

COLONIAL SECRETARY'S DEPARTMENT.

No. 483.—The following report presented to Government by the Currency Committee, 1930, is published for information.

E. R. HALLIFAX,
Colonial Secretary.

1st August, 1930.

REPORT OF CURRENCY COMMITTEE, 1930.

Your Excellency,

We, the Currency Committee appointed by Your Excellency's predecessor, the Hon. Mr. W. T. Southorn, c.m.g., Officer Administering the Government, have the honour to submit for Your Excellency's consideration the following report:—

INTRODUCTORY.**General.**

1. We were appointed on the 28th of April, 1930, to make investigation with a view to supplying answers to the following questions, which represented our terms of reference:—

- (a) Is the present currency the most advantageous for the purposes of the trade of this Colony?
- (b) In what respects, if any, is the present currency situation in the Colony unsatisfactory?
- (c) If the situation is unsatisfactory in what way can it be remedied?
- (d) Is the premium on notes over silver detrimental to the prosperity of the Colony? If so can it be controlled and by what means?
- (e) Is the linking of the currency with silver advantageous to the Colony? If so can it be more closely linked?
- (f) Is it desirable in the interests of the Colony that the value of the dollar be stabilised? If so can any effective steps be taken to that end?

2. We issued in the newspapers a general invitation to the public to put forward their views and support them, if required, by oral evidence; we regret however to have to record our disappointment that this advertisement evoked only the most meagre response, and the opportunity thus offered was not availed of at all by advocates of a stabilised currency. We also issued individual invitations to persons who, we considered, were specially qualified to shed light on various aspects of the subject, and who were representative of all interested sections of the community. We received the written views of many of the principal merchants' and bankers' associations both Chinese and European in the Colony. We have also had before us the report of the Straits Currency Committee of 1903, of the Royal Commission on Indian Currency and Finance of 1926, and of the recent Kemmerer Commission in China. In all we have heard ten representative witnesses orally and held nine meetings.

3. All written evidence we have received, and all memoranda previously written on the subject, to which we have had occasion to refer in this report, are printed as annexures in Part III. The minutes of those meetings at which oral evidence was heard form Part IV. To complete the data before us, and for ease of reference, we have appended in Part II all relevant Hong Kong ordinances and extracts from the supplemental Charters of the Chartered Bank, as well as a copy of the Order-in-Council by which the present currency system of the Colony is established.

Historical.

4. Whilst Hong Kong was still a settlement under Her Majesty's Plenipotentiary and Chief Superintendent of the Trade of British Subjects in China, a heterogeneous collection of coins consisting of Spanish, Mexican and other dollars, East India Company's rupees and copper Chinese cash was proclaimed the circulating medium.

5. Shortly after the island was constituted a Colony, Mexican and other Republican dollars were on the 27th of April, 1842, proclaimed the standard currency of the Colony in all Government and Mercantile transactions.

6. On the 1st of May, 1845, by proclamation the gold, silver and copper coins of the United Kingdom, as well as Company's coins, were admitted to circulate side by side with silver dollars. This system persisted for some years, but as Government accounts were kept in sterling and revenue was received in coins of all kinds, its inconvenience led first of all in 1853 to an abortive proposal to oust dollars in favour of a sterling currency, and finally in 1863, to a proclamation whereby Mexican dollars and other silver dollars of equivalent value that might from time to time be authorised became the only legal tender of payment.

7. It is interesting to note that about this time the coining of a new Hong Kong dollar was undertaken in Hong Kong, but lapsed after about \$2,000,000 had been minted. This type of dollar is now obsolete and so rare as to be considered a curio. A new type, the British Trade dollar, afterwards came into popularity and its coinage was undertaken in India and London.

8. The present currency of the Colony was established by an Order-in-Council proclaimed in 1895, which we have reprinted in full in Part II, and which explains fully the nature of the legal tender coins. It is noteworthy that the Mexican dollar is made the standard, to which the British or any other dollar should conform if it is to be accorded equality of status. The Order-in-Council is noteworthy also as ordaining that, in the absence of express agreement to the contrary, in all contracts and transactions involving liability to pay money, payment should be made in the standard coin of the Colony.

