

# Peasant Economy and Institutional Changes in Late Colonial Indonesia<sup>1</sup>

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## 1. The neglected sector

As far as Indonesian economic history is concerned, many scholars have labeled the native system of agricultural production cannot meet their urgent need rapidly, particularly during the crisis. This characterization refers to the fact that their aims and ambitions were not so much economic. The deviations from traditional practices were not regarded with favour as native peasants tended to upset the stability of their own societies (J.H. Boeke: 1953). Therefore the introduction of external capital into agricultural production in colonial Indonesia had mainly taken the form of big plantation owned either by the state or by foreign companies in the absent of native peasant. It is being increasingly regarded that the native system of production must be reinforced by organizations on a more western scientific basis in order to create economic value.

According to this argument, native cultivators in colonial Indonesia vary widely in their interest and abilities, and most of them worked far below their capacities. Some natives worked hard, but most did not learn much or change much for years. Only a few searched for and tried out new crops or methods. They just could not afford to take risk. They lived close to the minimum of subsistence and had little or no resources to prevent themselves from catastrophe. They wanted the appreciation of their families and communities before taking any innovation (Theodore Morgan: 1975). It is more likely that agricultural innovation was considered as communal based activity rather than

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<sup>1</sup> Paper presented to the "International Conference on Economic Growth and Institutional Change in Indonesia in the 19<sup>th</sup> and 20<sup>th</sup> Centuries", Amsterdam 25-26 February 2002

individual effort. There were no possibilities to increase production without the involvement of colonial government.

The strong prejudice against that native production system represents in the extension into the colonial government policy in form of a question whether it was necessary to develop certain policy for native production instead of an extension of capitalistic enterprises. The general argument was in favour to foreign capitalist. From the economic aspect the justification of the withdrawal of policy from native peasants may be measured by the relative contribution made by small scale peasant agriculture to the general welfare and institutional changes either directly by the smaller productivity and the employment given to wage earners, or indirectly by the decrease in the native peasant production owing to the reluctant to adopt new technology and management.

Apart from these prejudice issues, a point to be taken into consideration that small-scale agricultural production in fact was a real sector created for the pursuit of profit within the native societies and no substitute for high capitalistic enterprises. This is even truer when, as has happened in the case of some export crops such as tapioca, pepper, coffee, rubber, and coconut, the native peasants displaced big enterprises. From the practical point of view, the native system of production highly contributed to the life of the native population during the colonial period. In contrast, the foreign plantation was an economic agglomeration, which was not interested in the general improvement to standard of living of mass population. On the other hand, their activities had shown the ability of creating difficulties socially and economically.

It is hard to deny that native system of agricultural production had been integrated into the world market when the crisis in world economy has become a crisis for economy of the colony in the 1930s. It was not only foreign capitalist plantations suffered by the depression, small cultivators also reached a stage of declining economically and socially at the same time. This means that if scholars are to understand the process of economic development and institutional changes that had been occurring in various parts of the colony from the mid

nineteenth century, they need to know a lot more than they do at present about the structure of peasant economy at different periods.

This paper is intended to present the basic understanding toward peasant economy and institutional changes in Indonesia during colonial period. It aims to stimulate the growing movement of opinion toward a fuller recognition of what is involved in colonial responsibilities, and in particular of the necessity of a much more positive and constructive view toward the role of peasant production in colonial economy. There are, therefore, some preliminary observations and central issues may be made. Despite the fast growing of foreign capitalist enterprises since the mid nineteenth century, the pattern of economic change emerged among the native peasants was markedly similar to that emerged in the plantation sector. On the other hand, the native peasant communities were advantaged and disadvantaged by that pattern of economic change. Thus, to what extent that native system of production was able to respond to new economic opportunities? To what extent the economic growth affected institutional changes?

## **2. The growth of peasant economy**

The cultivation of some export crops by native peasants represented an important and long established economic activity for the Indonesian economy during colonial period. With respect to the establishment of small-scale agricultural production for export in different places in Indonesia, it was noted that rice,<sup>2</sup> coconut, pepper, nutmeg, and clove are considered as important commercial crops even before the coming of western powers into the

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<sup>2</sup> Most western bureaucrats and scholars regarded the cultivation of rice by native population in their reports and studies as an activity only to fulfill subsistence need, and there was no commercial reason behind it. However on the other hand, those reports and studies also mentioned that rice was traded widely in the archipelago. The important of rice in economic activities of Java in sixteenth and seventeenth centuries for example, can be seen in Sutjipto Tjiptoatmodjo study on port cities of Madura Strait. He argued that rice was the most important product for the economy of many ports in north cost of Java as well as the rice growing areas in the hinterland. Rice from Java was traded to Malaka and as far as Banjarmasin and Makassar. This means that rice should be considered important economically, and native peasants did contribute to commercial activities at that time whatever the mode of production was.

archipelago. If rice and coconut oil are regarded as the commercial crop for export within the archipelago, the three other crops were sold mainly to the world market. The number of commercial crop produced by native peasant increased after the introduction of other crops, such as cassava, indigo, cotton, coffee, tea, tobacco, and then rubber.

