Development policy in the early 20th century [Indonesia]

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Development Policy in the Early 20th Century

In 1901, the Netherlands officially embarked on an unprecedented program to increase the welfare of its colonial subjects in the Indies. This endeavour, known as the Ethical Policy, faltered in the early 1920s during a period of fiscal stringency, stumbled in the 1930s under the impact of the Great Depression and the perception that it had brought about the rise of Indonesian nationalism, principally through the expansion of education, and came to an end with the occupation of the Indies by Japan in 1942. The program as a whole, however, remains of great significance as the first sustained attempt to turn government policy in the Indonesian archipelago to the difficult task of increasing welfare.

Arndt has described the period before 1945 as the prehistory of economic development as a policy objective, not just in Indonesia but throughout the world (Arndt 1987:9). Prehistory nonetheless may still have lessons for the policy-makers of the 1990s. In particular, we find amongst the makers and practitioners of the Ethical Policy a belief in 'golden bullets', in carefully planned programs pursued with enormous energy and enthusiasm and aimed at achieving rapid, qualitative change. The golden bullets of the last two decades — the Green Revolution, family planning, transmigration, and so on — have their pre-war counterparts in the Ethical Policy's sustained effort at providing irrigation, agricultural advice and favourable rural credit.

To a rather greater extent than today's development planners, the makers of the Ethical Policy relied on a small number of intensively executed programs to achieve their aims. The consequence, when these measures failed to deliver all that had been expected of them, even though they were by no means failures, was retreat into a despair which hampered the refinement of development policy for decades. The impressive achievements of the

1 The advent of the Ethical Policy is dated by convention from Queen Wilhelmina's speech at the opening of the Netherlands parliament in 1901 in which she announced that the Netherlands would thenceforth strive to improve the welfare of its subjects in the Indies. Like many such dates, however, 1901 is simply a landmark in a longer process of change: Ethical ideas had been in circulation in the Netherlands, and in the Indies, for the preceding two decades or longer, while the actual implementation of such intentions did not begin until about 1910. On the difficulties and disagreements involved in defining the Ethical Policy, see Locker-Schulten 1981:176-208.
golden bullets of the 1970s and 1980s shows just how powerful such programs can be. The experience of Dutch colonial development policy in the early 20th century reminds us of their limitations, and this is a salutary warning for all who are constructing a development agenda for Indonesia in the 1990s and beyond.

Aims of the Ethical Policy

The Ethical Policy had its origins in two somewhat opposing propositions. The first was that Dutch colonial activity in Indonesia since the 17th century had left the Dutch with an unfulfilled obligation to the colony. Initially this obligation was expressed as a monetary "debt of honour" (eerschuld) amounting to £187 million, calculated as the sum of financial transfers from the Indies to the Dutch treasury between 1867 and 1878, but the notion soon grew to a sense of general moral obligation, a feeling that the Netherlands owed its subjects some recompense for centuries of exploitation. As the 20th century drew on, the sense of moral obligation was increasingly supplanted by the feeling of a historic duty to bring modernity to the people of the archipelago, a view somewhat akin to the French concept of a mission civilisatrice and summed up by the title of a wartime celebration of the lost Indies: Daar werd wat goeds verricht (Van Helsing and Hoogenberk 1941), or 'Something great was being constructed there'. The second proposition underlying the Ethical Policy was that Dutch business interests required a closer attention to the welfare of the Indonesians who provided both labour in the colony and, increasingly, a market for metropolitan manufactures.

Historians continue to debate the relationship between moral obligation and economic interest in the adoption of the Ethical Policy, though to concede the role of one is not to deny the influence of the other. What is important here, however, is not the origins of the policy but how the colonial authorities set about their attempt to raise public welfare.

They had few models to guide them. The earliest notions of the benefits which colonialism might bring to its subjects concentrated on the less tangible blessings of religion, European civilization and law, and accepted that a certain amount of economic expropriation or exploitation was a suitable price to pay for these blessings. Even this modest proposition had to fight the common view that colonies existed for the benefit of the metropolitan power, which had no corresponding obligation to them at all. During the 19th century, colonial officials began to believe that colonialism might bring economic benefits as well to subject people, but they found little guidance from economists. European economic theory had a good deal to say about the wealth of nations, and a certain amount about the manage-

ment of economic growth, but very little about how economic development might be stimulated. The powerful influence of 19th-century liberal thought, moreover, tended to discount the value of government intervention. A considerable cluster of theories, including Marxism and anarchism, advocated a radical transformation of the economic order in the name of prosperity and justice, but these theories remained largely untested and the scope of their prescriptions ran far beyond what any colonial official was prepared to contemplate. Before the Bolshevik revolution, before the Great Depression, and before the Cold War, there was a great deal less urgency than in the 1950s and 1960s in the search for policies to prove that a basically capitalist system need not condemn large numbers of people to misery. The term 'economic development' still connoted no more than the expansion of economic activity and contained no specific notion of growth with equity or the raising of living standards (Arndt 1987:22-3, 30-1). In examining the Dutch colonial experience with welfare policy, therefore, we are dealing with somewhat naïve experimenters, whose definition of their own broad goals was vague and imprecise. It need hardly be said that we in the last decade of the century should not let this be a cause of self-satisfaction.

