

## **The Background Story of the Hong Kong Dollar, 1866 – 1868**

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HONG KONG, fascinating city of skyscrapers, teeming city of shops and neon lights, mysterious city of gambling, crime and vice, city of much interest and beauty, where now-a-days East and West meet! But all this is relatively new. One hundred and fifty years ago there was no city there, not even a town. Only a few shacks and huts could then be found on Hong Kong Island.

Since the turn of the 18th century British merchants and adventurers were determined to get a foothold on this island, situated off the Southeast coast of China. The reason for this was that they wished to obtain a suitable and safe anchorage off the Chinese coast from where trade between East and West could be developed. The Portuguese had been using Macao, some 75 km. west of Hong Kong, as their profitable trading port - so what was Britain waiting for? It was only in 1842 that Britain after the Opium War with China acquired Hong Kong by treaty. This new Crown Colony was soon enlarged by the addition of Kowloon, a peninsula on the mainland opposite Hong Kong, and still later by the acquisition, by lease, of the so-called New Territories, which adjoining Kowloon form part of the mainland of geographical China.

What was so special about Hong Kong? The new Crown Colony was not suited for agriculture, as it was too mountainous. But its very position was perfect - it had the advantage of including a large and natural harbor sheltered from typhoons, which cause such havoc in that part of the world.

Hong Kong has most certainly produced the safest harbor of the whole Orient. Standing 600 meters above sea level on Victoria Peak, the highest point on the island, one is treated to a breathtaking scenic view of the beautiful harbor, the city and the China coast.

So much, as far as Hong Kong is concerned!

During the Middle Ages trade in Europe had virtually come to a standstill, but what little trade there was, was more often that transacted by barter. There were many reasons for this, one important one being that some of the European mines which in the past had provided the precious metals for coins, had been worked out, and that hardly any gold, and not much more silver, was available to be turned into coins. When Europe slowly revived from the Middle Ages, trade began improving, but now money in the form of coins was required to pay for goods.

In the 16th century Spain set out on its expeditions of conquest. It conquered and brutally subjugated the Aztec and Inca empires and for centuries thereafter exploited the native Indians. From these conquests Spain

gained unbelievable riches in gold and silver, enabling her to provide, inter alia, the money, and the coins, for the expanding trade. From time immemorial man has always treasured gold and silver, and this refers to the civilized nations as much as to the barbaric peoples. Suddenly Spain found herself in possession of unlimited quantities of silver. Here was an opportunity not to be missed! The mines in Mexico and Peru, using slave labor, were set to work at a feverish pace, to turn out as much of the precious metal as was humanly possible. There and then the silver was refined and poured into bars. From these, Coin was made by hastily established mints, but these were not coins as we know them today. These were pieces of silver, roughly cut from the silver bars to conform to the coinage weight of the chosen Spanish denominations. These pieces, coming in all shapes and sizes, were then hand-stamped with a device incorporating the Spanish Coat-of Arms of Leon and Castile, the mint mark of the mint where the striking had taken place, and a numeral stating the value of the coin, such as "8" standing for 8 Reales, likewise "4" for 4 Reales. Right from the start, great emphasis was placed on the correct weight and silver content of these so-called "cobs", and consequently these pieces - the 8 Reales becoming known as "Pieces of Eight" - were soon accepted everywhere and can be termed the first modern trade-coins. Subsequently better minting techniques were adopted by the Spanish-American mints. The coins were struck on round blanks and the designs showed so much improvement that some of these Spanish Colonial coins may be considered amongst the most beautiful ever struck.

With all this silver at her disposal and with a keen sense for business, Spain had established an international currency, which proved acceptable in all the old as well as the new markets of the world.

England, Spain's enemy, was not in the least averse to helping herself to some of the silver whilst same was in transit from the New World to the Spanish homeland. Time and again the Spanish Treasure Fleets were set upon by the British privateers, and the great success of these ventures determined Queen Elizabeth I of England to review her commercial and maritime policies. It was at this stage that Spain received her first setback. When some time later the Netherlands broke away from Spanish rule, they took away much of the Spanish trade. England harbored ambitions for establishing her own trade-coins for use by the East India Company in far-off lands. The so-called Portcullis coins were struck for this purpose but as they did not prove successful, this was a short-lived venture. The Netherlands fared much better in regard to their trade-coins. Especially those of the Vereenigde Oostindische Compagnie, easily recognizable by the letters "V.O.C." clearly displayed in their designs, circulated widely along the Dutch trade-routes and within the Dutch colonies. However, they did not manage to replace the Spanish "Pieces of Eight" in those trading posts not belonging to the Netherlands.