There were several different natures on the development of native peasant agriculture from mid nineteenth century. The expansion of native peasant export agriculture could be distinguished into four categories. The first is the continuation of the export crops agriculture, which already established before the introduction of compulsory cultivation and the development of big plantation. The second is the cultivation of export crops by local people in heritage to the compulsory cultivation introduced by the colonial government. The third is the establishment of small-scale export crop agriculture as an impact to the development of surrounding big plantations or government policy. Finally is the creation of small-scale export agriculture in respond of local people to the new economic opportunities and the world market.

The early expansion of native peasant export agriculture can be traced back as early as late eighteenth century, when native peasants of West Java and West Sumatra started to cultivate coffee, a new export crop which was presumably introduced to archipelago in seventeenth century. Although Du Bus reported in 1827 that “free coffee” was never really exist in West Java during the VOC era (D.H. Burger & Prajudi: 1962), some other reports mentioned that local people in Cirebon and other areas in Priangan did expand their coffee *kebun* from late eighteenth century. It is true that a massive cultivation of coffee in Priangan was a part of *Preangerstel*, an ealier type of compulsory cultivation introduced by VOC in 1777, but local people in fact started to plant coffee at the same time. The native peasant also expanded the cultivation of coffee to some regions in central and east Java. Coffee was sold at that time either to Chinese or Arab traders, whom used village head as their brokers. This condition caused great lost to the native cultivators, because both traders and village heads tended to deceive the peasants. These facts could be interpreted that beside the

compulsory cultivation policy, at the same time the local people were involving in the expansion of export crops whether they received more or less profit.

Meanwhile at the same time in West Sumatra, coffee produced by local people of coastal foothills was already recorded as one commodity sold at local market in Padang in late 1780's, as mentioned in a study carried out by Christine Dobbin (Christine Dobbin: 1987). The cultivation of coffee was then expanded among the local people in the highlands, where coffee could growth better than in the lowlands. Dobbin also mentioned that the first American traders had shipped coffee from Padang port in 1790, from when a regular of about 10 ships a year sailed from Padang to different port destinations in America with Minangkabau coffee on board. However it is different from the experience of native peasants in Priangan, native coffee cultivators in West Sumatra developed their coffee holdings spontaneously in respond to the increasing market demand before colonial government took over their places through the implementation of new economic policy.

The success story of free native coffee cultivators in Minangkabau area continued to the third decade of nineteenth century despite there was a strong interest from the government of Netherlands Indies to control coffee trading in this area from 1820's. The native coffee growers in the highland of Agam and Limapuluh Kota were able to find their own ways outside the Dutch controlling areas to sell their products. People of Agam went to ports north of Pariaman, while coffee growers and traders of Limapuluh Kota used the east coast rivers transporting their coffee to different trading ports, particularly to Singapore. The one immediate consequence of colonial government interest toward Minangkabau coffee was the introduction of compulsory coffee cultivation in this area since late 1840's. From that period, every adult man was forced to cultivate coffee, and they also had an obligation to deliver all of their harvest to the government with fixed very low prices. The policy was then continued to next sixty years (Kenneth R. Young: 1988). At this stage, native coffee cultivators in West Sumatra shared a similar experience with native coffee growers of Priangan.

The compulsory export crops cultivation was also implemented by government of Netherlands Indies to different parts of the colony. From 1822, for example, local people in Minahasa of North Sulawesi were forced to cultivate coffee. Despite of its traumatic impact to the life of Minahasan (D.E.F. Henley: 1996), the development of compulsory coffee cultivation was so important to the future economy of local people in this residency. Coffee was then the main cash resource for most local people. Meanwhile indigenous people living in areas controlled by the government Netherlands Indies in Java were subject to compulsory export crops cultivation of *Cultuurstelsel* from 1830. People were forced to cultivate their lands with certain export crops such as indigo, coffee, sugar cane, and tobacco based on village level (R.E. Elson: 1994). When the system was gradually abolished in Java from 1870, a new stage of development on native peasant agriculture in this island had began. The local people were able then to develop their own export crop smallholdings in the lands were previously used for compulsory cultivation. It was supported by the introduction of new agrarian law, which recognizes individual right to land. Although the new agrarian law provided more room for private foreign companies to expand their capitalistic interest to build big plantations, in fact, the introduction and the abolishment of *Cultuurstelsel* opened up a new era for native peasants to develop their own interest on commercial crops. People inherited unused already cultivated lands, they learned a new technology, and local people realized the availability of profitable new economic opportunity. It is not surprising that in Banyumas area of Central Java, for example, people owned their own coffee holdings, while native peasants of Kedu and Bagelen, also in Central Java, were able to develop their own tobacco for export. People began with cultivating the new crops in their garden, and then expanded them into the available lands.

