SILVER DOLLARS IN SOUTHEAST ASIA

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I

SPANISH DOLLARS CAME TO SOUTHEAST ASIA EARLY IN THE 16TH century through the Portuguese at Malacca and the Spanish at Manila. From the latter port they were also introduced into the South China ports of Canton, Ningpo and Amoy. They were quickly accepted and became the medium of exchange in the trade of East and Southeast Asia. In 1786 Captain Francis Light stimulated the wood-cutters of his newly-acquired settlement of Penang to greater efforts by loading a cannon with a bag of silver dollars and firing them into the virgin jungle,[1] and in 1819 Sir Stamford Raffles paid the Sultan and the Temenggong of Johore in Spanish dollars, five thousand and three thousand per annum respectively, for the lease of Singapore.[2]

Spanish, and later Mexican, dollars were for three and a half centuries the most widely circulated coins in the world and constituted a truly international currency. They were the result of Spanish control over the silver resources of Mexico. In 1518 Cortes conquered Mexico while seven years later Pizaro conquered Peru. In 1535 the first mint was established in Mexico which two years later produced the silver coins commonly known as Spanish dollars. Mexico was tremendously rich in silver and it accounted for almost four-fifths of the world's output of silver between the end of the fifteenth century and the middle of the nineteenth century. The discovery of the rich silver mines of Potosi in 1545 led to a great expansion in the production and export of silver dollars. When Mexico became independent in 1821 it continued this highly profitable "export-oriented" industry. These *Mexican* dollars were faithful reproduction of the previous *Spanish* dollars, except that from 1824 the republican eagle replaced the heads of reigning

[1] H.P. Clodd, *Malaya's First British Pioneer, The Life of Francis Light* (London 1948), p. 50.

[2] C.B. Buckley, *An Anecdotal History of Old Times in Singapore, volume I* (Singapore 1902), pp. 38-9.

Spanish monarchs on the coins. There were a total of eleven mints in Mexico, and between them they produced a phenomenal number of coins—over 2,082 million coins during the 'colonial' period from 1537 to 1821, and further 1,466 million coins after independence down to 1903.[3] Production only ceased in 1905 when Mexico closed her mints to the free coinage of silver and shifted on to the gold standard. The wide trade relations and the extensive empire of Spain ensured their dispersal over a large area of the globe. At the same time the coins themselves were intrinsically good; they retained their uniform quality and silver content, which was crucial as money was then valued by "touch" and too many coins were prone to debasement. Throughout their long history they were reduced in fineness only twice (from 930 to 916 per mille in 1728 and then to 902 per mille in 1772) but there was no alteration in weight.

II

The popularity of Spanish and Mexican dollars and the frequent excess of demand over their supply in Southeast Asia led to many imitations.

The first was the Hongkong dollar struck in 1866 by the British government at the mint in that colony. The expansion of trade in the nineteenth century had led to a perennial shortage of currency, and British merchants and bankers in the Straits Settlements (of Singapore, Penang and Malacca) and Hongkong prevailed upon their government to strike a British coin. They argued that it would also serve to extend the sphere of British influence in the Far East besides providing traders with a "clean" dollar.* The Hongkong dollar was a close imitation of the Mexican dollar in weight and fineness but being new and unfamiliar it passed at a

[3] For further information on Mexican and other silver dollars mentioned in this paper see: R. Chalmers, *A History of Currency in the British Colonies* (London 1893), Appendix A, "The Spanish and Mexican Dollar"; and A. Piatt Andrew, "The End of the Mexican Dollars" (*Quarterly Journal of Economics*, May 1904) reproduced in *The Gold Standard in International Trade, Report on the Introduction of the Gold Exchange Standard into China, the Philippine Islands, and Other Silver-Using Countries* (Washington Government Printing Office 1904) Appendix F(2). See also Appendix to this paper.

* Some Chinese in Hongkong and China were prone to "sweating" silver coins (that is, extracting some metal from them) and to counteract this, merchants "chopped" (or stamped) all dollars that passed through their hands, which was similar to endorsement of a cheque. Such coins were naturally defaced and too many chops often spoilt the coins, leading to "spectacle dollars" when the whole centre portion had been punched out! This problem was, however, virtually unknown in the Straits Settlements.

discount of one per cent, although after a few years, when familiarity had bred respect, it circulated at par with the Mexican. Discouraged by the high cost of producing these coins and the lack of early acceptance, the British government abandoned the project in 1868 after only two million coins had been struck. It closed the mint and sold the equipment to the Japanese government.

