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CCAS Statement of Purpose

Critical Asian Studies continues to be inspired by the statement of purpose formulated in 1969 by its parent organization, the Committee of Concerned Asian Scholars (CCAS). CCAS ceased to exist as an organization in 1979, but the BCAS board decided in 1993 that the CCAS Statement of Purpose should be published in our journal at least once a year.

We first came together in opposition to the brutal aggression of the United States in Vietnam and to the complicity or silence of our profession with regard to that policy. Those in the field of Asian studies bear responsibility for the consequences of their research and the political posture of their profession. We are concerned about the present unwillingness of specialists to speak out against the implications of an Asian policy committed to ensuring American domination of much of Asia. We reject the legitimacy of this aim, and attempt to change this policy. We recognize that the present structure of the profession has often perverted scholarship and alienated many people in the field.

The Committee of Concerned Asian Scholars seeks to develop a humane and knowledgeable understanding of Asian societies and their efforts to maintain cultural integrity and to confront such problems as poverty, oppression, and imperialism. We realize that to be students of other peoples, we must first understand our relations to them.

CCAS wishes to create alternatives to the prevailing trends in scholarship on Asia, which too often spring from a parochial cultural perspective and serve selfish interests and expansionism. Our organization is designed to function as a catalyst, a communications network for both Asian and Western scholars, a provider of central resources for local chapters, and a community for the development of anti-imperialist research.

Passed, 28–30 March 1969
Boston, Massachusetts
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## Contributors

**Eugene Cooper**: Dept. of Anthropology, Univ. of Southern California, Los Angeles, California

**Joel S. Kahn**: Dept. of Anthropology, Univ. College London, London, England

**Kate Currie**: Dept. of Sociology, Univ. of Lancaster, Bailrigg, Lancaster, England

**Lim Mah Hui**: Dept. of Sociology, Temple Univ., Philadelphia, Pennsylvania

**R. J. Robison**: School of Human Communications, Murdoch Univ., Murdoch, Western Australia, Australia

**A. R. T. Kemasang**: School of Peace Studies, Univ. of Bradford, Yorkshire, England

**Edwin E. Moise**: History Dept., Clemson Univ., Clemson, South Carolina

**Hassan N. Gardezi**: Faculty of Arts and Sciences, Algoma College, Sault Ste. Marie, Ontario, Canada

**Al Fleischman**: Reference Librarian, Merritt College Library, Oakland, California

Cover illustration by Humphrey Ocean, courtesy of Joel S. Kahn.
Introductory Essay to Symposium on Modes of Production and Social Formations in Asian Societies

by Eugene Cooper

The Committee of Concerned Asian Scholars and the Bulletin of Concerned Asian Scholars have always attempted to provide alternatives to "established" scholarship in the Asian studies field. When CCAS came into existence in the mid-1960s, the main task was to formulate a critique of the cold war inspired scholarship of the 1950s, and to attempt to counteract the prevailing views concerning the communist countries and national liberation movements of Asia. This in turn led to an analysis of the structure of academic inquiry and academic funding in the United States, and to a realization of the political character of the "apolitical" stance of the Asian studies academic establishment.

The Asian studies field as we found it in the mid-1960s was a casualty of the McCarthy era in the United States. Never particularly sympathetic to Marxism in the first place, the academic "elders" who had experienced either directly or vicariously the terror of Senator McCarthy's attacks became determined afterwards that this would never happen again. Subsequently they erected the standard of "value-free," "detached" scholarly inquiry, under which the horrors of politically-inspired innuendo and accusation would presumably never again find scope for expression. With a few notable exceptions, this atmosphere swept the field of Marxist-inspired scholarship, or at best relegated such scholarship to the fringes of academic respectability.

The Vietnam War provided the stimulus to a reexamination of the assumptions and consequences of value-free scholarly inquiry. The hollowness and hypocrisy of "detached" scholarly inquiry was revealed in all its ugliness in the uses to which such scholarship was put in the service of counterinsurgency and counterrevolution. "Value-free" scholarship served only to conceal a value-laden acquisitiveness in, if not active support for, the imperial ambitions of American capital.

In the course of examining the role of academic research in the American war effort against a Marxist inspired revolutionary movement, many of us grew more interested in Marxist theory. Concerned as we were with the inadequacy of prevailing conceptions of scholarship, concerned as we were that the just struggles for national liberation and self-determination in the Third World be successful, concerned as we were to find an analytical frame of reference that would make possible the formulation of a consistent theoretical approach that would address these concerns, many of us turned to the Marxist classics for inspiration.

Revolutionary theory and practice seemed immediately relevant, but it soon became obvious that there were no ready-made resolutions to the exceedingly complex contradictions which confronted us as academics in the "belly of the beast." Our studies then led us deeper into the analysis of the capitalist mode of production, and to an appreciation of Marx's understanding of its mechanisms, development and evolution.

The scholarship of French structural Marxists who had already begun to forge a literature informed by Marxist concepts and premises stimulated further study and debate, to the point at which we are now witnessing a veritable explosion of Marxist-oriented scholarship centered on one or another version of what might be called "world capitalist system" theory. This has helped to create a climate in academia in which Marxist approaches are now even accorded a modicum of respect. A recent spate of empirical studies of the modes of production and social formations of the world capitalist periphery has been carried out, and the essays in this symposium testify to the vitality of this trend.

While it is uncertain how long this renaissance will last, given the apparent ideological drift in the United States toward bible thumping fundamentalism, the growing respectability of Marxist scholarship in American academia is a notable turn of events, and one worth defending.

This symposium was organized in the conviction that the Bulletin of Concerned Asian Scholars has an active role to play in encouraging the development and use of concepts central to Marxism. Questions regarding "modes of production" and their significance for analyzing the human condition have stirred considerable interest and controversy among scholars who are searching for alternative ways to understand what has been happening in Asia.

Readers will see that the authors of the papers presented here are far from unanimous in their use of concepts. They are often at odds with each other as well as with the other schools of thought represented in the mode of production controversies that swirl now in professional journals and conferences (for an introduction to the issues involved in those controversies, one might want to read Aidan Foster-Carter, "The Modes of Production Controversy," New Left Review 107 [1978]: 47-77).

Yet each of the essays included in this symposium represents a provocative, well-documented study of a particular time and place in Asia, informed by an understanding of the forces and relations of production of society and of their complex interaction with the social and political forces shaping the history of the region.

Taken together, they represent the considerable strides that have already been made in utilizing, elaborating, and revising the theoretical and substantive findings of classical Marxist scholarship.
From Peasants to Petty Commodity Production in Southeast Asia

by Joel S. Kahn

This paper represents a preliminary attempt to deal with transformations of the peasant economy in specific regions of Southeast Asia. I shall argue that the change is not simply the result of the incorporation of peasants within a world economy, but one that considerably pre-dates the modern period. Nor can the change be viewed as part of a transition to capitalist forms of production. On the contrary the forms of production which have emerged differ in significant ways from those that developed in the capitalist core as merchant capital and feudal landed property gave way to industrial capital and capitalist relations of production. Accordingly, it would be unwise to assume that the existing situation represents some step in a necessary transition which will mirror changes that took place in Britain in the 18th and 19th centuries. As a consequence there is a need for forms of economic and political analysis not easily derivable from Marxist theories of the capitalist mode of production, or from theories of the "articulation" of modes of production in which the modes subordinated to capital are deduced directly from the functional prerequisites of capitalism conceived as an abstract, global structure.

The process of change that I am concerned with is manifest in the increasing extent to which small-scale peasant enterprises have become dependent on the world market for their reproduction. Looked at from the point of view of the peasant enterprise itself, the change can be viewed as a process of market penetration or, put another way, of the "commoditization" of production. It is argued that one of the most significant changes in the peasant economy has been not so much in the productive organization of enterprises themselves, as in the ways in which the productive cycle is renewed. This change can best be seen as the integration of local productive systems within circuits of reproduction organized according to the principles of commodity circulation.

The market integration of peasant production in the region is not a recent phenomenon—in some regions this can be traced back certainly to the earliest period of European mercantile domination, and most probably much earlier. Even involvement in world commodity markets considerably pre-dates the coming of Portuguese and other European merchants to those areas that were at one time involved in the trade which linked the Persian Gulf and Canton. It can, however, be argued that the consequences of this kind of market penetration, stimulated by merchant capital and the drive to monopoly, were rather different for both the short and long-term dynamics of peasant enterprises in the region than the situation described here. For in the earlier periods it seems likely that while peasants produced for regional and even overseas markets, participation in these commodity circuits was not dependent upon markets (whether regional or international) in land, labor and/or means of production. Instead such factors were allocated largely through non-market mechanisms. Access to land, for example, was obtained through membership in kin groups, local communities and/or guaranteed through households, communal labor exchanges and through the institutions of marriage.

The significant transformation, then, has not been the change from a "natural" subsistence economy to an economy dominated by the market principle, but rather the change is marked by market penetration of the reproductive circuits of peasant enterprises. Before examining the causes and implications of this transformation, I shall illustrate the change by means of examples from my own research. The first example comes from the period of Dutch...
First-level administrative regions of Indonesia, 1960.

Map provided by Joel S. Kahn.

mercantile domination in the East Indies, and the second and third from field research carried out in the 1970s.

Coffee Cultivation in 19th Century Sumatra

Direct European involvement in the Indonesian economy can be traced to early Portuguese attempts to make profits on the Asian spice and pepper trade. Here, however, I shall examine the long term effects of Dutch merchant monopoly in West Sumatra.

If any overall generalization could be made about social and economic change for this period it would concern the continual changes in the nature of colonial accumulation from a system based at the outset on external trade monopoly to one based in the nineteenth century on forced labor and forced deliveries. In spite, however, of the changing forms of surplus extraction, and indeed the shift from Company to State control, there is an overall continuity in the region from the early seventeenth to the late nineteenth century. Throughout this period surplus was extracted from Indonesian peasants through the mechanisms of merchant capital, with any changes due largely to attempts by merchant capital to overcome its own contradictory tendencies. The apparently isolated and traditional societies of nineteenth century Indonesia are explicable only in terms of this long-term historical process, rather than as the result of cultural lag. These processes encouraged the emergence of peasant enterprises that produced crops such as coffee and sugar for world markets but which were nonetheless reproduced through local communal and kinship structures—themselves preserved or even created by Company and colonial rule.

It is clear that in the earliest years after its formation in 1602 the United Netherlands East India Company (V.O.C.) had an interest only in mercantile exploitation of an already existing commodity circuit. Neither European

Research in Malaysia was carried out from 1975 to 1976, partially funded by the British S.S.R.C. and jointly sponsored by the Department of National Unity and Dr. Kahar Bador of the Universiti Malaya. I have discussed many of the ideas in this paper with a number of colleagues and have benefited from their comments, criticisms and insights into the nature of small production. I would particularly like to thank John Gledhill, Steve Nugent, Nukhet Sirman, Ken Young and Maila Stivens in this regard.

4. This discussion is not intended as an original contribution to Indonesian history. Rather it is based on an interpretation based on existing published sources. Of particular importance for this analysis or the following: J. Furnivall, Netherland India: A Study of Plural Economy (Cambridge: Cambridge Univ. Press, 1949); J.S. Bastin, The British in West Sumatra, 1685-1825 (Kuala Lumpur: Univ. of Malaya Press, 1965); C. Dobbins, "The Exercise of Authority in Minangkabau in the Late 18th Century," in A. Reid and L. Castles (eds.), Pre-Colonial State Systems in Southeast Asia (Kuala Lumpur: Monographs of the Malaysian Branch of the Royal Asiatic Society, 1975), No. 6, and "Economic Change in Manakabau as a Factor in the Rise of the Padri Movement," Indonesia, Vol. 7, No. 2, 1977;


colonization and territorial control, nor the sale of Dutch manufactures held any interest for merchants whose sole aim was to obtain something for nothing in the Asia trade. Fulfilling this aim meant obtaining a monopoly on the trade in certain indigenously-produced commodities such as spices, pepper, gold and cloth.

Perhaps the main initial attraction in western Sumatra was the gold mined under royal monopoly in the Minangkabau highlands, and, in the sixteenth century, traded by the Acehnese, who had taken control of the western coastal districts. After an extended period of struggle against the Acehnese, other Asian traders, and French and British merchants, the V.O.C. was able to take the lion's share of the trade, and to enforce their monopoly through a series of "contracts" made by representatives of the V.O.C. with local rulers.

The V.O.C. ideal was to obtain both pepper and gold in exchange for Indian cloth, already in demand throughout the region, although clearly cash was also used. Accumulation depended on fixed rates of exchange for pepper and gold being written into the contracts and backed up, when necessary, by naval and military force. Profits could be realized in different ways, but a favored system was to reproduce the commodity circuit in the India-Indonesia exchange. Given favorable exchange rates, the Asian trade would generate a surplus of pepper and spices which, when sold on the Amsterdam market, represented pure profit.

Historical circumstances, however, gradually undermined accumulation based solely on trade monopoly and even in the seventeenth century the Company was moving towards control of production itself. This change was due in part to attempts by the Netherlands to reduce the flow of precious metals eastwards, the danger of price fluctuations on the home market and continuing competition at the three points of the circuit from Asian and other European merchants. Equally significant, although the nature of the data makes it difficult to investigate, must have been the fact that, while monopoly demands on the one hand an increasing peasant output of certain commodities for the world market, its very reproduction depends on the other hand on the restricted commercialization of the peasant economy. Particularly striking in this respect were early V.O.C. moves to prevent the development of an indigenous cloth industry and later attempts by a colonial government to discourage the cultivation of rice for sale. Thus by reinforcing the monopoly the V.O.C. was at the same time undercutting its ability to extract commodities for export.

Monopoly brought territorial control with it as a necessary byproduct, and, coupled with that, came tribute, tax farming and forced cultivation, all of which became significant features of V.O.C. policy. In Sumatra the V.O.C. demanded tribute of rulers who were thought to have broken their contracts, and it imposed a treaty on the Minangkabau King which allowed it to collect taxes in the coastal region. Elsewhere, whole villages were let out to Company officials and Chinese entrepreneurs in exchange for an annual payment of rent.

While the V.O.C. attempted to overcome these contradictions by making more direct demands on peasant cultivators, and while individual Company officials continued to return home with large fortunes made in the East, the V.O.C. had been a losing concern as early as the eighteenth century. By the early 1780s the Company was no longer able to raise money on the open market and by the time of the Batavian Republic, the V.O.C. was disbanded, all its possessions and debts falling to the Netherlands government.

The Culture System

The period from 1800 to 1830 is significant both from the point of view of colonial policy and for its implications for the peasant economy. In spite of proposals to abandon mercantile exploitation of the colony, the Dutch government and the colonial bureaucracy resisted the demands of the Dutch bourgeoisie who wished to encourage free trade, private investment and impose a money tax on the peasantry. It was in this struggle between the "conservatives" and the "liberals" that the Culture System based on forced labor and forced deliveries was born. The victory of the conservatives, however temporary, and the continuity of policies are indications of the fact that mercantilism did not die with the V.O.C. For Dutch colonialism in nineteenth century Indonesia, at least up to the passage of the Agrarian Land Law of 1870, was not capitalist in the strict sense of the term since it was based on commercial monopoly rather than free trade and private investment.
There are a number of studies of the Culture System in English and hence its broad outlines should be well known. I shall therefore restrict the discussion to its operation in West Sumatra and its implications for the nature of peasant economic organization in the region.

By intervening in the Padri Wars,—a struggle between Islamic Fundamentalists and supporters of adat (customary law) and the royal lineage—the Dutch established a military presence in the Minangkabau highlands. One of the first acts of the government, after Dutch forts were built in the highlands, was to send a commissioner from Batavia to investigate ways of increasing coffee production, which had been exported from the early 1800s under colonial monopoly. As a result of his recommendations, a law was passed in 1847 bringing in a system of forced deliveries along the lines of the system developed earlier in western Java. Under the new law it was up to local officials, appointed by the government, to see that every able-bodied man with access to land cultivated a certain number of coffee trees. The cooperation of local officials was secured by granting them a percentage of the revenues on coffee grown in their areas of jurisdiction. Small warehouses were built in most market towns, and the grower was expected to deliver the coffee to the government at these points. In 1862 cultivation was made legally compulsory and in 1879 the percentage offered to local officials was raised. Peasants were paid a price for the coffee which was set by the colonial government at a level sufficiently low to yield profits in the trade rather than in the production process. All indications are that prices paid to producers were extremely low, often too low even to cover the cost of transport.

An examination of colonial policy in the region suggests a close relation between the economic aims (securing a monopoly on the coffee trade, increasing cultivation and pegging prices substantially below world market prices) and the broader social aims of the colonial power. Hence, for example, the preservation of what was assumed to be the "traditional" structure of isolated villages—subsistence orientation, universal access to land through local kinship groupings, absence of production for the market, etc.—went hand in hand with the attempt to secure a monopoly in coffee. Here, however, we are concerned to examine the implications of this specific colonial context for peasant enterprises in the region. While there is some disagreement on this issue, it seems that the tendency of these policies would have been to strengthen subsistence production to the detriment of commodity production with the important exception of coffee cultivation.

Schrieke (1955) for example describes the almost ridiculous lengths to which the government in West Sumatra went to discourage the trade in rice. The rules of adat, or customary law as it is usually translated, were also transformed in function if not content by the colonial authorities in some regions. Through a process of selection and codification familiar to students of colonial history elsewhere, Dutch judicial authorities turned a fluid system of customary practices into a rigid legal code. There is evidence for other parts of Indonesia that this policy actually strengthened the subsistence community by increasing the extent to which all villagers had access to land for subsistence cultivation. Non-market levelling mechanisms prevented the emergence of an internal market.

In short while no doubt there was considerable variation in the nature of peasant enterprise, most factors favored the emergence of enterprises of a particular type in which households cultivated some coffee to be sold to government warehouses and other products for direct household consumption using family labor and locally-sourced raw materials on land distributed through the network of adat relations. What limited cash income there was must in most cases have been negligible, and this was probably largely used to purchase a few consumption goods such as salt and textiles supplied by those same warehouses to which the coffee was delivered.

Blacksmithing in Sungai Puar, 1970-1972

The contrast between coffee cultivation in the nineteenth century and the production of steel tools—axes, hoes, parang (machetes), sickles and knives—in the modern highland nagari (village) of Sungai Puar at first sight appears to be slight; and yet, as we shall see, the differences are significant. Since I have discussed this case in more detail elsewhere, I shall present only a brief overview here.

Sungai Puar is a Minangkabau nagari with a resident population of just over 9000 in 1971. In the village section of Limo Suku is found the "industry" for which the village is best known. Here smiths forge and finish steel tools which they sell mostly in the nearby market town of Bukit Tinggi, the main point of distribution for markets throughout the province and indeed throughout the island of Sumatra. Smithing is the main occupation of male residents, yet a large proportion of Sungai Puar men and women product or trade in some commodity for sale in local markets.

13. Here I am referring specifically to Schrieke’s finding (Schrieke, 1955) that in spite of attempts by Sumatran villagers to grow rice as a cash crop for the internal market after the lifting of commercial restrictions, and in spite of an initial rise in rice prices, rice prices fell rapidly, not because of the huge volume of rice surpluses being sold, but because of a relative oversupply composed of small rice surpluses. Such a relative oversupply was caused by the widespread persistence of what can loosely be termed "subsistence production," i.e. non-market, internal distribution of rice. See also Geertz, 1963; J. Scott, The Moral Economy of the Peasant (New Haven: Yale Univ. Press, 1976).
Smithing is in fact carried out within a number of different kinds of enterprise, the three most significant of which were, at the time of my research, individual production, production by owner of enterprise with from two to three wage workers, and kin-based production. As the figures in the table show individual production was the predominant form, while kin-based production was very little favored.

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<th>Productive Role</th>
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<td>Owner-worker employing 3-4 workers</td>
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<tr>
<td>Owner-worker employing 1-2 workers</td>
<td>111</td>
<td>21.7</td>
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<tr>
<td>Independent Producer</td>
<td>180</td>
<td>35.2</td>
</tr>
<tr>
<td>Wage worker</td>
<td>117</td>
<td>22.9</td>
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<tr>
<td>Worker with close kinsman</td>
<td>46</td>
<td>9.0</td>
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<tr>
<td>Other</td>
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Smithing is carried out entirely with the aim of earning a cash income. Like coffee cultivation in the nineteenth century, moreover, smithing is dominated by very small-scale enterprises, with self-employment predominating. This suggests that, as in the 19th century, most such enterprises obtained labor without the existence of a labor market, and that, with some exceptions, there were no monetized labor costs for production.

However, there is a major difference between smithing in the early 1970s and the case described above, since while monetized labor costs remain minimal, other monetary costs are incurred by the producer. In other words both are cases of a commercialized peasantry, producing commodities for a market (in one case a world market, in another largely regional). Yet in the former the market-oriented peasant enterprises are reproduced largely through non-market mechanisms, while in the latter an important proportion of productive inputs are supplied through the market mechanism.

In the case of smithing, an average of about a half of all revenues brought in from the sale of steelware must be used by the owner/worker to purchase raw materials. The main raw material costs are expenditures on coal and scrap steel. Coal is brought into the village by a small number of traders who purchase it at the Ombilin coal mines in Sawah Lunto. Another group of merchants buys scrap steel in surrounding market towns which comes either from scrapped vehicles or from the unfinished section of the Padang-Pakan Baru railway. Other costs include expenditures for certain tools, anvils, paint, and polishing grit used in the process of finishing forged steel ware. The only "capital" costs met outside the market involve the reproduction of certain items of fixed capital, including some of the hammers used in forging, the small thatched hut within which forging takes place, and the land on which the hut stands. The first two are produced by the smiths themselves, while the huts are built on housing plots classified as the ancestral land of the smith's own lineage (or that of the spouse).

I have pointed out that labor costs are not monetized, and yet to some extent this is an oversimplification. Firstly, there are, as the table demonstrates, a number of enterprises which employ wage labor. Here, however, there is no developed wage form. Rather the "return to labor" (revenues minus money costs) is divided equally among the workers in a forging unit, with an extra share "for the forge." This extra share is intended to cover fixed capital expenditure, but because this is relatively small, the remaining proportion of the extra share is retained by the "employer" as a kind of disguised profit. Even when smithing units were amalgamated within larger enterprises controlled by individual entrepreneurs in the late 1950s15, this mode of calculation was employed. The system comes closer to piece-work payment than wages in that workers are rewarded according to the volume of output rather than the duration of labor. Thus even when labor costs are essentially monetized, payment according to labor time (the main capitalist mode) is absent.

It would, however, be misleading to speak of an absence of labor costs even for self-employed smiths. Most smiths have worked at other occupations during their lifetimes, and the high rates of temporary migration, as well as the interchange among different local cash-earnings activities, leads to some notion of an acceptable return to labor in commodity production and distribution. As we shall see there is some difference between this situation and one in which labor input can be treated as though it were totally free of monetary cost.

While smithing, unlike coffee production, has been effectively integrated within the circuit of commodity relations, such is not the case for the village economy as a whole on the one hand an increasing peasant output of certain commodities for the world market, its very reproduction depends on the other hand on the restricted commercialization of the peasant economy.

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whole. About 60 percent of households in the village have access to some irrigated land on which rice is cultivated largely for household consumption typically with household labor (more female labor than male). While rice farmers have to make some monetary expenditures even if they cultivate the land themselves (primarily for tools), the main productive inputs are supplied outside the market. Land is inherited in the female line, and while some transfers may take place through a system of pawning there are strict social obstacles to the development of a land market. Labor is, as we have seen, supplied by a woman with the help of other family members, and even when land is cultivated by tenants, rent is always paid in kind. In Sungai Puar irrigated land is in short supply, and very few households are self-sufficient in rice. On average households can meet about 20 percent of their annual rice needs through subsistence cultivation, although the subsistence ratio is higher in other parts of West Sumatra. Thus while the various forms of commodity production in the village—smithing, carpentry, sewing, matmaking, petty trading, etc.—are heavily dependent upon the market for the reproduction of enterprises, there are still areas of the peasant economy that remain isolated from the circuit of commodity circulation. This serves to distinguish the economy of Sungai Puar from the case described below.

Rice Cultivation in Negeri Sembilan, 1975-1976

Like the Sungai Puar villagers, peasants in the culturally-related area in Malaysia known as Negeri Sembilan expend a considerable proportion of their effort in the production of commodities for the market. The principle form of local commodity production is rubber tapping. Coagulated latex sheets are then sold to shopkeepers. As in the case of blacksmithing, the predominant productive role is that of owner tapper, although a smaller proportion of villagers share tap on land owned by someone else. Rubber cultivation is, like smithing, closely integrated within commodity circuits. Tools, land, seedlings and coagulation equipment are all purchased either directly or through various government credit schemes, although some tap trees on ancestral land. The replanting of rubber holdings, for example, has taken place largely through government loans which are then repaid over a period of years.

The main difference is in rice cultivation. Villagers in Rembau and Tampin districts, like those in Sungai Puar, cultivate rice on irrigated land for household subsistence. In Rembau over 90 percent of such land is classified as *pusako* although in the region as a whole it may now be possible to speak of the emergence of a land market. Up to about 1960, rice cultivation in the area conformed in many ways to what Jackson has termed the "traditional pattern" in the inland valleys region of West Malaysia, namely, irrigation by means of brushwood dams or waterwheels, hand preparation of the soil with a hoe, the use of dry nurseries, harvesting with the *tuai* (a small knife) and threshing by stamping (*menghirik*). Today, however, there have been important technological changes in rice cultivation. Techniques supplied during the "Green Revolution" have spread relatively rapidly, and local rice farmers increasingly employ chemical fertilizers, herbicides and pesticides or hire a tractor to plough the fields prior to transplanting. In the years since the adoption of new techniques, there has been little change, however, in the relatively egalitarian pattern of land distribution and the relatively low rates of tenancy. The new techniques do not appear to have had any favorable effect on household output, but their use nonetheless marks an important change. For example, while in the past output was a factor of labor supply, the volume of household demand and the size of holdings, now the success of rice cultivation depends largely on the use of the new inputs. And of course what is most significant about these new inputs is that they cost money, which makes access to cash, rather than access to labor and land, the most important feature of a successful household.¹⁷

Hence while the commodity-producing sector of the Negeri Sembilan peasant economy is in many ways similar to that of West Sumatra, the main difference is that in this case even when goods are produced for household consumption and not sale, their production depends on the market supply of productive inputs. In other words even so-called subsistence production has become integrated within reproductive circuits governed by the commodity form.

The cases outlined above demonstrate differing relations between peasant enterprises and the circulation of commodities. In all the cases a proportion of total individual or household output is sold on the market to be consumed locally (steelware) or overseas (coffee, rubber). The differences therefore are not between "traditional" subsistence-oriented peasants and market-oriented producers. Rather, the most striking difference is the degree and nature of market penetration of production. In nineteenth century Sumatra productive inputs were supplied almost entirely outside the market through community and kin-based mechanisms of appropriation. There is no evidence of a market in means of production, land or labor. Craftsmen and women in the 1970s, however, not only produce commodities for sale, but productive units are also substantially reproduced through commodity relations, while the cultivation of rice for household consumption was reproduced outside the commodity circuit. Finally in Negeri Sembilan rubber tapping and rice cultivation are closely integrated within a commodity circuit that involves land and, most importantly, the means of production. Moreover in this last case the commodity circuit that penetrates peasant production is at the same time a world commodity circuit involving capitalist firms and multinational enterprises.

Finally, however, it should be noted that in spite of increased market penetration, there is, in none of these cases, a highly developed labor market, at least within the peasant economy itself. The main differences in the nature of labor supply is that only with the system of forced deliveries is labor relatively immobile across different branches of production. This suggests that the process of differentiation which leads to capitalist relations of production in peasant agriculture, which has been extensively described for other parts of the world-economy, is not an inevitable consequence of market penetration on the periphery. Indeed on closer examination the differentiation thesis appears to rest on the conflation of three quite different processes: the commoditization of output, of the means of production, and of labor power. As these cases demonstrate these three processes are not necessarily causally interconnected.

The Implications of Input Commoditization for a Theory of Petty Production

If one wished to summarize the result of decent debates, particularly among Marxists, over concepts like peasantry, informal sector, family labor farms and the like, it could be stated that such notions have been found wanting because they are imprecise, they are inductive abstractions that permit no deductive conclusions about concrete cases, and that they give a misleading impression of a static and self-contained isolation of small producers. On the other hand many studies which begin a theory of small-scale production from the wider world system and/or the long-term dynamics of the capitalist mode of production all too frequently explain the emergence and rationality of petty production simply as a response to the abstract needs of capitalism itself. Short- and long-term trends in regions in which petty production predominates, or in which individual production units make a significant contribution to regional or sectoral output are then deduced in teleological fashion from secular trends which have occurred elsewhere (such as differentiation) or from the functional prerequisites of capitalist reproduction, or as residual or marginal phenomena that exist only "by default." In all such global attempts to deal with the emergence, reproduction and possible development of petty production there is a tendency to lose sight of the real historical processes through which petty production is (sometimes) subsumed by capital: the specificities of petty production itself (as opposed together productive forms which would be equally beneficial to capital); the possible contradictions between different fractions of capital and between petty production and capitalist production; and the extreme generality of the notion of petty production itself.


In an attempt to overcome the theoretical and empirical problems inherent in transitional, functional and "by-default" explanations of petty production, I propose to analyze the nature and forms of petty production itself before turning to the broader analysis of the long-term trend described above.

There are two obvious starting points for such an analysis. The first is the notion of household production, derived at least in part from the work of Chayanov and the "Organization of Production School." While Chayanov's work has been subjected to numerous criticisms, perhaps the main problem with the concept of household production lies in those misguided attempts to generalize Chayanov's findings to all cases in which "the household" is the basic unit of production, or to give to the household a theoretical status which it does not deserve. This leads to two main difficulties. Firstly, Chayanov's analysis of the short-term dynamics of peasant production in Russia depends on a set of historically specific circumstances. It is overly optimistic to expect all household production to conform to this model. Secondly, the notion of household is unlikely to be anything more than a superficial description of a labor process. To say that the basic unit of production is the household is in fact to say very little, since it presumes a given social division of labor based on sex and age already defined outside the household altogether. Given this fact, i.e. that the very form of the household as an organizer of the labor process is determined by other structures, it is not surprising that different "household-based economies" will differ radically from the situation analyzed by Chayanov.

The importance of Chayanov's work then lies not so much in a wholesale application of the household model to all situations where there is no market in labor power as in the kinds of insights his work provides into the behavior of small enterprises at least partially reproduced outside the circuit of commodity relations.

The second obvious starting point for a theory of small production is Marx's discussion of petty commodity production in the pages of Capital. Although it is important to distinguish a property form characterized by individual ownership and possession of the means of production from capitalist private property, Marx's demonstration depends on a series of assumptions more problematic from our point of view, since for him the discussion is only a logical step in an argument about the capitalist mode of production. The use of value analysis, for example, is made possible only because Marx can assume that commodities exchange at value—measured as homogeneous, abstract, socially-necessary labor time—an assumption valid only when labor power is a commodity, and hence only under capitalist production. The idea of a petty commodity mode of production in which labor power is not a commodity and yet in which commodities are assumed to exchange at value is, therefore, contradictory (unless we assume that the mobility of labor produces analogous results).

This paper is not the place for an extended theoretical discussion of these issues. Here we need only recognize that the concepts of household production on the one hand and petty commodity production on the other are not necessarily incompatible because they serve to address two distinctive phenomena. The use and development of Chayanov's work in the context of peripheral peasanties is most fruitful for the analysis of the non-market reproduction of enterprises. Chayanov's discussion of the determinants of

The authors argue that petty commodity production will be predominant in agriculture when there is a relatively high production time/labor time ratio. The problem with such an argument is that this is not really an explanation since they show themselves when capitalism penetrates agriculture it reduces this ratio. Moreover, based as it is solely on an explanation of capitalist tendencies, it does not demonstrate why it should be that petty commodity producers are able to operate under such conditions.


Alekseandr Vasil'evich Chayanov was the major spokesman for what was termed the "neo-populist" tradition in the analysis of the Russian peasantry. The characterization of the tradition, which can be attributed as much to its critics, stems from their apparent defense of the viability of the peasant farm in the context of debates over the collectivisation of Russian agriculture. Chayanov and other members of the tradition argued, on the basis of a mass of statistical data termed the zemstvo statistics, that the Family Labor Farm was the predominant form of agricultural productive unit, that the behavior of an economy dominated by such units cannot be explained solely on an assumption of market tendencies, that the very form of the household as an organizer of the labor process is determined by other structures, and hence only under capitalist production. The idea of a petty commodity mode of production in which labor power is not a commodity and yet in which commodities are assumed to exchange at value is, therefore, contradictory (unless we assume that the mobility of labor produces analogous results).


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23. W. Kula, for example, has been able to produce a convincing analysis of the short- and long-term dynamics of Polish feudalism by examining the prevailing forms of economic calculation. Here feudal enterprises were linked into regional and international output markets while at the same time land, labor and the means of production were distributed to enterprises in such a way as to be treated as costless by feudal lords. W. Kula, An Economic Theory of the Feudal System (London: New Left Books, 1976). Recently H. Friedman has proposed a similar typology of small enterprises by distinguishing between what he terms peasant and petty commodity production. The latter is distinguished from the former again in terms of the degree to which the enterprises are reproduced through commodity relations. H. Friedman, "Household Production and the National Economy," The Journal of Peasant Studies, Vol. 7, No. 2, 1980.

labor intensification, for example, are at least partly designed to show how labor is allocated in the absence of a labor market. The negative-supply response of (some) peasant producers noted first by members of the “Organization of Production School” can only be the consequence of the relative immobility of peasant labor from the branch of production experiencing deteriorating profits into other branches in which the price structure is more favorable.

The concept of petty commodity production, on the other hand, draws our attention to situations in which at least constant capital is valorized and, hence, in which the allocation of land and the means of production is determined by the market price. Bernstein’s discussion of what he calls the “simple commodity squeeze,” for example, is directed to a situation in which labor inputs must be intensified because the market price of productive inputs has risen faster than the market price of output. My own discussion of the cycle of petty commodity production, similarly, is based on the changing relation between money costs and money returns and its effect on the organization of production.

In short while the concepts are not mutually exclusive—both being designed to deal with enterprises in which labor costs are not monetized—they do have quite different aims. This should therefore direct our attention to the kinds of differences between small, commodity-producing enterprises. While the sharp dichotomy between peasants and petty commodity producers suggested by Friedman may be unhelpful, it is nonetheless important to recognize that the use of blanket terms like peasant, small producer, household production and the like all lead to a misleading conflation of rather different forms of petty production. The cases briefly outlined in the first section of this paper can be taken for the time being as formal types of petty production. I want now to suggest more precisely how they might differ.

Self-exploitation

The first difference concerns the meaning of self-exploitation. This term, usually taken to mean the increased intensification of labor inputs (beyond the limits which a capitalist enterprise would entertain under similar conditions), in fact could be taken to refer to a broader range of phenomena, i.e. the superexploitation of all productive inputs.

It can be seen that, in the case of nineteenth century Sumatra, factors which typically increased levels of self-exploitation—rising consumer/worker ratios, declining output prices, competition with technically more efficient forms of production, etc.—could lead not just to increased levels of labor intensity, but to a superexploitation of all other productive inputs supplied outside the market and hence not valorized in production, in particular land. Indeed there is evidence that the forced deliveries of coffee did produce overexploitation of land and all its consequences, such that when commercial restrictions were lifted, land suitable for cash crop production had to be sought outside the region where coffee had been grown in the 19th century.

As enterprises become more reliant on the commodity market for their reproduction, however, and raw materials and other means of production acquire a monetary cost, the situation is rather different. Firstly, opportunities for such superexploitation are decreased. Secondly, self-exploitation (or intensification of labor) increasingly becomes the only alternative—hence suggesting that labor intensification may be even greater as we approach the petty commodity end of the spectrum. Thirdly, when input commoditization results in increased labor mobility, peasants may move into less and less productive (because of low levels of fixed capital costs) branches of production. Fourthly, the potential causes of self-exploitation themselves actually increase, since added to the other causes we now have the deleterious effects of rising input prices.

“Supply Response”

A second, although related, difference between the different types of enterprise concerns the problem of supply response. We have pointed out that some writers have suggested that, due to a subsistence ethic, peasant producers respond “perversely” to price fluctuations. Higher output prices are then expected to lead to a decrease in the volume of output, while lowering of output prices produces the opposite effect. The typology proposed here suggests that this negative supply response is not universal in peasant economies, but that it may occur under certain circumstances. Specifically, increased production in the face of falling prices is likely to take place only when labor is relatively mobile. When labor mobility exists, falling prices can be expected to produce a drop in both enterprise

* Negative supply response: an inverse relationship between price changes and fluctuation in the volume of output.

25. Kula’s case study of glass production on Polish feudal estates is designed to show how the use of raw materials (in this case timber) differs when no market price can be assigned to them.


27. Kahn, 1975

28. This is a process in many ways similar to the destruction of feudal estates in Poland described by Kula, for much the same reasons, and presumably also for what has all too frequently been attributed to natural disaster more recently in places like the Sahel.
and aggregate production as peasants switch to branches of production in which the "return to labor" is more favorable. Indeed it is precisely under such circumstances that we may expect a social average return to labor to develop, as described above. The converse—i.e. rising prices resulting in falling output—can be assumed to take place only if peasant producers are already achieving desired subsistence levels, something which is increasingly rare in contemporary Southeast Asia.

In any case there is certainly evidence from Southeast Asia and elsewhere to show that under certain conditions peasants do indeed strive to expand output, expand monetary incomes beyond levels required for simple reproduction, and invest in monetary inputs that serve to increase productivity. The literature on Malaysia and Indonesia, with its continuous emphasis on obstacles to growth, subsistence ethics and the like needs to be counterbalanced by further research into the conditions that favor such developments.

Profitability

A further difference concerns the way peasant producers compare the "profitability" of different economic activities. In Negeri Sembilan, for example, the evidence suggests that the commoditization of inputs in rice cultivation has led to a gradual decline in aggregate rice outputs precisely because different kinds of comparisons than previously existed are now possible between the (money) cost of rice cultivation and the price of purchased rice on the one hand, and the money costs of other forms of production (such as rubber tapping) or even wage labor. 29

This leads to a consideration of a phenomenon that has been mentioned in passing several times in this argument, and that concerns the mobility of labor in an economy in which petty commodity production is a significant form of enterprise. A basic assumption in much of the writings on peasants is that peasants are for one reason or another rather severely restricted in the kinds of economic activities they can undertake and even in the places they can undertake them. Hence work on the moral economy of the peasantry—the tendency for there to be an inverse correlation between price and output, subsistence-orientations and the like—frequently takes it for granted that peasants are not free: for example, they may not move out of one kind of production, in which there has been a deterioration in output prices, and into another branch where conditions are more favorable. It is precisely this immobility of peasant labor which, as we have seen, prevents an analysis of peasant commodity exchange in terms of value.

