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AN ECONOMIC VIEW OF INDONESIAN HISTORY IN THE PERIOD OF DUTCH COLONIALISM

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Introduction

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The purpose of this paper, initially, is to present the history of Indonesian economic thought. I believe, in the beginning, that it will not be difficult to find sources of this materials from library and from web. In order to make this target easy and to know the outline of the paper, first I conceive 'preliminary study' by exploring Ajit Dasguta (1993) "A History of Indian Economic Thought; Robin Neill (1991) "A History of Canadian Economic Thought," and Tessa Morris (1989) "A History of Japanese Economic Thought." The next step is collecting the sources of history of Indonesian economic thought. This is really become a serious problem. I cannot find the sources, neither books nor articles, of this areas. Many books discuss about indigenous Indonesian economics from anthropology point of view. But they describe this issue partially. For example, Clifford Geertz (1963) "Peddlers and Princes" discuss the rural social structure and economic organization in Modjokuto (Java) and Tabanan (Bali). James Siegel (1969) "The Rope of God" discuss the socio-economics condition of Aceh's people. Robert Jay (1969) "Javanese Villagers" discuss social relation in rural Modjokuto (Java). Robert W. Hefner (1990) "The Political Economy of Mountain Java" discuss the socio-economic condition of the Tengger Highlands (Java). Other books discuss the

history of Indonesia purely from history point of view. This condition of difficulties to collect the sources make particular challenge to write the paper. Since it is hard to find sources of Indonesian history of economics thought, I decide to discuss of Indonesian history from economic point of view, especially in the period of Dutch colonialism. I hope it will be the turning point to achieve our initial purpose as mention above.

According to Indonesia (1994), the history of Indonesia can divide into: pre-Indonesia period, the period of Hindu kingdoms, the period of Islamic kingdoms, the period of dutch colonialism, nationalist movements, the Japanese occupation, and the birth of the Republic. Sievers (1974) states that during the period of Dutch colonialism he found that colonial government treat three kind of policies: cultivation system, liberal system, and ethical system.

The History of Indonesia

Indonesia did not exist as yet during the Palaeocene period (70 million years BC), the Eocene period (30 million years BC), the Oligacene period (25 million years BC) and the Miocene period (12 million years BC). It is believed that Indonesia must have existed during the Pleistocene period (4 million years BC) when it was linked with the present Asian mainland. It was during this period that the Humanoids made their first appearance and Java Man inhabited the part of the world now called Indonesia. Java Man, named Pithecanthropus Erectus by Eugene Dubois who found the fossils on the island of Java,

must have been the first inhabitant of Indonesia. It was also during this period (3000-500 BC) that Indonesia was inhabited by Sub Mongoloid migrants from Asia who later inter-married with the indigenous people. Later still (1000 BC) inter-marriage occurred with Indo-Arians migrants from the south Asian sub-continent of India.

The first Indian migrants came primarily from Gujarat in Southeast India during the first Christian era. Early trade relations were established between South India and Indonesia. Sumatra was then named Swarna Dwipa of "the island of gold," Java was called Java Dwipa or "the Rice island," and a Hindu kingdom of Crivijaya in Sumatra and Nalanda in South India were not confirmed to religious and cultural exchanges. They later developed diplomatic relations, and even covered a wide range of trade. The influx of Indian settlers continued during the period from the first to the seventh century AD. Peacefully and gradually the Hindu religion spread throughout the archipelago. It was adopted by all layers of the people of Java, but limited to the upper classes on the other islands.

Many well-organized kingdoms with a high degree of civilization were ruled by indigenous kings who had adopted the Hindu or Buddhist religion. This explains why this period in history is called the Period of Hindu Kingdoms. It lasted from ancient times to the 16th Century AD. Because the culture and civilization, which emanated from the Hindu and Buddhist religions, were syncretized with the local cultural elements, the period was also referred to as the Hindu-Indonesian period. Indian culture and customs were introduced, such as the system of government in a monarchy, the ancestry system, the organization of military troops, literature, music and dances, architecture, religious practices and rituals, and even the division of laborers into castes or varnas. The Hindu literary works known as Vedas and the "Mahabharata" and "Ramayana" epics were also introduced through the wayang, or shadow-play performance, which is still very

popular in many parts of present day Indonesia.