A nearly similar notion occurred in *Afdeeling* Sukabumi, a highland of West Java where tea could growth very well. Tea was introduced firstly to this area as a part of Cultivation System around mid 1830's. Due to the expensive cost of production compared to the market price, the colonial government decided to lease the tea plantations of Parakan Salak and Sinagar in Sukabumi

to the private companies, who were then able to develop the plantations. The development of big tea plantations in Priangan and Bogor brought a positive impact to the growth of small-scale tea cultivation in these regions.

It might first be noted that in the early stage of small-scale tea cultivation, local people who worked in the plantations brought some seeds home and then planted tea trees in their gardens around their houses. More local people then conducted a similar thing. Meanwhile some owners of tea plantations also distributed seeds to the local people under a condition that people agreed to sell their tea leaves to the plantations (Isep Lukman Hakim: 1995). It is at this point that native peasants were successful to develop small-scale tea cultivation in this region from mid 1870's simultaneously with the expansion of big tea plantations. Although it was uneven once, it is more likely there was a symbiotic relationship between native tea sector and big plantations. Since early 1900, native peasants had been able to deliver more tea to big plantations and to supply increasing demand of tea for the local consumption.

The increasing demand of tea for local consumption and export also attracted native peasants from other regencies or residencies, such as Cianjur, Bogor, Batavia, and Pekalongan to develop small-scale tea cultivation. According to a report, the native peasants in Cianjur of *Afdeeling* Sukabumi had expanded widely the cultivation of tea in 1910. Most small cultivators owned about 0.20 to 3 hectares, but some rich people hold between 7 to 14 hectares and even more. Once native peasants have begun planting tea they did not hesitate to cultivate tea in the land used to be for cultivation of food crops. In Bogor and Cianjur, the total planted area of small-scale tea cultivation increased from 300 hectares in 1893 to 8,000 hectares in 1909 and 20,000 hectares in 1910. Bogor and Priangan were two main producing areas where native peasants still able to expand more tea holdings between 1920's and 1930's. It was noted that 20 thousand hectares of native tea holdings were located in Bogor in 1926, but the planted area increased to 43 thousand hectares in 1934 and 52 thousand hectares in 1939. A similar thing occurred in Priangan, where there were 7

thousand hectares tea holding own by local people in 1926, and the acreage rose to 18 thousand hectares in 1939 (C.J.J. van Hall: 1946).

From the late nineteenth century, the native peasants of Priangan were also able to develop cassava cultivation for export. The cultivation was expanded later to other regions in Java, such as Malang, Kediri, Surakarta, Yogyakarta, Banyumas, Pekalongan, and Cirebon. Reports of *Koloniaal Verslag* between 1905 to 1907 mentioned that more than 80% of cassava was produced by native peasants, who then sold the commodity either to local market or to companies owned by Chinese or westerners for further processing. The development of cassava cultivation in Java from 1910 to 1940 could be divided generally into three periods (Haryono Rinardi: 1998). First from 1913 to 1920, when the planted area increased nearly twice, from about two hundred thousands hectares to nearly eight hundred thousands hectares. The second stage occurred from 1921 to 1930, when the development of cassava was stagnant due to government policy toward opening new rice field, weather problem, and economic crisis. Finally from 1931 to 1940 when planted area reached to more than one thousand hectares in 1940. In addition, substantial increase had also been made in the production of native cassava cultivation in Java. According to a report, a total production of native cassava was 2.8 ton in 1913. In 1927, the total production has increased to 6.9 ton, and 8.4 in 1940.

Although people in some areas of Java used cassava for food in addition or in substitution to rice, the expansion of native cassava cultivation was encouraged by the increasing demand of tapioca flour or other forms of processed tapioca namely *siftings* and *seeds* in the world market. Japan, China, Singapore, Hong Kong, Philippines, Great Britain, USA, Canada, and South Africa were nine main destinations of cassava products exported from Java. Those countries mainly used the products for textile industry, wood industry, food industry, and livestock. Although most tapioca flour and other forms of processed tapioca were produced by big companies owned by Chinese or European, more than 80% of the demand for cassava was supplied by native growers, particularly from Priangan until the outbreak of the second world war. The cultivation of



cassava by native population was not only a matter searching for subsistence security level but the commodity was already a cash crop for affording their cash demand.