The intrepid Japanese were undaunted and they began to produce the Japanese trade dollar or *yen* from 1871. It was also closely modelled on the "Mex". In 1875 an attempt was made to replace the Mex with the yen, which was increased in weight. However, it failed and in 1878 the yen reverted to its previous weight. The yen nevertheless became very popular in Japan, China and Southeast Asia. Between 1871 and 1897, when production ceased, a total of 165 million were struck, of which over 110 million were exported. The yen was declared legal tender in the Straits Settlements in 1874 as was the American trade dollar.

The United States of America also was a leading exporter of silver dollars to Southeast Asia from 1873. The discovery of silver in Nevada in the 1860's created the problem of its disposal and the example of Mexico was followed. The American trade dollar was intended to be a rival of the Mex. It was deliberately made slightly heavier and more valuable than the Mexican, Hongkong and Japanese dollars in order to secure its acceptance, which it readily did in China, Hongkong, Indochina and the Straits Settlements. Within a period of six years the mint at California produced a total of thirty-six million coins, but in 1877 production ceased due to circumstances within the United States. The coins themselves did not long survive the melting pot, for as their higher silver content was discovered they were melted down. Gresham's Law as it operated among the Chinese literally drove better silver dollars out of existence!

The French were late comers for only in 1885 did they produce their *piastre de commerce*, more commonly known as the Saigon dollar. A total of thirteen million were struck between 1885 and 1895. The French coins were as heavy as the American trade dollars and, like them, ended in Chinese melting-pots. The next series of fifty-five million coins produced between 1895 and 1903 contained less pure silver than the Mex but more than the yen. They circulated in Southeast Asia although they were never recognized as legal tender in the Straits Settlements.

In 1895 the British government decided once again to produce British trade dollars. As in 1866 one reason was the complaints of British merchants in the Straits Settlements and Hongkong about the shortage of dollars. A second reason, however, was that the closing of the Indian mints to the free coinage of silver in 1893 had left them idle. British trade dollars were therefore struck at the mints in Calcutta and Bombay, over 150 million in eight years. These were declared legal tender in the British possessions of the Straits Settlements, Hongkong and Labuan but they circulated elsewhere in Southeast Asia too, proving to be the most serious rival to the Mexican dollars in this part of the world.

Despite the many challenges the popularity of Mexican dollars was undiminished. In 1861 the Mexican dollar was established as the standard coin of Hongkong and in 1890 it became that of the Straits Settlements, although the Hongkong, American and Japanese dollars were also recognised as equivalent and therefore unlimited legal tender.[4]

But by the turn of the century the era of silver dollars in Southeast Asia came to an end. In 1902 and 1903 Siam, the Philippines and the Straits Settlements abandoned the silver standard for the gold exchange standard. As a result the circulation of silver dollars in Southeast Asia virtually ceased.

III

A major factor leading to the abandonment of silver dollars in Southeast Asia was the rapid decline in the gold-value of silver. Up to 1870 the exchange value of silver in terms of good was steady at about 15 to 1. Then it began to alter rapidly. In 1872 it was 16 to 1, in 1888, 22 to 1, and in 1893 it fell sharply to 30 to 1.[5] One reason for this fall was the sudden decrease in the use of silver money in Europe from 1873. Following the Franco-Prussian War the victorious Germany exacted the huge indemnity of £200 mil-

[4] Legislation concerning currency in Malaya can be found in the appendices of F. Pridmore, *Coins and Coinages of the Straits Settlements and British Malaya*, 1786-1951, (Singapore, Memoirs of the Raffles Museum No. 2 June 1955). The changes are discussed in J.O. Anthonisz, *Currency Reform in the Straits Settlements* (London n.d.,).

[5] See *Final Report of the Royal Commission appointed to enquire into the Recent Changes in the Relative Values of the Precious Metals,* 1885, Reprinted with Introduction by Ralph Robey, (Columbia University Press 1936) p. 20; and *Stability of International Exchange, Report on the Introduction of the Gold Standard into China and other Silver Using Countries,* (Washington Government Printing Office 1903), p. 25.