The Ethical Policy contained three broad policy strands. The first of these may be described as an impulse toward the legal and administrative protection of the indigenous population of Indonesia. This was not a new strand in colonial policy: the idea that colonial powers had some duty — whether from Christian or from humanist principles — to protect less fortunate peoples from the full impact of their encounter with colonialism had considerable currency in Europe. The polemical writings of Douwe Dekker (Multiatu) in the middle of the century were a part of this tradition. Although the 'protection of the natives' could be employed to justify dismantling native states and bringing them under colonial rule, this element of policy came most often to mean a stubborn rear-guard action to delay modernization by stemming the depredations of Western capitalism and preserving the most appealing elements of traditional culture and society, especially in places such as Bali. Thus, within the framework of the Ethical Policy, the colonial administration began to restore elements of real administrative power to native rulers (the so-called ontstreeping, or detutelization policy (Benda 1946:595-7)), resolutely excluded Christian missions from regions with picturesque local cultures, and preserved the legal distinction between Europeans and natives (minaders) which subjected Indonesians to customary law, as codified by colonial authorities, in civil matters.

2 On the more immediate origins of the Ethical impulse, see Locher-Schelen 1981:11-54.
Also characteristic of this strand of policy-making was the increasing willingness of colonial officials to take the part of their Indonesian subjects against the interests of Western capital. The results of this radical change seem meagre in retrospect. There were few decisions to allocate water or land to (indigenous) rice rather than (Western) sugar. The hated Coolie Ordinance, which made the breaking of a contract by a labourer a criminal offence rather than a matter for civil litigation, was abolished, but only after population increase had made such measures unnecessary and after considerable pressure for abolition from the United States. Some private estates near Jakarta on which landlords had held a peculiarly oppressive title over their tenants were purchased, and a far-sighted but ultimately unsuccessful attempt at land reform was made in the Cirebon region of West Java.  

It was, amongst other things, the very inadequacy of these legal and administrative efforts which convinced Indonesian nationalists that independence was the only political form in which true social justice could be achieved. Nonetheless, they aroused a good deal of indignation amongst entrepreneurs, who expected a more pliant bureaucracy, and they led the long-standing chairperson of the Indies Employers Association, M.W.F. Treub, to back the founding of a new Indological Faculty at Utrecht to counter the supposedly pernicious Ethical attitudes of the Leiden graduates who predominated in the colonial service.

The second, and perhaps best-known, strand in the Ethical Policy was the expansion of educational opportunities for Indonesians. This was of course not always easy to reconcile with preserving traditional culture, though many colonial officials believed, and nationalists often followed them in accepting, that it should be possible to blend the best of both cultures. The reasons for promoting education included a general desire to spread Western, particularly Dutch, civilization to a mass of new converts, and a realization that the practical management of a complex, modernizing society required a substantial skilled workforce. Dutch policy-makers, however, saw formal education itself as a motor for economic development than as a technical adjunct, and there was strong pressure within the colonial establishment to match the availability of various levels of education to expected needs of the economy. Thus, educating village children beyond a certain point or producing more engineers than could be immediately employed was seen as wasteful of resources rather than as priming the developmental pump.

More interesting to us today is the third and final strand of the Ethical

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3 For a discussion sympathetic to the grievances of Western entrepreneurs against official protection of indigenes, see Van Klaveren 1953:169-83. For the Cirebon experiment, see Breman 1983.

4 Since the 1950s an intense debate has been going on over the effect of the colonial economic relationship on the indigenous political economy of Java. It is uncontroversial to say that, for the most part, the great agricultural enterprises of Java, especially sugar, survived in an essentially parasitic relationship with the indigenous subsistence rice economy. That is, the extensive but uneven demand for land and labour by the Western plantation economy could be met only because the subsistence economy remained in place to absorb surplus labour and land as it became available. Recent work by Stoter has shown this also to be true to a surprising degree in the plantation economy of East Sumatra (Stoter 1985:34-40). In 1963, however, Chifford Geertz went considerably further in arguing that this relationship had stifled indigenous rural society, preventing it from modernizing and turning it in on itself in what he graphically described as 'agrarian Involution' (Geertz 1963). Careful empirical research has now cast doubt on both the empirical data and causal connections which underpinned Geertz's argument. For a summary of responses to his ideas, see White 1983.

5 Although Geertz has been the pivot of this debate since the 1960s, he was by no means the first to suggest a structural relationship between plantation economy and the poverty of the Javanese peasantry. See, for instance, van der Kroll 1929.

6 See Congerger's summary of reasons for the diminished prosperity of the Javanese, as cited in Indonesian economics 1966:5-6.
responded positively to moral pressure for better service to Indonesians in the city (Abyasekar 1987:120-4). Nor were colonial analysts especially interested in the very poor in rural societies. In contrast to the 1960s and 1990s, policy-makers saw not a situation of economic growth in which certain groups were being left behind or left out, but rather a social and economic malaise afflicting an entire society. Their strategy, therefore, was to 'bet on the strong', aiming to raise at least that section of Javanese society which was most open to being raised. This was perhaps most strongly evident in the Cirebon land reform experiment, where the most impoverished landowners were dispossessed in order to concentrate land holdings in the hands of 'good' cultivators (Brem 1983:45-8, 59-60).

