

ETHICAL POLICY AND ECONOMIC DEVELOPMENT

Some experiences of the colonial past

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Introduction

At the end of the nineteenth century colonial Java was in a state of rural poverty and misery just as it now is. The standard of living was declining due to a combination of crop failures, a rapidly growing Javanese population, onerous tax burdens and an expensive Aceh war. Colonial exploitation was at its highest point. A small elite of Dutch entrepreneurs (in particular the owners of sugar-factories) and Javanese chiefs, working closely together, enriched themselves. The rich became richer, the poor poorer. The old liberal axiom that, with few exceptions, the state should not interfere with economic life and regulations still prevailed. The free play of forces in society, or 'free labour', dominated the market economy with hardly any legal protection of the poor and the powerless, the small peasant, the coolie on the plantation or in the factory. It was therefore misleading to call the last decade of the last century a period of 'lesser or declining welfare' (*mindere welvaart*) as the Dutch used to do. The reality was much more disastrous than the official terminology suggested.

Many critical observers put the blame on the colonial government itself. The government, they argued, should modify its policy. Not colonial self-interest, but rather the interest of the Indonesian people should be more prominent. These critical commentators - the vociferous Dutch press and members of the Dutch parliament in The Hague in particular - stood at the cradle of a new colonial policy, the so-called ethical policy. This term 'ethical policy' was used for the first time in a Dutch parliamentary debate in 1901 and soon became very common. Almost every Dutch politician proclaimed himself to be a staunch supporter of this new policy. The substance of the notion of 'ethical policy', however, was less clear. Initially, the term had a strong economic connotation. J.H. Boeke, the famous Leiden economist, stressed this point in 1940 by describing the ethical policy as a policy of economic development of the mass of the Indonesian people.¹⁾ This is indeed less confusing than other more

¹⁾ J. H. Boeke, 'De ethische richting in de Nederlandsch-Indische politiek', *De Gids* 1940, I, 21-35, esp. 26; E.B. Locher-Scholten, *Ethiek in fragmenten. Vijf studies over koloniaal denken en doen van Nederlanders in de Indonesische archipel 1877-1942* (Utrecht 1981) 186-190.

comprehensive descriptions. Such descriptions contain non-economic elements as for instance the pursuit of autonomy and self-government for the Indies or the postulated relationship between imperialism as a driving force behind the Dutch expansion in the outer regions of Indonesia around 1900 on the one hand and Dutch attempts to 'educate' and to 'enlighten' the Indonesian society on the other. We will keep to Boeke's description for the rest of this paper and try to formulate an answer upon the following question:

How did the Dutch colonial government try to develop Java and its population economically in the first two decades of this century and to what extent was this ethical economic development policy, in particular in the field of native industrialization, a success or a failure?

The ideas about ethical economic development policy

In order to initiate the first ethical welfare projects in Java the Dutch government decided in 1904 to spend a total of 40 million Dutch guilders as a grant for the economic development of the Netherlands Indies, in particular Java. We can see this decision as an early form of development aid. The amount of aid may be small in our eyes but was not if compared to the state budget of that time: it was about 30% of the Indies budget for one year. It is interesting to see what suggestions were made by the Indies government about the spending of this sum of money. The Governor-General (W. Rooseboom) in his letter of 23 May 1904 to the Minister for the Colonies (A.W.F. Idenburg) selected the following six categories of development projects:²⁾

1. Irrigation
2. Emigration (or better transmigration within the Indonesian archipelago)
3. Agricultural credits
4. Encouragement of horse and livestock breeding
5. Roadbuilding
6. Industrialization

It is obvious that the categories of projects sub 1, 3 and 4 were focused on the agricultural sector. They had in common that they aimed at the increase of the yield of food crops and cattle breeding, the sector in which the great majority of the Javanese population eked out a scanty livelihood. Repeated food crop failures during the last years increased the urgency of creating better living conditions for the Javanese *petani*. The rational culmination of this approach was the establishment of a separate Department of Agriculture for Indonesia in 1904. It

²⁾ See P. Creutzberg, *Het economisch beleid in Nederlandsch-Indië. Capita Selecta. Een bronnenpublikatie* (4 vol., Groningen 1972-1975) I, 186.

became the foster-mother of the Agricultural Information Service, the pioneer of the many government welfare services created in the following years.