Moslem merchants from Gujarat and Persia began visiting Indonesia in the 13th Century and established trade links between this country and India and Persia. Along with trade, they propagated Islam among the Indonesian people, particularly along the coastal areas of Java, like Demak. At a later stage they even influenced and converted Hindu kings to Islam, the first being the Sultan of Demak. This Moslem Sultan later spread Islam westward to Cirebon and Banten, and eastward along the northern coast of Java to the kingdom of Gresik. In the end, he brought the downfall of the powerful kingdom of Majapahit. After the fall of Majapahit, Islam spread further to almost all Indonesia's nook.

The Dutch had started their quest for Indonesia spices to sell on the European market at big profit. For the purpose of more efficient and better organized merchant trade they established the Dutch East India Company (VOC) in 1602. To protect the merchants fleet from frequent pirate attacks on the high seas, Dutch warships were ordered to accompany it. After the nationalization of the VOC in 1799, the Dutch Government had a firm grip on the vital territories of the country. People in those territories were forced to surrender their agricultural produce to the Dutch merchants. It was the beginning of Dutch colonialism in Indonesia.

When all the regional wars of independence failed, Indonesian nationalists began thinking of a more-organized struggle against Dutch colonialism. The move began with the founding-of Boedi Oetomo, literally meaning "noble conduct," on May 20, 1908. This organization of Indonesian intellectuals was initially set up for educational purposes but later turned to politics. It was inspired by Japan's victory over Russia in 1901, which also gave impetus to nationalist movements in many parts of Indonesia.

After their attack on Pearl Harbor in Hawaii, the Japanese forces moved southward to conquer several Southeast

Asian countries. After Singapore had fallen, they invaded the Dutch East Indie and the colonial army surrendered in March 1942. Under the pressure of the 4th Pacific war, where their supply lines were interrupted, and the increasing of Indonesian insurrections, the Japanese ultimately gave into allow the red-and-white flag to fly as the Indonesian national flag. Recognition of "Indonesia Raya" as the national anthem and Bahasa Indonesia as the national language followed. Hence, the youth's pledge of 1928 was fulfilled. After persistent demands, the Japanese finally agreed to place the civil administration of the country into Indonesian hands. This was a golden opportunity for nationalist leaders to prepare for the proclamation of Indonesia's independence.

The Republic of Indonesia first saw light on August 17, 1945, when its independence was proclaimed just days after the Japanese surrender to the Allies. Pancasila became the ideological and philosophical basis of the Republic, and on August 18, 1945 the Constitution was adopted as the basic law of the country.

The Dutch Colonialism.

As mention above, the nationalization of the VOC in 1799 recorded in Indonesian history as the beginning of Dutch colonialism. The history of colonialization in Indonesia is the history of the social, cultural, and economic dislocation of society under the influence of colonial government. The process occurred unevenly and at different stages in various parts of Indonesia, but by the end of century the disruption was complete almost everywhere and had affected all classes of society. According to Aveling (1979) the process of involution, in economic affairs, came to be most clearly marked during the period of culture system, for it was then that the Indonesian farmer was denied any real participation in future economic development.

The liberal developments of the pre-1870 era constituted a mere prelude to a

thorough going change over to a Liberal System. Individual private enterprise, and then large-scale corporation enterprise, came to dominate the modern sector after 1870. The Agrarian Law, which made all of this possible, was merely permissive legislation; a series of decrees and ordinances spelled out the actual system. The net effect of the liberal system of land legislation was the opening up of two avenues for private-enterprise estates, both of which proved important to the future of the Indonesian social and economic structure.

The third phase of Dutch colonial policy was the Ethical System, or the Ethical Policy, which covered roughly the years 1900-1930. It concentrated in principle on raising both the material standard of living of the Indonesian and the general level of their social welfare. It also sought, through government intervention, to modernize Indonesian psychological, economic, and political life; to create a middle class; to integrate the autochthonous and the modern sectors; to stimulate output; to industrialize; to provide social overhead capital; and in a most every way to promote what is now called economic development. Although it differed in method from postwar efforts at modernization and development, it did not differ in objective, except in that it most definitely did not envisage national independence. It represented a shift, certainly, from the de facto policies of the Liberal System, but it was nevertheless continuous with that era in several ways. Indeed it was still consonant with liberalism, but a liberalism once again shifted in meaning and emphasis. As stressed later by the New Deal and similar reforms in the west during depression, one view of liberalism recognized that when personal freedom and economic freedom came into conflict, the welfare of the people was paramount over the welfare of corporations. In the Indonesia this doctrine was anticipated: the welfare of the Indonesian was paramount over the economic interests of the Dutch plantation and business interests. Official liberalism reverted from laissez faire to its early humanistic roots, or in

today's term, benevolent interventionism was substituted for old-style economic liberalism.