In attempting to remedy the plight of the Javanese, the creators of the Ethical Policy were distinctly wary of what we would now call macro-economic strategies. Both the Cultivation System and the Liberal Policy which preceded it had been introduced with claims, based largely on deductive logic, that Indonesians would benefit from the new systems. Evidence, or at least the best-publicized evidence, indicated that these claims had been incorrect. Rather than reasoning from another set of basic principles, therefore, the makers of the Ethical Policy shifted their emphasis to much more specific and directed programs, going under the general title of the 'welfare services' (welzijnsdiensten).

The 'welfare services'

In keeping with the originally monetary notion of the debt of honour, the Ethical Policy was launched with the allocation of f 30 million (later f 40 million) to the Indies budget for 'welfare' purposes. The term 'welfare' now carries in English something of the connotation of emergency help, of assistance to the disadvantaged which provides a safety net against disaster rather than a springboard for self-help. The Dutch welzijn, on the other hand, has rather more positive connotations of lasting prosperity, and when we talk of 'welfare services' in the Netherlands Indies, the implication is of a government endeavour to create self-sustaining prosperity. At the outset, this may have had more to do with parsimony than with vision. The Dutch had no intention of allowing the debt of honour to draw on a blank check. The f 30 million, although an impressive sum at the time, was to be spent over ten years and there was no guarantee that it would be renewed or supplemented. Thus, although the Dutch had not reached the modern conclusion that delay in economic development makes the eventual task still more difficult, they shared the modern sense of urgency, the feeling that their measures had to work the first time around.

Because of its emphasis on specific, directed programs, the Ethical Policy laid great stress on empirical research, and indeed the detailed investigation of local circumstances and the careful planning of local remedies became one of the hallmarks of the Ethical Policy. The Dutch officials, however, were impatient, and ironically much of the research conducted in the name of the policy produced its results too late to have a substantial effect on policy. The clearest example of this is the massive so-called Mindere-Welvaartonderzoek, or investigation into the 'diminishing welfare' of the Javanese people, which took twelve months (1904-05) to complete and involved detailed investigations at local and regional levels, with the results appearing in 33 volumes from 1905 to 1914. The substantial time lag between the identification of the problem, the commissioning of the report and the eventual publication and digestion of its results meant that the basic outline of the welfare program was based on older, more impressionistic conclusions (Huisken 1989).

The priorities adopted by the Ethical Policy often seem to have derived from the energetic promotion of particular programs by enthusiastic and visionary colonial officials. Thus, the program to encourage Javanese to emigrate to other islands owed much to the preoccupations of an assistant-resident, H.C. Hetting, who took the initiative to conduct the basic research in Banyuwangi, Kendal and Lampung which showed that emigration was technically feasible. Similarly, the research of K.P. Holle and J.H.F. Sollevijn Gelpke played a major role in putting agricultural extension on the Ethical Policy agenda.7 Even when there was time to consider the officially sponsored reports closely, empirical data seldom offered clear and coherent policy implications. The authors of the final report from the Mindere-Welvaartonderzoek prefaced their conclusions with the remark that they doubted whether the welfare of a people could ever be measured by statistical means and hinted that there might not really have been a problem at all.8

6 The term 'diminishing welfare', although commonly used, is an unsatisfactory translation of mindere welvaart. 'Mindere' means lesser, but has no necessary implication of ongoing decline; it can be used to mean lesser in comparison with some ideal or with the level of prosperity of the non-indigenous population of Java, and this was indeed how the investigating commission interpreted it. The distinctive meaning of welvaart has been discussed above.

7 See Boogaard 1986:601; Bezemer 1921:253 and De Vries 1961:266. De Vries suggests that the Ethical impulse among colonial officials owed something to the fact that they tended to feel redundant under the non-interventionist policies of the Liberal period after 1870 and were thus in search of a mission. Van Doorn (1980) traces these early welfare-style measures in some detail.

The response of the Indies government to a request for a budget for the 
£30 million was to produce what looked like a somewhat haphazard 
shopping list of items – irrigation, emigration, agricultural credit, induc-
trialization, road-building, and horse and livestock breeding9 – and the 
government admitted that it had no idea just how much any of these items 
might cost. This is not to say, however, that the list was incoherent. It was 
the product of two decades or more of reflection and investigation by the 
colonial government and its officials. Each item addressed an important 
element of what the colonial government saw as the central problem, 
namely overpopulation. Irrigation was the most important of a series of 
reforms to Javanese agricultural practice which were intended to increase 
per capita productivity and to increase the margin between daily life and 
famine. Emigration was intended to reduce population by shifting popu-
lation from Java to other islands, with the additional benefit of providing a 
labour force for economic development in sparsely populated regions. The 
colonial government never imagined that its budget could pay for sufficient 
emigrants from Java to make an appreciable impact on the island's popu-
lation, but it hoped that the example of successful officially sponsored 
migrants would inspire a wave of what would now be called 'spontaneous 
transmigrants'. Agricultural credits were intended both to provide small-
scale capital for investment in agricultural improvements and to ease 
Javanese peasants through difficult times, thus averting crippling in-
debtessness to private money-lenders whose interest rates were often so high 
that recklessness, miscalculation or unforeseen mishap could condemn 
farmers to perpetual indebtedness. Industrialization, by which was meant 
more generally off-farm production, was seen as an avenue for absorbing 
additional population from rural areas. Road-building, almost exclusively 
on Java, was a means of opening previously inaccessible regions to settle-
ment. And the promotion of horse and livestock breeding was intended to 
increase the availability and quality of the animals used for ploughing, 
transport and other agricultural activities (Creutzberg 1972:190-210). To this 
was also added a major public health endeavour, though this is not 
generally regarded formally as one of the welzichtsdienst. The connection 
between lowered infant mortality and lower birth rates was not well under-
stood at this time, and many Dutch officials viewed the public health cam-
paign with mixed feelings, seeing it as an important element in population 
growth, although these misgivings were overshadowed by a conviction that 
the health of the population was an essential part of general welfare. What 
was lacking from the list which Governor-General W. Rooseboom drew up

9 Gouverneur-Generaal W. Rooseboom to Minister van Koloniën A.W.F. Idenburg, 23-5-

in 1904 was a sense of relationship of each of these programs to each other 
and their relative position in the overall welfare endeavour.