However, the commoditization of productive inputs is one of the factors which breaks down the obstacles to mobility, although it can only be said to be one of the preconditions for this mobility to develop. Equally important are the constraints set by wider economic forces, including the presence of more technologically advanced enterprises which make peasant competition either impossible or possible only with extremely high rates of labor intensity. The differences between a situation of labor immobility, and one of labor mobility, however limited, are considerable. Firstly, the mobility of small producers is based on, and in turn accentuates, the tendency for decisions to be arrived at through a comparison of different rates of (money) profitability on the one hand, and different rates of return to labor input on the other. Other things being equal, for example, we might expect peasants to move from branches in which the return to labor is below the social average and into those in which it is equal to or higher than the socially average return to labor. Of course as long as labor power is not fully commoditized, other factors will enter into calculation, and strict labor-time accounting may well not develop. Nevertheless, since individual petty commodity producers experience the drudgery of labor inputs directly, something analogous to the wage as an historically-determined and relatively standardized level around which "returns to labor" in different branches of production tend to vary will emerge. To the extent that such a social average has emerged we might expect the exchange value of peasant-produced commodities to be proportional to the labor time involved in their production, which in turn further constrains petty commodity producers to produce in terms of socially-necessary labor time. This situation is very different from one in which the relative unimportance of monetary costs of production has not caused qualitatively distinct and concrete forms of labor to merge into a single, abstract, homogeneous category of labor.

Mobility of small producers has the other implication, already mentioned, that decisions will increasingly be based on a comparison of money rates of profitability across different branches of production. Again, other things being equal we might expect small producers to engage in activities which require the minimum of cash expenditures. Moreover since market penetration of production has already been assumed to have occurred, small producers can be expected to favor a high turnover—hence favoring branches with relatively higher ratios of circulating capital to fixed capital, rather than vice versa.

I have so far considered the shorter term implications of input commoditization for small-scale peasant enterprises. I have suggested that the distinction between peasant production and petty commodity production is significant from the point of view of the nature and determinants of self-exploitation, the response of small producers to price fluctuations, the kinds of comparisons made between different alternatives, and the determination of prices and ratios between fixed and circulating capital in small production. In the final section of the paper I want to turn to an examination of the historical process of input commoditization itself.

Some Hypotheses Concerning the Causes of Market Penetration

The three cases discussed above, while they cannot be taken to represent stages in some necessary evolutionary sequence, do nonetheless suggest that the most significant process of economic transformation is that described as the penetration of peasant production by the circuit of

national and international commodity relations. Having pointed to the significant implications of this process it is necessary to account for it. What follows is in no way intended to constitute such an explanation. Rather I shall instead attempt to set out a proposal for further research.

An historical explanation of the phenomenon as it has occurred in specific cases is necessary for reasons outlined above. We have criticized the differentiation thesis precisely for treating the commoditization of production as though it were some inevitable evolutionary process on the world capitalist periphery. A proper understanding must therefore avoid confusing the qualitatively different kinds of input markets that underlie the differentiation thesis. Rather it seems better to assume that market penetration is a consequence of particular economic and political struggles both within the peasantry and between peasants and other classes in concrete social formations. As Marx shows so clearly for the development of capitalist production, the commoditization of labor power is not a natural but an historical development, the end result of a process of proletarianization whereby producers are deprived of separated from the means of production. Only when the direct producer has no alternative is he/she compelled to sell labor power as a commodity.

Similarly it would seem best to assume that peasants are likely to resist the market penetration of production. Firstly, increased monetary costs of production serve to undermine the (money) rate of profitability of commodity production. Secondly, market penetration takes place only when peasants are no longer able to reproduce themselves outside the market. Hence a land market will not develop simply as a result of the introduction of the "market principle" but when, for example, the communal structures of land distribution have been sufficiently undermined to threaten the reproduction of existing agricultural production.

This proposition can be illustrated for Sumatran coffee producers in the nineteenth century. Whether these peasants were concerned to maximize cash revenues or whether they were interested only in simple reproduction, it is likely that they would have little interest in expanding their cash costs. The "profitability" of coffee cultivation was a result, not of high coffee prices, but of negligible money costs. Any increase in these money costs would quickly undermine socially-defined profit levels. Put another way, the colonial government was able to extract a surplus in the coffee trade, based on paying very low prices to producers, when the land, labor and means of production employed in coffee cultivation were locked away from the market. In this case the necessarily high rates of exploitation of these inputs could be ensured only through the use of direct political pressure. As long as they had a choice, therefore, we can expect that these peasants would have operated with a minimum of cash outlays.

Any increase in the market penetration of peasant production, therefore, could have only been the result of force in the broad sense. Hence the first significant change was marked not by the natural evolution of the market mechanism in Southeast Asia, but by the imposition of a money tax by colonial governments. Indeed it is not particularly surprising that the imposition of the money tax was strenuously resisted by rural cultivators even when, as in West Sumatra, it was designed to replace forced deliveries. Where there was a relatively low level of market penetration, the imposition of the tax, not surprisingly, forced peasants to produce cash crops for the world market rather than the internal market. In Sumatra, for example, the initial response to the tax in some villages was the production of marketable rice surpluses. However, villagers quite quickly turned to more profitable world cash crops such as rubber, tea, coconuts and coffee when they discovered that even small rice surpluses produced a glut in the market.

Production of cash crops for the world market at the same time did create some opportunities for further specialization. In order to meet the tax burden some peasants could produce commodities such as steelware, textiles, and fruit and vegetables for the internal market which developed in part as a result of the changing division of labor in Sumatra. Thus the imposition of a money tax explains on the one hand the increased market orientation of peasant enterprises and, on the other, a qualitative change in the way enterprises are reproduced. The tax becomes a money cost of production, like rent, and serves to redefine the conditions under which peasant calculation is made. The reorientation and the consequent change in the social division of labor may also explain some degree of market penetration of production, since new economic activities may require non-traditional inputs which can only be purchased on the market.

Thus the imposition of a money tax explains on the one hand the increased market orientation of peasant enterprises and, on the other, a qualitative change in the way enterprises are reproduced. The tax becomes a money cost of production, like rent, and serves to redefine the conditions under which peasant calculation is made.

However, while a tax may increase commercialization of production beyond the level of production, a head tax is not on its own a sufficient explanation for a long term process of market penetration, since the compulsion to pay a tax of this kind does not necessarily undermine the ability of peasants to reproduce their productive activities outside the market. A land tax, such as that levied in by the British in Malaya, on the other hand, may have longer term effects on the viability of subsistence reproduction since it may, if it is proportional to land area, lead to fragmentation of holdings. Nonetheless, set levels of money taxation are, it would seem, at best a partial explanation for the long term

process described above. Rather, taxation would produce enterprises somewhere in between the peasant—petty commodity production extremes, without implying any necessary further process of input commoditization.

And yet, as we have seen, the market penetration of peasant enterprises in the region has considerably increased, even in the last twenty years. A full explanation for this continuing transformation of peasant enterprises in the region is not possible at this stage. Therefore, in conclusion, I propose only to examine some of the possible explanations as a means of stimulating further discussion.

1) The first thing to note is that market reproduction is in the interests of capitalism. It has become apparent in recent years that while profit levels in peripheral peasant agriculture are rather low, small producers are able both to produce much needed commodities at relatively low prices while at the same time forming a profitable market for agricultural inputs supplied by multinational corporations. As C. Payer has recently pointed out, there is an inevitable clash of interests between "self-provisioning" peasants and the interests of capital. Payer focuses in particular on the way policies advocated by the World Bank have served to undermine self-reproducing peasants who are forced to substitute for traditional techniques through the mechanism of indebtedness. As a result, they become dependent on firms supplying agricultural chemicals, for instance, the market for which is rapidly shrinking in the core countries.

This process is clearly important, and the means by which such techniques have been introduced during the Green Revolution needs closer examination in Southeast Asia. And yet such an explanation is at best incomplete, since it fails to explain precisely how peasants with an interest in minimizing cash expenditures are placed in a position of reliance on such inputs.

2) One explanation offered is that peasants have become increasingly impoverished by world price fluctuations and, as a result, are forced into debt. Failure to repay the debt locks them into a vicious circle of asset-stripping, increased reliance on the market for the purchase of means of production which leads in turn to increased indebtedness. There is no doubt that this has occurred in Southeast Asia, and yet again the explanation is insufficient since it fails to account for the occurrence of such impoverishment in some places and not others, and more significantly from our point of view, why it occurs in some periods and not others.

3) A similar explanation is embodied in the thesis that it is population expansion and land fragmentation that makes peasants particularly susceptible to the cycle of indebtedness. Again this has clearly taken place, and yet theories on population growth also leave a number of things unexplained. Firstly, of course, the Malthusian assumptions behind the population growth mechanism make it suspect. Specifically, it fails to explain particular demographic trends in specific historical periods. Secondly Geertz has outlined one way in which population growth leads to intensification of land use, labor inputs and non-market mechanisms of resource distribution. To rely on population growth to explain the opposite tendency thus requires an explanation for relative population surplus and a specification of the conditions under which that leads to increased market penetration.

4) An account of why market penetration has occurred increasingly in this century is implied in writings which stress the increased divergence between price and output fluctuations brought by reliance on producing for world rather than local markets. Scott, for example, explains the breakdown of "moral economy" and traditional redistributional systems in Southeast Asia as being due at least in part to the shift from internal to external markets. The consequence has been that price fluctuations in the latter, being extra-locally determined, do not make up for annual variation in output to the same extent that they would if prices were locally-determined.

Increased world market penetration of production would, by this theory, be due to the turn-of-the-century shift in Indonesia and Malaysia to the cultivation of world cash crops, and consequent fluctuations in price and output serving to dispossess at least some small producers of access to the means of production, producing the cycle of debt and further penetration as described above. This hypothesis too deserves further investigation to see whether the rhythm of market penetration can be related to the different stages of commodity penetration. However, such a general explanation would have difficulty accounting for the lack of differentiation between proletarians and employers of wage labor. In other words it would probably be insufficient to explain the specific pattern of commoditization that has taken place in particular regions.

5) In some areas in Southeast Asia, full petty commodity production has been the result of colonial policies which aimed to ensure an adequate labor supply to plantation agriculture both through land grabbing and immigration policies. The resultant absolute and relative surplus populations would by these means become proletarianized. Economic cycles and technological change, on the other hand, would have the effect in certain periods of denying wage employment, and the unemployed would then be forced into production and trade using means of production purchased on the market. However, while this development has clearly been a significant process in the creation of a peripheral lumpenproletariat, entirely dependent on the market for its reproduction, it has not been a sufficiently general process in the region to be the sole explanation for the developments described above.

6) Another important factor in decreasing local forms of reproduction has been the import of cheap manufactured goods from the capitalist core. It would here be particularly

interesting to compare Indonesia, which has traditionally had tighter restrictions on imports, with Malaya which has had freer policies—a difference partly traceable to differences between Dutch and British colonial policies. It is, however, by no means evident that tight import controls have not in fact led to a transformation of petty commodity production rather than a reinforcing of the individual pattern of production encompassed by that term. 36

7) Finally, it cannot be assumed that under all circumstances peasant producers are interested only in simple reproduction. Under certain conditions peasants in Southeast Asia behave more like petty capitalists, expanding production in order to increase money revenues and investment. While research is needed in Southeast Asia into the historical conditions under which this occurs, it seems that increasing output will imply greater monetary costs of production in order to overcome given limits in communal reproductive mechanisms (to acquire more land, more labor, new technologies, etc.).

These are some of the factors which might contribute to the significant transformation in the Southeast Asian peasant economy described above. What should perhaps be noted is that the penetration of commodity relations may be due on the one hand to a deterioration in the conditions of peasant enterprises or, on the other hand, to attempts by peasants to improve these conditions. Neither is there a simple answer to the question of whether the causes are internal or external to the peasant economy. External pressures to commoditize must be met by internal conditions which force such commoditization on peasants whose main interests may lie in minimizing cash expenditures.

What is now required is more detailed research into specific processes of change, combined with better historical work on Southeast Asian peasants which does not reduce them all to a timeless and unchanging mass, but links transformations in their lives to the wider historical and social processes of which they are a part. ★

The Development of Petty Commodity Production in Mughal India

by Kate Currie

Introduction

Argument, discussion and debate on what constitutes a mode of production abound in contemporary neo-Marxist literature and I do not intend to retrace those paths which, by now, must surely be very familiar. In an earlier paper, focusing on Mughal India, I argued that between the sixteenth and eighteenth centuries, India constituted a pre-capitalist class-divided social formation in which the largest share of the surplus product was appropriated from the direct producers by the Mughal state apparatus. This argument led me to identify the dominant mode of production at that time as tributary since the tributary mode, in pure form, entails the separation of society into two main classes: the peasantry (organized in communities); and the ruling class which, by monopolizing the functions of political organization, is able to exact a tribute from the mass of direct producers. In this paper, I am not primarily concerned with the identification of the dominant mode in Mughal India. My aim is rather to consider the extent to which developments occurred within the Mughal period in the sphere of petty commodity production. My discussion of developments within the sphere of petty commodity production is introduced by an analysis of the relationship between the Mughal state and society, that is, an analysis of the relationship between rulers and ruled.

Center and Periphery

In Mughal India, prior to the rapid disintegration of the Empire (itself an effect of internal contradictions compounded by the political and economic policies of the East India Company) the state/peasant relationship structured the primary but not sole form of domination. Other forms co-existed and, indeed, the subsumption of such forms was a major task for successive Mughal emperors. Ultimately, the task proved too difficult and by the mid-eighteenth century the relative weakness of imperial rule greatly aided a series of East India Company military victories. With Clive’s victory at Arcot in 1751, Mughal rule was totally undermined.

The internal contradictions between Mughal center and periphery must be understood in the context of the struggle over the appropriation of the agrarian surplus.


3. The concept “tributary mode” is developed by Samir Amin, Modes of Production, Social Formations, Interconnections of the Various Levels of a Formation, Classes and Social Groups, Nation and Ethnic Groups: Introduction to the Concepts (Dakar: United Nations African Institute for Economic Development and Planning, 1972) and Accumulation on a World Scale, Vol. 1 (New York: Monthly Review Press, 1974), but firmly grounded in Karl Marx, Capital, Vol. 3 (Moscow: Foreign Languages Publishing House, 1982), 32, 325, 771, and Grundrisse, translated with a foreword by M. Nicolaus (London: Pelican, 1973), 473. For Marx it is the tribute raising state which appropriates the surplus product from the direct producer and which stands in the same objectively antagonistic relationship to that producer as does the slave-owner to slave, the feudal lord to the serf and the capitalist to the wage laborer.

4. The ruling class/peasant axis of domination was not the only one. Although I have argued that in Mughal India between the early sixteenth and early eighteenth centuries the tributary mode of production was dominant, since sets of dichotomically opposed classes can be identified with different modes and social formations are constituted through structures of co-existing modes, any given social formation will be composed of a complex class structure. As I shall attempt to demonstrate, Mughal India was no exception to this.

*I am grateful for the suggestions of Kathleen Gough which were very helpful in making revisions.
Under the absolutist Mughal system, the primary exploitative relationship was that between state and subordinated peasantry in which the surplus of the latter was transferred to the former by direct labor or tax. This actual process of transfer was effected by a variety of intermediaries including certain classes whose economic and political interests did not always coincide with those of the Emperor. Methods of revenue collection in Mughal India were complicated and subject to wide regional variations. Two main methods, however, can be readily identified. In the Khalsa territories (accounting for one fifth of total revenue) revenue was extracted from the direct producers by village officials such as the mudaddam (headman) and directly channeled into the imperial treasury. By contrast, in Mansabdar-Jagirdar territories, government officials were assigned land revenue by the Emperor for the upkeep of military regiments. In effect, some sixty percent of the share of the produce taken as revenue was maintained in the cavalry and artillery of four hundred and forty five Mansabdar-Jagirdars that were essential for the realization of the state claim on the agricultural surplus. In spite of this massive expenditure on the military, the Mansabdar-Jagirdar system could not transcend its own inherent weaknesses. Since jagirdars were predominantly non-Indian and of diverse ethnic origin, their presence, unlike that of locally based Indian chieftains, did not give rise to clientelistic vertical ties between overlord and peasant. Moreover, the system of temporary assignments, in which individuals were assigned to a region for no more than three years, predisposed mansabdars to exploit the peasantry without establishing those close vertical bonds which at both ideological level (in India through the caste system) and pragmatic level facilitate the very process of exploitation. In consequence, zamindars, representing a traditional, local and competitive claim on the surplus, were sometimes brought into the system as intermediaries in revenue collection.

The generic term zamindar actually covered a multitude of different groups varying in degrees of political and economic autonomy, from, at one extreme, the relatively independent chieftains who were able to maintain a high degree of economic, political and military independence in return for the payment of tribute (peshkash), to a dominant section within the peasantry (e.g. mudaddams) whose claims on the economic surplus could over time develop into zamindari rights, at the other. Between the two extremes were the vast majority of intermediary zamindars whose claim on the economic surplus was no more than approximately ten percent of total land revenue. Hence, for the zamindar, unlike his feudal counterpart, the proportion of the surplus was in theory, and to a large extent, in practice, subordinated to the state claim. Moreover, under the Mughals, the peasant right to possess and cultivate the land was bestowed not by the local lord (as in feudalism) but by the state. Although its theory and according to the Mughal ideal, the Emperor was empowered to confer zamindari rights at will, the actual variation in the relationship between zamindar and Crown was considerable throughout the period.

For mansabdars (government officials) the claim on the economic surplus of the peasantry was effected through office-holding since office was the means whereby the claim on land revenue was realized. In this sense, mansabdars—lacking independent claims on the surplus—were beneficiaries of Mughal rule. Under the Mughals, land was held at the Emperor’s pleasure and it is likely that in reality the objective situation of some of the weaker zamindars in the directly administered territories was as precarious as that of the official state revenue collectors. Although Imperial control over the independent chieftains ultimately proved ineffectual, there is little doubt that the Mughals were more successful than any of their predecessors in compelling the autonomous chieftains to conform to the Imperial script. In this sense, certainly under Akbar (1556-1605), Jahangir (1605-1627) and Shahjahan (1627-1658), Barrington Moore’s balance between too strong a crown (royal absolutism) and too independent an aristocracy (feudalism) was, without doubt, resolved in favor of the former.

Land and labor

I have already suggested that the class structure of Mughal India was complex and that relationships between

5. The share of the produce taken as revenue amounted to between one third and one half in most parts of Northern India.
6. For an interesting and somewhat unorthodox discussion of the way in which relationships are structured through exploitation in the caste system, see Claude Meillassoux ‘Are There Castes in India’, Economy and Society, Vol. 1, No. 1 (1973).
7. By the sixteenth century, zamindari right had become a fully saleable commodity and government officials were able to purchase zamindaris. See Irfan Habib, ‘Potentialities of Capitalistic Development in the Economy of Mughal India’, Journal of Economic History, No. 29 (1969).
8. On this question S.N. Hasan, ‘Zamindars Under the Mughals’ in R.E. Frykenberg, Land Control and Social Structure in Indian History (Madison: University of Wisconsin, 1969) cites a number of illustrations of Mughal success in overruling local justice and determining succession. When, for instance, Raj Suraj Singh of Rikaner arrested the retainers of his brother Dalpat, Jahangir (1605-1627) ordered that they be released. During Shahjahan’s reign (1627-1658) the claim to succession of Jaswant Singh of Marwar was upheld in preference to that of his elder brother on the ostensible grounds that he was the son of the favorite wife of the late raja. Clearly, this ability of individual Emperors to decide succession both strengthened their control and undermined the autonomy of the chieftains.
oppressors and oppressed, exploiters and exploited were structured along a variety of different axes. While the state/peasant relationship structured the primary form of domination/subordination in Mughal India, other forms co-existed (e.g., zamindar/peasant; zamindar/laborer; muqaddam/peasant; moneylender/peasant; zamindar, muqaddam, moneylender, peasant/laborer) and were subordinated to that primary form. Let me now expand this picture in relation to the development of the productive forces, the division of labor and the creation of a market.

Firstly, I shall focus on the development of private property in land. The precise form of the direct producers' relationship to the means of production (specifically land) was similarly complex. It is now widely accepted that under the Mughals, cultivating castes maintained their traditional entitlement to the land only insofar as they tilled the land. Whether or not sections within the peasantry were legally sanctioned to freely dispose of land is certainly questionable. Grover has identified an hierarchy of land rights encompassing: Riaya (peasant proprietors cultivating their own land/Khudkashta or having the right to rent out land); Muzarian (tenants holding land from the Riaya); Pahikashthkar (‘owning’ land outside the village of residence) and Muqarar Riaya (holding hereditary rights of transfer, mortgage and sale of land). Legal provision for the sale of land did, then, exist although in effect the relative abundance of land restricted the practice. Moreover, the legal provision was highly constraining and, even where private ‘ownership’ of land was tolerated, the provision rarely extended to disposal. Raychaudhuri, for instance, cites the practice of milkiyat (rights of ‘ownership’ in agricultural lands) which was bestowed by the Emperor upon sections within the zamindari. Theoretically, however, since milkiyat did not confer on the ‘owner’ the legal right of disposal, as a form of ‘ownership’, it was qualitatively different from that existing under bourgeois property and land law. Of course, this situation changed dramatically under the impact of British rule when bourgeois property rights were introduced via the Permanent Settlement (1793). Prior to this time, zamindars maintained an hereditary entitlement to the land, but successive Mughal Emperors claimed the right of transfer, appointment, and expulsion. Although the Mughals were not entirely successful in the implementation of this right, in the last instance land was held at the pleasure of the Emperor. Consequently, in the absence of explicit and unambiguous legal provisions, such as those encountered under bourgeois property law, land ownership in the Mughal Empire rested on unstable and tenuous foundations. As the system declined, implementation of the law proved increasingly difficult. Zamindars and other non-cultivating castes were able to assume de facto possession of the land and by the early eighteenth century Mughal India was marked by a discrepancy between ideal and practice.

By the reign of Akbar, a cash-based system of revenue collection was in operation and this feature, together with the increasing urban demand for rural produce, necessitated a growth in market relations. The expansion of the market, however, with important exceptions (of which, more later) did not lead to a revolution in methods of agricultural production and it is this question which I shall now consider. For the peasant producer, cultivation was both a right and a duty since the Mughals acknowledged the peasants’ title to both permanent and hereditary occupancy of land so long as it was tilled. Both right and duty to cultivate were ideologically legitimated in traditional caste terms. Peasant castes were expected to carry out their caste dharma, i.e. to work the land and, in this sense, the caste system provided a direct justification of the system, including the appropriation of the agricultural surplus.

Where tradition did not suffice to guarantee production (necessary for the reproduction of the mode) Mughal rulers were able to draw upon coercive measures. The coercive back-up was crucial in perpetuating the vertical ties between peasant and ruling class since the maintenance of such ties had implications for the reproduction of the mode or its disintegration. As the entire Mughal state apparatus was premised on peasant cultivation, failure to cultivate meant revenue loss and consequent redistribution to make good that loss. Redistribution as a resolution of the problem, however, was double-edged because this practice sometimes enabled revenue collectors to increase their share of the surplus. To offset this problem, decrees were issued by both Akbar and Jahangir prohibiting revenue

9. This is a schematization of a much more complex reality. Gradations within the laborer category ran from ‘free’ to ‘slave’ with varying degrees of servitude between the two. I have focused on production relations, but domination was often structured through ideological and ritualistic forms of action, i.e. relations between castes within the Varna hierarchy and between caste Hindus and Untouchables. Frequently economic domination was reinforced by and through the caste hierarchy. This occurred, for instance, when an Untouchable tied laborer worked the land of a Brahman holding a prebendal estate.


13. One consequence of the concentration within a small ruling class of revenue raised from the agricultural sector, was the expansion of the urban sector. Habib (1969) estimates the population of Agra as 500,000 (1609), Patna as 200,000 (1671) and Surat as 200,000 (1700).
officials from forcibly converting peasant land to their own holdings. To “encourage” cultivation these same officials were invested with the power to imprison and administer corporal punishment to defaulting peasants. While state measures aimed at promoting agricultural production via irrigation works and Taqavi loans did exist, it is unlikely that these practices were extensive. According to Maddison, it is highly probable that no more than five percent of the total land area was irrigated at any time.

The operation of the Mansabadar-Jagirdar system of social control created tension between the economic and political aspects of Mughal rule. Temporary assignments introduced to counter the centrifugal threat to the centralized system had deleterious economic consequences for the system. Jagirdars, with considerable control over resources and directly accountable to the state, had little incentive to employ their energies in agricultural investment within a constantly shifting rural setting. Throughout the period, the regionally based zamindars posed a political threat to the centralized system. In economic terms, their main interest lay in increasing their share of the agricultural surplus by undermining the center rather than through investment in agricultural production, although some such investment did occur. That the direct producers lacked investment incentive is hardly surprising given the regressive nature of the taxation system (tax assessment based on a fixed proportion of the crop), which benefited money-lenders at the expense of improving farmers. Peasants, indebted to moneylenders and local merchants, lacked capital for agricultural investment. The problem of under-investment on the part of direct producers was further compounded by the complexity of land rights. Certain peasant proprietors (Riya) held an hereditary right to rent land out to tenants (Muzarian) while others (Pahikashkars) held land rights, i.e. effective possession, in areas other than the area of residence. Such land was usually worked by tenant farmers or hired (frequently landless) laborers, groups both lacking in incentive and capital. The existence of a class of landless laborers who held no customary right to the land and could be prevailed upon to work for little return, often on land appropriated through redistribution, militated against the institutionalization of slavery on any scale. Unfortunately, unlike the colonial period, there is no detailed documentation available on the size or degree of bondage of the agricultural laboring sector of Mughal society. It is reasonable to assume, however, that the number of landless laborers remained fairly static throughout the period, reflecting customary caste practice (effectively, a combination of ideology and coercion) rather than either an unfavorable ratio of labor to land or the impact of an agricultural revolution such as the English enclosure movement of the sixteenth century. Under the Mughals, then, the existence of a pool of landless laborers was not an indication of the transformation of the pre-capitalist mode of production in the rural sector. Labor power had not yet become a commodity.

Petty Commodity Production

In a recent article Joel Kahn has argued that the emergence of petty commodity production is dependent on five conditions:

- 1) the separation of producers from any class of non-laborers with property rights in the means of production;
- 2) the separation of direct producers from each other, i.e. the dissolution of all forms of communal property rights and rights of appropriation;
- 3) a division of labor;
- 4) the creation of markets;
- 5) mobility of all factors of production.

For Kahn, petty commodity production in its “pure form” is different from capitalist and other modes of production based on exploitation of producer by non-producer since the early stages of petty commodity production are marked by a separation and equality of producers. In an earlier article, Amin has also argued that the simple commodity mode of production is marked, in its pure state, by “equality between free petty producers and the organization of commodity exchange between them.” As Amin points out, no society has ever been structured on the basis of the simple commodity mode in its pure form. Nonetheless, at the empirical level—when handicraft production has been

15. op. cit., 25.
16. Much is made of this point by Barrington Moore Jr., The Social Origins of Dictatorship and Democracy: Lord and Peasants in the Making of the Modern World (London: Peregrine, 1989), 333, in his comparison of Indian and Japanese systems of taxation. In Japan, tax was based on periodic assessment of land yield which enabled energetic peasants to accrue a surplus. I doubt very much if taxation based on assessment of land yield always enables improving farmers to accrue a surplus, for such assessment does not allow for the vicissitudes of climate. For Moore, however, the difference between the two systems is important and ‘very likely . . . had a decisive influence on the character (sic) of the peasantry in the two countries’.
sufficiently dissociated from agricultural production—there has frequently emerged a sphere governed by simple commodity relations. Let me now consider whether such a sphere developed under the auspices of Mughal rule.

Within the rural context, while production was geared primarily to the subsistence needs of the kin group (i.e. production of use values), most peasants, nonetheless, were drawn into the arena of exchange relations. For urban direct producers, a restricted form of commodity exchange provided the only means of reproducing labor power.

Habib has argued that “rural monetization was almost entirely the result of the need to transfer surplus agricultural produce to the towns.” Although there is some evidence suggesting that exchange relations took place between small groups of villages, on the whole, Indian villages were characterized by a high level of self-sufficiency. The association between occupational categories and caste had long since been established and by the Mughal era it was customary for non-cultivating castes to provide services to villagers in return for a predetermined share of the product of each peasant. Moreover, the dominant castes maintained clientelistic (jaamna) relationships with groups of service castes.

In urban India, the hierarchically structured relationships were reproduced. Unlike their counterparts in medieval Europe, artisans under the Mughals failed to establish an independent economic base. It was not so much that the state failed to encourage the growth of manufacture, (the converse was, in fact, the case), but rather that the structure and specific practice of the political sphere had clear implications for the scope and content of manufacture. Let me try and develop this point. In as much as towns grew up in areas of religious pilgrimage and as administrative centers for the bureaucratic apparatus, it can be argued that initially the location and growth of towns was determined primarily by religion and politics. Even so, by the reign of Akbar, there existed both a number of flourishing urban manufacturing centers and a wide range of relationships existing between direct producers and non-productive classes. Ganguli draws on Bernier and Tavernier to show that “urban handicrafts of high quality in textiles, and other luxury products . . . were flourishing under the patronage of the royalty and nobility.” In a number of towns, including Delhi and Benares, members of the ruling elite engaged skilled craftsmen to produce fine goods for their own immediate consumption. Such goods were produced in royal workshops (Karkhansas), most usually situated within the confines of the palace grounds. Under the Karkhana system, raw material was supplied by the nobility to artisans, to whom payment was made in return for labor power. There is no evidence, however, to suggest that the artisans were divorced from their main means of production, the loom. Bernier’s graphic portrayal of the Karkhana system provides a good indication of the extent and breadth of that system:

Large halls are seen in many places, called Kar-Kanays or workshops for the artisans. In one hall embroiderers are busily employed, superintended by a master. In another you see the goldsmiths; in a third, painters; in a fourth, varnishers in lacquer-work; in a fifth, joiners, turners, tailors, and shoemakers; in a sixth, manufacturers of silk; brocade, and those fine muslins of which are made turbans, girdles with golden flowers, and drawers worn by females, so delicately fine as frequently to wear out in one night.

In addition to the Karkhana system, many nobles directly “employed” skilled craftsmen to manufacture fine textiles. Ties binding the direct producer to the non-producing noble were essentially traditionalistic and I have come across no indication in the sources that suggest that these ties were structured solely in terms of the economic relationship. Bernier, in his 1663 discussion of Delhi, informs that when a mansabdar requires the services of an artisan, he sends to the bazaar for him, “employing force, if necessary, to make the poor man work; and after the task is finished, the unfeeling lord pays, not according to the value of the labor, but agreeably to his own standard of fair remuneration.”

Trade relations between Indian merchants and those from the Far East, Middle East, Africa and Europe had existed for hundreds of years. By the middle of the seventeenth century, the Mughals were engaged in extending already existing trade links. In response to this expansion in

21. Irfan Habib, Pg. 77.
23. For Barrington Moore, of course, one of the historically necessary preconditions for the emergence of bourgeois democracy is the development within society of a group or class having an independent economic base. The failure to maintain a balance between royal absolutism and feudalism has negative implications for the development of such a group. I have discussed this point elsewhere, “Political Sociology of Barrington Moore,” Political Science Review (Rajasthan, 1976) 15.
24. I. Frakasi, “Organization of Industrial Production in Urban Centres in India during the 17th Century with Special Reference to Textiles” in B.N. Ganguli, Readings in Indian Economic History (Proceedings of the First All-India Seminar in Indian Economic History, London, Asia Publishing House, 1964), 47, cites the example of Emperor Akbar who encouraged “in every possible way” the growth of the woollen industry in accordance with Sir Charles Trevelyn’s Report to the parliamentary enquiry 1840: Palme Dutt, India Today [London: Victor Sollanz, 1940, 127] solely to the demise of the Mughal rule. The unequal exchange between England and India resulting from the heavy import duty imposed on imported Indian manufactured goods (80% on the value of the product by 1813) and the nominal duty on British manufactures entering India, had catastrophic implications for the Indian handicraft industry.
25. It would, however, be difficult to attribute the nineteenth century decline in Indian towns (Dacca’s mid-eighteenth century population of 150,000 had by the mid-nineteenth century fallen to 30,000 or 40,000 according to Sir Charles Trevelyn’s Report to the parliamentary enquiry 1840: Palme Dutt, India Today [London: Victor Sollanz, 1940, 127]) solely to the demise of the Mughal rule. The unequal exchange between England and India resulting from the heavy import duty imposed on imported Indian manufactured goods (80% on the value of the product by 1813) and the nominal duty on British manufactures entering India, had catastrophic implications for the Indian handicraft industry.
26. B.N. Ganguli, p. 44.
29) A system similar to the Karkhana system provided the organization for the manufacture of weapons, ammunition and coins. Under this system, groups of artisans worked exclusively for the state under strict supervision. It is likely, too, that the large labor force of 60,000, employed in the diamond mines of the Deccan, was similarly organized.
30. F. Bernier, Pg. 259.
31. Ibid., 256.
trade, a merchant class developed and mediated between producer and consumer by supplying raw materials to artisans and finished goods to foreign traders. As with the Karkhana system, artisans were paid in wages and supplied their own looms. Some idea of the extent of this foreign trade is indicated by the size of the merchant shipping industry. Das cites instances of individual Surat merchants possessing as many as twenty ships, and one merchant—Abdul Ghafur—possessing twenty ships, each between three hundred and eight hundred tons in weight. It is further claimed that the trade conducted by Ghafur alone in 1663 was equal to that of the whole English East India Company. There are, of course, problems with this direct comparison since prior to the unification of the East India Company in 1702 a number of smaller companies claimed the monopoly of the East India trade and Das' comparison is, presumably, with one of these smaller companies. Nonetheless, the claim is still impressive. A further indication of the size of foreign trade can be gauged from the existence, by the mid-seventeenth century, of vast numbers of brokers (six hundred in Patna alone by 1660) engaged in the organization of insurance for cargoes and goods in transit. Indian merchants, however, by no means had total and exclusive control of foreign trade and by the middle of the century foreign traders were themselves employing artisans directly. Ganguli cites an example of six hundred artisans being employed directly by English traders in Baroda, and this practice—organized on lines similar to the Karkhana system—was not uncommon.35

I have tried to give some indication of the extent to which production, specifically, the manufacture of luxury goods and the armaments industry, was primarily oriented towards the satisfaction of demand patterns of the Mughal court and nobility. Evidence based on the size of towns (Agra's 1609 population was after all, in the region of 500,000, probably larger than the 1609 population of either Paris or London) provides a good indication that significant numbers of artisans were engaged in craft manufacture. Despite the apparent size of the Mughal manufacturing industry, the dynamic necessary for the development of industrial capitalism was lacking. Capital accumulation did not extend beyond the sphere of circulation and the imposition of heavy revenue demands failed to create the conditions necessary for establishing an internal rural market. Moreover, in the last instance, the economic prosperity of urban merchants was contingent on the political prosperity of the Mughal ruling class. In consequence, that mutual exchange between town and country which flourished in Europe during the later middle ages did not develop.

Within the rural village context, economic relations existed between cultivating and non-cultivating castes. Between rural and urban regions, with some important exceptions, mutual or reciprocal exchange was exceedingly limited. Habib draws attention to two such exceptions: the system of Khud-Kash and horticultural investment. The term Khud-Kash refers to a system in which village headmen and zamindars prepared to undertake the organization of groups of landless laborers. The implementation of the system, however, was impeded by the attempts of successive Mughal rulers to undermine it. Capital invested in horticulture came from both rural and urban sources through appropriation of the direct producer and the sale of the produce. Such capital outlay was initially met out of revenue by nobles and zamindars who laid out orchards in order to improve the varieties of fruit directly available for their own consumption. Once new techniques in grafting were established, it became profitable to market any surplus, thereby raising more capital for further investment. As with Khud-Kash, details relating to the extent of this practice are not available.

Throughout the period, the regionally based zamindars posed a political threat to the centralized system. In economic terms, their main interest lay in increasing their share of the agricultural surplus by undermining the center rather than through investment in agricultural production, although some such investment did occur.

In order to meet revenue demands (levied in cash) and repay debts to moneylenders, the peasant was obliged to sell half or more of his produce at local rural markets and, to this extent, the Mughal peasant engaged in petty commodity production. Paradoxically, while Mughal fiscal policy certainly stimulated the process of rural monetization and even established some of the conditions necessary for the creation of a rural market, the consumption pattern of villagers remained largely unchanged. Any surplus accruing from such petty commodity production was already "committed." It is in this sense then that "the process of monetization stopped at the border of village India."

The Conditions for Petty Commodity Production

Let me now look more closely at the conditions necessary for the emergence of petty commodity production and

34. B.N. Ganguli
35. It is interesting that Bernier, Pg. 248, in his account of Delhi, noticed that, ‘the costly merchandise is generally kept in warehouses, and the shops are seldom decked with rich or showy articles’. One explanation of this feature is that since most of the costly goods were directly commissioned by nobility or merchants (both Indian and foreign) there was little call to display goods in the shop front. Once completed, goods were stored for collection.
36. Irfan Habib
37. Unfortunately, there is no information available on the extent of the practice of Khud-Kash.
38. Moreover, rural weavers maintained a traditional right to market any surplus over and above that required for village consumption.
39. Tapan Raychaudhuri, Pg. 119.
consider the extent to which these conditions were actually realized within the Mughal context:

*Condition 1:* the separation of producers from any class of non-laborers with property rights in the means of production.