Moreover, irrigation was a favourite subject of Dutch government care and had a long history of its own. Since the establishment of the Department of Public Works in 1866 many irrigation projects had been implemented more or less successfully by a small army of Delft trained Dutch engineers, properly organized in a so-called 'Irrigation Brigade' in 1885. They were very jealous of their monopoly in this field. In 1905 the director of the department, H.P. Mensinga, rejected any intervention by Dutch civil servants. In his opinion they lacked the necessary expertise: 'Experience has taught that even the planning of a minor and simple work of irrigation (*eenvoudig bevoeiingswerkje*) should be left to an engineer.'³)

Not only was irrigation a showcase of progressive Dutch colonialism, it was also linked to the *landrent*-tax, the main food crop tax paid by the Javanese population and therefore an attractive incentive to the Dutch policy of colonial exploitation. Not surprisingly, irrigation was the first on the list of Dutch development projects drawn up in 1904.

Emigration or transmigration, to focus upon another item of the list, was also a topic of interest as it could contribute to the decrease of the overpopulation of Java. The first plans for transmigration (from Kedu to South Sumatra) were drafted in 1904. Within the context of this paper it would go too far to follow the colonial transmigration policy in more detail, although even today valuable lessons can be drawn from the colonial experience. The observation of the Council of the Indies (*Raad van Nederlands-Indië*) in its advice of 18 March 1904 is still relevant to-day: the need for emigration is 'one of those problems that is pressing on the Government and about which something will have to be done.'⁴)

The same could be said about the ambitious road-building plans which were prepared in that quiet, motorless, age (only a handful of cars toured through Java in the first decade of this century). The Minister for the Colonies stressed the point that colonial roadbuilding at the expense of future development funds should only be allowed if this activity clearly served the economic interests of the native population. Nor could it be the intention that Western private enterprises would benefit in this way or the Indies government as such by saving the ordinary costs of infrastructure.⁵) This discussion focused on the islands outside

³) See director Mensinga to Governor-General, 24-10-1904, *V(erbaal)* 12-1-1905, no. 17, Col (Ministry for the Colonies) General State Archives (ARA/The Hague) 288.

⁴) Creutzberg, *Ekonomisch beleid*, I, XXXVI and 309.

⁵) Creutzberg, *Ekonomisch beleid*, I, 311 (Minister for the Colonies Idenburg to Governor-General Van Heutsz, 12 January 1905).

Java, as the latter region had good roads (the heritage of the cultivation system) and an excellent network of tramway-lines and railroads.⁶⁾

The development of the Javanese cottage and small-scale industry

Of more importance, at least within the scope of this paper, was the emphasis laid by the Governor-General in his report of 1904 on the development of the Javanese small-scale industry (*Javaanse kleinnijverheid*), still one of the main features of any modern development program. In their schemes for the promotion of the welfare of the Javanese population at the beginning of this century, many Dutch politicians showed themselves ardent supporters of the development of 'a real native industry'. Their argument was simple: the agriculture of Java could in the long run not feed a rapidly growing population. A workable alternative to feed all those extra mouths had to be found. An industrialization of the native sector of Java from within seemed to be an attractive solution. As Abraham Kuyper, Dutch Prime Minister from 1901 to 1905, stated in parliament in 1900: only a successful industrial development of the indigenous society could bring prosperity to Java and protect the Javanese against Chinese usurers.⁷⁾

The practical implementation of an efficient policy of native industrialization, however, was not so simple. Apart from the Western or European sector, hardly any indigenous industrial enterprises existed in Java at that time. The island did produce indigenous textiles (*batik*), iron, lime, wood, bricks, native ships (*perahu*), leather, mortar, ceramics and pottery, cigars and cigarettes, straw-hats, basket- and *rotan*-work, together with a wide array of other articles, but almost all the production took place either in the form of cottage industry (*huisnijverheid*) or in very small (mostly family) enterprises.