The new programs contributed to a far-reaching bureaucratic transfor-
mation of the Netherlands Indies government. During the 19th century, 
administration was basically in the hands of a generalist administrative 
corps, the Binnenlandsch Bestuur (BB), with its separate European and 
native wings. The growing attention to technical matters, however, 
spawned a proliferation of specialist government departments and 
sections.10 This in turn set its own stamp on the character of welfare 
measures. Because tasks were classified in terms of their technical nature, a 
series of parallel hierarchies began to emerge alongside the Binnenlandsch 
Bestuur to administer the technical aspects of the welfare program. Thus, 
irrigation came under a service within the Department of Public Works 
(fater Transport and Water Affairs); agricultural credit became a distinct 
service within Binnenlandsch Bestuur, while transmigration remained 
within duties of the BB general section; agricultural extension was under 
Economic Affairs, as was responsibility for industrialization; technical 
training, however, came under Education and Religion. Public Health 
remained a separate service not subordinated to any department.

The benefits of concentrated technical expertise were achieved at a cost of 
administrative rivalry and a certain narrowness of vision (De Vries 1961: 
271; Van Doorn 1982:1-2, 15-21). Most of these specialist services, moreover, 
included their own research wings, and the first half of the 20th century 
became an era of intensive scientific investigation under government 
supervision (Feyrer 1960; Hoog and Verdoorn 1949). The Botanical Gardens 
at Buitenzorg (Bogor) and, from 1911, the Agricultural Extension Service 
became the focus for a major program of agricultural research, involving 
experiments with new seed types and planting techniques, investigation of 
diseases and analysis of soil types (Boomgaard 1986:63). The Civil Medical 
Service, also established in 1911, similarly sponsored detailed research into 
diseases such as smallpox, rabies, and syphilis, as well as into more general 
health issues such as nutrition.11 The question of appropriate strategies for 
providing agricultural credits led to detailed surveys of household budgets 
and spending practices (Boomgaard 1986:63-4). In the high degree of 
professionalization of these technical services, we see a major reason for the 
'golden bullet' strategy; the Ethical Policy was bureaucratically geared to the 
delivery of specific technical goals by specialists who commonly had little 
knowledge of the broader ramifications of their achievements.

10 Van Doorn points out that the diversification of the colonial administration into 
specialist services had begun in the first half of the nineteenth century (1982:6-15).

11 See Owen 1987, esp. chapters by Hall and Brown.
In contrast with the latter part of the 20th century, external non-governmental organizations were absent on the whole from welfare projects. The concern of such organizations focused instead on strategies for legal and administrative protection. The abolition of punitive labour regulations, for instance, was a major aim of concerned campaigns, as were matters such as the sale of opium\(^\text{12}\) or the usurious interest rates charged by Chinese and Arab money-lenders in the countryside. Christian missions played a major role in development in several regions outside Java, but in the main centres of population their activities tended to be charitable, rather than development-oriented, and their activity was somewhat constrained by the need to avoid unduly antagonizing Indonesian Muslims. This absence of NGO involvement tended, moreover, to insulate the welfare program from informed criticism from outside. Because of the novelty of this kind of endeavour, and because of the obvious sincerity of many of its proponents, sophisticated criticism of the welfare programs was a long time coming.

The most important non-governmental effort to increase welfare was the drive among Indonesians themselves to establish cooperatives. This drive arose from a desire within the nationalist movement and its antecedents to find a path toward national prosperity which did not simply involve substituting indigenous capitalists for foreign ones. The idea of cooperative ventures also fitted well with the colonial and nationalist mythology of a traditionally harmonious and undifferentiated village commune. The nationalist leader and later vice-president Mohammad Hatta, in particular, raised the encouragement of cooperatives to become a central principle of economic development for the nationalist movement.\(^\text{13}\)

From the nationalist point of view, however, the establishment of cooperatives was no more than a qualified success - a great many founded on problems of inexpert or corrupt management. Colonial policy, moreover, although nominally favourable to cooperatives, had a limiting influence. Until 1927, relatively restrictive laws based on Dutch metropolitan models limited the number of cooperatives able to meet the technical requirements for official recognition. Even after regulations were liberalized and the number of relatively successful cooperatives grew, they were often viewed with suspicion by colonial officials, who saw them as an undesirable vehicle for nationalist political influence in the villages, as well as socially disruptive of existing communal arrangements in the villages (Boomgaard 1986:75-7).

\(^{12}\) Opium, a government wholesale monopoly in the nineteenth century, was sold to private distributors, each with his own local monopoly. In the twentieth century, an official opium monopoly, the Opiumregie, was formed to handle all retail sales as well. This policy change came about partly in response to public campaigns against the evils of opium use and was officially described as a measure by which overall use of opium could be gradually reduced.