Cultivation System, 1830-70

"Cultivation System" is a translation of *Cultuur Stelsel*, which by homology often appears in the literature as "Culture System." It refers to agricultural cultivation and might with some accuracy be translated "Agricultural System." However, insofar as *cultuur* in Dutch has a concrete signification—a specific kind of crop or a specific acreage, as I might say "influenza culture," but never "potato culture," when referring to a potato field—it conveys a meaning for which there is no precise equivalent in contemporary English usage in an agricultural context, for neither "culture" nor "cultivation" will quite do, though both have been used. I will avoid the concrete usage here and employ the form "Cultivation System".

By whatever translation, *Cultuur Stelsel* is an inadequate name for the overall policy of the period, though it is convenient if the proper qualifications are understood. In the extensive sense, a better name might be the "Compulsion and Monopoly System." In the narrow and proper sense, the Cultivation System refers to the employment of a specific contract between the government (via a director of cultivation) and, usually, the *desa* (village), via the headman, requiring the *desa* to devote a set quota of land and labor to the cultivation of particular crops for the government in lieu of land rent. Theoretically, the *petani* (farmers) would be paid, or given equivalent credit, for contributions in excess of his quotas. While nominally voluntary in the beginning, in order to assure that its quotas were met, the government might have been expected to exert compulsory (as it soon did) upon the *petani* to cooperate in the system. Moreover, the letter of the law was soon violated so that the *desa* not only provided their quotas under the Cultivation System but in addition paid land rent, particularly when their forced labor did not meet the 40 percent land rent. Thus, unproductive crops were subsidized by the

petani. In practice the legal limit of land exaction (one-fifth of the land holdings) was often grievously exceeded in specific communities at specific times, but it average out. The *petani* who supplied labor was similarly supposed to work a maximum of "one-fifth tim," calculated as sixty-six days a year, but in practice this ceiling, too, was often ignored. Cultivation of the new government-sponsored crops simply demanded more time than the traditional staple, rice.

In the restricted and precise sense of the term, then, the Cultivation System was a device to make the government the master planter of all Java, the outer islands remaining for the most part out of reach of enforcement, and to convert part of every village, on the island into a localized section of the government plantation. In terms of world systems, then, the idea of a planned or control economy dates back to the Dutch Indies of 1830.

In the large sense, what I have called the Compulsory and Monopoly System refers to all the coercive measures of the middle decades of the nineteenth century designed to maximize the income of Batavia, the *Nederlandsche Handel-Maatschappij* (NHM), and the Netherlands government. The old Priangan system, for example, had nothing to do with land rent and was therefore distinct from the Cultivation System proper; but inasmuch as it was in harmony with the objectives of the new system, the Priangan system in coffee production was retained, as it had been throughout all the reform era. The Priangan system also survived the longest of all the compulsory systems and was not terminated until World War I.

In concept, the Cultivation System proper made all of at least sawah Java a single government plantation, with the *petani* coerced to the extent that his land and his labor were tied to government quotas of specified export crops. In practice, when regions or crops proved unprofitable they were dropped.

But this was only part of the total system in the largest sense—what I have called the Compulsory and Monopoly System—which included many additional compulsory and monopolistic features. For example, the *petani* was still responsible, in practice, for land rents and for forced services to various superiors, including the state, on public projects such as roads and dams, for which he was paid in theory but always in practice. It was by forced labor that a significant amount of capital formation took place, in the same way that the ancient kingdoms had built temples. The NHM also played an integral and, as a buyer of crops, a semi monopolistic role in the grand design, particularly through the Consignment System. This latter system provided that a certain quota of the various agricultural products were to be sold to NHM for shipment to the Netherlands. No other Dutch shippers existed. The ships themselves were chartered from Dutch owners. Only British enterprise was able to compete at all. The NHM also loaned to Batavia. Between 1857 and 1881 a number of other banks were established in the Indonesia, including Escomptobank; the Rotterdamsche Bank; Internationale Crediet en Handelsvereniging Amsterdam; the Koloniale Bank; Dorrepaal Co.; and a branch of the British Chartered Bank of India, Australia, and China.