According to Segers, who bases his conclusions on the Census of 1905, out of the economically active population 3,5% of the Indonesians (and 3,7% of the Chinese and Arabs) were employed in industry that year. Women formed with 57% a majority of Indonesians employed in industry. Only those people who were employed in industry on their own account were included in these figures; those dependent on wage labour were not. Nearly a third of the Indonesians engaged in industrial activities were involved in agriculture too (outside Java as many as 40%). Their non-agricultural occupation was thus a part-time job and an indication that they were engaged in the cottage industry only. Hardly any capital or outside assistance was available. The role of the *bakul* or middle-men who

⁶⁾ See J. Homan van der Heide, *Prae-Adviezen over de vraag: Welke Regeeringsmaatregelen nopens de nijverheid op Java zijn in het belang der inlandsche bevolking te nemen?* (What government measures should be taken with regard to the industry in Java in the interest of the native population?) (Amsterdam 1905) 69: 'The road system is unique in the Orient.'

⁷⁾ See Th. A. Fruin, *Het economische aspect van het Indonesische vraagstuk* (Amsterdam 1947) 23; Creutzberg, *Ekonomisch beleid*, I, 438.

provided the raw materials was crucial.⁸⁾ 'Usually production was only started if orders had been placed and an advance had been received.' Almost 90% of the Indonesians engaged in industry lived in rural Java.⁹⁾ The batik industry occupied a special position by its large-scale production in (primitive) workshops, often run by non-Indonesians.¹⁰⁾ Industry in Java meant in fact Western (European) - or to a lesser extent Chinese - factory industry (*fabrieksnijverheid*) which could easily out-compete a nascent Javanese industry.¹¹⁾ For the distribution of the products of the Indonesian industrial sector, the Chinese were indispensable. Their ascendancy increased after the abolition of the opium licence system between 1894 and 1904, a reform which set free a huge amount of Chinese capital previously invested in the profitable opium trade. 'But there is no convincing information to prove that the money released benefited industrial developments.'¹²⁾ Industrial activities by Indonesians were concentrated in Central Java, in particular the residencies of Rembang, Kedu, Pekalongan and Yogyakarta.

The 1930 Census offers additional information on the native industrial development of Java. This Census registered both wage earners and the self-employed. However, workers employed in (Western) estate and mining factories were not registered under manufacturing industry. A total of 2.1. million Indonesians (and 94.000 Chinese) was supposed to be employed in manufacturing, two-thirds of them being women. In other words: about ten percent (10.38%) of all Indonesian workers were then engaged in manufacturing industries (excluding 900.000 Indonesians working in the Western machine and mining industry). The textile industry with a third (32%) of the total number of workers was by far the most important branch, but also the production of food, beverages and tobacco and the wood and bamboo processing industry deserve to be mentioned.¹³⁾ A specific growth sector was the production of the so-called *klobot-* or *krètek*-cigarettes concentrated in Kudus and North-Central Java, a branch of industry mainly dominated by Javanese; a second centre of production, predominantly in Chinese hands, was developed in and around Blitar after 1925.¹⁴⁾

⁸⁾ Peter H.W. Sitsen, *Industrial Development of the Netherlands Indies (s.l.e.a.)* (c. 1943) 14.

⁹⁾ See W.A.I.M. Segers, *Manufacturing Industry 1870-1942, Changing Economy in Indonesia: A Selection of Statistical Sources Material from the Early 19th Century up to 1940*, vol 8 (Amsterdam 1987) 18.