\(^{13}\) For Hatta's views on cooperatives, see Hatta 1937, and Ingleson 1979:13, 167.

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Performance

If we review the activity carried out in the name of the Ethical Policy, we find an impressive range of programs falling within the six headings set down in 1904, though in practice the landmarks in the adoption of welfare policies straggle over a decade or more before and after that year. The irrigation service, for instance, became a distinct division within the Department of Public Works (Burgerlijke Openbare Werken) in 1889 but entered its period of greatest activity only after 1910. Between that year and 1942, the Irrigation Service provided water through major irrigation works to nearly a million additional hectares, with the total area of sawahs on Java increasing during the same period from 2.7 million ha to 3.4 million ha. The budget for irrigation alone - /124 million guilders between 1913 and 1924 - vastly exceeded the modest sum announced at the start of the Ethical Policy.\(^\text{14}\)

The colonial government also saw enormous scope for improving the agricultural techniques of the mass of peasant farmers. Agricultural improvement in fact had been an old refrain of interested officials, though early improvements were limited to innovations such as instructing farmers to plant their fields early and to weed them more diligently (Boomgaard 1986:59). The peasants themselves seem to have accepted such instructions with the same resignation with which they accepted instructions to pay taxes or to assemble for forced labour, and it seems probable that these innovations brought no change in what the peasants themselves felt to be good agricultural practice. The government initiatives of the 20th century differed from those of the 19th in their stronger scientific bias; suggested changes in agricultural practice were now based on careful research by trained agricultural scientists. They also differed, though this was a gradual process of transformation, in the extent to which they sought to persuade, rather than simply to command, the peasants. As Boomgaard has pointed out, a distinctive feature of the colonial agricultural extension service was its commitment to convincing the peasants of the value of the new techniques. The Agricultural Extension Service (Landbouwvoordrachtsdienst), founded in 1911 but based on the agricultural research sections of the Buitenzorg botanical gardens (s Lands Plantentuin), adopted an active field program to convince Javanese peasants to adopt what it had identified as more productive work practices. It did this with a two-pronged strategy in which agricultural consultants (landbouwconsulenten) were sent both to all levels of local government to convince Dutch and Indonesian officials of the value of the new techniques, and out into the field to show the peasants...
by example what could be achieved. Demonstration plots dotted the countryside, as diligent extension officers sought to transmit the new techniques directly to Javanese farmers (Furnivall 1939:306-7; Boomgaard 1986:59-67).

The Ethical Policy sought to touch the central activities of Javanese daily life deeply, not just by seeking to change farming conditions but, by attempting to reform the structure of rural credit provision, setting itself up with the intention of becoming the principal provider of credit to farmers. The first step in this ambitious plan was the creation of a post office savings bank (Postpaarbank) in 1898, a relatively simple move which enabled the government to use existing post office facilities to receive deposits. Shortly after, in 1903, the colonial government abolished the system of farming out to private entrepreneurs the right to run pawnshops. The state pawnshop service (Pandhuisdienst) was established with an absolute local monopoly of loans less than ƒ1.00 using a pawn as security. It was supplemented in 1904 by a more comprehensive operation referred to generally as the People’s Credit Service (Volkscredietwezen).

The Volkscredietwezen operated at two levels. First, village rice banks (lumbung desa) were established to provide a source of affordable rice for planting and, if necessary, for food. These were an old institution of village cooperation and had been encouraged previously by the colonial government under the Cultivation System. Under the Ethical Policy, however, their existence was more closely regulated. They were formally owned by the village, and their capital, in the form of grain, was invested or repaid by farmers after the harvest and withdrawn or borrowed just before planting. The colonial government often provided financing to get a lumbung started, but in order to emphasize to the peasants that the lumbung was their property, all loans had to be repaid as soon as possible. Alongside the lumbung desa, though rather less common, were village banks, which accepted deposits and made loans in the form of cash. Larger transactions were the province of the so-called volksbanken (people’s banks), which made loans especially for ‘productive’ purposes, such as preparation of land or fishponds, or the clearing of a mortgage. In 1904, these separate volksbanken were merged to become the Algemeene Volkscredietbank, direct ancestor of today’s Bank Rakyat.15

The Volkscredietwezen, however, fell short of meeting the credit needs of the rural population in a number of ways, thus leaving a space for old-style money-lenders to operate. In general, the procedures of the Volkscredietwezen were more formal and bureaucratic than most peasants felt comfortable with, and they continued to prefer the easy credit offered by

money-lenders. For peasant cultivators still on the margin between the subsistence and cash economies, moreover, the relative inflexibility of Volkscredietwezen loans—cash being repaid in cash, produce repaid in produce—was inconvenient. The colonial government, moreover, gradually came to see the credit system as a source of income for the treasury, and thus charged interest rates which netted substantially more than the operation’s costs, thus diminishing the economic appeal of government credit (Fruin 1937-38).

Still more disappointing to the colonial authorities, the village-based credit institutions such as the lumbung desa failed to develop as viable local institutions, despite being formally established as cooperative ventures under village control. The depositing of rice or cash into the village banks continued to depend on the so-called perintah halus (gentle command) from local Javanese officials. Most borrowing, moreover, was for consumption purposes rather than productive investment, and peasants appear to have seen the Volkscredietwezen on the whole as yet another source of credit rather than as a way of escaping the more onerous credit conditions of professional money-lenders. The endeavour thus increased rather than reduced the burden of indebtedness in the countryside (Boomgaard 1986:75-7).

