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The Proposed Straits Gold Currency: A Chinese Opinion

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This is a question of the utmost importance to the trade of this country and should, therefore, engage the attention of every one who has the interest of the Colony at heart. Deeply concerned as we Chinese are in the well-being of these Settlements, very few have taken the trouble to study the question in a manner commensurate with its importance; yet, no one can deny that the proposal submitted by the Sub-Committee of the Singapore Chamber of Commerce involves very grave consequences to the Trade and Industries of the Colony.

The currency question is, no doubt, a very difficult subject to deal with; as the interests involved are so varied that many of our leading men have refrained from giving their views. Our two Chinese newspapers have been silent. They have merely mentioned the subject in a casual way without ever deigning to publish the Currency Scheme of the Sub-Committee, nor have they made any attempt to enlighten the public on this important topic. But feeling sure that those who are endeavouring to solve the problem will be glad to receive information from any person interested in the trade and commerce of this Colony, I have, ventured to offer this contribution, in the hope that it may be of some service to those who are studying the question.

No doubt, the recent rapid decline in the gold value of silver has caused much anxiety to our commercial community, particularly to the European import Houses who feel the fall most keenly. In consequence of this, some of them agitated for fixity of exchange, and as a result of that agitation, we have now before us an important monetary scheme. It is a scheme in which the English sovereign is recommended as the basis of our currency, with the addition of a new

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Straits dollar, bearing a free value of two shillings, our present Straits subsidiary coins, both silver and copper, remaining.

The authors of this scheme must have spent much time and labour upon their investigation. They are gentlemen well known to us and highly respected in our commercial circle, but as their chief business is principally with the gold-standard countries, they naturally have their own predilection as we have ours. This is apparent throughout the report and they made no attempt to conceal it, but they would appear to ignore many of the advantages which cheap dollars have secured to this Colony and the Protected Native States. As an illustration of this natural bias, I need only refer you to Section C of paragraph 2 of their report. Here in discussing the unaltered rate of coolie wages which had been almost unaffected by the depreciation of silver, they attribute the cause to the non-elasticity of native income. This is misleading, and the real reason may be found in the fact that not only the coolies themselves, but all their food and clothing are imported from countries where the dollar based on silver reigns supreme; may more, even the opium they smoke has not been affected by the fluctuation of the white metal, as the retail price of the drug was wisely fixed by the Government of Sir Frederick Weld.

Again, under the head of Import, in paragraph 15, they state that inferior goods are now being introduced into this Colony, because our consumers are not able to pay the high prices (caused by the fall in exchange) demanded for goods of superior quality. This is no new argument to us; for, we have heard of Birmingham wares and the undue sizing of piece goods when exchange stood at four shillings to the dollar.

I do not say this in order to belittle the importance of the Currency Scheme, nor to question the sincerity of its authors in the difficult work which they have undertaken for the good of the public. But in a matter where public interest is concerned, the right of criticism is the property of every man. I have, therefore, availed myself of that right, and I trust I have kept my criticism within the due bounds of courtesy; such is certainly my intention.

That we were correct in 1893 in opposing fixity of exchange can be seen by the general prosperity of this Colony. In our case, cheap dollars mean cheap labour, and cheap labour means cheap cost of production. Herein lies our secret of success in competing with other countries producing similar products.

Although we have been, so far, right in following the fortunes of silver, is it safe for us to continue in the same course when we are assured that the value of the dollar may dwindle down to eighteen pence, possibly to one shilling? In view of this contingency, shall we be justified in assuming the attitude that we took up in 1893? The answer to this will be “no”, as the dollar is now sufficiently low for all our purposes. A further fall in value will not help us but will do much harm. Some important branches of our business are now suffering from low exchange and these will be seriously injured if the downward course of silver is unchecked. Our shipping trade, for example, feels the weight of the falling dollar and will suffer with greater force as the price of the white metal declines. The lower the rate of exchange, the more enhanced will be the cost of maintaining our shipping and the higher will be the rate of freight. These increased charges must tend to swell the value of all our Imports and Exports. The cost of administering our Government will also be augmented may prove a serious burden to this Colony. While mining and agricultural interests will not be better served than they are now, a falling exchange will so scare the holders of Straits produce in foreign countries, that in anticipation of increased supplies, all the available stocks will be forced into the consuming markets at reduced prices. Thus, instead of receiving an enhanced price for our produce in proportion to the fall of silver, we shall probably obtain no more than we do now.

If we believe, as many believe, that so far as our business is concerned, silver has touched that limit, below which it cannot fall without causing detriment to the general interests of this Colony, then we should lose no opportunity in trying to remedy our monetary system, so as to meet the requirements of the time. But the perplexing difficulty with a scheme of that nature is the impossibility of reconciling the various interests that will be adversely affected by a reform of this nature. While one class of industries will gain, another will suffer. Consequently, whatever change may be desired in this direction that change must be based on broad and liberal principles, the aim and object of which will be the benefit of the country at large, including those of the Protected Native States. Therefore, taking these as the principles on which our future Currency should stand, I know of no scheme that can approach the one proposed by the members of the Sub-Committee, and yet, that scheme is not perfect, nor is it one that this Colony can accept without being exposed to great risk and danger. The introduction of so simple a measure as a reform to our currency would occasion but little disturbance in our trade, provided the fluctuation of exchange kept in the vicinity of the fixed rate. But the danger will appear when silver drops to the basis of a shilling dollar. In that case, Siam may have to be reckoned with and may become a powerful rival to our trade. The rice or other articles which she may produce for our consumption would be all in our favour. But what we should really regard with some concern would be the pepper and other products which that country might raise by means of cheap dollars and which might enable her to compete with us in the markets of the world. This is one evil which we may have to contend with after the conversion of our currency to gold. Such an evil, however, would be small in comparison with the immense benefit which other branches of our trade and industries would enjoy under the influence of sound money. The dollar, at one shilling, would lose half of the charm it now possesses, and no country desirous of keeping abreast with the march of civilization, would continue her currency in a metal so depreciated.

On the other hand if after our adoption of gold, silver were to recover a portion of its former value, say, the dollar rising to two shillings and six pence, then the blessing, which the scheme seeks to confer upon us, would be turned into a curse. In such a case every article that we now use and consume would cost us more than it would cost the inhabitants of silver-standard countries, no matter whether that article be manufactured in England or produced in China. The wages of our coolies too, would rise, owing to our fixed dollar having become smaller in value than the free dollar of China. These are some of the dangers to which we would be liable under the working of the proposed Currency Scheme. But, perhaps, some of us might say that if the proposed rate of fixity (two shillings) is too low, why not increase it to two and six pence so as to avoid these dangers? This high rate is impracticable and the reason has been partly explained by the members of the Sub-committee, and partly, because such a high rate of fixity would put us at a great disadvantage in competing with foreign producers.

Taking these facts into consideration, I am forced to the conclusion, that few will take the scheme seriously to heart until the doubts and uncertainties surrounding it are removed. If China, however, were to introduce gold into her currency, everything would become easy. Then we should have no fear of the surrounding States, because without Chinese labour and Chinese energy those States would be comparatively powerless to do us any harm.

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