In rural India, the separation of producers from any such class was not effected. While limited provision for the sale of land was acknowledged by the Mughals, the practice was certainly not widespread and in the absence of clear legal provisions, in the last instance, land ownership rested on military strength. For the peasant, since cultivation was both right and duty, possession of the land could only be guaranteed insofar as cultivation took place; and this, in turn, was effectively assured by the exercise on the part of the non-cultivator of a combination of traditional authority and brutality.40

Whether or not a total separation of the producer from a property owning non-laboring class was effected under the British is an open question. Even if it is accepted that British Settlement policy, by establishing private property inland, contributed to this separation, there is evidence suggesting that old (i.e. traditional) forms of servitude were extended as numbers of landless laborers increased, and as new methods of organizing production came into being. In this connection, it is interesting to note that the British government enabled planters to establish holdings in India in 1833, the same year that slavery had been abolished in the West Indies:

> The new plantation system, which was nothing but thinly veiled slavery was immediately developed in India, and it is significant that many of the original planters were slave drivers from the West Indies.42

Agricultural production, under the British, consisted of a combination of generalized commodity production and subsistence farming. Where generalized commodity production took place, at least in the early nineteenth century, it was structured not through capitalist but rather pre-capitalist relations of production in which laborers were bound to owners for long periods, sometimes life, and in which relations of bondage were secured through ideological and coercive means.43

Within the urban context, the growth of craft manufacturing under the Mughals was not a corollary of the separation of producers from a class of non-producers holding property rights in the means of production. The evidence available suggests that direct producers maintained at least some property rights in the means of production, i.e., the weaver owned his loom, the potter owned his wheel, the spinner and weaver their looms. To what extent, however, was the urban craftsman able to sell his labor power? To what extent had the urban craftsman ceased to be a bondsman of another? To what extent was his labor power already made over to another? Marx44 tells us that to become a free seller, “who carries his commodity wherever he finds a market,” the laborer must have escaped from the power of the guilds. The evidence available suggests that the Mughal craftsman had not escaped from the power of his noble lord,45 let alone the power of the guilds!

*Condition 2:* the separation of direct producers from each other, i.e., the dissolution of all forms of communal property rights and rights of appropriation.

The view that land in Mughal and pre-Mughal India was held in some form of communal ownership or possession has gained credence through the recent popularization of Marx’s scattered writings on the Asiatic mode of production. In the *Grundrisse*, Marx distinguishes between two types of pre-capitalist socio-economic formation:

- a) “primary,” encompassing Asiatic property and other communally based forms of property;
- b) “secondary,” encompassing both slave and serf-based forms of property.

Asiatic property, in this context, is seen as the original form of “direct communal property” and it is precisely this aspect which Marx emphasizes.46 For Marx, an important distinction is that between appearance and reality. While the despot appears to be the owner of all land, this marks a reality in which tribal-communal ownership of land is very much in evidence:

> ... Amidst Oriental despotism and the property-less which seems to exist there legally, this clan or communal

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40. Barrington Moore, Pg. 455-456, discussing the relationship between caste and peasant revolt has argued that an upper class legitimacy couched in a theory of the universe stressing harmony and resignation, might conceivably serve as a strong bar to insurrection and rebellion if the peasants accepted its norms. It is interesting, given Moore’s overall structural materialist orientation, that he fails to consider the contribution of the threat or actuality of physical coercion in accounting for an apparent acceptance or internalization of traditional (i.e. caste) authority.

41. For a discussion of free and bonded labor under British rule see Dharm Kumar, and Daniel and Alice Thorner, *Land and Labour in India* (Delhi: Asia Publishing House, 1962).

42. Palme Dutt, Pg. 131.

43. In this paper I do not want to pursue the question of whether the capitalist mode of production was a) established and b) dominant in British India. This question is discussed in some detail in two unpublished conference papers by Hamza Alavi, which the author kindly sent me. The legal abolition of slavery in the period 1843-1861, following the 1841 *Report of the Indian Law Commissioners on Slavery*, Parliamentary papers number 28 (262), would have had implications for the emergence of a class of free wage laborers had it been effectively implemented. By the late nineteenth century, however, slavery still existed in parts of South India in all but name (Collector, North Arcot, to Board of Revenue cited in Dharma Kumar *Land and Case in South India*, Cambridge University Press, 1965, 74). This is not to deny the growth of free wage labor and its implications for the emergence of the capitalist mode of production in the British period, but rather to suggest that it grew at different rates and at different times in different parts of India.


45. F. Bernier, Pg. 256.

46. A similar point is made in a little known footnote from *Capital I*, Pg. 77: “A ridiculous presumption has latterly got abroad that common property in its primitive form is specifically a Slavonian or even exclusively Russian form ... A more exhaustive study of Asiatik, and especially of Indian forms of common property, would show how from the different forms of primitive common property, different forms of its dissolution have been developed. Thus, for instance, the various original types of Roman Teutonic private property are deducible from different forms of Indian common property.”
property exists in fact as the foundation, created mostly by a combination of manufacturers and agriculture within the small commune, which thus becomes altogether self-sustaining. 47

The same theme emerges in Capital I where Marx delineates the essential attributes of the “ancient” Indian communities by three features:

1) common possession of land; 48
2) the blending of agriculture and handicrafts;
3) an unalterable division of labor.

There are some indications in the sources of the existence of communal property in certain parts of the Indian sub-continent in the pre-Mughal period. 49 In the Mughal period, however, available documentation 50 indicates that peasant cultivation was essentially individualistic. As Habib claims, there is not “the slightest suggestion anywhere in our sources” that occupancy or propriety right was ever held in common or that land was periodically distributed by the village community. 51 Marx’s characterization of a communally based form of property holding was most probably reinforced by nineteenth century British officer reports of communal ownership and redistribution in the North West provinces which arose out of a misunderstanding of the occasional practice in which a tenant, rather than paying rent directly to an individual peasant proprietor, might opt to contribute to a common pool covering village expenses.

Condition 3: a division of labor.

The social division of labor forms the foundation of all production and the complexity of the division of labor reflects the extent of development of the productive forces. Marx, in his discussion of the division of labor in the capitalist mode of production, 52 juxtaposes the anarchy of the social division of labor expressed through the market, with the despotism of the division of labor in manufacture, expressed through the discipline of the workshop. Under the capitalist mode of production that very anarchy and despotism are mutual conditions of each other’s existence. The particular relationship between anarchy and despotism operating within capitalism contrasts sharply with earlier forms of the division of labor in which the separation of trades is initially “spontaneously developed, then crystallized, and finally made permanent by law . . . in accordance with an approved and authoritative plan.” Thus, for pre-capitalist societies at an advanced stage of development, it is the social division of labor itself which is structured through despotism. Unlike the capitalist system, the labor in pre-capitalist society is disciplined not through the division of labor structured within the workshop but through that social division of labor which is the very fabric of the social order. For Marx, India’s “unalterable division of labor,” legitimized through the caste system, provided the purest expression of the crystallized and permanent social order.

A similar view is expressed by Bernier in his graphic description of Delhi. The division of labor is perceived as, essentially, pre-determined and static:

The embroiderer brings up his son as an embroiderer, the son of a goldsmith becomes a goldsmith, and a physician of the city educates his son for a physician. No one marries but in his own trade or profession. 53

Certainly, in the Mughal context, it is not difficult to establish the existence of a social division of labor. Whether, in actuality, such a division was as “unalterable” as Marx and Bernier suggest is questionable. Let me try and illustrate this point. Betelle 54 draws attention to the indeterminacy in the relation between the caste system (as an ideal system) and the actual distribution of power which took place under the Mughals. There is little doubt that Mughal rule created both new structures of power and new bases of status (zamindars, jagirdars, mansabdars) which were, to some extent, independent of caste. Regarding the division of labor within manufacturing, it was the absence of any sustained exchange dynamic between town and country which ultimately impeded the progressive development of the division of labor within the workshop. In the absence of any such dynamic between sectors of the economy, the combination of the break-down of Mughal rule and the introduction of repressive British tariff policies severely undermined the division of labor within manufacturing.

Condition 4: the creation of markets.

I have argued earlier that although the Mughal manufacturing industry was seemingly extensive, the regressive system of taxation militated against the creation of an internal rural market for urban products. The surplus appropriated through taxation flowed in the direction of the towns where the bulk was absorbed in conspicuous consumption. As far as it is possible to ascertain from the

47. Karl Marx, Grundrisse, Pg. 473.
48. In the context of the second condition of existence of petty commodity production, I have focused on Marx’s discussion of communal property. In fact, on the question of property in Asia, there is an underlying tension between state and communal ownership, which is resolved in Capital 3, op. cit., 771, by the introduction of the ownership/possession distinction: “The state is then the supreme lord. Sovereignty here consists in the ownership of land concentrated on a national scale. But, on the other hand, no private property in land exists, although there is both private and common possession and use of land.”
49. Under the Gupta Empire (320-515 A.D.), for instance, patterns of both communal and individual landholding co-existed. Individual landholding was not typical and generally occurred when an individual took on the task of clearing waste land. see, D.D. Kosambi, An Introduction to the Study of Indian History (Delhi: Bhaktal Press, 1956) pp. 275-300.
51. It is fair to say that not all scholars share Habib’s opinion. W.H. Bayley and W. Hudson, Papers in Mirasi Right (Government of Madras, 1862) confirm the existence of communally held property in Tamilnadu as late as the mid nineteenth century. However, much of Southern Tamilnadu was either outside of the Empire or only under Mughal jurisdiction intermittently and for brief periods.
52. Karl Marx, Capital I, p. 356.
sources, excepting the small amount of investment in horticulture, there is little indication of a surplus flow from urban to rural areas. Within urban India, market relations (both domestic and foreign) were overridden by traditionalistic ties, and the indigenous bourgeoisie failed to establish an independent economic base. Ultimately, the merchant class was entirely dependent on royal absolutism and it could hardly be said that Marx’s “anarchy” of the market place, an important characteristic of the capitalist system, prevailed.

Nonetheless, although the laborer was not divorced from the means of production, labor power in urban India under the Mughals was definitely a commodity since the traditionalistic bond was essentially onesided. On the one hand, the artisan whose services were required had little choice but to comply; on the other the noble or official was under no obligation to provide a service (i.e. protection) for the artisan, or to pay him a retainer when his skills were no longer needed. In this sense, the Mughal artisan must be seen as wage laborer for whom the sale of labor power was necessary for survival. By the middle of the nineteenth century, the inability on the part of the laborer to sell this labor power drove numbers of urban craftsmen out of the towns and into the countryside, thereby swelling the pool of landless labor. 55

Condition 5: mobility of all factors of production.
Within both rural and urban contexts the organization of the caste system undermined the mobility of labor, although caste did not constitute a totally insurmountable barrier to this mobility. For the peasant, cultivation was both a right and duty legitimated in traditional caste terms, i.e. peasants were expected to carry out their caste “dharma” and Mughal rulers invested their officials with the power to imprison and administer corporal punishment to noncultivating peasants. This policy was not, however, entirely successful. Where revenue demands became intolerable, sometimes peasants were successful in migrating to areas not yet under cultivation. In this connection, two factors were pulling in opposite directions: the availability of land provided an incentive for migration while coercion, or at least its threat, diluted or undermined that same incentive. Peasants did, however, flee oppression throughout the period. This tendency gained momentum when peasants began to flee in great numbers after the Mughal state began to crumble under the joint impact of zamindar and East India Company.

Marx, in a letter to Engels in 1853, 56 argued that it was the Mohammedans who first established the principle of “no property in land” throughout the whole of Asia. I have earlier discussed the hierarchy of rights identified by Grover, 57 which suggest that, contrary to Marx’s account, rural class differentiation was taking place under the Mughals and, indeed, had been occurring at different rates in different parts of India for some hundreds of years. 58 Admittedly, the legal provisions for the sale of land were highly constraining and, in the last instance, land was held at the Emperor’s pleasure. Nonetheless, the very fact that land did change hands indicates a discrepancy between the Mughal ideal and actual practice.

Conclusion

Our knowledge of the internal structure of the Mughal village and the relationship between that structure and the centralized state suggests that the image of an autonomous, egalitarian and relatively isolated village community bore little resemblance to Mughal reality. 59 The increasing complexity of class differentiation within the village was, in part, a concomitant of the development of an extensive and encompassing state apparatus. The operationalization of Mughal fiscal and military policy effectively undermined whatever degree of autonomy had existed in pre-Mughal days. Rural monetization, itself a corollary of Mughal revenue policy, further contributed to the diversification of economic interests within the village. Conveniently, the caste system provided an ideological support for the emergent system of stratification.

In the light of the preceding discussion, it would be difficult to sustain the argument that petty commodity production existed in that pure form delineated by Kahn. Whether or not any social formation has ever been based on the predominance of petty commodity production is highly questionable. It is possible, however, on the basis of reliable information on the period, to demonstrate that within manufacturing and agriculture, commodity production developed and expanded under Mughal rule. The payment of taxes in cash drew peasants into the market economy but, as I have attempted to show, on unequal terms. The pervasive economic and political structure of the dominant Mughal ruling class impeded the emergence of an economically independent bourgeoisie. Within towns and villages petty commodity production operated within the confines of the dominant tributary mode and, in this sense, was subsumed under that mode. In consequence, the main challenge to the prevailing mode was not constituted by the growth of petty commodity production but by a combination of affected elements within the zamindar and colonial penetration which heralded the beginning of a two hundred and fifty year period of economic and political domination. The implications of that period of economic and political domination for the development of capitalism in India is another story. ★

55. The relationship between these two factors is discussed in J. G. Borth­pujari, “Indian Cottons and the Cotton Famine 1800-65,” Indian Economic and Social History Review 10, 1 (1973).
56. Karl Marx and Frederick Engels, Selected Correspondence (Moscow: Progress Publishers, 1955), 86.
57. B. R. Grover, Pg. 3-5.
58. In fact, there is evidence of both individual and communal ownership in the pre-Mughal period in various regions of India. Certainly, individual ownership was legally sanctioned in the Mauryan period (321-184 B.C.) although, in theory, all land belonged to the King. In a much later period of Indian history, amongst the Cholas of South India, where, again, the monarch had a traditional right to the land, communal holding predominated. Under the Cholas, especially from the thirteenth century onwards, rural stratification co-existed with communal land holding illustrating that it is possible to have both a hierarchy of rights in land and also some form of communal ownership between communal possession and private property in the bourgeois sense, and these forms evolved slowly and unevenly in India.
59. The Mughal village was still relatively self-sufficient since the basic necessities for its own reproduction were, in the main, reproduced internally. This situation altered with the decimation of the rural handicraft industry, under the impact of British rule.
Karl Marx's Other Island: The Evolution of Peripheral Capitalism in Hong Kong

by Eugene Cooper

In a 1966 article, written for the Institute of Economic Affairs in Great Britain, entitled "John Stuart Mill's Other Island," Henry Smith argues that the Hong Kong economy, insofar as it couples virtually total freedom of enterprise and commerce with virtually total state ownership and control of land, epitomizes John Stuart Mills' prescriptions for economic well-being. For Mill, where an element such as land confers income on its owner without any exertion or sacrifice on his part, "it would be no violation of the principle upon which private property is grounded if the state should appropriate this increase of wealth to the benefit of society" (Mill, 1848). Smith argues that, in the Hong Kong context, state ownership of land has benefitted the community by financing an ambitious program of socialized housing, and by making possible the planning of whole new towns and factory estates in such a manner as to stimulate free enterprise.

While Smith argues that in 1966 income from crown leases was too erratic to cover the costs of government even to the modest degree Mill would have hoped, at present crown leases provide government with between 20-30% of its total revenue. Land values have skyrocketed to such an extent that the government has been almost embarrassed by the exorbitant prices fetched at land auctions in 1978-79.

However, it is not my purpose in this paper to debate the validity of Smith's characterization of the Hong Kong economy as typical of Mill's principles of political economy.

Rather, I shall be arguing that, as perhaps the most freewheeling free market capitalist economy anywhere on the face of the earth, Hong Kong provides countless concrete examples which demonstrate the validity and succinctness of Marx's analysis of the development and dynamic of the capitalist system as presented in volume 1 of Capital. Hong Kong is, if you will, a veritable proving ground for Marxist theory where the enterprising student of Marxist political economy can quite literally watch chapters of Capital unfold before his eyes.

My own researches into the lives of Chinese craftsmen in Hong Kong led to the "rediscovery" of a mode of production transitional to the capitalist mode: hand manufacture.

"Manufacture" is a concept used by Marx to describe production in the period "from the middle of the 16th to the last third of the 18th century" of European economic history. It typically arose in two ways: on the one hand from the grouping together into a single workshop of formerly independent craftsmen to produce a single finished product, the archetypal example of which was carriage making. The wheelwright, carpenter, upholsterer and blacksmith came together in a single enterprise to produce carriages, and gradually each came to lose the more generalized skills of his profession while coming to specialize in the production of carriage parts. The formerly independent handicrafts "became stripped of their independence and specialized to such an extent as to be reduced to mere supplementary partial processes in the production of one particular commodity." 2

On the other hand, manufacture arose from the progressive elaboration of the division of labor within a single craft, as occurred in Europe in pin-making. The process of production became increasingly decomposed into its various successive manual operations which came to be carried out simultaneously by a combination of detail laborers. In pin-making, this meant the separation of wire drawing, pointing and heading into separate niches in the division of labor, each process being performed continuously by one or more detail laborers. Unit costs were thereby decreased and productivity increased in accord with what has been called the "Babbage principle." A 19th century political economist, Charles Babbage pointed out that:

the master manufacturer by dividing the work to be executed into different processes, each requiring different degrees of skill or of force, can purchase exactly that precise quantity of both which is necessary for each process; whereas, if the whole work were executed by one workman, that person must possess sufficient skill to perform the most difficult, and sufficient strength to execute the most laborious, of the operations into which the art is divided . . . 3

As perhaps the most freewheeling free market capitalist economy anywhere on the face of the earth, Hong Kong provides countless concrete examples which demonstrate the validity and succinctness of Marx's analysis of the development and dynamic of the capitalist system as presented in volume 1 of Capital.

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In other words, "the labor power capable of performing the process may be purchased more cheaply as dissociated elements than as a capacity integrated in a single worker."^4

Although the division of labor is elaborated in hand manufacture, each operation still "has to be done by hand, retains the character of a handicraft, and is therefore dependent on the strength, skill, quickness and sureness of the individual workman in handling his tools. The handicraft continues to be the basis."^5

In a period of manufacture, the unity of the production process comes increasingly to reside in the capitalist who has brought the detail laborers together.

**Hence the productive power resulting from the combination of laborers appears to be the productive power of capital...**

It is a result of the division of labor in manufacture, that the laborer is brought face to face with the intellectual potencies of the material process of production as the property of another and as a ruling power.\(^6\)

It is in the manufacturing period that the nature of capital as a social relation is realized, that the preconditions for the full development of capitalism are met. The producer becomes progressively divorced from the means of production (progressively proletarianized), and the proceeds of production become increasingly concentrated in the hands of an emergent capitalist. We are not yet dealing with major technological change, although technological change may often occur as a climax in this process of primitive accumulation, but rather with changes in social relations. Marx is explicit on this point:

**Cooperation based on division of labor, in other words, manufacture, commences as a spontaneous formation. So soon as it attains some consistence and extension, it becomes the recognized methodical and systematic form of capitalist production. History shows how the division of labor peculiar to manufacture...acquires the best adapted form at first by experience...and then...strives to hold fast that form when once found, and here and there succeeds in keeping it for centuries. Any alteration in this form, except in trivial matters is solely owing to a revolution in the instruments of labor.**\(^7\)

**In manufacture, the revolution in the mode of production begins with the labor power, in modern industry it begins with the instruments of labor.**\(^8\)

The transformations which characterize manufacture argue for the recognition that the relationship between forces and relations of production in the evolution of a mode of production cannot be specified a priori. It is rather in the interplay of the forces and relations of production that the course of historical development is determined.

Although there is a disturbing lack of unanimity among neo-Marxist writers as to what we ought to mean by the phrase "mode of production," this concept is generally taken to refer to a specific combination of forces and relations of production. Forces of production refer to the actual means of production, their organization together with human labor power in productive activity, the state of productive technique within a given technological regime or at a given level of technological capacity.

Relations of production refer to the way in which the means of production are owned, and the social relations between men which result from their connections with the process of production.\(^9\) The relations of production define a specific form of social distribution of the means of production\(^10\) and determine the control and distribution of the factors of production as well as the output of productive activity.

My research into Chinese craft production led me to investigate the evolution of hand manufacture in the context of what I call the Hong Kong "social formation." Maurice Godelier argues for a synthetic definition of this concept. For Godelier, a social formation consists of a number of modes of production "which are found combined in a particular way within a specific society and which constitute its economic base at a specific period."\(^11\) A social formation combines these various modes of production with a socio-political and ideological superstructure, which itself is a combination of disparate elements.

For Godelier, analysis of a social formation entails (a) the identification of the various elements in the social and ideological superstructure whose origin and function correspond to the various modes of production of the economic base; (b) the specification of the mechanisms by means of which the different modes are articulated and of the means by which one mode subjects the others to the needs and logic of its own reproduction; and lastly, (c) the spelling out of the manner in which the distinctive functions of each element of the superstructure, originating in the different modes of production, are recombined, redefined and given new content as they are subordinated to the demands of the dominant mode.

This scheme has the advantage of preserving the commonly accepted usage of the concept mode of production as specifying relations of the economic base, while at the same time allowing for the co-existence of diverse elements within the economic base, each with its own associated superstructural elements.

It would seem to make the most sense to treat Hong Kong as a social formation of the British colonial "periphery" in the sense in which Amin\(^12\) has used the term. Some have argued, however, that as a highly dynamic, highly industrialized manufacturing center, Hong Kong more properly belongs in what might be termed the semi-

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4. Braverman, ibid.
periphery. Kraus, for example, notes that Hong Kong came into existence as a point of intersection between the (British) core of the world capitalist system and a China seeking to limit the impact of the external world system. He has argued that Hong Kong continues to function in this way today, although China is now socialist. The fact that the bulk of Hong Kong's food supply and much of its water is supplied by communiques across the border in the People's Republic; the fact that the People's Republic earns the better part of its foreign exchange by marketing fresh produce and manufactured goods in Hong Kong; the recent expansion of transportation and communication links between Hong Kong and Kwangtung; the increasingly large quantities of privately invested capital being welcomed into China itself; and the increasingly large investments by the People's Republic in Hong Kong; the continuous flow of Chinese people back and forth across the border visiting relatives; the continuous flow of remittances sent to relatives in native villages on the mainland—all show that Hong Kong's development is inextricably linked to both economic systems which are its hinterland.

Kraus argues that this anomalous status and the industrial and commercial expansion of the past three decades has increased Hong Kong's de facto autonomy from Britain, and makes it possible for Hong Kong to act in the world market with a degree of independence which marks it as a member of the semi-periphery. This would seem to locate Hong Kong more precisely within Amin's "periphery."

It is not my purpose, however, to analyze the Hong Kong social formation in its totality. Rather, I shall be focusing on a single industry, analyzing the way in which its distinctive mode of production evolved through a transitional mode of hand manufacture toward industrial capitalism. Needless to say, I do not mean to imply that the transition from hand manufacture to industrial capitalism may be taken to characterize the post-WWII development of the Hong Kong social formation as a whole. Chinese industrial capitalism has a history which long predates the post-WWII period, and this history was carried forward in the modern textile, electronics and plastics industries of Hong Kong after the war.

However, the investigation of the transition from hand manufacture to industrial capitalism in a delimited sector of the Hong Kong social formation will be shown to have broader significance for the elaboration of theory concerning the nature and structure of social formations of the world capitalist periphery in general.

**The Art-Carved Furniture Industry**

The industry on which I shall be focusing is the art-carved furniture and camphorwood chests manufacturing industry, which developed out of a peasant side occupation, an essentially architecturally oriented wood carving (carving in relief) with which local temples in central China were often decorated, and the techniques and motifs of which had existed since Tang times (618–906 A.D.).

Shielded as it was from international competition by the nature of its products' marketable features (elaborate carving), and the post–Korean War trade embargo on the products of its only competitor (the People's Republic of China), the Hong Kong based art-carved furniture industry evolved institutions of primitive accumulation virtually identical to those Marx described for Europe.

The industry had its origin in Chinese treaty ports where large numbers of foreigners became resident following the Treaty of Shimonoseki in 1895 which concluded the Sino-Japanese War. In this period, a style of furniture came into being which derived from the use of Chinese art-objects and decorations in European-style furnishings. Carved woodwork such as appeared on temples and shop fronts as independent ornamentation was incorporated into newly made furniture, designed and colored to be distinctly oriental yet suited to western needs.

Original temple carvings, highly valued by furniture makers catering to this new Western craze, were soon in short supply and some looting of temples to secure such carvings is known to have occurred. Evidence from 1926 indicates that furniture manufacturers in the treaty ports, especially Shanghai, had already begun placing orders with rural temple carvers for carvings of their own specifications. This not only insured a supply of adequate carvings, allowing the manufacturer greater command over the design of the finished product, but also increased employment opportunities for temple carvers in the rural hinterlands of Shanghai.

This stage in the development of the industry was grounded in a putting-out system with its focus in Shanghai furniture factories, and its outworkers in the small villages of Zhejiang province in counties like Dongyang, Jinhua and Shaoxing. An agent from Shanghai would distribute raw materials to carpenters and carvers in their homes and would return at intervals to collect the finished work. Brought back to Shanghai, these carvings were incorporated into the furniture which began to find a wider market overseas, particularly among Americans.

The putting out structure of the industry survived in Zhejiang till the revolution of 1949, but the expansion of the overseas market had by 1949 already led to the intensification of demand along the lines of this putting out framework. In some cases, this led to the grouping of wood carvers under one roof with carpenters and painters in urban Shanghai furniture factories, a hallmark of hand manufacture.

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These developments never ran their full course in China because civil war and socialist revolution intervened. The full blossoming of hand manufacture as a mode of production, heralded as it was by the incorporation of several separate craftsmen under one roof to produce carved wood furniture in urban Shanghai, had to await the industry’s post-revolution relocation in Hong Kong.

Many factory owners maintained portions of their businesses in Shanghai until as late as 1953. Some undoubtedly hoped that, socialist revolution or no, the government might encourage native businesses to remain open; others perhaps hoped for a Nationalist counterattack that would restore a more favorable business atmosphere.

It soon became obvious that the latter condition would not materialize out of the Korean War, and that the former condition could never come to pass. The U.S. slapped a trade embargo on all goods of communist Chinese manufacture in the post-Korean War period, and those who had stayed in the hope of revitalized business soon found their way out to Hong Kong as others had done somewhat earlier. The United States constituted the largest market for carved wood items which the industry produced. An embargo meant that the trade was best pursued elsewhere than in the People’s Republic of China.

The trade embargo was a boon to the newly relocated factory owners in the wood carving trade in still British-controlled Hong Kong. It gave them as a group a virtual monopoly of the largest market for Chinese carved wood products. It was this relatively enormous market which governed the entire Hong Kong-based development of Chinese carved wood furniture and provided a setting in which capital accumulation could occur unimpeded by any restrictions, except that of competition between producing units in Hong Kong.

The appeal of the finished commodities of the industry was their craft, that is their carved, nature, and they were therefore not subject to competition from any Western mass-produced substitutes. These conditions made it possible for the factory owners to consolidate in Hong Kong the institutional transformation by means of which a regime of hand manufacture was achieved in Shanghai, and to launch their indispensable yet intractable skilled workers.

Throughout the 1950s the industry retained its craft basis and skilled workers were its cornerstone. Marx quotes the 19th century political economist Ure to the effect that “the more skillful the workman, the more self-willed and intractable he is apt to become, and of course the less fit a component of a mechanical system.”

It was the skill of the hand craftsman which determines the quality of the finished product. Factory bosses in the carved furniture industry, especially in the 1950s, were overwhelmingly preoccupied with the problem of industrial discipline among their indispensable yet intractable skilled workers.

1960 marked the highpoint in the development and also the end of the period of manufacture in the art-carved furniture industry. Power-driven machinery became almost universally applied to the carpentry stage of production at just about that time. Once these new devices were adopted by the larger manufacturers, it became imperative for the smaller firms to follow suit. The established ratio of carvers to carpenters changed, and increasingly large amounts of capital were soon required to effectively run a business in the industry.

It is interesting that, rather than increasing the already elaborated division of labor in carving, technological change was introduced in the more generalized carpentry niches, leaving the carving slots in the division of labor unaffected by power-driven blades.

Rough carver's tool handles, characteristically short and flattened by the constant application of a mallet, and smooth carver's tool handles, longer and more gracile—applied only with hand, or sometimes with shoulder power—had already taken on differences in form. They represent a concrete example of how the division of labor characteristic of manufacture begets a differentiation of the instruments of labor—a differentiation whereby implements of a given sort acquire fixed shapes, adapted to each particular application. The elaboration of the division of labor "simplifies, improves and multiplies the implements of labor by adapting them to the exclusively special functions of each detail laborer."20 Here, changes in the division of labor (relations of production) directly affect the shape of the means (forces) of production. This simplification, improvement and multiplication of the implements of labor characteristically provided "one of the material conditions for the existence of machinery, which consists of a combination of simple instruments."21

In the art-carved furniture industry, however, the elaboration of the division of labor which occurred in carving in the period of manufacture proved to be a dead end. It is probable that wood carving in relief just does not lend itself well to work with machine blades of uniform motion, which have become standard equipment in the production of ivory carvings. Marx has warned, however, that, "It is altogether erroneous to suppose that modern machinery originally appropriated those operations alone, which division of labor had simplified."22 Clearly, technological innovation in the art-carved furniture industry provides a concrete example of the cogency of that warning.

The increasing capital intensiveness of the art-carved furniture industry in its carpentry stage, while not fully undermining the craft basis of the industry which still resided in the hand-carved portions of the produced furniture, nevertheless compelled the factory owners to seek a wider market for their goods. However, the market for carved-wood products was fairly well saturated and export figures never surpassed the record set in 1960. This combination of concentration of capital and saturated markets led to the widespread adoption of a strategy of diversification into more modern contemporary styles of furniture in which the productivity of the new machines could be more dramatically exploited. This strategy proved quite successful.

A wider market was, in fact, found to absorb the more diverse commodities of the furniture industry.

However, carved wood products came to represent a progressively decreasing percentage of this wider market, and the craft basis of the industry was thus undermined as the significance of the craft nature of the product declined as a feature of its marketability. The carver began to lose his importance to the industry as a whole.

Carpentry, meanwhile, has taken steps toward further automation in the industry. Marx, Bücher and Polanyi23 have all noted in one way or another that modern industry (as opposed to manufacture) makes man the tender of a machine, by taking out of his hands the tool which was an extension of himself. The process by means of which this more thorough alienation from the means of production was achieved began in the Chinese furniture industry in carpentry in the 1960s, and is now running its course in the largest furniture factories in Hong Kong. Carpenters are becoming increasingly specialized into permanent drill-press operators, sawyers, assemblers, etc. Power-driven machinery has provided the means to break down the division of labor which characterized hand manufacture even further. The nature of work has begun to change and a new mode of production is emerging.

### Labor Organizations

The role of organized labor in determining the way the new mode evolves will be significant. Beginning in 1960, labor organizations which had come into existence in the early 1950s began to organize for a larger share in the prosperity of the industry. Three unions had come into being in the industry in the early 1950s, two of carvers, one of carpenters. Workers in the separate crafts, out of which the industry developed, gave social expression to the manufacturing division of labor in the form of titularly separate unions of carvers and carpenters. Ch'en Ta has shown how in certain Chinese industries of the 1920s, this craft parochialism led to difficulty in pressing the unified demands of an emergent industrial proletariat.24

As in the 1920s, the situation in the setting of post-1949 Hong Kong was further complicated because the independent craft unions came to serve as the basis for the expression of the differing political views of the workers. One so-called "carvers' " union owed allegiance to the P.R.C. government and soon became the labor organization of all workers, carvers, carpenters and painters, of communist persuasion. The "carpenters' " union which owed allegiance to Jiang Jieshi (Chiang Kai-shek) and his nationalist government became the labor organization for all workers of nationalist persuasion.

The post–World War II development of trade unionism in the Hong Kong–based carved furniture industry is a study of how, as the mode of production of carved wood

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furniture became transformed from labor-intensive craft manufacture to capital-intensive, fully proletarianized industrial production, traditional craft parochialism became manifest in a politically-based polarization of the industry along communist/nationalist lines. In this latter context, the communist Hong Kong Kowloon Woodwork Carvers' Union emerged as the dominant group in the labor force.

It was able to do so by adapting its consistently proletarian message in various ways to the local conditions of its existence, e.g. adopting the form of traditional Chinese guild institutions like the program of theatrical entertainment at yearly meetings, but completely updating its political content; maintaining the observance of the birthday of the traditional craft founder, Lupan, but totally secularizing it.

Meanwhile, the conditions of the union's existence have undergone significant change as production has become more capital-intensive, giving greater cogency to its proletarian message. The Woodwork Carvers' Union has always encouraged the growth of a modern, unified, class-conscious labor force. These ideas were somewhat in advance of the level of the productive forces and relations of production of carved wood furniture production of the 1950s and early 1960s in which traditional craft parochialism was still the dominant characteristic of the material and ideological conditions of production. The union's present dominance and vitality are expressions of the fact that a more thoroughly proletarianized labor force than that which characterized hand manufacture of the 1950s has now come into being. The purposes which the Woodwork Carvers' Union has made its own now command a greater importance in the lives of most workers than ever before.

The union has thus functioned as a synthesizer of a variety of elements in the social and ideological superstructure of craft production in the Hong Kong social formation derived from both pre-capitalist and capitalist modes of production. In this context, the union played a significant role in recombining, redefining and giving new content to the distinctive functions of the precapitalist elements as they became increasingly subordinated to the demands of the emerging dominant capitalist mode. The union served as the agent by means of which an ideology, informed by a proletarian consciousness, and incorporating those elements corresponding to the capitalist mode, gradually emerged and became dominant.

By now it should be clear that the Marxist concept of hand manufacture provides a powerful analytical model which both explains and is exemplified in the transition of the Chinese carved-wood furniture craft to a modern furniture industry. It provides a perspective from which to analyze how the all-leveling rationality of the capitalist mode of production became manifest in the course of the evolution of craft production and provides a useful watershed in which to isolate key social, economic and political transformations in the relations of craft production that characterize that evolution.

**Modes of Production and Social Formations**

But what is the wider significance of the discovery of manufacture in the Hong Kong social formation?

Samir Amin has argued that "the pattern of transition to peripheral capitalism is fundamentally different from that of transition to central capitalism." 25 Says Amin,

_The onslaught from without by means of trade carried out by the capitalist mode of production upon pre-capitalist formations causes certain crucial retrogressions to take place such as the ruin of crafts without their being replaced by local industrial production._ 26

There is certainly evidence of such retrogressions in the imperialist experience of the Chinese social formation. Feuerwerker has shown, for example, how in the spinning and weaving of cotton cloth in 19th and 20th century China, "handicraft workshops appeared in substantial numbers only after modern industries had been brought forth directly or indirectly by foreign investment, and then only as ancillaries to the mechanized factories." 27

A middle period of transition, of primitive accumulation, in which a peasant-side occupation could evolve through a period of manufacture was precluded. A manufacturing division of labor did not constitute a competitive alternative to production which had already undergone a revolution in the instruments of labor. The transition to capitalism in such cases was clearly of a different nature than that of central capitalist countries.

As a social formation of the semi-periphery, Hong Kong clearly manifests characteristics of both the world capitalist center and the colonial periphery. It is possessed of a fairly advanced modern sector in which international finance capital has the upper hand as in electronics, a traditional sector left to the indigenous small manufacturer such as our carved furniture manufacturers, and a growing indigenous "big" bourgeoisie which rivals the multi-nationals in its diversity of interests, such as the empires of shipping magnate Y. K. Pao, or numerous anonymous Shanghainese textile manufacturers.

It is precisely this uneven character of development which makes it possible to discover sectors whose development clearly manifests the well-established patterns of the evolution of the capitalist mode of production described by Marx for 16th to 18th century Europe. The pattern of transition to peripheral forms of the capitalist mode of production does not differ substantially from that of transition to central forms.

The Hong Kong based art-carved furniture industry provides a very concrete example of this pattern. Shielded as it was from international competition by the nature of its products' marketable features (elaborate carving), and the post–Korean War trade embargo on the products of its only competitor (the People's Republic of China), it

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evolved institutions of primitive accumulation virtually identical to those Marx described for Europe. Amin himself has noted with respect to the development of the simple commodity mode of production that, "the less this mode of production is hindered by other modes, the more striking will be the capitalist development it engenders."28

The example of the art-carved furniture industry makes it possible to elaborate further on the ideas of Amin regarding the structure of the peripheral formations of the world capitalist system. It suggests that peripheral formations themselves are possessed of an internal structure of center and periphery, which for the sake of terminological clarity it will perhaps be convenient to call core and margin. Industries at the core of peripheral formations manifest greater dependence on the world capitalist center; those at the margin of peripheral formations manifest less dependence—a kind of a negation of a negation, if I may be permitted a dialectical indulgence. Whereas capitalist development is more likely to be rendered dependent at the core of peripheral formations, at the margin, certain sectors may enjoy the luxury of a relatively laissez-faire, albeit still export-oriented capitalist development.

While not drawing out the core-margin structure of peripheral formations, Amin has noted that competition with foreign capital necessarily drives the national bourgeoisie of the capitalist periphery into complementary sectors “that have been left to it.”29 He goes on to describe these sectors as a “margin” in which a certain amount of accumulation for the benefit of a national bourgeoisie can occur.30 In semi-peripheral countries this margin could conceivably be fairly large if commanding in its scope for enterprise.

Amin has further argued that the tendency present in formations of the world capitalist center for the capitalist mode of production to become exclusive, based on a widening and deepening of its internal market is not present in peripheral formations,31 or at best occurs “only to the extent allowed by an ‘international specialization’ in which the periphery remains passive . . . ”32

The experience of the art-carved furniture industry provides an opportunity to hypothesize that where international specialization makes possible the spread of the capitalist mode of production, that is in distinct sectors of the semi-periphery and probably in smaller sectors in the periphery itself, a tendency for the capitalist mode to become exclusive may be observed, based on a widening and deepening of the external market as well.

It is significant that Marx has noted with respect to Europe that:

The original historic forms in which capital appears, at first sporadically or locally, alongside the old modes of production, while exploding them little by little everywhere, is . . . manufacture proper (not yet the factory); this springs up

where mass quantities are produced for export, for the external market—i.e. on the basis of large-scale overland and maritime commerce . . . where production is thus, so to speak naturally oriented towards exchange value . . . .33

Whereas Amin has argued that, in peripheral formations, the dominant capitalist mode of production subdues and transforms the others, distorting them, depriving them of their functionality and subjecting them to its own, he maintains that these subordinate modes are not radically disintegrated and destroyed,34 but are rather rendered dependent on the capitalist center. The findings of this study make it possible to conclude that, at least for the semi-periphery, as the coexisting modes on the margins of the capitalist periphery are subdued and transformed—as they are deprived of their functionality, and as they are subjected to the all-leveling rationality of the capitalist mode of production—these subordinate modes, rather than continuing to exist in disfigured or distorted form, may indeed be radically made over in the very image of the capitalist mode of production.