9. There are practically no restrictions on the minting of British dollars by any one who is willing to pay the seigniorage. It is estimated that in all about 230,000,000 British dollars have from time to time been minted, many of which must by now have gone into the melting pot. Mexican dollars are not now minted, but are held as deposits against the issue of notes, and China must have absorbed a vast number of them. Of Mexican dollars also a large proportion must by now have been melted down. When the British Silver dollar was re-admitted into free circulation towards the end of 1929, its minting and importation into the Colony were resumed, and it is estimated that 24,000,000 of these have come in since that time, as well as \$6,000,000 Mexican from Shanghai. It is estimated that another 10,000,000—15,000,000 British dollars may arrive in the near future. The total amount of coined dollars of various kinds deposited in the custody of the Hong Kong Government against note-issue by the three issuing banks was \$57,600,000 at the end of April, 1930. There are also subsidiary coins issued by the Hong Kong Government in circulation sufficient in amount for the purposes required. The nominal amount of these in circulation at the end of the year 1929 was \$17,914,370 and their market value stood practically at par; the amount of subsidiary coins in stock at the same date was about \$1,800,000.

Bank Notes Issued in Hong Kong.

10. We have reprinted in Part II the Hong Kong Ordinances governing the ordinary and excess issue of notes by the Hong Kong and Shanghai Banking Corporation and the Mercantile Bank as well as those portions of the Charter and Supplemental Charters of the Chartered Bank, which govern the note issues of that institution and the security therefor. The latest date up to which these banks are at present em-

powered to issue notes in the Colony is the 12th of July, 1930. We would invite particular attention to the requirement in the case of the Hong Kong & Shanghai Banking Corporation of the deposit of an amount of coin never less than one-third of the total issue in circulation, a practice also followed by the Chartered and Mercantile Banks in regard to their Hong Kong issues, and also to the fact that the Hong Kong and Shanghai Banking Corporation and the Chartered Bank have the option of securing a part of their issues by a deposit of bullion. Another significant feature of the system of note-issue in Hong Kong is that the Hong Kong & Shanghai Banking Corporation enjoys an authority, not shared by the other banks of issue, whereby it may exceed its statutory limit to any amount by the deposit of an amount of coin or bullion equivalent to the value of the excess notes issued. The effect of this is that when the limits of the other two issuing banks have been reached any large emergency demand may only be met by the Hong Kong & Shanghai Banking Corporation.

11. The privilege of issuing notes in the Colony was granted to the Chartered Bank in 1853, to the Hong Kong and Shanghai Banking Corporation in 1866, and to the Mercantile Bank in 1911. The understanding or convention, by which notes became accepted in all banking, mercantile and revenue transactions almost as the sole medium of exchange apart from subsidiary coins, is said to date from about 1890 onwards; it subsequently became in fact a tacit agreement not to observe too strictly the terms of the Order-in-Council of 1895. The acceptance of this convention was almost universal and any attempt to depart from it by meeting obligations with coin tended to be suppressed by reciprocating in kind. The total daily average amount of notes of the three issuing banks in circulation during the month of April 1930 was over 91¼ million dollars.

History of the so-called Premium on Notes.

12. The phenomenon of the local bank note or promise to pay becoming capable of purchasing a greater quantity of another currency than the number of silver dollars which it promises to pay could purchase has been a recurrent attribute of Hong Kong currency in a greater or less degree for at least thirty years; but the percentage of this premium caused no serious inconvenience till 1908 when on it rising to 3½% a move was suggested to remedy it by an unlimited Government note issue, as had been attempted in the Straits some years previously. At the suggestion of the Secretary of State for the Colonies this project for a Government note issue was abandoned, and the difficulties were solved for the time being by granting in 1911 the Mercantile Bank the privilege of note issue. During the war and post-war periods, when the price of silver was high, the problem did not arise; but after 1926, when silver declined in value, the divergence became marked, until in September, 1929, it represented a difference of 20%. The course of the premium is traced by Professor Robertson, Mr. Ferguson and Mr. Breen in their memoranda in Part III. Mr. Breen also gives an account of the attempts made to remedy a situation, which was becoming more and more difficult to handle, as the continued fall in the value of silver tended to aggravate the premium in so far as the rate of exchange in the Colony lagged in following silver on the downward course. Subsequent action by Government to assist in remedying the situation by reducing the stamp duty on bank notes to the extent of requiring not more than 1% per annum on \$45,000,000 of the aggregate bank note-issues of the Hong Kong and Shanghai Banking Corporation is evidenced by the correspondence with the associated non-issuing banks, (printed in Part III), which culminated in Government Notification No. 625 of 1929, (also printed in Part III). The premium still persists however to quite an appreciable degree as silver keeps dropping.