¹⁰⁾ Segers, *Manufacturing Industry*, 19.

¹¹⁾ See the prediction of M.P. H.H. van Kol in 1900:

'The industry of the Javanese is competed to death by the big [Western] factories so that native industries will decline and finally die out.' (Van Kol, *Handelingen Tweede Kamer der Staten-Generaal* 1900/01, 387).

¹²⁾ Segers, *Manufacturing Industry*, 20.

¹³⁾ Segers, *Manufacturing Industry*, 28. See also Sitsen, *Industrial Development*, 5, 20.

¹⁴⁾ Segers, *Manufacturing Industry*, 26.

Some contemporary thoughts and doubts about the feasibility of industrialization of Java.

The Dutch were not unaware of the flourishing precolonial commerce and prosperity of Java before they (and the Portuguese) arrived in the Indonesian archipelago and destroyed the indigenous spice trade at the end of the sixteenth century. Was a revival of this old Javanese heyday possible? In 1904, by order of the Minister for the Colonies (Idenburg), a Dutch scholar, G.P. Rouffaer, wrote an extensive report on the principal industries of the indigenous population of Java and Madura.¹⁵⁾ This report was a saddening history of the decline and fall of a once flowering complex of various industrial activities. Nevertheless, it put the reader in a cheerful mood. What happened once, could happen again. It was true, Rouffaer was not slow in emphasizing the impediments to a modern revival of an outward-looking and industrially orientated Java. Not only the economic situation with its strong Western and European preponderance and virtual monopoly of capital goods was unfavourable but also the lack of any technical training facilities for starting Javanese industrialists. Skilled labourers were rare. Javanese entrepreneurs were even more rarely to be found.

In 1907 the Minister for the Colonies (Fock) proposed to the Indies government to send a number of well-educated *priyayi* sons to Holland with the purpose 'to instruct them in the theory and practice of industrial entrepreneurship.' Subsequently, after the completion of their training, they were to be earmarked to run a factory established with financial support of the Indies government.¹⁶⁾ But none other than 'the advisor for native affairs' (and in this respect the successor of C. Snouck Hurgronje) G.A.J. Hazeu, a progressive man and very sympathetic to the Javanese cause, made objections to this proposal. In his opinion it was certainly useful to stimulate educated and 'civilized' Javanese to give up the old traditions and the sphere of action of the class of *priyayi* but it did not make sense to produce 'big industrialists' in an artificial way. 'Nowhere in the world', he wrote back, 'are clever and energetic entrepreneurs and business-men trained with support of the government.'

Instead, so concluded Hazeu, the Indies government could better spend its money on an urgently needed expansion of (lower) technical schools and similar institutions for the vocational education of Javanese. From among the graduates of these schools and the alumni of European schools in Java in general 'the men of education' would step forward of their own accord.¹⁷⁾

This was indeed the approach followed by the government after 1907. The first two technical schools (*ambachtsscholen*) opened their doors in 1909 (in

¹⁵⁾ G.P. Rouffaer, *De voornaamste industrieën der inlandsche bevolking van Java en Madoera* ('s-Gravenhage 1904).

¹⁶⁾ Creutzberg, *Ekonomisch beleid*, I, 437.

¹⁷⁾ Creutzberg, *Ekonomisch beleid*, I, 443.

Batavia and Surabaya); a similar school in Semarang followed in 1910.¹⁸⁾ The Technical University of Bandung, founded in 1920, comparable with the Delft institution and a jewel of technical education, was the apogee of this development line. Soekarno was one of the first Indonesian students who took his degree in Engineering there.