It is tempting to suggest that in the course of time, such sectors in the margin of the periphery may develop to the point at which their position in the structure of the periphery converges with that of core sectors. When art-carved furniture manufacturers turned to the production of contemporary furniture, it might be argued, they effectively assumed a position squarely in the core of the Hong Kong peripheral formation, where they became exposed to outright competition with products of the European capitalist center. However, the consolidation of a regime of primitive accumulation in a period of hand manufacture in the post-war period allowed carved furniture producers to successfully launch an internationally competitive, capitalistically organized, modern furniture industry from a position of relative strength. The level of dependence on the world capitalist center of emergent capitalism in the margin of the periphery remains quite restricted, and is manifest only in a continuing export-oriented reliance on the international market.

Thus as well as providing the analytical wherewithal to make the modern-day transition from craft to industry intelligible, the discovery of manufacture in the Hong Kong social formation also provides the basis for further hypotheses regarding the structure and evolution of social formations of the periphery of the world capitalist system.

It is in this sense that Hong Kong deserves the appellation “Karl Marx’s other Island,” and I am confident that further neo-Marxist research on the contemporary Hong Kong social formation will yield results that not only vindicate the theoretical formulations of Marx concerning the development of capitalism, but also contribute to the advance of a Marxist theory of the contemporary world.

29. Amin, p. 162.
30. Amin, p. 382.
Capitalism and Industrialization in Malaysia

by Lim Mah Hui

Introduction*

Two major paradigms stand in conflict in explaining the causes and consequences of "backwardness" and "under-development." The first—the "diffusionist" school, views "underdevelopment" as a given state of affairs found in certain societies. Societies are "underdeveloped" because they lack capital, skills, and technology or the right cultural or psychological attributes associated with a "developed" society. Hence, the implied solution lies in the transfer of such factors from the "developed" to the "underdeveloped" societies and the strengthening of ties between these two sets of societies.

The "structuralist" paradigm, on the other hand, views underdevelopment as a historical and structural phenomenon intrinsically related to the development of capitalism. Within this school, the dependency theorists generally argue that imperialism, through surplus extraction, has caused and continues to maintain underdevelopment. The solution then lies in the severance of ties with international capitalism. Orthodox Marxists like Lenin and Bukharin, however, saw imperialism as breaking the bonds of pre-capitalist relations, ultimately promoting capitalist development.

More recently, the dependency school has come under critical assessment from Marxists and non-Marxists alike.

Warren began a controversial debate by showing that the impressive industrial growth rates in peripheral capitalist countries in the last two decades should refute the dependency thesis that imperialism blocks capitalist development. Warren argued that the contrary happens—imperialism by promoting national capitalism digs its own grave. This debate has been conducted at a general level, with both sides marshalling empirical evidence to support its own position. While it is necessary to have an idea of the general trend, it is, I believe, more fruitful to locate the discussion at a lower level, that is, in the historical context of specific countries. The possibility of capitalist development and industrialization in peripheral countries cannot be determined a priori. Its development is not simply subjected to the logic of capital. Other factors such as the geopolitics of capital, the process of capital accumulation and class formation internal to the country in question are equally relevant in determining the particular trajectory of capitalist development of a country. Furthermore, it is often forgotten that imperialism has a contradictory and ambiguous effect on capitalist development: it simultaneously generates and retards the development of capitalism, resulting in uneven development. It is for this reason that, while the general weight of evidence seems to support the thesis of relative stagnation and partial development of peripheral countries, this by no means forecloses the possibility of genuine capitalist development for some peripheral countries. In fact, as Emmanuel has remarked, the

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* This is a revised version of a paper presented at the United Nations Institute for Training and Research (UNITAR) conference on "Alternative Development Strategies and the Future of Asia" at New Delhi, March 11-17th, 1980. Copyright © UNITAR and author.

1. Aidan Foster-Carter classified the two competing paradigms as "conventional" versus "dependency" schools. In this article, the "dependency" school and the orthodox Marxist school are combined under the "structuralist" paradigm, and the conventional theories will be classified under the "diffusionist" school. See his article, "From Rostow to Gunder Frank; Interesting Paradigms in the Analysis of Underdevelopment," World Development 4(3) (1976) 167-180. Andre G. Frank was one of the first systematically to criticize the conventional theories of development and especially its diffusionist implications. See his article, "Sociology of Development and Underdevelopment of Society," Catalyst, 3(1976).

2. In this paper, different terms such as "peripheries," "satellites," or Third World countries, will be used to refer to the "underdeveloped" non-socialist countries; the advanced capitalist countries will be variously termed as "centers," "cores" or "metropolitan" countries.

3. Differences exist within the "dependency" school on the stagnation thesis. Frank takes an extreme position of continued imimization and underdevelopment; Furtado, Sunkel and Dos Santos argue for a moderate position that development will run into market constraints and stagnation; Cardoso admits the possibility of growth but in a dependent form. See Sanjaya Lall, "Is 'Dependence' a Useful Concept in Analyzing Underdevelopment?" World Development 3:11(1975) 807.


5. Warren, "Imperialism..."

6. For instance, McMichael et. al. criticized Warren for indiscriminate use of dubious statistics from international agencies. But they have availed themselves to similar statistics to prove their own position with of course, the caveat that they have taken the necessary precautions. Philip McMichael, James Petras and Robert Rhodes, "Imperialism and the Contradictions of Development," New Left Review, No. 85 (1974) 83-104.

7. See, for example, the work of Robyn Lim for the Philippines case. Robyn Lim, "The Philippines and the 'Dependency Debate': A Preliminary Case Study," JCA 8(2) (1978) 196-209.

possibility exists for some peripheral countries to attain the status of advanced capitalism because the majority are denied the same possibility. This process of limited mobility is not unlike the individual mobility found within a capitalist society.

This paper attempts to address some of the issues raised in the debate from the experience of one such peripheral country—Malaysia. Specifically, it will focus on the changing role of the Malaysian economy in the world capitalist system. The emphasis will be on the post-World War II period. It will examine the form and extent of capitalist penetration in the Malaysian economy and the effects on the possibility of capitalist development. A more fundamental question which should flow out of this analysis and the dependency debate is the relationship between the type of capitalist development and the process of internal capital accumulation and class formation. Unfortunately, it is beyond the scope of this paper to treat this problematic with full justice.

Two sets of meanings are often attached to the concept of "development." In the first, capitalist development is defined in purely structural terms. Warren defines it as:

Development which provides the appropriate economic, social and political conditions for the continuing reproduction of capital, as a social system representing the highest form of commodity production. 10

The indicator of "successful capitalist development" is the extension of capitalist forces and relations of production throughout the economy, both in urban and rural areas. In this case, the presence of increasing inequality, unemployment and the immobilization of the masses, normal to the process of capitalist development, should not be used to argue against "successful capitalist development." As Emmanuel correctly called to attention, the absence of socialist development should not be used to deny the possibility or presence of capitalist development. 11

The other definition of "successful development" is more normative. For instance, Seers established three such criteria—the elimination of poverty and inequality, the elimination of unemployment and the increase in human freedom. 12

In this paper, the main issue discussed is whether capitalist development has successfully occurred in Malaysia in the first sense.

World Capitalism and the Malaysian Economy

Since the sixteenth century, various parts of the Malay Archipelago, beginning with Malacca, have been related to

and later incorporated into the nascent world capitalist system which was evolving in Western Europe. Three broad historical phases of capitalism and its expansion throughout the world can be demarcated: the first is often dated from 1500 to the 1800s, the second from the 1850s to the 1940s and the present phase after the 1950s. 13

Phase I: 1500 to the 1850s

The first phase began with mercantile capitalism and ended with the rise of industrial capitalism. During this period, colonial plunder, slavery and trade constituted the major form of surplus extraction from the peripheries to the centers. The form and impact of colonialism on the peripheries varied among different regions and periods. Thus slavery, the extraction of precious metal, and the decimation of local population, which were prevalent in Latin America and Africa, were rare in Southeast Asia. Monopoly trade dominated by the centers was the major form of relation established between the centers and their peripheries in Southeast Asia. In the case of Malaya, the Portuguese conquered Malacca in 1511 and established it as a center to monopolize trade in the region until 1641 when they lost the port to the Dutch.

While colonialism took the form of direct military conquest, its effects on the social and economic structures of local societies were minimal in comparison to latter-day colonialism. The trading monopolies did not participate in direct production. Instead, they bought goods from the local population, often with the help of the local ruling class. Caldwell observed:

European merchants fitted themselves into the existing pattern as traders, plunderers and rulers of the parts they were able to capture and hold. Penetration into the hinterland was sporadic and temporary. . . . The indigenous social structure remained unaffected. . . . 14

During the earlier part of this period, the Malay ar-

9. Malaysia formed in 1963 as a political entity encompassing eleven states from Peninsular Malaysia, and three others—Singapore, Sabah and Sarawak. But in 1965 Singapore "seceded" from Malaysia. The term Malaya will be used for the period before 1963 and it includes Peninsular Malaysia and Singapore.


chipelago, as a periphery, supplied goods, particularly spices and tin, that were in demand in Europe. Profits from trade in no small way contributed to the wealth of merchant capital in Europe which aided its further expansion.

By the middle of the nineteenth century, industrial capitalism had reached its peak and the role chosen for the peripheries changed. Malaya began to play a dual role—as supplier of raw material and purchaser of manufactures from the centers.

In this international division of labor the production and consumption structures of the peripheries were distorted to serve the capital accumulation and consumption needs of the centers. While this international division of labor was euphemistically termed "the theory of comparative advantage," the colonial policy-makers were more blunt and forthright. In the words of the Colonial Secretary of Britain, Sir Phillip Cunliffe-Lister:

"... I do not think that... industrialisation will ever get very far and there is not doubt that the main business of the Colonial Empire for many years to come will be primary production, and that is what makes it such a valuable market for the more advanced parts of the Empire for nearly the whole of its production [and it] will remain complementary to that of those parts."

Phase II: The 1850s to the 1940s

In this phase capitalists needed to expand their markets and engage in direct production of raw materials in order to ensure a steady supply. This was partly reflected in the British Forward Movement throughout Southeast Asia in the 1870s. This was also the period of free trade in which the centers were able to capture the markets of the peripheries, destroy their existing local industries, and create a world market for their products, all of which laid the foundation for monopoly capitalism.

The role Malaya played as a producer of raw materials like rubber and tin was more important than its role as a captive market. By 1910, Malaya was the largest producer of rubber, accounting for 51 percent of the world's net export of rubber and over 40 percent of the world's tin.

It is possible to mention only briefly some of the effects of colonialism in Malaya. With British intervention into the Malay States in 1874 a new political structure was grafted onto the old sultanate system. While not destroying completely the feudal political structure, the powers of the indigenous rulers were not limited to the religious and cultural realms. Capitalist methods and relations of production were introduced in the export sectors while pre-capitalist relations of production, particularly petty commodity production, were preserved in the subsistence sector. Remaining vestiges of pre-capitalist relations of production such as slavery and debtbondsmenship were abolished. As wage labor was not forthcoming from the Malay peasantry, and a labor supply was now made available in other parts of the world capitalist system which had suffered deterioration from capitalist penetration, labor was moved from one part of the system to another. In the case of Malaya immigration of labor came from China and India. New social classes such as a comprador bourgeoisie and urban and rural proletariats were created. Often members of these classes came from distinct ethnic groups so that the basis of ethnic conflict was created.

Once self-sufficient Malaya was now transformed into a vast plantation and mining field whose economic wellbeing had become dependent on the forces and fortunes of world capitalism. It is true the economy grew, that roads and railways were built and some social facilities provided. But the question of who benefited was more problematical. Even colonial officials like Furnivall wrote:

"Public works, in general whether roads, railways, airways, posts or irrigation, serve to expedite development and thereby enhance the difficulty of protecting natives against its evil consequences... In Malaya, "... a once flourishing Sakai village [which] has, since the road touched it, plainly deteriorated, physically and morally.""

The effects of enclave investments have been observed by writers like Singer and, for the case of Malaya, by Caldwell who argued that while the creation of railway networks in England gave an enormous impetus to the development of all kinds of industries like coal mining, steel production, and manufacture of rolling stocks, this multiplier effect did not happen in Malaya. All that it did was to provide a market for the flagging British railway industry whose immediate domestic market was saturated.

The impoverishment of the periphery has as its corollary the expansion of the economies in the metropoles. Dos Santos calls this process unequal and combined development.

Unequal because development of parts of the system occurs

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16. For one of the few works that analyzes the aspect of the market role of Malaya, see D.R. Sardesai, British Trade and Expansion in Southeast Asia. (New Delhi: Allied Publishers, 1977).
21. For further elaboration on this, see Lim Mah Hui, "Ethnic and Class Relations in Malaysia," JCA 10:172 (1980).
25. Caldwell, "War, Boom..."; Sardesai, "British Trade..."
in the composition of the labor force, with 61 percent of the labor force engaged in the primary sector, 9.6 percent in the secondary sector and 29 percent in the tertiary sector. 32

The currency system was tied to the sterling system and the new Central Bank had no power to issue Malayan currency until after independence. On top of this, the economy was dominated by foreign capital, with the British trading and management agencies representing the apex of this power structure. 33

Unlike advanced capitalist countries which were able to industrialize and export their manufactures in the era of free trade and imperial expansion, peripheral countries today are industrializing and attempting to export in a period of high tariff barriers imposed by core countries. 34

It is therefore appropriate to define Malaya as a dependent economy, one in which “the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected.” 35 Dependency also implies that the alternatives or options opened to the dependent nations are defined and limited by its integration into and functions within the world economy; but this does not mean that capitalist development is foreclosed.

Phase III: The 1950s and After

While the structural theorists are quite agreed on the causes and effects of the first two phases of imperialism, the consensus is less evident on the third phase. It is this phase which is most discussed, yet least defined. 35 The underlying problem is the extent of “autonomy” of peripheral economies and their ability to achieve independent industrialization.

In the rest of this paper, I shall evaluate the degree and form of capitalist development and industrialization in post-independent Malaysia on the basis of some of the criteria established by Sutcliffe and Emmanuel. According to Sutcliffe:

Industrialisation involves both a quantitative increase in industrial production and a qualitative change in the nature of society, with the growth of new social classes and new styles of world and living. The notion of independent industrialisation involves something more than this. It does not mean autarky but carries with it the idea that industrialisa-

34. Dos Santos, “The Structure of . . .,” 226.
35. This is evident in Dos Santos’ discussion of the new form of dependence. There is hardly any mention of what are the requirements of the centers in this new phase of dependence or how this created import substitution industrialization. One is instead presented with a vague discussion of the “dependent” nature of peripheral economies.
tion is not merely "derived" from the industrialisation of another economy like that of small European principalities was derived from, and was no more than a part of, the industrialisation of their larger neighbours. So the idea of the independence of an industrialisation is partly one of its origins and driving forces. An independent industrialisation should originate with and be maintained by social and economic forces within the industrialising country. 36

The four criteria he listed were:

- a) A strong home market.
- b) Diversified production structure that includes the production of consumer, intermediate and capital goods.
- c) Low level of foreign ownership and control.
- d) Independent technological development.

For Emmanuel, capitalist development is not simply industrialization or the growth of the manufacturing sector. It must include the growth of productive forces and capitalist relations in the economy. Therefore, the growth of productivity in both the industrial and agricultural sectors must be examined, this being reflected in the rate of mechanization in these sectors. In his words:

Clearly, therefore, it is not by transferring its factors from agriculture to industry that a country develops, but by mechanizing and modernizing both these sectors. 37

The degree of penetration of capitalist relations of production can be approximated by examining the ratio between the fully proletarianized labor force and the partially and non-proletarianized labor force.

Rate and Degree of Industrialization

There is little doubt that in the post-independence era, the manufacturing sector is the fastest growing sector in the economy. Table 1 shows that between 1960–1970 the GDP grew by $5,856 million or 118 percent, while the manufacturing sector increased by $882 million or 207 percent in current prices. It contributed 15 percent of this overall growth. When measured in 1959 constant price, the increase is slightly less but nevertheless respectable—108 percent increase for the GDP and 151 percent for the manufacturing sector.

Similar conclusions were reached by David Lim who estimated a 17.4 percent average annual growth rate of value added for the manufacturing sector between 1956–1968, at 1959 constant price. 38 Hoffman and Tan found the average growth rate of the manufacturing sector to be 11.5 percent per year in comparison to 5.6 percent for GDP. 39

For more recent years, 1971–75, the average annual growth rates of the manufacturing sector and the GDP were 10.9 percent and 7.4 percent respectively; and 14.3 percent and 8.6 percent for the years 1976–78. 40 For the 1971–75 period, the only sector which registered a growth rate higher than the manufacturing sector was the transport and communication sector (12.6 percent). 41

In short, the manufacturing sector has one of the highest growth rates in the Malaysian economy. However one is cautioned against being over-optimistic about its dynamism because the rate of change of its annual growth rate was only 0.7 percent in the 1960s. 42

Domestic Market

While the importance of a strong domestic market to sustain the momentum of industrial growth is acknowledged, it is not clear how crucial this is. Sutcliffe pointed out that export markets played an important part in the industrialization of Britain and Japan. However, the advantages which these early industrializers and imperial powers enjoyed are hardly available to Third World nations today.

Most of post-war industrialization in peripheries, including Malaysia, has been based on the strategy of import substitution industrialization (ISI). The adoption of ISI was not simply a passive response to the needs of core countries but the outcome of economic and political conditions after World War II. This strategy met the needs of both the peripheries and the cores. In the case of the peripheries it was thought that ISI would serve to diversify their economies, decrease their dependence on exports of primary commodities, save foreign exchange, and absorb growing unemployment. For the centers, ISI provided both an outlet for profitable investments in Third World countries and a means to capture the local markets. 44

In Malaysia, between 1959–68, of the total growth of 75 percent in output of manufacturing, ISI accounted for 52 percent of this growth, domestic demand 40 percent, and export expansion only 8 percent. 45 Warren points to similar

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36. Sutcliffe, "Imperialism and ..., " 174. Emphasis is mine.
37. Emmanuel, "Myths of Development ..., " 67. Italics original.
38. David Lim, Economic ..., " 246.
42. Malaysia, Third Malaysia ..., 58.
43. David Lim, Economic ..., 251.
45. Hoffman and Tan, "Pattern of ..., " 142-3.
Table 1

Selected Data on Manufacturing Sector's Position in Malaysian Economy

1955–1978 (in $ million ringgit*)

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<tr>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>GDP at factor cost</td>
<td>4,119</td>
<td>4,952</td>
<td>6,553</td>
<td>10,708</td>
<td>15,315</td>
<td>18,964</td>
<td></td>
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<tr>
<td>2.</td>
<td>Manufacturing Sector</td>
<td>281</td>
<td>425</td>
<td>682</td>
<td>1,307</td>
<td>2,197</td>
<td>4,258</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Manufacturing Sector as % of GDP</td>
<td>6.8</td>
<td>8.7</td>
<td>10.4</td>
<td>12.2</td>
<td>14.3</td>
<td>22.5</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Employment in Manufacturing Sector (thousands)</td>
<td>135.7</td>
<td>156.8</td>
<td>182</td>
<td>270</td>
<td>398</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>As % of total labor force</td>
<td>6.4</td>
<td>6.8</td>
<td>7.0</td>
<td>9.2</td>
<td>10.1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>5.</td>
<td>GDP Factor Cost</td>
<td>4,119</td>
<td>4,878</td>
<td>6,952</td>
<td>9,334</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Manufacturing Sector as % of GDP</td>
<td>6.8</td>
<td>7.2</td>
<td>8.0</td>
<td>9.5</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
</tr>
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</table>

Notes:
* All $ in this paper refer to Malaysian ringgit.

1. GDP and manufacturing data come from the following sources:
   1955-data are from Bhanoji, National Accounts of West Malaysia, 1947–1971, p. 103. 1959 price (p. 70).
2. Sources for employment data:
   1975-from Malaysia Treasury, Economic Report 1977/78. Appendix, Table 10.1. It should be pointed out that employment data are at best rough estimates given the inconsistencies; e.g. the employment figure for 1975 in the manufacturing sector was 398,000 according to the Economic Report of 1977/78 but 448,000 according to the Economic Report of 1978/79.
3. This set of GDP and manufacturing data are set at 1959 constant price and taken from Bhanoji, op cit., pp. 103-104.

In Malaysia, the limits of domestic market for luxury consumer goods and the high costs involved in the establishment and protection of such industries have been observed by Wheelwright and Edwards. The case of the car assembly industry is most revealing. It was concluded that:

Malaysia would gain if the plants were closed down, the cars imported under the present tariff structure and the employees paid from the tariff proceeds for doing nothing.

Within a decade, the Malaysian government realized that the easy phase of ISI was approaching an end, and that "increasingly, the rate of, and stimulus for, industrial development will depend upon the expansion of exports."
Table 2
Percentage Annual Growth Rates of Consumer Producer-Oriented Industries in Terms of Industrial Production 1969-1977, (1968 = 100)

<table>
<thead>
<tr>
<th>Year/ Industry Sector</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Manufacturing</td>
<td>1969</td>
<td>+15.6</td>
<td>12.8</td>
<td>11.6</td>
<td>7.7</td>
<td>9.1</td>
<td>7.6</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Food</td>
<td>1970</td>
<td>12.3</td>
<td>5.9</td>
<td>2.7</td>
<td>16.5</td>
<td>14.8</td>
<td>4.3</td>
<td>5.6</td>
<td>29.6</td>
</tr>
<tr>
<td>Textile Products</td>
<td>1971</td>
<td>6.2</td>
<td>-4.0</td>
<td>6.5</td>
<td>11.9</td>
<td>5.3</td>
<td>0.7</td>
<td>0.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Wood Products</td>
<td>1972</td>
<td>13.3</td>
<td>4.2</td>
<td>28.0</td>
<td>30.8</td>
<td>6.0</td>
<td>14.7</td>
<td>8.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Rubber Products</td>
<td>1973</td>
<td>19.9</td>
<td>16.5</td>
<td>26.1</td>
<td>10.7</td>
<td>19.1</td>
<td>11.7</td>
<td>13.8</td>
<td>57.7</td>
</tr>
<tr>
<td>Chemical</td>
<td>1974</td>
<td>15.3</td>
<td>4.5</td>
<td>-28.4</td>
<td>-8.6</td>
<td>-2.9</td>
<td>4.9</td>
<td>5.2</td>
<td>-11.9</td>
</tr>
<tr>
<td>Cement</td>
<td>1975</td>
<td>0.1</td>
<td>1.7</td>
<td>51.7</td>
<td>2.3</td>
<td>1.5</td>
<td>-5.1</td>
<td>4.3</td>
<td>-12.8</td>
</tr>
<tr>
<td>Metal</td>
<td>1976</td>
<td>18.9</td>
<td>12.1</td>
<td>41.4</td>
<td>39.4</td>
<td>13.0</td>
<td>17.8</td>
<td>17.5</td>
<td>11.9</td>
</tr>
<tr>
<td>Transport</td>
<td>1977</td>
<td>15.0</td>
<td>11.2</td>
<td>19.0</td>
<td>31.0</td>
<td>10.0</td>
<td>7.9</td>
<td>14.0</td>
<td>13.8</td>
</tr>
<tr>
<td>Average annual growth</td>
<td></td>
<td>12.9</td>
<td>7.2</td>
<td>17.6</td>
<td>15.7</td>
<td>8.4</td>
<td>7.2</td>
<td>9.1</td>
<td>4.0</td>
</tr>
</tbody>
</table>


Notes:
1. Processing of estate type agricultural products is omitted as most of them are for export. This procedure follows that adopted by David Lim, op cit., p. 247.
2. Consumer-oriented industries consist of columns 2 to 5. Their average annual growth rate is 8.7.
3. Producer-oriented industries are columns 6 to 9 and the average annual growth rate is 8.15.

We may conclude that while home markets have provided the initial impetus for industrialization in most peripheral countries, their ability to sustain it is doubtful. Warren's optimism is too hasty.

Diversified Production Structure

An industrialisation could not be considered wholly independent unless the country could contain within its borders a wide range of industries, including economically strategic capital goods industries. 52

Samir Amin 53 hypothesized that peripheral and advanced capitalist countries exhibit different patterns of development. In the latter, the production of mass consumer goods is integrally linked to the production of capital goods and increased agricultural productivity; in the former, the structure of production is distorted by an exaggerated primary export sector. Attempts to escape from this distortion through industrialization have not been successful as they have been geared to the production of end products, usually luxurious consumer items, with few linkages to strategic intermediate and capital goods. To what extent is this pattern found in Malaysia?

David Lim found that in the 1960s, producer-oriented industries (these include chemicals, non-metal minerals, metals, machinery, and transport equipment) constituted 29 percent of the total net output of the manufacturing sector. 54 The growth of these industries was 23.7 percent while that of consumer-oriented industries was 16 percent. 55 He further argued that the producer-oriented industries had an average total linkage value of 1.16 compared to 0.8 for the consumer-oriented industries and that the ratio of share of consumer to producer-oriented industries was declining. 56 In other words, there was a trend towards a diversified industrial structure in the 1960s.

Lim, however, qualified the conclusion: "the annual growth rates of the producer-oriented industries as a group tended to decline over the years whereas those for the consumer-oriented industries tended to increase." 57 This

52. Sutcliffe, "Imperialism and . . .," 175.
declining dynamism of the producer-oriented industries in the 1970s is borne out in Table 2, which shows that the annual growth rate of the producer-oriented industries in the index of industrial production between 1969–1977 was 8.15 percent whereas that of the consumer-oriented industries was 8.7 percent.

To the above caveat, another may be added. The linkage effects of the producer-oriented industries are overestimated when transport equipment and electrical machinery are included in the category of producer-oriented industries as most of these are accounted for by the manufacture of electronics components which are wholly for export and possess few if any local linkages. 58

The weakness of the intermediate and capital goods sectors, reflecting the partial nature of industrialization in peripheral economies, can be analyzed from another angle—the import structure of the economy. Table 3 shows that the value of total imports in Malaysia rose more than threefold between 1961 and 1975, from $2.8 billion to $8.5 billion, despite the efforts at import substitution. Even more significant are the changes in the import structure. Although there was a significant decline in the import of consumer goods (from 47 percent to 20 percent) this was offset by a rise in the import of capital goods (from 17 percent to 32 percent) and of intermediate goods (from 28 percent to 43 percent). In other words, ISI has not reduced the volume of imports into Malaysia. Rather what has occurred is a shift in the content of imports—from consumer goods to intermediate and capital goods. A similar pattern is found in other Southeast Asian countries. For example, between 1966 and 1973, the composition of capital and intermediate goods for Indonesia increased from 57 percent to 76 percent and its consumption goods dropped from 43 percent to 24 percent. For the Philippines, the former category rose from 63 percent to 92 percent and the latter category declined from 37 percent to 8 percent between 1949 and 1975. 59

To conclude, there is a fairly diversified industrial structure in Malaysia, but it is not solidly grounded and its future is unclear given the recent rush towards enclave export production. The form of industrial development in Malaysia resembles more the pattern described by Amin for most peripheral countries than the classical capitalist development described by Warren.

Export-Oriented Industrialization (EOI)

The hopes that ISI would offer a solution to the problems of declining terms of trade, price instability, rising

<table>
<thead>
<tr>
<th>Table 3 Percentage Composition of Imports for Malaysia 1961–1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Consumption goods</td>
</tr>
<tr>
<td>Investment goods</td>
</tr>
<tr>
<td>Intermediate goods</td>
</tr>
<tr>
<td>Imports for re-export</td>
</tr>
<tr>
<td>Miscellaneous</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Value of Imports $ million</td>
</tr>
</tbody>
</table>

Sources: Bhanoji, op cit., p. 82.

unemployment, and continued foreign domination of the local economy remain largely unfulfilled. A new strategy—Export-Oriented Industrialization—was promoted by international capital and warmly received by peripheral economies. ISI represented an attempt to escape from dependence on foreign markets; with EOI, ironically, the pendulum has swung back in favor of export markets. The new emphasis is on exports of manufactured goods, instead of raw materials.

A number of factors led to the rise of EOI in the late sixties. First is the changing nature of imperialism in which production is becoming increasingly internationalized. The earlier phases were characterized by the internationalization of commodity capital and money capital. 60 In this new structure, the multinational corporations having control over advanced technology, financial resources and markets are able to specialize in and monopolize the production of highly advanced products and relegate the peripheries to specialization in the production of labor-intensive products such as textiles and electronics components. Such differences exist even between Third World-owned multinational corporations and multinational corporations of advanced capitalist countries. The former use low-level and labor-intensive technology and cater to small and price-sensitive markets; the latter are concentrated in oligopolistic industries which enjoy the advantages of product differentiation. 61

The structure of organization, technology, production and communications has enabled multinationals to break down complex production processes into discrete, simple operations so that processes requiring high labor content


can be located wherever cheap labor is found. In certain industries, such as electronics and computers, mechanization has become too risky due to the high rate of obsolescence.\(^{62}\)

Furthermore, economic and political considerations encourage the relocation of labor intensive industries into the peripheries. The squeeze on capital by labor in advanced capitalist countries and the political repression of labor by the State in peripheral countries have served to make it both necessary and profitable for multinational corporations to relocate parts of their production in the peripheries.

Export-oriented industrialization is therefore not an outcome of forces indigenous to peripheral countries, but rather a result of the changing conditions of capital expansion. In Malaysia, EOI was initiated with the 1968 Investment Incentive Act following the recommendations of the Raja Mohar Committee. This Act provided export-oriented industries with generous tax incentives, financial and physical facilities. Three years later, an amendment was made to further increase the incentives for labor intensive industries, particularly the electronics plants and hotels. The following year, 1972, 42 electronics companies were granted "pioneer"\(^*\) status.\(^{63}\)

\(^*\) Pioneer companies are those which receive special privileges such as tax exemptions from the Malaysian government because they are regarded as high priority industries.

\(^{62}\) Otto Kreye, Worldmarket-Oriented Industrialization of Developing Countries: Free Production Zone and World Market Factories, (Max Planck Institute, 1977), Ch. 2.

\(^{63}\) Edwards, Protection and . . . , 187.

The rapid rise in the exports of manufactures especially after 1972 is evident in Table 4. From 1966 to 1971 total manufactured exports rose by no more than 1 percent (from 9.5 percent to 10.1 percent). After 1972 the increase is considerable, from 12.5 percent in 1972, to 19.3 percent in 1975 and to 17 percent in 1976. The composition of manufactured exports shows two general trends. On the one hand, the more traditional exports such as food, textile, and wood products are marked respectively by a declining, slow growth and fluctuating trend. On the other hand, the newer manufacturers of such things as machinery and transport equipment and other manufacturers mostly producing labor-intensive products such as electronics and electrical equipment experienced tremendous growth especially after 1973. The machinery and transport equipment category accounted for 3 percent of the manufactured exports in 1966, 7.1 percent in 1973, and 25 percent in 1976; while the other manufactures category accounted for 2 percent, 17 percent and 21 percent of the total manufactured exports for the same years. The viability of such exports is open to question, given their dependent nature.

If EOI has its origins in the changing needs of the core countries and the new international division of labor, it too has its academic and political advocates in the peripheries. Economists like David Lim argue that Malaysia should specialize in producing manufactured goods with high labor content because Malaysia possesses a "natural ad-

Table 4
Exports of Selected Manufactured Goods
1966–1976 (in $ million ringgits)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports</th>
<th>Total Manufactured Exports</th>
<th>Food, Beverage &amp; Tobacco</th>
<th>Textile &amp; Footwear</th>
<th>Wood Products</th>
<th>Machinery &amp; Transport</th>
<th>Other Manufactures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Col. 1</td>
<td>% of Col. 2</td>
<td>% of Col. 2</td>
<td>% of Col. 2</td>
<td>% of Col. 2</td>
<td>% of Col. 2</td>
<td>% of Col. 2</td>
</tr>
<tr>
<td>1966</td>
<td>3,846</td>
<td>367</td>
<td>9.5</td>
<td>22.6</td>
<td>7.1</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>1967</td>
<td>3,724</td>
<td>386</td>
<td>10.4</td>
<td>23.8</td>
<td>6.5</td>
<td>29</td>
<td>7.5</td>
</tr>
<tr>
<td>1968</td>
<td>4,123</td>
<td>430</td>
<td>10.4</td>
<td>21.2</td>
<td>6.3</td>
<td>43</td>
<td>10.0</td>
</tr>
<tr>
<td>1969</td>
<td>5,052</td>
<td>455</td>
<td>9.0</td>
<td>19.1</td>
<td>6.6</td>
<td>66</td>
<td>14.5</td>
</tr>
<tr>
<td>1970</td>
<td>5,163</td>
<td>522</td>
<td>10.1</td>
<td>19.9</td>
<td>5.9</td>
<td>90</td>
<td>17.2</td>
</tr>
<tr>
<td>1971</td>
<td>5,017</td>
<td>507</td>
<td>10.1</td>
<td>19.1</td>
<td>8.9</td>
<td>117</td>
<td>23.1</td>
</tr>
<tr>
<td>1972</td>
<td>4,854</td>
<td>608</td>
<td>12.5</td>
<td>18.6</td>
<td>8.7</td>
<td>168</td>
<td>27.6</td>
</tr>
<tr>
<td>1973</td>
<td>7,372</td>
<td>981</td>
<td>13.3</td>
<td>14.4</td>
<td>11.5</td>
<td>274</td>
<td>27.9</td>
</tr>
<tr>
<td>1974</td>
<td>10,195</td>
<td>1487</td>
<td>14.6</td>
<td>16.3</td>
<td>11.0</td>
<td>250</td>
<td>16.8</td>
</tr>
<tr>
<td>1975</td>
<td>9,231</td>
<td>1786</td>
<td>19.3</td>
<td>226</td>
<td>12.7</td>
<td>209</td>
<td>11.7</td>
</tr>
<tr>
<td>1976</td>
<td>13,443</td>
<td>2285</td>
<td>17.0</td>
<td>269</td>
<td>11.8</td>
<td>329</td>
<td>14.4</td>
</tr>
</tbody>
</table>


Note: 1. Include electronics.
vantage" in the form of cheap labor—a not so new version of the theory of comparative advantage. Politicians like Dr. Mahatir, the Deputy Prime Minister, declared to foreign investors in Switzerland that:

What we are seeking is a complementarity of our economies. Your costly, highly sophisticated and skilled labour should not be wasted on producing low value labour intensive products. . . . On the other hand, Malaysia could produce the less sophisticated labour intensive products and all the various resource-based products. 64

How viable is EOI as a strategy for independent industrialization? In tackling this question, two major types of export manufactures should be distinguished—one, the more traditional exports such as food, textiles, wood products, and the like which have more linkages with the local economy; the other, the newer exports like electronics components and advanced machinery which are largely intra-multinational corporation transfers with few linkages to the local economy. Taking the second category of goods, their capacity for generating foreign exchange earnings is low because the import components are high. The value added by such industries is small. It is estimated that with 40,000 workers in the electronics industries in Malaysia, their valued-added contribution amounted to only 10 percent of the total manufacturing sector's valued added or about $100 million per year. 65 Practically all the gains that accrue to the peripheral country are in the form of wages and salaries, from which must be deducted the costs of infrastructural and other facilities provided by the governments of these countries. While registering high rates of growth in recent years, their long term stability is in doubt.

This has become particularly acute with competition coming from countries with even lower wage rates like Thailand, Indonesia and Sri Lanka which have embarked on a second wave of export oriented industrialization in Asia.

The exports of the more traditional manufactures face a different set of problems such as high tariff rates. Advanced capitalist countries are eager to import raw materials from the peripheries at low tariff rates, but the tariff rates for manufactured goods are exorbitant. For instance, it is 66% for wood rough but 13.6 to 26.4 percent for wood manufactures exported to the U.S.A. 66

Therefore, unlike advanced capitalist countries which were able to industrialize and export their manufactures in the era of free trade and imperial expansion, peripheral countries today are industrializing and attempting to export in a period of high tariff barriers imposed by core countries.

Low Degree of Foreign Control

A further characteristic of independence concerns the source of finance for industrialisation. Foreign industrial capital can normally be expected to undermine independence, though essentially what is important is control rather than the source of funds as such. 67

Significant changes have occurred over the past two decades with regard to foreign ownership and control in Malaysia. First, while foreign ownership and control is still substantial, the trend has been toward a general decline in the corporate sector. Table 5A indicates that for the whole corporate sector the share capital of foreign residents de-

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67. Sotcliffe, "Imperialism and . . .," 175.

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Table 5A

Ownership of Share Capital of the Corporate Sector in Malaysia

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>1972-75</td>
<td>%</td>
<td>1978</td>
<td>%</td>
<td>1976-78</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Malaysian Residents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Bumiputra individuals and interests)</td>
<td>2,513</td>
<td>38.3</td>
<td>7,215</td>
<td>47.8</td>
<td>30.2</td>
<td>11,370</td>
<td>54.0</td>
<td>16.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Bumiputra)</td>
<td>280</td>
<td>4.3</td>
<td>1,425</td>
<td>9.4</td>
<td>50.3</td>
<td>2,156</td>
<td>10.3</td>
<td>14.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Foreign Residents</td>
<td>2,233</td>
<td>34.0</td>
<td>5,790</td>
<td>38.4</td>
<td>26.9</td>
<td>9,514</td>
<td>43.7</td>
<td>16.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Bumiputra)</td>
<td>4,051</td>
<td>61.7</td>
<td>7,881</td>
<td>52.2</td>
<td>18.1</td>
<td>9,695</td>
<td>46.0</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,564</td>
<td>100.0</td>
<td>15,096</td>
<td>100.0</td>
<td>23.2</td>
<td>21,064</td>
<td>100.0</td>
<td>11.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1. AAGR = Average Annual Growth Rate.
2. Foreign Residents excludes foreign citizens resident in Malaysia.
clined from 62 percent in 1971 to 46 percent in 1978. For the pioneer industries in the manufacturing sector, the decline was from 62 percent to 48 percent between 1968 and 1976, as shown in Table 5B.