lion from France with which it proceeded to establish a gold standard currency, which it accomplished by 1873.[6] This was achieved by buying gold with its silver credits. The sudden and substantial demand for gold and the corresponding surplus of silver in Europe caused the gold price of silver to tumble. There was a possibility that the mints of Europe, which were then open to the coinage of silver and gold (which were freely exchangeable at a fixed ratio) would be flooded by the more common and now cheaper metal and be denuded of gold. To prevent this the free coinage of silver was suspended and by 1880 silver could not be presented for this purpose at any mint in Europe, which abandoned bimetallism and moved towards gold monometallism. This in turn further depressed the gold price of silver.[7] A second reason for the fall in the gold price of silver was that the world's output of gold in the period 1873-1896 was less than that in 1850-1873. The result was that the value of the metal in relatively short supply began to rise while that of silver continued to fall.[8]

Up to 1893 the gold price of silver fell steadily but was prevented from collapse by the demand for silver which was still obtained in the United States of America and India. The silver question was an important political issue in America for many years. The gold price of silver was maintained as a result of three pieces of legislation which created a state demand for the metal: the Coinage Act of 1873, the Bland-Allison Act of 1878 and the Sherman Silver Purchase Act of 1890. The United States made a series of vain attempts to resuscitate the use of silver for monetary purposes at a series of International Monetary Conferences held in 1878, 1881 and 1892, and in 1893 it repealed the Sherman Silver Purchase Act. In the same year the Government of India closed its mints to the free coinage of silver. The subcontinent was a prodigious consumer of the metal and it was estimated that in 1892 about one-fourth of the world's output of silver between 1493 and 1892 either circulated in India or was hoarded or held in the form of bullion and ornaments.[9] With the failure of the 1892 Conference and the repeal of the Sherman Act

[6] J.T. Walton Newbold, "The Beginnings of the World Crisis, 1873-96", *Economic History*, January 1932, p. 427.

[7] R.G. Hawtrey, *The Gold Standard in Theory and Practice* (London 1947), p. 44.

[8] Hawtrey, p. 84.

[9] D.H. Leavens, *Silver Money*, Cowles Monograph for Research in Economics, Monograph No. 41 (Indiana 1939) p. 71.

the Government of India also abandon the silver and took steps to move onto a gold standard currency.

The result was a sharp fall in the gold price of silver. It dropped from 39¾ per ounce in 1892 to 35 9/16d. in 1893. The silver dollar in the Straits Settlements tumbled from 2s. 11 ⅝d. to 2s. 3⅜d.

Most of the countries of Southeast Asia* and South and East Asia used currencies which were based on silver. By 1893 most of the countries of Europe and America were on gold, and there was great anxiety that the commercial relations between the two regions would be adversely affected by the continued depreciation and fluctuation of silver.[10]

Currency reforms were undertaken by the countries of Southeast Asia in 1902 and 1903. By and large they were based on those undertaken by the Government of India in 1893 and by that of Japan in 1897 which had established the gold exchange standard in these countries. Very briefly, they called for the divorce of the nominal value of the new currency from the intrinsic value of silver. This was to be achieved by suspending the coinage or importation of the former silver coins which were valued according to their silver content and substituting new token silver coins. The plan was to raise the value of the new token coins above its intrinsic value by restricting its supply. The new currency would be then convertible into the currency of a gold standard country at a fixed rate of exchange to be maintained through telegraphic transfers.

The perennial shortage of silver dollars in Southeast Asia made this plan relatively easy to adopt. Siam took its first step towards gold in November 1902. Mexican and later British dollars had been freely exchangeable into *ticals* at the fixed rate of 60 to 100, the Siamese mints issuing ticals in exchange for gold, silver and copper, in bullion or specie form. This arrangement was suspended and ticals could henceforth only be obtained in Siam by depositing gold or sterling with the mint's agents in London. The rate was initially too high and the government was forced to lower it, but eventually as the value of the tical was divorced from that of silver it rose

* Except the Netherlands East Indies or Indonesia which in 1877 had followed Holland onto the gold standard.

[10] Expressed in the United States Reports on the *Stability of International Exchange* 1903 *and The Gold Exchange Standard in International Trade* 1904.

and was pegged at thirteen ticals to the pound sterling in 1908, when the Gold Standard Law was passed.[11]

The Philippines converted to the gold-exchange standard in March 1903. The Philippines had been a colony of Spain, and Spanish and Mexican dollars circulated here and were exported to China, Japan and the English and French colonies as well as Siam. In 1861 gold coins of one, two and four *pesos* were struck at Manila and circulated alongside silver dollars, but falling silver prices drove them out of circulation after 1875. The American administration tried to introduce gold dollars into circulation but the situation was unsatisfactory in view of the unsteadiness of silver prices. In March 1903 a theoretical gold peso was declared as the new unit of value while a new silver peso of identical dimensions with the Mex was struck and circulated. Later in that year the Gold Standard Act provided for the telegraphic transfers between the now token Philippine silver pesos and American gold dollars at a fixed rate of exchange. The rise in the value of silver in 1906 threatened to drive the new coins into the melting pot but their speedy recoinage to a lower weight and fineness saved them from such a fate.[12]