The colonial government’s emigration program, as mentioned above, aimed to relieve population pressure on Java by encouraging peasants to leave the overcrowded island of their own free will and to exploit the opportunities for prosperity in the outer regions. The first officially sponsored transfers of population took place in 1905, with the settlement of approximately 200 Javanese from Kedu at Gedung Tasa in Lampung. These first settlers were given free transport from Java to the transmigration site and were provided with housing and cash advances. Careful thought was put into the selection of settlement sites and facilities were prepared in order to give the settlers as strong as possible a start in their new world. As the Gedung Tasa settlement grew, a second community was founded near Kepahiang in Bengkulu in 1908, followed by others near Kota Agung in the 1920s and in the Sukadana region in the 1930s and early 1940s. The total Javanese population of these settlements had reached 175,000 by 1941. Other settlements in Sumatra, Kalimantan and Sulawesi accounted for another 80,000.

The emigration project as a whole, however, appears to have suffered from an uncertainty of intent. Right from the start, authorities were by turns fascinated by the prospects of wholesale population movements, looking on the mass migration of Europeans to the Americas and Australasia as inspiring models, and terrified by the huge initial and recurrent costs which any sustained program of government-sponsored migration seemed to

threaten. Acknowledged as the costliest of the welfare programs (though what criteria made it so was not entirely clear), emigration was never pursued with the single-minded enthusiasm of the later transmigration programs. Many, though not all, of the settlements themselves were basically successful, forming viable farming communities in the new regions. The government quickly discovered, too, that they enjoyed a higher success rate with peasants plucked directly from their own lands in Java, rather than with landless rural labourers or with former plantation workers from East Sumatra. The program, however, failed to create a self-sustaining flow of voluntary settlers from the crowded rice fields of Java to the open fields of Lampung. This seems to have been due in part to a relative lack of favourable publicity. In 1912 a group of successful settlers from Kepahiang was brought back to Java to persuade others to follow their example, but this kind of direct testimony was rare. Moreover, reports of disease and other difficulties in some of the crucial early settlements offered a discouraging counter-testimony. The colonial authorities, too, imagined that the rationality of the Javanese peasant making a decision to emigrate would be largely the same as that of a Dutch farmer deciding to leave for Australia. Only as grounds for parsimony did Javanese peasant culture enter official calculations; it was argued - and policy reflected the argument from 1928 - that the practices of mutual help within the Javanese village meant that only the first settlers in a new region need be funded fully by the colonial government; later settlers could draw on the sense of obligation which the old hands would feel toward newcomers and thus need not receive full support (Maassen 1938-39).

The effort to improve animal stocks, beginning in 1896 with the establishment of the Civil Veterinary Service (Burgerlijke Veeartsenijkundige Dienst), included the distribution of stud stallions to 'prominent natives' and the establishment across Java of fifty or more government studs stocked with stallions and bulls from Sumba and Australia available to all who wished to improve the quality of their livestock. Public exhibitions on breeding techniques were also provided. The veterinary endeavour, however, faced a number of unexpected difficulties, including the fact that the increasing intensity of rice cultivation and expansion of the area under cultivation diminished the grazing land available for horses and cattle. From the late 19th century, in fact, both horse and cattle numbers on Java declined sharply. The program also ran into difficulties because of the Veterinary Service's involvement in preventing the spread of infectious animal diseases; this inevitably involved it in the destruction of infected beasts from time to time and did not endear it to the public. Strict controls on animal trading, including a ban on export or import of animals in particular regions, legal measures against the abuse of animals, and bans on the slaughter of female cattle added to the atmosphere of regulation. The program also involved purchasing promising mares from their owners for breeding purposes and encouraging the gelding of lower-quality stallions; it is probable, though not recorded in the literature, that this kind of intervention, which promised to help the overall standard of breeding but offered no direct benefit to the owners, was felt by the owners themselves as an unwarranted intrusion.16

Perhaps understandably, the less than romantic topic of road construction is not extensively discussed in literature on the welfare services. It is, in fact, rather difficult to see road construction even as a predominantly welfare service, since the construction of roads had been a major practical element of colonial policy as soon as Dutch power began to establish itself on Java, and the engineers who constructed roads formed a distinctive specialist service within the colonial establishment long before the bureaucratically proliferated of the Ethical Policy (Van Doorn 1962:5-10). The roads, moreover, had been directed primarily at defense and the transport of government agricultural produce. The Encyclopaedie van Nederlandsch-Indië noted laconically that the fine roads of the early colonial period 'were little use to the small man, because he was not permitted to drive his cattle or his cart along them' (Weyers 1921:745) (though there was always a side track alongside the main road for native traffic). This discrimination had ceased long before the Ethical Policy, and the road construction contributed to the monetarization of the peasant economy because unskilled labour on most new projects was mostly paid in cash, rather than recruited by corvee (though corvee remained the basis of recruitment for road maintenance).