The involvement of native peasant on the expansion of export crops could be seen further on the development of native coconut cultivation, such as in Donggala of Central Sulawesi and Minahasa. Native coconut growers produced more than 95% of the total coconut export from Indonesia during colonial period. From the mid nineteenth century, local people in Kingdom of Banawa had developed coconut as commercial crop. A report on Donggala in 1851 mentioned that the King Banawa VII ordered every household in his controlled areas to plant as many as coconut trees in their garden. The report also noted that the king had moved many people to new areas in order to get suitable land for cultivating coconut trees. It soon became clear that the cultivation of coconut was important part of native peasant economic activity in Donggala from the late nineteenth century, when a further expansion of coconut cultivation took place since 1892 (Hasan: 2000).

The opening of coconut oil processing factory in Makassar in 1909 encouraged local people to cultivate more coconut trees. According to *Koloniaal Verslag* 1917, there were about more than 10 thousand coconut trees planted by local people every year since 1911. The cultivation was mainly spreading along the western coast of North Donggala, such as in Siboalaong, Tonggolobibi, Aliendau, and Batusuya. Another report noted that every household in coconut producing areas of Donggala owned at least 50 to 200 trees, and some rich people even had more than 2,000 trees in separate holdings. Meanwhile the district of Manado, Tonsea, Tondano, Amurang, Kawangkoan, and Tarahan were the main native coconut producing areas in Minahasa. Up to 1930's, there was about 70% of all population in 250 villages in the mentioned districts involved in the production of copra.

A further expansion of native coconut cultivation in Donggala was prevented by the limited access to the suitable land and low prices in 1920's. With respect to the intervention of colonial government into the coconut

cultivation in Donggala, there was a complex impact and mix feeling about the involvement. On one hand, colonial government encouraged local people moving in to suitable land to open up new coconut holdings through the implementation of different regulation since 1910. On the other hand, the intervention of colonial government created single buyer, another form of forced delivery. The native coconut growers of Donggala had to sell their products to the government or certain agent, at fixed prices.

About two thousand *pikul* copra from Donggala was shipped to Germany 1872, since then native coconut growers in Donggala found market for their product outside the region. Besides a direct export to Europe, Donggala also exported whole coconut, copra, and coconut oil to Makassar, Java, and Singapore through local, Dutch, and Chinese traders. Local and Chinese traders were mainly middlemen who then sold the product to either bigger Chinese factory owners or European exporters. Some Chinese traders of Makassar bought whole coconut, and then processed it becoming copra or oil.

A report noted that together with Manado and Gorontalo, export copra from Donggala increased gradually between 1896 and 1900, from 6 thousand tons in 1896 to more than 10 thousand tons in 1900.<sup>3</sup> A similar pattern could be seen on the export of coconut oil from Donggala. Despite a slightly decreased in 1895, the total volume of coconut oil exported from port of Donggala increased from 80 thousand liters in 1890 to 120 thousand liters in 1897. When trees planted during the mass expansion of late nineteenth and early twentieth centuries started to produce coconut, the total export of whole coconut, copra, and coconut oil increased very sharply in early 1920's, when a lot of whole coconut and copra began decompose in storehouses of port of Donggala due to over production, low demand, and low prices (Hasan: 2000).

In Minahasa, the economy of native coconut cultivation was characterized by the implementation of *copracontracten*, a trading system in which the native growers hired out their coconut holdings and received payment in advance from

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<sup>3</sup> As a comparison, the total export of copra abroad from outer islands was 309 thousand tons in 1896 and 464 thousand tons in 1900.

the buyers. The system was prohibited in 1918 by colonial government due to many native cultivators came into debt and lost their lands. However, the system was continued in this residency until 1940, because in fact both traders and native growers considered that they were advantaged by the system. An observation carried out in 1920's noted that only 13% of debt by native coconut growers was caused by *copracontracten*. *Copracontracten* in fact was an effective medium for the economic growth in coconut producing areas of Minahasa (R.Z. Leirissa: 1996).

