary that the Bank's quarterly return should not be published.⁽⁴⁹⁾

But the tide was now flowing too swiftly to be stemmed.

In July, 1848, the Bank's half-yearly dividend fell to 3½ per cent, and in the following January no dividend at all was paid.⁽⁵⁰⁾ In April a circular was issued, calling up all overdrafts and refusing all further accommodation.⁽⁵¹⁾

Then came the *coup de grace*—the Bank of Australasia and the Union Bank declined to grant further assistance.

After this, events moved fast. On 27th September, 1849, Swanston resigned, and at a meeting of the shareholders it was resolved to wind up the Bank, and Mr John Walker was appointed managing director, with power to carry out the liquidation.

On 26th October a circular was sent out notifying debtors of the Bank that all amounts owing must be paid within six months.⁽⁵²⁾

Shortly afterwards Swanston assigned the whole of his estate in trust for his creditors, and set sail for America, leaving behind him debts aggregating £106,000 (£50,000 of which were owing to the Bank), and assets valued at less than half that amount.⁽⁵³⁾

He did not survive his downfall for long. After a brief stay in California he started back for Australia, and a few days afterwards—on 5th September, 1850—he died on board the vessel, and was buried at sea.⁽⁵⁴⁾

Victoria perpetuates his memory by the street in Melbourne which bears his name. In Tasmania the only memorial is Swanston-street at New Town.

We may say of him, as was said by Samuel Johnson of a greater man:

"He left the name, at which the world grew pale,
To point a moral, or adorn a tale."

(Vanity of Human Wishes)

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