The Straits Settlements undertook the transfer to a gold exchange standard in October 1903. Until 1867 the three settlements of Singapore, Penang and Malacca formed part of British India and their official currency was the Indian rupee. But the coins most widely circulated were silver dollars. In 1867 when they became a crown colony the coins in circulation—the silver dollars of Hongkong, Spain, Mexico, Peru and Bolivia—were recognized as legal tender.[13] Until 1903 no silver dollars specific to the colony had ever been struck. Instead the colony extended recognition to the trade dollars of the United States and Japan and those struck by

[11] James C. Ingram, *Economic Change in Thailand since* 1850 (Institute of Pacific Relations California 1954) Chapter Seven; W.F. Spalding, *Eastern Exchange, Currency and Finance*, 4th Edition, (London 1924), pp. 233-8.

[12] E.W. Kemmerer, *Modern Currency Reforms, A History and Discussion of Recent Currency Reforms in India, Porto Rico, Philippine Islands, Straits Settlements, and Mexico*, (New York 1916); and Charles A. Conant, *A History of Modern Banks of Issue*, 6th Edition (New York 1927). The change to the gold-exchange standard was recommended by Conant who had been one of the three members of the U.S. Commissions of 1903 and 1904, and its implementation was supervised by Kemmerer.

[13] For this period of Straits Settlements currency history see L.A. Mills, *British Malaya* 1824-67, (Reprint) Journal of the Malayan Branch, Royal Asiatic Society, vol. XXXIII, Part 3, 1960, (No. 191) pp. 315-8.

the British government in India.[14] The events of 1893 caused considerable anxiety to the mercantile community. The chairman of the Singapore Chamber of Commerce called on the government to enquire into the means of "securing greater fixity of exchange".[15] However local opinion was divided regarding the best course of action to take so that the government left the matter alone.[16] In 1897 there was strong agitation from the mercantile communiy for a gold standard.[17] This time the government declared that it would be wiser to await the results of the currency reforms then being undertaken in India and Japan.[18] In 1902-3 there were fears, some of which were soon confirmed, of further abandonment of silver currency by the countries of Asia. In 1903 a government-appointed Currency Committee recommended the establishment of the gold exchange standard. The plans called for the striking of Straits Settlements dollars, of the same weight and fineness as the British dollar, which were to be substituted for the Mexican and British dollars, the latter to be demonetised as soon as the supply of new dollars was sufficient. The exportation of the new dollars was to be prohibited as was the importation of the former and now demonetised dollars. As the demand for money exceeded the supply the market value of the new dollars would rise above its intrinsic value.[19] In 1903 the plan went into operation. For the first time in its history the Straits Settlements had silver dollars specific to it. They were declared legal tender in 1903 and they circulated in the Malay States, Sarawak, Labuan and British North Borneo from 1904. Unlike India, Siam and the Philippines, the Straits Settlements did not immediately declare the exchange rate of the new dollar in terms of gold. It was permitted to appreciate until 1906 when it was pegged at 2s. 4d. (or $60 = £7) at which it has remained ever since. The British gold sovereign was declared legal tender although it never attained a wide circulation and the rate of exchange of the Straits dollar was maintained by the operation of telegraphic transfers between the colony and London. The

[14] See Pridmore, Appendices XXII (order-in-Council 21 October 1890), XXIV (Order-in-Council 1895).

[15] *Straits Settlements Legislative Council Proceedings* 1893, Appendix 28, p. C256.

[16] *Singapore Chamber of Commerce Annual Report*, 1893, p. 6.

[17] *Singapore Chamber of Commerce Annual Report* 1897, pp. 23-106, Report by a sub-committee of the Chamber, dated 9 November 1897.

[18] *Straits Settlements Legislative Council Proceedings* 1907, Appendix 45, p. C467.