Another aspect of the overall system was that, inasmuch as certain products had to be processed in factories, these industrial centers were built and operated by contractors. The government in the beginning encouraged Europeans and Chinese to assume this function by making financing absurdly easy, virtually guaranteeing the processor against loss, and assuring him a high price and a cheap supply of labor and raw materials. Chinese, British, French, and Indian nationals responded to this opportunity, but Netherlanders waited until the arrangement had proved foolproof. In lieu of willing contractors, the government sometimes built the factory and hired a manager for it, usually British. In short, Chinese and Europeans reluctantly assumed

entrepreneurial roles even when virtually all risks were removed. As time went on, the contractors became more professionalize as a class. They took an interest in improving crop yields, and by saving and reinvesting part of their inordinate profits they were able to institute such technical improvements as steam power and tram railways for local transport. The NHM played a role in this sector also, building model plants, lending money, and overseeing where they were creditors. The NHM encouraged improvements in agricultural and processing techniques and the introduction of ever more sophisticated machinery. The Compulsion and Monetary System was rounded out by enforcement of the Cultivation System through corporal punishment and by a severe restriction of personal liberty through a special set of laws governing clothing, restriction of movement, and the like. Finally, production by the *petani* on his own initiative in competition with government was discouraged.

The Cultivation System proper, in theory, systematized a set of principles into a code as well as a policy: (1) Batavia as sovereign owned, in the western sense, all of the land over which it ruled; (2) the villagers were obligated to pay a portion of their annual produce for the privilege of using this land; (3) to protect the *petani* from the usurer, this payment should be at least partly in kind; and (4) the obligation to provide land and/or labor was to be construed no as corvee but as a simple book keeping substitute, or perhaps an insignificant difference in end product without altering the total contribution to the state. The *petani* owed the state the rice he was sacrificing; he would have been obliged to spend the land and labor anyway to produce the land rent in rice.

The Liberal System, 1870-1900

The Liberalism which was defeated in 1830 with the introduction of van den Bosch statist colonial policy never died out in the Netherlands, though its character changed somewhat. As the Netherlands grew in

prosperity, the middle class expanded, and with it that kind of liberalism which sought economic and political power for the middle class at home. While hardly antistatist in its colonial policy, the States-General defied the king as early as 1839, which resulted in the abdication of William and the resignation of van den Bosch from his office as colonial minister. Parliamentary power steadily expanded, and with it the States-General's concern for and authority over the Indonesia. The Liberal Party members eventually had a turn heading governments, but by that time a more liberal colonial policy could be expected from both liberals and conservatives.

During the era of growing liberalism at Netherland and the era of the Cultivation System in Indonesia, Dutch reformers sought to change colonial policy through both political action and propaganda. Among the most influential reform writers were Dr. W. R. Baron van Hoevall, Eduard Dowes Dekker, and Isaac D. Fransen van de Putte. Hoevell first work, *Reis over Java* (Journey through Java), was published in 1849, and he published as late as 1881. In 1860 the works of Douwes Dekker and Fransen van de Putte appeared. Douwes Dekker wrote a famous novel called *Max Havelaar* under the pseudonym Multatuli, a Latin work meaning "I who have suffered great injury." This work was a barely disguised autobiography based on Douwes Dekker's own experiences as a civil servant in Java. It was critical of government policy as seen by an insider, through not necessarily without bias. Fransen van de Putte was an insider with a different vantage point: that of a planter. His *Suiker-Contracten* (Sugar Contracts) proposed liberal reform in the economic sense then current—an end to monopoly supported by the state and in its place encouragement (also by the State!) of private estates and private enterprise. Both Douwes Dekker's and van de Putte's publication undoubtedly played a role in the removal, over the decade of the 1860's, of virtually all crops except sugar and coffee from forced cultivation. Indeed, Fransen van de Putte served as colonial minister from 1863 to 1866 and again from 1872 to 1874.

