

Mike Kidron's Unpublished Thesis: Extracts

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Introduction

Mike Kidron's 1957 Balliol College, Oxford University, M. Litt., thesis, *Problems and patterns of development in overpopulated backward countries with special reference to Indonesia*, is a long-forgotten academic gem. It is here that Mike cut his teeth in the field of development economics, teeth that were to become fully developed in the following years both through his professional roles and also his writings. In the former were periods spent with the Royal Institute of International Affairs and with the Institute of Commonwealth Studies, in the latter with books such as *Foreign Investments in India* and *Pakistan's Trade with Eastern Bloc Countries*.

The thesis is a remarkable achievement, in a whole number of ways. Firstly, it marshals an impressive array of facts and figures and puts them together in a remarkably coherent manner that has a logical flow from proposition to potential answers. Secondly, it never loses sight of its goal – Mike might take the occasional detour – but they are always used to illuminate issues and clarify problems. Thirdly, is a clear understanding, one might say mastery, of the subject matter – but without in any way saying that this is the correct answer – it is, always, one possibility. Finally, it is so very well written.

As regards the standard of writing one cannot but feel that a comparison with Tony Cliff's writings on Russia and China of the same period should serve as a comparison. Whilst Cliff serves up impressive arrays of facts and figures, his is served in a dish akin to a stodgy rice pudding. Kidron's is served as fine dining.

What is all the more remarkable is how Kidron found time to complete his work. One only has to study Kidron's correspondence files and meeting diaries of the time (as I have done) and look at his political and agitational writing output to be truly amazed.

At 289 pages the thesis is far too long to be able to reproduce in full. The best I can do to give a flavour of this important work in the Mike Kidron back catalogue is to provide some selected extracts. I am not an economist, so the selection here is bound to be coloured by my own interests and experiences – but I hope anyone can take something from what is presented.

John Rudge

Note on availability:

The original of the thesis is held at the Bodleian Library, Oxford University. A copy is held by the Kidron family.

Extract 1 – Contents

<u>Page</u>		
	Preface	1
	Chapter I. Problems in the Supply of Capital	3
	1. The Peasant Sector	4
	The Agricultural Bias of the Economy	4
	Java and the Outer Islands	6
	Java and Madura: Low Productivity	7
	Reasons for Low Productivity on Peasant Java and Madura - General	8
	Lack of Capital	9
	Land Scarcity and Irrigation Possibilities in Peasant Java	12
	Productivity, Employment and Public Health	14
	The Sugar Companies and Communal Property in Java	15
	The Outward Redistribution of Peasant Incomes: Usury, Tenancy, Trade and Taxes	19
	Fluctuating Incomes in Java and Madura	26
	Terms of Trade Between Agricultural and Industrial Goods	26
	The Decline of Cottage Industries and Handicrafts	27
	The Outer Islands – the Great Exception	28
	2. The Industrial Sector	36
	3. The Internal Trade Sector	40
	Importance of Trade and Intermediary Functions	40
	Immobility of Factors	41
	Malinvestment	43
	4. The Foreign Sector	44
	Volume and Distribution of Foreign Capital	45
	Returns on Foreign Investments	47
	Changes Since the 'Thirties	48
	Oil Benefits from Balance of Payments Autonomy	51
	The Future of Foreign Investments	54

5. The State Sector	62
Conclusion	65
Appendix: Voluntary Savings Institutions in Indonesia	67
Chapter II. Problems in the Demand for Capital	79
1. The Internal Market	79
The Extent of the Market	79
Technical Discontinuities and Natural Monopolies	80
Utility Capital	83
Malinvestment	84
Competition from Imports	85
2. The Export Market	86
The Importance of the Export Market	86
Decline in Exports	91
Rubber – The Seeming Exception	107
Terms of Trade – Trend	110
Terms of Trade – Short-term Fluctuations	112
Foreign Currency Holdings	116
Conclusion	118
Chapter III. Population Problems and Corollaries	119
1. The Problem	119
The Growth of Population	119
Urbanization and Industrialization	121
Migration from Java to the Outer Islands	123
Export Crops and Estate Employment	124
2. The Corollaries	125
Pressure on the Land in Java and Madura	125
Diminishing Returns in Yields	126
Growth of Landlessness and Differentiation in Landownership	127
Decline in Living Standards in Java and Madura	133
Some Notable Exceptions	139

Social Unrest and Subversion	142
Note on the PKI, 1945 – 1955	146
Chapter IV. Creating Savings and Mobilizing Capital out of Current Incomes: Methods and Problems	150
1. The Extent of the Need	150
2. The Extent of the Supply	155
3. Fiscal Methods	157
Increasing Government Revenue	157
Decreasing Government Expenditure	172
4. Monetary Methods	176
Deficit Financing and Inflation	176
5. Balance of Payments Problems	186
Chapter V. Savings out of Increasing Incomes: Methods and Problems	192
1. Agricultural Extension – Indonesia and the Japanese Model	194
The Record of Japan	194
Extension Services in Indonesia	196
Difficulties in Following the “Japanese Model”	198
2. Forced Savings with a Stagnating Agriculture – Indonesia and the Russian Model	206
The Concept of Underemployment	206
The Control of Consumption	211
Collectivization and the Problem of Taxation	214
Collectivization in Russia	216
Collectivization in Intensive-Agricultural Economies: Difficulties in Following the “Russian Way”	218
Chapter VI. Investment Patterns	229
1. Balanced Growth	229
Productivity, Markets and Priorities	229
Labour-intensive Investments; Agricultural Co-operatives	231
2. Balanced Growth in Indonesia	233
3. Problems in the Concept of Balanced Growth	252

The Social Marginal Product Rule	252
Consumer Sovereignty and the “Scissors”	259
4. Conclusion	262
Chapter VII. Conclusion: The Need for International Income Transfers	263
“National” or “International” Analysis	263
The Importance of International Transfers	264
The Consequences of Isolation	265
Appendix. The Culture System	267
Key to Abbreviated Bibliographic References Used in the Text	273

This text forms the “Contents” (pp. i-iii) of Mike Kidron’s unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 2 - Preface

"It is unfortunate that on occasion events unfold so rapidly as to make a choice of tenses anachronistic. The body of this thesis had been formulated long before the newspaper-reading public was greeted with headlines such as "Indonesian Plan to Drop Democracy; More Power for Communists" (*Observer*, February 17, 1957. "Communists as Dr. Sukarno's Allies; Political Confusion in Indonesia" (*Times*, February 19, 1957). Much that seemed to need painful proof and demonstration at the time of writing is now – a few weeks before the time of reading – apparent.