The economic growth of East Aceh from second half of nineteenth century to the late colonial period was also characterized by the changing nature of native peasant agriculture due to the intervention of colonial government. The formation of state, the conflict between *uleebalang*, and the relation between *uleebalang* and the Sultan in East Aceh were strongly influenced by the expansion of *seuneubok lada*, a pepper plantation found by migrants in Aceh far before Dutch started to control this area in 1870's (M. Gade Ismail: 1991). Most cultivators borrowed money from local ruler, the *uleebalang*. If the *uleebalang* did not have enough money, the local ruler would asked either Chinese, Arab, or Indian moneylenders or traders from Penang to lent their money. It is at this point, the *uleebalang* shared profit as long as the trees still producing, although the cultivators had paid back all of their debt. This system not only met the economic interest of certain local ruler but also secured the sustainability of pepper production in East Aceh due to the availability of capital. However, this great economic value of pepper cultivation created wide spread competition and conflict within the society.

When colonial government and private big companies started to expand their economic activities in East Aceh in the first decade of twentieth century, the production of native pepper in East Aceh decreased very sharply. East Aceh was no longer considered as pepper exporter in 1920, although local people still cultivated pepper. This situation could be explained in term of several reasons. First, there was an urgent need to plant food crops, especially rice instead of growing pepper after the conclusion of war in order to fight against famine.

Second, pest attack caused mass destruction to the pepper holdings in this area (M. Gade Ismail: 1991). Third, there was lack of capital for new cultivation due to changing of social and political structure after the war. The *uleebalang* was no longer able to control the economy of native pepper cultivation as previously done. Fifth, the expansion of mining industry, big plantations, and lodging activities limited access to the local people to open new land for pepper cultivation. Finally, it is therefore important to note that it was not a matter of internal native pepper growers, it was the political and economic intervention of colonial regime retarded the sustainability of pepper cultivation in this area from the early twentieth century.

This brings to another fact where native peasant cultivators were able to develop their economic resources outside the colonial government and big plantations sphere. The colonial government initiative and the existing of big plantation were not the main factor in the introduction and the great expansion of rubber cultivation in Southern Sumatra, East Sumatra, and South Kalimantan. People started to cultivate and to expand rubber cultivation by themselves, without any stimulation from the government or big plantations. The government became involved only after rubber smallholdings were established. Local people in Jambi, Palembang, Hulu Sungai, Bengkalis, Deli, and Serdang in fact, bought rubber plants or seeds from rubber estate in British Malaya or traders. There were many evidences that small cultivators also learned how to plant, tap and coagulate rubber from the nearest foreign plantations, rubber plantations in the Malay Peninsula, and returned local people who had experiences working in rubber plantation. Hence, the interest of some government official represented more personal encouragement rather than formal government policy (Bambang Purwanto: 1996; Edi Sumarno: 1998).

These three native rubber-producing areas exported considerable amount of smallholder rubber since mid-1910s. Jambi, for example exported only about half ton of smallholder rubber in 1911, but it rose to 4,3 thousand tons in 1919, when Palembang exported about 477 tons. Export of smallholder rubber exports increased considerably throughout the 1920s and 1930s. Jambi achieved an

annual level of exports above 20 thousand tons in 1929, and more than 30 thousand tons in 1937. Palembang reached annual export of more than 20 thousand tons in 1934. Although rubber prices were low, production and export were restricted from the mid-1930s, people of Southern Sumatra remained produce and export great amount of rubber (A.H.P. Clemens: 1989) A similar pattern also occurred in South Kalimantan and East Sumatra.

### **3. Changes without progress**

The development of native peasant agriculture from nineteenth century was apart of economic growth and institutional changes in colonial Indonesia. Despite the capacity of native population to develop cash crop was limited, the expansion of native cash crop agriculture proceed more quickly and affected much more than expected. Among the tiny proportion of such impact, which happened to have found their way into the society, some occurred at the very beginning of the expansion process.

The expansion of native export crops cultivation caused regular population movement. Some people left their villages temporarily for working as labour or cultivating the new land. But some other people moved permanently into the new land in search for new opportunities. The people of Tontemboan of Minahasa, for example, moved to the new land in south of Ronojapo River in nineteenth century to develop new cultivation. The Sangirese people did a similar thing in early twentieth century. They moved along the coastal areas to built new coconut holdings and settlements. Due to the implementation of compulsory coffee cultivation, some people who used to plant coffee in the old places then moved to the new areas to grow coconut. The transfer from high land to the low land or from coffee to coconut cultivation must changed many mechanisms in the involved society.

The migration of local people was slower after few decades, and it caused a transformation of farming system from the temporary holding of *ladang* to the permanent system of *kebun* (Tri Hartati: 2000). In many places in Minahasa, at the beginning, coconut and coffee were planted together in *ladang* with paddy.

After few years when coconut and coffee trees grew higher, there was no possibility for the people to continue the planting of rice. Therefore coconut and coffee were permanent holding. This means people had to stay permanently in one place and abandoning the cultivation of rice. Some people did continue to plant rice in new and distant opened areas, but when there was no more new land available, the native cultivators depended only on the cultivation of coconut or coffee. This conversion caused more native peasants depending on market in order to fulfill their rice demand.