REPLY TO THE QUESTIONNAIRE FORMING THE TERMS OF REFERENCE:

(a) *Is the present currency the most advantageous for the purposes of the trade of the Colony?*

13. We have found it difficult to keep our treatment of this question separate from that of questions (e) and (f), and our answers to these questions must be read as complementary one to another. We have assumed that by "present currency" is meant generally the currency established on a silver basis by the Order-in-Council of 1895, and that there is no immediate reference in the question to the tangible shapes which this currency has taken, the disadvantages and unsatis-

factory features of which are dealt with in our reply to question (b). We note also that the scope of the question is limited to trade,—a term which we understand as connoting the business of financing, manufacturing, buying and selling goods,—and does not extend except indirectly to the individual or collective interests of any other persons than traders.

14. Prefacing so much, we have from the evidence received, to reply to the first question in the affirmative, so long as China uses a currency based on silver.

15. Our view in this respect has the support of all the evidence taken by us except that of two witnesses. One of these, who is Professor of Economics at Hong Kong University, favoured a change to a gold basis even if China remained on a silver basis, being inclined to discount the disabilities to trade which a change to gold would involve; the other, who is Chief Manager of a shipbuilding firm in the Colony, considered the present currency unsatisfactory because of the effect the fluctuations in the price of silver had in making it difficult to estimate sterling costs in his business, or to keep a firm offer open for the length of time required between tendering and acceptance, and also to finance ships after construction; he advocated therefore some measure of stabilisation, though he would not go so far as to say we should depart from the silver basis before China did so.

16. It may be apposite here to recapitulate very briefly the arguments upon which traders both past and present—(see especially the memoranda of Messrs. Mackie and Russell Nos. 34 and 35 in Part III),—rely to show how any attempt to base the currency on any other metallic standard of value than that used in China would be harmful to the trade and thus indirectly to the general welfare of the Colony. They are as follows:—

(i) Hong Kong is not a producing but a transit centre; its exports and imports are almost entirely on China's account; the trade which it handles is in reality China's trade. In spite of the fact that all countries from which imports come and to which exports go are now on a gold basis, and that there is a great improvement nowadays in the speeding up of communications between the Colony and China, it still is of the utmost importance that the Colony's currency should conform as closely as possible to that of China, and that unnecessary exchange transactions be eliminated.

(ii) The ill-effects of any divergence are amply shown when a high premium exists on Hong Kong exchange and drives business past the Colony to Shanghai. It naturally follows that these ill-effects would be accentuated by making a clean break between the two currencies.

(iii) If Hong Kong had a currency based on gold with China's currency still remaining on a silver basis, merchants fear that the financing of trade would tend to gravitate towards China, where a direct exchange transaction could be effected and bargains struck readily to the exclusion of Hong Kong as an intermediary. Trade might thus pass the Colony, and a centrifugal movement might set in, which in the long run would adversely affect the prestige and prosperity of the Colony.

(iv) We do not attach much weight to certain other objections which were mentioned to us. For instance, some feared that Chinese merchants, being traditionally accustomed to handle silver, might prefer to continue to do so, and move their businesses elsewhere rather than adjust their methods to the new currency. Again it has been stated that there is the possibility in the event of a marked appreciation of the price of silver that the Colony would forfeit a great portion of its silver token coinage to the melting pot.

(b) In what respects if any is the present currency situation in the Colony unsatisfactory?

17. We have concluded,—and are supported in our conclusion by all the evidence before us,—that the currency system of the Colony suffers from the following faults:—

(i) There is in fact a fluctuating premium on the bank-note over the silver dollar in exchange.

(ii) The silver dollar is itself a most inconvenient medium, being difficult to handle, carry and store.

18. Some witnesses have also expressed dissatisfaction with those provisions of the currency system by which the privilege of note issue is delegated to the somewhat arbitrary control of private banking institutions

(c) *If the situation is unsatisfactory in what way can it be remedied?*

19. As regards remedies for the premium we deal with these fully in our reply to question (d).

20. As regards remedies for the inconvenience attending the use of the silver dollar we consider that this inconvenience might be lessened to some extent, and at the same time the further minting of British dollars stopped, if more advantage were taken of the means that already exist of issuing notes against deposits of bar-silver in Hong Kong or in London. In general the practice of issuing notes against bar-silver seems to us preferable to issuing them against silver dollars. We realise however that many coins may still be needed as currency and that there would be difficulty in disposing of those already minted without loss of the cost of making and importing them. We do not favour any attempt to prohibit the minting or importation of *British* dollars, as such action might simply tend to raise the premium on the note, *until some exchange corrective in the form of silver bars is provided.*