However, it is in the nature of economic backwardness to endure amid volatile political changes. Indeed it would appear that the greater the political instability of a backward country the more we can be sure that the pace of its development bears little relation to the need for it. A study of the economics of *immobilisme* might be thus reasonably long-lived.

The following is an attempt at such a study. It does not pretend to prescribe – that would require a great deal more first-hand knowledge and personal experience of the area. It merely attempts to trace the causes for Indonesia's present backwardness, the factors tending to perpetuate economic stagnation and the difficulties attendant on development along given, proposed lines. Thus, in Chapter I the factors limiting the supply of capital and skills in the different sectors of the economy – peasant, industrial, foreign, trade etc. – are reviewed. Chapter II analyses the causes for the lack of effective demand for capital and skills while Chapter III describes the population problems and the social and political insecurities to which the absence of economic progress gives rise. It is only after the basic features of the economy have been thus described through an analysis of its weaknesses that we proceed to a more detailed analysis of the methods suggested for initiating economic growth.

Methods for creating savings and mobilising capital out of current income and the problems associated therewith are considered in Chapter IV. There follows a chapter which deals with the problem of saving out of increasing incomes. Here we are especially interested to see whether Indonesia can derive any object lessons from either Japanese or Russian experience.

Chapter VI finally leads us to the theoretical consideration of a generalised balanced growth model of development; its implications, whether they have been realised in Indonesia (committed as she is to Balanced Growth) and indeed whether these implications are, in the context of a backward economy, as unambiguous as they might seem.

Chapter VII sums up the whole by showing what the prerequisites for balanced growth are and the consequences of unbalanced growth.

It will be seen that the approach is neither purely practical and descriptive nor purely theoretical and analytical. It is rather a synthesis of the two as befits the state of the branch of economics that deals with the underdeveloped countries. Nor is there any attempt to define terms for the sake of mere terminological purity. The precision of our language reflects the nature of the phenomena under discussion. Thus as we progress from the more or less descriptive first chapters to the more or less theoretical final chapters, the terms used become progressively more rigorous and formal in their connotations."

This text is the slightly abridged "Preface" (pp. 1-2) of Mike Kidron's unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 3 - Problems in the Supply of Capital

“Indonesia is potentially one of the richest countries of the Far East. She possesses the most diversified agricultural economy in the region, a fertile volcanic soil, regular and plentiful rainfall and a good climate; she has great hydro-electric power potential, considerable deposits of almost every known mineral including oil, coal, iron, bauxite, tin; she enjoys a wealth of concentrated labour; and, finally, she encompasses vast untapped regions which await development. As it is, Indonesia is one of the poorest countries of the region, if not the poorest.

The cause of poverty is not hard to find. Indonesia is poor because productivity is low; productivity is low because there is very little capital, including land, technical know-how etc. per worker which, in turn, is because incomes are so low that very little can be saved after the needs of subsistence have been met. Those pockets of saving which do exist are not attracted towards fields of productive investment because the division of labour denoted by modern capital-intensive productive techniques cannot be justified by the limited market. The limited market, again, is but another aspect of low productivity of labour, which thus inhibits development from both sides: the supply of capital and the demand for it.”

This text forms the opening two paragraphs of Chapter I “Problems in the Supply of Capital” (p. 3) of Mike Kidron’s unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 4 - Technical Discontinuities and Natural Monopolies

“Poverty and low productivity place limits on the market. However, by themselves small markets under conditions of low productivity do not hinder growth, although under modern conditions they do. Where productivity of labour is low, say at the beginning of capitalist development in England, a small market can support many competing producers a few of whom, by increasing their productivity above that of their fellows, might ease themselves into dominant positions in the market and yet be small enough in relation to it not to be able to satisfy demand completely. Under such conditions competition for an existing market leads to a diffuse, general increase in productivity which, in itself, enlarges the market. Where productivity is initially high and purchasing power low this type of development is not to be expected. It is even hindered. High productivity in modern industry together with its high capital intensity (that is, great initial costs) and with its technical discontinuities which rule out the possibility of gradual growth in capital structure through many small accretions to capital, lead inevitably to the establishment of “natural” monopolies in backward countries. This itself tends to perpetuate the limited size of the internal market as would-be competitors are effectively kept out. (1).

This point needs, perhaps, some elaboration. During the early phase of capitalism in Britain, for example, the absolute magnitudes of productive investment bore a direct relation to the level of productivity of the time. In Indonesia and the backward countries generally the absolute level of investment bears no relation to the level of productivity within the economy itself but is measured in terms of the productive forces obtaining in the developed economies of the world. For the British farmer of the seventeenth century a horse-drawn cart was sufficient to bring his produce to the market; for the Indonesian *tani* with the same level of productivity a railroad is a necessity if he is to meet foreign competition. For the British State of the time a few dirt tracks were sufficient to control the country in an era of sluggish communications; the Indonesian State needs planes, air-fields etc. A modern economic is necessary despite the exiguous nature of the means to support it; backward Indonesia must maintain a complex industrial and administrative system quite out of proportion to the resources she can command; has to invest funds which bear no relation to the amount of voluntary savings.”

Notes

1. Pre-war, half of the general import trade was in the hands of four Dutch houses; four-fifths of the technical imports were handled by five firms; three-fifths of the medical and pharmaceutical supplies by two firms; most of the motor cars by three firms, and so on.

This text is extracted is from Chapter II “Problems in the Demand for Capital” (pp. 80-82) of Mike Kidron’s unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 5 - Social Unrest and Subversion

“Increasing poverty serves as a backdrop to an ever-deepening social unrest which, today, has attained as articulate and sophisticated an expression as anything obtaining elsewhere.