Another moot point, discussed by Rouffaer, was the question of the innate ability of the Javanese and other Indonesians for the entrepreneurship of modern industrial undertakings. Did they possess the 'Western' capacity and traits of character (whatever that could be) which were required for a successful fulfilment of this occupation? Rouffaer was not very optimistic. (By the way he was very unfit for real life himself, being a solitary bachelor and the despair of his publishers by his unpractical inclination towards perfectionism, who never had a job or occupation in his whole life but ate into his family capital). He stressed in his 1904 report this supposed native 'indolence' and incapability in a sometimes less subtle way. For instance, speaking of the bamboo houses in which almost all Javanese in his days lived, he continues:

Certainly, here too the complete absence of energy among the Javanese should be blamed. Why do all Chinese and all Arabs in the whole of Java live in better, mostly stone, houses?¹⁹⁾

But due to the historical dimension of his report, a partial explanation for this phenomenon did turn up: the age-old colonial domination of Java had stamped out the energy of the Javanese. Rouffaer demonstrated this thesis by giving the example of the import of cheap Dutch textiles in Java after 1830 that was so pernicious to the native textile industry. Alatas, the author of *The Myth of the Lazy Native*, would certainly have agreed if he had read Rouffaer's explanation.

Another influential supporter of the idea of native incapability was Governor-General Willem Rooseboom, a general in the Dutch army by his previous profession (and also a popular novelist in his days) but not an Indies expert at all as he had never been in Indonesia before his tenure of office (1899-1904).²⁰⁾ He stated with more aplomb than his arguments could justify:

Financial help by the colonial power cannot take away the main cause of the economic backwardness of Java, which is 'the character, the carelessness, the indolence, the vanity and the fatalistic attitude of the big majority of the Javanese.'

And in order to prove his point he went on by describing the fatal consequences of the *panjar*-system (*voorschotstelsel*) in Java: suppose two

¹⁸⁾ Creutzberg, *Ekonomisch beleid*, I, 453.

¹⁹⁾ Rouffaer, *Voornaamste industrieën*, 43.

²⁰⁾ See my article on Rooseboom in *Biografisch Woordenboek van Nederland*, vol I, 500. A small personal archive, including a manuscript of his memoirs, was deposited at the Koninklijk Instituut voor Taal-, Land- en Volkenkunde (Leiden) in 1997.

plantations A and B are in exactly the same conditions and A pays advanced money but a lower wage and B a higher wage but no advance, than A was preferred to B by potential plantation labourers.²¹⁾

The higher Javanese chiefs and officials were seen as another major obstacle that harmed the economic development of Javanese society. The judgement about them was far from favourable, not only in the eyes of a radical former Indies civil servant like Multatuli but also in those of a conservative colonial administrator (and former general) as Governor-General Rooseboom. In 1901 he ordered a circular letter to be sent to all residencies of Java and Madura in which he criticized the bad example given to the population by the Javanese *bupati* and other prominent members of the ruling class.

His letter began with the observation: 'a well-known and striking feature of character of many natives is their great frivolity in financial matters'. The advantage of saving money was not at all appreciated. For that reason, the Governor-General insisted upon 'an elevation' (*verheffing*) of the consciousness of the higher Indonesian officials. 'They must learn to understand that the making of debts is an evil; that to have debts is a shame (...) It should be made clear to them that it is their duty to keep order in their financial administration and that a lack of care in this respect will be disapproved of by the government no less than for instance the consumption of opium!' And the *tuan besar* ended his accusation in this threatening tone: Creditors often tried to incite Javanese chiefs to actions against to what duty and conscience prescribed; being a debtor was 'demoralizing'. In short, the government was 'displeased'.²²⁾

Taking these mental difficulties into consideration, had any plan whatever for the further development and industrialization of Java thus a chance of success? Or was it doomed to fail in advance?

The answer was given by Hazeu. In 1908 in a letter to the Batavian Department of Education, Religion and Industry (a most wonderful combination of subjects but only in 1909 was the Industries Division transferred from Education to the Department of Agriculture) he explained that all these cheap theories about the character and the natural (in) capability of the Javanese for industrial and commercial enterprises were as much sterile as useless: Five or six centuries ago the Javanese were successful merchants and entrepreneurs in an area extending far outside their native island. Then they exerted an influence which could hardly be imagined now.