21. As regards the control of note issue by private banking institutions we have more to say on this topic when we come to discuss the remedies for the premium. Those who are dissatisfied with the system of issue by private banks have suggested to us as alternatives, either that Government should take over the whole note issue, or that it should exercise a much more direct control than it does at present over the issuing banks. We have given careful consideration to their views, but have concluded that much of their dissatisfaction arises from a misapprehension regarding the obligation of the note-issuing banks. Although notes were never legal tender, but were primarily a convenient appendage to the currency, and although the law never contemplated that they should supplant silver dollars, it has come about that a demand for currency is in fact a demand for notes, to supply which in practice entails a purchase of gold by a bank of issue. Consequently what the party of demand regards *prima facie* as an obligation in regard to currency becomes, from the point of view of the party of supply, nothing more or less than an exchange operation, which can only be optional. We doubt whether in the special circumstances of this Colony, from which a large quantity of notes must continually be drained into the hinterland of China, such an obligation could be placed even on Government as a note-issuing authority.

22. We cannot moreover see that in the circumstances of this Colony a Government note-issue would have any advantages over a properly controlled private note-issue. On the contrary it might involve Government, and indirectly the taxpayer, in the risks of heavy losses due to fluctuations in the value of silver and securities, risks which bankers, being daily engaged in them, are more competent both to anticipate and cover. A Government note-issue again would involve Government in heavy initial expenditure in laying down notes and building treasuries to hold the reserves against them, and in a constantly recurring charge for the staff of a special note department.

(d) *Is the premium on notes over silver detrimental to the prosperity of the Colony? If so, can it be controlled and by what means?*

23. We find, and are supported in our finding by all the evidence, that the premium, as a fluctuating and uncertain factor, tends to drive trade past the Colony, and is thus detrimental to its prosperity.

24. The causes from which the premium arises are fully discussed in various memoranda printed in Part III. Briefly summarised they are as follows:—

There is a chronic excess of "invisible" exports consisting of Chinese emigrants' remittances from abroad, which lead to large purchases of gold all round by the banks. Presumably cover in the shape of sales of gold is wanting, and thus the market becomes one-sided. It might have been expected that relief would have been obtained by the resumption of the import of silver dollars, but the difficulties attending their use for inter-bank commitments are still considerable, even though since October last year it was agreed between banks to accept them freely. Prior to that date by tacit understanding between banks they were not accepted at all, and consequently no actual exchange corrective existed. The British dollar is current to any large extent only in Hong Kong and its costs through seigniorage and interest are appro-

ximately 5%; moreover since the only way of disposing of it elsewhere is by melting it down, to meet the loss thereby incurred, another 3% might have to be added to its cost. Consequently, in comparison with the uncoined metal, the silver dollar possesses grave disadvantages, in that its import and export points are widely removed.

25. As regards the possibility and means of controlling this premium, we consider that if the issuing banks here were to give out notes freely in exchange for legal silver coins, the exchange level of Hong Kong currency must approximate to silver parity, but, as we have already indicated, the inconveniences attendant on the use of silver dollars discourage the banks of issue from accepting any more of them than is absolutely necessary for their business. If it is assumed that silver parity is maintained in Shanghai, the local quotation for taels day by day against a parity of roughly Tls. 72 accurately indicates the extent of the premium here, but in spite of large imports of British dollars the expected effect of removing the premium or restoring a normal tael rate has not followed. An exchange corrective therefore has still to be found.