Peasant revolt and mass delinquency are not new in Indonesia. The century started with the Atchen war, just ended, with the Saminist peasant movement in Middle Java in full swing and with the shadow of the Bali insurrection threatening. The beginnings of depression in agriculture and the Chinese revolution of 1925-27 had their counterpart in the 1926-27 insurrections in Java and Sumatra. The depression saw the spread of *rampok* (dacoity) parties and tax strikes throughout the archipelago and especially in Java. Japanese occupation – originally greeted as liberation – met increasing resistance and guerrilla activity as the burden of obligatory deliveries of produce grew. The Indonesian Republican Government has had to repress by force a Communist insurrection in Madiun in 1948 and is still faced with civil war in West Java, in the Moluccas, in the Celebes and in parts of Sumatra.

But if social unrest is not new in Indonesia, subversion and the threat of overthrow are. Peasant *jacquerie* by itself has shown its impotence as an opposition to a centralised State (1), but when it is mobilised and given form by a political party, it can threaten almost any State, not least a newly formed, unstable one like Indonesia.

In this connection the history of modern Indonesia has been a steady permeation of imported political ideas and organisational forms into the inchoate substance of internally generated social unrest. This is true of all political parties and especially true of the Communist Party.

From its beginnings the Perserikatan Komunis di India (PKI – Indonesian Communist Party) has derived its direction and its policy from without rather than within the country. If, in its early stages, it collaborated with the Comintern (2), collaboration soon turned into the usual subservience to the Russian global *gleichschaltung* (3).

Today the PKI evinces the normal pattern of Russian-controlled parties, with all their regimented and opportunist changes of policy (4). But weak as it may seem when seen in the light of the coherence of its policy, or of its stand on principle, it combines two elements of strength which may well prove fatal to the unstable Indonesian Republic. Firstly, the conscious aim on the part of the Communist Party to attain power whether fairly or foully and no matter at what cost to the country as a whole; secondly, a magnificent lever in the shape of a growing mass of restlessness and spontaneous social entropy, willing to be channelled in any direction (5).

The Republic is engaged on what amounts to full-scale war in four or five areas. It has already had occasion to ban strikes and impose severe penalties for inciting labour unrest (ordinances of February and September 1951). In August a number of arrests were made among the leadership of the SOBSI, the Communist controlled federation of trade unions, which claims 2.5 million members (6). What the future holds for the political and social stability in Indonesia is tied up with the progress of Indonesian development. Unless steps are taken to alleviate the crushing poverty of the Indonesian population and reverse the trend to even greater depths of economic misery, to level up conditions throughout the archipelago without, however, strengthening the fissiparous tendencies that have become increasingly active recently, the chances of a stable Indonesia certainly appear to be remote. The activities – peaceful or not, open or subversive – of the PKI, will ensure that.

Note on the PKI and Moscow 1945-55

The PKI came to life once more after the Japanese occupation when some of its more important leaders returned from exile – Alimin from Russia, Sardjono from imprisonment in Australia. In accordance with the worldwide strategy of the Communist Parties of the time which demanded broad “united front” tactics with the Western Powers and, as a corollary, the muting of colonial movements for independence (7), Alimin was for an understanding with the Dutch and even persuaded President Sukarno to appoint an additional

180 left-wing members of the House of Representatives in order to push through Parliament the Linggadjati Agreement with Holland (March 25, 1947). Alimin became a member of the Central Committee of the House and, in July, 14 members of its PKI-led faction, Sajap Kiri (the Left Wing), held portfolios in the new Sjarifuddin Government.

Although the Sajap Kiri did not immediately participate in the right-wing Hatta Cabinet which replaced Sjarifuddin in January, 1948, Alimin declared (May 27) that he would re-enter the Government and negotiations were being conducted for that outcome.

These plans proved abortive, however. Moscow had changed her tactics. Co-existence gave way to Cold War. The first sign of the change was the inaugural Cominform Conference held in Poland in September, 1947, where Zhdanov pronounced that "Anglo-American Imperialism" which, during the war years and immediately after had been "prisoners in the camp of the people" had now managed to escape from the people's camp" (8). An immediate result of this change of line was Moscow's recognition of the Republic of Indonesia (May 27, 1948) in contravention of the Renville Agreement, signed between the Republic and the Netherlands East Indies Government on January 17, and supported by the PKI. The full meaning of the Zhdanov Thesis did not reach Asia immediately, however. In February, 1948, a regional meeting of the World Federation of Democratic Youth was convened in Calcutta to make the message plain. It met immediately after the Second Congress of the Communist Party of India. At both these meetings the green light was given to insurrection. The drawn-out negotiations of the Chinese Communist Party for coalition with Chiang Kai-shek were broken off and civil war begun; the new Ranadive leadership of the Indian Communist Party started preparing the Telengana uprising; the Communist Parties of Britain, France and Holland switched round to supporting insurrectionary activities in Burma, Malaya, Indochina and Indonesia. The Communist Parties of these latter territories stopped working within the framework of established governments (9) and tried to disrupt the framework.

It took some time for the new line to affect the PKI. It was only when Muso returned from Moscow with Soeripno on August 12 1948, that the PKI acknowledged its "past mistakes" and turned around on the agreements with the Netherlands which they had helped to formulate. On the 18th September, the first fruits of the Zhdanov line were gathered – the Madioen coup was staged in Eastern Java. The coup failed, Muso was killed and a number of other leaders, including ex-premier Sjarifuddin, executed.

Another shift in policy took place in 1949. As early as the Second [World] Trade Union Congress in Milan (June-July, 1949) the Madioen uprising was subtly repudiated as having been "provoked by Hatta" (10). The new line of popular front was given formal recognition in Liu Shao-chi's address to the Asian and Australasian Trade Union Conference in Peking (November) in which he said: "The experience of the victorious national liberation struggle of the Chinese people teaches that the working class must unite with all classes, parties, groups and organisations...and to form a broad, nation-wide front, headed by the working class and its vanguard, the Communist Party". At the same Conference, Ali Sardjono, the Indonesian delegate reported that "sixty-five million dollars were spent by Wall Street for the so-called "Communist Insurrection" in Madioen" (11). The new policy was given the final stamp of official authority in the editorial the Cominform weekly "For a Lasting Peace, For a People's Democracy" (27/1/49) entitled *Mighty Advance of the National Liberation Movement in the Colonial and Dependent Countries* which stressed the United Front as the correct tactic in present circumstances. However, the editorial also specifically included Indonesia as one of the countries where internal conditions for the formation of National Liberation Armies and armed struggle against Imperialists and their Collaborators exist.