When early in the 19th century Spain lost all her possessions in Central and South America, and the countries there became independent states, it was one of these, Mexico, which took over, where Spain

had been so successful for such a long time.

Mexico, now owning many of the silver mines previously exploited by Spain, commenced striking coins in her own right. These coins, of the same denominations, the same weight and silver content as their Spanish Colonial counterparts, and indicating all this clearly on the coins, were struck and supplied for export. The result was that these Mexican pieces found almost immediate acceptance in the Far East, where for so long the Spanish Colonial coin had been favored by the Chinese traders and had ruled the market.

When in the year 1842 Hong Kong became a British Crown Colony, its official currency was that of Britain i.e. British Sterling. However, the Colony, whose whole purpose it was to act as a base for the trade with China, had to have a monetary medium acceptable to the Chinese merchants, and the British Pound Sterling did not rate as such with them. Hence, -for the first 20 years of the Colony's existence a double monetary standard had to be maintained, consisting of the official British pound and the unofficial Spanish or Mexican dollar of 8 reales, of which the Chinese traders approved. Thus, with England business was transacted in Sterling, but with China dealings took place in Spanish or Mexican dollars. Finally in 1861 the Mexican dollar was declared legal tender in Hong Kong.

At about this time Mexican coins happened to be in short supply. This prompted the Governor of the Crown Colony to petition London to change the currency laws of the Colony. Arising out of this, Hong Kong received a new currency of dollars and cents, and in 1863 the first Hong Kong Colony's small-change-coins were struck at the Royal Mint, London, and shipped to Hong Kong. In 1864 the Governor once again petitioned London, this time calling for the establishment, in the Crown Colony itself of a branch of the Royal Mint. He was of the belief, that a mint situated on the spot, in Hong Kong itself, would be in a far better position to assess and deal with the expected growth of the Colony's trade, apart from being able to provide the required new coinage at a lower cost, than were it struck in England and shipped to Hong Kong. This argument apparently found favor in London, because money was allocated for the establishment at Hong Kong of a branch of the Royal Mint. Subsequently, a suitable building was erected there, minting machinery was shipped to the Colony and artisans and other qualified staff were recruited in England and sent out, to organize, operate and supervise the new mint.

On 7th May, 1866, the Hong Kong branch of the Royal Mint was officially opened by the

Colony's Governor, and during the opening ceremony the Governor's wife struck the first Hong Kong dollar coins.

The mint had hardly been put into operation, when serious problems were encountered. The new mint was expected to convert silver bullion and foreign silver coins into the new coinage. For this service the Hong Kong traders were charged 2% of the value of the converted coins. The merchants on the Chinese mainland - those not living in the Crown Colony but in China proper - once again were unwilling to accept the new coins at their face value, even though their intrinsic value was identical to that of their Mexican counterparts. They would only take them in payment at a 1% discount. This then meant that the Hong Kong traders would lose altogether 3% **in** their dealings, when using the new currency. This, they were not prepared to do, and they promptly reverted to the use of Mexican dollars. In addition to this, the mint was plagued by technical difficulties. The imported machinery proved to be inadequate, the workers were inefficient and the management did not seem to be able to cope. The result was that the daily output was far below the expected figure. All this was most disappointing. Given time, the technical obstacles could no doubt be overcome, but the failure of the Chinese to accept the Colony's coins at their face value, and the unwillingness of the Hong Kong traders to pay for "the privilege of having British coins struck, especially for their trade" - a questionable privilege as far as they were concerned - led the Colonial Authorities to suggest that the mint be closed. Thus, on orders from London, the Hong Kong branch of the Royal Mint ceased operations in April, 1868, just less than 2 years after its opening. The minting machinery was sold to Japan and shipped to the Osaka Mint. At the height of the British Empire's years of glory, Britain had suffered a defeat, albeit not on the battle-field.