Second, several points should be noted about this general trend of decline. Up till 1969 foreign ownership was clearly predominant. Its decline was most rapid and significant after 1969 with the promulgation of the New Economic Policy—a reaction to the laissez-faire policy of the Tunku Abdul Rahman regime which left the development of the Malay bourgeoisie behind. The New Economic Policy sought to correct this situation and the result was reflected in the tremendous growth of Malay share capital which registered an annual average growth rate of 50 percent between 1972-1975. In comparison, local non-Malay capital grew at 27 percent and foreign capital at 18 percent yearly (See Table 5A). It is doubtful that the government will be able to sustain this artificially high pace of investments; there was a significant drop in the growth rate of Malay capital from a 50 percent to a 15 percent yearly average for the 1976-78 period.

The position of foreign capital varies by industry. While the decline of foreign capital in the extractive and plantation sectors is rapid and clear, the trend in the manufacturing sector is less certain. In fact, some evidence suggests an increase in the share of foreign ownership in the manufacturing sector. According to a report of the Asian Wall Street Journal on June 27th, 1979, foreign investments in this sector at that date were $2.3 billion or 72 percent of the investments in manufacturing. In comparison, they were $80 million or 60 percent in 1970.68

Government owned enterprises, particularly PERNAS (National Corporation), have continued to purchase substantial interests in tin mining companies like the former London Tin Corporation and plantation agencies like Sime Darby.69 While the government takes a “nationalistic” stance towards foreign capital in primary industries, it is more open in the manufacturing sector and has recently tried to offset its “nationalistic” image by accommodating and wooing foreign investments in that sector. Various steps were taken in this direction.

First, compared to the Second Malaysia plan, the Third Malaysia Plan proposed a bigger role for private investments, particularly foreign investments, to the tune of $13.7 billion or 60 percent of the total investment target.70 Second, since 1976 Dr. Mahathir, the present Prime Minister who was then the Deputy Prime Minister and also the Minister of Trade and Industry, personally has led no less than six trade missions to Europe, U.S. and Japan to solicit foreign investments which fell considerably in 1975, 1976, and 1977. Despite these missions, the total shortfall of private investments for development amounted to $10 billion below the original estimates.71 The government took further steps to accommodate private investors by amending the Industrial Coordination Act twice—in April 1977 and July 1979.72

Third, there has been a marked decrease in fully foreign owned enterprises and an increase in joint-ventures between local and foreign capital. On the surface, this indicates a significant increase in local control of the economy. However, the relationship between ownership and

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69. For further discussion of such takeovers and the nature of corporate interest groups, see Tan Tat Wai, Income Distribution and Determination in West Malaysia, (Kuala Lumpur: Oxford University Press, forthcoming) and Lim MahHui, Ownership and Control of the Hundred Largest Corporations in Malaysia, (Kuala Lumpur: Oxford University Press, 1981).

70. Malaysia, Third Malaysia..., 113.


72. Under this Act, manufacturers are required to apply for licenses subject to yearly renewal under the condition that they fulfill certain governmental conditions such as adequate Malay participation in the ownership, management and labor force of the enterprise.
Debts including the repayment of loans) increased more than tenfold, from $52 million to $619 million, the most rapid jump. Debt servicing as a part of government current expenditure rose from 6.5 percent to 12.5 percent, and constituted from 1.4 percent to 6.7 percent of gross export proceeds between 1960 and 1975.

Multi-Lateral Dependence

A final dimension of the change in the relationship between Malaysia as a peripheral country and the centers is the shift from unilateral to multi-lateral dependence. This shift, which occurred in most peripheral nations after political independence, has enhanced their limited bargaining power; but it should not be exaggerated. The shift to multi-lateral dependence for Malaysia is evident in her trade, investments and aid relations with foreign countries. The diminishing influence of Britain on Malaysia in all these areas is shown in Tables 7 A, B, and C.

Looking at the trade relationship for the period between 1962-76 in Table 7A, imports from Britain declined substantially from 20 percent to 7 percent while that from other advanced capitalist countries, notably Japan, increased from 8 percent to 21 percent to become Malaysia’s leading source of imports. Malaysia’s export markets have become even more diversified. Again, while Britain’s share as an export market declined, that of other advanced capitalist nations grew, with Japan taking the lead. Together the advanced capitalist countries account for a major and increasing share of the trade with Malaysia—62 percent and 61 percent of exports and imports respectively by 1976. The trade position of socialist countries with Malaysia has fluctuated but not changed considerably, while that of ASEAN countries improved in the sixties but not in the seventies.

The declining position of Britain and the increasing importance of Japan and the U.S. vis-a-vis Malaysia is even more noticeable in the spheres of loans and investments. In 1967, Britain was the leading creditor of Malaysia, accounting for 71 percent of the country’s debts. Ten years later Britain provided only 9 percent of Malaysia’s external loan. The United States had become the leading creditor by 1976, providing 46 percent of Malaysia’s loans and Japan 15 percent of them (Table 7B). The position of the U.S. is even greater if we include the loans given by the World Bank to Malaysia which amounted to 14 percent in 1976.

Systematic data on total investments in Malaysia by country of origin especially on a time-series basis are not available. Table 7C refers to only foreign investments in Malaysia’s pioneer companies. The five leading foreign investors in Malaysia are Singapore, Britain, United States, Japan, and Hong Kong. (The prominent position of Singapore as an investor is due to the fact that Singapore

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73. Lim Mah Hui, “Ownership and Control . . .”
74. A doctoral dissertation being written by Yoshitaka Okada, Department of Sociology, University of Wisconsin, shows that Japanese capitalists are not opposed to joint ventures in Indonesia. They are content to assume a minority share ownership position as their control over the enterprises comes through the supply of working capital, and intermediate and capital goods.
### Table 7A


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>12.0</td>
<td>15.0</td>
<td>15.6</td>
<td>6.0</td>
<td>6.0</td>
<td>12.7</td>
</tr>
<tr>
<td>U.K.</td>
<td>9.4</td>
<td>5.5</td>
<td>4.9</td>
<td>20.3</td>
<td>13.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Japan</td>
<td>16.3</td>
<td>18.5</td>
<td>21.1</td>
<td>8.0</td>
<td>16.0</td>
<td>21.1</td>
</tr>
<tr>
<td>Other W. Europe &amp; Australia</td>
<td>13.3</td>
<td>15.0</td>
<td>19.9</td>
<td>8.9</td>
<td>17.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Advanced Capitalist Countries</td>
<td>51.0</td>
<td>54.0</td>
<td>61.5</td>
<td>43.3</td>
<td>52.7</td>
<td>60.5</td>
</tr>
<tr>
<td>ASEAN n.a.</td>
<td>9.3</td>
<td>24.5</td>
<td>21.5</td>
<td>24.6</td>
<td>17.7</td>
<td>20.8</td>
</tr>
<tr>
<td>Middle East</td>
<td>—</td>
<td>0.1</td>
<td>0.2</td>
<td>—</td>
<td>3.5</td>
<td>6.5</td>
</tr>
<tr>
<td>ASEAN &amp; Middle East n.a.</td>
<td>9.3</td>
<td>24.6</td>
<td>21.7</td>
<td>21.2</td>
<td>7.4</td>
<td>20.8</td>
</tr>
<tr>
<td>China</td>
<td>—</td>
<td>3.9</td>
<td>0.8</td>
<td>2.7</td>
<td>6.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>8.3</td>
<td>7.3</td>
<td>4.9</td>
<td>0.1</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Socialist Countries</td>
<td>8.3</td>
<td>10.0</td>
<td>5.7</td>
<td>4.0</td>
<td>7.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Sub-total (%)</td>
<td>59.3</td>
<td>88.6</td>
<td>88.9</td>
<td>56.6</td>
<td>81.3</td>
<td>85.4</td>
</tr>
<tr>
<td>Total value ($ million) of Exports and Imports</td>
<td>3,260</td>
<td>5,052</td>
<td>13,443</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,056</td>
<td>3,582</td>
<td>9,722</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Economic Report 1973/74, Appendix Tables 3-1A, 9-1A.  
Economic Report 1977/78, Appendix Table 3-1.

**Note:** The figures do not add up to 100% in the original tables. The probable reason being the remainder are accounted for by the rest of the world.

### Table 7B

Loans (Market and Project) to Malaysia 1967, 1976 ($ million ringgits)

<table>
<thead>
<tr>
<th>Country</th>
<th>1967</th>
<th>%</th>
<th>1976</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>103</td>
<td>19.5</td>
<td>1,291</td>
<td>46.2</td>
</tr>
<tr>
<td>Europe</td>
<td>373</td>
<td>70.6</td>
<td>260</td>
<td>9.3</td>
</tr>
<tr>
<td>Other W. E.</td>
<td>18</td>
<td>3.4</td>
<td>203</td>
<td>7.3</td>
</tr>
<tr>
<td>Japan</td>
<td>—</td>
<td>—</td>
<td>430</td>
<td>15.4</td>
</tr>
<tr>
<td>Advanced Capitalist</td>
<td>494</td>
<td>93.5</td>
<td>2,184</td>
<td>78.2</td>
</tr>
<tr>
<td>World Bank</td>
<td>19</td>
<td>3.6</td>
<td>380</td>
<td>13.6</td>
</tr>
<tr>
<td>A.D.B.</td>
<td>—</td>
<td>—</td>
<td>180</td>
<td>6.4</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>2.9</td>
<td>50</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>528</td>
<td>100</td>
<td>2,793</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Economic Report 1977/78, Appendix Table 4.8.

### Table 7C

Foreign Investments (Loans and Capital) in Malaysia's Pioneer Companies 1969, 1976 (in $ million ringgits)

<table>
<thead>
<tr>
<th>Country</th>
<th>1969</th>
<th>%</th>
<th>Country</th>
<th>1976</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Singapore</td>
<td>86.5</td>
<td>Japan</td>
<td>193.4</td>
<td>22.7</td>
</tr>
<tr>
<td>2.</td>
<td>U.K.</td>
<td>79.8</td>
<td>Singapore</td>
<td>188.8</td>
<td>22.1</td>
</tr>
<tr>
<td>3.</td>
<td>U.S.</td>
<td>67.5</td>
<td>U.S.</td>
<td>131.3</td>
<td>15.4</td>
</tr>
<tr>
<td>4.</td>
<td>Japan</td>
<td>38.4</td>
<td>U.K.</td>
<td>106.4</td>
<td>12.5</td>
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<tr>
<td>5.</td>
<td>Hong Kong</td>
<td>33.5</td>
<td>Hong Kong</td>
<td>105.6</td>
<td>12.4</td>
</tr>
<tr>
<td>6.</td>
<td>Bahamas</td>
<td>7.0</td>
<td>Australia</td>
<td>23.3</td>
<td>2.7</td>
</tr>
<tr>
<td>7.</td>
<td>Canada</td>
<td>4.9</td>
<td>W. Germany</td>
<td>18.6</td>
<td>2.2</td>
</tr>
<tr>
<td>8.</td>
<td>Australia</td>
<td>4.1</td>
<td>Bahamas</td>
<td>15.0</td>
<td>1.7</td>
</tr>
<tr>
<td>9.</td>
<td>Holland</td>
<td>1.6</td>
<td>Canada</td>
<td>10.9</td>
<td>1.3</td>
</tr>
<tr>
<td>10.</td>
<td>Taiwan</td>
<td>1.4</td>
<td>India</td>
<td>10.3</td>
<td>1.2</td>
</tr>
<tr>
<td>11.</td>
<td>Others</td>
<td>20.0</td>
<td>Others</td>
<td>49.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td>344.7</td>
<td>100</td>
<td>Total</td>
<td>853.0</td>
<td>100</td>
</tr>
</tbody>
</table>

**Sources:** Federal Industrial Development Authority, Annual Reports, 1969, Appendix X/ and 1976 Table IV.
was linked economically and politically until its exit from Malaysia in 1965."

Britain took second place as a foreign investor in 1969 accounting for 23 percent of the total foreign loans and capital provided to pioneer companies, but dropped to fourth place by 1976 providing only 13 percent of the investments. In contrast Japan's position improved dramatically from fourth to first, providing for 23 percent of the investments in 1976. The U.S. position remained the same but dropped slightly in terms of percentage. Hong Kong remained the fifth largest investor. It is likely that a significant share of Hong Kong's capital may represent British capital, given the colonial status of Hong Kong.

To sum up, foreign ownership of Malaysia's economy has declined but it is doubtful if the same can be said about foreign control since new forms of control are being exercised through various means. On the other hand, the multilateralization of dependence, a result of the increasing competition between advanced capitalist countries, has also worked towards enhancing the maneuverability of Malaysia.

### Growth of Capitalist Forces and Relations of Production

Table 8 shows the growth of productive forces as measured in terms of productivity per worker in agriculture and manufacturing from 1970 onwards. The trend shows a gradual rise with minor fluctuations. On the whole, productivity in manufacturing is twice that of agriculture. For the period before 1970, employment data are available for only 1962 and 1968 when such surveys were undertaken. While the data are not strictly comparable, they do indicate the same trend of a fluctuating but gradual rise in productivity.

The trend for the growth of capitalist relations of production is less definitive. Again, because comprehensive data on labor force and population are available only for years when census are taken, any interpretation of secular trend based on these data must necessarily be cautious. Overall, the data show only a marginal increase in fully proletarianized labor (the employees category), from 48.1 percent in 1947 to 56 percent in 1957 and to 50.5 percent in 1970. See Table 9. The proportion of self-employed decreased from 41.4 percent to 28.5 percent, while unpaid family labor rose from 9.4 percent to 16.9 percent of employees between 1947 and 1970.

If the data are analyzed at the sectoral level, we find the growth of capitalist relations of production more pronounced in the manufacturing sector. The percentage of employees increased from 56.5 percent in 1947 to 66.1

### Table 8

**Productivity in Agriculture and Manufacturing Sectors 1961–1980**

<table>
<thead>
<tr>
<th>Years</th>
<th>Production $ million ringgits</th>
<th>Employment '000s</th>
<th>Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>2684</td>
<td>591</td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>2675</td>
<td>655</td>
<td></td>
</tr>
<tr>
<td>1963</td>
<td>2742</td>
<td>731</td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td>2767</td>
<td>846</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>2851</td>
<td>935</td>
<td></td>
</tr>
<tr>
<td>1966</td>
<td>3083</td>
<td>1030</td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>3133</td>
<td>1155</td>
<td></td>
</tr>
<tr>
<td>1968</td>
<td>3246</td>
<td>1223</td>
<td></td>
</tr>
<tr>
<td>1969</td>
<td>3776</td>
<td>1490</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>3915</td>
<td>1663</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>3852</td>
<td>1858</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>4146</td>
<td>2047</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>4634</td>
<td>2508</td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>4954</td>
<td>2768</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>4804</td>
<td>2850</td>
<td></td>
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<tr>
<td>1976</td>
<td>5270</td>
<td>3377</td>
<td></td>
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<tr>
<td>1977</td>
<td>5519</td>
<td>3735</td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>5574</td>
<td>4258</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>5797</td>
<td>4769</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>5809</td>
<td>5374</td>
<td></td>
</tr>
</tbody>
</table>

### Table 9

**Employment Status in Peninsular Malaysia 1947, 1957, 1970 (%)**

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>1947</th>
<th>1957</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer</td>
<td>1.3</td>
<td>34.3</td>
<td>4.1</td>
</tr>
<tr>
<td>2. Self-employed</td>
<td>41.4</td>
<td>28.5</td>
<td></td>
</tr>
<tr>
<td>3. Unpaid family labor</td>
<td>9.4</td>
<td>8.2</td>
<td>16.9</td>
</tr>
<tr>
<td>4. Employee</td>
<td>48.1</td>
<td>56.0</td>
<td>50.5</td>
</tr>
<tr>
<td>5. Not stated</td>
<td>—</td>
<td>1.4</td>
<td>—</td>
</tr>
</tbody>
</table>

Total (%) = 100 100 100

N = ('000s) 1,897.4 2,164.8 2,736.4

Sources: Del Tufo, 1949: Table 102; Fell, 1960: Table 12; Malaysia, Statistics Department, Volume 2: Table 4.20.

Notes: 1. For all censuses, the totals exclude the indeterminate industry and those not included in the labor force.
2. For the 1957 census, there was no breakdown for the "employer" and "self-employed" categories.

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percent in 1957 and to 70.5 percent in 1970, while the self-employed declined by about half—from 36.4 percent to 17.7 percent. The trend in unpaid family labor is more mixed. It dropped from 3.7 percent in 1947 to 2.7 percent in 1957 and then increased to 6.5 percent in 1970. See Table 10.

In agricultural, the percentage of employees actually dropped after a small rise—from 38.7 percent in 1947, rising to 44.6 percent in 1957 and then down to 35.9 percent in 1970. The percentage of unpaid family labor almost doubled from 13.4 percent in 1947 to 24.2 percent in 1970, while the self-employed decreased by 10 percent from 47.3 percent to 37.4 percent. See Table 11.

In short, we do not find a clear and definitive trend of increasing proletarianization for the whole economy, even though to a degree it is more obvious in the manufacturing sector than in the agricultural sector. This phenomenon common to peripheral economies has been analyzed by numerous authors in different ways. For instance, Amin described this as the non-exclusivity of the capitalist mode of production in peripheral capitalism. 77 For Taylor, 78 partial capitalist development is the result of the articulation of precapitalist and capitalist modes of production.

### Conclusion

This paper has attempted to study post-independence development, particularly industrialization, in Malaysia from a historical and structural perspective. This process is analyzed in the context of Malaysia's position and role in the evolving world capitalist system since the sixteenth century. Three such phases were examined. In the first phase, Malaysia produced items of high value which were traded under the monopoly of core countries like Portugal and Holland. In the second phase, direct production of raw materials like tin and rubber required by the core was undertaken in Malaya under the ownership and control of British capital. An international division of labor was created in which the periphery became primary producers. Only in the third phase did substantial industrialization begin.

In the Malaysian case, we found not only rapid industrialization taking place but also a gradual growth of productive forces in both manufacturing and agriculture. Therefore the stagnation thesis cannot be supported. However, the evidence also does not lend credence to Warren's optimism about independent capitalist development. First, the extension of capitalist relations of production throughout the economy is partial and uneven. Far from becoming exclusive, capitalist relations of production tend to co-exist and articulate with pre-capitalist relations of production. Petty commodity production survives rather extensively.

Second, the prospect for internally generated and self-sustaining development is less sanguine. While formal foreign ownership of the economy has declined, other forms of foreign control are substituted. The industrialization impetus which was initially based on internal market has now become dependent on foreign markets, foreign technology and foreign supply of capital and intermediate goods.

Industrialization and capitalist development cannot be measured in purely quantitative terms; structural relations need to be considered. Thus rapid industrial growth is not equivalent to an internally generated, autonomous and total industrialization. The former can proceed without the latter—which seems to be the case with Malaysia. The problem with Warren is that he mistook the two processes as being synonymous, or at least as concomitant. The evidence in Malaysia, as in most peripheral economies, shows that industrialization can occur at the same time as the economy is becoming more integrated into the world capi-

### Table 10

#### Employment Status in Manufacturing Sector

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>1947</th>
<th>1957</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2. Self-employed</td>
<td>153.2</td>
<td>135.4</td>
<td>5.061</td>
</tr>
<tr>
<td>3. Unpaid family labor</td>
<td>0.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4. Employee</td>
<td>13.4</td>
<td>13.1</td>
<td>24.2</td>
</tr>
<tr>
<td>5. Not stated</td>
<td>36.4</td>
<td>31.1</td>
<td>17.7</td>
</tr>
</tbody>
</table>

**Sources:** Same as Table 9.

**Notes:** 1. The N for 1970 is the actual number based on the 2% sample tape.

### Table 11

#### Employment Status in Agriculture Sector

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>1947</th>
<th>1957</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer</td>
<td>0.6</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>2. Self-employed</td>
<td>47.3</td>
<td>42.3</td>
<td>37.4</td>
</tr>
<tr>
<td>3. Unpaid family labor</td>
<td>13.4</td>
<td>13.1</td>
<td>24.2</td>
</tr>
<tr>
<td>4. Employee</td>
<td>38.7</td>
<td>44.6</td>
<td>35.9</td>
</tr>
<tr>
<td>5. Not stated</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total (%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Sources:** Same as Table 9 and a 2% Sample Tape of the 1970 Population Census.

**Notes:** 1. Agriculture Sector includes forestry and fishing.

77. Amin, Accumulation . . .

talist system. A related question is the impact of this process on domestic class formation. Is the indigenous capitalist class independent and national or comprador and auxiliary? It seems that this traditional dichotomy of national versus comprador is rendered less appropriate in today's condition where internationalization of capital is on the upsurge. It is more instructive to recognize the interdependent yet contradictory relation between indigenous and foreign capital, best exemplified in the proliferation of joint-ventures between these two forces.

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The Transformation of the State in Indonesia

by R. J. Robison

Introduction

The recent revival of interest in the state in post-colonial societies is, in large part, a consequence of the decline of dependency theory as a general tool for the analysis of society and economy in the "third world" and a move towards an approach based upon the concepts of mode of production and social formation. The focus of analysis has consequently moved from global structures of capital circulation to class struggle within specific peripheral social formations.1 This paper is not the place to follow the complex debate which has surrounded the decline of dependency theory but the following quote by Leys puts succinctly the major thrust of the critics:

"What produces underdevelopment is not the 'transfer of surplus' appropriated by metropolitan capital from the periphery of the metropole, significant though this may be. Rather, such a transfer should be seen as an effect of structures at the periphery which militate against the productive investment of surplus labour to be appropriated but prevent the realization of relative surplus work."2

Once we have released third world societies from the iron law of global surplus extraction it becomes possible to see, not a single process which we may call underdevelopment, but a huge variety of economic and social forms developing according to the specific configuration of class formation and struggle in each society. In turn, the state can no longer be simply conceived as the administrator of the process of surplus extraction but as an integral component of specific cases of class formation and conflict, and of transformations in the forms and relations of production.

The Indonesian social formation, as it has developed over the past century, embraces a complex configuration of petty commodity production (under which I include landlord/tenant and small-holder production as well as household commodity production) and various levels of commercial and capitalist production. The process of capitalist revolution and industrialization proceeds at a snail's pace. Indonesia is not yet a society of bourgeois and proletarian but remains largely one of landlord and tenant, petty commodity producers and state officials, landless and unemployed.

Nevertheless, the Indonesian state for the past century has been a capitalist state, providing the conditions for capital accumulation and securing the social dominance of the various fractions of bourgeoisie. However, it has passed through several distinct stages of development related to major transformations in class structure, level of capitalist production and political conflict. It is only within the context of these specific stages that transformations in the form and function of the Indonesian state can be understood. The crucial periods are:

1. (1870–1940): The period of enclave commodity production (largely sugar on Java, rubber and coffee on Sumatra) during which time the state primarily constituted the interests of Dutch capital.
2. (1941–1958): The period of decline of the enclave export commodity economy due both to global economic factors and the weakening of Dutch capital investment and the capacity of the Dutch bourgeoisie to dominate the state apparatus. The new republican state operated in a vacuum of social power due to weakness and fragmentation of class forces.
3. (1958–1965): State implementation of the nationalization of the decaying colonial economy and mediation of the intensifying struggle between social and political alliances increasingly committed to social revolution or to reconstitution of capitalism. This period closes with the victory of the forces of capitalist rather than socialist revolution.
4. (1965–1981): The military-dominated New Order State consolidates power upon the basis of an alliance of foreign, Chinese and larger indigenous capitals and a system of capitalist production generated by U.S. and Japanese investment in resources and energy and, increasingly, in industrial production for both import-substitution and export. Accelerated transformation to capitalist relations of production entrenches the social and economic power of the bourgeoisie and the position of the military-bureaucratic oligarchy.

The Legacy of Colonialism

We cannot really talk of a capitalist state in Indonesia until the latter part of the nineteenth century. Under both the Dutch East Indies Company (V.O.C.) and the Dutch government during the period of the Culture System (approx. 1830–1870) the function of the colonial state was to

enforce the provision of labor on state plantations to collect the produce of this labor and to operate or subcontract a variety of trade monopolies.

During the second half of the nineteenth century the Dutch bourgeoisie began to press for the abolition of this state monopoly and the opening of the colony for private investment. In 1870 new land legislation made it possible for Dutch capitalists to lease large areas of "unused" land for purposes of plantation agriculture and to supplement these with short-term leases (21 years) of village land. The state no longer directly intervened in the production process to coerce labor and ensure the delivery of crops but instead secured the general conditions of existence for the reproduction of the colonial plantation economy. 6

Apart from providing the legal basis for private land ownership the state-administered labor laws and the leasing of village land to the sugar mills. When the world market faltered it negotiated international commodity pricing agreements and protected the besieged plantation sector against competition from indigenous small-holder producers. 4 At the same time the form of the state apparatus began to change. Officials had previously been paid percentages on enforced crop deliveries or provided with appanage lands from which they could collect tribute. These forms of remuneration were gradually replaced with salaries. 5

In the early decades of the twentieth century, investment in manufacture began to penetrate the colonial plantation economy. Dutch, and to a lesser extent, Chinese and indigenous bourgeoisie began to manufacture commodities which had previously been either imported or produced by petty commodity production. The state moved to secure this capitalist import substitution industrialization by providing more extensive and complex infrastructures and by protecting it from imports of foreign manufactures, especially Japanese. 6

When power passed from the Dutch to the Indonesians in 1949 the new republican state found itself unable to do anything other than continue to provide the general conditions of existence for the colonial enclave commodity production sector. This was essentially because the whole

The process of capitalist revolution and industrialization proceeds at a snail's pace. Indonesia is not yet a society of bourgeois and proletariat but remains largely one of landlord and tenant, petty commodity producers and state officials, landless and unemployed. Nevertheless, the Indonesian state for the past century has been a capitalist state, providing the conditions for capital accumulation and securing the social dominance of the various fractions of bourgeoisie.

social structure and accumulation process was predicated upon enclave commodity production, of which the Javanese sugar mill was the primary symbol. Dutch finance capital in the form of the culture banks and the major trading conglomerates remained the dominant economic force and the lynchpin of the accumulation process. Within the cocoon of the colonial social formation, indigenous classes constituted a weakly developed and fragmented basis for political challenge to the colonial export economy.

Perhaps the most cohesive and clearly defined domestic class were the Chinese traders. Until the mid-nineteenth century they had been used by both traditional and colonial rulers as tax farmers and operators of state trading monopolies. With the development of estate and small-holder commercial production and the generalization of commodity production they began to establish domestic trade and credit networks dealing in rice and small-holder produce, retailing, moneylending and small-scale processing of agricultural produce such as rice hulling and sugar milling. With the lifting of residence restrictions in 1908 they began to spread into the countryside, replacing the small Javanese and Sumatran traders at the village level. By the end of the colonial period they clearly dominated domestic trading and credit networks, although it is important to remember that they remained essentially a merchant and petty bourgeoisie focused around the extended family. 7 Despite their economic power, the Chinese have been unable to secure political dominance in the post-colonial period because the social hostility of the indigenous population precluded them from the public exercise of political power. In any case, the economic position of the Chinese was firmly embedded in the existing colonial export economy.

Neither did indigenous bourgeoisie constitute a social basis for a political transformation of the colonial economic and social order. The bulk of indigenous businessmen were petty commodity producers and small scale traders in small-holder crops. By 1950, only a handful had expanded their activities to trade on a national level or to factory production employing wage and piece labor and replacing land with mechanical production processes. Political and economic organization of the indigenous bourgeoisie beginning from the formation of the Sarekat Dagang Islam in


4. For example, the colonial state imposed severe taxes and quotas on small-holder rubber production in 1932, effectively freezing small-holder production to 71.5% of estate exports, reducing small-holder production from 300,000 tons to 145,000 tons (realizing 5¢ to 20¢ per kilo) and reducing estate rubber from 220,000 to 205,000 tons (realizing 30¢ to 62¢ per kilo). See: Anspach, R., The Problem of a Plural Economy and its Effects on Indonesia's Economic Structure, University of California, Berkeley, Ph.D., 1963, University Microfilms, 1980, p. 82. Kahin, G., Nationalism and Revolution in Indonesia (Ithaca, N.Y.: Cornell University Press, 1952), p. 23. In 1920 the colonial state had also squashed the development of a class of Javanese kulak sugar farmers by prohibiting mills from purchasing cane from Javanese freeholders (Anspach, R., 1963, p. 82).


7. Perhaps the best overview of the development of the Chinese in the colonial economy is given by Kahin, G., 1952, (chapter 1).
1911 attempted to meet the Chinese challenge by securing control of trade, especially in the batik and textile industries. By the early 1930s the surge had exhausted itself, not only because they failed to seize control of trade from the Chinese, but because the basis of economic power was increasingly one of capital accumulation. In traditional areas of indigenous manufacture, (kretet cigarettes, textiles, batik, beverages and foodstuffs), the indigenous producers found themselves increasingly outweighed by the superior capital accumulation of the Dutch and Chinese. This social and economic weakness of the indigenous bourgeoisie reflected itself in its demise as the core of a national political movement in the 1920s. The nationalist movement of the 1930s was dominated not by any class-based party but by Dutch-educated urban intelligentsia and officials of the Dutch colonial administration. Together with the Indonesian military leaders of the revolutionary period, they constituted the most strategically important political force in post-colonial Indonesia.

If the Sukarno regime justified its authoritarian form as most effectively crystallizing the consensus of the masses, the New Order justified its refinement of the same authoritarian features as crystallizing the real will of the masses as revealed by scientists and technocrats. The New Order may be described as technocratic authoritarianism in comparison to the populist authoritarianism of the Sukarno regime. The ideological basis of technocratic authoritarianism derives from the assumption that development may be planned and administered in a scientific and objective manner by officials of the state, with obvious debts to North American social science of the 1950s and 1960s.

Neither did a powerful indigenous landowning class emerge. Pre-colonial Javanese society (which was the most heavily concentrated area of peasant cultivation) was not a feudal society dominated by a hereditary landowning aristocracy but by a ruling class defined by access to the rights to collect the peasant surplus allocated within personal networks of patronage dominated by the king. With the development of commercial agriculture in the mid- to late-nineteenth century this class of benefices to private land ownership but chose instead to become salaried officials of the colonial state. Although private land title and increasing commercialization of agricultural production were established under colonialism after the mid-nineteenth century, no politically cohesive, economically dominant land-owning class emerged. There was no clear polarization of landless tenants and laborers on the one hand and landlords on the other. Land ownership was fragmented and confused while politics at the village level was not defined by rival camps of landed and landless but by complex patron-client networks which mediated the conflicting social interests of different class. The real process of class development in rural society was to come after independence and only accelerate in the 1960s and 1970s. At the same time, small-holder producers, mainly on Sumatra, were hard hit by depression and government restriction and remained a relatively fragmented and powerless socio-economic force. Colonialism in Indonesia had produced neither an indigenous hacienda nor an indigenous kulak class.

The Republican State in the Colonial Social Formation: 1949–1958

For the first decade of its existence, political power in the new republic was vested in fragile and shifting coalitions of political parties dominated by Dutch-educated urban intelligentsia. None of the parties rested upon a basis of cohesive social power, and political conflict tended to take the form of factional squabbles over political office: The new state held a precarious authority over the military and was faced with major regional challenges to its authority.

As leaders of the nationalist movement in the 1930s and 1940s the new party leaders had universally espoused opposition to imperialist forms of capitalism and had promised moves towards a national and, although vaguely defined, socialist economy. However, upon seizing power, they were immediately confronted with the enormous difficulties of interfering with the colonial economy. State revenue and the existing social order was predicated upon production of agricultural and mineral exports financed and managed by Dutch and Chinese bourgeoisie. No indigenous class of landowners was capable of stepping into the shoes of the Dutch or Chinese or of providing an alternative economic system other than regression to petty commodity production. Neither did an indigenous class of accumulators ever command the political power to force the state to act systematically in their interests. No political party had the ideological coherence or base of social power necessary to mount a cohesive move towards some fundamental change to the colonial economy. The immobility of the state was largely the consequence of the vacuum of social power.

However, social and economic interests soon began to emerge and to manifest themselves politically as the struggle to appropriate the colonial economy took shape. The most powerful of these new politico-economic forces were the politico-bureaucrats (hereafter P-B) who


9. The transformation of the priyayi from benefice holding to salaried officials is dealt with by Onghokham, 1975 (pp. 109-150).

10. The constant shifting of coalitions, the rapid rise and fall in governments and absence of policy-based conflict was due to the fact that parties tended to be held together by networks of patronage rather than constituting themselves upon a basis of class power. The difficulties of accumulating a cohesive and disciplined power base in such a situation have been well described by Mortimer in his various analyses of the PKI. See especially, Mortimer, R., “Class, Social Cleavage and Indonesian Communism,” *Indonesia*, No. 8, (1969).
dominated offices of power and authority in the party and state apparatus. A crucial feature of the new P-B was the fusion of political power and bureaucratic authority—the appropriation of the state apparatus by a relatively small group of party leaders. The vehicles for this appropriation were the political parties and factions which secured control of strategic sectors of the state apparatus as the spoils of victory, dividing amongst themselves departments controlling trade and economic policy, state banks and corporations. Economically strategic offices were filled with party and military officials, political clients and relatives for the purpose of financing the political operations of the factions and providing a basis for building the personal wealth of individual power-holders. Using the appropriated power to dispense licenses, concessions, credit and contracts, the P-B were able to secure monopoly positions in the import sector as distributors of commodities or simply as purveyors of licenses. 11

The traditional indigenous trading and commodity production bourgeoisie and petty bourgeoisie also sought to step into the shoes of the Dutch. However, they were never able to either gain access to the political means of appropriating the Dutch, i.e. the control of licenses, concessions and contracts, or to expand beyond petty trade and commodity production on a basis of capital accumulation. During the 1950s a long history of struggle between the P-B and indigenous bourgeoisie and petty bourgeoisie was commenced, manifesting itself in the struggle for import licenses distributed under the Benteng program and the conflict over fiscal policies of the central government which caused such damage to outer island producers and contributed to the regional revolts against Jakarta in the late 1950s. 12

A third force was that constituted by the left wing of the PNI and the PKI and its labor and peasant organizations. These groups aimed not only at appropriation of Dutch interests but at a radical restructuring of the existing social and economic order involving the creation of a national industrial economy based upon state corporate capital and a fundamental reordering of landownership in the countryside.

The Nationalist Challenge to the Colonial Economy: (1958-1965)

The appropriation of the colonial economy began in 1957 with the attempt by labor unions unilaterally to establish control over Dutch enterprises. Alarmed by this development, the military moved in to take control of the Dutch companies and to assume dominance over the state corporate sector which emerged from the confiscated Dutch interests. 13

Against a background of nationalization and challenge from regional rebellions, President Sukarno abolished party government and established a populist, authoritarian form of rule by a fragile and uneasy coalition of nationalist forces, including both the PKI and the military, together with indigenous bourgeoisie who hoped to step into the shoes of the Dutch. Economic nationalism was, however, to take the form of state capitalism.

To a certain extent, the economic policies collectively known as "Guided Economy" did provide opportunities for the development of national industrial capital, both state and private. Attempts were made to force domestic investment out of import and into industry. Imports of commodities which could potentially be manufactured in Indonesia were restricted. Large-scale programs of overseas borrowing were undertaken to create national industries in steel and shipbuilding. With state credit, contracts and monopolies, several private indigenous business groups and state corporations were able to move effectively into manufacture. 14

However, Sukarno's experiment in creating a national industrial economy failed for a variety of reasons, most important of which was the absence of a national bourgeoisie (either indigenous or Chinese) able to provide the basis for accumulation, corporate organization, management and technical expertise. Neither did Sukarno command a party structure with sufficient ideological coherence and cohesion or political discipline and organization at the mass level to sustain a complex and long-term exercise in social organization, economic planning and management necessary for such a fundamental transformation. Instead he was forced to allocate control of state capitalism to civil and military officials who saw the new state trading companies and the state authorities for coordinating trade and industry 15 as primarily a more effective means of gaining control of the distribution system. They were interested in tribute-gathering rather than accumulation. In effect Guided Economy amounted to little more than a seizure by politico-military factions of monopoly control of access to trade and production as they were constituted within the existing colonial economy.

Without either a state apparatus or a national bourgeoisie able to provide a basis of accumulation and management to replace the Dutch, the economy began to disintegrate. This had been evident as early as 1963 when the state began to mediate a withdrawal from the more rigid


15. Panglaykim, J., An Indonesian Experience . . . Its State Trading Corporations, Jakarta University of Indonesia, 1967. The state established authorities for coordinating and controlling allocation of imported raw materials, foreign exchange credits, investment credits and production quotas in specific industries. These were known as OPS (controlling sections of each industry) and GPS (controlling whole industries).
objectives of the state-dominated and planned economy. However the process of disintegration was irrevocably advanced. Inflation escalated to over 600%, the flow of imported consumer goods and spare parts ground to a halt and the economic infrastructure fell into increasing disrepair and disarray. Export earnings from plantation agriculture declined as production on the estates was affected by lack of maintenance and reinvestment and poor management.

The dislocation affected with greatest intensity those elements of society most fully integrated with the previously Dutch-dominated structures of enclave commodity production and commodity import: the state officials, the urban middle classes and the domestic merchant bourgeoisie. For these people and for the military, the solution appeared increasingly to lie in the reconstitution of the capitalist economy and the re-entry of foreign capital as the primary basis for accumulation.

The destruction of the Sukarnoist-state and the return to the world capitalist economy was made even more urgent for the military, the state officials, the merchant bourgeoisie and the urban middle classes because of the social and political contradictions which emerged during this period. Essentially this threat was constituted by the PKI and its labor and peasant organizations. The popular forces in the shaky nationalist alliance saw fundamental social change as a necessary component of economic nationalism and had begun to engage in direct social and political action. In the countryside, the struggle over land was posing an increasing threat to the predominantly Muslim landowning classes. After the military coup in 1975, the New Order state, constituting the interests of an alliance of military, students, urban middle classes, indigenous merchant bourgeoisie and landlords, set about the task of eliminating the social and political basis of resistance to counter-revolution. The political weakness of Sukarno, the PKI and the other forces supporting economic nationalism was revealed by the lack of organized resistance to the massacres, purges and imprisonment which decimated their ranks in 1965 and 1966.


Although Sukarno's Guided Democracy had been populist in the sense that the policies and rhetoric of Sukarno were designed for a mass audience and the approval of the masses was seen as necessary to the legitimacy of the state, it was at the same time authoritarian. The institutions of cabinet government, party politics and elected parliaments were replaced with presidential authority and appointed parliaments. Political participation was channelled through state-sponsored and -controlled organizations representing the “functional” groupings of society.