Since then the PKI has turned increasingly to legal, constitutional activity. They joined hands with the PNI – centrist nationalist party – in overthrowing the right-wing Sukiman administration (April 1951 - February 1952) on the issue of American military aid administered by MSA. The new constitution adopted by the PKI-controlled trade-union organisation (SOBSI) at its third national congress in Djakarta (Autumn 1952) dropped all reference to the "proletarian dictatorship" and the "democratic dictatorship" in a pronounced shift from direct action to political manoeuvring (12). The PKI supported and kept alive the Wilopo government (April 1952 – June 1953) during the "Autumn Days" of threatened coups and held the keys to

the Sastroamidjojo majority in Parliament throughout its considerable – in Indonesian terms – existence (August 1953 – July 1955). Most reports agree that during the latter period the PKI expanded considerably in numbers and influence within the State administration, a view which received some corroboration in the results of the October, 1955, elections in which the PKI polled some 20 percent of the votes.

That the PKI has not given up the use of force entirely can be seen in the links between it and guerrilla bands operating in West Java as revealed when a number of members of the Bambu Rintjing band were taken and interrogated by the not unfriendly Sastroamidjojo authorities early in 1954 (13), or by the PKI bid to arm its para-military organisation Perbepsi, as a militia to supervise the general election of 1955 (14).

P.S. The end of the 1945-55 decade has seen Russian foreign and the PKI's domestic policies turn full cycle. United fronts, collaboration with governments and between governments have returned. Sukarno is feted in Moscow and Peking, not Aidit. Sukarno returns advocating the abolition of all parties and substituting a presidential cabinet; Aidit confirms his support. It is not too much to believe that the cycle with all its dangers to the unstable equilibrium of the Indonesian state might start yet again with, possibly, the single change in the locus of influence – Peking, not Moscow."

Notes

1. Not least by its lack of an alternative for a centralised State, which, especially in an artificial-irrigation country performs services for the peasantry which no other body could or would. How weak peasant jacquerie is can be seen by the fate of the Saminist Movement which, as soon as it offered armed resistance, was stamped out entirely, without it having left any basis – ideological or organisational – for continuity (see "Saminiisme" in Encyclopaedia van Nederlandsch Indie).
2. Thus, for example, Tan Malaka, Indonesian delegate to the Fourth Congress of the Comintern (November-December 1922) managed to reverse a decision of the Second Congress which stressed the importance of the democratic movement in colonial territories and which stated explicitly that "a struggle must be conducted against Pan-Islamism and similar institutions... (as they) strengthen the position of the landowners like the Khans, Mullahs and others". (Quoted by Blumberger, pp. 16-17). Tan Malaka maintained that Pan-Islamism meant "the national struggle for freedom" and inserted the following into the General theses of the Fourth Congress: "In Moslem countries the national movement reveals its ideology at first under the politico-religious slogans of Pan-Islam..." (ibid pp. 27-28). Of course the change was in the direction of the "consolidation" policy of the Soviet Union and the Comintern of that time; nevertheless it showed some initiative on the part of the PKI delegate.
3. One sequence of events will illustrate this point clearly. At the Fifth Congress of the Comintern (June-July 1924) emphasis was placed on the control of trade unions by Communist Parties. At the parallel Pan-Pacific Labour Conference in Canton, held under the auspices of the Comintern and attended by the PKI leaders Alimin and Boedisoetjro the same thesis was underscored – Communist Parties must concentrate on the working class. Later that year, in December, at a joint Sarekat Rakjat-PKI Conference at Jogja, the Central Committee of the PKI tried to dissolve the Sarekat Rakjat and create in its stead a peasant-co-operative organisation. The ostensible reasons for the proposal were that peasant middle-class influences were infiltrating the PKI from its front organisations, that the peasantry was politically backward and only interested in economic matters. The motion was rejected and a compromise reached whereby the Sarekat Rakjat would be left to die a natural death by freezing the number of its branches and by attracting proletarian elements. The Comintern decided in 1925 to drop the Sarekat Rakjat, but in the event, as both PKI and SR were declared illegal by the colonial Government and their leaders exiled, nothing came of the resolution.
4. See the section "Note on the PKI and Moscow 1945-55".

5. The PKI is not the only extremist party in Indonesia. Darul Islam, sections of the Army Officer Corps (which seems to operate along party political lines) and smaller groups can be mentioned. The “advantage” of the PKI over the latter is that it can call upon other than local resources.
6. World Trade Union Movement, May 1-15, 1953; New York Times 20/10/51; Christian Science Monitor 20/10/51. 12 Members of Parliament were among the 15000 people arrested in connection with riots in Djakarta and Medan.
7. Significantly, Ho Chi-Minh could elicit no support from the French Communist Party who, on the contrary, voted in the National Constituent Assembly (4/4/46) for a message congratulating the troops of the French Expeditionary Force in the Far East “on the morrow of the day in which their entry into Hanoi sets the seal on the success of the government of the Republic’s policy of peaceful liberation of all the peoples of the Union of Indo-China”.
8. Zhdanov’s address is contained in *The International Situation*, Foreign Language Publishing House, Moscow, 1947.
9. Until then they worked actively in suppressing dissident “Trotskyite” elements in Indochina, in Indonesia, - Tan Malaka and Partai Murba – and in Burma – the Red Flag Communists – in conjunction with the Government.
10. *Proceedings*, p. 653.
11. *NCNA*, November 20, 22, 1949.
12. See MG 30/12/52.
13. Brackman in *Christian Science Monitor* 12/5/54.
14. *Ibid*, 10/11/54.

Literature Cited

Blumberger, J.T.P. 1928. *De communistische beweging in Nederlandsch Indie*. The Hague.

World Federation of Trade Unions. 1949. *WFTU, Second World Trade Union Conference Proceedings*, Milan.