However it was not the case in Palembang, Jambi, East Sumatra, and Hulu Sungai where most native rubber and coffee cultivators in these areas still retained other crops cultivation despite the expansion of rubber. The establishment of commercial farming did not destroy the traditional pattern of native production. An expansion in external demand for commercial crops, encouraging the growth of export oriented farming, could not easily transform the production structure of the local people. The people planted rubber and coffee for the market but they still retained an important involvement in other productions or activities, in order to secure their economic position, particularly when the market price of their main commercial crop fell. The native cultivators of Palembang, Jambi, East Sumatra, and Hulu Sungai thought it was too risky to depend only on a single cash crop, and then rely for their daily needs upon the market, when commercial crop could not secure a stable return. People also did not abandon their side activities, such as fishing and gathering forest products; and daily needs for vegetables and herbs were met from the garden.

Another remarkable thing on the expansion of native export crop cultivation is there was a need of local people to move from traditional type of production and management to more rational one. This could be seen from the need of people to find native grower association in order to sustain their position and to protect them from the deceitful traders. Among the native tea growers in West Java, they found some association such as Madu Tawon, Setia Ati, and Mitra Nu Tani (Isep Lukman Hakim: 1995). These associations represented native tea growers in negotiating with big plantation who bought most of peasant

tea production. In many cases, the big plantations tended to buy the product at low prices but required high quality of leaf. At this position, the associations played an important role as a mediator to transfer the technology and a negotiator for better prices received by the native tea growers and to ensure that big plantations would buy the native product of this area.

A similar role was played by native bank in Minahasa and two organizations namely Tjempaka and Pamitran in Palembang. In Minahasa, the local people found *Volksbanken* in Tonsea, Amurang, Gorontalo in order to help native coconut cultivators to pay back their debt from *copracontracten*. One of the banks in Airmandidi Tonsea was able to provide credit up to six hundred thousand guilders to the native coconut cultivators (R.Z. Leirissa: 1996). The Tjempaka Cooperative brought together some native rubber cultivators in Komerling area in order to protect people from the middlemen, who tended to cheat by using false scales and from government policy. The middlemen thereby usually obtained some 10% to 20% more than they paid for, and the deception reached more than 30% in some places. But the activity of cooperative could not stay longer. Most members still sold their rubber to the middlemen, because most of native cultivators required cash in short. The Pamitran attempted to support native rubber growers and traders in their struggle against government policy toward inferior rubber. In response to the action of the authorities, Pamitran protested over the ineffectiveness and injustice of government policy. According to Pamitran, there was no clear standard to distinguish bad from good rubber. The authorities were not able to supervise the production of and trade in inferior rubber; consequently inferior rubber still entered Palembang in large amount. The police sometimes confiscated good rubber, defective simply because of rain or mud. The confiscated rubber was not destroyed, but remilled and the police took the money (Bambang Purwanto: 1992).

It is also important to note that the expansion of native peasant agriculture has affected the nature of labour relation, because in some areas the movement of labour played very important role on the expansion of native export crop cultivation, such as in rubber producing areas of Palembang, Jambi, and East

Sumatra. In a very low population density of Jambi, for example the expansion of native rubber cultivation was certainly depended on many labours came from outside the producing areas. The imbalance in population density caused different degrees of dependence upon outside labour. The native rubber cultivator in Jambi for example, was more dependent on outside labour than native rubber cultivator in Palembang or East Sumatra, because there were more trees per holder and local labour was not available. Consequently, outside labour in Jambi was more expensive than in Palembang and East Sumatra. It is therefore labour relation was no longer a social matter but it was more deeply influenced by economic consideration. Although some labours were still paid in nature, but the value of the payment was considered base on money economy.

Small-scale commercial agriculture did not always have low production costs. Real costs could be high in comparison with normal return to the cultivators. The growth of the small-scale rubber cultivation in fact, was greatly dependent on the availability of outside labour to tap their rubber trees. Thus, production costs were higher, and the local cultivators lost part of their income because they had to pay for hired labour. The evidence suggests that the native rubber smallholders suffered most from high production costs owing to insufficient tapers, particularly when rubber prices fell. It was difficult for the owner, as the hired tapers were always in a strong position to ask for more pay. The native rubber cultivators had to chose between employing hired labour to maximize production, or to stay with family labour with a lower production.