Apart from the move to authoritarian populism, the most important political development of the Guided Democracy period was the rise of the military, which secured positions of authority within the state apparatus. This power was underpinned by control of strategic economic terminals within the state apparatus (most notably the state trading companies and the state oil companies) which afforded sources of finance independent of the regular state budget and provided the basis for economic alliances with foreign and Chinese bourgeoisie.

With the establishment of the New Order in late-1965 political power was firmly secured by the military, or more specifically by the factions attached to General Suharto. The lower priyayi, central Javanese background of the new military rulers contrasted with that of the Dutch-educated urban intelligentsia which had dominated earlier party governments. The military soon took over the crucial positions of power in the state apparatus: the presidency, the politically and economically strategic ministries, as well as key positions in the regional and central bureaucracies.

It was soon clear that its allies in the struggle against the revolutionary nationalist alliance in 1965 and 1966 were to be given no greater access to political power than under Sukarno. The major corporatist features of Guided Democracy were retained including the authority of the president over parliament and the channelling of the political activities of trade unions, business associations and other groups into state-sponsored and -controlled organizations. The authority of the state has been further entrenched by the development of complex apparatus designed to mobilize popular support (Golkar) or to repress opposition (Kopkamtib, Bakin). Considerable scholarly attention has already been paid to the general process whereby the military has encapsulated power within the state apparatus and progressively divested outside groups of the right to participate meaningfully in the political process; there is no need to expand these further in this paper.

If the Sukarno regime justified its authoritarian form as most effectively crystallizing the consensus of the masses, the New Order justified its refinement of the same authoritarian features as crystallizing the real will of the masses as revealed by scientists and technocrats. The New Order may be described as technocratic authoritarianism in comparison to the populist authoritarianism of the Sukarno regime. The ideological basis of technocratic authoritarianism was a central position in the new corporatist approach. Groups such as peasants, labour, state officials, women, youth, the military and business had parliamentary representatives appointed by the president. Each functional group also had a state-sponsored and -controlled national organization intended to mediate relationships between the group and the state.

16. The economic disintegration of this period has been covered by several writers. See: Thomas, K. and Panglaykim, J., 1973; Tan, T. K., Sukarno's Guided Indonesia (Brisbane: Jacaranda, 1967), particularly the chapters by Tan, Feith and Arndt.
19. “Functional Groups” assumed a central position in the new corporatist approach. Groups such as peasants, labour, state officials, women, youth, the military and business had parliamentary representatives appointed by the president. Each functional group also had a state-sponsored and -controlled national organization intended to mediate relationships between the group and the state.

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The form of state typical of highly industrial capitalist economies outside the industrial West and Japan is referred to variously as techno-fascist, repressive-developmentalist, modernizing-authoritarian or corporatist. ... The New Order state already exhibits many of the characteristics ascribed to such states, particularly the ideological and repressive characteristics. However, the victory of the technocratic side of the equation has yet to be achieved.

The Reconstitution of Capitalism

A central aspect of the debate over the function of the post-colonial state has been concerned with the degree to which metropolitan bourgeoisie dominate the process of capitalist reproduction in the third world and the degree to which the state serves the interests of the metropolitan bourgeoisie or constitutes the cutting edge of national capital. Alavi has argued, in the case of Pakistan, that while the state was able to provide the national bourgeoisie with credit and other commercial advantages, the eventual fate of the national bourgeoisie was not to displace but to integrate with foreign capital. Implicitly he was arguing that the state could not reproduce in national bourgeoisie the corporate, technological and capital resources of international capital. 22

Leys has argued that the Kenyan state is bound into the process of the development of national capitalism and provides the conditions for the consolidation and expansion of national capital:

The essential function of the state was to displace monopolies enjoyed by foreign capital and substitute monopolies for African capital and also supplement individual African capitals with state finance capital and state secured technology, to enable them to occupy the space created for them in the newly accessible economic sectors. 23

Leys emphasizes that this strategy was not the result of any modernizing vision of an autonomous bureaucracy but that the role of the state was firmly based upon the "... existing class power of an African bourgeoisie and the accumulation of capital already achieved." 24

To a large extent, the attempt to define the state as one operating in the interests of either metropolitan or national


22. Alavi states that: "... as the erstwhile 'national bourgeoisie' grows in size and aspires to extend its interests from industries which involve relatively unsophisticated technology (such as textiles) to those which involve the use of highly sophisticated technology (such as petrochemicals and fertilizers) they find that they do not have access to the requisite advanced industrial technologies. Their small resources and scale of operation keep the possibility of independently developing their own technology out of their reach. ... they have to turn for collaboration, therefore, to the bourgeoisie of the developed metropolitan countries or to the socialist states."

24. Ibid., p. 251.
capital is not a fruitful exercise. Capital ownership in any social formation will usually comprise both national and foreign bourgeoisie. The national component will depend on the existing capital base of national bourgeoisie relative to other capitals but also to the specific type of capital investment. Foreign capital will tend to dominate in high technology, capital-intensive sectors such as oil, mining and the more complex industrial sectors. National capital will generally wish to integrate with foreign capital in these sectors but will secure state protection and subsidy to replace foreign capital where their capital base and technological resources enable them to operate alone.

The findings of Cardoso provide some insights into the viability of national capitalist social formations in the third world. First, he found that the already-achieved dominance of the national bourgeoisie was quickly broken when foreign capital decided to raise the complexity and scope of capitalist production in Brazil. Structural changes within the accumulation process in the industrial “centers” had forced the metropolitan bourgeoisie to transfer significant sectors of industrial production to Brazil. The existing national bourgeoisie could not maintain their dominance in the accumulation process in this new situation. Second, the social and political power of the bourgeoisie was insufficient to secure their position as a ruling class faced with the social and economic contradictions which emerged under national capitalism. Political challenges from peasant and worker alliances were threatening their dominance. Given the fundamental weakness of their position they chose to integrate with foreign capital and to hand over to an authoritarian military regime the task of securing their position.

A bourgeois economic revolution did take place, brought into being by a reactionary political movement. It was economically reactionary to the extent that it pushed the local bourgeoisie to adapt to the beat of international capitalist development, thereby establishing an effective subordination of the national economy to modern forms of economic domination.

In the case of Indonesia, national capital—both state and private—was able neither to generate the capital necessary to sustain an independent capitalist economy, nor to secure politically the national bourgeoisie as a ruling class. This situation was rectified after 1965 by the establishment of an authoritarian military state dominated by a military-bureaucratic oligarchy and by the infusion of foreign capital to supplement the process of accumulation.

A crucial element has been the re-negotiation of credit arrangements with western capitalist nations and international finance institutions such as the World Bank and the International Monetary Fund (IMF). The $2.6 billion debt has been increased to over $19 billion between 1965 and 1980, emphasizing the importance of foreign credit to the Indonesian capitalist economy. In 1967 a foreign investment law was introduced as the basis for U.S.- and Japanese-dominated corporate investment, providing tax concessions and exemptions from import duty on raw materials and spare parts and giving guarantees on repatriation of profits and safeguards against nationalization.

Foreign capital has quickly re-assumed a dominant role in the economy, constituting over half the investments made under the new investment laws (both foreign and domestic) without taking into account investments in oil, banking, the foreign loan components in domestic equity and the informal Singapore and Hong Kong component in nominally domestic Chinese investment.

State intervention to secure the interests of domestic capital in the new capitalist economy comes in the form of general fiscal policy, the direct allocation of monopolies, and contracts and credit by the P-B and through the activities of state corporations.

The economic planners of the New Order generally adhere to an economic philosophy which sees foreign capital infusion spontaneously generating domestic capital accumulation. However, pressures from domestic business have forced them to take more direct steps to ensure domestic participation. In 1968, a domestic investment law was introduced, extending to domestic bourgeoisie the same benefits extended to foreign investors eighteen months earlier. State credit is available for investors under the domestic investment program (PMDN). More recently, the state has restricted the entry of further foreign capital into sectors of investment which it considers either fully catered for or able to be developed by domestic capital. Such restrictions affect investment in forestry, pharmaceuticals, construction and banking.

Business groups in Indonesia also find that the State is able to assist them, as individual companies, with state credit, contracts, monopolies, concessions and licenses. The process operates as follows: military commands, P-B factions or individuals within the P-B secure control over the allocation of state concessions, contracts and monopolies; these may be either sold for cash or used to form the basis of a joint venture between the concession-holder and specific foreign, Chinese or indigenous business groups in which the concession is exchanged for equity. For the latter purpose, the P-B establish their own business groups which may be owned by military commands or political factions.


27. Robison, R., 1977, pp. 119-123.

28. Investment Approvals to 1978 in $US millions

<table>
<thead>
<tr>
<th>Sector</th>
<th>Domestic</th>
<th>Foreign (converted from RP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Fishing and Forestry</td>
<td>846</td>
<td>1500</td>
</tr>
<tr>
<td>Mining</td>
<td>1655</td>
<td>100</td>
</tr>
<tr>
<td>Manufacture</td>
<td>4860</td>
<td>5520</td>
</tr>
<tr>
<td>Property, hotels and trade</td>
<td>630</td>
<td>680</td>
</tr>
<tr>
<td></td>
<td>7985</td>
<td>7800</td>
</tr>
</tbody>
</table>


31. Ibid., (chapter 9).


and used as sources of revenue for the political needs of the faction, or they may be owned by individuals and families from within the P-B and used as a basis for the accumulation of wealth.\(^{32}\) Whatever the case, they constitute a particular means of channelling state power into the process of capital accumulation.

The state also directs its resources and power into the accumulation process by means of state-owned corporations which are nominally controlled by a minister and financially accountable to the State. Various categories of state corporation provide different functions:

a) State corporations in the field of public works, communications, transport and banking provide economic infrastructure for capital accumulation.

b) State corporations in the resources-sector provide infrastructure, act as terminals for the allocation of oil, minerals and forestry concessions, supervise production sharing agreements, and collect revenue.

c) State corporations involved in investment, usually in joint ventures, in property, construction, resource or industrial ventures.\(^{33}\)

d) State corporations which perform the function of mediating social and economic crises. The most notable case here is the basic commodities procurement agency, BULOG, which co-ordinates the politically sensitive area of rice procurement, distribution and pricing.\(^{34}\)

While state corporations provide revenue for the state and are plundered by the P-B, they also perform a crucial role in the accumulation process in the absence of a strong national bourgeoisie. In part the state corporate structure continues the Guided Economy objective of securing national ownership and control of strategic sectors of the economy. But, as a reflection of the strengthening economic and political power of the various bourgeoisie in New Order Indonesia, it may be increasingly seen as establishing the preconditions for private capital accumulation, both foreign and domestic.\(^{35}\)

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### The State and the Structure of the Bourgeois Alliance

Domestic capital ownership in Indonesia falls into five major categories:

- **a) State capital**
- **b) Chinese capital operating in the medium and large scale sectors**
- **c) Indigenous capital operating in the medium- and large-scale sectors**
- **d) Chinese capital operating in the sector of petty trade, manufacturing and service sector**
- **e) Indigenous capital operating in the sector of petty trade, manufacturing and service sector.**

The conflict between domestic and foreign capital is as yet weakly developed. Certainly there are liberal intellectuals who despair of the degree of foreign economic dominance but their capacity for effective political action is limited.\(^{36}\) A more interesting critique of foreign capital comes from the CSIS group (a research and intelligence component of General Ali Murtopo's political faction) which argues that national capital is unable to develop effectively within the present structures. They argue for systematic state protection and co-ordination of the development of national capitalism and control of foreign capital.\(^{37}\) Their proposals are based upon the concept of national capital operating within nationally integrated economic units, with the state providing a framework of co-ordination, protection and finance but with capital ownership remaining largely private. This concept borrows heavily from the models established by the Meiji state, the present Singapore state and the principles which underlay the OPS and GPS of Guided Economy.

The creation of such a corporate form of national capitalism requires complex and highly organized forms of state intervention far beyond the capacity of the present state apparatus in Indonesia. Nor is it likely that the Indonesian state apparatus can be transformed in the image of the Singaporean or Meiji states in the foreseeable future.\(^{38}\) This is largely because the P-B and the larger

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33. The most important here is Pertamina, which has entered joint ventures in fertilizer production, rice estates, property and manufacture. P. T. Pembangunan Jaya (with the government of Jakarta as a major shareholder) is another business group with joint ventures in property and construction.

34. BULOG also constitutes an important source of revenue for the military and the various P-B factions which control the allocation of distribution licenses, and the state funds controlled by BULOG. See: Robison, R., 1977, pp. 242-248; Crouch, H., *The Army & Politics in Indonesia* (Ithaca: Cornell Univ. Press, 1978), Chapter 11.


36. In their search for political support for programs of political and economic reform the liberal intellectuals have worked entirely within the power structures rather than seeking alliance with labor or the peasantry. Given the highly developed intelligence and security apparatus of the regime it is of course difficult to establish popular alliances. However, attempts to build alliances at the top have proven equally ineffective. After January 1974, the military brought a period of criticism to an end by permanently closing five newspapers and jailing a large number of dissidents. Middle class critics of the regime may also be denied work permits, business licenses, state bank credit and exit permits. (See the statement of General Yoga Sudama, the head of state intelligence [BAKIN], June 1980, in *Far Eastern Economic Review*, 27.6.80, p. 26).


38. A possible basis for such a form of state capitalism was the state oil company, Pertamina, which acted as an umbrella, financier and provider of contracts for a whole variety of national business groups. Following the financial crisis faced by Pertamina in 1975 and 1976, the technocrats were able to gain at least temporary control and remove most of the industrial interests. For an overview of this aspect of Pertamina's structure see Robison, R., 1977, pp. 249-58 and 312-25.
domestic bourgeoisie find the conditions for accumulation adequately provided by the present structures. Joint ventures with foreign corporations are providing access to capital and technology while alliances between the specific P-B factions and particular business groups provide channels of access to state credit, contracts, licenses and concessions.

A more fundamental conflict has been that between the smaller indigenous bourgeoisie or petty bourgeoisie and the Chinese. This has been generated primarily by indigenous bourgeoisie operating in the small-to-medium-scale sector of capitalist production and merging into the petty commodity production sector. Such bourgeoisie and petty bourgeoisie have generally failed to develop their economic power either by expanding their base of capital accumulation or by securing access to the patronage of P-B factions. Consequently they have been politically active in opposing the expansion of the Chinese bourgeoisie, in protesting the alliance of P-B with foreign and Chinese business groups, and in criticizing general state policies which benefit either Chinese or foreign business. This general class-based challenge has spilled beyond immediate economic interests and has come to be associated with a broader Islamic political/cultural challenge to Jakarta and to the Javanese abangan character of the military-dominated state. 39

We must differentiate this section of the indigenous bourgeoisie from those elements which have managed to secure entry to the politico-economic alliances which bind P-B political factions to Chinese and foreign business groups as well as those which constitute the P-B dimension of these alliances. 40 It may be argued that the section of the indigenous bourgeoisie we are considering represents a declining remnant of an earlier merchant capitalist/petty commodity production era. However, such petty bourgeoisie have proven resilient during the drawn-out process of transition to capitalist forms and relations of production. 41 With their political and social links to Islamic parties and the landowning classes of Java, the indigenous petty bourgeoisie of Indonesia have been a persistent problem for the State.

Between 1949 and 1965 several nationally prominent indigenous traders and manufacturers with an established capital base and lines of political patronage successfully entered the fields of import, distribution and assembly of foreign machinery and automobiles and even into large-scale manufacture, although few of these have managed to survive under the New Order. However, the vast bulk of indigenous accumulators remained at the petty bourgeois or petty commodity production level.

The conflict between the indigenous petty bourgeoisie and the P-B is well illustrated by two situations which developed in the 1950s. The Benteng program, which lasted from 1950–55, was intended to strengthen indigenous importers by giving them privileged access to import licenses and credit for initial operations. However, while import licenses may have constituted a primary source of capital accumulation for Muslim petty bourgeoisie they were also a potential source of finance for politico-bureaucrats. Consequently licenses were secured by political parties, individual P-B, their clients and relatives. In some cases they were channelled to party-controlled business groups and banks but were predominantly sold to existing trading groups, mainly Chinese. Indigenous bourgeoisie and petty bourgeoisie secured access to the licenses only where they enjoyed access to patronage. 42

A second dimension of the conflict centered around the monetary policies of the state. As Schmitt 43 has argued, domestic inflation and artificially high exchange rates for the rupiah created a bonanza for the Jakarta importers but was devastating for outer island producer/exporters and small-scale manufacturers in Java.

Continuing deterioration in the economic position of the indigenous petty bourgeoisie was reflected in increasing political weakness. As early as 1955 the state had forced the political activities of this class into a state-controlled representative body and this official co-option of business organization has been continued under guided economy (Bamunas) and the New Order (Kadin). The virulently anti-Chinese Asaat movement of the late 1950s failed to gain the support of any party and the interests of the indigenous petty bourgeoisie received a major setback when the defeat of the regional revolts and the move to Guided Democracy located power more firmly in the hands of Jakarta P-B.

Economic nationalism under guided economy did not constitute a move to greater protection, credit or subsidy for the indigenous petty bourgeoisie. Indeed state capital was seen as the appropriate vehicle for national accumulation. In addition, the inflation, shortages and collapse of infrastructure were particularly severe on the indigenous petty bourgeoisie who were unable to move their capital to safer regions until the business climate had improved. 44

39. Political movements representing the interests of indigenous petty bourgeoisie have always taken a strongly Islamic character. In 1973 and 1974, the newspapers articulating the interests of the indigenous petty bourgeoisie, Ahadi and Nasantara, were not only critical of the P-B/Chinese/Foreign capital alliance on economic grounds but took an uncompromising Islamic position. This combination of Islam and indigenous petty bourgeoisie sentiments also characterized the Asaat movement in the late 1950s. See Feith, H., and Castles, L., Indonesian Political Thinking, 1945–73 (Ithaca: Cornell University Press, 1970).

40. There is a growing number of indigenous business groups expanding their capital base and operating on a substantial scale in alliance with the P-B, Chinese and foreign capitalist. Whilst the crucial ingredient in establishing their capital base was state patronage in its various forms, many of these corporations are now large enough to generate accumulation on the same basis of foreign and Chinese capital. Some of these groups came into the New Order period already established (e.g. Ning, Sudarpo, Kowara, Abidin). Others emerged out of the New Order (Ponco Sutowo, Proboisutojo, Sukamdani). There is always a danger of such business groups collapsing with the fall of patrons but this will depend upon the extent to which the group is dependent upon licenses or concessions or has developed its own capital base. See: Robison, R., 1977, chapters 5 & 7.

41. The role of the petty bourgeoisie in the Iranian revolution demonstrates the persistence of such a class in what was generally claimed to be one of the most advanced capitalist social formations in the third world.

42. See Sutter, J., 1959, pp. 1020–32.


44. Inflation under Guided Economy forced domestic bourgeoisie to maintain funds in the form of commodities (spare parts were the most lucrative) or send their money out of the country.
With the introduction of the domestic capital investment law (PMDN) in 1968, domestic investors were given a variety of tax and import concessions and were eligible for state credit. The indigenous bourgeoisie and petty bourgeoisie, hard hit by inflation, found their liquid assets inadequate, not only for expansion of their capital base but for collateral requirements for investment under PMDN. As a consequence only 17 percent of state investment credit under PMDN went to indigenous bourgeoisie and it is estimated that only 20 percent of capital invested under PMDN was indigenous. Of course, the vast bulk of indigenous petty bourgeoisie operated outside the PMDN scheme and therefore at a considerable disadvantage to PMDN investors with their tax concessions and access to cheaper imports of raw materials and technology.

The protest of the indigenous petty bourgeoisie gathered strength in the early 1970s, parallel with the movements associated with growing student discontent with military rule and the direction of economic strategy. Muslim newspapers Abadi and Nasantar are part of the anti-Chinese line and a stance critical of the economic alliances between P-B and Chinese business groups. This was associated specifically with the increasing difficulties of the indigenous textile producers and generally with the ever-present social tension between indigenous Indonesians and Chinese, a contributing factor to the Bandung riots of October 1973, and the Jakarta riots of January 1974.

Following the Jakarta riots the government moved to defuse the tensions by introducing a series of regulations designed to redress the perceived imbalances between indigenous, Chinese and foreign capital. These included:

1) A requirement that state bank credit be made available only to indigenous companies;

2) A requirement that within 10 years, companies investing under PMDN (Domestic Investment Law) be 75 percent owned by indigenous investors, and companies investing under PMA (Foreign Investment Law) be 51 percent owned by indigenous investors;

3) An acceleration of credit and advisory programs for indigenous small businesses.

The first of these requirements directly confronts realities of structures of capital ownership and corporate organization. Indigenous bourgeoisie received such a small share of state bank credit, not only because of lack of political influence but because they did not possess the capital and organizational basis to effectively use such finance. In terms of normal banking criteria, they were generally a poorer credit risk than the established Chinese businesses. In the case of the second resolution, it was revealed that neither the state nor the indigenous bourgeoisie possessed the finance to purchase such equity. In general, the state’s ability to move against the Chinese in any decisive way is limited by the fact that the Chinese are indispensable to capitalism as it is now structured in Indonesia and by the more concrete business alliances which tie them to the major politico-bureaucratic power-holders. In any case, if the experience of the past is continued, the indigenous beneficiaries of policies to transfer ownership and provide credit will be politico-bureaucrats or those larger indigenous bourgeoisie who have managed to enter the framework of the business and political alliances between foreign and Chinese capital and P-B power.

The central problem for the New Order state is that the protection of the interests of the indigenous bourgeoisie in any substantive way is incompatible with the development of the forces of production in Indonesian capitalism. The most it can do is attempt to buy them off with soft credit: thus the significance of the decision to place greater emphasis upon credit for small-scale indigenous business (KIK—Kredit Industri Kecil) and to establish state instrumentalities for providing credit and advice to indigenous investors. Although clearly inadequate for the purpose of fundamentally altering the situation of the indigenous bourgeoisie and petty bourgeoisie, such credits are politically valuable in that they may counteract day-to-day crises in small business and thereby engage the energies of the indigenous businessman in securing state credits rather than in protest.

A more promising basis for the emergence of an indigenous class of small accumulators is to be found in the countryside where the development of commercial production and the accelerating transformation to capitalist forms and relations of production are accompanying concentration of land ownership and increases in capital investment and wage labor. The landlord classes were the most important allies of the military in the 1965–66 period when the New Order was establishing itself. A powerful rural landlord/kulak class constitutes a significant and strategic base of political support for the New Order state. In the fifteen years since the coup, the New Order state has provided the basis for consolidation and development of a rural landlord/kulak class through provision of rural credit and infrastructure in conjunction with the programs introducing

47. Ir. Suhud, the chairman of the Foreign Investment Board (BKPM) expressed doubts about the capacity of either the state or indigenous business to carry out this policy (Kompas, 23.2.74) and, together with other technocrats made it clear to American investors that these transfer proposals were not feasible and that foreign capital should not be apprehensive of forced transfers of equity. See: American Indonesian Chamber of Commerce New Opportunities Seminar, N.Y. September, 1975.


high-yielding rice varieties, insecticides and fertilizers into agricultural production.\(^50\)

The Position of the Politico-Bureaucrats (P-B)

In societies where the dominant economic system is capitalist there is a separation of the political and the economic. Unlike feudal societies, production is not secured by political coercion but in the context of economic relationships between capital owner and free wage labor. Consequently the ruling class is separate from the state although the state may serve its interests. We cannot discover the logic governing the relationship between state and society by simply examining the social origins or ideological attachments of those who occupy the state apparatus. The relationship is primarily structural. The state becomes the political expression of specific processes of class formation and conflict and of the general process of capital accumulation. Its function is to secure the political conditions for the social dominance of the bourgeoisie and to provide infrastructure for the accumulation process.

While the state is relatively autonomous in that it is not the instrument of any single class or class fraction, it is unable to impose fundamental structural changes in the social order unless it is reconstituted on the basis of a new balance of social and political power. The major changes in the Indonesian state in 1949, 1957/8, and 1965 followed major changes already achieved in the balance of social, economic and political power within Indonesia.

However, we can only fully understand the New Order state if we recognize the P-B as an independent political force with clearly identifiable social and economic interests growing out of their appropriation of the state apparatus. It is this appropriation of the state apparatus and their fusion of political power and bureaucratic authority which makes them quite different from officials of the states of western industrial capitalist societies.\(^51\) The P-B have constructed a powerful and centralized state apparatus autonomous of direct political control by political parties representing the interests of specific social classes. In this sense they are the military-bureaucratic oligarchy of a “bonapartist” state, relatively autonomous of political control by social forces but obliged in the long term to reproduce the social and economic order in which the interests of the dominant class are embedded.\(^52\)

In this situation the specific historical development of the political and economic interests of the P-B become crucial factors in deciding the role of the state during periods of social conflict. During the latter Guided Economy period, the military, as the dominant P-B faction, intervened against the forces of social revolution on behalf of the capitalist economy primarily to secure the institutional basis of its political power against the challenge of a mass-based political party. The move to reestablish foreign capital investment was also designed to restore the revenue basis of the state threatened by the economic disintegration of Guided Economy. The most effective means of securing a firm basis of revenue was to rejuvenate export earnings through foreign capital investment, loans and aid and the stimulation of domestic capital accumulation through the infusion of foreign capital. The path of capitalist development also strengthened the social and economic power of the political allies of the P-B (landlords, domestic bourgeoisie and middle classes) in their conflict with the forces of political revolution.

The decision of the military to intervene on the side of the bourgeoisie was also influenced by the existence of concrete economic links between the two. During the decade preceding the coup of 1965 the military had constructed a vast network of business alliances with foreign and Chinese capital by means of their control of strategic state terminals of economic authority, including the major state corporations. Such alliances provided revenues for P-B factions, individual officials, their families and clients, thereby giving the P-B a vested interest in the economic fortunes of their business partners. Since 1965, these business alliances have grown exponentially largely as joint venture partnerships.\(^53\)

There are two factors which threaten to undermine the position of the P-B as appropriators of the state apparatus: the political conflict between the P-B and the middle classes; and the general contradictions between the needs of capital accumulation and the development of the forces of production on the one hand and, on the other, the use of the appropriated economic power of the state by the P-B to sustain the political basis of their position and fuel their personal fortunes.

Any capitalist social formation requires a social force of managers, technicians and intellectuals (generally referred to as a middle class). It is a social class which is relatively influential because of its strategic position in the management, information, administration and educational institutions of society. One of the major weaknesses of the New Order has been its failure to overcome the general hostility between itself and the middle classes.

Despite the criticism of the economic policies of the New Order and the calls for social justice and economic equality by some liberal intellectuals,\(^54\) the middle classes

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50. It would appear that the provision of state finances for rural development, in the form of BIMAS credits and INPRES grants has largely benefited the increasingly concentrated class of landowners. Studies of forms of landownership changing relations of production and the development of a kulak class in rural Java are in their early stages. One of the best recent works is Booth, A., & Sundrum, R. M., “Trends & Determinants of Income Distribution in Indonesia,” in Arndt, H. W., (ed.), Development & Equality: Indonesia in the Nineteen Seventies, forthcoming.

51. It has been argued that politico-bureaucrats in the third world constitute a kind of state class in themselves by virtue of the ownership and control of the means of production vested in the state apparatus. See: Amin, S., Unequal Development (Sussex: the Harvester Press, 1976), p. 25; Meillassoux, C., “A Class Analysis of the Bureaucratic Process in Mali,” Journal of Development Studies, Vol. 6, No. 2, (1970); Shivy, I., Class Struggles in Tanzania (London: Heinemann, 1976). I do not wish to pursue the questions raised in this extremely complex debate any further than I have already done in the body of the text apart from emphasizing that I have not intended to portray the P-B as anything more than a cohesive political force.

52. The concept of Bonapartism has been most specifically used by both Alavi and Cardoso to explain the political dominance and autonomy of a politico-bureaucratic oligarchy in a situation where the ruling class is unable to secure direct political dominance.

53. For details see: Robison, R., 1978.

54. A comprehensive liberal critique is that embodied in the students...
do not fundamentally threaten the structure of capitalism in Indonesia. First, critics amongst the middle class intelligentsia have not developed organized political alliances with other social groups, and consequently they remain articulators of grievances rather than a viable political force. Second, and more important, the upper levels of the urban middle classes have generally done well out of capitalist development in Indonesia. Their interests lie contrary to those of the popular classes. Civil service salaries are consistently rising above inflation levels, there are opportunities for well-paid employment with foreign companies, and more and more upper middle class Indonesians have access to the relative luxury and security of new housing estates. Rising living standards for the middle classes as a whole are providing access to an increased range of consumer goods. They are a privileged social element and it is unlikely that they would support fundamental social restructuring, reallocation of social wealth, expulsion of foreign capital or be willing to undertake the privations or suffer the upheaval which would be associated with a systematic attempt to build an Indonesian capitalist economy upon a basis of domestic capital accumulation and economic control.

Their opposition to the military-dominated P-B stems from widespread resentment of the privileges the military have secured for themselves, the authoritarian nature of the military rule, the corruption of the P-B, and the arbitrary application of the law. Consequently they are generally in favor of the termination of the economic and political role of the military, the regularization of the bureaucracy, the liberalization of politics and the institution of rule of law.

While the middle classes have no political base from which to challenge the P-B they are nevertheless a strategic political group. Their quiescence in the New Order is dependent upon the continuing development of their relative prosperity, which in turn is based upon compounding foreign debt, increasing foreign capital investment, export earnings and commodity imports. If this fragile framework collapses, the middle classes may be expected to seek new political allies.

A second threat to the P-B comes, not from the prospect of a collapse in Indonesian capitalism, but from its entrenchment. As investment in more complex and capital-intensive forms of industrial production is increased, so are the demands for reliable transport and communication systems, effective administration of state functions (e.g. customs, taxation) and a predictable and regularized fiscal policy. In industrial capitalism the state most effectively provides the conditions for accumulation through general fiscal and monetary policies and infrastructure creation which serve the general class interests of the bourgeoisie rather than by specific allocation of concessions to individual companies.

At the moment, the P-B syphons large amounts of state revenue from infrastructure creation into their own political and personal projects. Their interference with allocation of credit, licenses, contracts and concessions means that the criteria for such allocations are determined by the political and personal needs of specific P-B factions rather than by the priorities of long-term economic planning.

Attempts by those elements of the state bureaucracy concerned with economic policy-making and management to regularize the state apparatus have met, for the most part, with failure. Even where the government has felt forced to open enquiries into corruption or to carry out campaigns of eradication of corrupt practices, the major terminals or corruption have been left unaffected. The only significant victory of the technocrats over the P-B appropriators occurred with the replacement of Ibnu Sutowo as President of the state oil company, Pertamina. It is significant that this victory was achieved only when it became clear that the continued appropriation of Pertamina under Sutowo threatened to fundamentally damage the whole fabric of Indonesian capitalism.

In the long term, the regularization of the state apparatus and the eclipse of the P-B will depend upon three factors:

1) the degree to which their continued appropriation of state power inhibits the development of capital accumulation;
2) the degree to which the bourgeoisie—foreign, Chinese and indigenous—are prepared to place political pressure on the P-B;
3) the degree to which the inhibitions upon the accumulation process threatens the whole structure of Indonesian capitalism.

Essentially these are all questions which will be answered in the final two decades of this century. At the moment, domestic bourgeoisie are able to expand accumulation within the politico-economic alliances between foreign capital and Indonesian politico-bureaucratic power. Foreign investors may simply direct industrial investment elsewhere without critically damaging an economy buoyed up on export earnings from oil. Export earnings from oil are currently able to sustain the Indonesian economy without a major contribution from industrial production. Indeed, there has been a decline in industrial investment,

56. For example, the Presidential Inquiry into Corruption by the “Committee of Four” in 1970 recommended radical changes in the structure of Pertamina and Bulog, both of which were involved in major corruption scandals. Both, however, remained under military control and continued to constitute major sources of finance for the military. The recommended investigation of the business group, Waringin (controlled by the Suharto family) was also abandoned. Subsequent inquiries have been as ineffective. See: Robison, R., 1977, pp. 355-75.
especially by foreign investors, over the past five years.\textsuperscript{58} The state, as it exists, is the logical product of the historical process of capitalist revolution in Indonesia characterized by a weakly developed bourgeoisie, and the partial penetration of capitalist relations of production. The power and the autonomy of the P-B is reinforced by direct access to foreign loans, royalties and export earnings from minerals and oil.

If the development of capitalism remains stalled at this level and export earnings from oil and minerals and the inflow of foreign loans are maintained, the form of the New Order state may well remain intact. However, if the process of domestic accumulation and industrialization intensifies, consolidating the social and political power of domestic bourgeoisie\textsuperscript{59} and if foreign investment in industry becomes necessary to maintain export earnings, the inhibitions imposed upon the accumulation process by the existing form of state power must necessarily be removed.

\textsuperscript{58} Foreign investment implementation in manufacturing has declined over the period 1974 to 1978 from $368.5 million to $267.0. At the same time, export earnings from oil and LNG rose from $7374 million in 1978/79 to an estimated $10096 million in 1979/80 and a forecast $14777 million in 1980/81. See: Rosendale, P., "Survey of Recent Developments," \textit{BIES}, Vol. XVI, No. 1, (1980).

\textsuperscript{59} There are several quite substantial indigenous business groups emerging which cannot simply be dismissed as terminals for the dispensing of state concessions. They have a significant capital base and structural links with both foreign and Chinese business groups as well as strong links of political patronage. These businessmen are already placing pressure on the state to place more emphasis on public policy which provides general infrastructure and to mediate increasingly bitter social conflicts forces the state apparatus to become more technocratic and more repressive. See: Luckham, R., "Militarism, Force, Class & International Conflict," \textit{IDS Bulletin}, Vol. 9, No. 1, July, (1977).

The form of state typical of highly industrial capitalist economies outside the industrial West and Japan is referred to variously as \textit{techno-fascist}, repressive-developmental, modernizing-authoritarian or corporatist.\textsuperscript{60} Such states remain free of direct political domination by parties representing the interests of specific classes although the state apparatus continues to be appropriated by a military-bureaucratic oligarchy. The New Order state already exhibits many of the characteristics ascribed to such states, particularly the ideological and repressive characteristics. However, the victory of the technocratic side of the equation has yet to be achieved. Within the technocratic state, specific political and economic interests of P-B factions have given way to the general needs of the accumulation process as the central determinant of state action. The state has become regularized, the contradictions between capital and the P-B resolved, the appanage-holding generals replaced by generals and political strong-men who are technocrats and administrators (although these continue to appropriate the state apparatus). In the context of capitalist industrialization in the third world, the technocratic authoritarian state is the highest level of political development.

\textsuperscript{60} For a general overview see: Feith, H., "Repressive-Developmentalist Regimes in Asia: Old Strengths, New Vulnerabilities," \textit{Prisma}, No. 19, (1980). The relationship between the form of capitalist economy and the political form of the state is examined by Luckham who argues that as capitalist production proceeds from enclave commodity production for export to import substitution and, finally, export-oriented industrialization the economic and political tasks of the state become more complex and extensive. The need to provide a much more complex economic infrastructure and to mediate increasingly bitter social conflicts forces the state apparatus to become more technocratic and more repressive. See: Luckham, R., "Militarism, Force, Class & International Conflict," \textit{IDS Bulletin}, Vol. 9, No. 1, July, (1977).
The 1740 Massacre of Chinese in Java:
Curtain Raiser for the Dutch Plantation Economy

A.R.T. Kemasang

Pre-colonial Period

History suggests that the pre-colonial Indonesian ruling class, particularly that of Java, knew how to take care of its well-being vis-a-vis the potential competition of a "bourgeoisie" rather better than its feudal counterparts in Europe. The rulers themselves, to begin with, took up trading. They also deliberately prevented other social classes from this activity. Historians continually quote one Javanese prince's remark that "if the natives had more than the necessaries of life, they would use the surplus [gained from trading] to do some harm to their rulers".

It was to prevent the rise of an indigenous bourgeoisie that the Indonesian trading aristocrats generally preferred to use overseas Chinese, who were manipulable. Unlike the other two equally long established foreign groups (the Arabs and Indians), the Chinese had nothing in the way of ideology or religion for proselytising the indigenous ruling circles. Consequently, in Indonesia the Chinese never became associated with the representatives of state power but remained in the business realm. As they in effect had existed outside the protection of the local institutionalized customs and obligations, they had always been "marginal" in all other terms; hence, suitable to be made use of and discarded at will with little chance of repercussions dangerous to the ruling classes' interests. In pre-colonial Indonesia, therefore, many key posts, such as that of the shahbandar (harbor master), were traditionally farmed out to Chinese.

But even in the sole realm of trading, the Chinese did not acquire any influence beyond that tolerated by the local rulers. In order to preempt their becoming economically too powerful, the traditional methods of Chinese containment included the custom that when a Chinese died all his worldly possessions went to his local (i.e. indigenous) sire. Hence, although some Chinese apparently occupied high posts: "... the fact that the Chinese were afraid that upon their death their goods would revert to the king shows how insecure their social position was." Should this for any reason have proved insufficient, the ruling class would resort to the more direct use of might. In the 1620s, when the Chinese traders of Banten—forced by the Dutch—began moving shop to the emergent Dutch trading center Batavia (now Jakarta), the Bantenese ruler not only confiscated the properties of the Chinese but also decreed capital punishment against their owners. One Sim Suan, said in most sources to be extremely rich and hence "influential", was simply and unceremoniously: "... taken prisoner by the authorities in Bantam and put in irons. His house, in which the United Company was storing a large parcel of goods, was seized, and his wife and children were also deprived of their liberty. To be sure, he was released again after a couple of months, but from that time on his position was very precarious."

Anakoda (skipper) Wating, a trader in rice and proprietor of arak (rum) distilling enterprises (who became a witness at the signing of the 1614 contract between the Dutch East India Company [hereafter VOC] and the ruler of Jakarta) fared even worse. For trading with the Dutch, Wating was executed by the Bantenese. That in the event all this failed to prevent the exodus of the Chinese to Batavia is, of course, beside the point.