In brief, so he concluded, 'it is not at all impossible that all these speculations, often presented with much pretence of scholarship, about the incapability of the native for commerce and industry, will appear in the end to

²¹⁾ Creutzberg, *Ekonomisch beleid*, I, 210-211.

²²⁾ See circular letter of 26 March 1901, no. 101, V 15-8-1904, no. 42, COL 260.

have been of as little value as so many other judgements on "the psyche" of entire nations.²³⁾

How justified he was in this condemnation of (what Alatas once called) 'the principle of misplaced responsibility', was proven by the post-war history of an independent Indonesia.²⁴⁾ Even the most sincere attempts of the Dutch administration to promote native industries must fail so long as these efforts took place in a colonial setting. In the end and in spite of all good intentions, not the interest of the indigenous society but that of the colonial power was decisive.

Frustrated expectations

The practical impediments to a rapid industrialization of Java on behalf of the state, however, could not be neglected. First and foremost, there was the uncertainty about the precise location and form, scope and potential of the numerous small-scale industrial enterprises and handicrafts in rural Java which could perhaps become the core of state-sponsored development projects. In 1904 the head of the Department of Education (and Industry) J.H. Abendanon (the man who edited the letters of *Kartini*) made a inspection tour through Java with the intention of collecting all possible information on the subject of existing native industries. He also organized meetings with local Javanese business man and entrepreneurs, the *bupati*, Dutch officials and so on. The result was a comprehensive report in two volumes that still provides informative and entertaining reading material to anyone who has a passive knowledge of Dutch.²⁵⁾

But Abendanon's report was forgotten as soon as it was written. In spite of his enthusiasm and all the data he collected, the whole enquiry had a rather amateurish character. Abendanon was not an economist nor were the members of the audiences he consulted. The study of economics in The Netherlands had to wait until 1913 when the first university in that field was founded in Rotterdam. The future first vice-president of Indonesia, Muh. Hatta, was one of the many talented Indonesians who studied there. In the first decade of this century nobody had any clear ideas about or any experience with state supported industries in a still liberal era.

The same fate of complete oblivion befell another now totally forgotten and obscure work which is nonetheless highly interesting because it is based on original fieldwork: 'The native industry in West-Java as a social-ethnological phenomenon' (*De inlandsche nijverheid in West-Java als sociaal-ethnologisch verschijnsel*), published between 1911 and 1913 in three volumes by C.M. Pleyte, an ethnologist and linguist who taught at the Koning Willem III-HBS in

²³⁾ Creutzberg, *Ekonomisch beleid*, I, 442,

²⁴⁾ S.H. Alatas, *The Myth of the Lazy Native* (London 1977) 205.

²⁵⁾ [J.H. Abendanon] *Rapport ... betreffende de maatregelen in het belang van de Inlandsche nijverheid op Java en Madoera* (2 dln., Batavia 1904).

Batavia. He was, however, very pessimistic about the future and viability of the native industry of his days. According to Pleyte there was 'no product of native industry that even remotely can compete with handicrafts and manufactured goods from abroad'.²⁶⁾

The Indies government had under these circumstances no other choice but to wait for the final report of the so-called Declining Welfare Commission (*Mindere Welvaarts-Commissie*) set up in 1902. But the first chairman of the committee, resident H.E. Steinmetz, was (as more Dutchmen are) a master of perfection. It took him two years to make a long questionnaire which was sent to all residents of Java and another ten years before the last of the 35 voluminous reports of this titanic enquiry was published. When finally the Final Proceedings (*Eindverhandeling*) of the committee appeared (in three volumes) in 1914, it was as hopelessly out-of-date as so many bundles of papers of long forgotten conferences are when they are finally published.