Notes by John Rudge

1. The bibliography used by Kidron is an abbreviated one – not all articles quoted from seem to be individually listed.
2. For a later instance of Kidron writing on the subject of the PKI see Indonesian Communists in *International Socialism* journal Number 30 (Autumn 1967):
<https://www.marxists.org/archive/kidron/works/1967/xx/indonesia.htm>

This text is extracted from Chapter III “Population Problems and Corollaries” (pp. 142-149) of Mike Kidron’s unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 6 - Collectivisation in Russia

“Collectivisation did not increase aggregate agricultural output in Russia; on the contrary it led to stagnation. In a Report by Khrushchev, First Secretary of the Communist Party of the Soviet Union, to the Central Committee, in September 1953, the following table was adduced:

Livestock Population of the USSR (Millions of Head on Jan. 1 in Comparable Territory)					
Year	Total	Cows	Pigs	Sheep & Goats	Horses
1916	58.4	28.3	23.0	96.3	38.2
1928*	66.8	33.2	27.7	114.6	36.1
1941	54.5	27.8	27.3	91.6	21.0
1953	56.6	24.3	28.5	109.6	15.3

*Start of Collectivisation. Source: Khrushchev, p. 21.

Khrushchev goes on to say that “districts which had long been famous as butter suppliers are now producing less butter than before. Siberia, for instance, produced 75,000 tons of butter in 1913, and only 65,000 tons in 1952 (1). Vegetable farming, another intensive branch of agriculture, shows the same trend (although here, unfortunately, Khrushchev confines himself to pre- and post-war comparisons only and omits mention of the pre-collectivisation output):

“The vegetable crop area today is 250,000 hectares less than in 1940. The potato crop area in the country generally has increased but in some of the regions it is far below pre-war.”

Indeed, the only major agricultural food crop that has shown any advance since collectivisation is grain whose output in 1938 was some 16 percent higher than in 1928. Even this, however, is due more to the cultivation of new steppe lands with new agricultural machinery than to increases in productivity in the old areas: total sown area rose by 21 percent and that sown to grain by 11 percent (2).

However, despite the fall in meat, dairy produce and vegetables output, and the meagre rise in grain production, the achievements of collectivisation in Russia could be claimed as a success. For, notwithstanding the decline in total output, the share of the State rose tremendously, the investment fund grew as taxation was facilitated: “For instance”, Khrushchev writes, “in the period 1926/27 to 1952/53 the marketable surplus of farm produce rose from 10.3 million to 40.4 million tons in the case of cereals, from 3 million to 20.5 million tons in the case of potatoes, from 2.4 million to 5 million tons in the case of meat (live weight), and from 4.3 million to 13.2 million tons in the case of milk.” (3).

The power of the State over the collective farms does not show itself only in the considerable rise in obligatory deliveries on a background of declining agricultural production. It can be seen also in administrative integration; the MTS's [machine tractor stations] are directly State-owned and heavy agricultural machinery can only be had on loan, not purchased, by the collectives; “The volume of statistical data the collective farms have to submit today is nearly eight times as great as it was before the war” (4); and so on.

The struggle between the State and the peasantry over potential savings has been won by the State, although not without millions of deportations to slave camps (5) and not without placing the whole country under the threat of famine.

Collectivisation in Intensive Agriculture Economies: Difficulties in Following the “Russian Way”

Moral judgements apart, the question that Russian collectivisation poses for any student of Southeast Asia and the Far East is this: the Russian *Muzhik* registered his protest against collectivisation by striking back where he was able, namely, by sabotaging intensive farming where, as in all capital-poor countries labour greatly outweighs capital in importance of production. In the extensive agricultural grain economy, he could be, and was, replaced by machinery in a large measure. There his opposition was hardly felt.

Nevertheless, despite the considerable virgin areas of arable land and despite the fact that the Russian State initially disposed of a much more developed industrial structure than anything Southeast Asian economies can boast of, and finally despite the fact that the living standard of the Russian population was, on average higher than that of the population in our area, and the margin between subsistence and famine correspondingly wider, peasant opposition to collectivisation was such as to endanger industrial development through reducing aggregate output.

Can the weaker States of Southeast Asia force through collectivisation on a background of very low agricultural margins, of scarcity of unused arable land and, most important, of the intensive character of agriculture in the area? We shall take up these points one by one, showing the difficulties that Indonesia would be faced with were she to adopt as her own, some variant of the Russian Model.”

Notes

1. Khrushchev, p. 26.
2. Gluckstein, pp. 111-112.
3. Khrushchev, p. 7; emphasis added.

The importance attached to direct taxation of the peasant in Russia might not seem, *prima facie*, to square with the overwhelming importance of the turnover tax (a sales tax reckoned as a percentage of the commodity's price to the consumer) to the Russian budget. (It has averaged over 60 percent of receipts since 1931). However, the turnover tax which derives mainly from the sale of agricultural products (Holzman, p. 26; Cliff, pp. 43-7) conceals an indeterminate amount of direct taxation in kind of the peasantry through the below-cost procurement prices paid by the State for these products (Cliff, p. 38; Holzman, p. 23f). It is arguable that the direct tax component of the turnover tax, i.e. the part that bears on the peasantry, has grown progressively lighter losing its original preponderance in direct ratio to the growth of the urban, industrial sector. At its inception, however, it was the major component.

4. Khrushchev, p. 74.
5. Between 1928 and 1933 – the period of forced collectivisation – the population of “corrective labour” camps rose from 300,000 to about 5 million (Cliff, pp. 18-9).

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Note by John Rudge

The Table in this text appears, to me, to be incorrect although Tony Cliff uses the exact-same table in the 1964 edition of his book, Russia: A Marxist Analysis (p. 206). Either I am missing something or Cliff's plagiarism extends to copying other author's mistakes.

This text is extracted from Chapter V “Saving out of Increasing Incomes: Methods and Problems” (pp. 216-219) of Mike Kidron's unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 7 - Balanced Growth

“Productivity, Markets and Priorities

Theories of development of backward countries have this in common: backward countries are poor because productivity is low. Productivity is low because of the paucity of capital, skills, techniques etc. which, in turn, is because incomes are scarcely, if at all, above subsistence level for the majority of the population. Besides, even in those corners of the economy where the possibility for savings patently exists, there is no inducement for investing it productively – as distinct from such “malinvestments” as gold and foreign currency hoards, real estate purchases etc. (1) – as the universal poverty puts a low ceiling on market outlets. Again the nigger in the woodpile is low productivity. Both the supply of capital and the demand for capital are restricted in these capital-starved economies because of low productivity, which in its turn is a result of the paucity of capital.