The great triumph of liberal colonial policy consisted of the twin bills of 1870, the Sugar Act and the Agrarian Law. The Sugar Act added sugar to the list of crops to be exempted, though by gradual stages, from the Cultivation System, which action formally terminated the system. Coffee continued to be grown under forced cultivation, because the ancient Priangan system was regarded as something apart. It was not until 1915 that the Priangan system was abolished by law, effective January 1, 1917.

Even before 1870, parliamentary victories over the king and the new Fundamental Law of 1848 resulted in some colonial reforms, especially the far-reaching change in 1854 of the Basic Regulations of the Colonies (*Regeringsreglementn*). While dubiously liberal and too ambiguous in language to be immediately effective, the 1854 document served firmly to establish the principle that the state was not to interfere—though to be sure it did in fact continue to interfere—in the administrative of judicial functions of the native governmental structure. In short, the *petani* were wholly at the mercies of their own leaders, who were in turn under economic pressure to oppress them. At the same time, political dualism was formalized. European-Indonesian cleavage was now recognized in Constitutional Law.

The Agrarian Law opened Indonesian agriculture to European private enterprise as never before. As noted earlier, however, the private sector did not wholly disappear during the early phases of the Cultivation System, and it grew in significance in the late 1850's. By 1860, virtually half of all exports came from privately produced crops, and in 1870 about 57 percent. During this era many of the private holders were located in the principalities. After about 1860 the East Hook, in government territory, became important, especially in respect to tobacco and sugar. There were also other centers of private estates. Of all these, the most fateful was a tobacco plantation located in the sultanate of Deli in East Sumatra. This plantation was to form the basis of the unique cigar-wrapper industry of Deli, and it

eventually contribute to the expansion of Sumatra into a major rival of Java as an export center. In 1863 one Jacobus Nesnhuys, an entrepreneur with Dutch financial backing who had failed in his East Javan undertakings, heard of the rich ash soil of Deli and soon after concluded a contract with the sultan to cultivate what had been ladang lands. As a result of early successes, Nienhuys got the backing of the N.H.M. in 1869 and formed the Deli Company, which was to become enormously prosperous. So all in all, the Liberal System had a good running start by 1870. I must now understand liberalism to mean the free right of private individuals and firms to exploit the soil, and people, of the Indonesia.

The first avenue was perhaps, in the long run, of lesser significance. It provided that the old *erfpacht*, or "heritable," lease be modified in two crucial respects. The term of the lease was extended to seventy-five years, which was long enough to justify capital improvement as well as to give enough security to creditors to encourage investment. The other modification was the redefinition of the lands disposable by government—at the time they were defined, essentially, equivalent to landang lands—together with a willingness by government to dispose of these lands on *erfpacht* lease. *erfpacht* and princely concessions together in time created the characteristic plantation, on which laborers live for long periods or permanently as proletariat. While slavery as such had been outlawed in Indonesia in 1854, effective in 1860, impressed labor was not legally abolished until 1942, by which time it had almost disappeared. The *erfpacht* lease eventually was of about equal numerical importance on Java and the Outer Islands, but in the formative period it was characteristically Javan. Its greatest impact was in the perennial, notably tea, cocoa, and cinchona. A small percentage of the peasant population was affected by the lease estates; in this sense the total effect on the Indonesian social structure may be said to have been small. On the Outer Islands, where the estates did not absorb the ladang

peasants and convert them into a rural proletariat, they competed with them for land. Out of this situation emerged three commercial smallholder cultivators, who, though not very numerous, rivaled and in some crops outstripped the estates as producers for export. Thus the famed demonstration effect apparently did operate in this instance, though the older tradition of producing ladang pepper for world markets may have also had a part in shaping the modern smallholder. While some modernizing of the peasants occurred, the lease estate was essentially an enclave, isolated from the indigenous economy. It produced for export, sent its profits home, and invested only within its own boundaries.

The imitative Indonesian smallholder production was still not very modern, using little capital in comparison. What investment was needed for processing was usually in the hands of middlemen. Nor did the smallholder employ technically advanced methods.