Snouck Hurgronje, when asked in 1902 to join the commission, was therefore put in the right afterwards by declining this invitation at once. In his opinion such an enquiry was useless and superfluous. Useless, because it did not make sense to draw general conclusions about the economic situation of Java since local and regional differences were so numerous and big. Superfluous, because all the necessary data for regional development plans could already be found in the residency archives.²⁷⁾

Even the declining welfare as such had become somewhat questionable and disputable as time had passed. The economic situation gradually ameliorated after 1902. Agrarian conditions improved (partly owing to the work of the new agricultural welfare services). Major crop failures with all their misery now belonged to the past. Even more important, the last decade before 1914 saw a worldwide economic boom in which Indonesia participated in ample measure. The economic lines were bending upwards and not downwards.

As a logical outcome of these changes the ambitious plans for the more or less systematic industrialization of native Java were dropped entirely. On the contrary, growing imports of European and other products in Indonesia caused a further decline, instead of an increase, in native industry. In so far as industrial enterprises were established in those years, for instance the big cement factory in Padang in 1912, the new factories were Dutch enterprises working with Dutch capital.

²⁶⁾ Pleyte, *De inlandsche nijverheid*, I, 60. The hat-industry of Tangerang, described in some detail in this book, was the only exception to this gloomy statement but being wholly dependent on the caprices of international fashion its position was nevertheless judged as very precarious.

²⁷⁾ E. Gobée and C. Adriaanse, *Ambtelijke Adviezen van C. Snouck Hurgronje 1889-1936*, II ('s-Gravenhage 1959) 1069-1070 (Snouck Hurgronje to Governor-General Rooseboom, 16 September 1902).

The whole 'declining welfare'-research, presented in so many volumes by an army of good-willing Dutch and Indonesian officials, was thus a paper exercise. It had no practical value or effect. But its scientific impact was considerable. One of the great advantages of a sufficient reading knowledge of Dutch is that it offers such a fascinating entrance to the world of these reports. They provide not only an excellent although somewhat exhausting picture of rural Java in the first decade of this century but give information about a wealth of other subjects too as 'the raising' (*verheffing*) of the native woman (dealt with in a separate volume), colonial law, judiciary and police (in two volumes), rainfall in Java, et cetera. The reports inspired a great economist like Boeke to formulate his theory of a dualistic economy on the basis of the material they contained.

No less interesting was the report written by the Dutch socialist Member of Parliament H.H. van Kol at the invitation of the Minister for the Colonies (Th. B. Pleyte and a brother of the previously mentioned author). He was commissioned to go to Japan in 1914. His task was to make a study of the industrialization of Japan and to sum up the lessons which could be drawn from a comparison between the recent development of that country and Java.²⁸⁾ The same parallel would emerge again in the well-known study of Clifford Geertz, *Agricultural Involution* (1963) almost fifty years later. Van Kol did his best and produced a voluminous report on the industry of Japan in 1916. He explained that the Japanese government had taken the lead in the remarkable industrialization of that country. It became banker, merchant, entrepreneur, imported machinery from abroad, hired foreign experts and did a thousand things more to promote the infant Japanese industry. Van Kol predicted the same sequence of events for Java but failed to substantiate this prophecy. Anyway, he grossly overestimated the impact of the Japanese government on the rapid industrialization of Japan; the roots of this process dated much farther back than he had supposed. Published in the middle of the First World War, Van Kol's report was soon forgotten.²⁹⁾

Another victim of the Great War was the final report of the Declining Welfare Committee. The colonial government had now other priorities. It had become aware of the dependence of the Indonesian economy on the outside world. The war disrupted the shipping lines. This raised the question whether certain goods, which were imported from abroad and were now scarce, could not better be produced in Indonesia itself.