Posing the problem thus presents the solution almost of itself. If capital is applied to a wide range of industries, thus synchronising increases in the level of productivity over the whole economy, a market can be generated spontaneously. Once the problem of the market is solved in this induced operation of Say's Law (that the increase in output by each furnishes a market for the increased production of all), savings and investment will be generated spontaneously and cumulatively from within the system itself.

This theory of Balanced Growth (2) envisages a harmonious rise in productivity which, being diffuse, creates its own market. It assumes then that disposable incomes rise *pari passu* with investment and that the pattern of demand created by rising consumption levels sets the pattern for investment in the various sectors of the economy. If the investment pattern is not congruent with the consumption pattern, Say's Law would not operate and the idea of balanced growth would fail, for “an increase in the production of shoes alone does not create its own demand. An increase in production over a wide range of consumables, so proportioned as to correspond with the pattern of consumers' preferences, does create its own demand” (3). Only strict observance of the dictates of consumer preferences can provide self-justifying investments to the prospective entrepreneur. In the last analysis, balanced growth through balanced investment in accordance with the pattern of consumers' demand rests, as Nurkse puts it, “on the need for a “balanced diet””.

It is to be expected that the normal course of investment envisaged by the theory of balanced growth would be a translation into time of the consumption stratification featured in Engel's Law. Indeed, most practical proposals for investment priorities follow on these lines. A tentative list of priorities for Indonesia gives the following order: investment in agriculture; rural development and cottage industries; human investments (health, teaching, training); irrigation and power; transport and communications; and lastly, heavy industries..... (jump from page 231 to page 262).

Conclusion

In sum it might be said:

The doctrine, implicit in the generalised Balanced Growth Model, of SMP [Social Marginal Product], (or the diffuse growth in productivity over the whole economy) fails to take adequate account of the structural changes implied by development and necessary to it owing to its essentially static approach, its ambiguity regarding the time factor, and its ambiguous definition of the range of application. When brought down to the level of practical implementation it tends to ignore certain real pressures which might favour an opposite development. It might be thought that population pressure and political pressure would tend to make governments favour capital intensive investments as far as is feasible within the limitations of stringent capital supply; that within these limitations a tendency would be apparent to adopt such techniques in the export sector and the utilities substructure of industry, administration and security.

Given the unstable political situation in many backward countries – and specifically in the case of Indonesia – these tendencies might well result in a further deterioration of order. There is no easy criterion of choice: abrogation of Balanced Growth might result in as much instability as its adoption.”

Notes

1. Following Joan Robinson, these might be called placements as distinct from investments (Accumulation, p. 8).
2. The “classic” presentation of the Balanced Growth doctrines are to be found in Rosenstein-Rodan’s “Problems of Industrialisation of Eastern and South Eastern Europe”, Economic Journal, June, 1943; and in Nurkse, 1953. We shall adopt a generalised Balanced Growth model incorporating those elements of each presentation which are common to the others and not subject to dispute.
3. Nurkse, p. 12.

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Note by John Rudge

In 1957 certain terms that we would now consider grossly racist and offensive were not recognised as such.

This text is extracted from Chapter VI “Investment Patterns” (pp. 229-231 and p. 262) of Mike Kidron’s unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 8 - Conclusion: The Need for International Income Transfers

“National” or “International” Analysis

The theory of Balanced Growth treats the economy of the developing country as one unit. In this it is an advance on the macro-economic analysis of the recent past. However, it tends to exaggerate the independence of this unit, to deal with the interrelationships of the national economy and the world market as limiting factors of no particular significance to the nature of development, but merely as the regulator of its speed via the balance of payments.

It is difficult to accept such an approach as realistic. We have seen reason to question the assumption of the theory on the grounds of its ignoring the real problems of Western-inspired (through public health measures) population growth, of the increasingly potent demonstration effect of Western living standards and forms of organising social protest, of the need to meet Western competition, to adopt Western-type administrative, security and public utility installations etc. It has been shown that backward countries are not backward in themselves but relatively to the problems facing them, and that these derive precisely from the impact of the developed world upon them. Indeed the nub of development might be stated thus: the tasks facing the backward countries are those normal to the developed world; the resources at their disposal are those of the under-developed world. The investment pattern derives from the industrial communities; the savings pattern from peasant villages.

This paradox, more than anything else, would tend to rule out as the paradigm for the backward world the historic pattern of development epitomised in the industrial evolution of the West or envisaged in the generalised Balanced Growth model. The juxtaposition of the “haves” and the “have-nots” in the world raises its own problems and debars a purely national analysis or solution. (1).

The importance of International Transfers

The requirements of an even, cumulative development would point to a diffuse increase in productivity throughout the entire economy. The exigencies of competition, the need to satisfy – if only in part – the increasing demands of increasing populations, etc. point to the adoption of the most productive techniques available. (The latter requirements implies greater enhanced outlays on imports of skills and capital goods than is usual for non-developing backward countries).

Given the resources available to Indonesia (both in general and in foreign currency), given the difficulties in increasing savings either voluntarily or through taxation, these two requirements seem mutually inconsistent. The country seemingly cannot command the resources to satisfy both conditions. Unless she can augment her own resources substantially with income transfers from the developing countries, one or other of these conditions might have to be jettisoned. (2).

The choice between balanced growth and unbalanced, forced development is not easy and there is no simple formula for making it. The fragile social and political equilibrium might well be shattered by forced, unbalanced, development; on the other hand it might be necessary to stave off social disruption. In either case, equilibrium might be ruined anyway.

The Consequences of Isolation

An absence of foreign aid or private capital flow does not imply an absence of the foreign impact which make such aid necessary. Population growth has been firmly incorporated into the dynamics of the area as have income comparisons and the organisation of social pressure. The level of Western technique would still set the pace in world competition and, by derivation, in the export sector and its utilities substructure. With or without foreign aid, developing economies might be forced to choose capital intensive production functions, and a “co-efficient of development” (3) heavily biased in the direction of investments in low-return utilities and heavy industry. For in the long run, an over-expansion of utilities and heavy industry in terms of current production might be justified in those of foreseeable future output.

With adequate foreign aid such a choice need not bear unduly on the consumption levels of the population, even if the returns on such investments through time are the smallest per unit of capital. Without it the postponement of consumption implied by such an investment pattern might be disastrous.