All the same, as in other pre-capitalist societies, in Indonesia at the time there was no conscious or concerted effort to keep the Chinese alienated. Resident Chinese were free to adopt the Indonesian cultural attributes or marry into the local indigenous society and become "Indonesian". Once they did this, the former Chinese were

Key to Citations

BTLV = Bijdragen tot de Taal-, Land-en Volkenkunde
TNI = Tijdschrift voor Neerland's Indie
VBGKW = Verhandelingen van het Bataviasch Genootschap ven Kunst en Wetenschappen
VKITLV = Verhandelingen van het Koninklijk Instituut van Taal-, Land- en Volkenkunde

The comprador tradition of the Chinese in the Indonesian economy suited the Dutch well, precisely because they were not part of the local (rural) institutions. The Chinese were highly mobile as well as vulnerable: a quality most suitable for compradorship in a society whose most dominant economic factor (the VOC) was promoting monopoly. As the nature of trading in this period (due to the fact that its most important commodity, spices, grew “wild”) was accumulative/distributive, only the comprador type of service was in demand.

treated by the local rulers in no way different from the latter’s indigenous subjects. In other words, the Chinese were discriminated against only as long as they preferred to maintain their “Chinese” attributes and ways which distinguished them from the indigenes. This explains the widespread integration of the Chinese into the indigenous population, which took place at the highest stratum of the local society as well as the lowest. Examples of the former include *Puteri* (Princess) Ong Tien of the Court of Ceribon (West Java) and *Raden* (Prince) Patah, founder-ruler of Java’s first Muslim kingdom Demak. Like the graves of eminent indigenes, the resting places of these known Chinese to date are still considered “kramat” (sacred) according to the popular animism and visited by pilgrims.

**Colonial Spice Trading Era**

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The Dutch strategy in meeting the demand for Chinese labor was two-sided. In areas where Chinese were established, the basic strategy from the early days of the VOC was to buy into the Chinese network. So deceptive was this strategy that, in relation to sugar manufacturing, even scholars of today are duped into accepting at face value the colonial claim that the Chinese “dominated” this industry at least until the 19th century. A closer look reveals that the Dutch method of advancing capital to Chinese manufacturers makes complete nonsense of such a claim. To begin with, before the demand for sugar was created by the Dutch, the amount produced by the resident Chinese was so small that when the VOC began to purchase sugar on a regular basis it at first had to buy from other countries. Then, for quite some time, whatever was available from Indonesia still had to be supplemented with sugar bought from China, Siam, Taiwan and other places. It was only after the Dutch capital injection that the Java sugar production became commercially significant.

From the 1700s, sugar as a commercial undertaking was well on its way to becoming a decidedly Dutch preserve. It was a “putting out” industry wherein the Dutch supplied the capital and land whilst the Chinese supplied the labor. Even in this limited role some Chinese doubtless managed to invest, but their position (as client-capitalists) was definitely subservient to that of the Dutch financiers who, in addition to controlling the capital in quantities that mattered, had the sole exercise over the most effective tools of coercion. Hence, the sugar industry was commercially significant only in areas under the direct rule of the VOC. Until 1740, the industry was concentrated particularly in Batavia’s environs, although West Java’s soil as a whole was the least suitable for sugar cane growing.

In this arrangement the Dutch, both gamekeeper and poacher, were able to rip off the Chinese in multifarious ways. The VOC for example “maintained a monopoly of the sugar trade that enabled it any time to break the prices it paid to the producers”. This accounts for the great disparity between the price the VOC paid the Chinese producers and the selling price: in c. 1710 they were 1 1/6 *stuiver* and 13 to 14 *stuivers* respectively. Before being able to produce sugar, the Chinese of course had to rent the land. Here, too, they were evidently preyed upon not only by the corporate VOC but also by its individual servants. In 1752, Governor General Mussel for example sublet the land he rented from an indigenous ruler at 100Rds/year to a Chinese sugar contractor for 1000Rds/year. Finally, the Chinese could only sell their sugar to, or through, the Dutch. The Dutch alone decided the price.

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12) See also Tio 1923: 1-2; Gimbrere 1928: 5-6.

13) From i.a. De Jonge 1875: ii/56; Day 1904: 70; De Haan 1912; iii/785: Tio 1923: 10; Gimbrere 1928: 12; Molsbergen, F.C. Godee, “De Nederlandsche Oostindische Compagnie in de Achtienste Eeuw”, in Stapel (ed.),
Eighteenth Century Economic Shift

As the 18th century dawned, the decline in the spice trade accelerated. This was caused by a combination of factors, including the saturation of the European market because too many Europeans were involved in the trade and an actual drop in the demand for spices.

On the first point, acute competition between various European powers meant that: “profits from the spice trade dropped, squeezed by . . . increasing costs of defending monopolistic control against rival nations.”15 On the second, the drop in demand was brought about inter alia by the discovery of “winter fodder” for cattle which rendered obsolete the use of spices to season meat. As a commodity, spices were increasingly being replaced by the “three new stimulant drinks, coffee, tea and chocolate”;16 and by 1720-30 tea consumption in Western Europe became “considerable.”

The technological advances that were changing the pattern of European trade also made themselves felt in Indonesia with a change in the requirement for raw materials. In Java the Dutch were accordingly willing to pay more for tobacco, cotton yarns and indigo; and they turned the most fertile region of West Java (Priangan) into a huge plantation—the better to meet the world demand for these cash crops.17

The Chinese Become Expendable

Many of the crops now in demand, not being native, had to be transplanted in Indonesia. Crop transplantation meant the foisting of new socioeconomic conditions which only indigenous labor and resources could sustain. Coffee is a case in point. At every harvest, its transport alone


17) See Realia, Register op de Generale Resolutien van het Kasteel Batavia 1632-1805, Leiden 1882: i/ 222; 1885: 11/1, 134.
required hundreds, even thousands, of draught animals and the use and construction of a complex system of waterways in West Java.18

In the case of native or established crops, such as cotton and indigo, the method of production had to be altered drastically to make the yields remunerative. The changes in production, in turn, required the massive recruitment of a rural labor force, which, again, could only be supplied by the indigenous sector of the populace. As the colonial archivist, De Haan, with specific regard to cotton, puts it: "... indeed, only by winning the trust of the [indigenous] Regents can as many cotton yarns as possible be obtained".19

All this necessitated the existence of a settled rural labor reserve. And for this the Dutch needed the collaboration of the indigenous (agrarian) ruling class. The need for the indigenes' collaboration became crucial particularly as the VOC, consistent with its monopoly policies, came to rely on forced deliveries.20 One important reason for this was because only people bound by customs and obligations resulting from landed stakes could be coerced to cultivate little-known crops and be forced to deliver the products at prices fixed by the buyer (i.e. the Dutch). As one Dutch "Commissar" for Native Affairs put it late in the 18th century: "... no native could be made to cultivate coffee, unless he possesses significant amounts of rice fields."21

The Chinese could scarcely be blamed for the conditions that had made them mobile as compradors, but in the altered economy of colonial Indonesia, they had become the wrong type of laborers. The Dutch no longer had any structural need for the Chinese. Hence when the VOC decided to cultivate coffee in Java, they distributed young plants to indigenous rulers, not to Chinese contractors as would presumably have been the case earlier. Likewise, it was an indigenous ruler (of Cirebon)—and not a Chinese—who in 1706 was made supervisor of the coffee plantations in Priangan. In indigo, too, the Dutch now made use of the indigenous regents' services. In his letter of November 25, 1708, Governor General Van Hoorn mentioned that the cultivation of indigo in Batavia's environs (such as Krawang) had been put under the "reign" of the Javans.22

In cotton, the story was the same. One of the first Dutchmen to realize the importance of cotton production in Java (Tack) advised in a letter of November 30, 1685 the use of Javanese in the cultivation and spinning of cotton in Batavia's environs. In 1693, in response to spiralling demand in Europe, Batavia sent a committee comprised of two former followers of Baten's Pangeran Purbaya and two Dutch military personnel to urge West Java's regents from Cianjur to Nusakambangan to deliver all available cotton to Batavia. The reason for the inclusion of the two indigenous dignitaries was for "tact" and also because "only by winning the trust of the Regents" could the products in demand be obtained. This committee was followed by numerous others. As a rule, the composition of their membership was "half white, half brown".23 We can say with Van Klaveren, although he was then referring to coffee: "... only the moral authority of the [indigenous] regents, could induce the population to start work".24 Indeed, even for the occasional 200 bushels of cooking tamarind the Dutch now went to the indigenous princes,25 and not the supposedly "indispensable" Chinese middlemen.

Special Ban on Chinese in Priangan

The nature of the altered economy was reflected in the Dutch concept of Priangan, until c. 1920 Java's only plantation. In this region no foreigners, especially Chinese, were allowed to settle. It is true that from time to time certain other non-local indigenes (such as the Central and East Javanese, Balinese, Makasarese, etc.) were likewise not allowed to live there. But this was of temporary nature, a response to the disturbances which prevailed in the area at the time. That the ban was aimed specifically against Chinese is also highlighted by the VOC resolution of August 18, 1693 which mentions the banishment of a number of Chinese to the Cape for their "temerity" to enter the region. Numerous other laws, such as the 1711 and 1715 resolutions of the dyke-reeves of Batavia's environs, repeatedly reiterated the banning of Chinese from Priangan.26

Exceptions to this overall ban were made only in isolated cases, where the service of the Chinese was understood by the Dutch to be indispensable. In places of labor scarcity such as Ciasem and Pemanukan (whose laborers were absorbed by the lumbering business), "... a strict exclusion of the enterprising Chinese was therefore impossible". A degree of leniency over the ban was also exercised with regard to sugar, "... because people were entirely dependent on the Chinese for the sugar industry", and because it was impossible to prevent the geographical spread of the location of sugar mills concomitant with the irreversible diminution of wooded areas (for fueling the mills) around Batavia proper.27

Another seeming exception to the overall rule of excluding the Chinese from Priangan was that for the cultivation of pepper. Here, too, the reason was necessity. Batavia, at least until 1740, had nobody else but the Chinese to help it meet its pepper demands. Pepper is labor-intensive, unlike many other cashcrops, therefore, it could not be cultivated as a sideline to the staple rice, which is why the indigenes were reluctant to take up the crop. The shabby record of the Dutch in arbitrarily lowering coffee prices did not help matters. Only the Chinese, at least until...
1740, could fill this vacuum.

Nonetheless, even when they had to be tolerated for exceptional reasons, the Chinese were monitored closely by the Dutch. They were subjected to a pass system which allowed them movement only in strictly limited areas. It was true that non-local indigenes also had to have passes to be allowed to settle in the region but, consistent with the altered politicoeconomics, passes for them were issued free of charge. Even in the case of the traditional Chinese speciality, sericulture, Batavia completely circumvented the Chinese. In Governor General Zwaardecroo’s reign (1718-25), the Dutch cajoled the reluctant Javanese to take up this activity to avoid using the Chinese.

In sum, from about 1700 onwards the Chinese became not only of no value to the emerging economy of the colony, but also awkwardly in the way of both the major parties now playing the leading roles. They were now an object of enmity of the indigenous privileged class which had now become the main comprador group and whose traditional place in the intermediary trade the Chinese had helped to undermine during the previous economic era, and a source of acute embarrassment to their former Dutch masters. All this was highlighted, incidentally, by the fact that whilst in the era of the spice trade the Governor Generals frequently befriended Chinese towkays (Coen’s friendship with Kapitan So Bing Kong is well-known), in the new economic era the sole famous case was Governor General Zwaardecroo’s patronage of the Regent of Cianjur. 28

Some Specific Reasons for the Massacre

To begin with, a sizeable acreage of cultivated land which could be used for the newly adopted crops was in Chinese hands. This was of course the making of the Dutch themselves who, in their former economic policies, made the Chinese cultivate wild areas, particularly those surrounding Batavia. Initially this was done to offset the VOC’s dependence on the supply of rice from Matarame, and subsequently (especially in case of the sugar industry and its subsidiaries) for their revenues. These Chinese lands became indispensable to the Dutch for two basic reasons.

First, they were under the direct rule of the VOC, aiding control and supervision over the cultivation of the new crops. Speaking of pepper, De Haan says:

...pepper plantation . . . shall be started in the . . . lands which are under Batavia’s jurisdiction, its proximity [to Batavia] is considered [good] to ensure a reliable ‘regular delivery of the product’ more than in the regency of Cirebon, and the Natives are less able to exercise their aversion towards this crop [than they would have been in further away places] so that only ‘regular supervision’ [as opposed to more costly coercive measures] is needed . . .

Moreover, the lack of security prevented the Dutch from operating too far afield.

Second, these were lands brought to a cultivable stage from a wilderness. In the wild stage, when the so-called waste lands were simply appropriated by the Dutch and leased out to Chinese farmers, they “legally” belonged to nobody. To “repossess” these lands was obviously far easier and much simpler for the Dutch to undertake than expropriating those belonging to indigenous socioeconomic groups with their deep-rooted customs and institutionalized obligations. Above all, to do the latter would have incurred the wrath of Banten in the west and Ceribon in the east (not to mention powerful Mataram) at a time when the Dutch did not feel strong enough to tackle any of them.

**The change in the nature of colonial acquisition in the 18th century created a situation wherein the Chinese became expendable, not only politically but also economically. In the monopoly economy then being promoted by the Dutch, there was no place for comparatively “free” traders such as the Chinese. Like the Bandanese in 1620, the Chinese too must now be exterminated.**

The need to confiscate the Chinese-farmed lands became crucial as the plantation system eventually became the pivot on which colonial extraction was based. Looking at it with coffee in mind, De Haan stated:

It [the government] would not allow the Java coffee to fall into private trade, [because] that created harmful competition: everything must be in its hands and therefore the cultivation in other regions, [such as in] Batam or Mataram, was not tolerated.

In other words, only the lands under their direct rule, which had virtually all been farmed out to Chinese, were originally suitable for such adopted crops as coffee. Indeed, “the first experiments with the coffee plants had been undertaken in small gardens in the surroundings of Batavia.” Groundnut, cocoa, tea, tobacco and many other crops beside coffee were initially planted in the environs of Batavia proper. All this created such a demand for space that, in the case of sericulture, even Chinese graveyards were expropriated by the Dutch for the growing of mulberry trees.

Also, now that sugar was fast becoming a most important cashcrop, the Dutch understandably wanted to have greater control in that field. In the international market, the need for such control became increasingly urgent since the VOC had increasing difficulties in regulating the price of sugar due to the growing competition of sugar from Barbados, Brazil and the Caribbean. At the same time, in Indonesia’s internal economy, sugar was important for the employ of the indigenous labor force. It

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29) De Haan 1912: iii/ 847.

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30) De Haan 1910: i/ 122.


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created jobs at various stages of its production and one of its by-products, arak (rice wine), "was vital for Batavia's trade with the interior".

A further determinant necessitating the assumption of a significantly greater Dutch role in sugar production was their realization that, to stay competitive, sugar must be cultivated in a plantation system. This realization probably struck the Dutch with added force by the 16th century when Java's sugar faced increasingly acute competition. In other sugar producing areas because of the use of slave labor and the proximity of these places to Holland, prices could be kept very low. By contrast, in Java up to 1740 the VOC acquired its sugar by advancing capital to Chinese contractors, on whom the Dutch could hardly exercise complete control. 32 Clearly, the increasing demand for the sugar "cake" could only be met by confiscating the whole bakery.

It has generally been alleged that the massacre was an "accident" or an "excess" of the Dutch reaction to a Chinese "revolt." The remarkable fit of Dutch interests with the extermination of the Chinese (not to mention that similar "accidents" were repeated all over Java) is too close for coincidence.

To cap it all, the labor requirements of sugar manufacture could be fully met under the seasonal labor system. Unlike the case of the Chinese, the indigenous laborers could be "allowed" to return to their village to tend their rice, thus sparing the Dutch from the need to provide for them between planting and harvest/milling times. This was brazenly spelled out by the famous colonial sugar experts as follows:

*Java as contrasted with most other cane growing colonies is in the favourite [sic] position of disposing of a sufficient supply of good and cheap labourers. The greatest advantage moreover is that these people are entirely free, that they are available when they are wanted and that they need neither be paid nor provided for during the time when there is no work to be done."

However, in the manufacture of sugar the termination of the Chinese role was far from simple. The Dutch money-lenders of Java, who had sunk much capital into the industry, were naturally reluctant to make changes that might harm their immediate interests. There was a conflict of interests between these Dutch financiers and those who—either because they had not been committed to the industry as it was or because their ken encompassed broader perspectives—were promoting a longer-term economic policy which essentially demanded that the remaining Chinese be squeezed out. The massacre of the Chinese, of course, settled this conflict.

Another difficulty besetting the Dutch was the threat to the VOC's monopoly posed by the Chinese client-capitalists. Not allowed to participate in the altered economy, the unused capital of these Chinese became a sort of "floating capital", rearing to jump at the slightest opportunity. The "frustrated" Chinese capitalists, so to speak, posed a corporate threat to the new monopoly economy. These left-out capitalists posed difficulties for the Dutch effort to monopolize coffee, so much so that De Haan concluded that "in the Chinese we have inborn [!] blacklegs". 34 To prevent these "interlopers" from "smuggling", therefore:

*Henceforth the Chinese . . . who had no passes ran into the grave danger of being arrested and put in chains . . . In 1723 the transactions in coffee were made punishable and the crop was placed under the Company's monopoly . . . Since 1730 [in order to maintain the aforesaid] the Chinese needed to have a pass to be tolerated beyond the outer posts."

Similarly, it was in order to safeguard the monopoly of coffee and to allay "fears that the Chinese will buy up this trade with the interior" that the Priangan region, as outlined, was made off-limit to Chinese. Although economic exigencies often necessitated temporary exemptions such as mentioned above, it is notable that: "... for the Chinese, the closure [of Priangan] was hermetic . . . [and the Dutch] held fast to the rule that there the Chinese could not be tolerated." 35

The pressure to curtail drastically (if not ban completely) the Chinese participation in all important sectors of the economy hemmed in the Chinese, even in the sugar industry. This can be gauged from the fact that from the 1650s an increasing number of Chinese capitalists opened new mills in areas under the official suzerainty of indigenous rulers such as Banten, Cirebon and the littoral of Central and East Java. On this, the economic historian Furnivall proposed an incredibly uneconomic explanation, namely that because the Chinese inherently "had keener economic sense and greater powers of resistance [than the indigenous and European counterparts combined] . . . the cultivation of sugar therefore tended to expand [into indigenous managed regions]. . . " 36

It was undoubtedly to plug this loophole that in 1677 Batavia made an agreement with the Susuhunan (Javanese prince) of Mataram wherein it was stipulated that all the sugar produced in his jurisdiction should be sold only to the VOC. The result must have been disappointing for the Dutch complained that the Chinese, in league with the local indigenes (if not the Susuhunan), sold their sugar to buyers other than the niggardly VOC. 37

Finally, in line with their *volte face*, the Dutch increasingly resented the fact that the Chinese occupied the "best.

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34) De Haan 1910: i/ 104, also 121-2, 290; 1912: iii/499, 500; 1922: ii/ 35.
35) De Haan 1910: ii/ 392, also 390.
37) See i.a. De Jonge 1875: vi/ CXXIX; Molsbergen 1939: iv/ 43.

* De Haan's original word is "onderkraipers", which also carries the meaning of scabs, ratebusters, "cheats."
parts" of Batavia. It is remarkable that the currency of such resentment overlapped in time with the 18th century economic shift. When the influential chronicler-preacher Valentijn voiced his resentment in the mid-1720s, he was only voicing a sentiment which was fast gaining popularity among Batavia’s Europeans. He contended that the Chinese posed a threat to the security of the Dutch, an argument later used to justify the massacre of the Chinese. 38

The Dutch Move to Exterminate the Chinese

The change in the nature of colonial acquisition in the 18th century created a situation wherein the Chinese became expendable, not only politically but also economically. In the monopoly economy then being promoted by the Dutch, there was no place for comparatively “free” traders such as the Chinese. Like the Bandanese in 1620, the Chinese too must now be exterminated.

Extortionate Taxation

The evidence suggests that the extermination of the Chinese was executed in two stages. Firstly, the Dutch taxed them to ruination. The “head” and “hair” taxes imposed on the Chinese are a case in point. Rising and falling according to economic exigencies, from the last quarter of the 17th century the head tax was payable by the Chinese on average at 1 Rd per head per month. The average fine for failure to pay was 20 Rds. The VOC edict of May 21-29, 1690 ordered that Chinese must wear the means forced the Chinese to wear nothing else but “Chinese hairstyle”, the Dutch then taxed them for the “privilege”. On average, at least from 1710, the monthly hair tax was 1 Rd. 39 The compound head and hair taxes, then, meant that a Chinese had to pay over 3 stuivers each day. In actual terms, for the privilege of keeping his head, a Chinese had to produce—every day—the equivalent of approximately three chickens or four-and-two-thirds lbs. of rice. 40 Such quantity of chicken would have meant a daily feast for a family of 10 to 14, while the rice could have lasted a man from four to six days. Compare this to De Haan who (describing the condition of prison food for the inhabitants in 1772) remarks in a footnote that “the usual ration of rice for the troops etc. is 40 lbs. per month.” 41 That is to say, the defenders of the Dutch state power were living on one-quarter the amount of rice the Chinese had to produce in order to keep their head.

When a Chinese died his next of kin was to pay for his burial in a graveyard already paid for by the Chinese community. If he left the colony altogether, he had to pay even bigger “mulec” of 30 guilders or approximately 720 stuivers. 42

In the process of earning the money for these basic taxes, the Chinese had to pay further for a multiplicity of passes, such as the pass to keep a warung (stall at the market). Priced initially at 2 Rds per month, the warung permit was officially sold at 6 Rds per month by 1739, with the penalty of 20 Rds for nonpayment. Other impositions on the Chinese included the fee for getting married, imposed on them from c. 1706.

Segregation

As if these were not crippling enough, the Dutch subjected the Chinese to further impediments.

In 1727, the nomad habit of a section of the Chinese [read: the itinerant practice of Chinese peddlers] was forbidden, and even further residence in Java was denied to many who had been settled there for a long time. Thereupon the keeping of warungs, i.e. little shops, was no longer allowed in the interior, and the means of communication with the towns were impeded. 43

The ideology of the various institutionalized extortions was that all Chinese were “rich” thanks to Dutch generous patronage, and these taxes were to enable the Chinese express their corporate gratitude to the Dutch. No other ethnic community was ever subjected to impositions quite to the same extent.

Unless we are to take it that the Dutch policy-makers to a man were peculiarly bereft of common sense, it seems that the aim of these extortionate exactions was to reduce drastically, if not destroy completely, the role of the Chinese in the colony’s economy. At the same time, these extortions eventually tipped the balance favorably for the proponents of the long-term policies of the Dutch ruling class vis-a-vis the myopic money-lenders as outlined before. The resulting bankruptcies meant that fewer and fewer of the Chinese debtors could meet their obligations towards their Dutch creditors. As they became liabilities to even the Dutch financiers, the Chinese were being irreversibly maneuvered into a corner from which there was only one alternative to being annihilated without resistance: being annihilated for attempting to defend themselves. In either case the Dutch, with their overwhelming superiority, were confident of prevailing. *

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41 De Haan 1912: iv/695fn(1).


43 E.S. De Klerk, History of the Netherlands East Indies, Rotterdam 1938: 364; also Valentijn 1726: iv(1)/246; Reulaa 1882: ii/178, 277, 280, 500; 1886: iv/368; Van der Chijs 1887: iv/470.

* The volume of evidence I have been able to gather—described in a forthcoming book, The 1740 Massacre of the Chinese in Batavia—convinces me that there could hardly be any question on the Dutch foreknowledge of their overwhelming politicoeconomic and military superiority over the Chinese who opted to “revolt.”
Still, the Dutch would have been cheated if the victims were allowed to assimilate freely with the indigenous population. It was to preempt the “disappearance” of the Chinese in this way that the Dutch implemented segregative laws. The VOC resolution of July 18, 1713 charged Chinese who so disappeared with “disorderly conduct” punishable by imprisonment. The January 26, 1717 resolution decreed that no Chinese was permitted to marry outside his community and the VOC arrogated the powers to nullify exogamous unions. The November 11, 1721 resolution decreed that the correspondence of Chinese with the indigenous sovereigns was forbidden under penalty of being put in chains.

For similar purposes, the Dutch in their treaties with various indigenous potentates insisted on claiming suzerainty over the Chinese residents of the officially autonomous states. Hence, in the 1677 treaty with Mataram, the Dutch stipulated that Mataram’s Chinese subjects must be placed under the jurisdiction and “discipline” of the VOC. The Dutch also made agreements on extradition of Chinese who tried to disappear into Mataram’s realm, and in the contract with Banten of August 21, 1731 the VOC likewise stipulated that the Bantenese should not interfere, “directly or indirectly,” with the head tax of the Chinese.

The Massacre

It is beyond the scope of this article to describe fully the second stage, the physical extermination of the Chinese. Suffice it to say that the Dutch orchestrated the extermination by first confining them inside the walls of Batavia, stripping them of the smallest kitchen knife and putting them under a dusk-to-dawn curfew. The Dutch then distributed arms to what they themselves called “the low-class masses” and gave these “mobs” a free hand to massacre the helpless Chinese. The rapine inside Batavia was allowed to go on from the 9th to the 22nd of October, 1740. While the “mobs” were despatching Chinese lives inside Batavia, VOC troops killed those who had fled from the city before the curfew and roamed in Batavia’s environs.

At the end of the “Grand Guignol” inside Batavia, most sources agree, 10,000 city-Chinese lost their lives, but little is said about the many more who must have perished outside the city’s walls. Of the 80,000-odd Chinese in Batavia’s environs prior to the extermination only around 3,000 survived. Even less is mentioned in the existing literature of the far greater number who must have had what remained of their bargaining power vis-à-vis their corporate Dutch exploiters eroded yet further.

Finally, it is notable that the Dutch declared an open season on the Chinese all over Java. Governor General Valckenier mentioned that in June 1741 the Council of the Indies voted for a “general massacre of the Chinese over the whole of Java.” Thus, 6 months after the first slaughter, a rerun took place in Semarang (Central Java). Likewise, “in other parts of Java the violence continued ... where i.a. the Chinese of Soerabaia and Grisee [East Java] were also massacred.”

Some Direct Results

It has generally been alleged that the massacre was an “accident” or an “excess” of the Dutch reaction to a Chinese “revolt.” The remarkable fit of Dutch interests with the extermination of the Chinese (not to mention that similar “accidents” were repeated all over Java) is too close for coincidence. We have seen the politic-economic factors which preceded the killing. We will now see some examples of the gains which were accrued to the Dutch as a direct result of the pogroms.

As mentioned above, the economic shift after 1700 led the Dutch to confine the Chinese in towns. By flushing them out of their rural niches, the Dutch made the Chinese position even more precarious and their bargaining power even weaker. Prohibited from investing in real estate, the Chinese had to invest in liquid assets such as cash, jewelry and (about the only form of fixed property allowed them) houses. One of Batavia’s richest Chinese, head of the community “Kapitan” Ni Hoekong, is said to have “... lived in a very large house [filled] with expensive household contents and in which he had stored a considerable amount of cash.”

Even those who were engaged in agriculture were actually “urban-oriented,” if not urban-based. Implanted artificially in the colony, they were essentially “displaced” people. Having no social or political “roots” in the Dutch-ruled locality, the Chinese (in contrast to the indigenous peasantry) had no base on which they could fall back in times of crisis.

Two things characterize urban-based wealth. First, it is more conspicuous and perishable than rural, landed wealth. As the best place to keep one’s chattels was to carry them with oneself, a Chinese would rarely disappoint robbers, thieves and bullies of all kinds. Despite being repeatedly robbed, most Chinese in the Dutch colony had no other access to livelihood but to continue their peripatetic peddling or hawking practices. A robber did not bother to think that the retail goods and cash “float” of a Chinese he had robbed twice or thrice before were most probably lent to the Chinese on credit. What interested him, and others engaged in similar pursuits, was that every time a Chinese was rattled hard enough, coins and other forms of wealth would invariably fall out of his pockets. This must have been another reason (beside Dutch propaganda) for the
myth that all Chinese were “rich,” as reflected in the Java- 
nese ditty: “Cina, kringin-kringin ono” (roughly: “Chinese-
man, chink-chink [sound of coins], he’s always loaded”).

Second, the wealth of the Chinese was more “perish-
able” than the landed wealth. Whilst even the poorest rural 
laborers (if only because the greater part of his wages was in 
kind) was cushioned from the effects of inflation, the Chi-
nese were fully exposed to its ravages. In the pogrom of 
1740, the entire savings of the urban Chinese undoubtedly 
vanished. Most Chinese had no choice but simply to aban-
don their possessions because of the 1740 anti-Chinese 
campaign. Consequently, after the 1740 liquidation, there 
was an abundance of “fallow” land in Batavia’s environs. 
As Krom puts it, there was “plenty of free land.” The 
resolution of June 7 1751 also spoke of stretches of land in 
the region of Bogor “lying fallow,” since the former tillers 
had either fled or died during the 1740 liquidation.49

Settlement of European Colonists

All that the Dutch had to do was simply to “repossess” 
the lands thus “vacated” by the Chinese. The formerly 
Chinese-tenanted lands were transferred either to the 
indigenous rulers. Hence, “... agriculture, which was ex-
clusive undertaken by the Chinese up to the time they 
revolted [i.e. were massacred] thereafter passed into Euro-
pean hands.”50 Families of European farmers are known 
to have been located in Bogor, Cianjager, Cipanas, Cisarua, 
Depok, Gado, Jambang, Krawang and Tangerang. As for 
the distribution of this largesse to the indigenes:

Resolution of the GG & members of the Indies Council]. 17 
Jan. 1741 appoints a Wangsawidyaja, Lieutenant of the 
Javanese, for the ownership, with whatever mortgage that 
applies thereupon, of a land . . . used to belong to the 
Chinese Linhango. . . .51

This was why, incidentally, many indigenous partners of 
the altered economy (such as this Wangsawidyaja) became 
coffee suppliers to the VOC only after the killing of the 
Chinese.

No less remarkable is the evidence that, after the 
murders, there was an outburst of propertyed European 
citizens wanting to get out of Batavia and live in the more 
salubrious “up country.”52 The Chinese extermination, so 
to speak, prepared the environs to accommodate more 
favorably these non-Chinese Batavian colonists.

Coffee

The massacre of the Chinese tenant-farmers in Bata-
via’s environs also solved the various problems which were 
besetting the VOC. Until then, due to the recurrent glut in 
the European market, the Dutch in Indonesia had been 
having repeated problems with coffee. As the saying went 
at the time, the plantations in Batavia and Cirebon regions 
alone surpassed the demand of the whole Europe. On top 
of this must be added the substantial amount of coffee 
produced in such places as Mauritius and the West Indies, 
which had strong lobbies in Holland. Batavia repeatedly 
had to resort to drastic measures, such as in 1726 halving 
the purchasing price. In 1733 the VOC forced Mataram’s 
Susuhunan to pledge the “total extirpation” of coffee plant-
tations in his domain. In 1735, coffee plants were rooted 
out in many places under the VOC’s jurisdiction.53

Despite all this, the position of the VOC with regard to 
coffee was by 1738 quite desperate. Its “coffer was empty, 
its credit exhausted, and its warehouses were chock-full” 
with unsaleable coffee. As a resolution of October 30 1738 
shows, Batavia had to borrow 4.8 million guilders. This 
continuing problem came partly from the fact that the VOC 
had no complete monopoly of coffee production. The Chi-
nese planters in 1738 produced over half a million kilo-
grams of coffee, nearly 29 percent of the total production of 
Prège. It was only after the massacre of 1740, in which 
many Chinese coffee planers contractors perished, that 
the Dutch problem of overproduction was solved.54

Sugar

For the same reasons, a substantial portion of the 
sugar industry and its subsidiaries (particularly the distil-
ning and trading of arak) also passed from Chinese to Euro-
pean hands and “most [sugar] mills changed hands and 
became the property of Europeans . . . .”55 Or, as Lauts 
somewhat flippantly puts it, the “good that came out from 
the bad” was a shift of ownership from the Chinese to the 
Europeans.56

There were undoubtedly expropriations of less tangi-
ble nature. Take the case of the Dutch method of expropri-
ation by means of capital penetration in the sugar industry. 
The following example of Van Riemsljik (Commissioner 
of Native Affairs, 1776-84), mutatis mutandis, illustrates 
the multifarious ways whereby the Dutch ensured the subserv-
ce of the Chinese “partners”:

... he [van Riemsljik] was a big sugar manufacturer, or 
rather, he owned sugar mills, which he hired out to the 
Chinese. The resolution of 5 and 19 Aug. 1800 elucidate 
the meaning of this: the Chinese manufacturers worked with 
the capital provided [by the Dutch] for the anticipated delivery 
of sugar; however the [Dutch] money-lenders practiced us-
ury to such an extent that the whole industry was threatened 
with disaster. And the greatest usurer was v.R. [van Riems-
dijk] who, as it appears from the R[esolutions] 27 June and 5

49] See i.a. “Chronologische” TN 1840: iii(2)/ 55. 56; De Haan 1912: iii/ 
146; N. J. Krom, Gouverneur-General Gestaal Willem van Indhout. Am-
sterdam 1841: 92.

50] De Klere 1938: 377; also De Haan 1910: i/ Persoond: 42.

51] De Haan 1911; ii/ 478, 479n1 2; also M. L. van Deventer, Geschiedenis 
der Nederlands op Java. Haarlem n.d.: ii/ 141-2; De Haan 1910; ii/ 266ff, 
274; 1912; iv/ 95, 99ff; Krom 1941: 120.

52] See i.a. J. S. Stavrusin. Voyages to the Last Indies (trans. Wilcoke), 

53] See i.a. De Jonge 1877: XXIII, 237; De Haan 1910: i/ 124, 127; 1912; 
iii/ 504, 510, 511, 539, 607; H. R. C. Wright, East-Indian Economic Problems 

54] See De Haan 1910: i/ 128, 129; 1911: ii/ 477, 478-9; 1912; iii/ 510, 512, 
513, 517-8.

55] Van Klaveren 1953; 51; see also i.a. Van Deventer n.d.: i/ 103, 153-4; 
Veth 1898: i/ 13; De Haan 1922: i/ 519; Vermeulen 1938: 111.

56] G. Lauts, Geschiedenis van de Vestiging, Uitbreiding, Bloei en Verval van 
Property Inside Batavia

Similar benefits also accrued to the Dutch directly from the abandoned properties of the Chinese which were found inside the city of Batavia. In its session of October 21st (one day before the massacre was officially ended) the Council of the Indies decided that the destroyed estates formerly owned or leased by the Chinese were to be sequestered or compulsorily purchased. The VOC edict of December 13, 1740 in effect legitimized the European burgurers who, during the rapine, staked their claims over Chinese properties as the new owners of the properties so seized. All this was, of course, in keeping with the ruling ideology of colonialism, the basis of which was none other than property grabbing.

In 1740 the requisitioning of Chinese properties served both mercenary and military purposes. On the first count, properties formerly belonging to the Chinese were put on the mortgage market for sale. In this way the Dutch separated the Chinese from their properties without actually having to decree any special law or revoking contracts they themselves made. These properties had after all been either mortgaged, sold or farmed out to the Chinese by the state. With their Chinese tenants dead or incapacitated, it was cynical of the Dutch to have professed to “buy up” the former Chinese properties at, as De Haan puts it, “dirt cheap” prices.

As for the military benefit of the Chinese liquidation, two advisers of the VOC on November 11, 1740 recommended that the clearing created by the depredations (especially in the south of the city and in areas immediately outside the southern walls) be preserved so as to give an unobstructed view from the gun emplacements and “a better aim and maneuverability of the cannon.”

Ghettoisation of the Chinese

To ensure that the Chinese would never again be a politico-economic power as they nearly did in the previous economic era, the Dutch from 1740 onwards placed the Chinese in a ghetto — the ultimate form of containment next to physical liquidation. In Batavia this ghetto was sited at a place which as well within the range of the city’s guns. As the VOC edict of March 5, 1741 put it, if need be, the Chinese ghetto could be razed to the ground in no time at a place which as well within the range of the city’s guns. Economic era, the Dutch from 1740 onwards placed the

cheap prices.

In order to prevent the integration of the Chinese into the indigenous community, the Dutch ordered in an October 22, 1742 edict that Chinese who claimed to have become Muslim and had placed themselves under the sovereignty of indigenous vassal-rulers during the 1740 massacre must be inspected by VOC “surgeons” to see whether or not they had actually been circumcised. On December 21, 1745 Batavia followed with a decree stating that by this notice the mixing [= social intercourse] between the Chinese and the Mohammedans are [declared] forbidden.

A resolution of December 11, 1759 classified half-breeds as “fullblooded” Chinese. This had the dual purpose of maintaining the segregation policy and ensuring that, as “fullblooded” Chinese, the Peranakan too could be taxed. In 1766 the Dutch reiterated the ban on intermarriage between Chinese and indigenes, first promulgated in 1717, and their arrogation to nullify such exogamous unions. Another resolution in December 21, 1745 set up measures to prevent integration between Chinese and the Muslim population generally.

Even when already dead, the Chinese were segregated and confined in a burial ground especially set aside for them. Of course, they were made to pay for the “privilege” of having their exclusive graveyards. Meanwhile, a resolution of August 24, 1755 stipulated that for every dead Chinese returned to China an official tax of 50 to 100 Rds must be paid. This necrophagous tax was restated by the

Indonesia only the Chinese, be it noted, were ever ghettoized in this way.

The Chinese were then surrounded with layer upon layer of other forms of barriers, including close and continuous monitoring. The resolutions of September 14 and 19, 1742 ordered that all Chinese must register their names, addresses, occupations and so forth. Those who failed to register within four days after the announcement of the laws, according to the edict of October 9, 1741 stated, were subject to the death penalty.

The Chinese were also forced to carry passes or, rather, the imposition to carry passes (already applied to the Batavian Chinese in preparation for the liquidation) was systematized and expanded. The resolutions of September 14 and 19, 1742 mentioned above imply the issuance of passes for all those who had been registered. These Chinese, including those who had become Muslim and “Peranakan” (half-breed), could enter Batavia only with further passes. However, as the edict of September 14, 1742 made clear, these passes did not exempt them from being flogged in public, branded and put in hard labor for 25 years if they overstayed the curfew. To earn the money to pay these passes, the Chinese still had to pay yet another multiplicity of passes, including a pass to use a stall in the market inside Batavia, which cost 3½ Rds.

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64) Realia 1882: i/ 281, 468; also Van der Chijs 1887: iv/ 580.
VOC resolution of 1771. In sum, the Dutch saw to it that even dead Chinese parted with their money, no matter where they were buried.