This awareness led to the decision (by Governor-General Idenburg) to set up a Commission for the Development of the Factory Industry in the Netherlands

²⁸⁾ See H.H. van Kol, *De ontwikkeling der groot-industrie in Japan* (2 vols., Den Haag 1916); vgl. H.J. van Oorschot, *De ontwikkeling van de nijverheid in Indonesië* (Den Haag/Bandung 1956), 29-30.

²⁹⁾ On Van Kol's mission to Japan, see P.W. Klein, 'Henri van Kol en de industrialisatie van Nederlands-Indië naar het model van Japan; hersenschim of gemiste kans?', in A. Knoester (ed.), *Lessen uit het verleden. 125 jaar Vereniging voor de Staathuishoudkunde* (Leiden/Antwerpen 1987) 83-97.

Indies in 1915 (the so-called *Fabrieksnijverheidcommissie*). Its sole purpose was to promote the expansion of big industrial enterprises that could make Indonesia more autarchic and self-sufficient. Indonesians were not invited to join the committee. It was an affair for and by Europeans. Its attention was focused on the founding of big industrial enterprises, not on the expansion of small-scale or cottage industry.

The commission made the same mistakes as its predecessor by taking too much time for its reports. The First World War was already over when the committee was still muddling through the initial phase of its enquiry. In the following years after communications and shipping lines were restored the committee faded away. In 1926, it was finally dissolved without a final report and even almost unnoticed.

At that moment only three years separated the Indies economy from the big world crisis that began in 1929. The economic crisis dealt almost the death-blow to the only industry in Java that really mattered, the sugar industry. It was the sad end of a story that started under such hopeful auspices in the first years of this century.

Conclusions

The conclusion of this paper is that the only real new element of the Dutch economic ethical policy, apart from certain improvements in the agricultural sector, consisted of the half-hearted efforts of the Dutch colonial government to make a beginning with the industrialization of Java in the first two decades of this century. These attempts were obviously a failure. The reasons for this failure can be summed up as follows:

1. A policy of industrialization in a colonial setting can only be successful if the vested interests of the colonial elite and the mother-country do not oppose such a policy. The Dutch involvement in the colonial export agriculture and the mining industry of Indonesia did not favour any indigenous enterprises that might have laid a claim upon the same capital and labour market. The years 1900-1930 were in general an era of prosperity and boom for the big Western agricultural enterprises. It is therefore not surprising that indigenous, non-Western, industries did not get many chances.
2. The Dutch were eager to keep the import duties at a low level. Higher import duties could have supported a nascent Javanese industry but sealed off the Indonesian consumer market to Dutch export goods to Indonesia.
3. The Javanese missed the capital and technical knowledge and the vocational training facilities for the development of small-scale industries with a growth potential except in a few sectors (cigarettes, batik and weaving). But in these exceptional cases too the capital investments were mostly made by non-Javanese.

4. There was a strong colonial prejudice about the supposed incapability of the indigenous population for the development of new industries and for industrial entrepreneurship in general. This prejudice was strengthened by Boeke's development theories on 'dualistic economics', i.e. the idea that certain generally valid economic laws should not be applicable to the situation in Indonesia and other tropical countries.³⁰⁾
5. Poor information about the industrial potential and possibilities of Java was a big handicap for the planners. The collection of the data usually caused such a delay that the most opportune moment had already passed long before the required information became available and more concrete proposals might have been worked out.
6. The governmental approach of the problem of the industrialization of Java was rather amateurish because no experience at all existed vis-à-vis the promotion of industry in the context, or as an extension of, the liberal economic policy still prevalent then.³¹⁾

³⁰⁾ See his *Indonesian Economics. The Concept of Dualism in Theory and Policy* (The Hague 1961) and A.J. Kluyver, 'Bevordering der inheemsche nijverheid van regeeringswege', *Koloniale Studiën* 5 (1921) I, 153-181, esp. 159, 173.

³¹⁾ See also Fruin, *Economisch aspect*, 24-25; Van Oorschot, *Ontwikkeling nijverheid*, 38.