Tin, Rubber and the Straits Dollar

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Singapore has never mined a ton of tin or tapped a commercial rubber estate of any size on its own soil. Yet for three generations its prosperity rose and fell with the prices of these two commodities. In the last quarter of the nineteenth century the Malay states behind the colony became the world's leading source of tin. In the first decades of the twentieth century the same territories became its leading source of plantation rubber. Singapore smelted the tin, graded and auctioned the rubber, financed the miners and planters, insured the cargoes and shipped them to London and New York. In doing so the colony acquired the functions that define a commodity hub: processing, price discovery, finance and logistics.

The money in which these transactions were settled was the Straits dollar. Chapter I of this part described how the colony obtained its own dollar in 1867 and a government note issue under a Board of Commissioners of Currency at the end of the century. This chapter examines how that currency was tied to sterling in 1906, how the currency board that issued it worked and why the arrangement suited an economy whose income depended on volatile export prices. The currency board outlived the colony. Its principle of full backing still governs the Singapore dollar today.

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The chapter also continues the comparison with Geneva. As part of Switzerland, Geneva acquired a national currency in 1850 and a central bank in 1907, while it became a centre of commodity trading only after the Second World War, as the Geneva volume shows. Singapore followed the opposite sequence, because commodities came first and shaped the city's commercial institutions long before it had a central bank or a currency of its own. The five sections below follow tin and rubber from the mine and the plantation to the auction room, trace the price cycles that shook the colony and set out the monetary framework that held it together. A final section asks what these episodes teach a financial centre whose present commodity business is examined in Parts G and H.

Essentials

Tin was discovered in Larut in 1848 and drew tens of thousands of Chinese miners into the western Malay states, whose disorders led to the Pangkor Treaty of 20 January 1874 and to British Residents in Perak, Selangor and Sungei Ujong. By the end of the nineteenth century Malaya produced just over half of the world's tin, much of it smelted in Singapore by the Straits Trading Company. Rubber seedlings reached the Singapore Botanic Gardens from Kew in 1877. Under Henry Ridley, director from 1888, the gardens developed the tapping methods on which the Malayan rubber industry was built. By about 1920 Malaya supplied around half of the world's rubber, with Singapore as its principal market and auctions held there from 1911. After an early tin slump in the mid-1870s, the price collapses of 1920–1922 and 1929–1932 led to restriction schemes for rubber and tin. The Straits dollar, issued by a Board of Commissioners of Currency established in 1897, was fixed at two shillings and four pence in 1906 and backed by sterling reserves, an arrangement that the Singapore dollar continues in modified form.

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