26. We might here refer in passing to the use of sycee in Shanghai, and remark how in spite of its disabilities this medium functions within certain limits as an exchange corrective. The exchange level in Shanghai cannot remain for long too high above the laying-down cost of silver; and again, opposite but natural forces are immediately put in action should the exchange level tend to move too far below the actual value of silver. It may be assumed roughly that, when exchange in Shanghai is quoted at $1\frac{1}{2}\%$ below silver, a point has been reached at which it begins to be profitable to ship sycee and sell it for its silver content. We have previously shown that the export point of the British dollar does not arrive until our exchange falls to over 3% below the price of the silver content of the dollar. Bearing in mind then that as a circulating medium British dollars have a very limited use, and in settlement of inter-bank commitments are far from being acceptable, it occurs to us to put forward the suggestion that some scheme might be agreed upon among the banks whereby bar-silver might be utilised in the place of minted coins in inter-bank settlements. All indications seem to show that there is a glut of silver dollars in the Colony, and if some such scheme for the use of bar-silver could be agreed upon among the banks the loss on seigniorage might be avoided, and it might then be possible to prevent the further indiscriminate minting of British dollars, for minting which permission might be granted by Government only in special circumstances when the note reserves or the Colony's requirements demand a further supply. We do not consider that outside interests should be allowed the latitude permitted under the present system of saddling Hong Kong with superfluous coins in order to gain an immediate profit, a practice which incidentally aggravates the problem for the Colony if and when stabilisation has to be effected.

27. To give effect to these measures of reform, and provide for that elasticity in the currency which is necessary to meet the growing needs of the Colony, we have arrived at the conclusion, after our examination of all aspects of the case, that some readjustment may be called for in the restrictions now imposed upon the note-issuing banks. Admittedly the power of note issue possessed by banks involves a serious responsibility on their part to Government, which represents the interests of the public, and we make the following proposal therefore with some diffidence. As the law stands at present the extent of note issue is limited by the amount of the capital of the bank concerned. Only the Hong Kong and Shanghai Banking Corporation may issue notes in excess of the statutory limit, and then only under onerous conditions. We think the prescribed limit should be less arbitrary and should be subject to periodical revision, provided always that the banks of issue fully cover their notes by the deposit in the Colony of bullion or silver dollars to the extent of at least one-third, the balance being covered by approved securities deposited entirely under Government control. The public would thus be adequately safe-guarded.

28. As the root of the difficulties in connection with the premium is to be traced to an excess of inward remittances, it is obvious that the recent lowering of the rate of interest allowed by banks on deposits should also in the long run tend to remedy the situation. But owing to the unprecedented fall in silver, overseas Chinese have been induced to make excessively large remittances to Hong Kong with a view to getting the benefit from an expected rise in exchange, and it may be some time therefore before the action of the banks will make itself fully felt.

(e) *Is the linking of the currency with silver advantageous to the Colony? If so can it be more closely linked?*

29. We consider that we have supplied sufficient answers to these questions in our remarks in reply to question (a), where we imply that as long as China links her currency to silver so long must it be advantageous to the Colony to do likewise. In the preceding paragraphs we have indicated the means by which a closer link may be forged.

(f) *Is it desirable in the interests of the Colony that the value of the dollar be stabilised? If so can any effective steps be taken to that end?*

30. It is conceded on all hands that stabilisation in currency matters is an ideal which it is most desirable to attain, and if it could be realised here to the extent to which it has been effected elsewhere, all the problems connected with the Colony's currency would automatically disappear. The only justification for adhering to the existing silver currency is, as we have already fully explained, the fact that Hong Kong is yoked to South China both geographically and commercially, and in the last resort the question becomes a choice of evils: whether the Colony should face the loss of trade, which is apprehended if it adopts a gold basis, or whether it should continue to be buffeted by the fluctuations attendant on the use of silver as a basis for its currency.

31. We would here emphasize that stabilisation could not be effected at any arbitrary figure but would have to be determined by the value of silver at the time when the change is made, as present holdings of silver must be sold for what they will obtain in the new currency in order to finance that currency. We are not prepared to hazard an opinion as to the sterling price our silver dollar on finally being disposed of would fetch, were stabilisation to be agreed upon, but undoubtedly the price would be much lower than the exchange value of our currency at the time the decision to stabilise was taken. Any attempt therefore to fix arbitrarily the sterling value of the dollar at a higher rate must involve a serious loss, which neither a Government nor any private individual would be prepared to suffer. It is obvious that, during the period of transition towards stabilisation and for long afterwards, trade and commerce will suffer severe dislocation, but how far-reaching the effects may be, or how quickly the Colony would recover, can only be a matter for conjecture.