The second avenue for private enterprise under the Agrarian law was of vast significance. It permitted, in the name of liberalism, the continuation and crystallization of the unequal symbiosis between the modern sector and the indigenous sector. Boeke (1953) calls this system, in which the village sector was disorganized by capitalism but was not permitted to become capitalistic, Dualism. At this juncture it was Java that was particularly affected.

When the government withdrew its demands for land and labor, the contractors were free to make contracts with the *petani* to rent their fields for a short term, in the beginning for a maximum of five years in the typical situation. Thus the rotation of the soil was assured. Labor, of course, was likewise to be obtained by free contracts both for field work and for operating the factory. Though government compulsory declined, various other obligatory labor services remained. To entice an otherwise non-market-oriented, reluctant *petani*, the factory would sometimes pay outrages in advance and then use punitive powers to force compliance. The

headman often played a role in ensuring the requisite labor supply. Most of the workers needed could be hired from those who rented their land. Sometimes coolie labor was needed in tradition, especially at certain times of peak labor demand. In traditional areas of the Cultivation System, the transition was easy enough. Little formally changed, except that government receded and the contractor became more prominent. But the new law permitted the expansion of private enterprise via village contracts into areas not previously under the system, and over the same period new areas were created by the expansion of the cultivated area of Java. In the absence of precedent, harsh methods were sometimes used in these new areas. While this new rent-contract system applied most conspicuously to sawah land and the rotation of sugar with rice, it was also used in tegalan lands, in particular in the rotation of agave with cassava. Other crops affected by the system include tobacco and rice as a commercial crops. In any case, the system applied to a system of rotation of annuals, necessitating the continued and expanded invasion of the village by the Western planter and his factory. It was this system which, though bringing *petani* and Westerner close together physically, robbed the *petani* of any significant degree of freedom in relation to the Westerner. As Java expanded in terms of population and territory under cultivation, it was not very feasible for the *petani* to run away. Ladang cultivation had in any case virtually disappeared on Java.

The Javanese villager's response to this challenge has recently been rationalized by Geertz (1963), as a kind of involution. Geertz argues that village economy deliberately stood still by means of investment of great ingenuity in changing nothing. While in the first instance economic, this applied to the general social structure also, and so an increasingly archaic way of life became fossilized. Population increments were absorbed into the village society by ever more intensive working of the land and ever more intensive use of labor, but not by technological progress of capital investment,

except the traditional, labor-based expansion of the village irrigation system. When further pressed, the *petani* resorted to second-cropping and the production of mostly food crops during the dry season—dry rice, cassava, pulses—and in the course of time other crops were added to the list. The upshot was that the marginal productivity of labor in respect to food production was maintained as population increased via greater efficiency of land-use, some expansion of cultivation area per village, higher-calorie-producing crops, and some capital gain in the form of irrigation; yet no true modernization took place. While marginal productivity in agriculture was thus prevented from falling, by shifting the curve ever higher while constantly moving down it, the redundant agrarian population was not permitted to raise the industrial marginal productivity through urbanization and the development of a manufacturing sector, except on the enclave estates.

Geertz's theory of involution explains the way the Javanese village societies responded to the destructive thrust of Dutch colonial policies, though by Geertz's own dates the crucial period would seem to have been precisely the liberal era, not the period of the Cultivation System. In terms of the Indonesian *petani's* self-protective interests, involution was a satisfactory response. With no viable alternative, it was a method of survival. Any kind of revolutionary breakthrough under the Dutch regime is hard to imagine at this early date; nor were the results necessarily all negative. Despite involution, in point of fact deterioration of village unity did take place and in the cause of time became progressively worse. But initially involution was a creative alternative to the evolution which Dualism prevented, and for a time it staved off social dissolution. It is not the involuting villagers who are to be blamed for backwardness but rather the Dutch exclusionist policy, which kept the modernizing sector beyond the reach of the Indonesian. It was to the advantage of the *petani* to erect their own walls against the onslaught of a new system which they were in

no position to make their own, even though the problems of present-day Indonesian leadership are exacerbated by the alienation and dissolution which now characterize village life.

In sum, the institutionalization of a Dual system was solidified in two stages; (1) the Cultivation System, which abandoned early reformers' idea of petani participation in the modernizing process, especially when it was carried on so long that a generation that might have been stimulated was instead stultified, and (2) the Liberal System, which, however less oppressive, made the alienation of the indigenous population permanent, at least for the period of Dutch rule.