Nonetheless, the value to peasants of the spreading network of roads was diminished by regulations intended to increase the life of the roads, such as prescribed ratios between wheel breadth and tonnage, and a ban on certain traditional cart designs. Of the original list of policy areas drawn up in 1904, industrialization received perhaps the least attention. This was despite the colonial government's interest in promoting local industrial growth to insulate the colony against irregularities in supply from Europe.17

The principal means used to encourage industrialization were technical education and public information. A complex of reasons was at work here. To begin with, orthodox economic theory suggested that industrial development was the final element in a long process of economic evolution which the Indies, even in the most optimistic assessments, had only just begun.

There was little reason to suppose that it could be successfully grafted onto an agrarian economy, and the frugal colonial policy-makers were reluctant to make the experiment. Dutch economic interests, moreover, had rather less to gain from industrial development in the colony. Local industrial production might have threatened markets for Dutch metropolitan products and might even have competed in the Dutch domestic market as well as raised local labour costs (Wertheim 1969:103). It is unlikely that these considerations exercised a positive veto on industrial development, but they certainly did not help.

Industrial development received renewed government attention after 1935, when the Department of Economic Affairs, headed successively by G.J.C. Hart and H.J. van Mook, encouraged foreign investment and adjusted tariffs to encourage domestic production, especially of textiles, footwear and ceramics (Jonkers 1946:116-21). The department also sponsored a number of research laboratories, maintained an extensive information service for small producers and provided limited financial credits for firms wishing to expand. To promote production in the weaving industry, the department sold newly designed, more-efficient handlooms to village producers at very low prices, resulting in a dramatic increase in production.

Disappointment

All in all, however, the welfare program of the Ethical Policy added up to an impressive agenda. A major problem was identified and a multi-pronged strategy was employed to tackle it, drawing on both enthusiastic field-workers and thoroughly capable scientific staff. The original budget of f 30 million was quickly exceeded, most of the increase coming from the Indies' own revenue, especially after it had been relieved of the burden of the Aceh War. The various elements of the welfare program encountered specific difficulties, some of which were remedied during the colonial era but most of which were at least susceptible to solution.

Yet the achievements of the Ethical Policy disappointed many observers. This was not simply because general education was widely seen as having created a large body of educated youth for whom there was insufficient work and who therefore constituted a kind of 'intellectual proletariat' and, for want of anything better to do, spearheaded the nationalist movement. A

greater source of disappointment was the apparent failure of the welfare policies to fulfill their aim of dynamizing Javanese rural society.

On Java [wrote the economist J.H. Boekel] the irrigation has however reached its limits and the results have disappointed the expectations of those who saw in this a means of increasing the prosperity of the farmers. The agrarian population merely reacted to this soil improvement by an increase which at best left every one's share in the augmented product what it was before.' (Boekel 1945:183)

A major reason for this disappointment, it should be said, was the absence of clear policy goals. Although the broad intention to improve the welfare of the Javanese was clear enough, it was never stated just what might be regarded as success or how the policies adopted related in a quantifiable way to the overall goals. As at the outset, impressionistic conclusion preceded rather than followed the detailed accumulation of evidence. Enquiries by Huender and Meijer Rannett in the early 1920s (Huender 1921; Meijer Rannett and Huender 1926) reflected and supported a growing opinion that little sign of change was to be seen in the economic activities of the Javanese peasantry. The conclusion may have been imprecise, but it was nonetheless devastating, and toward the end of the colonial era a long-standing advocate of the welfare services was reported to have exclaimed in despair: 'As soon as we withdraw our hands, everything sinks back into the marsh!' (Furnivall 1948:229). Not everyone shared this gloomy view, but gloom was widespread enough to suggest that something was amiss.

What had gone wrong? After the early 1930s, of course, the Great Depression played an important part in explanations. The reduction in employment opportunities on the Western plantations, together with a deteriorating market for cash crops, meant that peasants had less cash in hand and were forced, more than ever before, into indebtedness. The Depression also put limits on colonial government expenditure, though this was not evenly felt throughout the administrative and technical establishment. No serious commentator, however, pretended that the Depression was the sole explanation.

With the incomparable benefit of hindsight, we can now suggest, alongside the technical shortcomings mentioned above, areas where policy priorities might have been different. To begin with, one might note, these were decidedly male-focused policies: the specific needs of women were nowhere targeted and the role of female education in limiting reproduction was not recognized. The relative neglect of industrialization as a strategy, moreover, seems at best misguided and at worst perverse. We now appre-
ciate that more attention in this area could have set Java much earlier on the road to creating a significant non-agricultural sector. One wonders, though, whether greater awareness of the potential influence of industrialization would have persuaded the Netherlands to risk its Indies markets, let alone its markets at home, in this way. It seems probable, too, that the cooperative movement could have achieved more if it had faced less suspicion and restriction, though the performance of cooperatives in independent Indonesia has shown that they are a fragile flower at the best of times.

Perhaps another overall weakness of the policy was the way in which it sought to make its reforms acceptable to the Javanese. In a colonial environment where command and punishment had been the custom, it is impressive that the welfare services put such effort into presenting new ideas in such a way that the Javanese peasant could accept them. In an age of scientific advance, colonial officials were quietly confident that science, in due course, would bring solutions to most of the technical problems they had identified. Their recognition that most of these technocratic solutions depended to a greater or lesser degree on the active cooperation and participation of the Javanese peasants whom they were intended to help was a significant breakthrough. They entertained, however, a basically liberal view that all that was necessary was to show the sceptical peasants the efficacy of the new techniques and they would, mindful of their own economic interests, immediately adopt them. Peasant cultures remain opaque to us still—witness, for instance, the unresolved debate between J.C. Scott and S.L. Popkin over the origins of peasant revolt—and we can hardly blame the colonial officials of the Netherlands Indies for failing to bring the anthropological tools for analysing different rationalities which we now have at our disposal. But it is probable that a closer examination of the economic and ideological structure of peasant life would have helped in finding ways to make the programs more acceptable.