The first difficulty in the latter eventuality would be raised by inflation. Without increases in taxed agricultural output (the difficulties of which we have discussed (4)), the purchasing power generated by new employment would both push up prices and tend to divert resources from long-term development to investment of a short-term or even speculative nature. The former might well result in enhanced social unrest; the latter might put the development priorities decided upon in jeopardy.

If these priorities are to be defended in the face of consumer demand, the State might have to intervene and resort to direct controls – rationing and resource allocation – might have to abrogate consumer sovereignty completely. If the resultant social unrest is to be controlled, the State might have to adopt undemocratic, indeed totalitarian methods to impose its will. This implies both enhanced security expenditure and isolation from the currents of freedom abroad. What this implies in terms of international relations – economic autarky, militarism, etc., - is beyond our scope.

Suffice it to say in conclusion that for Indonesia the choice between this crudely sketched Russian-type development and that of the more harmonious Balanced Growth model turns on the degree of assistance which she – like many of her neighbours – receives from the developed countries of the West. Foreign aid can mean that the assumption of an SMP-rule defined in the long term can be satisfied with the need for capital intensive production functions; that accumulation can go on concurrently with rising income levels and unabrogated consumer sovereignty. Foreign aid can mean, finally, the difference between economic growth under conditions of democracy and forced development under totalitarian rule. It can influence the critical choice that is Indonesia's at this moment of writing (February, 1957)."

Notes

1. This point has been admirably developed by Myiat in "An Interpretation of Economic Backwardness", OEP Vol. VI No. 2 (June 1954) where he writes, *inter alia*, "when we adopt the approach in terms of "backward people" we are by definition making their failure in the economic struggle the centre of the problem and...this involves: a) a fundamental contrast between them (the "backward people"), and the natural resources and the economic environment of their country, and (b) a deliberate concentration of attention on their share of incomes or economic activity either within their own country or in relation to the world at large as distinct from the total volume of output or economic activity".
2. Whether the additional resources are supplied via private investment channels or through intergovernmental grants is immaterial to the analysis at this point. The current state of international investment (private) and of international grants in aid as well as a discussion of their relative merits will be found above, p.44 ff.
3. Denoting the proportions existing between investing in the various sectors of the economy.
4. See above, p. 157ff.

This text forms Chapter VII "Conclusion: The Need for International Income Transfers" (pp. 263-266) of Mike Kidron's unpublished thesis:

Kidron, Michael. 1957. Problems and patterns of development in overpopulated backward countries with special reference to Indonesia. M.Litt. University of Oxford, Faculty of Social Studies, Balliol College, 289pp.

Extract 9 - The Culture System

The “Culture System” (in Dutch “Cultuurstelsel”), sometimes called the “Cultivation System”, was enforced in Java and other parts of Indonesia by the Dutch colonial government between 1830 and 1870. Under this system, Indonesian farmers were forced to put aside part of their land and labour for growing cash crops such as sugar, coffee, indigo, tobacco and pepper, so that they could pay their land tax to the Dutch.

“Holland and Belgium emerged from the Napoleonic European Empire in completely different states of economic viability. The Dutch had lost their shipping, their trade, their colonies, to Britain. Belgium had thrived in the hot-house atmosphere of European protectionism; Liege, Ghent, Verviers and other places had become thriving industrial centres. Holland emerged with a national debt of two milliard florins in 1815; Belgium had a bare 32 million. Amalgamation of the two parts of the Netherlands in September 1815 meant that Belgium was saddled with half of the debt while Holland held the key administrative and political positions. Belgian industry vainly demanded tariff protection while new taxes – mouture and abbatage – hit Belgium harder than they did Holland. Belgium was in effect paying for the rehabilitation of Holland. No wonder that the rallying-cry of the Belgian deputies in the States-General became, towards the end of the ‘twenties, “Point de redressement de griefs, point d’argent”.

Nevertheless, these latent conflicts between Belgian and Dutch interests remained dormant as long as the opening up of the Scheldt meant the creation of new markets for Belgian textile manufacturers in the Dutch colonies. When, however, the Java war (1825-30) closed down their most important overseas market and simultaneously imposed an additional tax burden, there was no reason to oppose the overwhelming popular demand for secession. Paris showed the way with the July 1830 revolution and by the following July, Leopold was elected king of an independent Belgium.

Holland was left even more devastated economically than before. Her richest, most industrialized provinces were lost. The Java war and the war of intervention in Belgium cost the Treasury whatever credit it had had. Dutch shippers could do nothing against their British competitors who also had something to carry in their holds and who managed thus to monopolize the foreign trade of Java while the Dutch Government was footing the administrative bill. The colonial debt accumulated; colonial disorder grew daily. At length “the Governor-General was forced to mortgage all the Dutch possessions in the East to a British firm in Calcutta...”. (1).

Something had to be done to save Dutch capital from the wasting disease of British competition, to refurbish it and, at the same time, to replenish the depleted exchequer. But ruined as it was by decades of occupation, wars and revolts and faced with the insistent pressure of a vastly superior Britain – superior, that is, in terms of industrial and commercial power – the Dutch capitalist class was incapable of developing in the *ad hoc*, unplanned way of traditional capitalism. Like all relatively backward economies trying to secure a place in the economic sun, aggression had to be centrally planned while co-ordination, not competition had to rule at home. Like all relatively backward societies, economic reform had to be undertaken at the rate dictated by external pressure by coupling the economic with the political pivots of power.

Holland followed the road taken by Peter the Great and set the example for the many later exponents of industrialization through State Capitalism: Muhammad Ali in Egypt, the Meiji Restorationists in Japan, Atatürk the Etatist in Turkey, Stalinist Russia and so on. William I of Holland was the State Capitalist incarnate: “He was more than ready to do everything all at once; on the largest possible scale; and to pay out of his own pocket, if necessary. At his instigation new harbours were built, a network of canals opened; roads and streets were laid down, and later a railway; marshes were reclaimed, and new dykes constructed; engineering works, a porcelain factory and a veterinary school were called into existence by his all-embracing energy, and to finance these new projects the Netherlands Bank was built up on the ruins of the old Bank of Amsterdam”. (2).