The Ethical System, 1900-1930

The Ethical Policy was foreshadowed by a program and philosophy proclaimed by Baron W.K. van Dedem, colonial minister in the early 1890's, but he was not able to implement his avowed policy. Henri Hubert van Kol, a socialist deputy and former Indian civil servant, did his best to educate his colleagues in the States-General in a humanitarian outlook, while a publicist in the Indonesia, P. Brooshoft, introduced the term ethical into the debate. But clearly the most effective advocate of the new regime was Conrad Theodore van Deventer, whose article "Een Eerreschuld" [A Debt of Honor], published in 1899, won a widespread response. Van Deventer held that the *batig* slot had been immoral and that all such colonial contributions from 1867 on should be repaid as a "debt of honor." The term *eereshuld* is reminiscent of an ancient tribal concept-honor price, or recompense due from a tribe for injury it has done another tribe. Upon the assumption of power by the Clerical Party in 1901, Queen Wilhelmina, while not going as far as van Deventer, made the Ethical Policy official in her address to the States-General. The deciding factor, however, was undoubtedly the depression of 1900.

The man who implemented the transition was Alexander W.F. Idenburg, who served either as colonial minister or as governor-general for all but three years from 1902 to 1917. He commissioned studies into Indonesian conditions, including one by van Deventer, and policy was based on the findings and recommendations of the resultant reports. In 1904, the year the reports were published, the Netherlands government, under the leadership of Idenburg, assumed the debt of the colonial government, to the amount of 40 million. Also under Idenburg's first regime, the Atjehese were finally defeated, a success which led within a few years to the effective expansion of Dutch political control and of Dutch centered economy over all Sumatra. During the five years that Johannes B. van Heutsz, the commander who won the Atjeh victory, was governor general, the Dutch finally subjugated virtually all of the territories which now constitute Indonesia. Van Heutsz served for about three years of his five-year term under Colonial Minister D. Fock, author of one of the three reports of 1904 submitted to Idenburg. Fock, like Idenburg, later served in the Indonesia as governor general.

Fock in his budget of 1907, provided for major subsidies to the Indonesia, especially in education, with an emphasis on primary and vocational training. Education was to prove one of the main thrusts of the new era, at least in principle. While government revenues were inadequate to carry out Fock's initial plan, van Heutsz, by devising a system of village schools financed in part by the villages themselves, made possible the success of the program. By 1939, 1.7 million pupils attended these schools, ten times the number that attended in 1900. While it represented a significant expansion, the 1930 enrollment was nevertheless small for a country of 61 million people, encompassing roughly one-fourth of the population from five to fourteen years of age. Among the Minangkabau, however, 5 percent of the entire population attended school in 1935. In addition to this vernacular school program, approximately 120,000

Indonesian and Sino-Indonesian attended Dutch-language cultural schools by 1930, including roughly 1,500 at the senior-high-school level. This latter program was geared to the European educational ladder.

As to higher education, while a few privileged Indonesian were admitted to Dutch universities, no true university education was available in the Indonesia until the University of Indonesia (at that time the University of Batavia), centering upon a Faculty of Letters and Philosophy, was organized in 1941, at the very end of the Dutch raj. During the interwar period, higher education was restricted to three professional schools, a technical institute, founded in 1919; a law school, founded in 1924; and a medical school, founded in 1926. In 1940 a Faculty of Letters and Philosophy was added, and in 1941 a Faculty of Agriculture. Yet by 1930 there were still only 240 Indonesian and Sino-Indonesian students enrolled in the three extant colleges together. Even by 1940, when the population of the Indonesia was over 70 million, those enrolled in institution of higher learning included 637 Indonesian, 364 other Asians, and 245 who were at least legally European, only 1,246 in all.