Contemporary critiques of the welfare services, however, offered a more pessimistic analysis. At the start of the Ethical Policy, the enthusiasm of the reformers had met a certain amount of scepticism. In his response to the formal offer of $30 million, Governor-General Rooseboom launched into a diatribe on the shortcomings of the Javanese as a people:

"I would not deny that a sum such as this can be used well here and there to encourage new forces, but it seems to me that any expectation of permanent improvement in the economic field is grossly mistaken, mainly because this contribution does not remove the basic cause of the unfavourable economic circumstances, that is, the character, recklessness, indolence, vanity and fatalism of the vast majority of the Javanese people." 20


Such views were put to one side in the early enthusiastic stage of the welfare program. When the well-intentioned programs of the Ethical Policy failed to have the desired effect, however, gross pessimism of the kind expressed by Rooseboom could easily reassess itself. Even the final report of the Mindere-Welvaarderzoek noted alleged Javanese characteristics such as fatalism, lack of incentive, absence of initiative, and love of gambling as contributing to the condition of the island's people. Rather than seeing subtle defects or missing elements in their own policies, colonial officials thus increasingly identified the prime culprits as the Javanese peasants, whose allegedly Eastern outlook on the world made them impervious to the strongest Western rationality.

This renewed pessimism found its intellectual expression in the theory of dualism, as expounded by the economist J.H. Boeke. Boeke spent nineteen years in Indonesia, fifteen of them attached to the Volksrederijen, and concluded that there was an unbridgeable gap between Western and Eastern economic attitudes. Indonesians, he argued, were not driven by individual acquisitiveness, but by a concern for social standing. Accumulation of wealth meant little or nothing to them and their economic behaviour was influenced by neither price nor demand. The shortcomings of the Indonesians, he concluded, were cultural: "there was no force for vigorous development operative in the cultures of such Eastern peoples." 21 In a later decade, Geertz expressed a somewhat similar pessimism. After describing the almost magical capacity of Javanese agriculture to absorb labour and the corresponding ability of rural society to share its poverty relatively evenly, at the cost of precluding capital accumulation, he went on to observe:

"In the absence of any genuine reconstruction of Indonesian civilization, [...] any alteration of the persisting direction of its development, pouring fertilizer onto Java's Lilliputian fields is likely, as modern irrigation, labour-intensive cultivation and crop diversification before it, to make only one thing grow: paralysis" (Geertz 1962:146).

Boeke's conclusions were never universally accepted, and an influential corps of colonial officials continued to pursue the upliftment of the Javanese within the Ethical Policy tradition. Boeke's ideas nonetheless had a profound effect on development policy toward the close of the colonial era. Unable to change peasant attitudes, official opinion retreated toward the view that peasant attitudes were unchangeable. Hopes for self-sustaining development in the countryside receded; the welfare programs, and with them the colonial order as a whole, acquired an air of permanence which educated Indonesians found frustrating and demeaning. The bitterness which accompanied the eventual separation of Indonesia from the Nether-
lands had a good less to do with the sense of mission which opened the century than with the assumption of permanent tutelage which had emerged by 1942. The scepticism of Boeke and Geertz has also influenced policy-making since the war. Even though neither scholar's views were ever without challengers, the profound pessimism which they inspired remained a standing rebuke to developmentalist enthusiasm from the 1930s to the early 1970s.

The last important question is: How was this pessimism able to take root in a bureaucratic developmental culture which had begun the century with such optimism? At least part of the answer, it seems to me, lies in that 'golden bullet' strategy, in the dependence of the welfare services on a relatively small number of technically defined strategies, whose content was generated by their own internal logic as much as by the conditions they sought to ameliorate. It was not that these strategies were inappropriate or unsuccessful, but rather that their technocratic spirit did not open them sufficiently to strategies for overcoming non-technical problems. The Ethical Policy continued to be judged, as it should have been, by its overall contribution to public welfare, but its components were judged by their technical performance. And as the gap between these two criteria widened, the planners of the Ethical Policy found themselves sliding into a trough of despair.

Conclusion

The Dutch development effort in Indonesia in the early 20th century was a pioneering endeavour to use government economic policy to raise the living standards of a large population. Since then, we have seen rapid and far-reaching social and economic change throughout Indonesia, especially during the last quarter-century. The increasing commercialization of agriculture, in particular, has changed many of the basic assumptions underlying today's development programs, introducing, as we all know, new problems of development and welfare. The predictions of Boeke and Geertz seem increasingly implausible. And although many of the technical aspects of today's development effort rest firmly on the scientific research and policy initiatives of the Ethical Policy, the general difficulties of Dutch colonial officials in the early part of this century appear less relevant.

The principal lesson from the early Dutch development program in Indonesia, therefore, is strategic: the golden bullets of the age—transmigration, family planning, the Green Revolution not so long ago, perhaps environmental protection in the coming decade—need to be fired with a clear understanding of what, and how much, they are expected to achieve. Neither unbridled enthusiasm nor unfettered pessimism is the ideal