The Dutch colonies, primarily Java, were to play a vital role in the process. The Culture System was introduced. It was, however, “only one aspect of a comprehensive plan to encourage Dutch manufacturers, banking, shipping and enterprise. Dutch firms, financed by Dutch banks, exported Dutch cotton goods in Dutch ships in exchange for tropical produce to be sold to the rest of Europe at auctions held in Amsterdam. The Government assisted manufacturers of cotton goods; the Netherlands Trading Company had a monopoly of the trade and shipping, and provided funds for the Government at home; while the Java Bank, on behalf of the Government, financed the scheme in Java. Under the Culture System the whole of Java became “one huge State enterprise” (3).

The characteristic feature of the Culture System in Java lay in the fact that the peasant “who traditionally was obliged to deliver a part of his harvest to the rulers as a tax *in natura*, was not free any longer to choose the crops to be sown and delivered. “The Government, as holder of the *dominium directum* over the soil determined, in accordance with marketing possibilities overseas and soil conditions, which crops the taxable indigenous tiller of the soil, as holder of the *dominium utile*, must render”. (4). In practice, the peasant was forced to replace rice-cultivation by coffee or indigo-cultivation, or some such crop, depending on the state of the European market.

Inevitably, as in all cases where there is a congruence of economic and political power and where the latter is completely outside the control of the people within its orbit, abuses crept in (5).

The more flagrant the abuses and the greater the opposition to the regime the more the native administration (in which the key positions were held by Indonesian regents) was raised above indigenous society, and made to rest on the colonial government for proof of the legitimacy instead of on the local population as it had done previously (6). This derivation of authority from above instead of from below became a feature of village administration as well.

In spite of the ravages made by the Culture System in Indonesia itself – and of this Furnivall states that it led to “a succession of famines between 1843 and 1848” which “caused such distress that in one regency the population fell from 336,000 to 120,000 and in another from 89,500 to 9,000 (7) – it rained nothing but blessings on the Dutch economy and on the government of the Netherlands. “By 1877 the colony had poured about 832 million guilders into the coffers of the Netherlands Treasury” of which 236 million went on amortization of public debt, 153 million on the construction of railways, 155 million on tax reductions and 146 million on military and other public works (8). Java had become the monopoly market of a nascent and protected Dutch textile industry served by subsidized Dutch shipping. Amsterdam had once again become a world centre for tropical products. In fact, State protection for private industry and commerce had been so beneficial that its wards had become impatient with the constraints imposed upon them and set about destroying the Culture System. Dutch Liberalism had arrived and jumped headlong into the stream of free trade.

Private capital now demanded a free hand in Indonesia. Direct profits appeared more attractive than derived ones (9). More money was retained in Indonesia herself and spent on administration and the creation of utility capital to serve the needs of the rapidly growing stream of Dutch investments in the country. After the *batig slot* (the net export surplus appropriated by the Dutch exchequer) had built railways, irrigation works and the dykes of Holland, it was now partly diverted to Indonesia for the same purpose – to build the “external economies” needed by Dutch private capital. It is not surprising, therefore, that the pioneer planters of Deli were also the pioneers in the campaign to abolish the favourable balance or net-profit policy. (10).

As soon as private capital found itself capable of taking over the exploitation of Indonesia the State was relegated once more to the position of handmaiden accompanied by a tirade of vituperation against the autocratic dictatorship it had exercised over the indigenous population until then. The Ethical Policy was ushered in on a high note of moral sentiment. But, “These moral conceptions (regarding obligations to colonial peoples) are related to the material possibilities, especially to those which the most powerful group regards as its primary interests. What was most important to the invested capital which was

increasing rapidly, was peace, order and juridical guarantees which meant better administration, better police, and better jurisprudence, and for these the money which had previously gone to Holland was required in the Indies themselves. The more capital invested, the greater the development necessary in the equipment of the administration of the country.” (11).

The Culture System shows us the importance of State action in forcing economic development (whether in the Netherlands or Indonesia), it shows the importance of international pressure – in the form of commercial competition – in precipitating State action, it shows that the peculiar form of State Capitalism is adopted or rejected in accordance with the relative backwardness of the economy undergoing development.”

Notes

1. Furnivall, Colonial Policy, p. 221.
2. Furnivall, Netherlands India, p. 83.
3. Furnivall, Colonial Policy, p. 222.
4. Goedhart, pp. 3,4.
5. “The condition that only one-fifth of the rice fields of a *dessa* might be used for the cultivation of crops for the government was never observed. One-third, one-half and even the whole of these irrigated fields were used for that purpose....Instead of 66 days per year, which originally was the normal period, the interests of certain government cultures was often necessitated those liable to service working 240 days or more...Another evil was the placing of all responsibility on the Javanese farmers, not only for crop failure but also for all natural and economic factors which adversely influenced the financial results”. (G.H. van de Kolff in Schrieke, 1929).
6. “In order to win the regents for his plan Van den Bosch (originator of the Culture System – MK) not only promised them a percentage of the crops (but) consciously deemed it necessary to increase their influence and strengthen their position in native society by sanctioning the inheritance of office and bestowing official plots of land”. (Gonggrijp, 1949 p. 124).
7. Furnivall, Netherlands India, p. 138.
8. Bousquet, p. 46.
9. “The constitutional revision of 1848 gave the bourgeoisie control of the Government. After this date the idea that greater profits would flow to the Netherlands by means of private exploitation rapidly gained ground. A colony in which free labour flourished, it was thought, would also be a better market for goods. Improvement of the Netherland Government finances made the abolition of forced cultures easier, after the unprofitable ones had already been discarded. The net-profit system was never explicitly abandoned; the surpluses merely withered away through increasing expenditure of the East Indian Government”. (Vandenbosch, 1944 p. 62).
10. “Planters wanted schools for their children and subordinates, medical attention for their families and their coolies, irrigation for their fields, and railways for their produce; only the State could undertake such projects, and private interest demanded the expenditure of public funds on them to the prejudice of the *batig slot*. The tobacco planters in particular wanted to extend their cultivation on the borders of Achin, but depended on the State for protection against the Achinese”. (Furnivall, 1944 p. 75).
11. Middendorp in Schrieke, 1929.

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Note by John Rudge

The 2-sentence italicised preamble has been inserted by myself for context on the Culture System.

This text forms "Appendix A The Culture System" (pp. 267-272) of Mike Kidron's unpublished thesis:

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