Vocational schools, "vocational," here describe all manner of applied or "noncultural," subjects, excepts the mechanical trades, were established in the Indonesia, in both Dutch and the vernacular, in order to man the indigenous civil service, the schools, and the military. Registration was limited to the numbers that could be absorbed in government service. From the Dutch point of view, this measure prevented the creation of a class of unemployed technical people. The nationalist considered it a deliberately restrictive and colonialist device to prevent large scale education of Indonesian and the creation of a technically-trained class capable of competing with the Dutch and perhaps even dispensing with the Dutch altogether. In addition to these civil-service-oriented schools, trade, or industrial, schools were also established to prepare a few thousand Indonesian for industrial employment. But this development did not

lead to a significant amount of Indonesian private enterprise in the industrial sector or to the employment of Indonesian in Indonesian owned shops and factories; rather, the graduates of these schools were employed in low-level jobs in Europeans firms. In 1930, a total of about 22,000 non-Europeans were enrolled in vocational and trade schools. By 1940, 32,000 Indonesian, over a fifth of whom were trained in the Dutch language, attended vocational, commercial, or industrial schools.

The Dutch colonial regime, in short, did not succeed in providing adequate education for the Indonesian at any level, though it did register progress above the extremely low level of 1900. On the other hand, the Dutch did make some impact upon illiteracy, and they began, at higher level, to open the doors to a technical and professional education for severely limited numbers of Indonesian. For those who emerged from the higher schools (speaking in western terms and thus excluding those educated in the Moslem or in the Chinese traditions), at least as important as their new skills was their new orientation in the world. Perhaps ironically, this newly westernized elite tended to become nationalistic to one degree or another. In large part, indeed, the nationalist movement found its leadership among this professional sector. At the same time, nationalists generally were enthusiastic supporters of western-style education, though a few carried their nationalism to the point of boycotting the Dutch-operated schools and promoting more nationalistic schools. Even at the small-town or the village level, western-style education was popular among the middle class because it was seen as a passport to better-paying jobs or to higher status in the Dutch-dominated social system. As everywhere among non-modern cultures, boys whose families sent them to school often in cities distant from their homes, usually became alienated from the culture from which they came. Western-style education created a new value system for a small number of privileged Indonesians, as well as new conflicts. The new elite found themselves homeless, truly belonging neither to the

society from which they had come, because they were now modernized, nor to the Dutch social order, because they had discovered their Indonesian identity. The final irony was that the Dutch created an elite large enough to provide a leadership to overthrow their regime, but not large enough to assume proper command over the modern political and economic structures they inherited.

The key motif of the Ethical Policy was increased welfare for the Indonesian, and this was promoted in various other ways than those already mentioned. One of the avenues employed was the expansion of systems of water control. Modern masonry dams and complex irrigation networks were built, supplying almost free water on an ever-expanding scale to Dutch and Indonesian interests alike. Of the total area (exclusive of the principalities) in sawah on Java in 1838, close to two-fifths came to be irrigated by Dutch-built modern systems. Over the years, the Dutch invested an estimated quarter of a billion guilders in irrigation and allied works. Some observers regard this contribution to Indonesian agricultural productivity as the greatest accomplishment of the Dutch in the Indonesia. Other maintain that expanded sawah simply encouraged traditional agriculture and militated against the transfer of the petani to urban industry.

The Dutch colonial government also invested in roads, railroads, dock, dockyards, and other public works; in public health and sanitation; in agricultural extension service; and in credit facilities and other measures to promote indigenous industry. In addition, the government encouraged, not too successfully, transmigration and agricultural colonization to ease the pressure of population on Java. Furthermore, land-rent and labor legislation was passed with the object of supporting the petani and the Indonesian laborer against exploitative tendencies in European business and agricultural interests.

Summary and Conclusion

The period of culture system came to be most clearly marked as the process of involution, for it was then that the Indonesian farmer was denied any real participation in future economic development. The destruction of communal tenure, the change in the role of the village head, and the restructuring of the village organizations to cope with the demands of the Dutch estate sector all affected the Indonesian farmers for the worse. The liberal system of land legislation was the opening up of two avenues for private-enterprise estates, both of which proved important to the future of the Indonesian social and economic structure.

The Ethical System is concentrated in principle on raising both the material standard of living of the Indonesian and the general level of their social welfare. It also sought, through government intervention, to modernize Indonesian psychological, economic, and political life; to create a middle class; to integrate the autochthonous and the modern sectors; to stimulate output; to industrialize; to provide social overhead capital; and in a most every way to promote what is now called economic development.

I can conclude that for Indonesia, beside the disadvantage, the colonialism period has advantage.

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