[19] *Straits Settlements Currency Report* (commonly known as the Barbour Report after the chairman Sir David Barbour) Cd. 1556 May 1903, 14pp.

currency reforms were extended simultaneously to the other British possessions in Southeast Asia.[20]

In Indochina the French also viewed with concern the continued depreciation of silver. Despite French attempts to introduce the *franc,* Spanish, Mexican and American dollars were the common currency because of Indochinese trade with China, Hongkong and Singapore, which used these silver dollars as the medium of exchange. Finally the French bowed to the facts and introduced their own, the Saigon dollars. The French in Indochina, like the Americans in the Philippines and the British in the Straits Settlements, also set up a commission to recommend currency measures which were similar to those of the other governments.[21] But unlike them, Indochina, up to World War I, had still not converted to gold, and as such was the exception in Southeast Asia. It is possible that, like Hongkong, which stayed on the silver standard because of strong commercial links with China, Indochina found it to its interest to remain on silver.

IV

An important contributory factor to the abandonment of silver dollars in Southeast Asia was the increasing use of paper money, which was the result both of the shortage of silver currency as well as the convenience of paper money itself. The shortage of silver dollars was clearly seen in the popularity of the imitations of the Mexican dollar. Paper money also helped to assuage the shortage of silver dollars in Southeast Asia.

In the Straits Settlements and Hongkong paper money which was redeemable in silver dollars was circulated by four commercial banks: the Oriental Bank (which failed in 1884), the Mercantile Bank of India, the Chartered Bank of India, Australia and China, and the Hongkong and Shanghai Bank. In 1881 their combined note circulation was $3.6 million; in 1891, with only three banks,

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[20] For a more detailed discussion of the change to a gold-exchange standard see my paper "Straits Settlements Currency Reforms 1867-1906" presented at the International Conference on Asian History, University of Hongkong 1964, to be published.

[21] *Stability of International Exchange* 1903, Appendix H (2) "The Fall in the Price of Silver and the Monetary Question in Indochina", pp. 379-391.

it had risen to $5.9 million. In the latter year the note circulation of the Straits Settlements and Hongkong averaged $11.2 and $27.0 per head of population respectively. It was therefore already considerably greater than the coin circulation which averaged $5.3 and $1.8 respectively.[22] In 1899 the Straits Settlements enacted an ordinance enabling the government to issue notes of $5, $10, $20, $50. $100 and multiples thereof.[23] It was only in 1905 that the government issued its first one dollar notes. The government notes, like commercial bank notes, were redeemable in silver dollars. So popular and acceptable were they that when the colony began to shift on to the gold exchange standard they were made legal tender to facilitate the transition.[24]

Elsewhere in Southeast Asia the story was largely similar. In the Philippines the Spanish-Filipino Bank could issue notes up to 4½ million pesos but in 1897, just prior to American occupation, it had only issued 1½ million.[25] The Americans, however popularised the use of paper money and by 1907 over 27 million pesos of paper money had been issued.[26] In Siam a number of foreign banks issued paper money: the Hongkong and Shanghai Banking Corporation (from 1888), the Chartered Bank of India, Australia and China (from 1894), and the Banque l'Indochine (from 1897). The note circulation was on the increase though it was limited to Bangkok. It increased very rapidly after 1903.[27]

Silver dollars in Southeast Asia were thus driven out both by the decline of silver value in the last quarter of the nineteenth century as well as by the increasing popularity of paper money. With their passing the era of a truly international currency in Southeast Asia came to an end. The period of "national" currencies tied to the gold standard system of the metropolitan countries began.

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22 Chalmers, p. 378.

23 *Straits Settlements Legislative Council Proceedings* 1899, p. B20, Ordinance (1) of 1899.

24 *Straits Settlements Legislative Council Proceedings* 1904, p. B16, Ordinance IV of 1904.

25 Conant, pp. 585-7.

26 *Gold Standard in International Trade* 1904, Appendix B, "The Philippine Islands" p. 297.

27 Ingram, pp. 150-4.

APPENDIX

The Mexican Dollar and Its Competitors in Southeast Asia

	Weight Grains	Fineness	Pure Silver Grains
Mexican dollar	417 15/17	902 7/9	377 $\frac{1}{4}$
Hongkong dollar (1886)	416	900	374 $\frac{2}{5}$
Japanese yen (1871)	416	900	374 $\frac{2}{5}$
-do- (1875)	420	900	378
American trade dollar (1873)	420	900	378
Saigon dollar (1885)	420	900	378
-do- (1895)	416 2/3	900	375
British trade dollar (1895)	416	900	374 $\frac{2}{5}$
Straits Settlements dollar (1903)	416	900	374 $\frac{2}{5}$