In fact, the expansion of native small-scale rubber cultivation was also a competition with high capitalistic sector run by private companies or the state. This can be seen on the level of income. A labour working to the rubber smallholder obtained more than 1 guilder a day in early 1920s, compared to 50 cents a day on the government project or private foreign companies. The income of rubber tapper in smallholding owned by local people, for example in Palembang was at least 75 guilders a month in 1925, compared with the income of a low level government official of 20 to 40 guilders a month at the same period. One unskilled labourer working to smallholder in some native rubber producing



areas was able to bring home 70 guilders per month, and a house maid was paid 40 to 50 guilders per month. This was also far higher than the income of unskilled labour working outside small-scale rubber cultivation sector or government official at the same period. It is not surprising if some reports noted that many labours ran away before their contract was finished during the boom of native smallholding rubber in the 1920s and even during the crisis of the 1930s.

In West Sumatra, the expansion of native coffee cultivation provided more economics opportunities to local people since late eighteenth century. As mentioned above, Christine Dobbin pointed out that local people would find their own ways to the markets, especially after the creation of Singapore in 1819. Padang was no longer the only *rantau* for the Minangkabau, because the other ports in Pariaman and eastern coast were more important *rantau* for most native peasants and traders from coffee producing areas of Agam and Limapuluh Kota. The division between *rantau* and *darek* was not only based on geographical or antropological lines but more on economics. A similar pattern occurred to Bonjol, where many people from the surrounding areas regarded Bonjol as their *rantau* due to the fast economic growth of the town since 1812. Coffee trading had changed Bonjol from a small village to be a centre of economic, religious, and political activities. The number of population increased very sharply with more than 500 hundred arms bearing men staying inside a strong fortification town, and expanded their influence into several surrounding villages (Christine Dobbin: 1987).

The expansion of export agriculture also opened up new economic opportunities, and it became an important factor in stimulating economic activity in native export crops producing areas. Small-scale commercial farming provided a considerable return to the native cultivators, and it was thus able to improve the welfare of the native producers. The expansion of native peasant agriculture provided more cash to the people, and accelerated the growth of the money economy in the rural sector.

Although there is some difficulty in measuring the economic welfare of the native rubber smallholders in Palembang and Jambi, the evidence suggests that

at certain places and times they were prosperous. The native rubber growers in Jambi, for example received at least 2.8 million guilders annually between 1911 and 1924. From 1918 to 1935, the native rubber cultivators earned at least 11.3 million guilders annually in Jambi, and 7.2 million guilders in Palembang. The article published in 1924 noted that Chinese traders in Jambi obtained about 3 million guilders annually from the native rubber trade, and about 9 to 10 million guilders a year was received by native growers and tapers (Indische Gids: 1924). According to one estimate, the gross income per native cultivator from the export of rubber was 0.22 guilder per year in Palembang and 37.27 guilders in Jambi in 1915; it rose to 11.69 guilders in Palembang and 366.16 guilders in Jambi in 1919. The native cultivators received a higher income between 1923 and 1929, when the average was 117 guilders per cultivator in Palembang and 610 guilders in Jambi per year. The annual income per native rubber cultivator increased to 263.93 guilders in Palembang and 1,1150.36 guilders in Jambi in 1925 (Bambang Purwanto: 1992).

The success story of native rubber cultivation in Palembang and Jambi greatly influence the level of export. The average annual export value from Jambi was 13.1 million guilders during 1915 to 1940, and 66 million guilders from Palembang in the same period. With respect to Palembang, the high export value was mainly from oil, which accounted for about 76% of total export value annually from 1915 to 1940. However, oil provided less direct benefit to the economy of local people, as the greatest part of the profits was taken by the foreign companies and colonial government. On average, rubber contributed nearly 11% of total export of Palembang between 1915 and 1940, but nearly 50% of total exports excluded oil came from native rubber and 35 % from native coffee. The contribution of native rubber to total exports was even higher in Jambi. The average value of native rubber exports was 90% of total export from this residency between 1915 and 1940.

Another immediate consequence of the native economic grow in several export crop producing areas was the changing of life style. It was noted in many report in early twentieth century that the local people in native commercial crop

producing areas had become familiar with luxury imports such as cars, bicycles, sewing machines, ivory buttons, ivory smoking pipes, western cigarettes, iron beds, leather shoes, gramophones, furniture, silk, conserved foods, glass and stainless steel wares. A small shop in Kayu Agung Palembang, where the consumers were mainly native rubber producers, had 100 pairs of imported women shoes (C.N. Warren & B. Staalduinen: 1925). Despite the absent of good road, in Sarolongun Jambi, where most people were dependent on rubber cultivation, there were 40 cars,<sup>4</sup> including 30 private cars in 1928. Ironically, some of the owners did not know how to drive and the car was left unused for a long period of time.