32. As regards the future of silver we do not feel confident to express any definite views. But though we fully realise the uncertainties and risks of the situation in this respect, we would deprecate any over-hasty action to effect stabilisation at a figure that subsequent movements in the price of silver might prove to have been ill-advised and disastrous to the best interests of the Colony. In this connection it may not be out of place to repeat the evidence given by American interests before the Royal Commission on Indian Currency and Finance in May 1926, when with regard to the effect of the price of silver on the world's production it was stated that, should the price of silver fall to 50 U.S. gold cents per ounce, 20% of the world's production would be made unprofitable, whilst a fall to 33½ cents per ounce would make 58% unprofitable. It was also pointed out at the same time that the reduction of output would probably not follow immediately on the decline of prices. These remarks might well be taken in conjunction with the views of the Chairman of the Shanghai British Chamber of Commerce, who in February last in a letter addressed to the Chinese Minister of Commerce and Industry, Nanking, made the following statement:—

“The present stocks of silver in Shanghai would be insufficient to finance China's trade, were such trade normal”.

33. Finally since China has now worked out through the agency of the Kemmerer Commission a complete and detailed scheme, whereby in more propitious circumstances she may make the change to a gold standard currency, we consider that it is of the utmost importance that Hong Kong, as being unable herself to exercise any control over the price of silver, should be in a position to anticipate such a move on the part of the last remaining user of silver on a large scale. Although we cannot see that China will be able to take this step in the immediate future and although we are rather disposed to regard China's desire for a gold standard for the time being as a pious hope, since any such scheme in the nature of things must entail the reorganisation of her political and fiscal machinery and the obtaining of large financial credits from outside, nevertheless Hong Kong should not be found unprepared for

such an event in China, or she might find herself a holder of much-cheapened silver, a situation too disastrous to contemplate.

34. We recommend therefore that all available data should as soon as possible be placed before expert opinion with a view to the formulating and having in readiness a feasible scheme worked out in detail whereby the transfer of the Colony's currency from a silver to a gold basis may be effected as smoothly and with as little trouble and expense as possible, in case a sudden change-over be forced upon the Colony.

35. Although it is premature at the present stage to indicate what gold-currency unit should be adopted by Hong Kong, our close business relations with China require us to stress the advisability of this Colony adopting a monetary unit identical with that of our neighbours, following the example set in this respect by Canada with regard to the United States of America.

36. In conclusion we desire to add that, since our terms of reference confined our enquiry primarily to a consideration of the effects of the Colony's currency upon trade, we have refrained purposely from commenting on the hardships of residents and others financially interested in the Colony, who are losing heavily owing to the unprecedented fall in the price of silver, but we trust that the omission may not be construed as implying any lack of sympathy with these sufferers.

37. We desire to express our thanks to our Secretary, Mr. T. Megarry, of the Hong Kong Cadet Service, for the capable way in which he performed his many and arduous duties, and also to Miss V. R. Harrison, for her assistance in the secretarial work.

We have the honour to be,

Sir,

Your Excellency's most obedient servants,

C. McI. MESSER, *Chairman.*

M. J. BREEN.

C. CHAMPKIN.

CHAU YUE TENG.

A. H. FERGUSON.

V. M. GRAYBURN.

R. H. KOTEWALL.

LI TSE FONG.

C. G. S. MACKIE.

D. O. RUSSELL.

T. MEGARRY,
Secretary.

14th July, 1930.

H. E. SIR WILLIAM PEEL, K.B.E., C.M.G.,
Governor, etc.

HONG KONG

Reservations by the Hon. Dr. R. H. Kotewall, C.M.G., LL.D.

I have signed this report with two reservations :

A.—Currency Advisory Board.

1. In paragraph 21 of the report alternative suggestions for the better control of the Colony's note-issue are mentioned. They are (a) that the Government should take over the note-issue, and (b) that it should exercise a more direct control over the note-issuing banks than it does at present. Arguments are given in paragraphs 21 and 22 to refute the first suggestion, but no reasons are advanced against the second which seems to me to be of such importance as to merit serious consideration.

2. In paragraph 16 of my memorandum I express the view that, while the first alternative seems, for reasons given therein, unwise and unnecessary, the fact that it has been suggested by such important organisation and local residents as the Chinese Bankers' Association, the Chinese General Chamber of Commerce, the Hon. Mr. J. J. Paterson and Mr. R. M. Dyer, C.B.E., indicates that there is a widespread desire on the part of the Public that the Government should not altogether dissociate itself from the control of the note-issue of the Colony.