Conclusions

There seems little doubt that within the altered economy of the 18th century the Chinese were made to serve as the colony's corporate scapegoat-cum-bogeyman. Behind the Chinese "screen" the Dutch hid their own much more substantial role in the exploitation of the Indonesian people. By parading the Chinese bogeyman (the special taxes and impositions set them apart as if being imbued with "special" qualities) and posing as the "protector" of the indigenes the Dutch justified their rule in Indonesia.

For the dual role of scapegoat-bogeyman the Chinese had to be kept segregated from the rest of the population, for only when separated did they remain manipulable. And only when manipulable in this way could the Chinese labor reserve be used by the Dutch as a "threat" in dealings with the indigenous labor force. By 1740 the Dutch ruling elite evidently felt not only that the Chinese had become expendable but also numerically "unmanageable" and a potential threat. This was why they had to be physically "pruned".

That this was not merely an "accident" but a logical and predictable follow-up of a policy—a curtain-raiser, so to speak, for the newly adopted plantation economy—is corroborated further the number of Chinese residents by specifying the maximum total in each business field. Bataavia's Board of Alderman specified for 800 kitchen gardeners, 40 plumbers, 30 cobblers, 30 tailors 120 barbers, 20 umbrella makers and so on. To sum up, the Chinese who remained economically active after 1740 existed marginally on the fringes of the colony's distributive system.

In sum, given the above history of repression, to say as colonial apologists do that the overseas Chinese "controlled Indonesia's economy" is to regurgitate the colonial propaganda which has created the Chinese bogeyman. To accuse the Chinese furthermore of being "privileged" is to add insult to their centuries-long injury.

* Governor General Fock (1921-25) was among the latest of a long list of self-appointed "champions" of the indigenes when, in a booklet published in 1904, he professed his distaste for the "Chinese exploitation" of the indigenes. 67

66) Realia 1882: i/ 122, 123, 277, 279, 282, 283.


The Moral Economy Dispute

by Edwin E. Moise

The publication of The Rational Peasant by Samuel Popkin has revived an old argument over whether the impact of the modern world benefits or harms peasant societies. As a "political economist," Popkin devotes his first two chapters to a debate against the "moral economists," whom he sees as exaggerating the virtues of the past and setting too low a value on modernization and the market economy. Unfortunately, he has misrepresented the position of his opponents. 1

Popkin wanted to do three things. First, he was dealing with the thoughts of the leading moral economists, whom he lists as Eric Wolf, James Scott, and Joel Migdal. Second, although their writings are rather diverse, he was trying to deduce from them a unifying pattern of "core assumptions." Finally he wanted to attack a whole scholarly tradition, of which he considers the moral economists the leading current representatives, which tends to praise and sometimes to romanticize traditional institutions, and accuses the capitalist market economy of having ruined these institutions. The three goals are sufficiently inter-related that he thought he could deal with them simultaneously. However, the thought of the moral economists is so varied that an effort to impose a systematic framework on it almost had to involve significant distortion. Popkin's desire to attack the scholarly tradition which romanticizes peasant society has furthermore made him choose "core assumptions" for the moral economists which make them appear to be more radical exemplars of this tradition than they actually are, over-emphasizing occasional statements or phrases which present their views in an extreme form.

For example, in an earlier paper that he coauthored, Scott wrote one sentence stating that peasant welfare seemed to be most precarious in precisely those areas where commercial progress was most impressive. Scott's book, Moral Economy of the Peasant, published three years later, contained an extended analysis to which this statement would have been central if Scott had still believed in it. It did not appear. On the contrary, of the three areas he considered in detail—lower Burma, Cochinchina, and northern Annam—Scott decided that peasant welfare had been by far the most precarious in the least commercialized area, northern Annam. Popkin, wishing to produce a simplified version of moral economy, ignored the later analysis completely and took the isolated sentence from the early work (strengthened a little by the substitution of "is" for "seemed to be") to represent Scott's views. 2

He is quite candid about the fact that he is not reproducing his opponents' ideas exactly.

I have recast the historical and inductive richness of moral economy thought into a deductive framework of my own construction. I cannot be sure, therefore, that any of the moral economists whose work I discuss would either recognize or agree with my statement of their assumptions... 3

This warning, however, is inadequate. Many readers are still likely to assume, when Popkin says "the moral economists" believe thus and such, that he is presenting something very close to the opinions of the actual moral economists. The topics which he emphasizes, and his footnotes, make it clear that he regards James Scott as having been by far the most important spokesman for moral economy in recent years. 4 This gave him, at a minimum, an obligation to ensure that the views he attributed to moral economists in general be reasonably compatible with Scott's. In fact Popkin's picture of moral economy, and even his specific comments on Scott, suggest more approval of traditional societies, and more hostility to the capitalist market economy, than are present in Scott's writings. The debate over whether Popkin or Scott has the better picture of peasant society may be a long one. However, the first step in this debate must be to disentangle the real views of the moral economists, and especially Scott, from the heavily modified version of them presented in The Rational Peasant.

In broadest outline, Scott argues that a primary concern of most peasants is avoiding the risk of going hungry. Under a principle called "safety-first," they will prefer a situation offering a low but adequate and secure income to one offering the probability of a higher income but with a risk of falling below subsistence levels. The penetration of colonial governments and capitalist markets in countries like Vietnam harmed peasants by destroying social systems

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3. Popkin, p. 5.

4. In Popkin's general summary of moral economy (pp. 5-17), there are 27 footnotes to Scott's writings, 13 to Wolf's, and 3 to Migdal's. If we consider only items published since 1970 the count is Scott 27, Migdal 3, Wolf 0.
which had previously provided minimally adequate security. He analyzes the rebellions of 1930 in Burma and Vietnam as reactions against the insecurity which the modern world had brought.

Scott feels that the markets which peasants confront are often uncertain, and that the peasants quite sensibly will avoid relying on such markets for their survival. Those who could not absorb a major loss, in other words the poor peasants and a large proportion of the middle peasants, do not dare abandon subsistence production. They will enter the market willingly only if they can do so safely, which generally means they want to combine subsistence farming with their market production, and avoid putting so much effort and resources into market production that they become dependent on its success. One will normally find peasants committing themselves fully to the market only if they are wealthy enough to absorb significant losses (rich peasants and probably some middle peasants) or if they are desperate—if the subsistence economy has broken down to a point where it will no longer support them. Scott attributes much peasant innovation to desperation. On the other hand, he mentions cases from Thailand and several African countries where the peasants have willingly developed a substantial involvement in the market, combining it profitably with subsistence farming. When innovations such as dry season crops, new seeds, planting techniques, or production for market offer clear and substantial gains at little or no risk to subsistence security, one is likely to find peasants plunging ahead, sometimes becoming veritable “Schumpeterian entrepreneurs.”

Popkin’s summary, on the other hand, implies that resistance to the market will extend to all the middle peasants, not just some, and treats this resistance as if it meant rejection of any innovation or involvement in the market. “Poor and middle peasants . . . generally will innovate or enter into market production only when to not do so is to go under . . .” “only rich peasants will pursue innovation and gain . . .” “peasants will innovate only as a last-gasp attempt to keep from going under . . .” He lists among the “fundamental and easily recognized characteristics of the moral economy approach” the beliefs “that peasants are antimarket, prefer common property to private, and dislike buying and selling . . . [Changes in village institutions] force peasants into the market where their welfare invariably suffers.” He also suggests that the moral economists believe “that peasants have a fixed view of a proper income, that they will not strive to raise their income beyond that level, and that they are not interested in new forms of consumption . . .” It is true that the moral economists seem to find these peasants who reject the market, or who become involved in it only because they are forced to do so, more interesting than those who go into the market willingly; the latter are treated more as a comparative case than as a subject of independent concern. This is not the same as denying that pro-market peasants exist. The imbalance of attention has possibly led the moral economists to neglect one interesting aspect of the comparison. The markets in fully developed capitalist societies are far more reliable than those in pre-capitalist societies; transportation is better and cheaper, the danger of banditry is usually much reduced, and the range of things one can buy out of one’s earnings is far more attractive. Most moral economists would probably accept, if with reservations, that even the less thorough forms of modernization which most peasants encounter usually improve markets to some extent.

Given this premise, one could draw a picture of modernization forcing peasants into a closer involvement with the market than they have traditionally wanted (the process on which the moral economists have concentrated) at the same time that it makes the market more tolerable than it has traditionally been. The relative speed of the two processes would be one of the factors determining the probability of violent protest, even if being pushed into the market against their will is by no means the only thing that may anger the peasants. It might be useful, when examining the impact of European capitalism on Southeast Asia, to see if there are any systematic patterns by which a particular type of contact will make one process much faster than the other.

The romantic tradition which Popkin is attacking tends to portray the village as a harmonious, unified, and relatively equititarian community. The moral economists show elements of these attitudes, but Popkin exaggerates these elements in a wide variety of contents. Thus when he sees comments on traditional mechanisms for redistributing wealth, and restraining the development of large inequalities within the village, he suggests these imply that “there would be little or no stratification in precapitalist villages.” At one point he even asks “If all surpluses are redistributed, what incentives are there to work harder and have a better year?” Consultation of Scott’s work, how-

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7. Popkin, pp. 9, 28-29.
8. Ibid., pp. 56.
9. Ibid., p. 29. Part of this seems to be based on an article by Eric Wolf which gives a very restrictive definition to the term “peasant”. Wolf suggests that many people whom other scholars call peasants should instead be called “farmers”, “cultivators”, or “tenants”, leaving the word “peasant” for those who control their own land and are not profit-oriented. It would be a serious mistake to interpret him, much less moral economists in general, as saying that all the people who are normally referred to as peasants have the characteristics of this narrowly defined

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ever, will show repeated and explicit denials that the moral economy of the traditional village is a radically egalitarian notion. Scott quite reasonably feels that barriers against economic differentiation which are far from being 100 percent effective may still be worth discussing. Thus, in a single sentence he combines references to:

... the social pressures that discourage Malay villagers from aspiring to incomes much above the average level, the constant demands made on those who do advance, and the crystallization of dependency relations in which wealthy villagers help poor families to manage through periods of difficulty in return for free labor and support in village conflicts. 14

When Popkin looks at the moral economists' discussion of the insurance mechanisms built into village society which insulate peasants from some of the dangers of crop failures and so on, he treats these statements as if they required several conditions for their validity:

— a) That people be willing to give to a family which needs assistance, through a relatively impersonal village system, simply because they want to be eligible for similar treatment if they have problems in some future year. The donors do not have to be pressured to give, or to feel some personal obligation to the individuals they are aiding, or to be able to extract some rice for their generosity.

— b) Following from the above, that the system must be both fair and very reliable or nobody will be willing to donate to it.

— c) That a village be covered by a unitary system, involving a village reserve out of which payments are made to the needy, rather than by several less formal systems. 15 (For one example of the ways Scott really thinks families in trouble get aid, see the passage quoted above. 16)

Relations between peasants and elites is probably the issue on which Popkin's summary of moral economy differs most strikingly from Scott's views. Scott feels that the balance of exchange is determined essentially by the relative bargaining power of elites and peasants; both sides usually use whatever leverage they have to extract as many concessions as they can. He does not predict that either side will be unnecessarily generous simply because they are "moral." The elements of his approach are distinctive and potentially important. He predicts that peasants, when choosing how to use their limited leverage, will choose to maximize security in situations where a person trained in classical economic theory might expect them to maximize probable income.

He takes into account many forms of leverage, not all of them economic or political, and therefore concludes that peasants in some societies have a better bargaining position than might be apparent to a casual observer. If a landlord lives in a social word made up of other landlords, merchants, and soon, he may not care or even know what his tenants think of him. But if the village is sufficiently isolated so that the landlord has few human contacts other than his tenants, he may be willing to pay a significant price to avoid the discomfort of having them all hate him. He must also calculate the risk of being beaten or robbed if he drives the peasants too far. He may occasionally need the support of his tenants in political disputes, and feel the need to pay for their political support with economic concessions. Finally, there may be a sufficient shortage of would-be tenants that a landlord would have difficulty replacing an individual who simply left.

Scott believes that ongoing relationships may constitute implicit bargaining processes. Each party, needing the relationship for the long-run benefits it provides, will occasionally do things for the other which are not linked to any specific return, but which increase the value of the relationship for the other party and thus ensure its continuation. A person who needs such a relationship very badly, for instance a tenant in a village with a land shortage, can be pressured into giving a great many such unreturned favors. A shift in the balance of needs and of relative power will lead to a shift in the terms of exchange, without these terms ever having been defined explicitly.

Finally, Scott suggests that we should pay particular attention to situations in which the bargaining power of the peasants has fallen to a point where they can no longer extract from the elite even a minimally adequate subsistence, which they regard as their moral right.

The patron-client relationship of the traditional village, in which each side provided significant benefits to the other, was based on the fact that the clients had leverage. It was simply self-interest which made the patron comply with enough of the wishes of the clients to retain legitimacy in their eyes, so they would comply with his wishes. In the modern era, surplus population and heavy taxes (which give peasants a frequent need to borrow) have increased the bargaining power of rural elites. Elites also have more support from the coercive power of the state than was formerly the case. The result is that they can now get along without legitimacy, and many have chosen to do so. The peasants, who had regarded a reasonable balance of reciprocity as their moral right, are outraged but most of the time they can do little.

Scott suggests three questions a peasant may ask about the level of benefits he can get from a patron: how much is he actually able to extract from the patron; how much would constitute a reasonable exchange for what he gives the patron (the level below which he will feel wronged); and how much must he get to live decently (the level below which he will feel his most fundamental rights are being violated).

One could accept the distinction and use the second of these levels as the starting point for a serious argument


15. Popkin, pp. 16, 22-23, 38, 46-47, 49-50, 55. For exaggeration of the effectiveness attributed to these mechanisms, see p. 10; also p. 13, where Popkin's summary of the moral economists read: "When demands on village resources increase, as long as the village is intact there is an 'internal capacity to share resources' by village redistributive mechanisms."

16. The phrase he has quoted from Scott here had originally referred to circumstances in which the "internal capacity to share resources would be of little avail." Scott, Moral Economy, p. 61 (emphasis added).

17. See also Scott, Moral Economy, pp. 5-6, 27-28, 39-44.
against Scott, namely that the balance of exchange hardly ever gives peasants anything close to fair value for what they give patrons. But much of the time Popkin blurs the three levels into one; “Moral economists assume a fixed, culturally given subsistence level (target income).” He writes as if the moral economists in general were saying that pre-capitalist societies provided the peasants a subsistence, and the peasants had no desire for any higher level of income. Even if a plague created a serious labor shortage, they would not try to exploit their increased bargaining power. (The real Scott, as distinguished from the mythical moral economist, specifically mentions the tensions which arose when European peasants demanded a higher price for their labor after the Black Death of the Fourteenth Century.) At several points Popkin claims the moral economists expect patrons to be benevolent even when it violates their self-interest. Lords would care more about improving the general welfare than about maintaining their own control of the peasants, and treat all impartially instead of playing off one peasant against another. Village leaders would not exploit their positions for personal gain.

Scott gives tremendous emphasis to the relative bargaining power of rich and poor; the idea that capitalist markets and colonial governments weaken the peasants’ position is central to his analysis of modern history. Popkin at some points acknowledges this fact, but at many others he suggests the moral economists are denying that relative power determines behavior.

The bulk of Popkin’s book is an analysis of changes in the Vietnamese village from the French conquest up to about 1950. He discusses shifts in village administrative structures and tax policies, differentiating between regions and also distinguishing the patterns specified in law from what actually happened in the villages. He considers the way a variety of organizations—Catholic, Hoa Hao, Cao Dai and Viet Minh—garnered support from the peasants largely by protecting them against abuse by rural elites. For the early colonial period he works mainly from French and English language materials; later on he relies more on interviews conducted in Vietnam, and on some published materials in Vietnamese.

This is considerably better than the introductory chapters. It also does not show total disagreement with the moral economists. One is especially struck, after the way Popkin has treated the moral economists’ hostility toward the market as one of the main things which differentiates them from his own school, to see him describing how Vietnamese peasants were forced into the market in the early twentieth century, against their will and under conditions which made this a disaster for them. The differences between Scott and Popkin are in some respects smaller than Popkin has suggested, but they are still significant. For example, Scott does believe that elite behavior in many situations, including pre-colonial Vietnam, was more considerate of peasant interests than Popkin believes it was. Popkin doubts that the “implicit bargaining processes” described above exist on any large scale; that one villager will give something to another without an exactly defined return. He also makes a rather good argument that the moral economists exaggerate the benefits traditional villages provided their residents, by neglecting the fact that some of the people physically residing in such villages were treated as outsiders, and denied the benefits accorded to members of the community.

On a deeper level, while Popkin emphasizes that economic power begets political power and vice versa, he discusses a considerable variety of issues as if there were no interaction between economics and other aspects of human life. His initial two chapters, in which he lays out his general picture of village society, barely acknowledge the possibility that there might exist people who allow their behavior to be influenced by a desire to be liked or respected. Given the highly personalized nature of many village societies, this omission is extraordinary. He deprecates transfers of wealth through transactions which are on the surface social events, such as feasts given by powerful individuals. He assumes that the only thing a peasant or a small group of peasants can do to express their displeasure toward an excessively greedy landlord is to refuse to rent land from him, and since he is mainly interested in societies where there will always be other peasants available, a small group of peasants appears to have no weapon whatever to use against the landlords. Where the moral economists see considerable variation in the bargaining power of the peasants, and quite considerable power in many traditional societies, Popkin paints a relatively uniform picture of the powerlessness of un-organized peasants. “...the ability of tenants to hold a lord to a particular standard will depend on the ability of the group to act in concert...”

This must be accounted one of his most serious errors. While it is true (as Scott explicitly acknowledges) that some of the problems peasants have faced in the twentieth century can be solved only by modern mass organizations, the more primitive techniques of the “little tradition” have also had their successes. Peasants must organize if they are to hold a lord to a standard which will satisfy Popkin, but Popkin’s standards are high. He has no interest in—virtually denies the existence of—either the more modest goals which unorganized peasants can hope to reach, or the methods they use to reach them. This is one of the main reasons he misunderstands the moral economists so badly: when they say that the institutions of the traditional village provided certain benefits to the peasants, he interprets this as a claim that the village provided benefits as great and as varied as those provided by the much larger and more sophisticated organizations with which he is concerned.

Popkin sees people joining revolutionary movements, or quasi-political groups such as the Cao Dai, Hoa Hao.

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17. Popkin, p. 72. There is a similar misunderstanding in Adas, p. 526.
18. Ibid, pp. 72-73.
23. Popkin, p. 27.
24. Scott, Moral Economy, p. 3.
and Catholic organizations in Vietnam, primarily because there are certain benefits they will get if and only if they support the organization. To some lesser extent they may give support on an idealistic basis if the movement benefits the community as a whole, without there being any direct link between contributions by an individual and rewards to that individual. Scott on the other hand approaches peasant rebelliousness as a product of the outrage and/or desperation peasants feel when the actions (or in some cases inaction) of the elite threaten the peasants' minimal subsistence needs.

These two analyses are not so much disagreeing as discussing different phenomena. Popkin is concerned with how it is that revolutionary movements (or heavily politicized religious movements, which make good comparative cases), gain long term peasant support. The Viet Minh, Catholic, Hoa Hao and Cao Dai organizations were all able to win large and tenacious followings. Scott explicitly denies that the main part of his book is aimed at explaining these phenomena. He is concerned, rather, with what peasants do, think and feel in the absence of any powerful revolutionary organization. Surely this is an important question; the existence of a serious revolutionary movement is the exception rather than the rule in peasant society. When Scott looks at unsuccessful rebellions it is not so much for what they have in common with real revolutions, as for the light they shed on what the peasants were thinking during periods of peace.

If we ask why peasants joined the Viet Minh in 1948, the plausible answer is that it was in their interests to do so. Peasant participation in quite hopeless affairs like the Burmese and Vietnamese rebellions of 1930 requires a more complex explanation. Either the peasants made a grotesque miscalculation of the odds, or they were (as Scott suggests) guided more by rage at current conditions than by any cool evaluation of the chances for improvement. Rational self-interest is a tenable explanation for participation only in movements which actually benefitted their members.

A brief section near the end of Scott's book discusses some of the same movements as in Popkin's, and attributes to them some of the same characteristics. The main difference is that, for Scott, the way these movements provide immediately useful services for peasants is a point of similarity with traditional elites; Popkin treats this as a way they differ from traditional elites. Joel Migdal, who is concerned with real revolutionary movements, is likewise very close to Popkin in his conclusion: the peasants join because of the concrete benefits they can win by doing so.25 Migdal describes these benefits largely in terms of healing the damage done by modernization, while Popkin points to the way revolutionaries can solve the problems of feudalism. If traditional rural elites take advantage of modern institutions to abuse the peasants in ways they could not formerly have done, Popkin may cite this as an example of the evils of feudalism, since it is the traditional elite which is behaving in this fashion; moral economists will cite it among the evils of modernization.

What is really needed is a comparative analysis of movements of the two types, searching for the overlaps in motivation patterns. Support for the hopeless rebellions must usually have involved at least some element of rational calculation, either a misguided belief that the revolt had some chance of success, or an assumption that it did not have to succeed—that even an unsuccessful uprising would chasten the ruling class and cause it to restrain its behavior. When the government of China destroyed the Communist base area in Jiangxi Province in 1934, for instance, many peasants who had supported the Communists were killed. However, the degree of inequality in landholdings which had existed before the Communists arrived was not restored, so peasants who lived through the counter-revolution might still have felt that the revolutionary effort had been on balance a good thing. Some Luzon peasants definitively gave the Hukbalahap movement, despite its defeat, credit for having caused a modest reduction in levels of rent.26 To what extent do peasants consider such possibilities in advance? On the other hand, when peasants were finally presented with movements offering a genuine chance of success, one can hardly suppose that they dropped instantaneously all the attitudes which had formerly made them or people like them, willing to support the hopeless movements. Even very powerful revolutionary movements (such as those led by Communist parties in China and Vietnam), which could make a plausible appeal to the peasants in terms of rational self-interest, have not limited themselves to this approach. They have also appealed to the type of indignation which had fueled peasant protests in earlier days.

Both Scott and Popkin portray peasant economic behavior as essentially rational; indeed each believes that he is attributing greater rationality to the peasants than does the other. They disagree as to whether a rational peasant would like or dislike involvement in a market economy. Both sides are perhaps going overboard in their desire to avoid insulting or patronizing peasants. A scholar who describes this or that behavior pattern as irrational or foolish simply because he has not thought through the real situation of the people he is describing, or because the scholar (who assumes his own behavior to be perfectly rational) would have done something different, may properly be criticized. But if we can put aside for a moment fears of appearing racist or arrogant, it will become apparent that people of almost every culture frequently misjudge their situation. We would laugh at anyone who tried to tell us that Americans, who have had decades of experience with the market economy, all understand the relative merits of market and non-market economies, and never allow their behavior in the market to be influenced by foolish hopes and fears or by misleading television advertisements. Vietnamese peasants of the early twentieth century, recently introduced to the market, would have found that it fluctuated in ways they could not predict if they had the intelligence of Einstein and J. Paul Getty combined. To say that they would probably underestimate the potential benefits of involvement in the market, until they had sev-

eral decades to learn how to use it to best advantage, does not imply that they were inferior but only that they were human. Popkin, aware of the potentialities of the market, tends to underestimate the peasants' initial hostility to it. The moral economists, on the other hand, sometimes write as if the market offered no greater opportunities than the peasants initially saw in it.

It is in the political sphere that Popkin is really assuming a more rational form of behavior that Scott. As I have noted above, however, this is more a matter of his looking at a different period of history than of his interpreting as rational self-interest the behavior which Scott traces to offences against the peasants’ sense of justice. The likeliest fields for a dialogue would be the borderline cases.

The possibility for a genuine dialogue will be much improved if both sides were to concentrate on specific situations or types of situations, and say as little as possible about the general nature of peasant society. There can be, for instance, little serious doubt that in some societies landlords have been legitimate, in the sense that they have shown at least some minimal consideration for their tenants’ needs, so that their tenants did not regard them as enemies and did not leap at the first chance to get rid of them. One has only to look at the difficulties faced by Communist cadres, in Central and South China after 1949 and in North Vietnam after 1954, persuading the peasants of some villages to turn against the landlords. On the other hand, the moral and political economists agree that there have been many cases in which landlords were not legitimate. The questions which seriously call for discussion are the exact nature of landlord-peasant relations in a situation where landlords are not legitimate, and the circumstances which cause landlords to be more legitimate in one situation than in another. If possible the moral and political economists should discuss the same cases; not only the same societies but the same periods in the history of particular societies. It will accomplish little for them to cite to one another examples of particular times and places at which landlord-tenant relations were at one extreme or the other. The same applies to other disputed issues.

Review

by Hassan N. Gardezi

Originally published by Curzon Press, London, The City in South Asia is a collection of essays presented to an ongoing interdisciplinary seminar at the Centre of South Asian Studies, University of London. Basically the book is an historical study of a number of towns and cities spread over the northern and eastern parts of the subcontinent. The contributors examine in a somewhat eclectic manner the role of political, social, geographical and economic factors in the shaping of the cultural content as well as the physical growth and decay of urban life in the selected regions. The picture that emerges is only a partial one as large industrial and commercial cities of southern India are not covered, and the two articles on Calcutta and Karachi are limited primarily to the treatment of religious communities.

The importance of the political-administrative function of the city in South Asia is very much highlighted in the collection. But this is, at least in part, due to the focus on cities which at one time or the other served as seats of administration under the Afghan, Mughal or British rulers. The intermittent growth and decline of cities is explained by the location and removal of administrative and military operations, while trade and commerce simply supervene. The shifts in the seats of administration are shown to be the results of new conquests, geopolitical considerations, economic interests or mere whims and fancies of the rulers.

The South Asian city of this genre was indeed a vulnerable artifact of the ruling elite; and if one would share the prognosis offered by historian Percival Spear, the government of India might still move out of Delhi to a more central location, leaving the capital city to decline once more.

As implied by the subtitle, the book opens with a theoretical statement which attempts to draw a distinction between pre-modern and modern city. The author records his dissatisfaction with existing formalistic dichotomies, such as “pre-industrial” and “industrial,” yet goes on to propose another terminological pairing. In its broad application the distinction between “pre-modern” and “modern” seems useful to delineate elements “of the present and recent times,” as the author puts it, originating with the impact of European colonialism and the “indigenous” traditional elements that continue to survive in some form or the other. Without such initial distinctions, it will perhaps be hard to approach the problem of spatial and cultural “duality” which characterizes the South Asian cities. But useful as this distinction may be, it is not sufficient to explain the deeper dialectics of the urban processes in

South Asia.

The role of kings and their subadars, nawabs, ascen- dent Muslim and Hindu gentry and, finally, the British Company officers and civil servants is well covered in the context of promoting (and sometimes demoting) the physical growth and quality of life in specific cities or sections thereof. However, the book in its treatment of urban environments and processes barely touches upon the phenomenon of class conflict and class control. The issue of the "power structure" and the "dominance-dependence relationships" in the context of segregation of the city into the "colonial" and the "indigenous" parts is introduced in the opening theoretical discussion, but does not clearly resurface in the articles that follow. The authors illustrate well the fact that during the Mughal rule and its 18th and 19th century remnants under the Nawabs of Oudh and Bengal the rich lived in and around the palace complexes. These were the areas where prestige buildings, kothis of the service gentry, and spacious gardens were built. Later the British built their exclusive civil lines and cantonments either close to these areas or in separate parts of the city. Trade and commerce took place in crowded walled cities and ganjies. * In recent times many of the old prestige build­ ings and kothis are found in ruins, while the walled cities and ganjies either became more crowded or were reclaimed for newer housing and bazaars, depending upon the changes affecting a given city. Thus the whole city of Kara, near Allahabad, declined while large parts of old Lucknow and Dacca were rejuvenated.

The decline of old cities, with the disintegration of the Mughal and Nawabi rule and rise in the political and economic power of the British raj, had far-reaching consequences for the traditional urban gentry, prestigious kinship groups, higher castes and privileged religious communities. The desperate struggles of these groups to maintain their socio-economic positions in the face of rapid political changes and "modernization" is depicted vividly in the book. What is missing largely is information on the life and struggles of the working classes and the morphology of their quarters. There are occasional references to these inhabitants in the context of squalid conditions of poverty and sanitation. Thus a British visitor to Lucknow in 1798 is quoted as: "Happening to enter the town at the west end, and which contains the poor mechanics and labourers of every sort, I never witnessed so many forms of wretchedness, filth and vice..."

The British colonial authorities were insensitive to the needs of urban masses for proper municipal services and public utilities, as demonstrated in articles on Dacca and Allahabad. It was only by the middle of the 19th century, when the British established their stronghold in most of the subcontinent and the nature of contagious epidemic diseases became better known that the South Asian city began to receive its modern public utilities, first in the sectors of European residence and work and subsequently, on a diminishing scale, in the quarters of the native service gentry, the muhallas of the artisan and the trading families, finally coming to an end at the encroachments, shanty towns and the mud huts of the laboring classes. Yet, the blessings of modern utilities and sanitation depended on the manual work of the laboring classes who installed and maintained electricity poles, filled the infested ditches and swamps, swept the streets and carried out the night soil. The Company government in Bengal could not even afford the pitiful wages of ordinary laborers, and convicts were used to sanitize the city of Dacca and to clear the jungle around it where the modern suburbs, the race course and the cantonment stand today. In short, the real builders of the South Asian city remain faceless.

Speaking of builders, I am reminded of the comments made by a guide during my childhood visit to the palace complex of the Lucknow Nawabs. There was a saying, he said, about the generosity of Nawab Shuga-ud-Daula:

Jise na de Moula, Use de Shuja-ud-Daula.
(One who is denied by the Lord is provided by Shuja-ud-Daula.)

The Nawab, he said, hired ordinary workers to build his palace during the day and employed the fallen gentry at night to demolish it. (The workers still came ahead!)

On the whole, the book is a valuable addition to the scarce literature on South Asian cities, and the qualitative methodology adopted by the authors makes it possible to deal with a variety of important issues concerning urban life and morphology in the region.

* The Gani broadly means a "place" known for a specific industrial or commercial activity, but including the living quarters of local and itinerant producers and traders.
Review

by Al Fleischman

Reference guides of this caliber should be available for all areas or continents. Africa and the Middle East are two areas of utmost need; South America is not far behind. Readers of this review should request their local college and even large public library to acquire the works.

In some sense, Raymond Nunn’s work is like a gourmet cookbook. It tempts the readers with mouth-watering sources of information, yet the researcher may often be frustrated in trying to track down the actual ingredient or book. Mr. Nunn notes that he has personally examined every work; I have not. Unless a scholar is fairly sure of obtaining these works at a large university research library he will find the library labyrinth can be a large waste of time and energy.

The reference works that Mr. Nunn considers relate to a specific area/country: encyclopedias, handbooks, yearbooks, directories, atlases, gazetteers, bibliographies, biographical dictionaries, census reports, dictionaries. A closer look at the atlas listings reveals many significant atlases were not included, perhaps by choice. A useful general reference would have been International Maps and Atlases in Print 2nd ed. (1976) which lists both maps and atlases. For Bangladesh, a small, data type, computer atlas was published in 1972. There is another tiny atlas, not done by a computer, for Nepal (1966). Kampuchea (Cambodia) and Vietnam both have provincial atlases. For India, I would suggest India in Maps, 1976, and for Sri Lanka to the south, a Concise Atlas of Ceylon.

Almost all the items cited by Mr. Nunn are standard reference works, none of which will make the best seller list. We see endless names in telephone directories, but realize we can never really know all those people. The same is true with items in bibliographies. We are soon swimming in oceans of data which touch the shores of past and future centuries. Who is responsible for acquiring, reading, and understanding the events taking place? One notes that even in a journal of concerned scholars barely an article on Bangladesh has appeared in the decade between 1970 and 1980. How does one learn about important issues in these areas? Who has reviewed Needless Hunger: Voices From a Bangladesh Village which attempts to explain why people are starving in one of Asia’s most potentially fertile lands? Nunn’s book does/does not give one an easy starting place. Although it is necessary to understand the past, most of the references cited, at least for Bangladesh, are five years old. The image of Bangladesh is one of poverty, needless hunger, rampant disease, threats of genocide. Yet I noted in the N.Y. Times (Aug. 30, 1980) that the country is going to build a nuclear plant. Kurian’s Book of World Rankings lists Bangladesh with three-quarters of its population living in absolute poverty, the only Asian nation alongside nineteen African countries.

In using Asia, the best approach is first to read about the desired country, followed by the region. The author-title index is helpful, but many times one searches for a key word and fails to find the particular item. W. Eric Gustafson’s Pakistan and Bangladesh: Bibliographic Essays in Social Science, 1976, can not be found in the index under Bangladesh, nor does a “see reference” appear for this entry under Bangladesh in the main section of the book. A subject, preferably a key word index in the rear, would be a most useful addition in the next revision. How many bibliographies pertaining to ethology are included in Nunn? We do not know.

Index to Indian Legal Periodicals is placed under subject bibliography rather than India-Periodicals-Indexes. The arrangements of works in the bibliographical section, and in most others as well, is neither chronological nor alphabetical. Works are placed in an arbitrary and confusing order. On page 44, item C 167 is titled Index to Indian Economic Journals. Two pages later, page 46, item C 181 is titled Index of Indian Economic Journals, 1966-1965. It would have been much easier for the reader/researcher if these closely related items were placed next to each other. Thus it is necessary to read each individual item.

Try locating materials pertaining to the nations/states of Afghanistan (C44), Bhutan (C46), Ladakh (C241). There may or may not be other entries pertaining to these countries, but these place names can not be located in the author-title index. Afghanistan is mentioned in at least one annotation; thus, I believe key words in the annotations should be indexed.

Probably many readers of the Bulletin are aware of the existence of America in Asia: Research Guides (one book) on United States Activity in Pacific Asia. Dry material is often presented in a scholarly-folk style. This alternative or progressive research guide, however, helps the researcher delve into the doings of corporate America/Asia.

AI/A rightly, considers itself to be a research publication in the ilk of the decade-old NACLA Research Methodology Guide (1970), as well as a pair of organizations which...
specialize in sources on "the nature and dynamics of the corporate system." The book, which is made up of an individual booklet for each nation covered, is designed as an aid to progressive groups seeking sources for an analysis of U.S. economic, military and political involvement in modern Asia. This resource center in Hong Kong maintains files and a clipping service in its library similar to the services offered by the Data Center, Oakland, CA. By reading the solid annotations in the volume researchers can learn about the great variety of documentation which is available from a wide array of institutions. For example, the Clearing House for Social Development in Asia has a directory useful for determining which U.S. organizations and academic institutions various Asian groups exchange information with. While Nunn concentrates solely on printed sources of material, AIA includes organizations, groups, corporations, news services, private reports and libraries. The format of AIA takes a little getting used to as it appears to be arranged to aid the use of either type of resource individually. The prime purpose of this research guide is to widen the circle of "those who can be effectively critical of America's power in Asia."

Scholars may still prefer Nunn even with some of the shortcomings mentioned elsewhere in this review. Nunn contains a broader subject coverage for a larger number of Asian nations. His chronological coverage is also greater. But using both works the researchers can shape a even stronger tool. America in Asia (AIA) is not included in Nunn, as it probably appeared a trifle too late—an unfortunate occurrence—but it would be difficult to detect what a gem this is from Nunn's even-handed annotations.

Let us look closer at how the two reference works, if used together, help form a more complete picture for Malaysia. Nunn starts off with an area handbook. AIA only mentions this series in its Asian overview so a reader referring to a specific country is likely to overlook the item. Both authors agree the handbooks usually provide an excellent and an extensive introductory bibliography without annotations. Next, Nunn includes mention of a Malaysian almanac, not listed in AIA. The annotation reveals the work contains a directory of Malaysian national organizations and a fairly current source of biographical information on important government officials. On the next page of Nunn, the researcher discovers an even superior biographical source, a "who's who"-type work for Malaysia. An important business directory does not appear in AIA. Nunn should receive blessings from researchers for recognizing the importance of census data and he does include references to them whenever possible. Unfortunately, AIA does not make use of this.

Moving on to the element of statistics, the better coverage and more useful information comes from AIA. AIA now begins to dig deeper and deeper into the business, foreign trade and investment areas. Nunn turns to selected bibliographies. A useful bibliography for AIA to have noted would be the Guide to References Sources on Industrial Development in Malaysia. And so it goes, nation after nation.

A sampling of items from Nunn includes:
(1) A Bibliography of Bibliographies on India (1,243 items) 1975. C 58
(2) Indian Political Movement, a Systematic Bibliography, 1919-1971 (6,564 items) 1976. C 189
(3) Indira Gandhi: A Select Bibliography (3,247 items) 1976. C 228
(5) Anthropology in Indonesia (900+ items) 1975. J 85
(6) Martial Law in the Philippines (1,000 items) 1973. M 95
(7) Vietnam: A Guild to Reference Sources (1,400 items) 1977. O 1
(8) China: An Annotated Bibliography of Bibliographies (2,500 items) 1978. Q 97
(9) Japan English Magazine Directory (788 items) 1978. R 113

Nunn neglects to cover—or he hides away—clipping services (Asia Monitor) and makes no mention of computer data bases. Little attention is given to such key areas as health care, demography, environmental problems, business. Important reference works have been left out of Nunn: Asia Corporate Profiles and National Finance, Yellow Pages of the Japan Telephone Book, Bankers Handbooks for Asia.

Among the pluses for Mr. Nunn is just the sheer undertaking of the project which will surely help future researchers. Nunn makes use of acquisition lists. The work has a convenient numbering system whereby each item, once known, can be found quickly. It is recommended that the library of your choice acquire a copy of both books.

Correspondence

To the Editors:

In my recent review essay concerning China after the revolution, I included some personal remarks about Orville Schell. Such remarks were unfair and uncalled for. I apologize to Orville Schell. Given the great efforts Bulletin editors have made to keep serious disagreements from appearing as personal or sectarian squabbles, I regret doing anything that might weaken that principled BCAS commitment.

Sincerely,
Edward Friedman

Books to Review

The following review copies have arrived at the office of the Bulletin. If you are interested in reading and reviewing one or more of them, write to Joe Moore, BCAS, P.O. Box R, Berthoud, CO 80513. This is not, of course, an exhaustive list of the available books in print—only a list of books received. We welcome reviews of other worthy volumes not listed here.