During the mint's short life, considerable quantities of silver coins were struck, in denominations of 5, 10 and 20 cents, half-dollars and dollars. A total of 2,108,054 Hong Kong dollar coins were minted, spread over the dates 1866, 1867 and 1868, but it would appear that no accurate information exists as to the exact breakdown of individual dates.

The Hong Kong dollar is a particularly attractive coin, featuring on its obverse a beautifully executed head of Queen Victoria, wearing a tiara crown. This is perhaps the loveliest portrait of the Queen on any of the British coins. The coin-design is well balanced, uncluttered and elegant, with the English language legend kept to a minimum. The Chinese characters on the reverse blend well into the overall pattern, giving this British imperial trade dollar a truly oriental appearance. It is a pity indeed that such a distinguished looking coin had so short a life, but **its** pleasing design was doubtlessly used for, and perpetuated in the subsequent issues of the so-called British Trade Dollar and the dollar coins of the Straits Settlements. Both these types were struck in India, and to a lesser degree in England, for the trade in the East.

This then finalizes the subject, but having dealt at some length with trade coins in general, it may not be amiss to give some brief details of at least three coins emanating from other countries, two of which belong to the same period.

In the year 1871, Japan tried to replace the Mexican dollars used in the Far East with a trade coin of her own, but although the Japanese trade dollars were slightly heavier than the Mexican coins, once again the Chinese merchants disapproved of the new coins.

Two years later it was the United States of America who entered the market with a trade coin of her own, the United States Trade Dollar, a coin containing approximately 2% more silver than the regular U.S. dollar, and indicating its weight and fineness in its legend, exactly as on the Mexican dollar. The reason for the heavier silver content lay in the fact that the United States tried to encourage the Oriental merchants, especially the Chinese, to give this coin their preference over its Mexican counterpart to which they had become accustomed and which they had come to trust. Being of a higher silver content, many of the U.S. trade coins landed in the melting pot, but gradually they found acceptance in some of the Chinese trade ports. Given more time, they may have succeeded in competing favorably with, and finally ousting the Mexican coins. However, principally for domestic reasons, the striking for circulation of these very fascinating U.S. trade coins ceased in 1878.

If, on the European Continent, one refers to trade coins, automatically one's thoughts turn to Austria and in particular to the Maria Theresia thaler. This, as its name indicates, was a thaler - a dollar sized coin - originally struck during the reign of Austria's Empress Maria Theresia, in the year 1780. The, at that time, powerful Austrian Empire did a large and lucrative trade in the Near East and in certain parts of Africa, and the Maria Theresia thaler, a large and strikingly beautiful silver coin, became readily acceptable there. But not unlike the Chinese, who did not tolerate any change in their accepted coinage, so the traders in the Near East and on the East coast of Africa would not accept any deviation from the design or the appearance of the coin to which they had become accustomed. Even a change of date was noticed immediately and led to the rejection of the coin. Consequently, from then onwards until our times, enormous quantities of Maria Theresia thalers were minted, all carrying the original date of 1780. For the trade with the Near East, with Africa and especially with Ethiopia they were restruck not only at Vienna, but also at other European mints and even at Bombay of British India days. Today, however, they are struck principally for jewelry purposes and only at Vienna. As since 1780 the general appearance of this coin has never changed, the Maria Theresia thaler must be considered one of the most-used and best-known trade coins of Europe, if not of the whole world. All this, of

course, is by the way!

Ah yes, Hong Kong! After the mint there had ceased operations, the coins for the Colony's requirements were minted in England. The currency of dollars and cents was retained, but no dollars were struck again until the year 1960. As during the course of this century though value of the Hong Kong dollar, like that of most other currencies, had been eroded through inflation, the new dollar coins of 1960 and onwards were no longer made of silver but of cupro-nickel. They were also much smaller in size than their predecessors of almost 100 years ago. Obviously, these new dollars cannot be considered trade-coins; they, together with the rest of the Hong Kong coinage manufactured in England, were struck merely for use in the Colony.

*Mr. Bergman gave this talk before the South African Numismatic Society.*

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