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3. Many business men and bankers consider—and I agree with them—that the present system lays too great and too grave a responsibility upon the managers of the three note-issuing banks. Of these the Hong Kong and Shanghai Banking Corporation, by virtue of its premier position in China, and of the special privilege it enjoys in being allowed by law to issue notes in excess of the statutory limit to any amount under certain specified conditions, exercises the greatest power; and consequently it is upon its Chief Manager that the heaviest responsibility lies in a time of financial crisis. This means that in such a time the welfare of the Colony largely hangs upon the decision of one man. On one or two occasions in the past the Public has asked itself whether the action or inaction of the Bank in the matter of note-issue was to the best interests of the Colony as a whole. The Public has the right to expect that the note-issue, upon which the prosperity of the Colony depends to so great an extent, should not be subject to the will of one single individual. At the present moment Hong Kong is fortunate in having at the head of its chief bank a man of large vision, but it requires to be safeguarded against the man of narrow views, who may at another time occupy the same position. In other words, we trust the man in power to-day, but we mistrust the system that confers a position of such power. It may be interesting to note that in paragraph 29 of the report, the Committee expresses the view that “admittedly the power of note-issue possessed by banks involves a serious responsibility on their part to Government, which represents the interests of the Public.”

4. Sharing this view, and in the absence of other schemes for a better control of the note-issue, I recommend the establishment of an Advisory Board that could in a time of financial crisis advise the Government (and, incidentally, the note-issuing banks) what steps should be taken to meet the situation. The fact that the Colony would then be prepared for an emergency by the existence of a body of experts (some of whom at least would be disinterested and independent parties) ready to study any problem and explore all avenues for remedial measures, would be sufficient justification for my recommendation.

5. I should mention that the proposal to institute this Board has the support of two other members of the Committee.

6. In view of my recommendation, I am unable to subscribe to the view expressed in the last sentence of paragraph 29—“The Public would thus be adequately safeguarded”—unless it is modified by the addition of the words: “but in the opinion of three members of the Committee, the establishment of an Advisory Board is necessary for full security.”

B.—Stabilisation.

7. My second reservation concerns the question of the stabilisation of the dollar. While the other members of this Committee advise in paragraph 36 that "all available data should.....be placed before expert opinion with a view to the formulating and having in readiness a feasible scheme.....whereby the transfer of the Colony's currency from a silver to a gold basis may be effected in case a sudden change-over be forced upon the Colony", I am of the opinion that expert advice should be sought as to whether this Colony can now, or at some future date, safely adopt the gold basis, *even if China does not take the same course.*

8. From paragraph 27 of my memorandum it will be seen that I, too, have reached the conclusion that the time is unpropitious for Hong Kong to change to a gold basis, but that I feel that if we were to do so even before China, the result might not be as harmful to the Colony as it is feared. I should like here to call attention to the arguments in favour of stabilisation which I have collected from various sources and arranged in paragraph 26 of my memorandum.

9. I have a great respect for the opinion of my colleagues on the Committee, appreciating their technical knowledge of the subject, and their ripe experience of business and banking conditions in Hong Kong and China. At the same time I feel that the Colony ought not to rely *solely* upon the opinion of this Committee in attempting to dispose of the problem which affects the very life blood of the Colony's trade. I hold the view that the question should be referred for advice to the highest possible experts whose disinterestedness and lack of bias cannot be questioned.

R. H. KOTEWALL.

14th July, 1930.

COLONIAL SECRETARY'S DEPARTMENT.

To the Owner of Survey District I Lot No. 487/11.

No. 484.—It is hereby notified that the Governor in Council having decided that the resumption of the property registered in the District Office, South, as Survey District I Lot No. 487/11 is required for a public purpose and in the opinion of the Governor private negotiations for the purchase thereof having failed, the said property and all rights, easements and appurtenances thereto belonging or appertaining will be resumed by the Crown on the expiration of four months from the publication of this notice, and thereupon such compensation in respect of such resumption will be paid as may be awarded in the manner provided by the Crown Lands Resumption Ordinance, 1900.

E. R. HALLIFAX,
Colonial Secretary.

1st August, 1930.

第四百八十四號

布政司夏

爲

諭知事現奉

督憲令開在南約理民府註冊之第一丈量約份第四八七/十一號之地段現因舉辦公益經本督會同地政局議定將其收回並以政府名義向該業主磋商購回迄未允願本督意其終難成議仰該司即行出示諭知該業主由諭知之日起限四個月期滿該地及一切權利即由政府收回至如何補置則按一千九百年收回公地則例辦理等因奉此合行諭飭業主即便遵照毋違特諭

右諭第一丈量約份第四八

七/十一號地段業主

壹千九百三十年八月一日