Many beautiful houses were also built in the native export producing areas of Minahasa, Donggala, Palembang, Jambi, South Kalimantan, and East Sumatra, built with brick and cement and galvanized or tile roofs. House costing from 5,000 to 7,000 guilders was widely built, and some native cultivators with big holdings spent from 10,000 to 15,000 guilders on building a house. It was also noted in the reports that local people in rubber producing areas of in Palembang, Jambi, and Hulu Sungai built many beautiful mosques, while churches were built in Minahasa. Another changing in life style could be seen on the increasing of cock fighting, other kinds of gambling, and liquor consumption among native coffee and coconut cultivators of Minahasa. And in Palembang, some reports mentioned about the increasing number of prostitution in the hinterland where most success native rubber and coffee growers situated. The prosperity of rubber growing areas and the development of new trading centres not only attracted outside labours but also many prostitutes from Java.

Although provision of education for the native population in export crop growing areas was far from satisfactory until the outbreak of the second world war, except in Minahasa and West Sumatra, the return from the cultivation of export crops enabled native cultivators to send their children to western school or

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<sup>4</sup> The price of a car was 2,000 to more 3,000 guilders. The cash price of a Ford car from the agent in 1929 was 2,115 guilders fro the *kemajuan type*, and 1,725 guilders for the *chassis type*. With the average price of rubber during the rubber boom at 75 guilders per *pikul*, a rubber cultivator would need about 28 *pikul*, or 1.7 tons of rubber, to buy a car.

religious school outside their areas. Many sent their children to the town of Manado, Padang, Bukit Tinggi, Banjarmasin, Medan, Palembang, and Jambi, or even to Java. A man in Palembang, for example, sent his daughter to Bandung to learn about textile production, and a boy from Komerang Ulu passed the Cambridge examination for the Anglo-Chinese School in Singapore. Among the native cultivators in Palembang, Jambi, South Kalimantan, and West Sumatra who were Moslem, they sent their children to Islamic boarding school in Sumatra and Java. Some of these children then pursued their education in the Middle East.

The prosperity of the native export crops growing areas also created a great number of *haji*, someone who has done a pilgrimage to Mecca. Before rubber, the number of people from Jambi making the pilgrimage to Mecca was less than one hundred a year. At a cost of 800 to 1000 guilders per person, there were 1,000 people who went to Mecca from Jambi in 1920. The number of pilgrims to Mecca from native rubber producing areas of Palembang, Jambi, Bengkalis, and Hulu Sungai reached a peak during the rubber boom of the 1920's. More than 25,000 people only from rubber producing areas of Palembang and Jambi went to Mecca between 1923 and 1929. On one hand, this condition sustained the dominant role of the *haji* group in social, political and economic life of these areas. But on the other hand, the increasing number of *haji* created more suspicious attitudes among colonial officers since many *haji* were involved in Indonesian nationalist movement.

Finally, in terms of economy, the expansion of peasant agriculture could not secure the prospect for sustained growth. It was only a relative prosperity. The general economic condition was fragile, because of the fluctuations in crop prices. The agriculture prices had been historically subject to wide fluctuations. The long period required to bring most crops into production meant a long delay in increasing output, and a serious long-term imbalance between demand and supply could result. There were great marketing margins, which reduced the benefit that was the smallholder due. And the great return might suddenly die away, when real income was reduced by rising living costs or a fall in market prices.

In addition, although the emergence of the strong middleman was a decisive factor in the growth of native commercial agriculture in Indonesia, their monopoly of market transactions, whatever their ethnicity, tended to minimize the benefits for small producers. However, there is no firm evidence to suggest that the strong position of the Indonesian middleman was of more benefit to the native producer, or that the strong position of the foreign middleman disadvantaged native producers more severely. The middlemen, together with the exporters, the owners of factories, hired labour and the Dutch government, received the greater share from the expansion of native export production, rather than the cultivator.

The temporary nature of their benefit and their high production costs prevented them from accumulating adequate capital. The benefit was limited. The formation of productive capital among the native small producers was low, although they received major returns during certain periods. The people were able to increase their purchasing power, to improve their living conditions, to make the pilgrimage to Mecca and to save. However the surplus was not great enough to increase economic productivity, to create new economic opportunities outside their geographic boundaries and to stabilize the rural economy. This was not merely the problem of the parasitic middleman, or the cultural obstacle of the unproductive and involuted native. It was not the responsibility of a single factor; the whole economic system and colonial government intervention at that time provided only a relative prosperity and limited changes. It was not enough to initiate sustained economic progress and structural institutional changes among the native growers.\*\*\*

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