



## Trading & Exchange Rates in Colonial Times

Trading with the French on Martinique or Santo Domingue (Haiti) or with the Spanish in Cuba required a good knowledge of the rates of exchange. In reality the trading was based on how much of a specific trade good product was needed to pay for a barrel of rum, sugar or molasses. While this might seem easy, it wasn't necessarily so.

To acquire the rum, it was necessary to purchase it at sufficient discount to cover the cost of transportation and make a profit. For rum from British sources in the West Indies it was possible to make a spread of 5 shillings per gallon on average, and with good negotiation that might be increased by one or two more shillings. For any non-British source, not only did the spread of five shillings need to be obtained, but at a minimum three or more shillings per gallon extra was needed to cover bribes and extra crew bonuses (hazard pay).

Using Antiene rum (French) as a basis, the trader would need to acquire the rum at maximum of 10 shillings per gallon if they were selling it at 17 shillings. That would cover the 5 shillings per gallon spread they could get legally; 1 shilling per gallon extra cost for crew hazard pay, and 1 shilling per gallon bribe for many northern ports. A good trader would attempt to acquire the rum somewhere between 5-10 shillings a gallon and settle on 8.

What was 8 shillings in French coin? A standard at the time was a mark of gold (8 ounces).

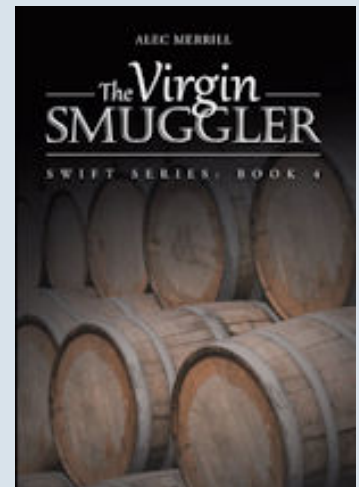
Standard	English System	French System
8 ounces gold (1 mark)	1 ounce gold = 21 shillings 8 ounces gold = 168 shillings	740 livres, 9 sols (20 sols = 1 livre) or 14,809 sols
Spanish piece of eight	4 shillings 6 pence Might be worth 6 shillings in New England, 8 shillings in New York or other values elsewhere	60 sol in Paris 80 sols in New France Value changed in the French colonies.

Gold was hoarded by all and rarely used in trading. Silver was used extensively, especially using the Spanish piece of eight. The Spanish piece of eight was far more common in the colonies and tended to be used more with the French and Spanish than British currency. There was a certain mistrust of French currency by all parties including the French because of a run on French currency in the 1730's. Because of the lack of coins in all colonies, each jurisdiction tended to establish their own exchange rate.

The safest way to trade for colonial traders was to know the value of their respective goods in shillings (e.g., purchase or acquisition price), so they could trade that product for so many gallons of rum, molasses, pounds of sugar, etc. When they ran out of trade goods and still had cargo space, specific coins were used if the buyer had them and the seller was prepared to accept. In the case of French and Spanish sellers, they could get a mark up when selling the trade goods, so goods were preferred above coins as additional profit could be squeezed out of the deal.



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